

The Rise of Greek

■ A Deep Dive into Greek Yogurt

In this report, we take a deep dive look into the Greek yogurt segment and its implications for companies such as General Mills. The report includes proprietary and detailed analysis of the Greek yogurt segment, including in-store selling dynamics, consumption by demographic group, and attitudes about Greek yogurt.

■ Greek Yogurt—The Fastest Growth Segment Ever?

Greek yogurt brands such as Chobani and Fage have captured market share more quickly than almost any segment in a major food category ever (13 points in the last 3 years). To put this in perspective, this is more than energy drinks have captured of carbonated soft drinks in the last 6 years. Sales growth continues to be over 100%, and Greek brands are driving the vast majority of yogurt category growth, with the velocity of Greek yogurt suggesting ongoing share gains ahead.

■ Who and Why?

Consumer data suggests that the wealthy and educated consumers—often female—are switching to Greek yogurt. These consumers seek out Greek yogurt for health qualities (high protein, low fat, natural) and because it is more filling. Greek yogurt is convincing consumers that yogurt can be a healthy and convenient meal option.

■ Implications

Time will tell if newly General Mills' reformulated Yoplait Greek will slow market share losses. Our worry is that market share losses will turn into sales declines as Greek brands gain scale. Additionally, ongoing Greek yogurt strength may ultimately have negative implications for other breakfast meal options like cereal.

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Key Points

- (1) **The Greek yogurt segment is now driving the vast majority of yogurt growth as the yogurt category has accelerated its share gains of total breakfast and meal occasions.** In 2008, overall yogurt category sales were dominated by traditional (non-Greek) yogurt, which represented 98% of category sales. Since that time Greek yogurt sales have increased at a 130% CAGR and now represents 19% of the overall yogurt category. To put this in perspective, in the latest 52 weeks ending 2/19/11, overall yogurt category sales have increased 12% YOY, of which 85% was driven by a 146% increase in Greek yogurt sales, while a 2% increase in traditional yogurt sales accounted for only 15% of category growth.
- (2) **Chobani and Fage are driving most of Greek yogurt growth—not Dannon (Group Danone) or Yoplait (General Mills).** Although major yogurt producers such as General Mills (Buy Rated; \$41 PT) and Danone (Buy Rated; €50 PT, UBS Analyst: Alan Erskine) have Greek yogurt offerings, the clear beneficiaries of the rising popularity of Greek yogurt are the two major Greek yogurt producers in the US—Chobani and Fage. Chobani, in particular, has become a game changing force in the last few years, drastically altering the competitive landscape by successfully capturing 48% of the Greek yogurt segment, and 9% of the overall yogurt category in just over three years. Together, Chobani and Fage represent 13% of overall yogurt sales and almost 70% of yogurt category growth.
- (3) **Deeper analysis of regional and sell-through data suggests that Greek brands have sustainable growth.** Our analysis of Nielsen data strongly suggests that Greek yogurt has sustainable growth ahead from increasing shelf space at retail, geographic expansion (especially beyond the northeast US), and increased in-store promotion activity. Chobani and Fage already have captured a combined 22% share of northeast market share (vs. General Mills' 23% share) and may be able to replicate this success in other regions (where market share is only 9%). Our in-depth analysis of Greek yogurt “velocity” suggest that Greek brands like Chobani and Fage have over 50% higher sales per point of distribution than traditional yogurt—and this velocity is not slowing in spite of distribution gains. This implies that market share gains are sustainable. General Mills and Danone may find it hard to capture a greater share of the Greek segment unless new Greek efforts prove significantly more compelling than past efforts.
- (4) **Consumer segmentation analysis suggests that high-end consumers—often female—are driving the growth of Greek yogurt.** Consumer data from The NPD Group shows that high end consumers are moving Greek yogurt. These consumers are willing to pay more—almost double conventional yogurt—for the attributes of Greek brands. We believe the loss of the best potential consumers is a concerning development for General Mills and Danone.
- (5) **It is more than just protein.** Consumer surveys by The NPD Group show that Greek yogurt consumers are finding Greek varieties more filling—and that this reason ranks above “better for you” reasons. We believe that traditional yogurt has increasingly been relegated to a snack or side dish at

during breakfast. Greek yogurt is more filling and often comes in larger 32 ounce size—allowing portion-size flexibility.

- (6) **We believe General Mills will need to figure out how they will participate in the growth of Greek yogurt before market share losses start translating into sales declines.** So far, General Mills has continued to reach new record sales—even with the rise of Chobani. Eventually, we worry that Chobani’s share gains may come increasingly at the expense of Yoplait—which accounts for ~10% of General Mills’ revenues and 13% of revenue growth (2006-2010). This could occur as Chobani increases its distribution across the US, and starts to promote more heavily.
- (7) **For Group Danone, market share trends have been better in the last year—largely as a result of Activia, its yogurt with probiotics.** Going forward, Danone will need to determine if Activia and its current Greek offering will be enough to maintain market share.
- (8) **If Greek yogurt continues its multi-year run, its growth may start to impact other categories such as cereal.** This is particularly true since Greek yogurt is being consumed more often as a meal than traditional yogurt. (See Appendix)

Introduction

The pace of share gains of the Greek yogurt segment is virtually unprecedented in at-home food. Greek yogurt has grabbed 13 percentage points of market share in the last three years, and eight percentage points of market share in the last year alone. As a point of comparison, energy drinks needed six years to gain 13 points of share, and never had market share gains of over three percentage points in any given year.

During the last three years, Greek yogurt has evolved from relative obscurity (and 1% market share) to the segment driving the vast majority of category growth. We believe the growth and momentum of Greek yogurt brands has significant implications to the balance of power within the yogurt category—and among breakfast foods overall.

The magnitude of this phenomenon is most evident in the rapidly evolving market share dynamics of the yogurt category.

Table 1: Greek Yogurt Market Share Gains YOY

	2008	2009	2010	2011 YTD
Greek	2pp	3pp	8pp	4pp
Danone	0pp	1pp	1pp	0pp
General Mills	0pp	0pp	1pp	0pp
Chobani	0pp	2pp	4pp	3pp
Fage	1pp	0pp	1pp	0pp

Source: The Nielsen Company, UBS; Measured Channels

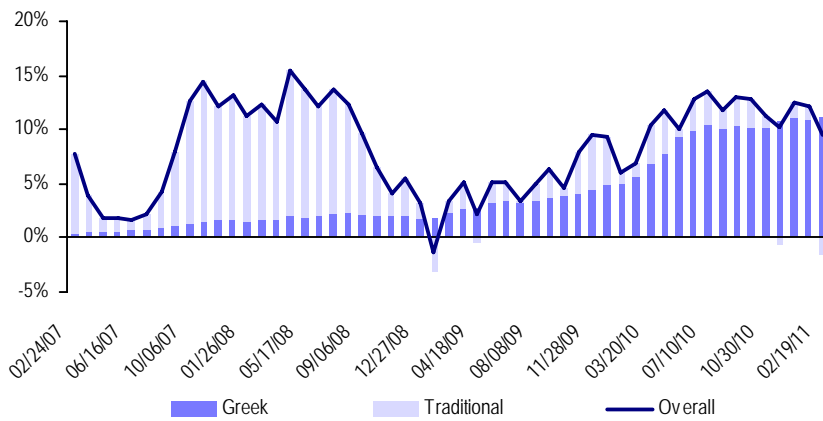
Table 2: Annual Sales Growth

	2008	2009	2010	2009-2010 CAGR
Greek	142%	113%	150%	130%
Danone	581%	219%	129%	170%
General Mills	N/A	N/A	N/A	N/A
Chobani	2812%	396%	231%	305%
Fage	81%	30%	57%	43%

Source: The Nielsen Company, UBS; Measured Channels

The Greek yogurt segment has grown over 100% per year over the last three years

Chart 1: Yogurt Sales Growth with Contribution from Traditional and Greek Growth



Greek yogurt now represents 19% of the yogurt category and is responsible for a lion's share of overall yogurt category growth

Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

Chart 2: Greek Yogurt as a % of Total Yogurt Category

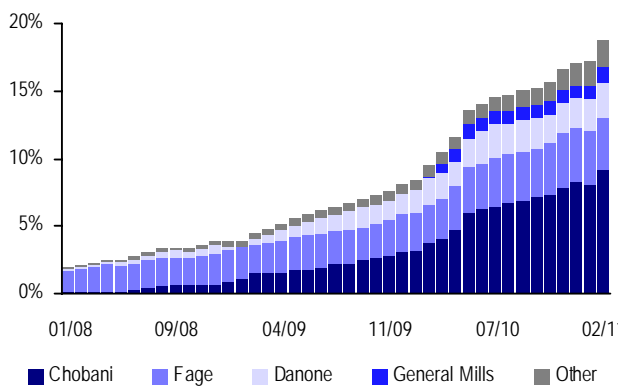
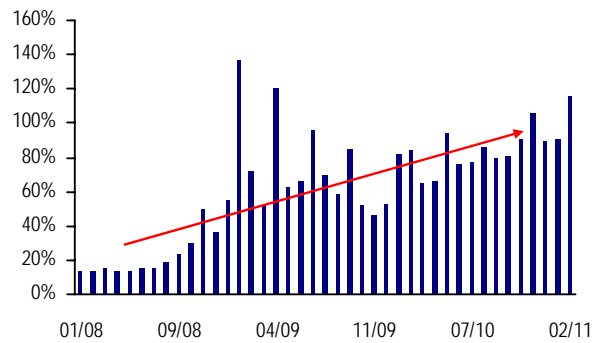


Chart 3: Greek Yogurt's Contribution to Category Growth



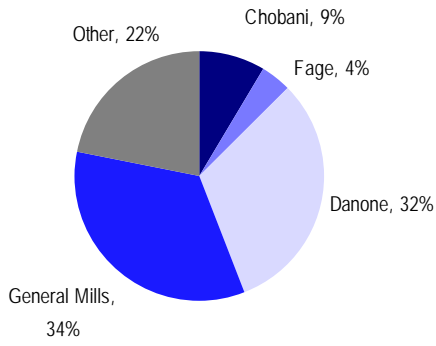
Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

Chobani and Fage are Driving Yogurt Growth

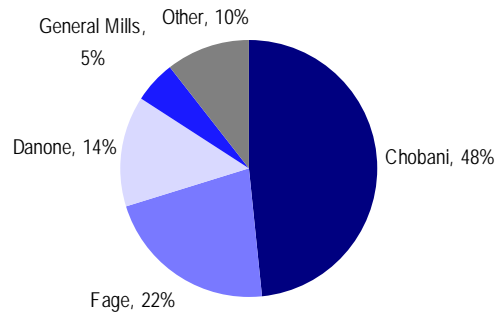
Although major yogurt producers such as General Mills and Danone have Greek yogurt offerings, the clear beneficiaries of the rising popularity of Greek yogurt are the two major Greek yogurt producers—Chobani and Fage. Fage, considered the Greek yogurt industry pioneer (since 1998), offers a premium branded Greek yogurt that currently holds a 22% share of the Greek market and a 4% share of the yogurt category. Meanwhile, Chobani—a more recent entrant in the Greek yogurt space (2007)—has become a game changing force, drastically altering the competitive landscape by successfully capturing 48% of the Greek yogurt segment, and 9% of the overall yogurt category in just over 3 years. More impressively, Chobani continues its rapid expansion and currently accounts for over 50% of overall yogurt category growth. Together, Chobani and Fage represent 13% of overall yogurt sales and almost 70% of yogurt category growth.

Chart 4: Yogurt Category Share



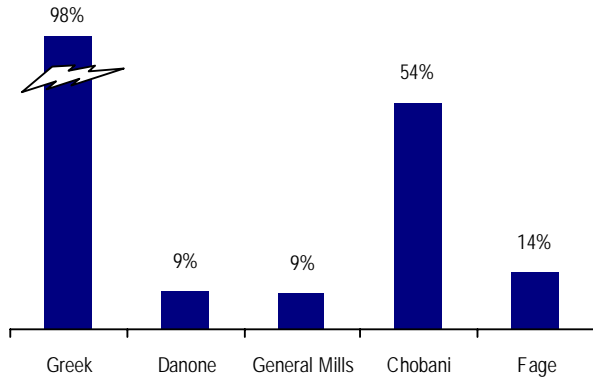
Source: The Nielsen Company, UBS; Measured Channels, Latest 12 Weeks

Chart 5: Greek Yogurt Segment Market Share



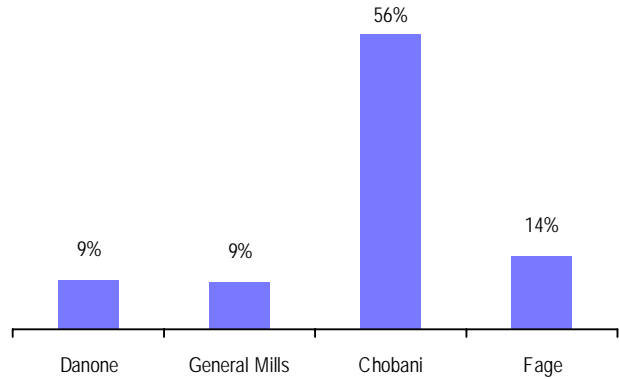
Source: The Nielsen Company, UBS; Measured Channels, Latest 12 Weeks

Chart 6: Contribution to Yogurt Category Growth



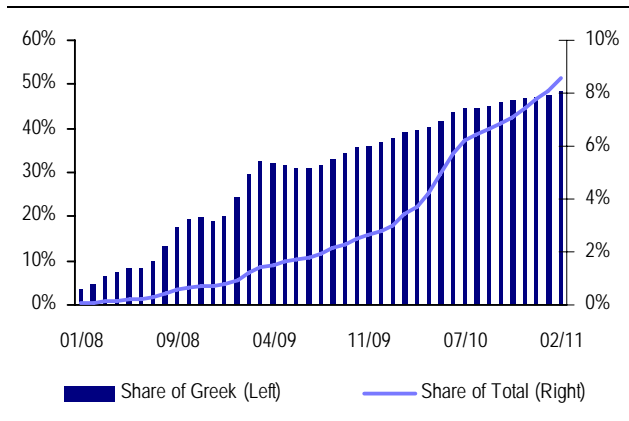
Source: The Nielsen Company, UBS; Measured Channels, Latest 12 Weeks

Chart 7: Contribution to Greek Yogurt Category Growth



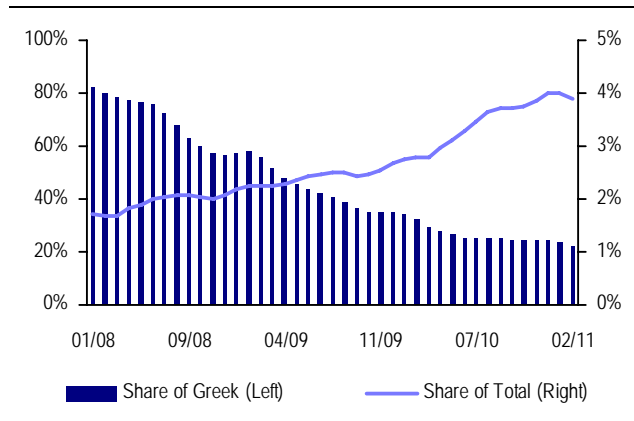
Source: The Nielsen Company, UBS; Measured Channels, Latest 12 Weeks

Chart 8: Chobani Market Share Trends



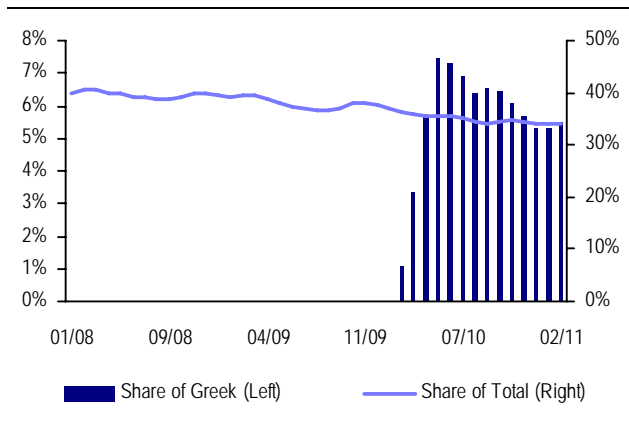
Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

Chart 9: Fage Market Share Trends



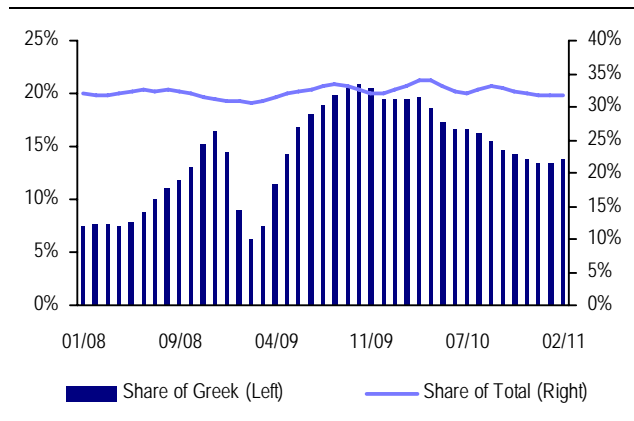
Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

Chart 10: General Mills Market Share Trends



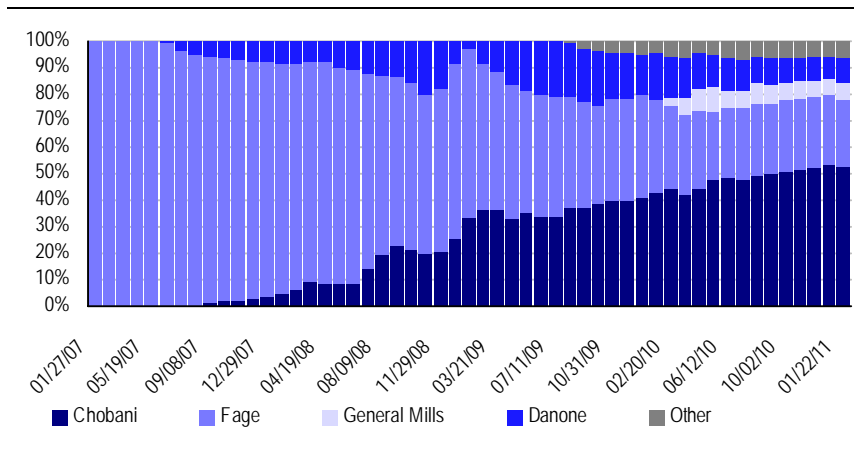
Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

Chart 11: Danone Market Share Trends



Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

Chart 12: Greek Yogurt Market Share Trends (4 Week Ending Periods)



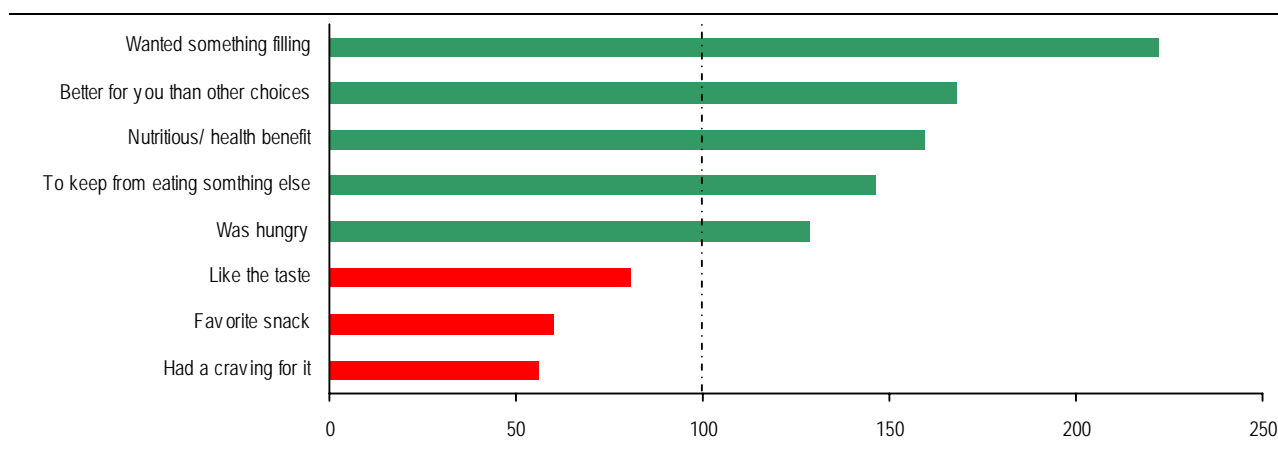
Source: The Nielsen company, UBS; Measured Channels

Chobani has steadily taken control of the Greek yogurt segment, while General Mills and Danone have been unsuccessful in meaningfully gaining share

Why Are People Going Greek?

Our analysis of the Greek yogurt segment and consumption motivation seems to indicate that consumers are looking to Greek yogurt as a convenient, filling and healthy meal. In order to understand the drivers of Greek yogurt's rising popularity we have conducted a proprietary analysis in conjunction with the NPD group which includes a deep dive into Greek yogurt consumer demographics, eating occasions, and motivations for Greek yogurt consumption. Below we provide a comprehensive list of traits that may be linked to the recent surge in Greek yogurt's popularity.

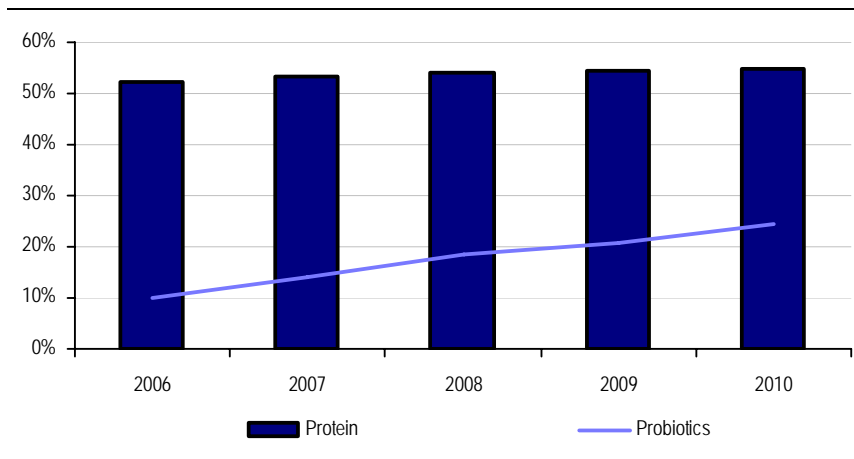
Chart 13: Greek Yogurt—Best Reason for Consumption (Indexed to Traditional Yogurt; >100 = More of a Motivator)



Source: The NPD Group, UBS

- (1) **Nutrition and health:** According to NPD data, “nutrition/health benefits” is the main motivation for both traditional and Greek yogurt consumption. However Greek yogurt consumers tend to emphasize the importance of health benefits more than traditional consumers as is evidenced by the higher relative importance of the characteristic. Additionally, more Greek yogurt consumers cited “Better for you than other choices” as a motivator for Greek yogurt consumption.
- (2) **High protein and no fat:** Greek yogurt offers twice the protein of traditional yogurts with no fat and relatively low calories. These nutritional properties bode well for Greek yogurt consumption as the percentage of adults indicating an interest in adding more protein and probiotics to their diets has increased steadily over the last five years. We believe that increased protein content and probiotics (and low fat) are properties that cater to the aforementioned healthier eating aspirations, and are helping to drive Greek yogurt growth.

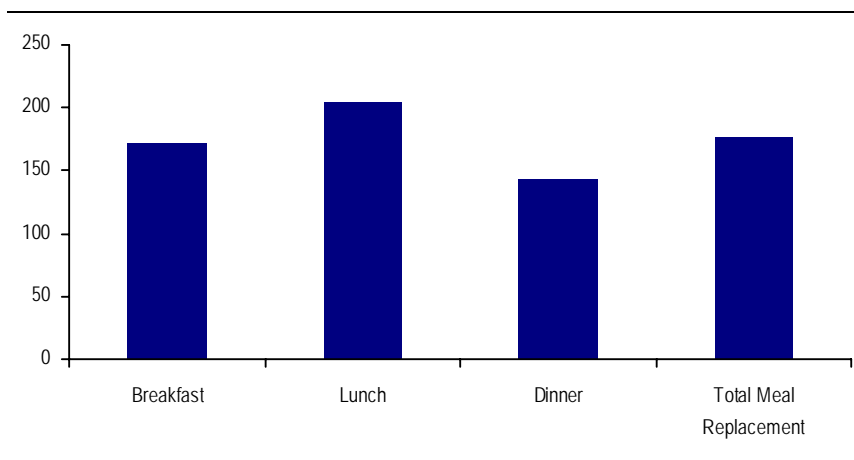
Chart 14: Percentage of Adults Seeking More Protein and Probiotics in Their Diets



Source: The NPD Group, UBS

- (3) **More filling:** Greek yogurt is specially strained to create a creamier yogurt with higher protein content, which seems to be more filling than traditional yogurt. Indeed, more than twice as many people consumed Greek yogurt because they “wanted something filling”, and to a lesser degree, Greek yogurt was more likely to be consumed than traditional yogurt “to keep from consuming something else”.
- (4) **Meal Replacement:** Given its satiating quality, it is no surprise that Greek yogurt is more likely than traditional yogurt to be consumed as a meal replacement. In fact, our data suggest that Greek yogurt is 76% more likely to be consumed as a meal replacement than traditional yogurt. Although breakfast remains the number one meal in which both traditional and Greek yogurt is consumed as a meal replacement, Greek yogurt consumption as a meal replacement has seen the greatest day-part increase at lunch.

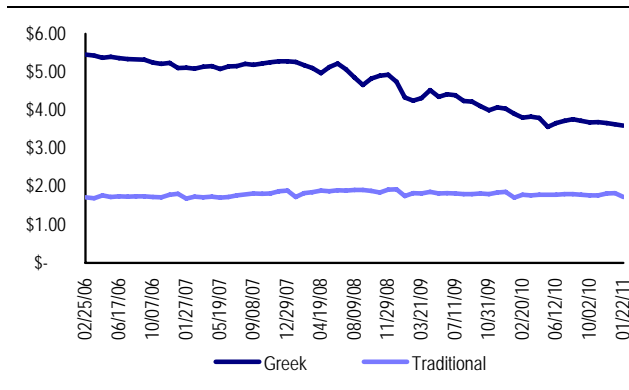
Chart 15: Greek Yogurt Consumption as a Meal Replacement (Indexed to Traditional)



Source: The NPD Group, UBS

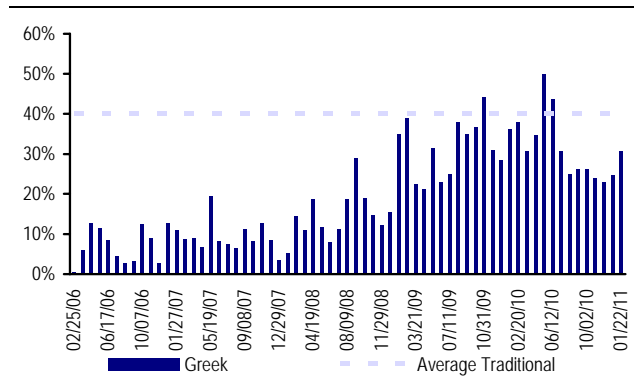
- (5) **Not Taste:** While health and nutrition benefits top the list of reasons why people consume Greek yogurt, taste is surprisingly not an important motivator. If Greek yogurt’s rising popularity is mainly health/nutrition related, we wonder how Greek yogurt producers will respond to create better tasting yogurt—which could ultimately lead to further category growth.
- (6) **Not price:** Although Greek yogurt prices are declining, Greek yogurt still commands a 90% premium to traditional yogurt and is promoted less frequently. Greek yogurts current skew towards higher income consumers affords this price premium. Yet over time, we would continue to expect Greek yogurt prices to decline as competition intensifies and consumption broadens to the middle and lower income consumers.

Chart 16: Yogurt Price per 16 oz



Source: The Nielsen Company, UBS

Chart 17: % Volumes Sold on Promotion



Source: The Nielsen Company, UBS

Who is Eating Greek?

Greek yogurt seems to be getting its growth from increasing popularity among upper-income, highly educated women—a desirable group of consumers. This core group of consumers has seemingly been in a better spending mood for several years, driving solid sales growth at such consumer companies as Whole Foods, LuLu Lemon, Starbucks and Panera Bread. This group of consumers has sought out and willingly paid more for better ingredients. It is concerning to us that Yoplait seems to have lost some of its best consumers to brands such as Chobani. Only time will tell if the newly reformulated Yoplait Greek can help slow market share losses and help Yoplait retain high income consumers.

Greek for Kids—A Potential Opportunity Long-Term

While women continue to drive yogurt category consumption, the Greek yogurt market for children remains highly underdeveloped. Children simply do not consume as much Greek yogurt as they do traditional (Children account for 10% of Greek and 35% of traditional yogurt consumption). If mothers (or future mothers) are already consuming Greek yogurt, this may open the door to the kids market down the road. Ultimately, whatever company introduces Greek varieties for kids will likely need to focus hard on taste, introduce fun packaging and/or use tie-ins with cartoon characters.

Table 3: Greek Yogurt Demographic Profile (Indexed to Traditional Yogurt Consumption; 100% = Equal to Traditional)

	% of Eatings Indexed to Traditional Yogurt		% of Eatings Indexed to Traditional Yogurt
Individuals		Adult Panelist Education	
Children (2-17)	19	Some College/University and Below	77
Adults (18+)	144	College/University Graduate	117
Adult Males (18+)	126	Post College/University Grad	207
Adult Females (18+)	155		
		Household Income	
Lifecycles		Under \$75000	58
Families	61	\$75000 - \$99999	131
Non-Family	145	\$100000+	183
		Household Size	
Age/Presence of Children		1 Member	143
None	147	2 Members	149
Any	62	More than 2 Members	74

Source: The NPD Group, UBS

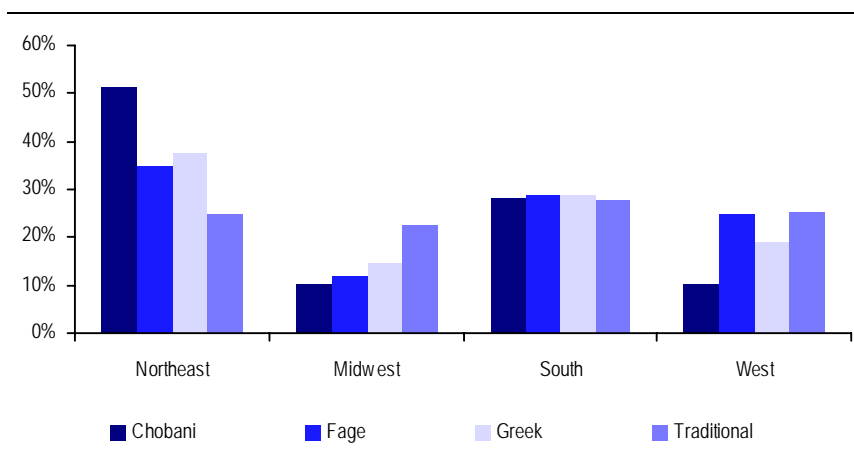
Runway for Greek Growth Remains

Our analysis of Nielsen data strongly suggests that Greek yogurt has sustainable growth ahead from increasing shelf space at retail, geographic expansion (especially beyond the northeast US), and increased in-store promotion activity. Our in-depth analysis of Greek yogurt “velocity”, shelf space and geographic coverage suggest that Greek brands like Chobani and Fage stand to benefit the most from the growth potential. General Mills and Danone may find it hard to capture a greater share of the Greek segment unless new Greek efforts prove compelling to consumers.

Relatively Low Shelf Space and Distribution

At the most basic level, a look at sales, distribution—measured by All Commodity Volume (ACV)—and average number of products on the shelf seems to indicate that distribution gains have yet to play out. According to measured channel data, Greek yogurt distribution lags overall yogurt distribution by 24 percentage points. Meanwhile a regional analysis of the average number of Greek yogurt products on shelves per store shows an average of eight more Greek yogurt products on shelves in the northeast compared to other US regions.

Chart 18: Regional Sales as % of Total Sales



Traditional yogurt sales are fairly evenly split across regions. If Greek yogurt can replicate this distribution, the Midwest and Western regions are poised for significant growth.

Source: The Nielsen Company, UBS; Measured Channels, 14 Weeks Ending 2/19/11

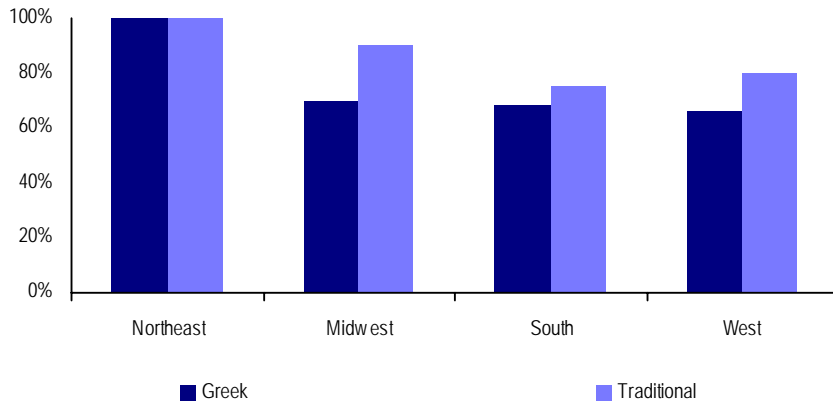
Table 4: Measured Channel Yogurt Distribution (4 Weeks Ending 2/19/11)

	Yogurt Distribution (% Max ACV)				General Mills (Greek)	Danone (Greek)
	Overall Yogurt	Greek	Chobani	Fage		
Northeast	84%	68%	68%	60%	46%	51%
Midwest	84%	54%	49%	44%	54%	43%
South	84%	48%	48%	42%	41%	33%
West	93%	56%	49%	56%	44%	28%
Total US	86%	52%	52%	49%	45%	34%

Greek yogurt’s 52% ACV (compared to 86% for the overall category) implies significant distribution expansion capacity

Source: The Nielsen Company, UBS

Chart 19: Average Number of Yogurt Products on Shelves (Indexed to Northeast)



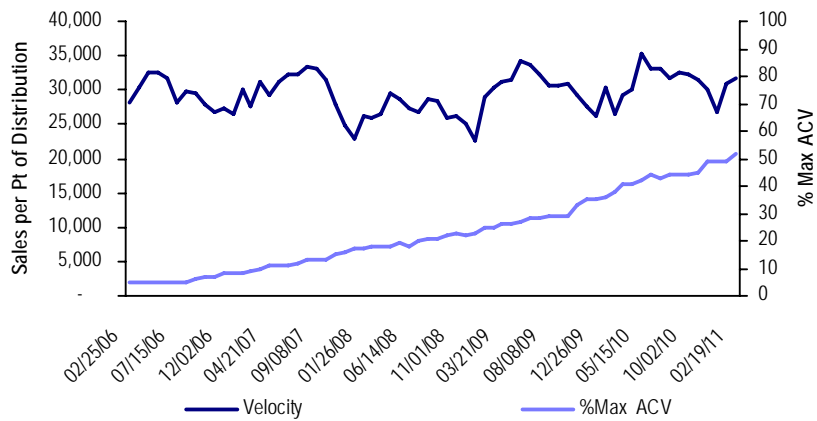
A comparison of the regional average products per shelf for Greek and traditional yogurt implies potential expansion for Greek yogurt outside of the Northeast

Source: The Nielsen Company, UBS: Measured Channel, 4 Weeks Ending 2/19/11

High Velocity—A Good Argument for Increasing Shelf Space

Product distribution gains can come in the form of increased shelf space allotments and distribution expansion—both of which are at the discretion of retailers. One key metric used by retailers in the decision making process is sales velocity—or the average total sales for each point of distribution (SPPD)—which is an index illustrating the marginal gains or losses in sales based on changes in distribution. If the velocity of a product is increasing relative to that of similar products, retailers will generally allocate more shelf space to the higher velocity product while also potentially increasing distribution. Put in another way, the points of distribution (i.e. shelf space) of a product will generally continue to grow until velocity returns to normalized levels. The following chart highlights Greek yogurt distribution (Max % ACV) and velocity (SPPD). The fact that velocity maintains flat trends despite sizeable distribution gains demonstrates the opportunity for further distribution gains leading to a linear correlating increase in Greek yogurt sales.

Chart 20: Greek Yogurt Velocity vs. Distribution

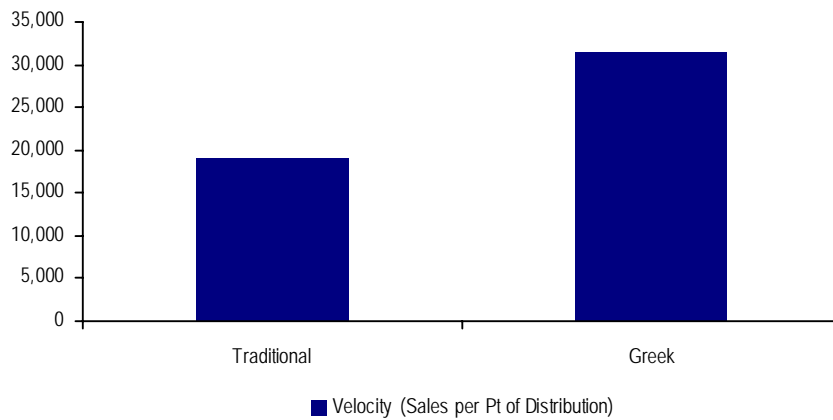


Sales per point of distribution (a.k.a. sales velocity) has not slowed for Greek yogurt—even after rapid gains in distribution

Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

Furthermore, Greek yogurt category velocity continues to outpace that of traditional yogurt. This is a compelling reason for retailers to increase Greek yogurt distribution (potentially at the expense of traditional yogurt) and is further evidence that the category will most likely continue to gain shelf space and distribution.

Chart 21: Yogurt Velocity (52 Weeks Ending 2/19/11)



Greek yogurt continues to have relatively strong sales velocity—which augurs well for continued shelf space gains

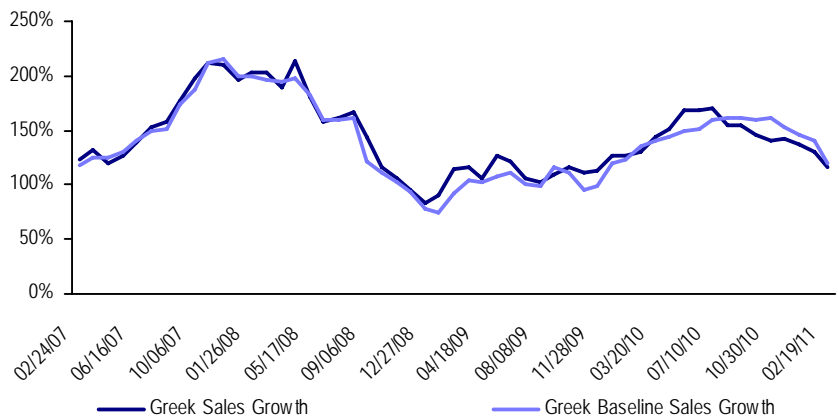
Source: The Nielsen Company, UBS; Measured Channels

Strong Base Trends

Our analysis shows that Greek yogurt’s growth has come with limited contribution from increased promotions:

- Measured channel baseline sales:** Baseline sales—a measure of theoretical non-promoted sales—comprise 90% of total Greek yogurt sales. This figure is three percentage points higher than that of traditional yogurt, which may indicate stronger consumer pull. Furthermore, Greek yogurt category baseline sales growth has largely trended in line with actual sales growth, suggesting that promotional activity has been a relatively minor factor in driving recent Greek yogurt sales.

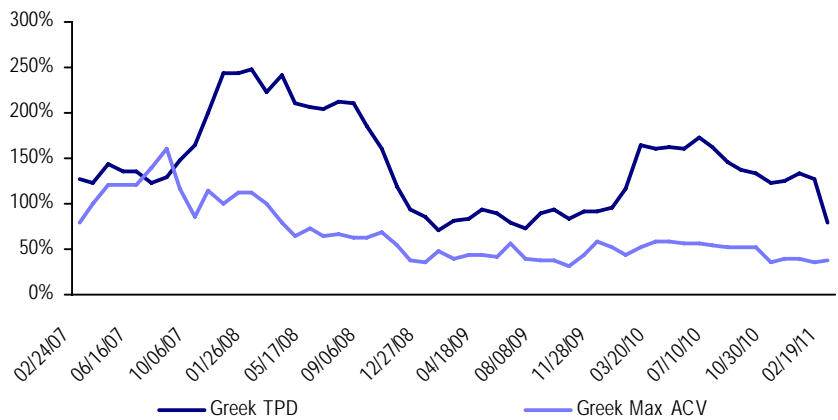
Chart 22: Greek Yogurt Actual and Baseline Sales Trend Comparison



Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

- Shelf space versus distribution:** Shelf space—as measured by changes in total points of distribution (TPD)—is growing faster than distribution (measured by % max ACV). This trend generally coincides with organic growth as it suggests that increasing shelf space allocation is playing a larger roll than distribution expansion in driving category sales.

Chart 23: Greek Yogurt Shelf Space Growth (TPD) vs. Distribution Growth (% Max ACV)



Source: The Nielsen Company, UBS

Chobani and Fage Seem to be Best Positioned

The competitive dynamics of the category suggests that based on a combination of strong top line growth and best in class distribution momentum, Chobani—and to a lesser extent Fage—are best positioned to be the main beneficiaries of further Greek yogurt expansion. There are several factors that lead us to believe that Chobani will continue to drive solid top line growth, including industry leading sales momentum and strong consumer pull as indicated by robust growth despite a lack of promotional activity (See Table 5).

However we continue to believe that velocity will be the major determinant of distribution and ultimately growth potential. In the context of the individual Greek yogurt players, both Chobani and Fage generate more SPPD than any

other major producer, with Chobani in particular more than doubling the SPPD of both General Mills and Danone. Furthermore, both Chobani and Fage continue to have high SPPD despite rapid distribution (% Max ACV) expansion, which implies robust demand for their Greek yogurt products. In our view, retailers are most likely keenly aware of this dynamic and will therefore continue to prefer expanding shelving and distribution for Chobani, with Fage becoming the secondary beneficiary of the rising popularity of Greek yogurt.

Table 5: Greek Yogurt Competitive Landscape

	Traditional	Greek	Danone (Greek)	General Mills (Greek)	Chobani	Fage
Sales Growth (YOY)	2%	146%	98%	4872%	220%	60%
Average Price (16 oz)	1.66	3.44	4.44	2.86	3.26	4.60
Temporary Price Reduction as % of Sales	19%	18%	13%	15%	13%	28%
Depth of Discount	15%	14%	22%	12%	8%	17%
Feature Only as % of Sales	15%	7%	4%	27%	8%	4%
Velocity (SPPD)	18,951	31,384	19,515	16,063	50,755	30,868
Distribution (%MAX ACV)	81	52	34	47	52	49
Shelf Space Growth	2%	134%	110%	1474%	166%	63%

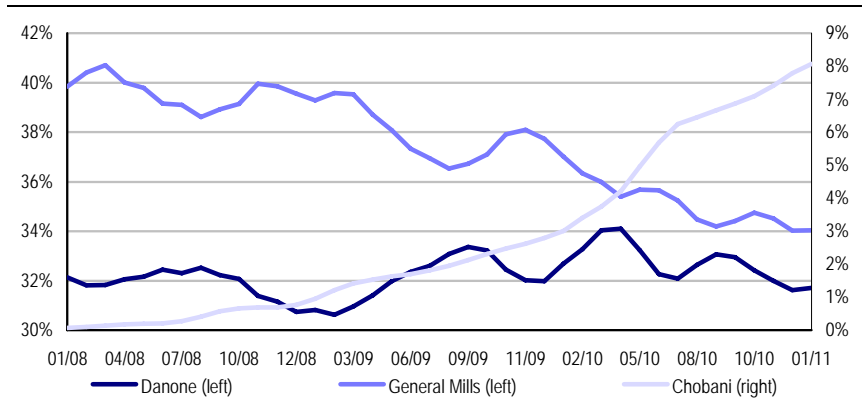
Source: The Nielsen Company, UBS; Measured Channel, 52 Weeks Ending 2/19/11

What Greek Means for General Mills

General Mills’ yogurt business continues to grow and Yoplait now represents 10% of the company’s overall revenues. More importantly, Yoplait has represented 13% of revenue growth over the last 5 years, with greater contribution (34% and 17% in 2010 and 2009 respectively). However we are increasingly concerned that share losses to Chobani could begin to mean sales decline at Yoplait. The rise of Greek yogurt—and Chobani in particular—has significantly altered the competitive landscape of the yogurt category. Three years ago, General Mills held a 41% share of the yogurt category. Today, overall yogurt category growth has become more dependent on Greek yogurt and as a result, General Mills’ share has steadily declined 7pp to 34%. In the northeast US, where Greek yogurt has its largest presence, Chobani and Fage combine to equal 22% share—not far from General Mills’ 23% share.

While General Mills’ recent reformulation and re-launch of Yoplait Greek may help augment Yoplait’s overall yogurt sales growth, we still wonder if market share losses will stop any time soon. We will be watching to see if share losses continue, with the concern that share losses will turn into sales declines. As we note in the above section (“A Runway for Greek Growth”) Chobani’s momentum seems sustainable, with shelf space and distribution gains likely in the months and years ahead.

Chart 24: Total Yogurt Market Share Changes between 1/24/09 – 1/22/11



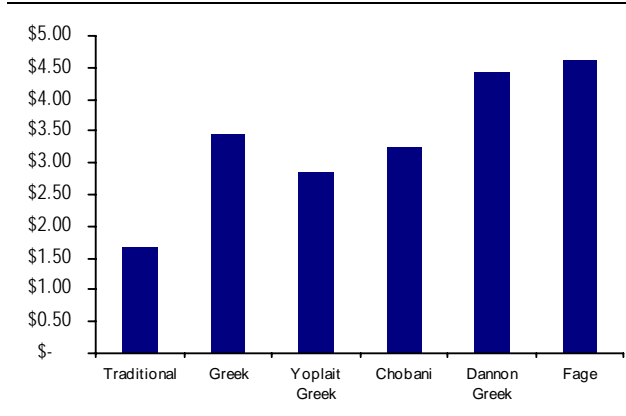
Source: The Nielsen Company, UBS

Yoplait Greek

General Mills first introduced Yoplait Greek in January of 2010, employing an aggressive entry strategy—investing heavily in feature promotions (24% of sales versus 8% category average), undercutting Chobani by ~10%, and leveraging its massive distribution network to gain broad distribution—which resulted in a 6% share of the Greek yogurt market in one year. However Yoplait Greek’s growth—representing 10% of Greek category growth during the 52 weeks ending 2/19/11—has been disappointing given rapid category expansion and the size of the Yoplait trademark.

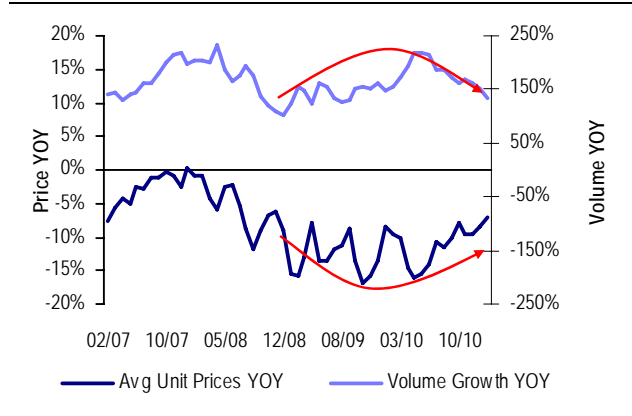
■ **Price:** General Mills seems to have decided to compete on price to grow its Yoplait Greek platform—a tactic that has had limited success so far. The company currently offers the lowest priced alternative of the four major players in the category, selling for a 12% discount to Chobani and over a 35% discount to Fage and Danone. The data shows that both Danone and Fage have either increased price reductions or increased the depth of price reductions, while both Chobani and General Mills are relying less on price promotions. This would seem to indicate that lower price points may be successfully driving volume.

Chart 25: Average Greek Yogurt Prices (16 oz)



Source: The Nielsen Company, UBS, Measured Channels, 52 Weeks Ending 2/19/11

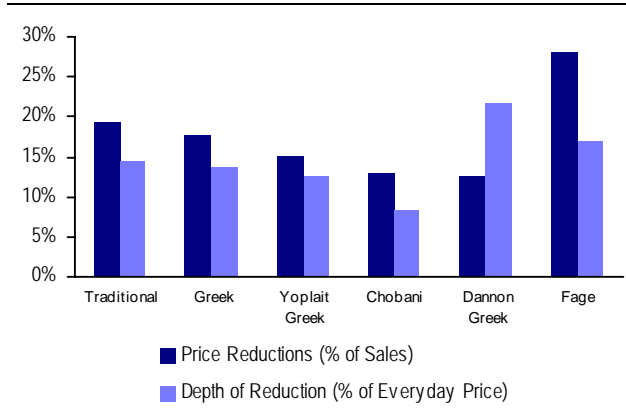
Chart 26: Greek Yogurt Segment Price vs. Volumes



Source: The Nielsen Company, UBS, Measured Channels, 52 Weeks Ending 2/19/11

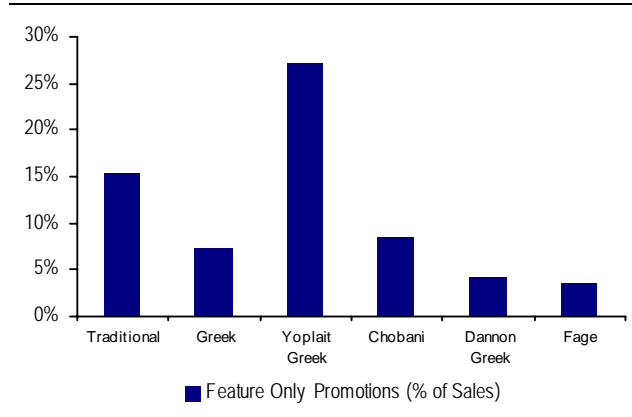
■ **Promotions:** General Mills has taken a more promotional stance relative to other Greek yogurt producers. While Mills’ price promotion tactics are roughly in line with industry trends, it is clear that General Mills is the promotional leader in the category with the company opting to augment price discounting with above average feature only promotions. In general features are considered to be a healthier form of promotional activity. However in this case, the efficacy of General Mills’ efforts are questionable considering low velocity and continued disproportionate gains by competitors despite a relative lack of category feature activity.

Chart 27: Percentage of Sales Sold with Price Reduction



Source: The Nielsen Company, UBS, Measured Channels, 52 Weeks Ending 2/19/11

Chart 28: Percentage of Sales Sold with a Feature Promotion

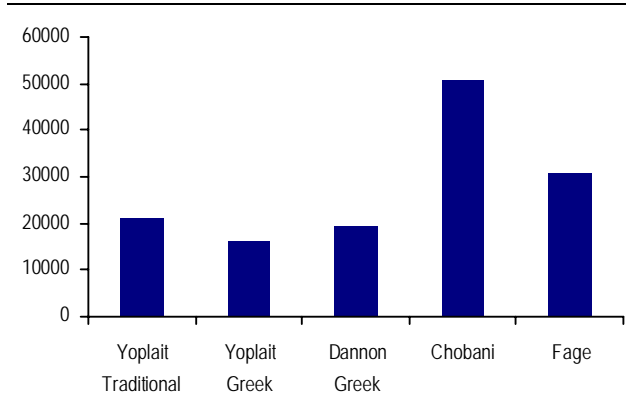


Source: The Nielsen Company, UBS, Measured Channels, 52 Weeks Ending 2/19/11

■ **Shelving/Distribution:** Sales and distribution trends also confirm weak Yoplait Greek performance. General Mills' lackluster Greek yogurt velocity is not only the lowest of the major segment players, but is also lower than that of Yoplait's traditional offerings. This suggests that despite a lower price point and heavy brand building efforts, Yoplait Greek's sales indexed to distribution is falling short of Chobani and Fage. If Yoplait Greek's velocity does not increase, Chobani and Fage will continue to gain shelf space and distribution. In fact, at current levels, retailers may even be reluctant to push Yoplait Greek over traditional Yoplait, as the latter generates more sales per point of distribution.

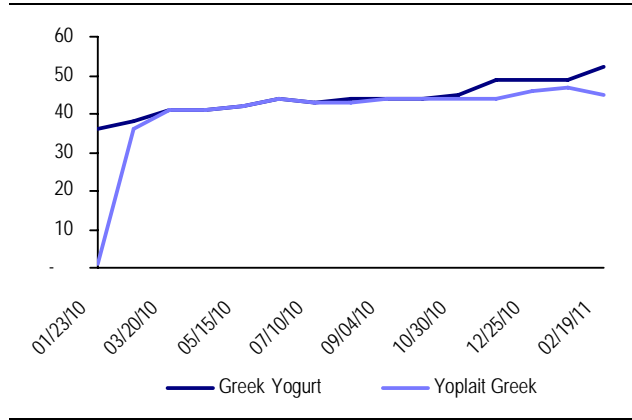
Recent trends may already be reflecting the disappointing performance of Yoplait Greek. Distribution (as measured by % Max ACV) expansion has lagged category growth and even declined lately, despite the advantages of General Mills' existing distribution network. As such, while General Mills' Greek yogurt is undoubtedly growing, the reality is that General Mills continues to cede share to Chobani.

Chart 29: Yoplait Velocity (52 Weeks Ending 2/19/11)



Source: The Nielsen Company, UBS; Measured Channels

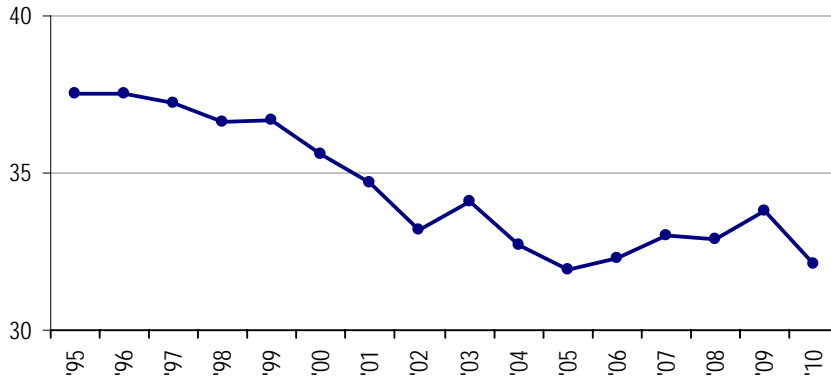
Chart 30: Distribution Trends (% Max ACV)



Source: The Nielsen Company, UBS; Measured Channels, 4 Week Ending Periods

Appendix: Changing Breakfast Eating Habits

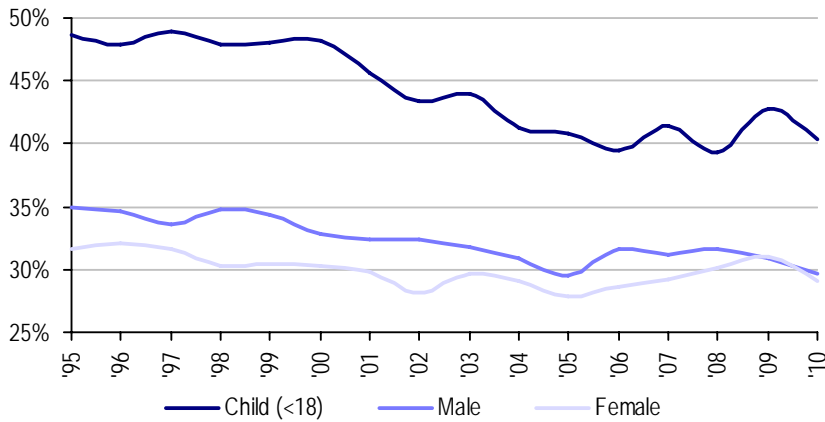
Chart 31: Percent of In-Home Breakfasts that Include Ready-to-Eat Cereal



RTE cereal consumption has once again fallen to 5-year lows as consumers move to other breakfast options

Source: The NPD Group's National Eating Trends® service; years ending Feb

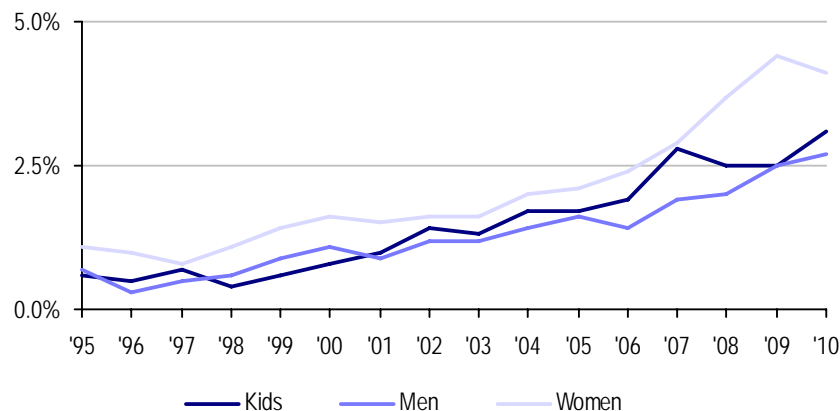
Chart 32: Percent of Segment's In-Home Breakfasts Including RTE Cereal



This is true across all segments...

Source: The NPD Group's National Eating Trends® service; years ending Feb

Chart 33: Percent of In-Home Breakfasts Including Yogurt



Men and children are increasingly consuming yogurt at breakfast, while women—the more prolific consumer of yogurt at breakfast—have cut back slightly

Source: The NPD Group's National Eating Trends® service; years ending Feb

■ **Statement of Risk**

Risks associated with the U.S. food industry are commodity costs, competitive activity with respect to innovation and pricing, threat from private label, and a tough retail environment.

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UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	49%	40%
Neutral	Hold/Neutral	42%	35%
Sell	Sell	8%	21%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	14%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Danone ¹⁶	DANO.PA	Buy	N/A	€43.98	21 Mar 2011
General Mills Inc. ^{6, 7, 16}	GIS.N	Buy	N/A	US\$37.12	21 Mar 2011

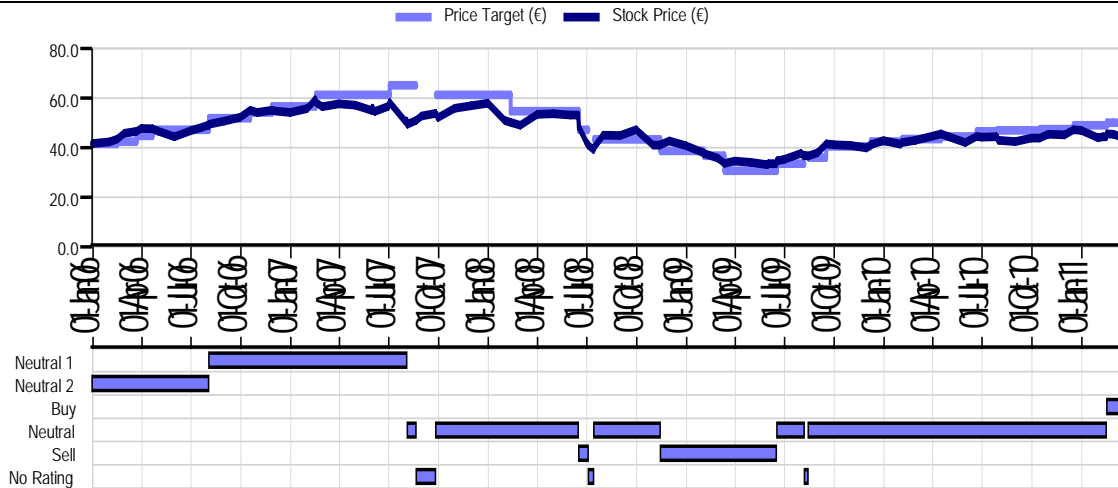
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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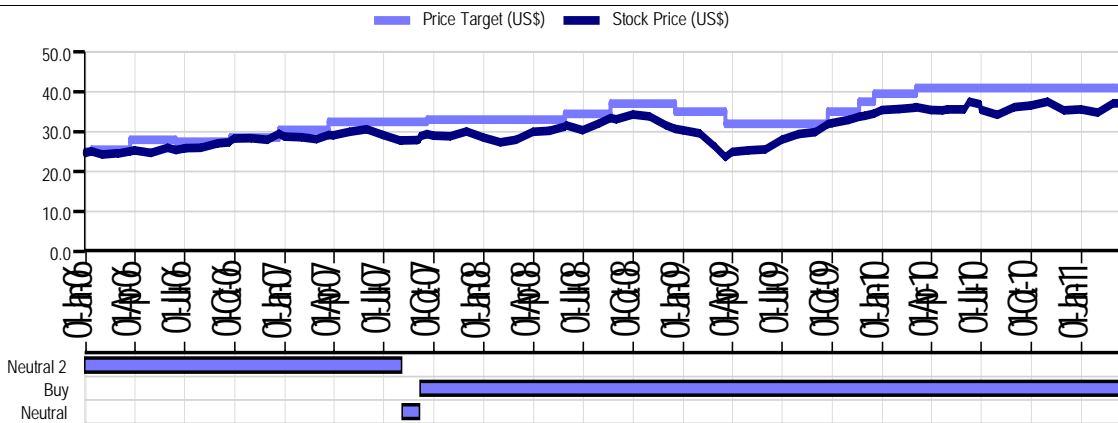
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Danone (€)



Source: UBS; as of 21 Mar 2011

General Mills Inc. (US\$)



Source: UBS; as of 21 Mar 2011

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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