

65TH ANNUAL REPORT

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 1963



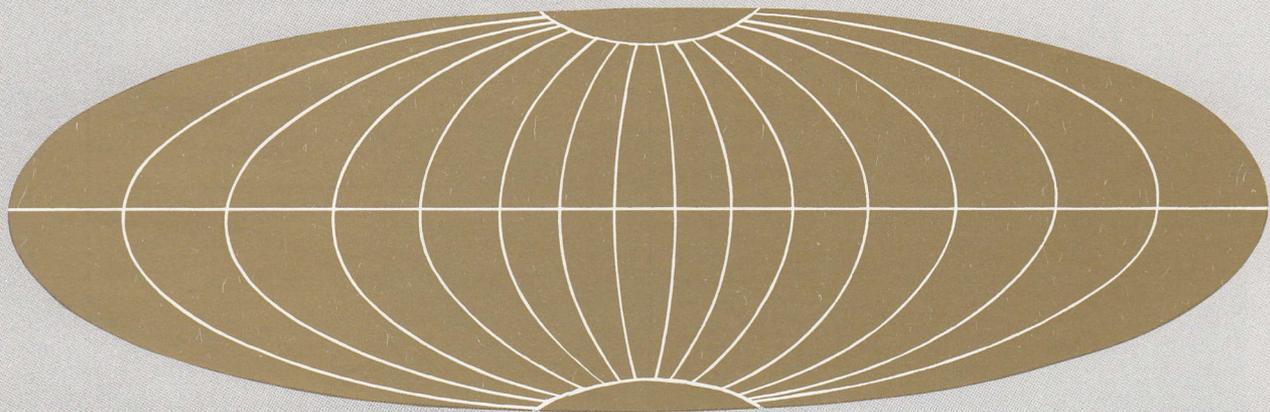
66th ANNUAL MEETING
LINCOLN, NEBRASKA

The 66th Annual Stockholders Meeting will be held in Pershing Municipal Auditorium in Lincoln, Nebraska, on Saturday, June 1, at 10:30 A.M. (CST).

The formal Notice of Annual Meeting and Proxy Statement, together with the Proxy, is being mailed to all Stockholders under separate cover.

Beatrice Foods Co.

GENERAL OFFICES 120 SOUTH LA SALLE STREET, CHICAGO 3, ILLINOIS



CONTENTS

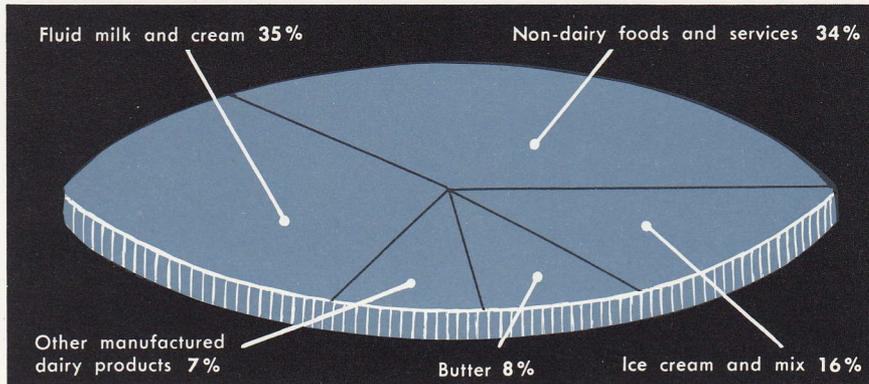
	PAGE		PAGE
HIGHLIGHTS OF THE YEAR	2	COMPANY ACTIVITIES	14-15
FIVE YEARS OF PROGRESS	3	ADVERTISING PROGRAM	16-17
LETTER TO THE STOCKHOLDERS....	4-7	FINANCIAL STATEMENTS	18-22
1962 in REVIEW		ACCOUNTANTS' REPORT	23
DAIRY DIVISION	8-9	TEN-YEAR SUMMARY	24-25
GROCERY DIVISION	10-11	DIRECTORS AND OFFICERS	26
BEATRICE AROUND THE WORLD....	12-13	STOCK LISTING INFORMATION	Inside back cover
PRODUCT DISPLAY	Center fold out		

HIGHLIGHTS OF THE YEAR

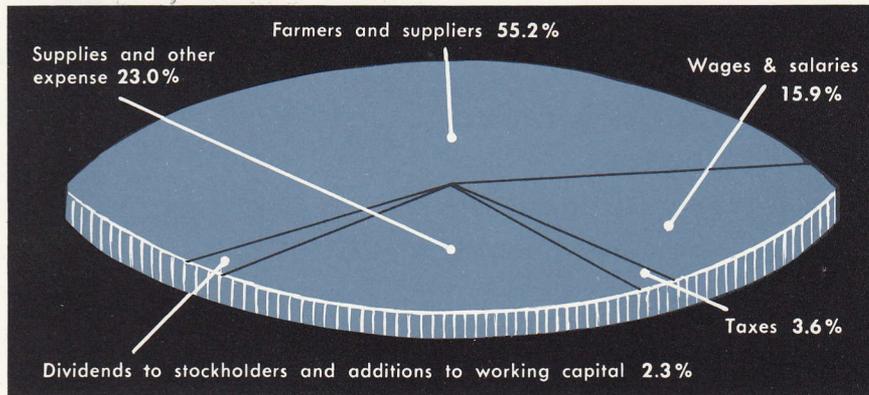
	February 28 1963	February 28 1962	Per cent of increase
Net Sales	\$569,487,854	\$539,192,494	5.6
Net Earnings after Federal Income Taxes	13,023,771	11,824,166	10.1
Earnings per Share of Common Stock	3.38	3.25	4.0
Working Capital	68,942,319	63,400,847	8.7
Stockholders' Equity	130,397,087	122,380,841	6.5
Number of Stockholders	15,837	15,821	.1
Number of Employees	15,600	15,185	2.7

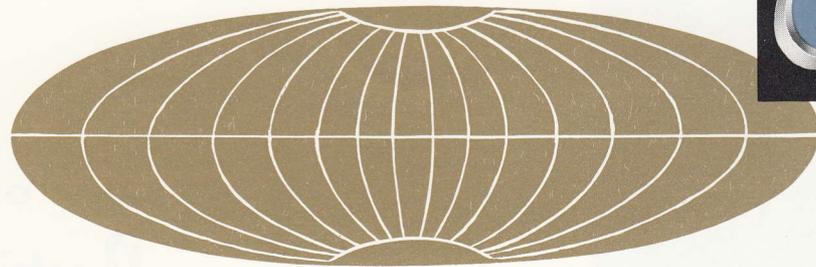
THE *Beatrice* SALES DOLLAR

SOURCE



DISPOSITION





FIVE YEARS OF PROGRESS

	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1960</u>	<u>1959</u>
Net Sales	\$569,487,854	\$539,192,494	\$477,706,773	\$443,058,795	\$385,449,644
Earnings before Taxes	26,143,771	23,171,166	21,084,751	20,475,308	17,928,321
Federal Taxes	13,120,000	11,347,000	10,333,000	10,170,000	9,066,200
Earnings after Taxes	13,023,771	11,824,166	10,751,751	10,305,308	8,862,121
Earnings per Share of Common Stock*	3.38	3.25	3.14	3.04	2.92
Dividends paid per Share of Common Stock*	1.60	1.60	1.60	1.44	1.44
Working Capital	68,942,319	63,400,847	54,718,945	52,118,797	44,822,972
Year-end Inventories	28,104,422	26,845,581	22,623,907	21,351,169	18,660,123
Amount added to Earned Surplus	6,981,233	8,640,935	3,777,583	12,088,104	4,571,708
Book Value per Share of Common Stock*	32.75	32.40	30.96	29.47	27.68
Number of Stockholders	15,837	15,821	15,343	14,807	13,993
Number of Employees	15,600	15,185	14,116	13,643	13,034

*Before giving effect to stock distribution of March 1, 1963.

William G. Karnes
President



TO THE STOCKHOLDERS OF

Beatrice Foods Co.

BEATRICE FOODS CO. entered its 65th anniversary year on March 1, 1963, firmly established in the soundest financial position in its history.

During the fiscal year, your company increased the geographical scope and variety of its operations to continue its growth in both domestic and international markets. All divisions strengthened their organizations and improved efficiencies to enable your company to record new highs in every phase of operations.

Highlights of the year included approval by stockholders of a four for three stock distribution and redemption of all issued and outstanding 3 $\frac{3}{8}$ % preferred stock.

Your company made substantial advancements in its overseas operations through the addition of important dairy subsidiaries in Belgium and Puerto Rico.

These developments, coupled with expansion of the distribution and variety of our present products, hold the promise of continuing progress in the future.

SALES — Dollar sales for the year ended February 28, 1963, reached a record total of \$569,487,854, an increase of \$30,295,360, or 5.6 per cent over last year. It was the 13th consecutive year that dollar sales advanced. Unit sales of dairy and grocery products were at all-time highs for the 26th consecutive year.

EARNINGS — Profit, both before and after

taxes, rose for the 11th successive year. Net earnings were \$13,023,771, an increase of \$1,199,605, or 10 per cent, from the total of \$11,824,166 a year ago. Net earnings per share after dividends on preferred shares outstanding, were equal to \$3.38 per share on 3,747,911 shares of common stock outstanding on February 28, 1963. This compares with net earnings of \$3.25 per share on 3,527,071 shares outstanding at the conclusion of the previous year.

The per share figures in this report are based on the number of common shares outstanding before giving effect to the distribution on March 1, 1963 of one share for each three shares outstanding.

CAPITAL STOCK — As of February 28, 1963, there were 76,602 shares of 4 $\frac{1}{2}$ % Cumulative Preferred stock and 3,747,911 shares of common stock outstanding.

In June, all remaining issued and outstanding shares of 3 $\frac{3}{8}$ % Convertible Prior Preferred Stock, a total of 4,570 shares, were called for redemption on August 1, 1962, by your company, and were converted or redeemed.

At a special meeting in Chicago, Illinois, on February 21, 1963, stockholders approved an amendment to the Certificate of Incorporation which had the following net effects:

1. Reclassified all outstanding shares of common stock of \$12.50 par value into shares of common stock of no par value;



John F. Hazelton
Executive
Vice-President

2. Increased the total number of shares of common stock of no par value authorized to 10,000,000 shares from the 5,000,000 shares previously authorized;

3. Approved a stock distribution of one additional share of reclassified stock for each three shares outstanding to stockholders of record March 1, 1963.

This was the third distribution of Beatrice Foods Co. common stock to stockholders in the last six years. Your company distributed one share of common stock for each two shares outstanding on March 5, 1957, and one share for each four shares outstanding on March 3, 1960.

DIVIDENDS — Record dividends of \$6,166,744 were paid on the outstanding preferred and common stock during the fiscal year, compared to \$5,884,347 last year.

The common stock of no par value has been placed on an annual cash dividend basis of \$1.40 per share.

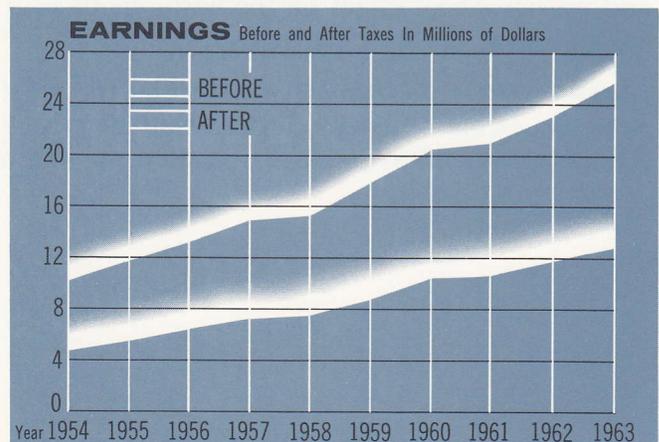
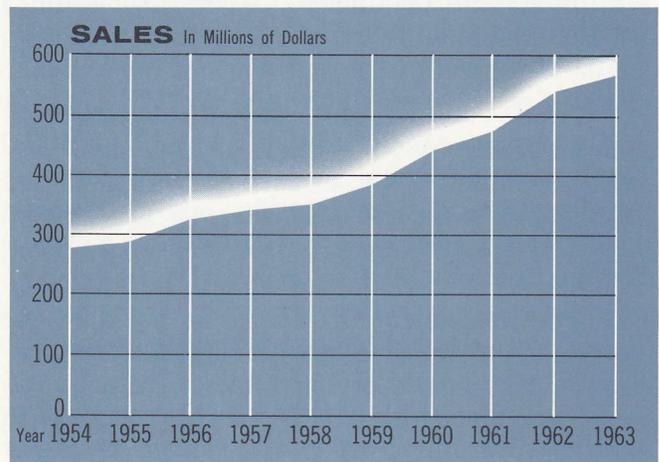
This new annual dividend rate is equivalent to an annual dividend of \$1.86 $\frac{2}{3}$ per common share on the shares outstanding prior to March 1, 1963. This is an increase of 26 $\frac{2}{3}$ cents per share, or 17%, before giving effect to the 4 for 3 share stock distribution authorized after March 1, 1963.

INVENTORY — As of February 28, 1963, inventory amounted to \$28,104,422, compared to \$26,845,581 at the end of the preceding fiscal year. The increase of \$1,258,841 results almost

entirely from the addition of new product lines. The ratio of company sales to year-end inventories was 20 to 1 for the year just concluded.

WORKING CAPITAL — Your company increased its working capital (current assets less current liabilities) for the 18th consecutive year. As of February 28, 1963, working capital amounted to \$68,942,319, an increase of \$5,541,472, or 9 per cent, from the total of \$63,400,847 at the end of the previous year.

Your company has \$5.03 of current assets for each dollar of current liabilities.



Our "hometown" plant in Beatrice, Nebraska, joins in the celebration of the centennial of the Homestead Act which was observed in June, 1962.



STOCKHOLDERS' EQUITY — The stockholders' equity increased to \$130 million from \$122 million a year ago. Book value of each share of common stock appreciated for the 26th consecutive year. The book value of each common share was \$32.75, compared to \$32.40 at the end of the previous year.

CAPITAL EXPENDITURES — In the last five years, Beatrice Foods has invested more than \$60 million in plant construction and modernization and for the replacement of equipment and trucks. Today, our plants and equipment are in excellent condition. Capital expenditures for the past year were \$10,682,547 and totaled \$1,974,610 more than depreciation.

After careful study, the management of your company concluded that for the 1963 fiscal year no benefit would be derived from adopting the depreciation guide-line lives and procedures which were established by the Internal Revenue Service in 1962.

The investment tax credit provided in the Revenue Act of 1962 has been applied as a reduction of the net carrying value of the acquired property. Since this credit will be reflected in earnings over the lives of the related assets, it had no significant effect on the earnings of your company for the past year.

LEGAL PROCEEDINGS — During the past year the Federal Trade Commission dismissed the ice cream trade practices proceeding which

had been pending against your company and other companies since 1954.

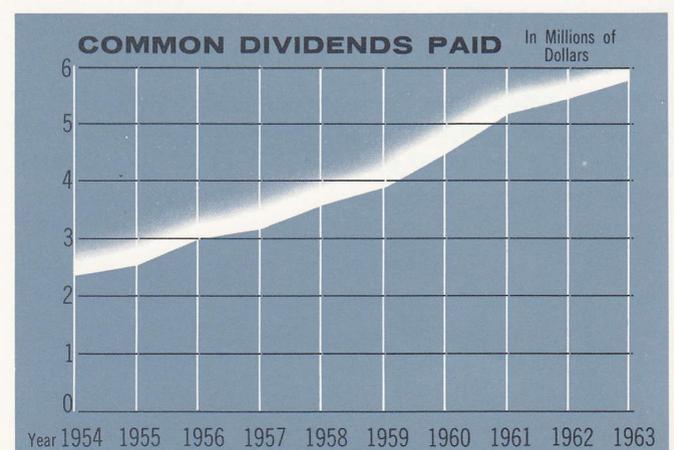
In the Federal Trade Commission merger case filed against your company in 1956, hearings have been concluded and the matter is now pending before the hearing examiner for his Findings of Fact and Conclusions of Law.

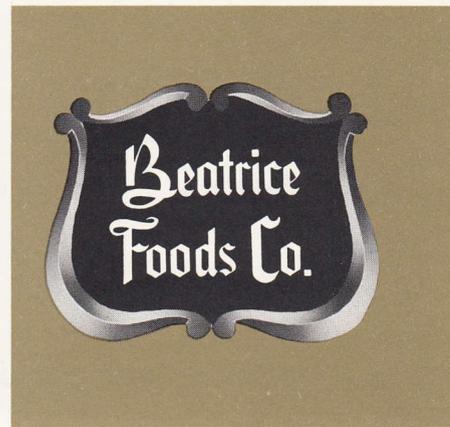
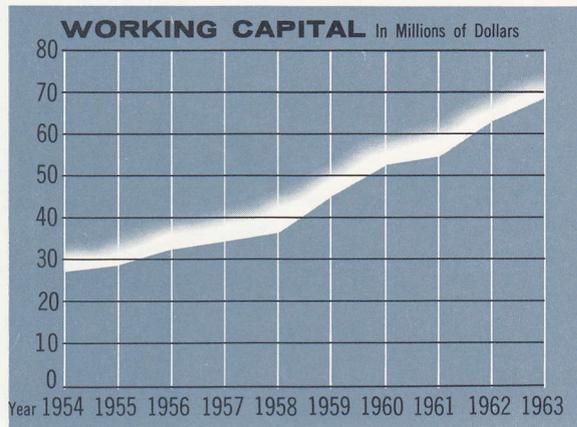
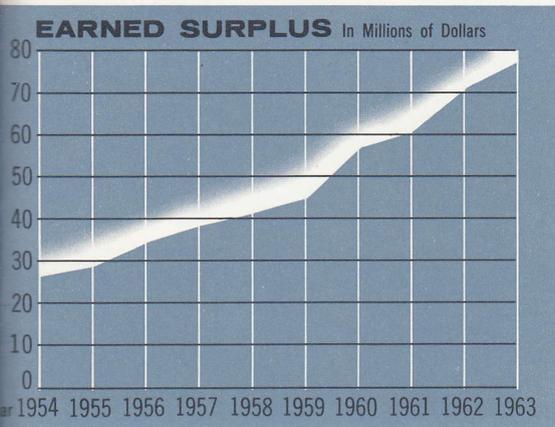
The Commission's Robinson-Patman Act case against your company involving fluid milk and ice cream is still pending.

The Commission's Robinson-Patman Act case against The D. L. Clark Co. (candy bars) was recently dismissed by order of the hearing examiner and is now pending on review by the Commission.

Last September, the United States filed a civil suit seeking double damages and penalties in connection with certain bids of your company submitted to a U. S. military installation. The case is not yet at issue but the government's claim will be contested by the company.

MANAGEMENT — Bernard A. Monaghan, president of Vulcan Materials Co., Birmingham,





Alabama, was elected a new member of your board at the June 1, 1962, meeting.

After more than 50 years of service to Beatrice Foods, John T. McGreer, Lincoln, Nebraska, retired from your board of directors. Mr. McGreer made many enduring contributions to the growth and development of your Company. He has been a director since 1929, was general manager from 1936 to 1943, and district manager of the Pacific Coast District until his retirement in 1948. Mr. McGreer also served as manager of our plant in Lincoln for 20 years, as vice president and district manager of the Nebraska-Kansas-Oklahoma District and district manager for all of the company's plants in the East.

As of March 1, 1963, four men who have rendered outstanding service to your company retired as vice presidents. They are: Edward F. Comegys, Jr., Oklahoma City, Oklahoma; George A. Gardella, Detroit, Michigan; Carl N. Hansen, Champaign, Illinois; Robert W. Price, El Paso, Texas. These four men have served Beatrice Foods with distinction and dedication for a total of 170 years.

EMPLOYEE RELATIONS — We believe that the greatest single asset of Beatrice Foods is its personnel, the finest in the history of your company. The records we take pride in reporting to you on these pages, the reputation for quality and services we enjoy and strive constantly to enhance are the cumulative results of the dedi-

cated efforts of the men and women of Beatrice Foods. To them we express our sincerest thanks.

STOCKHOLDERS — We appreciate the suggestions and comments many of you, as share owners, have made during the year. We are grateful, too, for your support and encouragement. The number of stockholders in your company increased for the 13th straight year and totaled 15,837 on February 28, 1963.

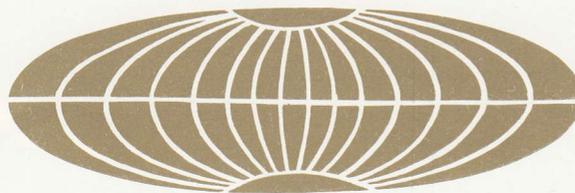
This year we are "going home" to Nebraska to celebrate our 65th anniversary. The Annual Meeting of Stockholders will be held in Lincoln, Nebraska, where our company first was incorporated in 1898. The meeting will be held in Pershing Municipal Auditorium at 10:30 A.M. (CST) on Saturday, June 1, 1963.

Despite the increasingly competitive climate and the constant succession of challenges common to our business, we believe that our company can make our 65th anniversary year another year of progress with the valued support and cooperation of our stockholders, employees, customers, producers and suppliers.

Yours sincerely,

WILLIAM G. KARNES
President

1962 in review



DAIRY PRODUCTS

MILK AND CREAM DEPARTMENT —

Dollar and unit sales of bottled milk and cream were the highest in our history. Sales of milk and cream increased for the 24th consecutive year and account for 35 per cent of our total sales. Your company continued to improve its plants and facilities, expand its distribution, and increase sales in areas in which it had been established. Unit sales also reached all-time highs and actually showed a greater gain in percentage than did dollar sales.

This reflects the public's continuing confidence in the importance of dairy products in a well-balanced diet. Preliminary estimates by the United States Department of Agriculture indicate that total consumption of all dairy products in 1963 will be slightly ahead of 1962. Total consumption of fluid whole milk in 1962 was about one per cent above that of a year earlier and may continue to rise in 1963, the USDA predicts.

New milk facilities were completed recently in Honolulu, Hawaii, and in Pueblo, Colorado, and major improvements were effected at Dayton, Ohio, Great Falls, Montana, and Topeka and Wichita, Kansas. Most of our milk processing plants now have converted to new plastic-coated containers, replacing wax-coated containers.

Your directors continued the established company policy of holding some regularly-scheduled board meetings at various company plants. During the year, your directors visited the new milk plant in Champaign, Illinois.

ICE CREAM DEPARTMENT — Our ice cream and sherbet sales set new gallonage records and accounted for 16 per cent of total sales. Your company introduced several new flavors that proved to be extremely popular. Among these were Butterscotch Krunch, Choco Bongo and Wild Cherry. Safflower Oil Frozen Dessert was developed by your company during the year and marketed in several areas.

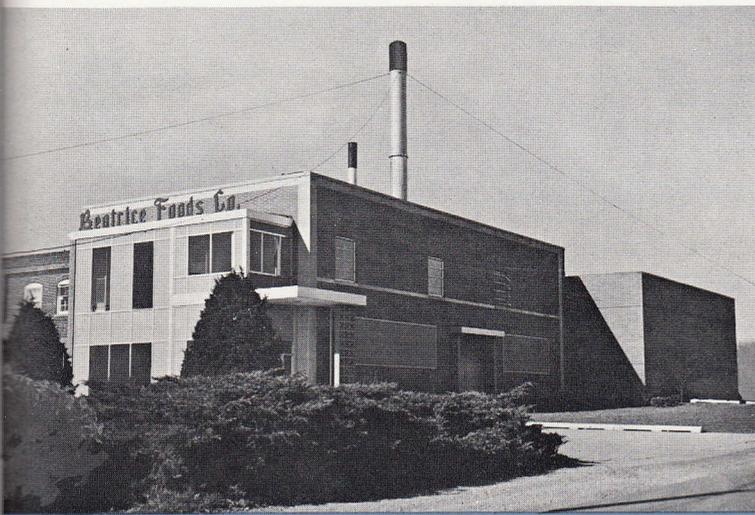
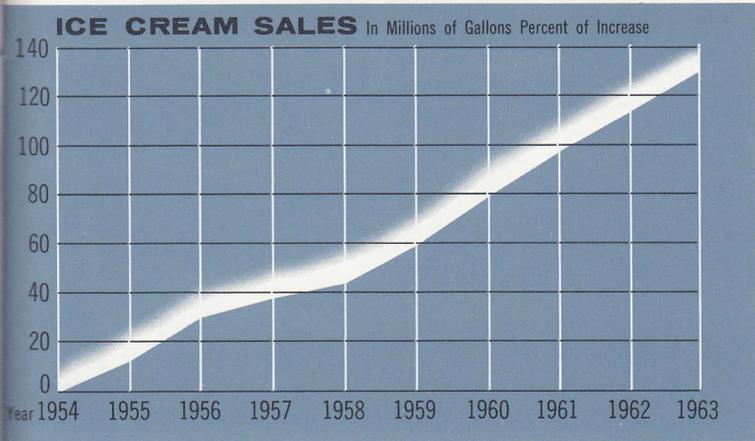
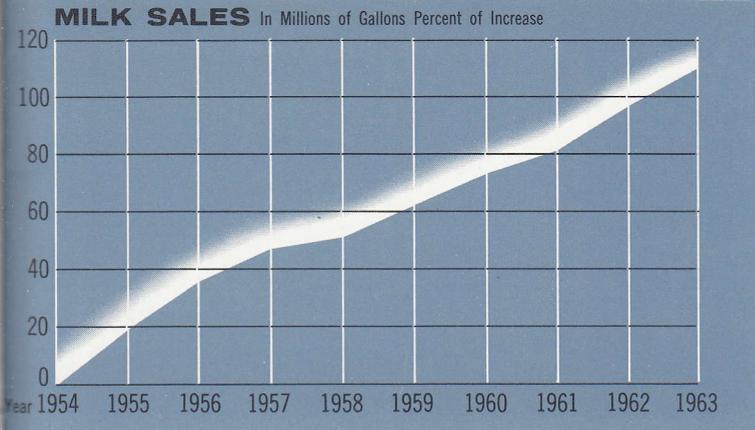
Facilities in 12 ice cream plants were modernized and expanded under our continuing program of capital improvement to reduce costs and increase efficiencies.

BUTTER — Production and dollar and unit sales of butter were higher last year than in 1961. Butter accounted for 8 per cent of our sales for the year. Your company is planning to introduce several new butter packages during this year.

OTHER MANUFACTURED DAIRY PRODUCTS — Sales of manufactured dairy products also attained new highs during the last fiscal year, amounting to 7 per cent of the total. These include cottage cheese and all other forms of cheese, powdered milk and milk product specialties, condensed and evaporated milk and yogurt.

Our line of powdered products was augmented by the addition of four new products, Lecitrema, Sour Cream Powder, Chocolate Liqueur Powder and Milk Chocolate powder.

Our Dannon Milk Products Division in New York created two new products, Apricot



Milk and milk powder plant at New Bremen, Ohio, was one of 12 dairy facilities modernized and expanded to improve efficiencies in 1962.



New sales office for milk and related dairy items was completed at Pueblo, Colorado, during the fiscal year.

and Vegetable Salad Yogurt, which contributed to its advancement during the year.

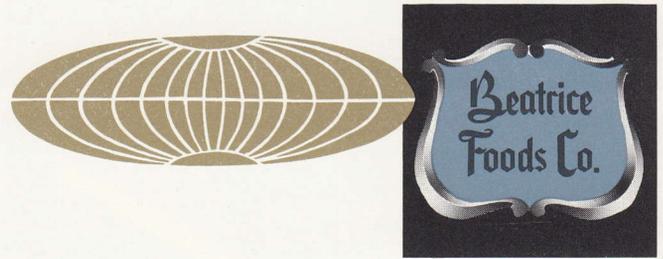
The growth in sales of specialty items by your company is especially encouraging. Among these are skim milk, both plain and fortified, cottage cheese, yogurt, egg nog, sour cream, buttermilk and sherbet. All showed sharp gains, particularly the skim milk products.

Sales of fresh fruit drinks and fruit ades packaged in milk-type containers under the Meadow Gold label also have increased steadily. The most popular of these are orange juice, orange drink, pineapple-grapefruit drink and black cherry drink.

Beatrice Foods' popular brand names, many of them identified with the finest quality for more than three-quarters of a century, were promoted vigorously throughout the year by intensified advertising and sales programs carefully tailored to all markets.

Our principal dairy products, sold primarily under the Meadow Gold, American Hostess, Holland and Blue Valley brands, again will be promoted on outdoor billboards and in local newspapers in all markets this year, as in 1962. The program has been augmented by increased radio and television spot commercials.

Advertising themes emphasize the importance of milk to the daily diet, its high protein content, and its values in maintaining vitality for teenagers. The tremendous health advantages of milk will be stressed by Meadow Gold in all media.



GROCERY PRODUCTS

Growth and development of our Grocery Products Division have been comparable to those of our dairy operations. This division increased its sales substantially over the previous year and now accounts for 34 per cent of total sales.

Our program of plant and equipment modernization was continued in order to provide for increased demand for our products, maintain complete quality control and to counteract rises in both direct and indirect costs. Development of new products, improvements in present items and in packaging, extension of distribution and expansion of promotional programs all contributed to the progress of this division.

In January, Shedd-Bartush Foods opened a new plant in Sunnyvale, near San Jose, California, to manufacture margarine, salad dress-

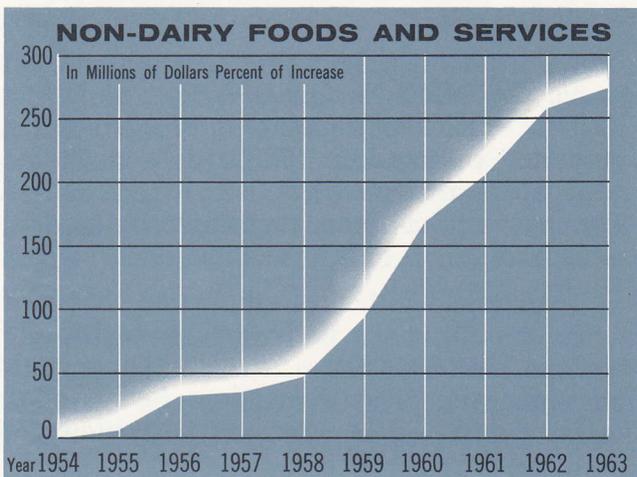
ings and other Shedd products for distribution in the Pacific Coast area.

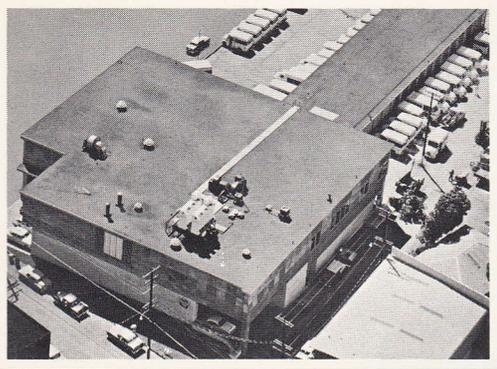
Adams Corp.'s new plant at Anaheim, California, adjacent to Disneyland, was placed in operation during the fiscal year to produce Korn Kurls and other snack foods.

Additions to our La Choy plant, in Archbold, Ohio, and our Richardson Mints plant, in Philadelphia, Pennsylvania, are planned for this year.

Gebhardt is building a new addition to its chili powder plant. Liberty Cherry and Fruit Co. is expanding its maraschino cherry and glacé fruit processing space and equipment. Fisher Nut Company is expanding its operation to provide for a new dry roasted nut line.

New products introduced by companies in the division include La Choy's three Bi-Packs, pint-size bottles of Soy Sauce and a unique Mandarin Sauce, Clark's Junior Size Clark Bar and "Ma Brown's" new line of flavor toppings for ice cream and other desserts. Others are Liberty Cherry and Fruit Co.'s black cherry halves and cherry syrups, Adams' bite-size Snack Chips, Korn Tees Corn Chips and Twin-Packs of Korn Kurls and Richardson's 10-cent packets of After Dinner Mints[®]. Richardson introduced assorted mints packaged in reusable plastic cups, packed in an unusual "instant display" carton. Liberty added the Victory brand of "bucket" maraschino cherries. Mario's has added Spanish pimento stuffed gherkins and Holland onions to its olive and olive oil line.





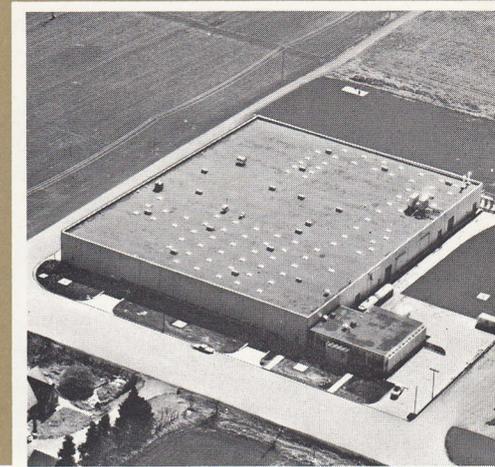
New Meadow Gold milk plant was opened in Honolulu, Hawaii, in September.



Mantecados Payco, Inc., operates this modern plant in San Juan and three branches in Puerto Rico.



Cie Lacsoons, S.A., Beatrice Foods' first major dairy operation in Europe, is located on this six-acre tract in Rotselaar, Belgium.



Shedd-Bartush Foods, Inc., opened this plant in Sunnyvale, California, during the year.

Rosarita Mexican Foods achieved a major advancement in the frozen food field with a new, heat-activated film cover for six of its frozen Mexican foods. The new film shrinks and withdraws itself from the top of the tray when the tray is placed in a pre-heated oven. The new film reduces baking time, improves quality and eliminates the problem of the contents adhering to the foil cover formerly used.

Gebhardt Mexican Foods introduced a number of new Mexican food products and Lutz & Schramm and Bond Pickle Co. now are marketing pickles and relishes in decorative table server jars.

Shedd-Bartush expanded distribution of its Safflower Oil Margarine and Safflower Cooking Oil as well as a line of dressings made with polyunsaturated vegetable oils after successful market

tests. Lambrecht broadened distribution of its popular frozen cheese cake, pizzas and other prepared frozen foods. Fisher Nut Co. expanded its distribution of its "Salted-in-the-Shell" peanuts and lines of quality nut products distributed under the Fisher and Tom Scott brands.

Other package developments include attractive new labels for Gebhardt canned and frozen Mexican foods, improved packages and wrappers for Clark candy bars, Clark Wild Cherry, Banana and Black Jack Caramels and Clark Peanut Blossom Kisses and a "Jumbo" pack for Adams' Cheddar Cheese sandwiches.

Our public cold storage warehouse operations completed another satisfactory year. This is consistent with the growth in popularity of frozen foods in the convenience category, particularly frozen dinners.



Beatrice **AROUND THE WORLD**

In the last two years, Beatrice Foods truly has become a world-wide company. We now have operations in Canada, Mexico, Belgium, Switzerland, Malaya, Venezuela and Puerto Rico and a facility under construction in Burma.

During the fiscal year, your company took two seven-league steps across the seas by obtaining majority interests in dairy firms in Belgium and the Commonwealth of Puerto Rico.

In November, Beatrice Foods purchased the stock of Cie Lacsoons, S. A., of Belgium, one of the leading dairy firms in Western Europe, from the principal stockholders. Lacsoons, founded 61 years ago, is one of the most modern, diversified and largest dairy operations in the European Economic Community.

Lacsoons is fully-equipped with automated machinery to process all types of dairy products and dairy food specialties. Its extensive line of products includes bottled fresh milk, buttermilk, Grade A milk, cream, butter and white cheese. It also produces bottled sterilized milk, evaporated milk, chocolate milk, skim milk, dietetic products and powdered specialties such as ice cream mixes and malted milk.

Lacsoons' products, which also number fruit ades and yogurt, are distributed throughout Belgium. Some also are sold in other areas in the Common Market and in Africa. The company operates four plants, employs about 600 people.

Late in December, we purchased a major interest in Mantecados Payco, Inc., a prominent manufacturer and distributor of ice cream and a wide variety of frozen desserts and dessert novelties in Puerto Rico.

Montecados Payco operates a modern plant in San Juan and branches in Mayaguez, Ponce and Arecibo in the Commonwealth and maintains a fleet of refrigerated trucks to distribute its products to customers throughout the island. The company's principal brand names are Lady Richmond, Velvet and Payco.

We consider both Lacsoons and Montecados Payco, which will operate as subsidiaries of your company, to have extremely promising potentials in rapidly growing markets.

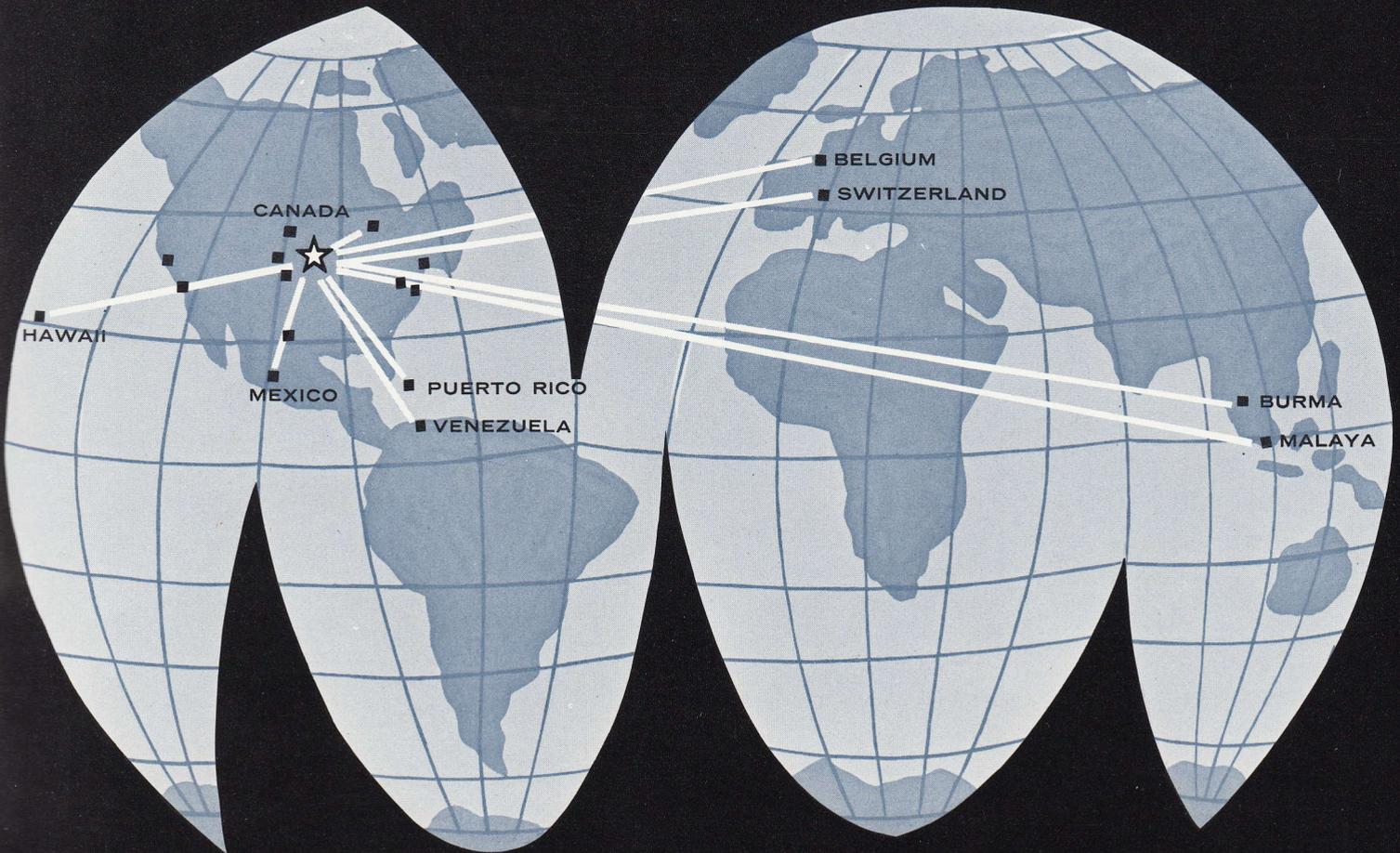
Your company also purchased an interest in Lactoproductos La Loma, S. A., in Mexico, early in 1962. Lactoproductos is a leading processor of specialty dairy products distributed throughout Mexico to the ice cream and baking industries. It operates a modern plant, located in a suburb of Mexico City.

Our international expansion actually began two years ago when we opened a plant in Malaya to produce canned sweetened condensed milk. A similar plant is being built in Rangoon, Burma, in conjunction with the Burmese government.

Market studies indicate that snack foods have an equal potential in overseas markets. For this reason, we are developing the production and distribution of Korn Kurls and other snack foods created by our Adams division in Europe. This already has been effected in Germany and we expect to introduce some of these products in other countries this year. Adams also granted a franchise last year for the manufacture and distribution of Korn Kurls and other snack foods in Venezuela.

milk. A similar plant is being built in Rangoon, Burma, in conjunction with the Burmese government.

Market studies indicate that snack foods have an equal potential in overseas markets. For this reason, we are the manufacturer and distributor of Korn Kurls and other snack foods created by our Adams division in Europe. This already has been effected in Germany and we expect to introduce some of these products in other countries this year. Adams also granted a franchise last year for the manufacture and distribution of Korn Kurls and other snack foods in Venezuela.





Shedd's
La Choy
Lambrecht
DANNON

HOLLAND **BLUE VALLEY**



FAMOUS FOR FINE FOODS AND


Gebhardt's
Ruby Bee
CAL-COMPACT
FOODS INC
HOLLOWAY
Rainbo
AMERICAN
 *Ma Brown*



Beatrice
Foods
MALAYA

Meadow
Gold
HAWAII, LTD.

C^o. LACSOONS S. A.
BELGIUM

Mantecados
Payco
PUERTO RICO

Bonds



KOBEYI



DAIRY PRODUCTS THE WORLD OVER

G*W
PIZZA

Mario's



PIK-NIK



DAIRY PRODUCTS





GROCERY PRODUCTS



BOUR COMPANY engages in a wide variety of activities throughout the year to inform the public and its employes about Beatrice Foods—its policies, aims and achievements.

News of promotions, awards, individual accomplishments and improvements in company operations are circulated regularly by bulletins to all of our plants. In addition, news stories, institutional advertising, films and booklets are distributed to tell the story of our progress. Speakers and programs are provided to many organizations upon request.

Each year, tens of thousands of students, members of 4-H Clubs and business and civic groups tour our plants around the country. Last May, for example, our new plant in Champaign, Illinois, held an "Open House" to which the entire community was invited. Members of the company often are called upon to speak or lead discussion groups at schools.

The company maintains a test kitchen. Its director, Miss Pauline Pearson, presents cooking demonstrations for schools and clubs throughout the year. Special recipes are provided to customers, schools, publications and radio and television stations that request them.

Your company also conducts awards programs to recognize individual achievements, long and able service to Beatrice Foods, superior sanitation, outstanding safety records and excellence of operations.

Members of each plant are encouraged to participate in community, civic, church, fraternal and industry activities as good neighbors in their areas as well as to provide efficient, friendly service. Many of our people and our plants are active in local, county and state fairs.

The company also sponsors a number of college scholarships for deserving students.

We are proud of the fact that many Beatrice Foods personnel are called upon to serve as technical consultants by governmental agencies.

We also maintain a carefully-planned communications program with our stockholders, customers and the financial community.

Beatrice ACTIVITIES



Charles P. Best (second from right), of Los Angeles, receives certificate for a \$1,500 scholarship at the University of Southern California, from Don Maltby, western sales manager for La Choy. At left and right are Richard Ralphs, president, and Eugene Walsh, general manager, Ralphs Grocery Co., Los Angeles.

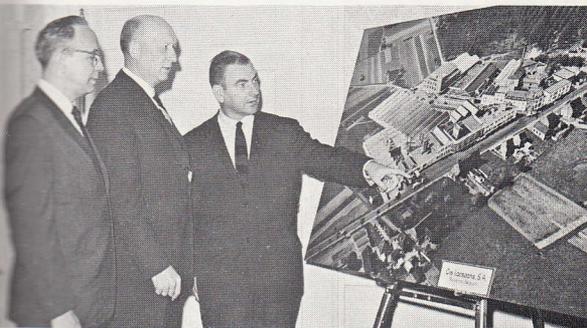
Michigan State University students inspect La Choy promotional materials during field trip to Archbold, Ohio, plant. From left: Leonard Roth, Dr. E. M. Barne, Don Buisson, First National Stores, Gordon Swaney, La Choy general manager.



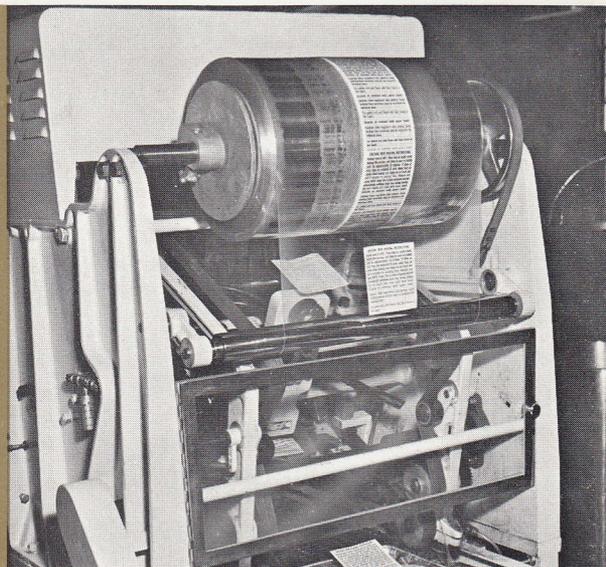


Leo J. White (left), manager, Louisville, Kentucky, butter and ice cream operations, receives expressions of appreciation from William G. Karnes, president, on his retirement after 41 years service.

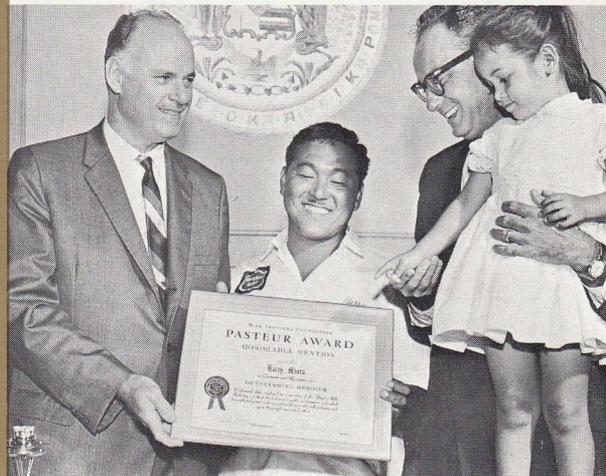
Special machinery was installed by Rosarita Mexican Foods, Mesa, Ariz., to package frozen TV-type Mexican dinners with a revolutionary heat-activated film, an innovation in the frozen dinner field.



Felix Standaert (right), Consulate General for Belgium in Chicago, points out advantages of the location of the Cie Lacsoons' plant in Rotselaar, Belgium, to William G. Karnes (center), president, and Walter L. Dilger, secretary, of Beatrice Foods Co.



William J. Powers, vice president of the Thos. D. Richardson Co., Philadelphia, receives the Silver Award in the Confectionery and Foods Division — Packaging — at the 26th Annual National Packaging and Point-of-Purchase Awards Banquet in New York City.



Joleen Sterling, 4, looks on admiringly with Gov. William F. Quinn, of Hawaii, as her rescuer, Harry Miura, Meadow Gold driver in Honolulu, receives Milk Industry Foundation's Pasteur Award, presented by George Q. Cannon, District Manager. Miura revived Joleen by heart massage after accidental shock.



1962 ADVERTISING PROGRAM

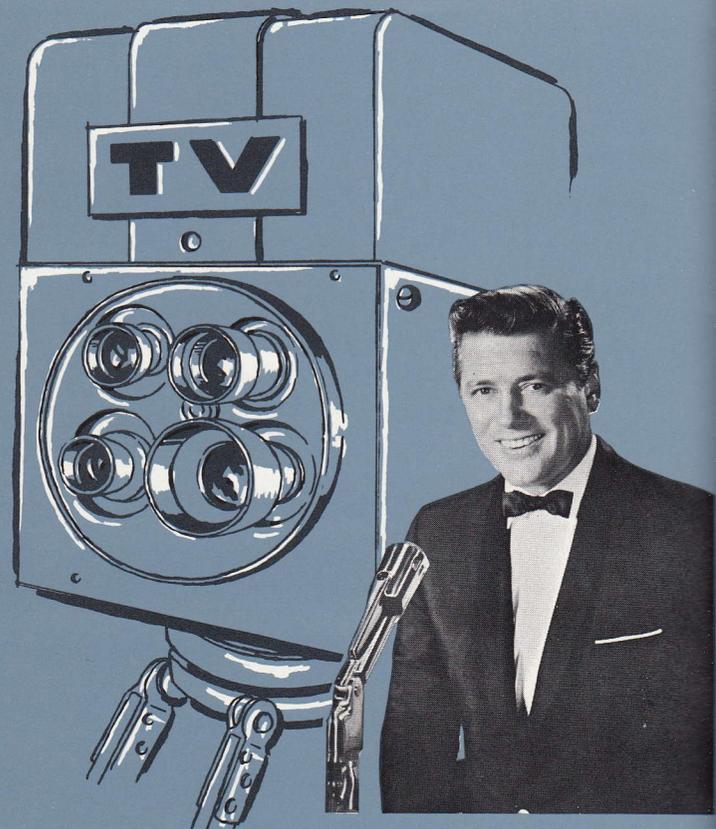
The 1962 consumer advertising programs of the various Beatrice divisions add up to considerable impact on the national market, although each division gears its plans to its own products and areas of distribution.

Meadow Gold Dairy Products division builds its advertising around a year-long series of continuous special promotions, including both ice cream and dairy products. Meadow Gold is a major user of outdoor advertising, with strong support from television and radio spots and local newspaper ads.



PACKAGING

All packages of all divisions are under continuous review for their effectiveness at the point of sale. New techniques in package design and construction are frequently incorporated. Shown here are several packages that have been redesigned recently.



TELEVISION AND RADIO

Gordon and Sheila MacRae star currently in a series of Meadow Gold spots for both television and radio. Gebhardt and La Choy are both using network television while Richardson is on network radio. Clark has produced television spots featuring talking animals.

consolidated balance sheet

FEBRUARY 28, 1963 AND FEBRUARY 28, 1962

ASSETS

	<u>1963</u>	<u>1962</u>
Current assets:		
Cash	\$ 19,856,338.14	\$ 17,245,522.86
Receivables, less allowance for losses \$2,884,261.81 and \$2,319,930.13 at respective dates	36,754,074.16	34,703,535.46
Inventories, at lower of average cost or replacement market:		
Products and other merchandise	14,389,958.51	14,115,048.55
Materials and supplies	13,714,463.22	12,730,532.20
	<hr/>	<hr/>
	28,104,421.73	26,845,580.75
Prepaid expenses	1,313,549.75	1,215,292.96
	<hr/>	<hr/>
Total current assets	86,028,383.78	80,009,932.03
Investments and advances, less allowance for losses \$1,397,740.41 and \$939,749.35 at respective dates	3,849,243.82	3,706,096.09
Plant and equipment, at cost less depreciation:		
Land	4,945,452.22	4,648,239.72
Buildings	32,621,150.54	30,530,503.75
Machinery and equipment	80,079,831.09	73,102,331.70
	<hr/>	<hr/>
	117,646,433.85	108,281,075.17
Less allowance for depreciation	59,015,410.03	52,434,677.91
	<hr/>	<hr/>
	58,631,023.82	55,846,397.26
Intangible assets acquired, at cost less amortization	874,500.00	927,500.00
	<hr/>	<hr/>
	\$ 149,383,151.42	\$ 140,489,925.38

See accompanying notes to consolidated financial statements.



AND SUBSIDIARY COMPANIES

LIABILITIES

	<u>1963</u>	<u>1962</u>
Current liabilities:		
Accounts payable	\$ 12,774,952.01	\$ 12,226,104.56
Salaries and wages accrued	1,807,396.80	2,099,020.03
Taxes accrued, other than U. S. taxes on income.....	2,448,556.90	1,954,711.60
U. S. taxes on income, less U. S. Government securities \$6,890,545.23 and \$6,855,577.90 at respective dates	55,158.88	329,248.57
Total current liabilities	<u>17,086,064.59</u>	<u>16,609,084.76</u>
Deferred U. S. taxes on income	1,900,000.00	1,500,000.00
Stockholders' equity (note 2):		
3 $\frac{3}{8}$ % cumulative convertible prior preferred stock	—	457,000.00
4 $\frac{1}{2}$ % cumulative preferred stock	7,660,200.00	7,660,200.00
Common stock	47,370,700.00	44,400,200.00
Capital surplus	310,126.45	858,591.99
Earned surplus (retained earnings)	77,129,416.31	70,148,183.79
	<u>132,470,442.76</u>	<u>123,524,175.78</u>
Less treasury common stock, at cost	2,073,355.93	1,143,335.16
	<u>130,397,086.83</u>	<u>122,380,840.62</u>
	<u>\$ 149,383,151.42</u>	<u>\$ 140,489,925.38</u>

consolidated statements of earnings and surplus

FEBRUARY 28, 1963 AND FEBRUARY 28, 1962

INCOME

	<u>1963</u>	<u>1962</u>
Net sales	\$ 569,487,854.30	\$ 539,192,493.66
Other income	2,695,016.92	2,238,099.93
	<u>572,182,871.22</u>	<u>541,430,593.59</u>

INCOME DEDUCTIONS

Cost of goods sold	412,903,278.78	391,008,628.26
Selling, delivery, administrative, and general expenses	124,427,884.43	119,168,899.37
Provision for depreciation	8,707,937.16	8,081,899.87
Provision for U.S. and foreign taxes on income, estimated	13,120,000.00	11,347,000.00
	<u>559,159,100.37</u>	<u>529,606,427.50</u>
Net earnings	<u>\$ 13,023,770.85</u>	<u>\$ 11,824,166.09</u>

See accompanying notes to consolidated financial statements.



AND SUBSIDIARY COMPANIES

EARNED SURPLUS (Retained Earnings)

Balance at beginning of year:			
Beatrice Foods Co. and subsidiaries			\$ 70,148,183.79
Companies merged in 1962 (after cash payments to stockholders of merged companies \$3,000,000.00)			309,206.36
			<hr/>
			70,457,390.15
Net earnings for the year			13,023,770.85
			<hr/>
			83,481,161.00
Deduct dividends paid on:			
Capital stock of merged company prior to date of merger	\$	185,000.00	
3 ³ / ₈ % cumulative convertible prior preferred stock		7,104.61	
4 ¹ / ₂ % cumulative preferred stock		344,723.68	
Common stock, \$1.60 a share		5,814,916.40	
		<hr/>	6,351,744.69
Balance at end of year			<hr/> <hr/>
			\$ 77,129,416.31

CAPITAL SURPLUS

Balance at beginning of year			\$ 858,591.99
Excess of conversion price over par value of 22,470 shares of com- mon stock issued in exchange for 3 ³ / ₈ % cumulative convertible prior preferred stock			170,700.23
Excess of option price over par value of 9,870 shares of common stock issued under stock option plan			270,930.00
			<hr/>
			1,300,222.22
Deduct excess of par value of common shares issued in mergers over stated capital of merged companies (note 4)			990,095.77
			<hr/>
Balance at end of year			<hr/> <hr/>
			\$ 310,126.45

See accompanying notes to consolidated financial statements.

(1) PRINCIPLES OF CONSOLIDATION: All significant domestic and European wholly-owned subsidiaries have been included in the consolidated financial statements.

(2) CAPITAL STOCK: Particulars as to the shares of capital stock are as follows:

	February 28	
	1963	1962
3 $\frac{3}{8}$ % cumulative convertible prior preferred stock, \$100.00 par value:		
Authorized, issued and outstanding	—	4,570
4 $\frac{1}{2}$ % cumulative preferred stock, \$100.00 par value, redeemable at option of the company at par value:		
Authorized, issued and outstanding	76,602	76,602
Common stock, \$12.50 par value:		
Authorized	5,000,000	5,000,000
Issued	3,789,656	3,552,016
In treasury	41,745	24,945
Outstanding	3,747,911	3,527,071

As of March 1, 1963, the company, with the approval of the stockholders, distributed one additional share of common stock for each three shares held by the common stockholders. At the same time the common stock was reclassified into no par value common stock and the number of authorized shares was increased to 10,000,000 shares.

(3) LEASES: Rentals for real property during the year ended February 28, 1963, included payments aggregating \$2,456,025.33 applicable to leases expiring more than three years after February 28, 1963. The companies are also lessees of cabinets, used by dealers for refrigerating the companies' products, and motor vehicles.

(4) POOLINGS OF INTERESTS: During the year ended February 28, 1963, Beatrice Foods Co. acquired several other companies in poolings of interests. The comparative figures for the year ended February 28, 1962, have not been restated to include the results of operations of the acquired companies. Sales and net earnings during the last fiscal year of the acquired companies approximated \$26,000,000.00 and \$950,000.00 respectively.

(5) PENSION PLANS: The amounts charged to earnings under the retirement income program for salaried employees and other company pension plans aggregated \$944,965.89 during the year ended February 28, 1963, and \$822,593.97 for the preceding fiscal year. Such amounts include contributions applicable to past services. The past service liability not funded or otherwise provided for in the accounts is estimated to be approximately \$5,900,000.00 at February 28, 1963. It is expected that the major portion of this liability will be paid, or provided for over a period of approximately twenty years.

(6) STOCK OPTION PLAN: Under a stock option plan, the company may grant options to key employees to purchase shares of the company's common stock (not to exceed an aggregate of 156,250 shares) at a price not less than 100% of market value on date of grant. At February 28, 1962, there were options outstanding to purchase 123,372 shares at prices per share ranging from \$39.375 to \$64.25, and there were 9,862 shares of common stock reserved for the granting of additional options. During the year ended February 28, 1963, options were granted to employees to purchase 2,960 shares at prices per share ranging from \$53.00 to \$66.50. Also, during the year, options were exercised with respect to 9,870 shares and options relating to 2,390 shares were cancelled because of termination of employment with the result that at February 28, 1963, there were options outstanding to purchase 114,072 shares (of which options to purchase 33,432 shares were exercisable) and there were 9,292 shares of common stock reserved for the granting of additional options.

(7) CONTINGENCIES: Contingencies with respect to guarantees, etc., have been provided for in the accounts. Reference is made to the President's Letter for information concerning Federal Trade Commission proceedings against the company. It is impossible to predict the outcome of such proceedings at this time.

notes

TO CONSOLIDATED FINANCIAL STATEMENTS





ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

111 WEST MONROE STREET

CHICAGO 3, ILLINOIS

The Stockholders

Beatrice Foods Co.:

We have examined the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 28, 1963 and the related statements of earnings and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings and surplus present fairly the financial position of Beatrice Foods Co. and subsidiaries at February 28, 1963 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except as indicated in note 4 to the financial statements, have been applied on a basis consistent with that of the preceding year.

Chicago, Illinois
April 10, 1963

Peat, Marwick, Mitchell

Beatrice Foods Co. AND SUBSIDIARY COMPANIES

ten year summary of consolidated earnings and financial condition

CONSOLIDATED EARNINGS Year Ended February 28,

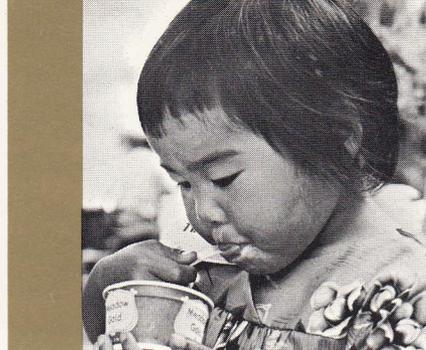
	1963	1962	1961	1960
Net Sales	\$569,487,854	\$539,192,494	\$477,706,773	\$443,058,795
Other Income	2,695,017	2,238,100	2,362,841	2,035,079
Total	572,182,871	541,430,594	480,069,614	445,093,874
Income Deductions:				
Cost of Goods Sold and Operating Expenses	537,331,163	510,177,528	451,876,452	417,941,649
Provision for Depreciation	8,707,937	8,081,900	7,108,411	6,676,917
Provision for Federal Taxes on Income				
Estimated	13,120,000	11,347,000	10,333,000	10,170,000
Total	559,159,100	529,606,428	469,317,863	434,788,566
Net Earnings	\$ 13,023,771	\$ 11,824,166	\$ 10,751,751	\$ 10,305,308
Earnings per Share of Common Stock*	\$3.38	\$3.25	\$3.14	\$3.04
Taxes per Share of Common Stock*	5.66	5.21	5.03	4.78
Dividends:				
Preferred	\$ 351,828	\$ 361,440	\$ 364,524	\$ 374,602
Common	5,814,916	5,522,907	5,290,566	4,560,856

*Before giving effect to stock distribution of March 1, 1963.

FINANCIAL CONDITION Year Ended February 28,

	1963	1962	1961	1960
Current Assets:				
Cash	\$ 19,856,338	\$ 17,245,523	\$ 16,177,291	\$ 17,334,423
Receivables	36,754,074	34,703,535	29,148,338	25,099,076
Inventories	28,104,422	26,845,581	22,623,907	21,351,169
Prepaid Expenses	1,313,550	1,215,293	1,060,514	905,227
Total Current Assets	86,028,384	80,009,932	69,010,050	64,689,895
Deduct Current Liabilities	17,086,065	16,609,085	14,291,105	12,571,098
Net Working Capital	68,942,319	63,400,847	54,718,945	52,118,797
Investments and Advances	3,849,244	3,706,096	2,877,787	1,989,740
Property, Plant & Equipment (Net)	58,631,024	55,846,398	52,364,539	49,519,407
Intangibles	874,500	927,500	2,589,700	2,726,000
Total	\$132,297,087	\$123,880,841	\$112,550,971	\$106,353,944
Deduct:				
Deferred Federal Taxes on Income	1,900,000	1,500,000	1,200,000	900,000
Long Term Debt	—	—	750,000	1,000,000
Stockholders' Equity	\$130,397,087	\$122,380,841	\$110,600,971	\$104,453,944
Stockholders' Equity:				
3% Preferred Stock	\$ —	\$ 457,000	\$ 533,500	\$ 662,600
4½% Preferred Stock	7,660,200	7,660,200	7,660,200	7,660,200
Common Stock	45,297,344	43,256,865	40,900,022	32,498,434
Capital Surplus	310,127	858,592	—	5,903,043
Earned Surplus (Retained Earnings)	77,129,416	70,148,184	61,507,249	57,729,667
Total	\$130,397,087	\$122,380,841	\$110,600,971	\$104,453,944
Ratio of Current Assets to Current Liabilities	5.0:1	4.8:1	4.8:1	5.1:1
Book Value per Share of Common Stock	\$32.75	\$32.40	\$30.96	\$29.47

Elizabeth Lee was enjoying Meadow Gold ice cream when this candid picture was snapped at a company picnic.



1959	1958	1957	1956	1955	1954
\$385,449,644	\$353,971,987	\$342,086,657	\$325,024,680	\$287,352,312	\$275,034,840
1,717,176	1,704,271	1,274,383	1,219,354	1,028,994	597,267
<u>387,166,820</u>	<u>355,676,258</u>	<u>343,361,040</u>	<u>326,244,034</u>	<u>288,381,306</u>	<u>275,632,107</u>
363,324,038	335,252,160	323,533,470	308,645,091	272,826,864	262,243,252
5,914,461	5,148,420	4,771,928	4,279,263	3,681,231	3,035,541
9,066,200	7,674,000	7,739,000	6,930,000	6,320,000	5,525,000
<u>378,304,699</u>	<u>348,074,580</u>	<u>336,044,398</u>	<u>319,854,354</u>	<u>282,828,095</u>	<u>270,803,793</u>
\$ 8,862,121	\$ 7,601,678	\$ 7,316,642	\$ 6,389,680	\$ 5,553,211	\$ 4,828,314
\$2.92	\$2.82	\$2.74	\$2.41	\$2.28	\$2.08
4.88	4.68	4.77	4.33	4.30	3.76
\$ 380,120	\$ 393,988	\$ 411,682	\$ 431,003	\$ 467,136	\$ 324,242
3,910,294	3,663,927	3,256,133	3,060,255	2,696,136	2,481,483

1959	1958	1957	1956	1955	1954
\$ 14,602,723	\$ 13,004,796	\$ 13,151,065	\$ 13,634,349	\$ 11,802,872	\$ 11,097,738
22,228,153	19,822,752	19,348,884	17,612,372	14,565,820	14,075,561
18,660,123	12,664,692	10,646,820	9,806,224	9,333,313	8,753,686
815,551	650,577	700,039	779,744	655,152	671,596
<u>56,306,550</u>	<u>46,142,817</u>	<u>43,846,808</u>	<u>41,832,689</u>	<u>36,357,157</u>	<u>34,598,581</u>
11,483,578	9,616,789	9,664,334	9,422,407	7,440,157	7,106,782
44,822,972	36,526,028	34,182,474	32,410,282	28,917,000	27,491,799
1,316,486	1,295,712	1,380,938	1,831,275	2,162,259	1,531,552
44,516,114	39,166,692	37,569,805	35,122,235	30,595,413	30,528,870
—	—	—	—	—	—
<u>\$ 90,655,572</u>	<u>\$ 76,988,432</u>	<u>\$ 73,133,217</u>	<u>\$ 69,363,792</u>	<u>\$ 61,674,672</u>	<u>\$ 59,552,221</u>
450,000	—	—	—	—	—
1,250,000	1,500,000	1,750,000	2,000,000	2,250,000	2,500,000
<u>\$ 88,955,572</u>	<u>\$ 75,488,432</u>	<u>\$ 71,383,217</u>	<u>\$ 67,363,792</u>	<u>\$ 59,424,672</u>	<u>\$ 57,052,221</u>
\$ 852,800	\$ 1,035,400	\$ 1,345,600	\$ 1,650,800	\$ 2,420,700	\$ 3,622,400
7,740,200	7,740,200	7,973,200	8,111,200	8,111,200	8,125,000
28,911,276	25,468,799	16,590,676	16,501,144	14,838,725	14,440,537
5,809,733	174,178	6,520,844	5,796,576	4,369,521	3,569,696
45,641,563	41,069,855	38,952,897	35,304,072	29,684,526	27,294,588
<u>\$ 88,955,572</u>	<u>\$ 75,488,432</u>	<u>\$ 71,383,217</u>	<u>\$ 67,363,792</u>	<u>\$ 59,424,672</u>	<u>\$ 57,052,221</u>
4.9:1	4.8:1	4.5:1	4.4:1	4.9:1	4.9:1
\$27.68	\$26.05	\$24.69	\$23.26	\$21.97	\$20.92

**DIRECTORS AND
OFFICERS**



DIRECTORS

STEPHEN J. BARTUSH <i>Detroit, Michigan</i>	JOHN F. HAZELTON <i>Chicago, Illinois</i>
BROWN W. CANNON <i>Denver, Colorado</i>	WILLIAM G. KARNES <i>Chicago, Illinois</i>
ALVIE J. CLAXTON <i>Pinehurst, North Carolina</i>	JOHN T. MCGREER <i>Lincoln, Nebraska</i>
EARL CLINE <i>Lincoln, Nebraska</i>	BERNARD A. MONAGHAN <i>Birmingham, Alabama</i>
WALTER L. DILGER <i>Chicago, Illinois</i>	HAROLD F. NICHOLS <i>Galesburg, Illinois</i>
GEORGE A. GARDELLA <i>Detroit, Michigan</i>	CHARLES H. PATTEN <i>Phoenix, Arizona</i>
WILLARD V. HASKELL <i>Topeka, Kansas</i>	ROBERT B. PRICE <i>El Paso, Texas</i>
	HAROLD F. STOTZER <i>Archbold, Ohio</i>

**EXECUTIVE COMMITTEE
OF BOARD OF DIRECTORS**

WILLIAM G. KARNES
JOHN F. HAZELTON
GEORGE A. GARDELLA
BROWN W. CANNON
WALTER L. DILGER

OPERATING COMMITTEE

BROWN W. CANNON
WILLIAM G. KARNES
GEORGE A. GARDELLA
DON L. GRANTHAM
JAY G. NEUBAUER
JOHN F. HAZELTON

OFFICERS

WILLIAM G. KARNES <i>President</i>	JAY G. NEUBAUER <i>Vice President</i>
JOHN F. HAZELTON <i>Executive Vice President</i>	DON L. GRANTHAM <i>Vice President</i>
GEORGE A. GARDELLA <i>Vice President</i>	EDWARD M. MULDOON <i>Vice President</i>
BROWN W. CANNON <i>Vice President</i>	WALTER L. DILGER <i>Vice President and Secretary</i>
EDWARD F. COMEGYS, JR. <i>Vice President</i>	ROBERT W. FRANCE <i>Treasurer</i>
CARL N. HANSEN <i>Vice President</i>	JAMES J. CULLEN <i>Assistant Treasurer</i> <i>Assistant Secretary</i>
CHARLES H. MCCONNELL <i>Vice President</i>	HERBERT L. SEVERIN <i>Assistant Secretary</i> <i>Assistant Treasurer</i>
ROBERT B. PRICE <i>Vice President</i>	



CAPITAL STOCK LISTING

NEW YORK STOCK EXCHANGE

REGISTRARS OF STOCK

THE CHASE MANHATTAN BANK
THE NORTHERN TRUST COMPANY

STOCK TRANSFER AGENTS

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY
OF CHICAGO

**DIVIDEND DISBURSEMENT
AGENT**

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY
OF CHICAGO



GENERAL OFFICES 120 SOUTH LA SALLE STREET, CHICAGO 3, ILLINOIS

