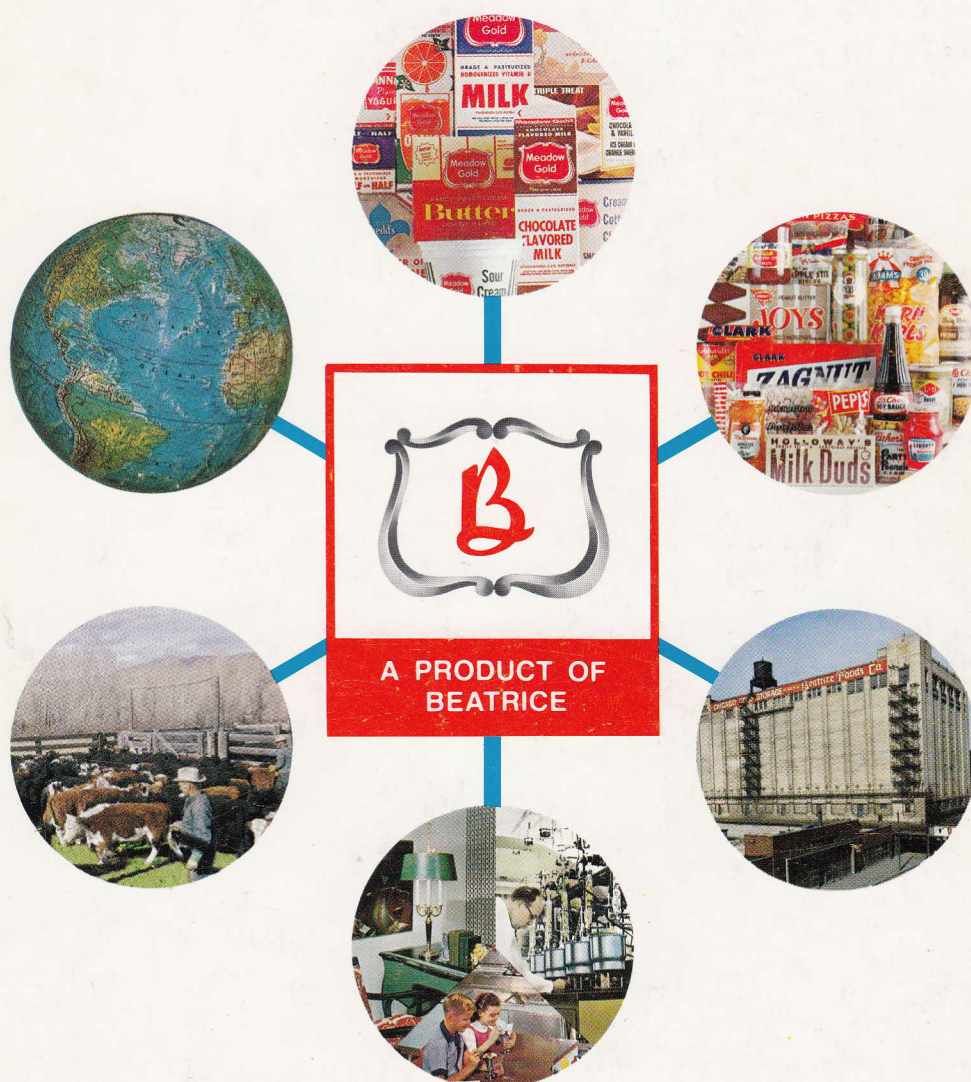


Beatrice Foods Co.



Beatrice

Expands to Six Divisions

Beatrice Foods Co.



DAIRY
GROCERY
INTERNATIONAL
PUBLIC
WAREHOUSING
AGRICULTURAL
BY-PRODUCTS
CHEMICAL AND
MANUFACTURING

68th ANNUAL REPORT • Fiscal Year Ended February 28, 1966

At the start of the new fiscal year, Beatrice Foods Co. formally organized three new divisions. This realignment was effected to provide for maximum operating and administrative efficiencies and for anticipated future growth.

The three new divisions—Chemical and Manufacturing, Agricultural By-Products, International—increases the total number of divisions to six, including the three long-established divisions—Dairy, Grocery and Warehousing. This expansion was deemed necessary because of the rapid growth in all six areas of company operations.

69th ANNUAL MEETING

The 69th Annual Meeting of Stockholders will be held at 10:30 A.M. (E.D.T.) on Wednesday, June 1, 1966, in the Georgian Room of the Americana Hotel, Seventh Avenue and 52nd Street, New York, New York.

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■ HIGHLIGHTS OF THE YEAR

	February 28 1966	February 28 1965	Per Cent of Increase
Net Sales	\$796,443,487	\$681,385,124	17
Net Earnings	24,638,315	18,045,291	37
Per Share of Common Stock*	2.95	2.49	18
Percentage of Sales	3.09	2.65	17
Taxes per Share of Common Stock*	4.01	3.86	4
Working Capital	104,639,025	86,098,548	22
Stockholders' Equity	184,486,924	155,871,852	18
Dividends Paid	10,940,089	8,624,562	27
Number of Stockholders	18,931	17,406	9

*After giving effect to the stock distribution of March 1, 1965.

■ FIVE YEARS OF PROGRESS

	1966	1965	1964	1963	1962
Net Sales	\$796,443,487	\$681,385,124	\$606,157,642	\$569,487,854	\$539,192,494
Earnings before Taxes	47,138,315	36,045,291	30,211,603	26,143,771	23,171,166
Federal Taxes	22,500,000	18,000,000	15,500,000	13,120,000	11,347,000
Earnings after Taxes ..	24,638,315	18,045,291	14,711,603	13,023,771	11,824,166
Earnings per Share of Common Stock*	2.95	2.49	2.11	1.91	1.83
Dividends paid per Share of Common Stock*	1.35	1.16	1.05	.90	.90
Working Capital	104,639,025	86,098,548	77,276,091	69,282,497	63,400,847
Year-end Inventories ..	51,083,452	40,772,070	30,236,052	28,104,422	26,845,581
Amount Added to Earned Surplus	18,475,894	10,577,698	3,711,844	6,981,233	8,640,935
Book Value per Share of Common Stock*	20.64	19.91	18.78	18.42	18.23
Number of Stockholders	18,931	17,406	16,325	15,837	15,821

*After giving effect to the stock distribution of March 1, 1965.



STEADY GROWTH

From the day it sold its first pound of butter almost three quarters of a century ago, Beatrice Foods Co. has maintained a constant program of product diversification as a primary source of steady growth.

One plant, which began in Beatrice, Neb., to distribute butter, eggs and poultry, has multiplied into 190 food manufacturing plants serving the world. Our line of products has grown from three to more than 3,000 including in excess of 1,500 dairy and grocery items. Today, these products are marketed under more than 100 well-known brand names from plants and branches in almost 400 cities and towns in the United States—and in 20 foreign countries.

The fledgling company began diversifying in its first year of business by buying cream and churning its own butter. At first, it reworked farm-made butter. Shortly thereafter, it started selling cream separators so that farmer-suppliers could separate their cream at the farm. Since it was necessary to have refrigeration plants in conjunction with the manufacture of butter, a cold storage business evolved.

Ice cream was a logical development and the company established its first ice cream plant in Topeka, Kan., in 1907, where the Meadow Gold brand name for dairy products first was selected by employees in 1901. It wasn't until 1923, however, that the company opened its first milk plant—in Denver, Colo. By 1932, the company had milk plants in 32 cities.

Meadow Gold dairy products now are available in a variety of selections in 46 of the 50 United States. These are distributed from 108

manufacturing plants, strategically located to serve important market areas.

The first research and new products laboratory was built in 1936 and it and others subsequently set up across the country have been the fountainhead for a steady stream of new products. Among these are fortified and modified milk products, special ice cream flavors and novelties, fruit juices and fruit ades, flavored dips, yogurt and dietetic dairy foods. Others include dry-roasted nuts, special snack and foreign type foods and powdered ingredients and flavorings.

Another logical extension of Beatrice Foods network of plants, branches and warehouses combined with the company's technical capabilities was expansion into the distribution of frozen foods and grocery products. This program, initiated some 25 years ago, culminated in the formation of the Grocery Division in 1957. Various grocery products are sold in every one of our 50 states as well as in more than 60 countries overseas.

Beatrice consistently has been a pioneer in the development of what now are popularly known as convenience foods—foods that require little or no preparation prior to serving. Since the mid-1940's, every food product introduced by the company for consumer and mass feeding use has been in the convenience food category. Convenience foods today account for almost 15 per cent of the nation's food purchases.

To keep abreast of America's fast-growing economy, the company has diversified into kin-

THROUGH PRODUCT DIVERSIFICATION

dred fields to capitalize upon its technical and manpower resources. This led to the formation of three new divisions to formalize developments of this decade. These are International, Agricultural By-Products, and Chemical and Manufacturing. With the previously established Dairy, Grocery and Warehouse Divisions, Beatrice Foods now has six operating divisions.

The International Division now has plants, joint ventures or franchise agreements in 20 foreign countries. There was none five years ago. In many cases, popular Beatrice Foods products have been adapted to the tastes of each country. The results of this research and development are reflected in rapid sales growth in virtually every instance.

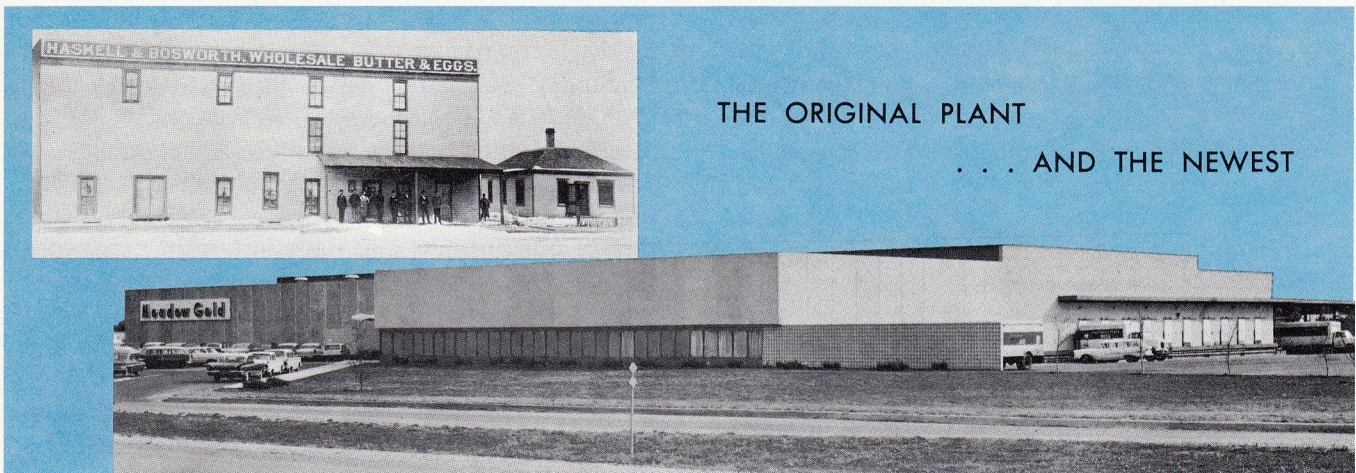
The newly-formed Agricultural By-Products Division includes various company operations which process and sell meat by-products, hides, wool and animal feed supplements.

The Chemical and Manufacturing Division

embraces products related to the home. Its members include Bloomfield Industries, which produces stainless steel kitchen and serving equipment for homes and institutions, The Stiffel Co., which manufactures quality lamps for homes and offices, and Stahl Finish Co. and Polyvinyl Chemicals, Inc., specialists in coatings and finishes as well as ingredients for floor coatings and polishes, paints and related industrial applications.

Growth through product diversification—development of new and improved products and packages to meet the needs of the consumer and anticipate his desires—will continue to be the most important well-spring of future growth for all six divisions of Beatrice Foods.

Another objective is the time—not too distant—when every family in the United States will buy or use a product produced, stored or distributed by Beatrice Foods every day of the week.



■ TO THE STOCKHOLDERS OF *Beatrice Foods Co.*

Record increases in sales and earnings and earnings per common share of stock were achieved in the fiscal year ended February 28, 1966, as your company established new highs in every phase of both domestic and international operations.

All six major divisions—Dairy, Grocery, Warehousing, Chemical and Manufacturing, Agricultural By-Products, and International—contributed to the company's progress through substantial internal growth, better efficiencies and additions. One significant result was that the percentage of net earnings on sales was 3.09, highest in Beatrice Foods' history.

SALES—Dollar sales increased for the 16th consecutive year to \$796,443,487. This represents a gain of \$115,058,363, or 17 per cent over last



WILLIAM G. KARNES
President
Chief Executive Officer



JOHN F. HAZELTON
Executive Vice President
Chief Operating Officer

year. By comparison, our total sales for 1946 were \$110,000,000, or approximately equal to our increase in sales for the last fiscal year. Unit sales of dairy and grocery products rose for the 29th successive year and again exceeded dollar sales in percentage of growth.

EARNINGS—Profits, before and after taxes and per common share, increased for the 14th consecutive year, all by record percentages. Net earnings were up 37 per cent to \$24,638,315, a gain of \$6,593,024. Net earnings per common share after dividends on preferred shares outstanding were equal to \$2.95 per share on 8,094,483 shares outstanding at the end of the last fiscal year. Per share earnings have been adjusted to give effect to the four-for-three common stock distribution on March 1, 1965.

We have continued the policy of reflecting the investment credits in earnings over a period of years based on the estimated lives of the related equipment. The investment credits so deferred to future years totaled \$1,583,099 at February 28, 1966.

CAPITAL STOCK—There were 76,602 shares of 4½ per cent cumulative preferred stock, 97,500 shares of \$4 convertible preference stock and 8,094,483 shares of common stock outstanding at the close of business February 28, 1966.

On March 1, 1965, your company distributed one share of common stock for each three shares outstanding to stockholders of record February 1, 1965. This was the fourth distribution of common stock in eight years. The per share figures in this report have been adjusted to reflect this stock distribution.

DIVIDENDS—Record dividends of \$10,940,089 were paid on the outstanding preferred and common stock during the fiscal year, compared to \$8,624,562 last year.

On March 2, 1966, your directors voted the third dividend increase on the company's common stock in 20 months, raising the quarterly rate 11 per cent to 37½ cents per share from 33¾ cents. The first quarterly dividend at the new rate of \$1.50 per year, compared to \$1.35 previously, was paid April 1 to stockholders of record March 15. It was the 120th consecutive quarterly dividend on the common stock.

In the 20-month period, the quarterly dividend has been increased 43 per cent to 37½ cents from 26¼ cents per share, after adjustment for the March 1, 1965, stock distribution.

INVENTORY—As of February 28, 1966, inventory amounted to \$51,083,452, compared to \$40,772,070 at the end of the previous year. The increase of \$10,311,382 reflects the changing nature of our business and the addition of new product lines and non-food items which have a lower rate of turnover and require larger inventories of raw materials. The ratio of company sales to year-end inventories was 16 to 1 for the year.

WORKING CAPITAL—Your company increased its working capital (current assets less current liabilities) for the 21st consecutive year.

BEATRICE SALES DOLLAR

SOURCE

FLUID MILK AND CREAM	28%
ICE CREAM AND MIX	12%
BUTTER	7%
DAIRY BY-PRODUCTS	6%
GROCERY PRODUCTS	38%
WAREHOUSING, CHEMICALS AND MANUFACTURED PRODUCTS	9%

DISPOSITION

FARMERS AND SUPPLIES	55.6%
SUPPLIES AND OTHER EXPENSE	21.7%
WAGES AND SALARIES	15.3%
TAXES	4.1%
DIVIDENDS TO STOCKHOLDERS AND ADDITIONS TO WORKING CAPITAL	3.3%

The total as of February 28, 1966, was \$104,639,025, an increase of \$18,540,477, or 22 per cent, from \$86,098,548 for the preceding year. Your company has \$4.64 of current assets for each dollar of current liabilities.

STOCKHOLDERS' EQUITY—Stockholders' equity also rose by a record 18 per cent to a new high of \$184 million from \$156 million a year ago. Book value of each share of common stock increased for the 29th consecutive year. The book value of each common share was \$20.64, compared to \$19.91 at the end of the previous year, after adjustment for the March 1, 1965, common stock distribution.

CAPITAL EXPENDITURES—Last year, your company invested \$16,137,921 in plant construction and modernization and for the replacement of equipment and trucks. The total for the last 10 years has been more than \$127 million to maintain our plants and equipment in the most efficient condition.

LEGAL PROCEEDINGS—As previously reported, the Federal Trade Commission has dismissed our Dairy Merger Case except as to four acquisitions. This litigation, which has been pending since 1956, is now in the U.S. Court of Appeals for the Ninth Circuit, San Francisco, California. A final decision may not be reached for more than two years.

On July 29, 1965, the Federal Trade Com-

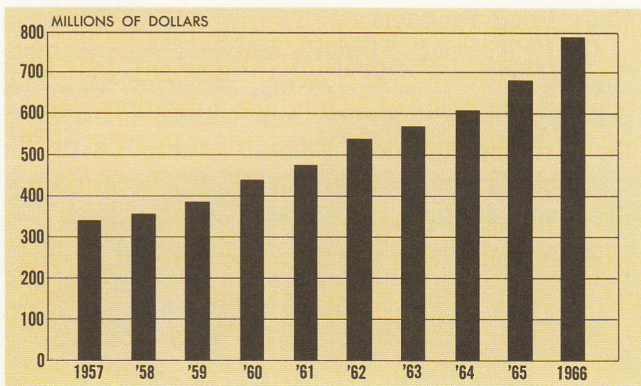
mission confirmed the hearing examiner's initial decision and dismissed the Robinson-Patman Act complaint filed against our company in 1959 charging discriminatory dairy product prices and allowances. On July 30, 1965, the Federal Trade Commission issued a new complaint alleging our company granted illegal discriminations in dairy product prices in the West Virginia area. This proceeding is only at the pre-trial stage.

During the year, a number of proceedings common to our business activities have been successfully terminated, and a few other proceedings deemed immaterial have been filed against our company, all of which are being vigorously defended.

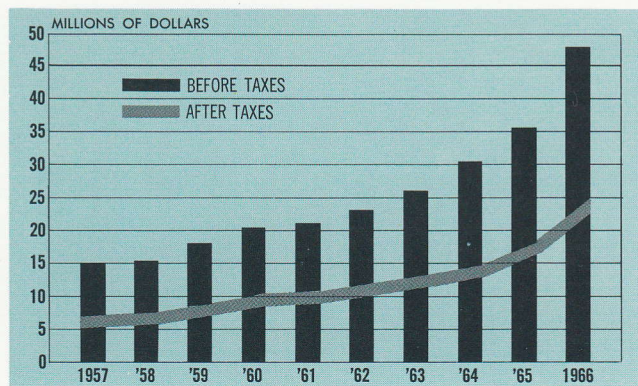
EMPLOYEES—In the last decade, the number of Beatrice Foods employees has grown from 12,435 to 19,672. Company sales per employee have increased substantially in that period, a record that attests to the abilities, loyalty and dedication of the men and women of Beatrice Foods. It further documents our belief that we have the finest team of employees in your company's history. To them, we express our deepest thanks for their contributions to the growth of Beatrice Foods.

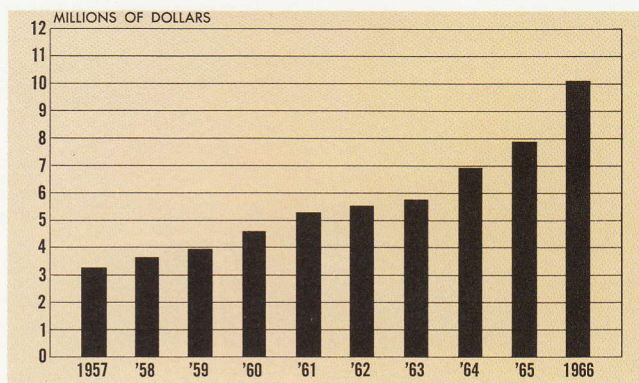
MANAGEMENT—As of March 1, 1966, John F. Hazelton, executive vice president, and Walter L. Dilger, vice president and secretary, both of whom have made many enduring contributions to the growth of your company, retired from management.

SALES



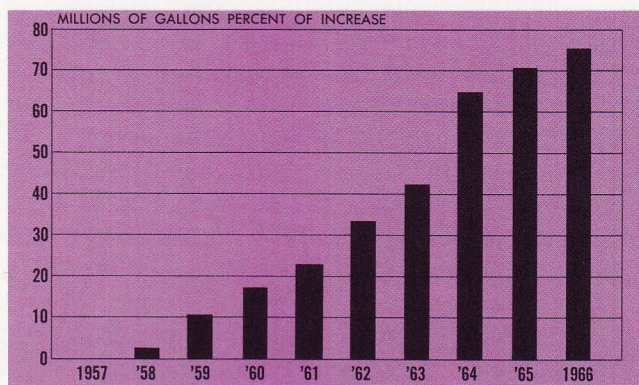
EARNINGS (before and after taxes)



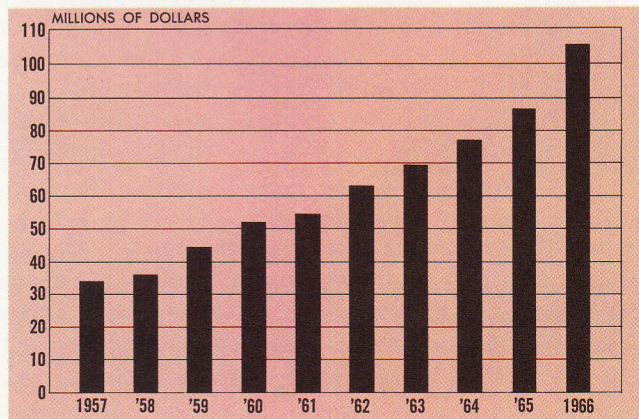


COMMON DIVIDENDS PAID

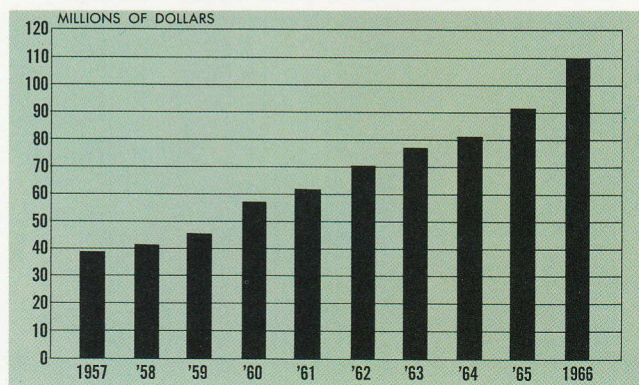
MILK SALES



WORKING CAPITAL



EARNED SURPLUS



John Hazelton was truly one of the deans of the dairy business and served with Beatrice for more than 45 years. He joined the company as a salesman at Muncie, Indiana, in 1921. He was advanced to sales manager, then manager, and in 1945 was named district manager of the Indiana-Southern District. He was elected a vice president in 1946 and was promoted to executive vice president and chief operating officer of the company in 1954. He was first elected a director in 1953 and will continue on the board of our company.

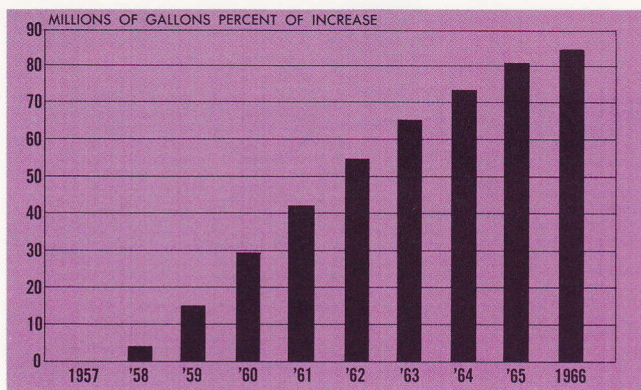
Walter Dilger joined the company as a member of the Law Department in 1931. He became general counsel of the company in 1935, then was elected secretary of the company in 1943, a director in 1943, and a vice president in 1955. In these various capacities, his counsel and advice have been invaluable in the expansion of the company over the last 35 years.

On March 2, 1966, the directors elected Don L. Grantham executive vice president in charge of the Dairy, Warehouse and Agricultural By-Products Divisions. Don Grantham began his career with Beatrice Foods in Mattoon, Illinois, in 1934. He was promoted to manager of Mattoon and then was advanced to manager of our Brooklyn ice cream plant in 1956. In 1957, he was named district manager of the Atlantic Coast District and in 1962 he was elected vice president of the Eastern Dairy Region. He was elected a director in 1963.

Paul T. Kessler, Jr., was elected executive vice president of administration, supervising non-operating functions in the general office. He also will be in charge of the newly-formed International Division. Paul Kessler has worked very closely with Beatrice Foods over the years as a partner of our outside legal counsel, Winston, Strawn, Smith & Patterson, of Chicago.

Edward M. Muldoon, Detroit, Michigan, vice president since 1961, was promoted to executive director of the Grocery Division. When the company organized its Grocery Division in 1957, Muldoon was named its first general manager. Previously he had been general manager of La Choy Food Products.

Harry Niemiec, formerly assistant general manager of the Grocery Division, was elected a vice president of the company and general manager of the Grocery Division. Niemiec started with the company in 1948 as an employee of Mario's Food Products, advanced to manager and then was named assistant general manager of the Grocery Division.



ICE CREAM SALES

Gordon E. Swaney, Archbold, Ohio, was promoted to assistant general manager of the Grocery Division. He will continue as general manager of La Choy. Swaney joined the company in 1947.

Brown W. Cannon of Denver, Colorado, vice-president and director, was appointed to head the newly-formed Agricultural By-Products Division. He will continue as vice president, Western Dairy Region.

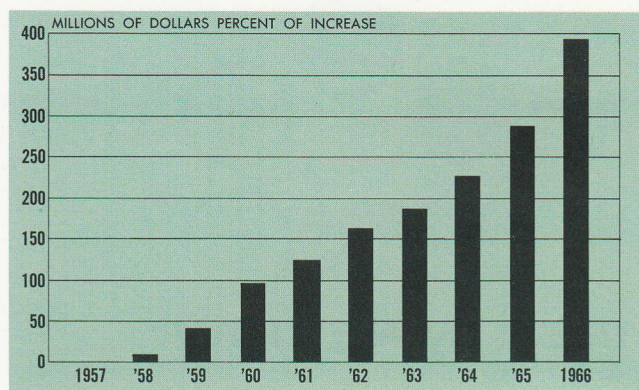
Wallace N. Rasmussen, of Nashville, Tennessee, who has been with the company since 1934, was elected vice president of the South and West Central Dairy Regions.

William W. Granger, Jr., of Pittsburgh, a veteran of 21 years of service, was elected vice president of the Northeast Dairy Region.

John F. Hazelton, Jr., who has been with the company since 1950, was elected vice president of the East Central Dairy Region.

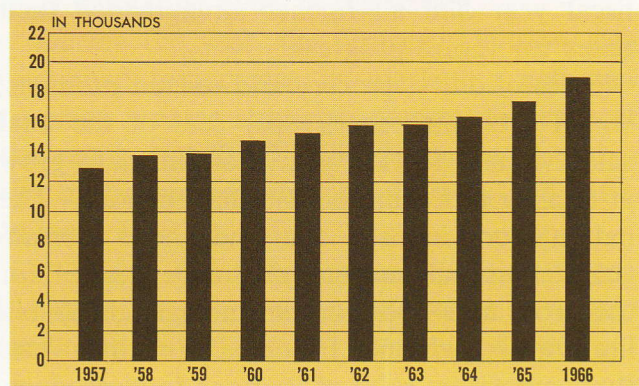
Vice President Lee W. Schlytter's responsibilities have been enlarged to include the newly-created position of vice president of corporate development. This will involve analysis of domestic and international trends and the planning and supervision of further expansion of the company, both in the United States and overseas. Schlytter has been with the company for 25 years.

William G. Mitchell was elected secretary, John P. Fox, Jr., was named general attorney and director of the Law Department, and Carl T. E. Sutherland was elected assistant secretary and assistant treasurer.



**GROCERY PRODUCTS
NON-FOODS AND SERVICES**

NUMBER OF STOCKHOLDERS



STOCKHOLDERS— The number of stockholders in your company increased for the 16th consecutive year and totaled 18,931 on February 28, 1966. We are appreciative of the suggestions and comments contributed by stockholders during the year and thank you for your expressions of confidence and encouragement.

For the first time in our history, we will hold the Annual Meeting of Stockholders in New York City in order that we may become better acquainted with our stockholders in the East. The meeting will be held in the Georgian Room of the Americana Hotel at 10:30 A.M. (EDT) on Wednesday, June 1, 1966.

THE YEAR AHEAD— With the continued valued support and cooperation of our stockholders and that of our customers, employees, producers and suppliers, we believe our company—now in the strongest financial position in its history—will continue to progress in all areas of operation in the year ahead.

Yours sincerely,

WILLIAM G. KARNES
President

PAUL T. KESSLER, JR.
Exec. Vice President
Administration—
International
Division

HARRY NIEMIEC
Vice President
General Manager
Grocery Division

WILLIAM W. GRANGER, JR.
Vice President
Northeast Dairy
Region

JOHN F. HAZELTON, JR.
Vice President
East Central
Dairy Region





1965 IN REVIEW

Sales and earnings of all six divisions of your company established new records in the 1965 fiscal year and all further strengthened their bases for future progress.

Sales of dairy, grocery and related products, which accounted for 91 per cent of the total sales volume for the year, continued to grow at a faster rate than the national economy. The nation's food industry again advanced substantially. Personal consumption expenditures for food rose to \$85 billion, an increase of \$5 billion, or six per cent, from the preceding year. By comparison, sales of Beatrice food products

showed a gain of \$70 million, or 11 per cent, in the fiscal year.

Especially notable were the gains in the sales of our dairy products despite a decline in national milk production in 1965, which is expected to continue in 1966.

Factors which indicate continuing improvement in the year ahead include growing consumer demand for Beatrice-type convenience foods, population growth, particularly in the age groups for which our products have the greatest appeal, and increasing disposable income coupled with the desire to upgrade diet.

The same upward trends are indicated in other areas in which Beatrice specializes, including public warehousing, agricultural by-products and products in the home furnishing and related fields, as well as overseas.

DAIRY

MILK AND CREAM — Dollar and unit sales of bottled milk and cream increased for the 27th consecutive year and accounted for 28 per cent of our total sales. Unit sales again reached an all-time high and showed a greater percentage gain than did dollar sales.

Major improvements in facilities were completed at Topeka, Kans.; Joliet, Ill.; Ft. Worth, Tex.; Missoula, Mont.; Pittsburgh, Pa., and Springfield, Ill.

ICE CREAM — Sales of ice cream, sherbet and related frozen dessert products set new gal-lonage records for the 16th successive year and accounted for 12 per cent of all sales.

Major improvements or additions were made at plants in Muncie, Ind.; Kankakee, Ill.; Brooklyn, N. Y., and Pasadena, Calif.



Members of the Meadow Gold All-American Team—outstanding home delivery salesmen in 1965—strike a victory pose during Beatrice Foods' annual sales meeting in Phoenix, Ariz. From left, standing: James Moats, Morgantown, W. Va.; Don Bartolomucci, Springfield, Ill.; William G. Karnes, president; Miss Susanna Spann, cheerleader; Thayne Wells, Denver, Colo.; Wally Olin, Eugene, Ore.; Cliff Walton, Opelika, Ala.; Harvey Dawson, Fort Wayne, Ind.; Joseph L. Major, home delivery supervisor.

Front row, from left: Harrison Alexander, Tulsa, Okla.; LeRoy Acre, Fort Worth, Tex.; Don Beddies, Dayton, Ohio; Benny Harder, Beloit, Wis. Absent from picture: Bob Koehn, Wichita, Kan.



BUTTER—Dollar earnings for the Butter Department showed a seven per cent increase over the preceding year. This reflected further improvements in operations and efficiencies to offset a 3.3 per cent decline in sales. A substantial percentage of this decline was the result of the reduction in sales of butter to the U.S. Government. Butter accounted for seven per cent of total sales.

DAIRY BY-PRODUCTS—Dollar and unit sales of dairy by-products also attained new highs during the last fiscal year, amounting to six per cent of the total. These include cottage cheese, both flavored and plain, all other kinds of cheese, sour cream, flavored dips, yogurt, powdered milk, dietetic dairy foods and evaporated and condensed milk.

Our line of powdered products, including Beatreme powdered shortenings and flavorings, were augmented substantially and showed sizeable gains. New products developed included a cultured-cream for use in salads and dressings and an improved sour cream powder for use in dips and other convenience foods.

GROCERY

Dollar and unit sales of grocery products also set new records for the year. Sales for the division, including confectionery and snack foods, rose 25 per cent from the year previous and accounted for 38 per cent of total sales.

All members of the division broadened their product mix, introduced new and improved packages, extended their sales forces and expanded distribution. At year end, 1,193 food brokerage firms with a total of approximately 10,000 salesmen were representing

companies in the Grocery Division. This comprises what is believed to be the largest local food marketing team in the nation.

During the year, the Grocery Division also continued to increase its marketing activities to place greater stress on market coverage at the retail store level, sales promotional activities and customer service programs and institutional sales.

Charles J. Gardella was named national marketing manager for the division and W. Bruce McCurdy and Richard E. Woodward were ap-



Jolly Rancher, Inc., (top photo) which joined Beatrice Foods during the fiscal year, manufactures quality hard candies and fine chocolates in this modern plant in Wheatridge, Colo., a suburb of Denver.

Southland Pecans, Inc., (below) operates this one-story plant with automated shelling, washing, processing and packaging machinery at Waycross, Ga. Since it was built in 1957, the plant has been expanded three times.





pointed regional marketing managers for the East and West, respectively.

The Grocery Division also expanded its institutional program under the supervision of Charles E. Doring, who was appointed general institutional marketing manager last year. Virtually every division has augmented its lines of institutional size products and its distribution to provide fast delivery and full customer service to hotels, restaurants, clubs, cafeterias and other food service outlets.

A new company, Pik-Nik International, was formed during the year to distribute snack foods such as Korn Kurls, Caramel Corn, Corn Chips and Smoked Pork Rinds through United States military post exchanges and commissaries around the world. Headquarters has been established in San Jose, Calif.

Additions to plants and equipment were completed at Tasty Foods Co., Denver, Colo.; and Liberty Cherry & Fruit Co., Covington, Ky. Plants and facilities of both Squire Dingee Co. ("Ma Brown" pickles, preserves, toppings and syrups), Chicago, Ill., and Fisher Nut Co., St.

Paul, Minn., will be expanded substantially starting in 1966.

WAREHOUSING

The Warehouse Division, which operates 14 public warehouses located in key transportation centers across the country, reported the finest year in its history. Earnings were up 26 per cent from last year.

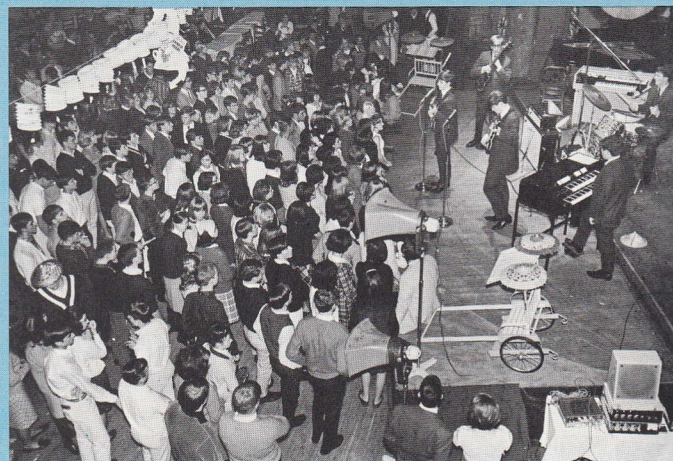
Your company entered into the cold and dry storage warehouse field shortly after the founding of the company 72 years ago, for cold storage facilities are vital to the processing of butter, ice cream, cheese and other dairy products.

Today, this division serves almost every segment of the food industry. Large quantities of all types of foods are stored in major market or shipping centers for withdrawal as needed.

Newest member of the division is Inland Underground Facilities, Inc., Kansas City, Kans., which joined your company in July, 1965. Inland operates a public cold storage warehouse and maintains more than 50 acres of freezer, cold and dry storage facilities and space in caves



Salvation Army Lassies prepare to distribute doughnuts—traditional with the Army since World War I—at observance of Salvation Army Centennial Day at Chicago Rotary Club luncheon meeting at Sherman House, Sept. 7, 1965. More than 500 doughnuts were provided by Burny Bros. Bakeries, Chicago.



More than 2,300 Indiana Teens celebrated the advent of the Chinese New Year on Jan. 21, 1966, as guests of La Choy Food Products at a "Gung Hoy Fet Toy"—Happy New Year in Chinese—party at the Indiana Roof Ballroom in Indianapolis. Teens were admitted free in exchange for a label from a La Choy Bi-Pack Chow Mein label.

CHEMICAL AND MANUFACTURING



mined out of limestone. Inland also is engaged in the limestone quarrying business.

Public storage warehouses operated by your company include Chicago Cold Storage, Produce Terminal Cold Storage and Soo Terminal Storage Co., all of Chicago; Grand Trunk Warehouse and Cold Storage, Detroit; Lackawanna Cold Storage, Scranton, Pa.; Terminal Refrigerating with two plants in Los Angeles; Burbank Refrigerating, Burbank, Calif.; Beatrice Cold Storage in Lincoln, Neb., and Beatrice Foods Co. with two plants in Denver, Colo.

CHEMICAL AND MANUFACTURING

This division, formalized at the start of the new fiscal year, consists of companies in the food service equipment, home furnishing and chemical specialty fields. It includes Bloomfield Industries, Inc., Chicago, Stahl Finish Co., Inc., and Polyvinyl Chemicals, Inc., Peabody, Mass., and The Stiffel Co., Chicago.

In addition to its extensive lines of Bloomfield food service equipment which it sells to restaurants, hotels, soda fountains and other institutions, Bloomfield also markets a deluxe line of restaurant ware under the name Swedish Regent, Silex Coffeemakers for institutional uses, a line of stainless steel equipment for the hospital trade under the Hosp-I-Ware name and kitchen products under the Bi-Cor brand.

During the last fiscal year, Bloomfield Industries completed construction of a 70,000 square foot addition to its Chicago plant at a cost of \$500,000.

At the start of the last fiscal year, Stahl Finish Co., Inc., Polyvinyl Chemicals, Inc., and associated companies joined your company.

Stahl is a leading domestic and foreign manufacturer of chemical coatings and finishes for leather, synthetics, metal, wood, paper and textiles. Polyvinyl Chemicals produces polymers, chemical ingredients for floor polishes, paints and lacquers, textile sizings and paper coatings.

Polyvinyl Chemicals presently is building a \$3,000,000 plant in Wilmington, Mass., which will double the company's production capacity. It is expected to be in operation in July, 1966.

The Stiffel Co., which joined Beatrice in July, 1965, is a leading manufacturer of quality lamps for homes and offices. They are distributed through fine furniture and department stores throughout the United States and Canada.

Stiffel produces more than 225 different styles of lamps, each designed and engineered to conform to the high standards for which the company has been renowned for more than 30 years. Stiffel recently expanded its headquarters and plant in Chicago.



Vigortone Products, Inc., newest member of the Agricultural By-Products Division, operates this modern plant in Cedar Rapids, Iowa. Founded more than 50 years ago, Vigortone is a pioneer producer of vitamin-mineral pre-mixes and animal health products distributed to livestock feeders.



Early in 1966, Stiffel introduced 72 new table, pendant and floor lamps. Additional new models are planned for marketing later in the year.

The company also has expanded its advertising program substantially. Stiffel lamps will be featured in ads in such leading publications as "House Beautiful," "Better Homes and Gardens," "Home and Garden," "American Home," "Vogue," "The New Yorker," "Sunset" and decorating guides as well as Sunday magazine sections of newspapers in 32 market areas.

Among the new products created for the in-

butter melter and two food service carts.

AGRICULTURAL BY-PRODUCTS

This newly-formed division includes various company operations which process and sell meat by-products, hides, wool and animal feed supplements, sales of which are growing at a faster rate than the national economy.

Member companies include Regal By-Products, Lynn Center, Ill., Western By-Products, and Eustice Processing Co., Inc., Omaha, Neb.; Colorado By-Products Co., Denver, Colo., and Vigortone Products, Inc., Cedar Rapids, Iowa. Colorado By-Products and Vigortone joined your company during the last fiscal year.

Regal, Eustice and Western By-Products produce animal feed supplements which are marketed primarily in the Midwest. Colorado By-Products' primary business is the handling of hides on a commission basis. It also operates wool pulleries and processes animal by-products. The company operates eight plants in the Mountain States area and is completing a new one in Ogden, Utah.

Vigortone, founded more than 50 years ago, is a pioneer producer of vitamin mineral premixes and animal health products. These are distributed to livestock feeders in 14 major livestock states under the Vigortone brand.

INTERNATIONAL

Launched only five years ago, international operations have developed into one of the fastest-growing divisions of your company with plants, joint ventures or franchise agreements in 20 countries overseas in addition to Mantecados Payco, a leading ice cream firm in the



This fully-automated bakery in Augusta, Ga., is one of three operated by the Murray Biscuit Co., which merged with Beatrice Foods in 1965. The company operates another bakery in Augusta and one in Memphis, Tenn., for the manufacture of an extensive line of packaged sweet cookies.

stitutional food service field by Bloomfield were a Swedish Regent Syrup Sue, two new soup tureens, a Swedish Regent Susan and Regent Town and Country Salt and Pepper Shakers with either chrome or gold caps.

Other new Bloomfield products include a "Satellite" Silex coffee decanter, a "Mr. Chips" stainless steel butter dispenser, a table-size



Beatrice & Motta opened this \$1,000,000 plant in Trento, Italy, in November, 1965, as a joint venture to process and distribute convenience foods throughout Italy.

Commonwealth of Puerto Rico. Beatrice Food products also are exported to more than 75 countries.

International operations accounted for more than \$50,000,000 in sales for the fiscal year ended February 28, 1966. Earnings showed a 55 per cent increase and unit sales have increased every year. Sales and earnings of Cie Lacsoons, S.A., of Rotselaar, Belgium, which distributes a full line of dairy products throughout Belgium and the European Common Market, and the overseas operations of Stahl Finish Co. and Polyvinyl Chemicals are included in the consolidated financial statements.

It is your company's intention to accelerate expansion of the International Division in future years, particularly in Western Europe and Central and South America.

During the year, Stahl Finish Co. and Polyvinyl Chemicals completed a new plant in Loughborough, England, and broke ground for another plant in Barcelona, Spain. The com-

panies also are planning to build another chemical plant in Mexico. Both have plants in Waalwijk, Holland, and in Canada.

Beatrice & Motta, S.p.A., our joint venture in Italy to market convenience foods in Southern Europe, began operations in a new \$1,000,000 plant at Trento, in November.

Indicative of our progress overseas, our pioneer plant in Malaya, which was opened in February, 1961, is building a second plant there and has expanded its line of dairy products distributed in Malaysia.

As reported last year, your company operates five government-owned dairy plants in the Far East which supply bottled milk, ice cream, cottage cheese and other dairy products to U.S. Military personnel in the Orient. Volume of these products, all packaged under our Meadow Gold brand, has grown significantly in the year and one-half your company has operated these plants.

As in the past, our expansion program overseas will be in 100 per cent compliance with the volunteer program of the Department of Commerce sponsored by President Johnson.



Fortified with Meadow Gold milk, the Meadow Gold Meadow Larks proved to be the strongest team competing on the Naha, Okinawa, baseball circuit.



Gebhardt's
CHILI POWDER
MEXICAN FOODS

HOLLAND
DAIRY PRODUCTS

PEPI'S



RUDOLPH FOODS
SMOKED PORK
RIND SNACKS

Mario's

OLIVES,
OLIVE OIL

Aunt Nellie's
Foods

VEGETABLES
FRUIT JUICES



UNITED KINGDOM
CONVENIENCE FOODS

Lambrecht
PREPARED
FROZEN FOODS



PICKLES
PRESERVES

PIK-NIK

SHOESTRING POTATOES
FRENCH FRIED ONION RINGS



Rosarita

MEXICAN
FOODS

KOBEY'S

POTATO PRODUCTS
FRENCH FRIED
ONION RINGS

Mantecados
Peyco

PUERTO RICO
ICE CREAM



Bond's
PICKLES

G*W
PIZZA
PIZZA

VIGORTONE

ANIMAL FEED SUPPLEMENTS

Western By-Products

ANIMAL FEED SUPPLEMENTS

STAHL

CHEMICAL COATINGS
AND FINISHES

COLORADO BY-PRODUCTS COMPANY

HIDES, WOOL, ANIMAL BY-PRODUCTS



DAIRY PRODUCTS

Shedd's

MARGARINE
LADY BETTY FOODS



SNACK FOODS

LIBERTY

CHERRIES
GLAZED
FRUITS



SALTED
ASSORTED NUTS

STIFFEL

LAMPS

Jolly Rancher

CANDIES



COOKIES



JAPAN
DAIRY PRODUCTS



CANDIES

Rainbo
AMERICAN
PICKLES AND RELISHES

BLOOMFIELD
FOOD SERVICE EQUIPMENT

BLUE VALLEY
BUTTER

DANNON
YOGURT



ICE CREAM

BURNY BROS.
INC.



BAKERY PRODUCTS

LACTOPRODUCTOS
LA LOMA, S. A.
MEXICO

DAIRY PRODUCTS



MINTS

Beatrice Foods
(Malaya) Ltd.
MALAYA
DAIRY PRODUCTS



CANDIES

SUGARINE
ARTIFICIAL SWEETENERS

Ma Brown
PICKLES, RELISHES
AND PRESERVES



BELGIUM
DAIRY PRODUCTS

CAL-COMPACK
FOODS INC.
CAPSICUM SPICES

Regal
ANIMAL FEED SUPPLEMENTS

La Choy
CHINESE FOODS

SOUTHLAND
PECANS
PECANS



ITALY
CONVENIENCE
FOODS

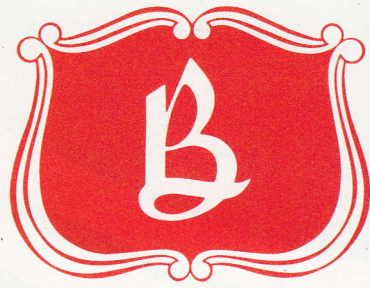
JAYTO
h.t.d.
IRELAND
POTATO PRODUCTS
SNACK FOODS

HOLLOWAY
CANDIES

Fábrica De
Dulces
Gran Colombia
COLOMBIA
CONFECTIONS
PROPRIETARY DRUGS

Beatrice
Scandinavia &
NORWAY
SNACK FOODS

Ruby Bee
PRESERVES
AND JELLIES

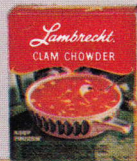


BEATRICE
FOODS

The famous "B" for
BEATRICE FAMILY



GROCERY



Beatrice quickly identifies every member of the
LY OF FINE CONVENIENCE FOODS



CANDY & SNACKS







NEW PRODUCTS

All divisions of Beatrice Foods substantially expanded their new product development and product improvement programs in the last year as a significant source of increasing sales and earnings.

This accelerated program has resulted in the marketing of almost 400 new or improved products in the last three years, including more than 100 in 1965.

Alert to America's growing appetite for fancy, snack and exotic foods in convenience form and packages, your company anticipates that its dairy and grocery divisions alone will introduce well over 100 new or improved food items in 1966.

Emphasis will continue to be on foods that require little or no preparation for serving with particular stress on those which are gaining in popularity at a faster rate than the national average.

The Dairy Division continues to increase its lines of specialty products, among these flavored dips, as well as the Meadow Gold "Ice Cream Flavors of the Month." Six new ice cream combination flavors were introduced last year and six more have been created for the current fiscal year. In addition, another Triple Treat flavor combination was developed.

The entire line of packages for our Meadow Gold, American Hostess and Holland Dutch ice cream and frozen dessert products was re-designed for greater attractiveness. New round containers with see-through covers also have been introduced.

Our Louis Sherry Ice Cream Division introduced two new ice cream combinations formed by a new process, Spumoni Style and Hostess Style. Dannon marketed a blueberry yogurt and a pineapple-orange yogurt and also perfected four varieties of fancy preserves in table decanter jars.

Additions to our snack foods include Pik Nik Fried Pork Rinds, Adams Nutty Balls and Snack Mix along with a "family size" package of Korn Balls, marketed successfully last year. Fresh from Fisher are easy-open tins of the company's famous Salted-In-The-Shell Peanuts and special vacuum packs of Mixed Nuts and a Fancy Nut Mix. Kobey's now is distributing French Fried Onions, BarBQ shoestring potatoes and shoestring potatoes in EZ-open cans.

All confectionery divisions augmented their lines. The list includes 20 and 40-count Milk Duds Jr. bags, Old Fashioned Milk Caramels and Coconut Caramels, two Bridge Mixes, Contentmints, a Peanut Butter Caramel Bar and Mama Cow Sucker from Holloway and three varieties of Richardson After Dinner® Mints in 10-oz. tins. Clark introduced two crunchy candy bars, Boomer and Stick-O-Molasses, Green Mint Caramels and Sour Cherry, Grape and Lemon Frappe and Creme bars.

In the exotic food field, La Choy offered nationally four chow mein items (meatless, beef, chicken, shrimp) quick-cooked in "Dragonfire" that results in a crisp, crunchier chow mein with "made at home" flavor. La Choy also added a Shrimp Chow Mein Bi-Pack and redesigned labels for all four of its Bi-Pack items.

A new Chili Mix, Jumbo Enchiladas and



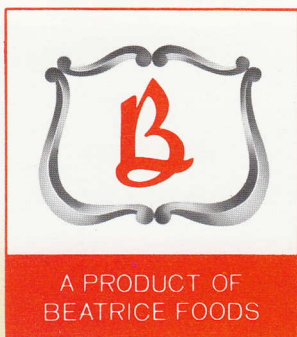
Buttered Barbecue Sauce were formulated by Gebhardt Mexican Foods, while Rosarita Mexican foods began marketing Bean, Red Chili and Green Chili Burritos and a Hot Tomato Sauce.

Flavor-Cured Hot Dill Mix, Fresh-Packed Sweet Spears and a family size of La Petite Dills were developed by Bond. Mario's introduced Spice-Ets, gourmet snack olives, Imported Capers, small buds of a plant from Spain, and Imported Greek Pepperoncini. New L & S products include Hot Cherry Peppers, Sweet Cauliflower, Sweet Dill Icyous Chips, Sweet Midgets and Baby Dill Chips.

Now available from Aunt Nellie's are Kurly Cut Beets, Carnival Whole Kernel Corn, Mixed Vegetables and two canned mixed fruit drinks, Lemon-Lime and Poncho Punch.

Shedd-Bartush created Lady Betty Apple-Prune Juice and three new salad dressings: Dutch, 1,000 Island and Western Tossed.

Lambrecht's Cocoa Ranch Cake and Burny Bros. Strawberry Whip Cream Cake, German Chocolate Cake and Milk Chocolate Chip Cake are new frozen bakery items.



ACHIEVEMENTS AND AWARDS



Certificate of Merit for outstanding driver safety performance in 1965 was won by the Tulsa, Okla., Meadow Gold Dairy Retail Dept. Fleet in the 34th National Fleet Safety Contest conducted by the National Safety Council and sponsored by the Milk Industry Foundation.



Beatrice Foods Meadow Gold Dairy Division held the largest sales meeting in the company's history in Chicago, Ill., on Jan. 18, 1966, with more than 600 officials, sales managers and salesmen in attendance. More than 200 were present for the Western Dairy Division meeting in Phoenix, Ariz., on Wednesday, Jan. 26.



First Place Television Advertising Award from Milk Industry Foundation in 1965 competition is placed on company's display center by Roy I. Ricksham, director of sales and advertising. Directing ceremony are Fred A. Niles, president of Fred A. Niles Communication Center, Inc., Chicago, and Zed R. Daniels, senior vice president and Chicago manager, Don Kemper, Co., Inc., Chicago advertising agency.

Defense Supply Association's Certificate of Merit is presented to La Choy Food Products, Archbold, Ohio, by Lt. Gen. (U.S.A., Ret.) A. T. McNamara (left) in recognition of La Choy's support of the association's efforts to promote cooperation between industry and the U. S. Dept. of Defense for more than 15 years. Accepting the award are Edward M. Muldoon (right), vice president of Beatrice Foods and executive director of the Grocery Division, and Gordon E. Swaney, assistant general manager of the Grocery Division and general manager of La Choy.



"BEST ADVERTISEMENT OF THE YEAR" 1965

IN TWO CATEGORIES
EYE-APPEAL AND LEATHER PROMOTION
IS PRESENTED TO

STAHL FINISH CO., INC.

In recognition of the very outstanding advertisement prepared for Stahl Finish Co., Inc., under the direction of Louis Stahl, President of that company, National Hide Association's Board of Editors awards a Meritorious Citation to Stahl Finish Co., Inc., for providing the hide and leather industry with the first advertisement ever to be selected as the BEST ADVERTISEMENT OF THE YEAR in two categories, EYE-APPEAL and LEATHER PROMOTION. Entitled "Hide-Bound," the advertisement, in a very striking manner, calls attention to the splendid qualities and the fine advantages of leather.

Signed *[Signature]*
President, National Hide Association

Dated:
October 19, 1965

Awards in two categories, "Eye Appeal" and "Leather Promotion" were won by the Stahl Finish Co., Inc., in 1965, in annual advertising competition held by the National Hide Association.

Robert W. France (right), treasurer of Beatrice Foods Co., accepts bronze "Oscar" on behalf of the company from Richard J. Anderson, editor and publisher of "Financial World" magazine, for company's annual report which was judged best in the dairy industry in 25th annual contest held by the magazine.



ADVERTISING—SALES PROMOTION 1966



Consistent with the growth of all divisions, Beatrice Foods has scheduled the largest advertising and sales promotion program in its history in 1966.

The company has centered its major television campaign around "The Greatest Show On Earth," a one-hour color series which stars Jack Palance. The "Greatest Show" will appear in major markets and will be supplemented by five additional programs and selected features in other markets. These series were purchased from Desilu Sales, Inc., distribution arm of Desilu Productions, in one of the largest syndication sales in the history of the television film business.

Beatrice Foods products such as Meadow Gold dairy products, Adams Korn Kurls, Lambrecht pizzas, cheese cake and frozen entrees, Clark candy bars, Holloway Milk Duds and Richardson After Dinner® Mints will be programmed in both color and black and white commercials.

These campaigns will be supplemented in all product markets by expanded campaigns in all media—radio commercials, more than 1,000 outdoor posters, newspaper and magazine ads, trade ads—as well as by greater use of displays and premiums.

Other divisions notably La Choy, which has tripled its budget in 1966, introduced "Delbert the La Choy Dragon" and continued as a sponsor of the Arthur Godfrey radio show, Ma Brown, Aunt Nellie's, Burny Bros., Mario's, Rosarita and Gebhardt also have increased their advertising programs substantially.

CONSOLIDATED BALANCE SHEET

February 28, 1966 and February 28, 1965

ASSETS

	1966	1965
Current assets:		
Cash (including certificates of deposit)	\$ 23,070,062.94	\$ 21,179,661.07
Marketable securities, at cost (market value \$3,100,000.00)	1,480,567.24	—
Receivables, less allowance for losses \$4,732,125.58 and \$3,942,854.86 at respective dates	55,639,304.68	45,176,036.81
Inventories, at lower of cost (first-in first-out) or market:		
Products and other merchandise	25,900,992.70	19,334,336.15
Materials and supplies	25,182,459.46	21,437,734.36
	51,083,452.16	40,772,070.51
Prepaid expenses	2,160,298.01	1,625,937.72
Total current assets	133,433,685.03	108,753,706.11
Investments and advances, less allowance for losses \$1,744,406.36 and \$1,530,367.52 at respective dates	7,038,016.58	6,502,940.62
Plant and equipment, at cost less depreciation:		
Land	6,762,027.93	6,118,079.59
Buildings	54,751,080.93	44,691,048.03
Machinery and equipment	110,620,640.98	91,596,260.91
	172,133,749.84	142,405,388.53
Less allowance for depreciation	87,711,945.87	74,287,152.53
	84,421,803.97	68,118,236.00
Intangible assets (note 3)	3,448,220.65	768,500.00
	<u>\$ 228,341,726.23</u>	<u>\$ 184,143,382.73</u>

See accompanying notes to consolidated financial statements.



Beatrice Foods Co. and Subsidiary Companies

LIABILITIES

	1966	1965
Current liabilities:		
Accounts payable	\$ 22,585,995.82	\$ 17,292,031.85
Salaries and wages accrued	2,465,604.79	2,006,781.15
Taxes accrued other than U. S. taxes on income	3,727,137.65	3,310,243.81
U. S. taxes on income, less U. S. Government securities \$11,946,447.12 and \$10,508,824.48 at respective dates	15,922.20	46,101.43
Total current liabilities	28,794,660.46	22,655,158.24
Indebtedness incurred upon acquisition of other companies (note 4)	7,214,042.07	—
Deferred U. S. taxes on income	3,900,000.00	3,200,000.00
Deferred investment credits (note 5)	1,583,099.48	1,406,372.04
Pension and self-insurance reserves	2,363,000.00	1,010,000.00
Stockholders' equity (note 6):		
4½% cumulative preferred stock	7,660,200.00	7,660,200.00
\$4 convertible preference stock	9,750,000.00	9,750,000.00
Common stock	59,134,668.50	49,385,584.40
Earned surplus (retained earnings)	109,894,852.70	91,418,959.17
	186,439,721.20	158,214,743.57
Less treasury common stock, at cost	1,952,796.98	2,342,891.12
	184,486,924.22	155,871,852.45
	<u>\$ 228,341,726.23</u>	<u>\$ 184,143,382.73</u>

STATEMENT of Consolidated Earnings

Years ended February 28, 1966 and February 28, 1965

INCOME

	1966	1965
Net sales	\$ 796,443,487.25	\$ 681,385,124.29
Other income	2,686,111.00	3,166,888.31
	<u>799,129,598.25</u>	<u>684,552,012.60</u>

INCOME DEDUCTIONS

Cost of goods sold	577,698,418.75	498,187,934.59
Selling, delivery, administrative, and general expenses	162,059,928.90	140,332,707.11
Provision for depreciation	12,232,935.93	9,986,080.15
Provision for U. S. and foreign taxes on income	22,500,000.00	18,000,000.00
	<u>774,491,283.58</u>	<u>666,506,721.85</u>
Net earnings	<u>\$ 24,638,314.67</u>	<u>\$ 18,045,290.75</u>

See accompanying notes to consolidated financial statements.

More than 1,000 stockholders and friends of Beatrice Foods attended the 68th Annual Meeting of Beatrice Foods Co.,

largest in the company's history, in the Grand Ballroom of the Sheraton-Chicago Hotel, Chicago, Ill., on June 2, 1965.



STATEMENT of Consolidated Surplus

Year ended February 28, 1966

EARNED SURPLUS (Retained Earnings)

Balance at beginning of year (including companies merged in 1965—\$11,055,769.46)		\$ 102,474,728.63
Net earnings for the year		24,638,314.67
		<hr/>
		127,113,043.30
Deduct:		
Dividends paid on:		
4½% cumulative preferred stock	\$ 344,721.75	
\$4 convertible preference stock	390,000.00	
Common stock, \$1.35 a share	10,205,367.37	
	<hr/>	
	10,940,089.12	
Charge arising from mergers (see capital surplus)	4,741,665.13	
Charge resulting from change in stated value of common stock (after stock distribution) to \$7.25 a share (note 6)	1,536,436.35	
	<hr/>	
		17,218,190.60
		<hr/>
Balance at end of year		\$ 109,894,852.70

CAPITAL SURPLUS

Balance at beginning of year		\$ —
Excess of option price over stated value of 38,683 shares of common stock issued under stock option plan		805,072.16
Deduct excess of stated value of common stock and cost of treasury common shares issued in mergers over stated capital of merged companies	\$ 5,546,737.29	
Less amount charged to earned surplus	4,741,665.13	
	<hr/>	
		805,072.16
		<hr/>
Balance at end of year		\$ —

See accompanying notes to consolidated financial statements.



AND SUBSIDIARY COMPANIES

NOTES to Consolidated Financial Statements

(1) PRINCIPLES OF CONSOLIDATION: Wholly-owned subsidiaries operating in the United States, Canada, and Europe have been included in the consolidated financial statements. Subsidiaries operating in the Caribbean area and Latin America have not been consolidated. The net assets and operations of the unconsolidated subsidiaries are not significant in relation to the consolidated figures.

(2) POOLINGS OF INTERESTS: During the year ended February 28, 1966, Beatrice Foods Co. acquired several other companies in poolings of interests. The comparative figures for the year ended February 28, 1965, 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 \$75,600,000.00 and \$4,190,000.00, respectively.

(3) INTANGIBLE ASSETS: Intangible assets represent the excess of the cost incurred over the net tangible assets acquired upon purchase of certain companies. Effective March 1, 1965, the company discontinued amortizing such intangibles. This change in accounting practice did not have a material effect on the determination of net earnings for the year ended February 28, 1966.

(4) INDEBTEDNESS: The indebtedness incurred upon acquisition of other companies consists of the following:

Notes payable in annual installments of \$1,187,091.40 (1967-69)	\$ 3,561,274.20
Notes payable in monthly installments of \$21,296.00	1,109,259.37
Notes payable in semi-annual installments (1968-78)	960,000.00
Miscellaneous notes, mortgages, etc.	1,583,508.50
	<u>\$ 7,214,042.07</u>

(5) INVESTMENT CREDITS: The investment credits are being reflected in net earnings over the average useful lives of the acquired assets, subject to a maximum amortization period of eight years.

(6) CAPITAL STOCK: Particulars as to the number of shares of capital stock authorized, issued, and outstanding are as follows:

	February 28	
	1966	1965
4½% cumulative preferred stock (\$100 par value), redeemable at option of the company at par value:		
Authorized, issued, and outstanding	76,602	76,602
Preference stock (without par value) issuable in series:		
Authorized	350,000	350,000
Issued and outstanding—\$4 convertible preference stock (\$100 stated value)*	97,500	97,500
Common stock (without par value, stated at \$7.25 per share):**		
Authorized	10,000,000	10,000,000
Issued	8,156,506	5,267,795
In treasury	62,023	53,443
Outstanding	<u>8,094,483</u>	<u>5,214,352</u>

*Redeemable at the option of the company at \$104 per share commencing June 1, 1968, and at decreasing prices thereafter until June 1, 1972, when the redemption price becomes \$100 per share.

**As of March 1, 1965, the company distributed one additional share of common stock for each three shares held by the common stockholders. At the same time the stated value was changed from \$9.375 to \$7.25 per share.

(7) STOCK OPTIONS: Under the Key Employee Stock Option Plan adopted in 1959, there were outstanding at February 28, 1965, options to purchase 153,116 shares of the company's common stock at prices per share ranging from \$22.15 to \$47.38 and there were 1,918 shares of common stock reserved for the granting of additional options. During the current year, options were exercised with respect to 38,683 shares and options relating to 1,284 shares were cancelled because of termination of employment with the result that at February 28, 1966, there were options outstanding under the 1959 Plan to purchase 113,149 shares (of which options to purchase 42,186 shares were exercisable). The 1959 Plan was terminated by the Board of Directors on April 7, 1965, except as to options previously granted and then unexercised.

The 1965 Key Employee Qualified Stock Option Plan was adopted by the stockholders of the company on June 2, 1965. The 1965 Plan authorizes the granting of options to purchase an aggregate of 250,000 shares of the company's common stock at prices not less than 100% of the fair market value of the common stock on the date of grant. During the current year options were granted to purchase 173,205 shares at prices per share ranging from \$50.00 to \$55.13. Such options are not yet exercisable and, except for options relating to 960 shares which were cancelled because of termination of employment, were outstanding at February 28, 1966. At February 28, 1966, there were 77,755 shares of common stock reserved for the granting of additional options.

(8) LEASES: The company is lessee under 309 real and personal property leases which expire more than three years after February 28, 1966. Such leases require annual rental payments averaging approximately \$4,600,000.00 of which amount \$2,800,000.00 relates to 240 leases expiring within 10 years, \$1,100,000.00 to 41 leases expiring after 10 years but within 20 years and the balance of \$700,000.00 to 28 leases expiring after 20 years.

(9) PENSION PLANS: The amounts charged to earnings under the retirement income program for salaried employees and other company pension plans totaled \$1,859,210.75 during the year ended February 28, 1966, and \$1,392,177.85 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 \$5,800,000.00 at February 28, 1966.

(10) 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.

Source and Disposition of Funds

SOURCE OF FUNDS

Net earnings	\$ 24,638,314.67
Charges against earnings not requiring use of funds (depreciation, deferred income taxes, etc.)	14,462,663.37
Indebtedness incurred upon acquisition of other companies	7,214,042.07
Sales of common stock under option plan	1,085,523.91
	<hr/>
	47,400,544.02

DISPOSITION OF FUNDS

Cash dividends paid	10,940,089.12
Plant and equipment additions (net)	13,468,721.84
Additional investments, intangibles, treasury stock purchases, etc.	4,451,256.36
	<hr/>
	28,860,067.32
	<hr/>
Increase in working capital	\$ 18,540,476.70

ACCOUNTANTS' REPORT

The Stockholders
Beatrice Foods Co.:

We have examined the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 28, 1966 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, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except as indicated in note 2 to the financial statements, have been applied on a basis consistent in all material respects with that of the preceding year. Also, in our opinion, the accompanying summary of source and disposition of funds presents fairly the information shown therein.

Chicago, Illinois
April 12, 1966

Peat, Marwick, Mitchell & Co.

TEN YEAR SUMMARY of Consolidated Earnings

CONSOLIDATED EARNINGS

	1966	1965	1964	1963
Net Sales	\$796,443,487	\$681,385,124	\$606,157,642	\$569,487,854
Other Income	2,686,111	3,166,889	2,856,931	2,695,017
Total	799,129,598	684,552,013	609,014,573	572,182,871
Income Deductions:				
Cost of Goods Sold & Operating Expenses	739,758,347	638,520,642	569,002,962	537,331,163
Provision for Depreciation	12,232,936	9,986,080	9,800,008	8,707,937
Provision for Federal Taxes on Income	22,500,000	18,000,000	15,500,000	13,120,000
Total	774,491,283	666,506,722	594,302,970	559,159,100
Net Earnings	\$ 24,638,315	\$ 18,045,291	\$ 14,711,603	\$ 13,023,771
Earnings per Share of Common Stock*	\$ 2.95	\$ 2.49	\$ 2.11	\$ 1.91
Taxes per share of Common Stock*	4.01	3.86	3.64	3.19
Dividends:				
Preferred	\$ 734,722	\$ 734,722	\$ 734,723	\$ 351,828
Common	10,205,367	7,889,840	6,976,683	5,814,916

FINANCIAL CONDITION

	1966	1965	1964	1963
Current Assets:				
Cash	\$ 23,070,063	\$ 21,179,661	\$ 23,916,358	\$ 19,856,338
Marketable Securities	1,480,567	—	—	—
Receivables (Net)	55,639,305	45,176,037	41,055,372	36,754,074
Inventories	51,083,452	40,772,070	30,236,052	28,104,422
Prepaid Expenses	2,160,298	1,625,938	1,370,412	1,313,550
Total Current Assets	133,433,685	108,753,706	96,578,194	86,028,384
Deduct Current Liabilities	28,794,660	22,655,158	19,302,103	16,745,887
Net Working Capital	104,639,025	86,098,548	77,276,091	69,282,497
Investments and Advances	7,038,016	6,502,940	4,445,746	3,849,244
Plant & Equipment (Net)	84,421,803	68,118,236	64,064,365	59,097,461
Intangibles	3,448,221	768,500	821,500	874,500
	\$199,547,065	\$161,488,224	\$146,607,702	\$133,103,702
Deduct				
Indebtedness	7,214,042	—	—	—
Reserves and Other Credits	7,846,099	5,616,372	4,676,210	2,706,615
Stockholders' Equity	\$184,486,924	\$155,871,852	\$141,931,492	\$130,397,087
Stockholders' Equity:				
3% Preferred Stock	\$ —	\$ —	\$ —	\$ —
4½% Preferred Stock	7,660,200	7,660,200	7,660,200	7,660,200
\$4 Preference Stock	9,750,000	9,750,000	9,750,000	—
Common Stock	57,181,871	47,042,693	43,680,031	45,297,344
Capital Surplus	—	—	—	310,127
Earned Surplus (Retained Earnings)	109,894,853	91,418,959	80,841,261	77,129,416
	\$184,486,924	\$155,871,852	\$141,931,492	\$130,397,087
Ratio of Current Assets to Current Liabilities	4.6:1	4.8:1	5.0:1	5.1:1
Book Value per Share of Common Stock* ..	\$ 20.64	\$ 19.91	\$ 18.78	\$ 18.42

*After giving effect to the stock distribution of March 1, 1965.



AND SUBSIDIARY COMPANIES

and Financial Condition

1962	1961	1960	1959	1958	1957
\$539,192,494	\$477,706,773	\$443,058,795	\$385,449,644	\$353,971,987	\$342,086,657
2,238,100	2,362,841	2,035,079	1,717,176	1,704,271	1,274,383
<u>541,430,594</u>	<u>480,069,614</u>	<u>445,093,874</u>	<u>387,166,820</u>	<u>355,676,258</u>	<u>343,361,040</u>
510,177,528	451,876,452	417,941,649	363,324,038	335,252,160	323,533,470
8,081,900	7,108,411	6,676,917	5,914,461	5,148,420	4,771,928
11,347,000	10,333,000	10,170,000	9,066,200	7,674,000	7,739,000
<u>529,606,428</u>	<u>469,317,863</u>	<u>434,788,566</u>	<u>378,304,699</u>	<u>348,074,580</u>	<u>336,044,398</u>
\$ 11,824,166	\$ 10,751,751	\$ 10,305,308	\$ 8,862,121	\$ 7,601,678	\$ 7,316,642
\$ 1.83	\$ 1.77	\$ 1.71	\$ 1.64	\$ 1.59	\$ 1.55
2.93	2.83	2.69	2.75	2.63	2.69
\$ 361,440	\$ 364,524	\$ 374,602	\$ 380,120	\$ 393,988	\$ 411,682
<u>5,522,907</u>	<u>5,290,566</u>	<u>4,560,856</u>	<u>3,910,294</u>	<u>3,663,927</u>	<u>3,256,133</u>
1962	1961	1960	1959	1958	1957
\$ 17,245,523	\$ 16,177,291	\$ 17,334,423	\$ 14,602,723	\$ 13,004,796	\$ 13,151,065
34,703,535	29,148,338	25,099,076	22,228,153	19,822,752	19,348,884
26,845,581	22,623,907	21,351,169	18,660,123	12,664,692	10,646,820
1,215,293	1,060,514	905,227	815,551	650,577	700,039
<u>80,009,932</u>	<u>69,010,050</u>	<u>64,689,895</u>	<u>56,306,550</u>	<u>46,142,817</u>	<u>43,846,808</u>
<u>16,609,085</u>	<u>14,291,105</u>	<u>12,571,098</u>	<u>11,483,578</u>	<u>9,616,789</u>	<u>9,664,334</u>
63,400,847	54,718,945	52,118,797	44,822,972	36,526,028	34,182,474
3,706,096	2,877,787	1,989,740	1,316,486	1,295,712	1,380,938
55,846,398	52,364,539	49,519,407	44,516,114	39,166,692	37,569,805
927,500	2,589,700	2,726,000	—	—	—
<u>\$123,880,841</u>	<u>\$112,550,971</u>	<u>\$106,353,944</u>	<u>\$ 90,655,572</u>	<u>\$ 76,988,432</u>	<u>\$ 73,133,217</u>
—	750,000	1,000,000	1,250,000	1,500,000	1,750,000
1,500,000	1,200,000	900,000	450,000	—	—
<u>\$122,380,841</u>	<u>\$110,600,971</u>	<u>\$104,453,944</u>	<u>\$ 88,955,572</u>	<u>\$ 75,488,432</u>	<u>\$ 71,383,217</u>
\$ 457,000	\$ 533,500	\$ 662,600	\$ 852,800	\$ 1,035,400	\$ 1,345,600
7,660,200	7,660,200	7,660,200	7,740,200	7,740,200	7,973,200
43,256,865	40,900,022	32,498,434	28,911,276	25,468,799	16,590,676
858,592	—	5,903,043	5,809,733	174,178	6,520,844
70,148,184	61,507,249	57,729,667	45,641,563	41,069,855	38,952,897
<u>\$122,380,841</u>	<u>\$110,600,971</u>	<u>\$104,453,944</u>	<u>\$ 88,955,572</u>	<u>\$ 75,488,432</u>	<u>\$ 71,383,217</u>
4.8:1	4.8:1	5.1:1	4.9:1	4.8:1	4.5:1
\$ 18.23	\$ 17.42	\$ 16.58	\$ 15.57	\$ 14.66	\$ 13.89

DIRECTORS AND OFFICERS

DIRECTORS

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

EXECUTIVE COMMITTEE OF BOARD OF DIRECTORS

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

OFFICERS

(as of February 28, 1966)

WILLIAM G. KARNES, *President*
Chief Executive Officer

JOHN F. HAZELTON* <i>Executive Vice President</i> <i>Chief Operating Officer</i>	CHARLES H. McCONNELL <i>Vice President</i>
DON L. GRANTHAM <i>Vice President</i>	WALTER L. DILGER* <i>Vice President</i>
BROWN W. CANNON <i>Vice President</i>	LEE W. SCHLYTTER <i>Vice President and Assistant to the President</i>
JAY G. NEUBAUER <i>Vice President</i>	ROBERT W. FRANCE <i>Treasurer</i>
EDWARD M. MULDOON <i>Vice President</i>	WILLIAM G. MITCHELL <i>Secretary</i>
ALEX MacTAGGART <i>Vice President</i>	JOHN P. FOX, JR. <i>General Attorney</i>
WALLACE RASMUSSEN <i>Vice President</i>	JAMES J. CULLEN <i>Assistant Treasurer</i> <i>Assistant Secretary</i>
	CARL T. E. SUTHERLAND <i>Assistant Secretary</i> <i>Assistant Treasurer</i>

*Retired March 1, 1966

Effective March 2, 1966:

DON L. GRANTHAM <i>Executive Vice President</i>	HARRY NIEMIEC <i>Vice President</i>
PAUL T. KESSLER, JR. <i>Executive Vice President</i>	WILLIAM W. GRANGER, JR. <i>Vice President</i>
	JOHN F. HAZELTON, JR. <i>Vice President</i>

(See President's Letter: Management, Page 5)

WILLIAM G. KARNES
President
Chief Executive Officer



JOHN F. HAZELTON*
Executive Vice President
Chief Operating Officer



DON L. GRANTHAM
Vice President
General Manager Dairy Division



BROWN W. CANNON
Vice President
Western Dairy Region



JAY G. NEUBAUER
Vice President
North Central Dairy Region



WALLACE RASMUSSEN
Vice President
South & West Central Dairy Region



EDWARD M. MULDOON
Vice President
General Manager Grocery Division



ALEX MacTAGGART
Vice President
Warehouse Division





CHARLES H. McCONNELL
Vice President
Iowa-Missouri Dairy District



WALTER L. DILGER*
Vice President



LEE W. SCHLYTTER
Vice President
Assistant to President



ROBERT W. FRANCE
Treasurer



WILLIAM G. MITCHELL
Secretary



JOHN P. FOX, JR.
General Attorney



JAMES J. CULLEN
Assistant Treasurer
Assistant Secretary



CARL T. E. SUTHERLAND
Assistant Secretary
Assistant Treasurer



CAPITAL STOCK LISTING

NEW YORK STOCK EXCHANGE

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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

*Retired March 1, 1966



GENERAL OFFICES: 120 SOUTH LASALLE ST., CHICAGO, ILL. 60603