ConAgra, Inc.
Fiscal 1989 Annual Report

ConAgra®

FEEDING
PEOPLE
BETTER



ConAgra, Inc.

ConAgra is a diversified family of companies operating across the food chain. Our products range from supplies farmers need to grow their crops to convenient prepared foods for today's busy consumers.

ConAgra companies are Basic Food Companies and Finance Companies. The Basic Food Companies, which include most ConAgra companies, operate in three industry segments across the food chain: Agri-Products, Trading & Processing and Prepared Foods. We have major businesses in crop protection chemicals, animal feed, fertilizer, specialty retailing, grain and pulse merchandising, worldwide trading, grain processing, beef, pork, lamb, chicken, turkey, seafood, processed meats, dairy products, potatoes and a broad array of consumer frozen foods. The Finance Companies include commodity futures brokerage services, cattle feeding financial services, transportation financing and insurance services.

RESTATEMENTS IN THIS REPORT

To aid understanding of ConAgra's results, we call your attention to these restatements in this annual report:

- Fiscal years 1986 and 1985 were restated in fiscal 1987 to reflect two fiscal 1987 mergers accounted for on a pooling-of-interests basis (Monfort of Colorado, Inc. and Ernest J. Miller Enterprises, Inc.). Under pooling of interests, financial statements of merged companies are combined, and results of prior years are restated as though the companies operated together in the past.
- A new Financial Accounting Standards Board rule required consolidation of ConAgra's Finance Companies with the Basic Food Companies. Consolidated results of fiscal 1988 and prior years have been restated, without affecting net income and earnings per share. The Finance Companies previously were accounted for on an equity basis because of their different financial characteristics. To help the reader understand the change, this report includes separate financial statements for the Basic Food Companies and the Finance Companies in addition to the required consolidated financial statements.

To help our stockholders understand ConAgra's historical trail, some pages also include supplemental data showing results as they actually were reported in prior years (before subsequent restatement). When two sets of data are given for the same year, they are clearly labeled: "as actually reported" and "restated."

FEEDING PEOPLE BETTER

In this year's annual report, we salute our customers — from the American farmer to the grocer. Together we feed people efficiently and effectively, and we're doing a better job every day. American consumers enjoy the safest, best and most affordable food products in the world.

We also salute the consumers who buy our products — and whose needs and lifestyles drive our businesses.

By listening to consumers and working in partnership with our customers, 55,000 ConAgrans are helping feed people better.

CONTENTS

Fiscal 1989 Highlights 1
Letter to Stockholders 2
Objectives & Results. 4
Business Review
- Overview of ConAgra's Businesses 6
- Sales & Operating Profit by Segment. 7
- Basic Food Companies
  - Agri-Products 8
  - Trading & Processing 12
  - Prepared Foods 18
- Finance Companies 26
- Corporation 27
- Eleven-Year Results 32

Corporate Responsibility 34
Board of Directors 35
Principal Officers 36
ConAgra Locations 38
Additional Stockholder Information 40
Responsibilities, Independent Auditor's Report 41
Financial Statements & Notes 42

Financial Highlights

Dollars in thousands except per share amounts

Fiscal Year Ended	May 28, 1989	May 29, 1988*	% Increase
Net sales	$11,340,414	$9,608,244	18.0%
Income before income taxes	$312,163	$244,348	27.8%
Net income	$197,878	$154,698	27.9%
Net income per share	$2.45	$1.94	26.3%
Cash dividends paid per share of common stock	$.75	$.65	15.4%
Return on year-beginning common stockholders' equity	24.5%	21.2%	
At Year End			
Annual dividend per share	$.77	$.67	14.9%
Working capital	$508,878	$455,868	11.6%
Total assets	$4,278,223	$3,745,340	14.2%
Long-term debt (noncurrent)	$560,114	$484,878	15.5%
Common stockholders' equity	$949,540	$804,694	18.0%
Shares of common stock outstanding	80,407,002	78,020,468	3.1%
Number of employees	55,202**	42,993	28.4%

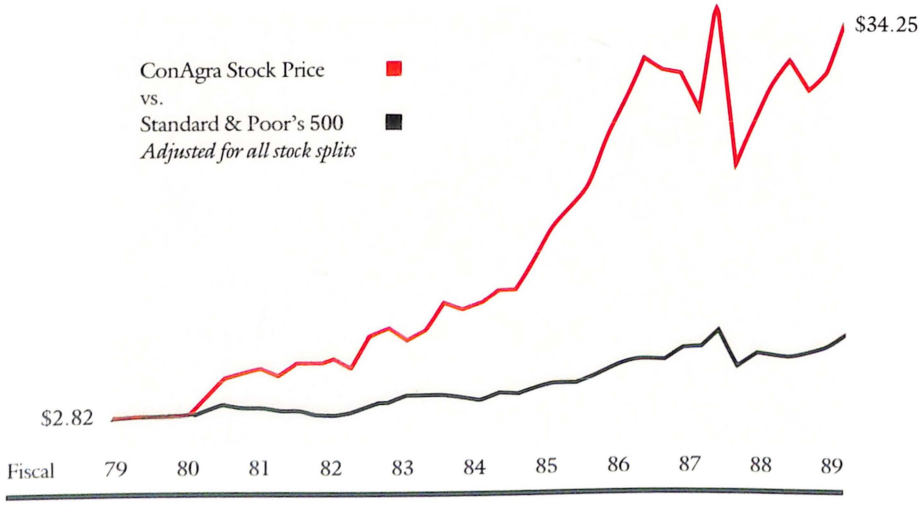
*Fiscal 1988 results have been restated for consolidation of ConAgra's Finance Companies and for a change in the fiscal year end of ConAgra Fertilizer Company.

**Includes 7,071 employees of SIPCO. As this report went to press, ConAgra owned 50 percent of SIPCO and planned to buy the remaining 50 percent during the first quarter of fiscal 1990. The fiscal 1988 employee number excludes SIPCO employees.

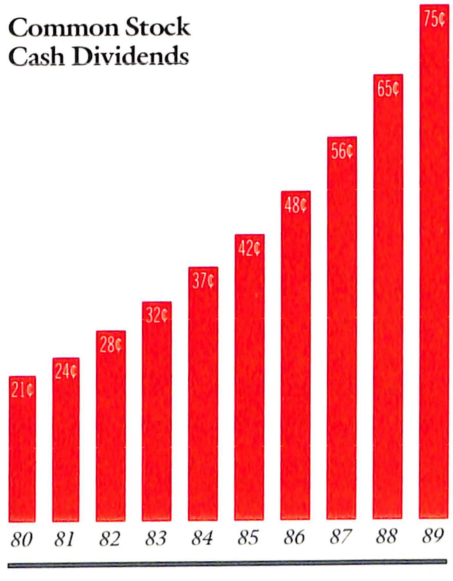
FISCAL 1989 HIGHLIGHTS

- Met or exceeded financial objectives for 14th straight year—see pages 4 and 5.
- Reported record sales and earnings for 9th straight year.
- Increased dividend 15%.
- Successfully introduced a number of new products, including Healthy Choice, a line of premium frozen dinners low in sodium, fat, cholesterol and calories.
- Began a joint venture in frozen potato processing.
- Strengthened our red meat presence by acquiring Cook Family Foods.
- Strengthened our U.S. grain merchandising system by acquiring Pillsbury's grain merchandising division.
- Began capital projects that will nearly quadruple our oat processing capacity in response to the growing demand for oat bran.
- Began major chicken and further-processed turkey expansion projects.
- Ranked 19th among the *Fortune 500* companies in 10-year average annual return to investors at 33%.

Common Stock Price Performance



Common Stock Cash Dividends



To Our Stockholders, Employees and Friends:

A DECADE OF BUILDING ON BASICS

A decade ago, ConAgra chose "We Build on Basics" as our motto and rallying cry for the 1980s.

We anticipated a volatile decade that would bring uncertainty and opportunity. We challenged ourselves to build on the company's basic long-range strategies for security, excellence and growth. We asked our people to share a commitment to business fundamentals, including "doing a lot of little things very well."

Our people responded. From fiscal year 1980 to fiscal year 1989:

- Sales grew more than 13-fold from $847 million to $11.3 billion, and net income grew nearly 11-fold from $18.5 million to $198 million.
- ConAgra achieved nine straight years of record sales and earnings.
- A company with a handful of good basic food businesses became the only major U.S. food company that operates across the entire food chain.

FISCAL 1989: A RECORD YEAR

Fiscal 1989 was a successful capstone to a decade of vigorous growth. In fiscal 1989:

- Earnings per share increased 26 percent from the previous year.
- Our common stock dividend was raised 15 percent. The current annual dividend rate is quadruple the rate ten years ago.
- ConAgra again ranked among the top four percent of all *Fortune 500* companies in ten-year average annual return to investors. Over the last five years, ConAgra has ranked as high as fourth and no lower than nineteenth.

During fiscal 1989, we faced a tougher competitive environment. Moreover, the drought induced rising, volatile ingredient costs. So record fiscal 1989 results are an especially satisfying tribute to our people's efficient, effective performance.

WE HELP FEED PEOPLE BETTER

This past year we also gave considerable thought to how we think about and describe ConAgra. We looked again at who we are and what we do. The outcome of our deliberation is best summarized by the phrase: "Feeding People Better."

We believe it goes to the heart of our responsibilities and aspirations across the food chain, ranging from our partnership with American agriculture to marketing nutritious and healthy consumer products. And to help feed people better, we must serve our customers even better. So we focus on our customers in this annual report as we introduce "Feeding People Better."

Our three-word job description does not mean we are bidding goodbye to building on basics. Our strategies of security, excellence and growth, along with our commitment to "doing a lot of little things very well," are intact and then some. They will be even more essential in the next decade. The stronger focus on customers inherent in "feeding people better" is an added requirement for success in the 1990s.

14 YEARS OF PREMIUM RESULTS

You can count on ConAgra to sustain its commitment to demanding financial objectives spelled out, as usual, on pages 4 and 5 of this report.

ConAgra's most important financial objective is to average more than a 20-percent after-tax return on year-beginning common stockholders' equity. Our return on equity was 24.5 percent in fiscal 1989, and the five-year average is 22.9 percent.

Our earnings growth objective is to increase trend line earnings per share, on average, more than 14 percent per year from a fiscal 1973 base—the record year prior to restructuring the company. ConAgra's earnings per share growth averaged 17 percent per year from 1973 to each of the last five years, including fiscal 1989.

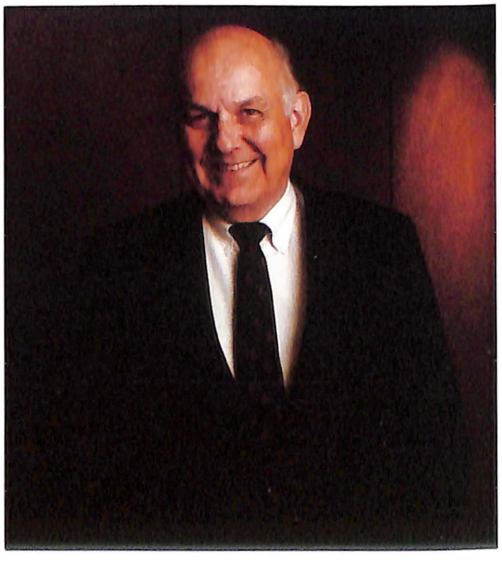
We will not knowingly jeopardize our return and earnings growth standards. A case in point is Holly Farms, a food company we sought to acquire during fiscal 1989.

Although Holly Farms offered an excellent fit with ConAgra, bidding by another company raised the price to the point that the transaction would no longer meet ConAgra's financial standards. Therefore, we initiated settlement discussions which led to a $50 million payment to ConAgra in the first quarter of fiscal 1990.

Fiscal 1989 marked the 14th straight year ConAgra has met its financial objectives. Once again, our strategic plans give us confidence ConAgra can meet its financial objectives for at least the three fiscal years portrayed in the plans, starting with fiscal 1990.

1990 OUTLOOK: RECORD EARNINGS

We are expecting another year of record reported earnings in fiscal 1990. All three of our basic food



Mike Harper,
Chairman and Chief Executive Officer

industry segments—Agri-Products, Trading & Processing and Prepared Foods—should again enjoy earnings growth.

As usual, we are not quantifying the earnings gain anticipated in the new year. However, we would not project record earnings if company plans indicated only a small gain. Furthermore, ConAgra's outlook for record earnings in fiscal 1990 excludes any one-time provisions.

INVESTING IN OUR FUTURE

Our plan for investing in ConAgra's future continues to be: invest our cash flows in food chain opportunities which exceed ConAgra's demanding return standards.

For example, cash flow and capital spending are in line for healthy growth again in fiscal 1990. Most of our major businesses plan substantial capital additions. Specific projects range from major expansion in oat bran production to supporting growth of successful new consumer products such as Healthy Choice. In the international arena, we are seeking partners to join us in food processing and distribution joint ventures in Europe, Asia and Latin America.

This year we also will acquire the remaining half of our 50-percent-owned beef and pork processing business—SIPCO. With full ownership, we expect to accelerate SIPCO's performance improvement. Consolidating SIPCO's $3 billion-plus in sales will help boost ConAgra's reported sales past $15 billion in fiscal 1990.

In the second quarter of fiscal 1990, we will complete a state-of-the-art consumer product development facility located at ConAgra's headquarters complex under construction in Omaha. This facility will bolster ConAgra's new product efforts and contribute to Nebraska's position as a major locus of food processing technology.

Our new headquarters and product development facilities are located in Nebraska due to the outstanding economic development legislation enacted by a large majority of the Nebraska Legislature in 1987. We invite other companies to come grow with us in Nebraska—our home state is good for business.

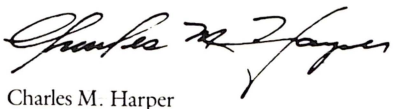
We salute three special men who are retiring. Each of these men has in his own way played a unique role in building our company.

Bud Morrison headed ConAgra Grain Processing Companies and built the largest and most successful flour milling business in the nation. Ron Hall started and built major businesses in Spain and Portugal and played an important role in rejuvenating our business in Puerto Rico. Ken Monfort built a great company and brought strong hands to the reins of ConAgra Red Meat Companies when Monfort of Colorado merged with ConAgra. Congratulations and thanks to Bud, Ron and Ken for their splendid contributions to ConAgra.

Early in fiscal 1990, ConAgra's board of directors elected Phil Fletcher president and chief operating officer of ConAgra. Phil had been president and chief operating officer, ConAgra Prepared Food Companies. He is an outstanding executive, the best in the food industry for this vital position. Both Phil Fletcher and Ken Monfort joined ConAgra's board of directors in July 1989. They are welcome additions who will serve our stockholders well.

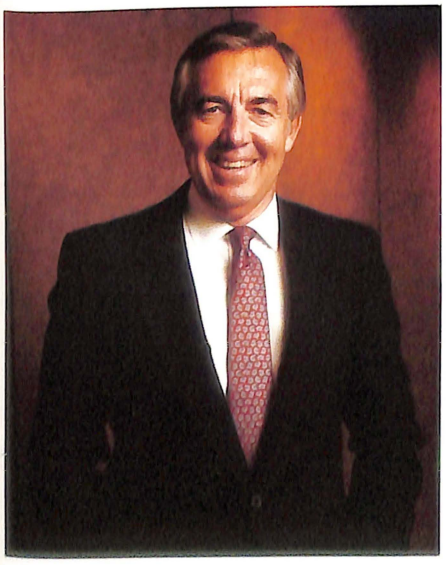
ConAgra is successful because so many good people make good things happen. To our stockholders, customers, suppliers and communities—ConAgra's directors, employees and I say heartfelt thanks for your support.

And I invite ConAgra's stockholders and stakeholders to join in a resounding expression of gratitude to the 55,000 ConAgrans who are "Feeding People Better."



Charles M. Harper
Chairman and Chief Executive Officer

July 13, 1989





Phil Fletcher,
President and Chief Operating Officer.

Office of the President, *left to right:* **Truck Morrison,** *President and Chief Operating Officer,* ConAgra International, and *Chief Operating Officer,* ConAgra Grain Processing Companies; **Floyd McKinnerney,** *President and Chief Operating Officer,* ConAgra Agri-Products Companies; **George Haefner,** *President and Chief Operating Officer,* ConAgra Poultry Company; **Dick Monfort,** *President and Chief Operating Officer,* ConAgra Red Meat Companies.

Objectives & Results

ConAgra is committed to major financial performance objectives which guide us in fulfilling our responsibility to our stockholders.

RETURN ON COMMON EQUITY

Objective

ConAgra's most important objective is to average more than a 20-percent after-tax return on year-beginning common stockholders' equity, and to earn more than a 15-percent return in any given year.

Result
(Restated)*

1985	1986	1987	1988	1989
21.1%	23.8%	23.4%	21.5%	24.5%

5-Year Average: 22.9%

Result
(As Actually Reported)

1985	1986	1987	1988	1989
22.1%	22.6%	23.0%	21.2%	24.5%

5-Year Average: 22.7%

**Restated for Monfort and Miller poolings and for a change in ConAgra Fertilizer Company's fiscal year end. Consolidation of the Finance Companies did not affect return on common equity.*

EARNINGS GROWTH

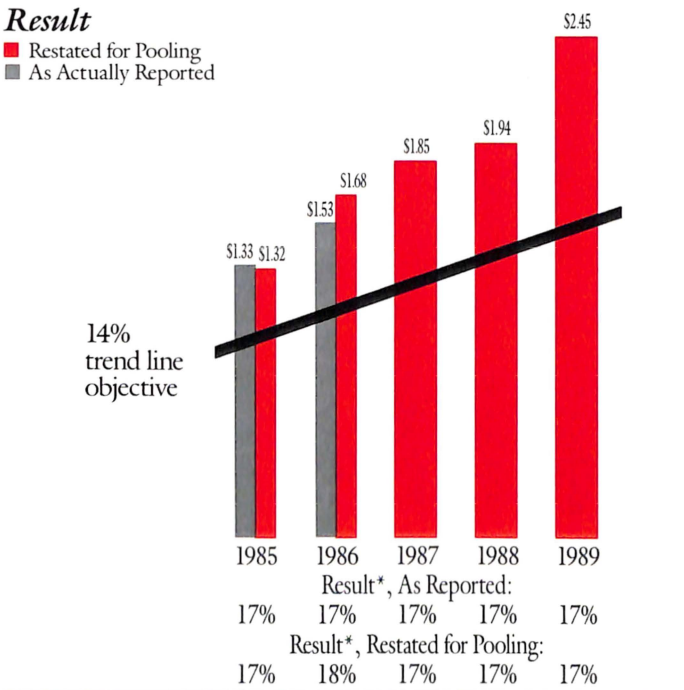
Objective

ConAgra's objective is to increase trend line earnings per share, on average, more than 14 percent per year from the fiscal 1973 base — the record year prior to restructuring the company.

The cyclical nature of some of our basic food businesses does not always permit quarter-to-quarter, or sometimes year-to-year, increases in reported earnings. However, ConAgra expects to increase trend line earnings — what ConAgra would earn with average or normal industry conditions — more than 14 percent per year.

In the table below, the "14% trend line objective" represents a compound annual growth rate of 14 percent from fiscal 1973. The "result" percentages show actual compound annual growth rates from fiscal 1973, for example 17 percent for the 16 years to fiscal 1989.

Result



**Compound annual growth rate from fiscal 1973*

FINANCING

Objective

ConAgra's primary financing objective is to maintain a conservative balance sheet. Our long-term and short-term debt objectives have historically applied to what we now call the Basic Food Companies, and we continue that convention in this report.

Long-Term Debt — Normally will not exceed 35 percent of total capitalization.

Short-Term Debt — Each ConAgra Basic Food business will normally eliminate at the end of its natural fiscal year short-term debt, net of cash, used to finance assets other than hedged commodity inventories. As is customary in their industry, the Finance Companies will have short-term debt at year end to finance notes receivable, livestock on feed and open customer transactions.

Natural year end occurs when inventories and receivables are at their annual low points — for example, the end of February in our agricultural chemicals and fertilizer businesses, and the end of May in many other businesses.

Result

	1985	1986	1987	1988	1989
Long-Term Debt					
Result *(Restated)*	31%	31%	34%	35%	35%
Result *(As Actually Reported)*	33%	35%	34%	35%	35%
Short-Term Debt	0	0	0	0	0

DIVIDEND GROWTH

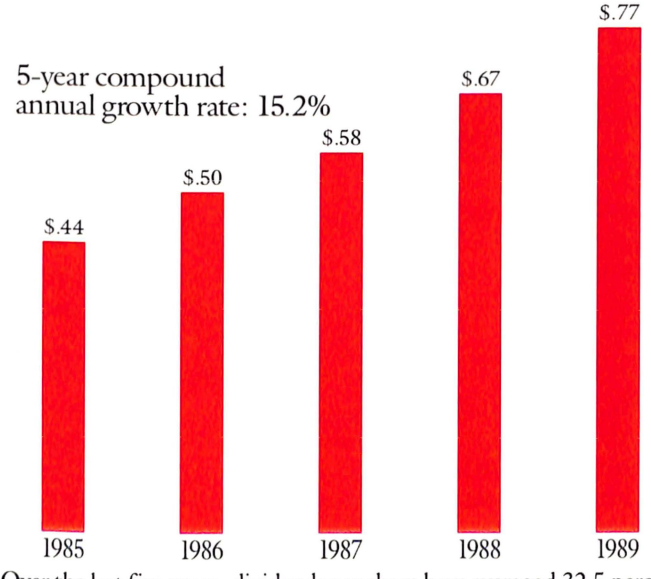
Objective

ConAgra's objective is to increase dividends consistent with growth in basic trend line earning power.

Over a period of time, we expect dividend payments to average in the range of 30 to 35 percent of earnings.

Result

Dividend Rate at Year End

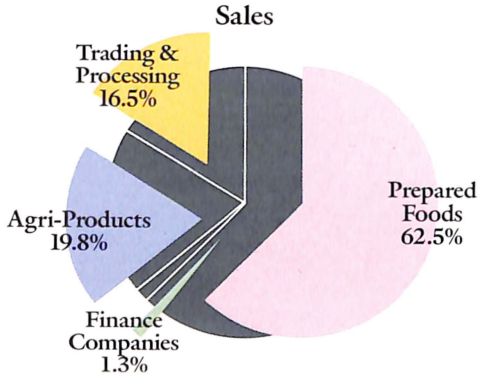


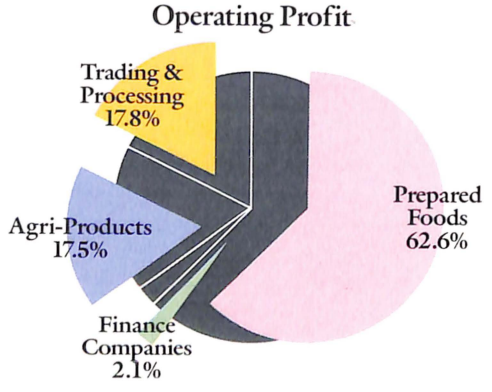
Over the last five years, dividends per share have averaged 32.5 percent of earnings per share (as actually reported).

CONAGRA'S BUSINESSES

ConAgra is a family of independent operating companies operating across the food chain. Our management process blends planning, financing and essential corporate controls with decentralized management teams fully responsible for ConAgra's independent operating companies.

Our independent operating companies are Basic Food Companies and Finance Companies. The Basic Food Companies, which include most ConAgra businesses, operate in three industry segments of the food chain: Agri-Products (formerly Agriculture), Trading & Processing and Prepared Foods.





Basic Food Companies: AGRI-PRODUCTS

Products and services primarily for agricultural markets and communities. Our Agri-Products businesses include:

- Marketing and distribution of crop protection chemicals in the U.S. and Canada.
- Marketing, transportation and distribution of fertilizer products worldwide.
- Animal feeds and nutrient additives for animal feeds.
- Health care products for livestock.
- 91 retail stores selling merchandise for country living.
- 86 fabric and craft stores located primarily in U.S. agricultural areas.

Basic Food Companies: TRADING & PROCESSING

Commodities, food ingredients, processed products and services primarily serving food industry customers in domestic and international markets. Our Trading & Processing businesses include:

- Flour milling—flour for commercial bakeries and pasta producers.
- Oat milling and dry corn milling.
- Private label and branded flour, corn meal and mixes in the U.S. and Puerto Rico.
- Feed ingredient merchandising.
- Worldwide commodity trading (grains, oilseeds, edible beans and peas, fishmeal, sulfur and other commodities).
- Agribusiness in Spain, Portugal and Puerto Rico.

Basic Food Companies: PREPARED FOODS

Prepared food products and services for consumer and foodservice markets. Our Prepared Foods businesses include:

- Branded and private label frozen foods—dinners, entrees, fried chicken, boneless chicken, meat pies and desserts.
- Red meats—beef, pork and lamb.
- Poultry products—chicken and turkey.
- Branded processed meats—hot dogs, ham, bacon, lunch meats and sausage.
- Seafood—shrimp, cod, crab, salmon, herring and farm-raised catfish.
- Frozen potato products.
- Dairy and food oil products.
- Preserves, jellies, peanut butter and syrups.
- Delicatessen products.
- Premium food products marketed by direct mail.
- Pet accessories, home sewing accessories.

Finance Companies

Specialized, self-financed financial services related to the food industry. Borrowings of our ongoing Finance Companies are not guaranteed by the parent company. Our Finance Companies include:

- Commodity futures brokerage.
- Financing and ownership of livestock on feed.
- Truck financing and leasing and insurance services for red meat businesses.

Sales & Operating Profit by Segment

Dollars in thousands

Fiscal Year	1989	1988	1987	1986	1985
Basic Food Companies[1]					
Agri-Products					
Sales	**$2,242,694**	$1,962,561	$1,678,248	$1,430,435	$1,091,733
Percent of total	**19.8%**	20.4%	18.4%	18.1%	14.9%
Operating profit	**82,129**	55,894	54,869	55,170	50,988
Percent of total	**17.5%**	16.3%	14.7%	17.6%	19.9%
		19% of sales and 17% of operating profit over these five years			
Trading & Processing					
Sales	**1,869,008**	1,379,894	1,469,145	1,222,047	838,700
Percent of total	**16.5%**	14.4%	16.1%	15.4%	11.5%
Operating profit	**83,397**	72,653	53,391	14,293	15,721
Percent of total	**17.8%**	21.2%	14.3%	4.6%	6.1%
		15% of sales and 14% of operating profit over these five years			
Prepared Foods					
Sales	**7,084,898**	6,132,496	5,854,160	5,183,195	5,314,228
Percent of total	**62.5%**	63.8%	64.0%	65.4%	72.7%
Operating profit	**293,102**	205,004	259,433	240,970	187,322
Percent of total	**62.6%**	59.7%	69.5%	76.9%	73.1%
		65% of sales and 68% of operating profit over these five years			
Total—Basic Food Companies					
Sales	**11,196,600**	9,474,951	9,001,553	7,835,677	7,244,661
Percent of total	**98.7%**	98.6%	98.4%	98.9%	99.2%
Operating profit	**458,628**	333,551	367,693	310,433	254,031
Percent of total	**97.9%**	97.1%	98.6%	99.1%	99.1%
		99% of sales and 98% of operating profit over these five years			
Finance Companies[1]					
Sales	**143,814**	133,293	141,966	84,011	60,988
Percent of total	**1.3%**	1.4%	1.6%	1.1%	0.8%
Operating profit	**9,637**	9,791	5,376	2,892	2,253
Percent of total	**2.1%**	2.9%	1.4%	0.9%	0.9%
		1% of sales and 2% of operating profit over these five years			
Total					
Sales	**11,340,414**	9,608,244	9,143,519	7,919,688	7,305,649
Operating profit[2]	**468,265**	343,342	373,069	313,325	256,284
Interest expense—Basic Food Cos.	**113,189**	67,396	52,808	48,855	52,299
General corporate expense	**42,913**	31,598	46,276	28,242	26,285
Income before income taxes	**$ 312,163**	$ 244,348	$ 273,985	$ 236,228	$ 177,700

[1]Segment data is restated as follows: fiscal years 1985 and 1986 were restated in fiscal 1987 to reflect pooling of interests for the fiscal 1987 mergers of Monfort and Miller. Fiscal years 1985 through 1988 have been restated to fully consolidate the Finance Companies' results in ConAgra's total results, and to present the Finance Companies separately in segment reporting. Previously, no Finance Companies' revenues were included in ConAgra's reported sales, and ConAgra's equity in earnings of the Finance Companies was allocated to operating profit of the Basic Food Companies' industry segments. Stockholders interested in pre-restatement numbers for the total company are referred to the 11-year table on page 32.

[2]Operating profit is profit after the Finance Companies' interest expense and short-term interest expense incurred to finance hedged inventories, and before other interest expense, unallocated expense and income taxes.

Percentages may not add to 100 due to rounding.



Highlights
In thousands

	1989	1988
Sales	**$2,242,694**	$1,962,561
Operating profit	**82,129**	55,894
Invested capital at year beginning	**99,030**	97,134

Operating profit in our Agri-Products segment increased 47 percent, as businesses in this segment operated flexibly and effectively in the face of uncertainty and volatility caused by the Summer 1988 drought. All three major Agri-Products businesses—pesticides distribution, fertilizer marketing and specialty retailing—increased sales and achieved substantial earnings gains in fiscal 1989. The animal feed additives business gave good support to this segment's earnings growth; results in the feed business were on plan but below last year. Fiscal 1989 operating profit also benefited from discontinuing the tire distribution business. Our plans indicate a good gain in Agri-Products segment earnings in fiscal 1990.

CROP PROTECTION CHEMICALS

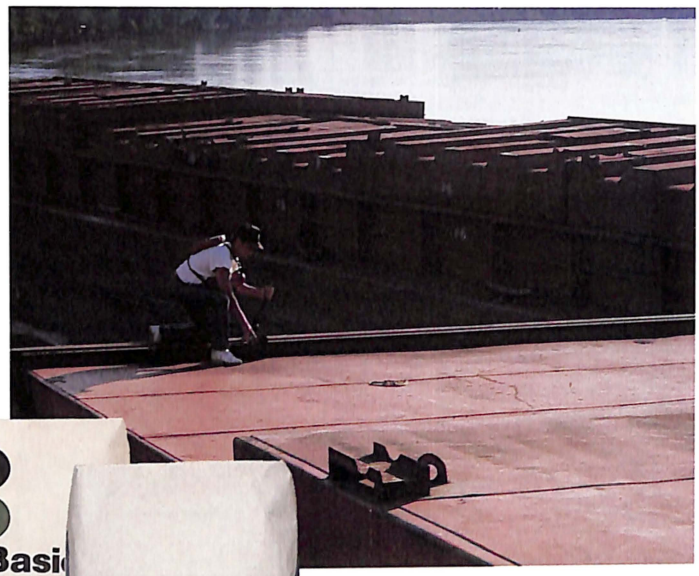
United Agri Products (UAP) is a leading distributor of crop protection chemicals. UAP distributes a broad line of well-known pesticides manufactured by major chemical companies, and formulates and distributes its own products under the Clean Crop label. UAP is the leading distributor of crop protection chemicals to North American markets, serving customers in most major agricultural areas in the U.S. and Canada. Annual sales exceed $1 billion.

Three UAP companies—Hess & Clark Company, Omaha Vaccine and Wholesale Veterinary Supply Company—are national marketers of animal health care products.

Consumer concern about the use of crop protection chemicals increased this past year. In fact, America's food supply is the safest and most plentiful in the world—and pesticides deserve much of the credit. Without them, food prices would rise significantly, and crop production and quality would fall sharply as weeds, bugs and disease take their toll. Government standards for pesticide residues in food are effective safeguards that consumers can rely on. Adjustments should be based on science rather than emotions or perceptions. ConAgra is and will be committed to improving the safety and quality of the Amerian food supply.

During fiscal 1989, UAP acquired Pfizer Inc.'s Canadian crop protection chemical business, with annual sales exceeding $60 million and an industry leadership position in Canada. The acquisition strengthened UAP's geographic balance and added excellent employees and a strong management team.

The drought during the summer of 1988 challenged the flexibility of UAP and the crop protection chemical industry in fiscal 1989. In some parts of the U.S., the drought caused unexpected insect infestations and increased demand for crop protection chemicals. In other areas, dry conditions caused reductions in the yield potential of planted acres and, therefore, reduced chemical demand.





ConAgra Fertilizer Company moves fertilizer products to customers around the world.

Industrywide sales of pesticides in the U.S. and Canada were up slightly during our fiscal 1989. For UAP, fiscal 1989 was another year of record results—the sixth in a row. Emphasis on managing product mix paid off, and return on sales increased significantly. Geographic balance and emphasis on customer service also contributed to margin improvement and increased unit volumes; sales were up over 10 percent.

Fiscal 1990 should be a good year for the customers who buy our products—farmers. UAP expects another record year in sales and earnings. We are encouraged by the entrepreneurial UAP management team's plans for earnings growth in the years ahead.

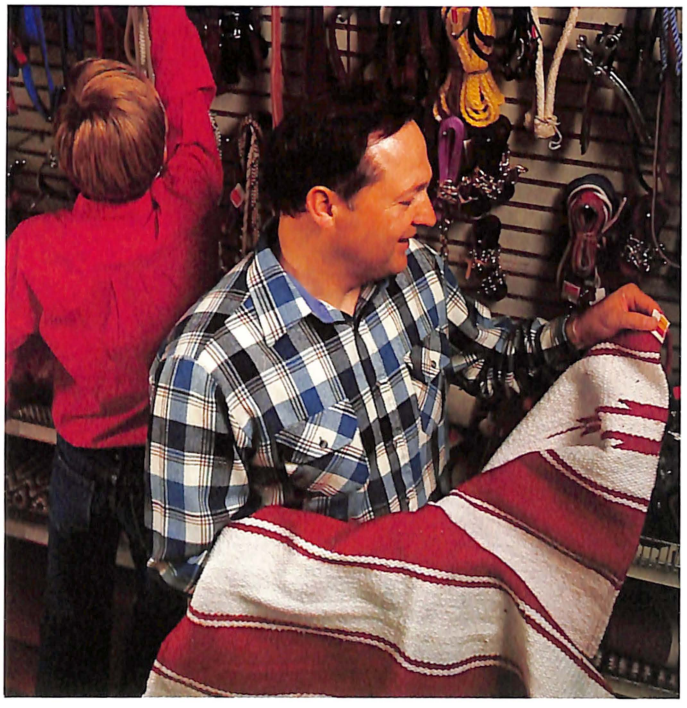


United Agri Products and independent dealers work together to meet the needs of American farmers.

FERTILIZER

ConAgra Fertilizer Company is a leader in the transportation, distribution and marketing of fertilizer products to customers throughout the world. Annual fertilizer volume exceeds four million tons.

Fertilizer products are marketed directly to consumers and to wholesale customers in the U.S.



Most ConAgra Retail Companies' customers are farmers, ranchers or do-it-yourselfers.

and through strategically located international trading offices. Direct consumer sales are through the Cropmate Company, and wholesale activity is handled through the AgriBasics Company.

In a diversification move during fiscal 1989, ConAgra Fertilizer formed Blue Ribbon Energy Company, which markets propane, natural gas liquids and other energy-related products throughout the U.S.

Fiscal 1989 was another good year for ConAgra Fertilizer Company. Unit volumes increased moderately, and earnings rose sharply.

Efforts to foster strategic partnerships with major low-cost producers resulted in a long-term agreement to distribute and market Esso Canada's nitrogen products in the U.S. Internationally, relationships with suppliers continued to grow as ConAgra Fertilizer demonstrated its worldwide distribution and marketing stength. Volume through the Hong Kong bagging operation was up significantly. Costs in the international business were pared with no reduction in effectiveness.

The fiscal 1990 fertilizer season started slower than normal due to overproduction of fertilizer products, reduced application rates and a weather-delayed market. Industry consolidation continues, introducing some uncertainty but also market opportunities. Earnings may decline in fiscal 1990, but new opportunities and a focus on increasing efficiency and productivity could boost results past expectations.

Strategically, ConAgra Fertilizer plans to grow both its fertilizer and energy lines at the retail level. This effort will be coordinated with other ConAgra companies serving the needs of American agriculture.

SPECIALTY RETAILING

ConAgra Retail Companies include 177 full-line country stores and fabric and craft stores, located principally in agricultural communities.

Country General Stores carry merchandise targeted for country living, including clothing, boots and other footwear, housewares, lawn and garden supplies, farm and ranch supplies, hardware, animal care products and sporting goods.

There are 91 stores in eight central states and California operating under the names Country General, Wheelers, S&S, Sandvig's and Peavey Ranch and Home. No new stores opened during fiscal 1989, although one store was moved to a better location. At least two new stores will be opened in fiscal 1990.

Fiscal 1989 was a year of focusing on serving customers better and sharpening management skills. The focus paid off in improved results, and Country General had an excellent year. Improved merchandising in all Country General stores contributed to a strong sales increase. The store remodeling program that began in fiscal 1988 continued this year, with 10 stores completely remodeled and five more in progress. Management strengthened inventory controls and reduced expenses during fiscal 1989, and earnings increased substantially. Country General expects continued growth in fiscal 1990, with increases in sales and earnings.

Northwest Fabrics & Crafts stores are complete fabric and craft stores, with home sewing as the predominant department. There are 86 stores in agricultural areas of 16 northern-tier states from Washington to New York. Four stores were closed during the year, and two were moved to better locations. During fiscal 1989, a focus on strengthening management skills and customer service paid off, not only in better results but also in building a solid base for future growth.

Northwest Fabrics & Crafts earnings improved markedly in fiscal 1989 with sales up moderately. Management made good progress in getting the proper fabric assortment into the stores and in managing the fabric/crafts mix appropriately. The layouts of 13 stores were changed to improve merchandise presentation and flow, and new layouts are planned for about 30 additional stores during fiscal 1990. We expect continued improvement in earnings during fiscal 1990.

Overall, ConAgra Retail Companies made excellent progress in fiscal 1989, with results slightly above plan and

significantly ahead of fiscal 1988. We expect continued progress in fiscal 1990 from the growing professionalism of this management team.

Another ConAgra business that served agricultural markets is U.S. Tire, a wholesaler of replacement tires for agricultural, truck and automobile markets. We determined that U.S. Tire could not meet ConAgra's financial objectives, and the business was sold.

FEED AND FEED ADDITIVES

ConAgra Feed Company produces and markets formula feeds for customers in the southeastern United States. Principal brands are Formax and Ponderosa.

The feed industry had a difficult year, and tonnages declined. Dairy cattle market dynamics are changing. Ongoing consolidation of dairies has made the customer base a moving target. However, a trend toward increased feed consumption per head offers opportunity.

ConAgra Feed managed well in this environment and achieved good gains in volumes and market share. Operating earnings were on plan but below the fiscal 1988 level. We expect a good earnings increase in fiscal 1990.

NutriBasics Company formulates, manufactures and markets nutrient additives for animal feeds. NutriBasics' volumes are related to conditions in the animal feed industry, and both tonnages and fortification levels were down in fiscal 1989. Management focused on the customer and on improving operations. Consequently, in spite of a tough environment, NutriBasics had a good year, with strong increases in sales and market penetration. Earnings improved sharply from the fiscal 1988 level.

DuCon, NutriBasics' joint venture with Du Pont Company, is a leading producer of choline chloride, a B-complex vitamin added to animal feeds. DuCon had a good year, well ahead of profit plans.

NutriBasics expects increased sales and earnings in fiscal 1990 as the company continues to position itself not only as a reliable feed additive blender but also as an aggressive marketer of higher-margin specialty products.



ConAgra Feed Company and NutriBasics Company meet their customers' needs for animal feeds and feed additives.



Highlights
In thousands

	1989	1988
Sales	$1,869,008	$1,379,894
Operating profit	83,397	72,653
Invested capital at year beginning	269,382	255,614

The U.S. grain processing business led the 15-percent operating profit growth in our Trading & Processing segment. Earnings from flour milling, oat processing and feed ingredient merchandising rose substantially. Flour milling assets acquired late in fiscal 1988 contributed to flour milling earnings growth and to the sizable gain in segment sales in fiscal 1989. International trading and processing results were mixed. Some businesses, including U.S-based grain merchandising operations and the dry edible bean business, achieved excellent earnings gains. Some other businesses, including a food ingredient and fresh produce trading business and processing operations in Spain, had disappointing results. Overall, international trading and processing earnings declined significantly in fiscal 1989 and should rebound sharply in fiscal 1990. Our plans indicate a good gain in total Trading & Processing segment earnings as well.

INTERNATIONAL

ConAgra International trades agricultural commodities and foodstuffs worldwide and operates basic food processing businesses offshore.

ConAgra International has trading offices in 26 nations, extensive merchandising facilities and transportation assets in the United States, and processing facilities in the U.S., Canada, Europe and Latin America. Annual invoiced sales of ConAgra International are almost $9 billion, versus reported sales of just over $1 billion. This is because, in the majority of trading transactions, only gross margins, not invoiced sales, are included in reported sales.

Berger and Company is an international trader and processor of specialty agricultural commodities, including pulses (*dry edible beans, peas and lentils),* dried fruits and nuts, sunflower seeds, olive oil, garlic, birdseeds and grain. In the United States, Berger has 49 pulse originating, processing and packaging operations. Berger's Jack Rabbit brand is a leading consumer brand of dry beans in U.S. grocery stores, and the company's DACIA brand is a premier brand of olive oil in South America.

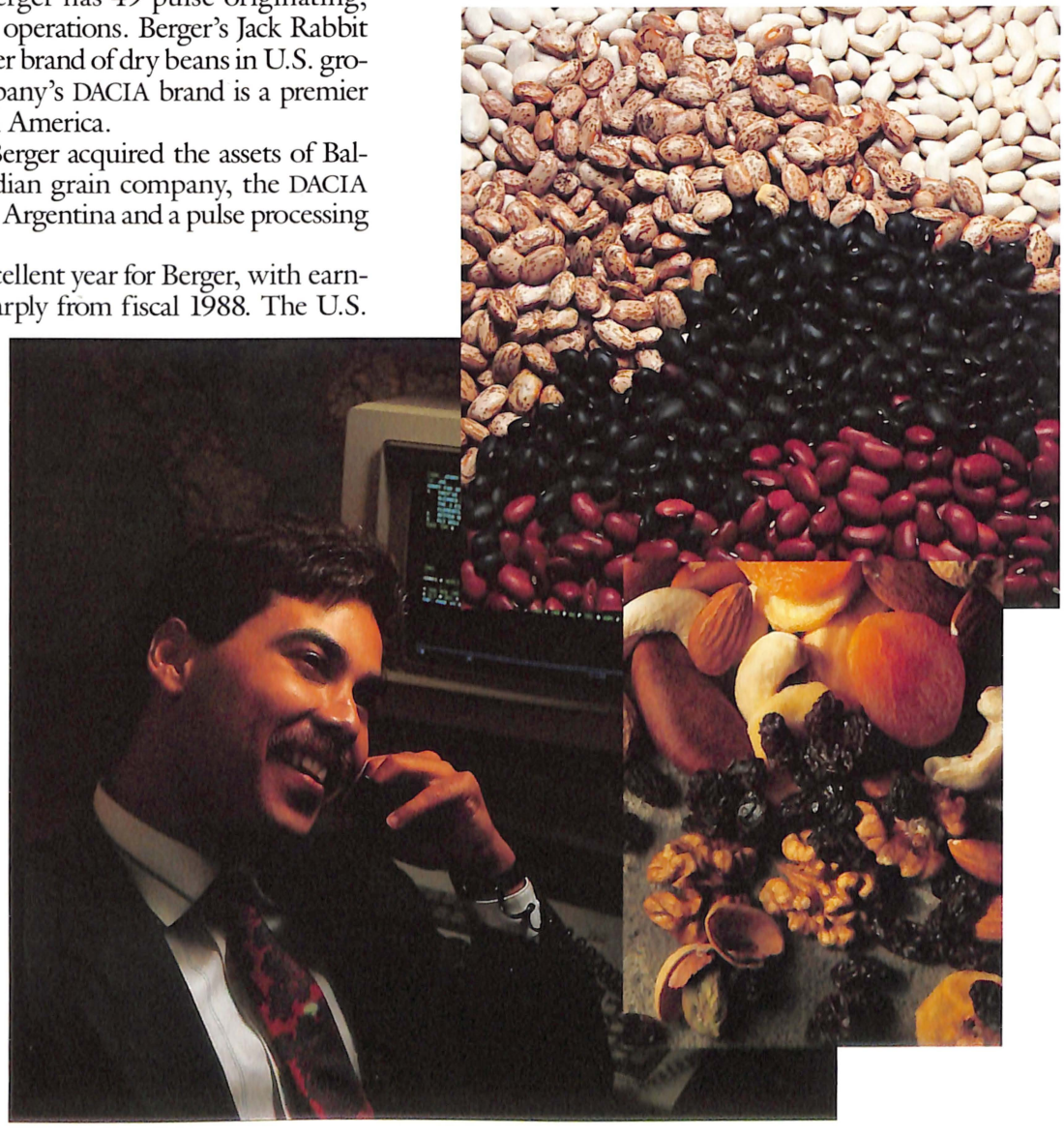
During fiscal 1989, Berger acquired the assets of Balfour Grain Ltd., a Canadian grain company, the DACIA olive oil and garlic plant in Argentina and a pulse processing facility in Chile.

Fiscal 1989 was an excellent year for Berger, with earnings over plan and up sharply from fiscal 1988. The U.S. processing operation was hurt by drought-related pulse volume and quality declines, but strong international results more than offset the domestic origination difficulties. Chilean pulses and Argentine olive oil and garlic operations did very well. European trading volumes were up, in part because of pulse movement for various international relief agencies. The Rotterdam-based dried fruit and nut trading business and the U.S. grocery products division also did well.

Pulse supply and demand should be in better balance in fiscal 1990, and we anticipate another strong performance in Berger's international activities. We expect increased volumes and earnings from Berger's business.

Camerican International is a worldwide marketer of a broad line of food products and ingredients to customers in food processing, foodservice and retail markets. Camerican had a difficult year, including substantial losses in the Agrafresh fruit marketing operation; that business has been discontinued. Camerican was unprofitable in fiscal 1989.

Camerican management has been realigned and the business divided into two groups: industrial sales and grocery products. We expect the focus on Camerican's core



ConAgra International trades a wide variety of foodstuffs for customers worldwide.

activities to lead to major improvement in fiscal 1990.

ConAgra Europe includes three basic food companies in Spain and Portugal. In Spain, ConAgra owns Saprogal, S.A. and Bioter, S.A. In Portugal, ConAgra has a majority interest in Sapropor, S.A.R.L. These companies are involved in animal feed production, hog breeding, meat processing, broiler chicken production and trout aquaculture.

Early in fiscal 1990, ConAgra Europe acquired 50 percent of Gelazur, S.A., a leading European seafood distributor with annual sales of about $60 million. Gelazur markets a wide variety of frozen seafood products to retail customers in France and throughout the rest of Europe.

ConAgra Europe remained unprofitable in fiscal 1989, primarily due to losses in the meat processing and poultry businesses in Spain. Significant restructuring is under way. A distribution business was closed, hog operations in Spain were terminated, overhead was reduced and new management is in place. We expect significantly improved results in fiscal 1990.

ConAgra Grain Companies are a family of grain businesses serving customers worldwide. ConAgra Grain Companies include our U.S.-based grain operations and our international trading businesses that specialize in grain. Our largest U.S. grain business is Peavey Grain Company.

During the latter part of fiscal 1989, we acquired the grain merchandising division of The Pillsbury Company, adding about 40 midwestern U.S. grain handling and storage facilities to the Peavey system. Some former Pillsbury assets that did not fit our system were sold. The combination of Pillsbury's and Peavey's grain merchandising operations created a business that handles over one billion bushels of grain annually and has a storage capacity of more than 150 million bushels.

Peavey's merchandising network now includes interior elevators on major railways, river loading facilities and export elevators at more than 100 total locations in 18 states. Grain merchandising operations are supported by about 550 barges and 4000 rail cars.

ConAgra Grain Companies' fortunes in the U.S. are tied



ConAgra International businesses are well-positioned to take advantage of food-related opportunities around the world.

directly to the fortunes of the American farmer, and fiscal 1989 was a good year, on average, for U.S. grain farmers and ConAgra Grain. Grain markets were volatile after last year's drought, with reduced crops, higher prices and a reduction of U.S. stockpiles. Strong worldwide demand boosted U.S. grain export volumes. ConAgra Grain's volumes increased moderately from fiscal 1988's strong level. Excellent improvement in the Peavey barge business and strong results in export operations contributed to earnings growth for the domestic grain business.

ConAgra Grain's international businesses add long-term balance to our worldwide grain trading operations. Fiscal 1989 international results were about even with the fiscal 1988 level, still below target levels.

Overall, ConAgra Grain Companies had an excellent year, with earnings well ahead of fiscal 1988 on the strength of the U.S.-based grain business. We expect the international grain business to improve in fiscal 1990, while the U.S. grain environment will likely be somewhat less favorable. In total, fiscal 1990 should be another good year for ConAgra Grain Companies.

Petrosul International Ltd. is a leading processor and international marketer of Canadian sulfur. Sulfur prices strengthened during fiscal 1989, and Petrosul's earnings were up substantially despite lower volumes. Sulfur prices were weakening again as fiscal 1990 began. In spite of industry conditions however, Petrosul expects to increase volumes and earnings in fiscal 1990.

Puerto Rico Basic Foods Company is a leader in basic food processing in Puerto Rico. The company produces and markets formula feeds, flour, processed corn products, poultry products and other prepared foods. Principal brands include Red Hat, Buccaneer, Almirante, Amapola and To-Ricos. In fiscal 1989, the company started a food distribution business to serve customers in the Caribbean.

Earnings declined in fiscal 1989, primarily because of a flour milling operating problem early in the year and competitive pressures that squeezed margins in the formula feed business. Excellent management in poultry operations helped improve poultry results substantially. Overall management was strengthened in order to grow this business and our other operating businesses in Latin America. Improvement in feed industry conditions and expected growth in the new distribution business should help earnings improve in fiscal 1990.

Woodward & Dickerson is an international trading and marketing company specializing in industrial raw materials, food products and other commodities. Comparisons with fiscal 1988 are unfavorable for Woodward, primarily because some profitable short-term contracts in fiscal 1988 were not repeated in fiscal 1989. Volumes in Woodward's regular business were about the same year to year, but earnings declined. We have a good management team focused on this business, and we expect that this will improve the business longer term. Fiscal 1990 will be a building year for Woodward. Potential new raw material contracts later in the year may boost results above current expectations.

Overall, ConAgra International's fiscal 1989 earnings declined significantly. Offshore processing and some international trading results were down. Domestic grain and international pulse



Puerto Rico Basic Foods offers Island consumers an array of grocery products.



ConAgra Flour Milling Company works closely with their customers to provide exactly the flour they need.

operations were up strongly. We expect substantially improved overall earnings in fiscal 1990.

GRAIN PROCESSING

ConAgra Flour Milling Company is a leader in the very competitive flour milling industry. With 28 mills in 15 states, ConAgra Flour Milling's flour customers are principally commercial bakeries and pasta producers. Annual flour volume is about 70 million hundredweights, or seven billion pounds. Milling capacity is about 270,000 hundredweights per day.

The eight flour mills acquired from International Multifoods late in fiscal 1988 were successfully integrated into the ConAgra milling system. Substantial savings were realized by consolidating administrative and sales functions.

During fiscal 1989, U.S. flour usage increased for the eleventh consecutive year. Per capita consumption increased from 127 to 128 pounds. The industry ran near peak capacity, exports continued at a strong level and industry margins improved.

ConAgra Flour Milling had another excellent year, with earnings over plan and well ahead of last year's record level. Late in fiscal 1989, results were pressured by increased competition for domestic business, partly due to an anticipated reduction in flour exports. The grocery products business struggled during the year in the face of continuing shrinkage of the at-home family flour market.

We expect continued competitive pressure in fiscal 1990. ConAgra Flour Milling expects another good year, though earnings could be below fiscal 1989's strong showing.

ConAgra Specialty Grain Products Company, formed during fiscal 1989, includes our oat and dry corn milling businesses and is a vehicle for growth in other cereal grains.

ConAgra's fiscal 1989 oat processing capacity of about one million hundredweights per year will grow to about 3.8 million hundredweights by the end of calendar 1989. Growth in this business is fueled by strong demand for oat bran from customers in many sectors of the food industry. We are nearing completion of a $22 million oat mill in Nebraska, and oat milling capacity has been added by converting a wheat flour mill in Minnesota. An idle New York flour mill may also be converted to an oat processing mill, and we formed a joint venture to operate and expand an oat mill in the United Kingdom.

During fiscal 1989, ConAgra Specialty Grain Products leased a dry corn mill and elevator in Kansas, and plans in fiscal 1990 to add barley processing capacity at a flour mill in Minnesota. This company is focusing on providing new value-added, health-oriented ingredients to customers in the cereal, baking and food processing industries.

ConAgra Specialty Grain had an excellent year. Year-to-year comparisons are possible only in the oat milling business, and oat earnings were up sharply. We expect overall specialty grain earnings to increase in fiscal 1990.

Canadian Harvest U.S.A., a joint venture with Du Pont Company, manufactures and markets for customers in the food industry a full line of fibers, including corn bran, specialty oat fiber, white oat fiber and barley fiber.

A state-of-the-art fiber processing plant in Minnesota was completed during fiscal 1989. Customer demand for Canadian Harvest's fiber products has exceeded our expectations, and ConAgra and Du Pont have approved additional construction that will more than double the new plant's capacity.

Canadian Harvest performed as expected in fiscal 1989, and we expect substantial growth in sales and earnings in fiscal 1990. Canadian Harvest combines Du Pont's research and technology expertise with ConAgra's grain processing and marketing strengths. We are optimistic about future results.

ConAgra Feed Ingredient Merchandising Company merchandises animal feed ingredients. This company's customers are large feeders, wholesalers and exporters. During fiscal 1989, Feed Ingredient Merchandising continued to build its base of business. The company increased its merchandising staff and began trading in new commodity markets. Earnings increased sharply.

We believe this company is well-positioned for future growth. Fiscal 1990 should be another good year.



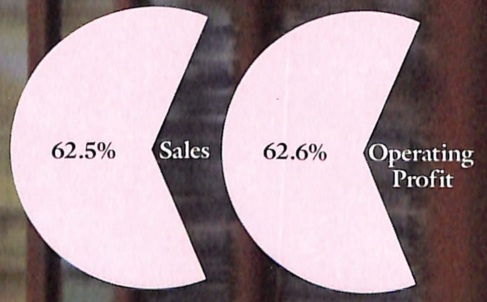
ConAgra Specialty Grain Products Company is meeting their food industry customers' increased demand for oat bran.



Highlights
In thousands

	1989	1988
Sales	$7,084,898	$6,132,496
Operating profit	293,102	205,004
Invested capital at year beginning	931,446	851,683

Prepared Foods segment operating profit increased 43 percent, led by strong gains in poultry product earnings. Consumer frozen foods enjoyed healthy unit volume growth, led by Banquet's gains, but overall frozen foods earnings declined. Fresh beef and pork operating profit decreased from fiscal 1988's strong results. The Armour branded processed meat business increased unit volumes substantially and moved closer to profitability. Seafood earnings declined for the year. Results improved in our pet accessories, preserves and peanut butter, deli and sewing notions businesses. The frozen potato products joint venture made a good profit contribution. Our plans for fiscal 1990 indicate increased earnings in our Prepared Foods segment.



RED MEATS

ConAgra Red Meat Companies include Monfort, Inc. *(formerly Monfort of Colorado),* E.A. Miller Inc., ConAgra Fresh Meats Company and Cook Family Foods. Annual sales of these companies exceed $3 billion, excluding any sales of 50-percent-owned SIPCO, Inc.

Monfort produces and markets beef and lamb products for customers in domestic and international markets. Monfort also has a distribution business, Mapelli Brothers Company, and a cattle feeding operation. Monfort's feedlot capacity is 270,000 head.

Monfort originated as a cattle feeding company and expanded over the years into the packing business. Including ConAgra Red Meat Companies and SIPCO, we currently feed less than 15 percent of our processing plant cattle requirements and do not anticipate ever exceeding 20 percent of those needs. This feeding is concentrated near our western plants in Colorado, Utah and Idaho, where availability of fed cattle is insufficient for economical plant production without supplementing with our own feedlot numbers.

E.A. Miller is a producer of beef products principally for customers in western United States markets. During fiscal 1989, Miller expanded its Idaho feedlot, Interstate Feeders, to a capacity of 50,000 head from 35,000.

ConAgra Fresh Meats produces and markets beef products to customers in retail, foodservice and institutional markets. A newly expanded and modernized plant in Idaho contributed to good results in fiscal 1989. During the year, this company acquired and renovated a beef processing plant in Texas. The plant, which opened early in fiscal 1990, is designed to satisfy customer and consumer demands for leaner beef products.

Cook Family Foods, which joined ConAgra during fiscal 1989, produces branded smoked ham products and markets them nationally through retail channels. Cook Family Foods brings another strong management team to ConAgra.

SIPCO is a processor of beef, pork and lamb, with annual sales of over $3 billion. As this report went to press, ConAgra planned to acquire the remaining 50 percent of SIPCO during the first quarter of fiscal 1990.

In total, earnings in the red meat businesses declined from the strong levels of fiscal 1988.

Cattle feeding earnings were lower because of high feeder cattle prices and higher drought-related corn prices. Although beef demand was good during fiscal 1989, beef processing margins were squeezed for much of the year by high fed cattle prices. Margins were strengthening as fiscal 1989 ended. About $25 million was invested during the year to enhance efficiency and employee safety at five beef plants.

Nearly $35 million was invested during fiscal 1989 to boost efficiency and expand all three SIPCO pork plants. Significant start-up costs at one of the plants hurt earnings for the year. Pork demand was fairly stable, but not strong enough to balance industry pressures of oversupply and excess plant capacity.

Monfort opened a new $8 million lamb plant in Colorado, and lamb demand continued fairly strong. The lamb business lost money in fiscal 1989, primarily because of low numbers of lambs and start-up costs associated with the new plant.

In fiscal 1990, somewhat lower cattle supplies may pressure processing margins, but ConAgra Red Meat Companies' focus on efficiency, marketing and byproducts handling should help. Cattle feeding results should improve significantly, and the pork business may improve later in the year. Overall, ConAgra Red Meats plans a good earnings gain in fiscal 1990.



Leaner cuts of beef respond to the changing preferences of consumers who love red meat.

CONSUMER FROZEN FOODS

ConAgra Frozen Foods is a leading producer and marketer of frozen prepared foods. Principal brands are Banquet, Armour Classics, Morton, Patio, Chun King and the new Healthy Choice.

Company products number more than 300. Major product categories include fried chicken, boneless chicken, extra portion dinners, premium dinners, regular dinners, meat pies, family-size entrees, hand-held snacks, single serving entrees, Mexican products and Oriental products.

ConAgra Frozen Foods and the microwave oven combine to offer consumers convenience, nutrition and good value.



ConAgra Frozen Foods is among the market leaders in all of its product lines. Consumers buy about 30 individual ConAgra Frozen Foods packages per second — 24 hours a day, 365 days a year.

Fiscal 1989 was another record year for the Banquet business, by far the largest in ConAgra Frozen Foods. Unit volumes increased, and earnings were up moderately.

A fiscal 1989 highlight was the successful introduction of Healthy Choice, a line of great-tasting premium dinners low in sodium, cholesterol, fat and calories. By the end of fiscal 1989, Healthy Choice was available in nearly half the U.S., with national distribution expected by the fall of 1989. Consumer and trade acceptance has been excellent, and we are optimistic about the future of this innovative new product line and brand.

Armour Dinner Classics encountered rugged price competition in a shrinking market for premium dinners. The line was restaged as Armour Classics at lower, more competitive price levels.

The ethnic brands, Patio and Chun King, achieved strong gains in distribution, volume and market share. However, results were disappointing for the Morton brand and Blue Star Foods, a private label frozen food business acquired early in fiscal 1989.

Fiscal 1989 was an excellent year for new products at ConAgra Frozen Foods. Early results on several lines are exceeding expectations.

Overall, ConAgra Frozen Foods earnings declined from fiscal 1988's record level, primarily due to major new product investment, spending to meet intense competition, drought-related ingredient cost increases and Blue Star's results. A comprehensive program to improve production efficiency made a positive contribution.

During fiscal 1990, ConAgra Frozen Foods will move its company headquarters to Omaha and open a major new product development facility, also in Omaha. The new facility will significantly enhance our ability to produce timely new products that meet consumer needs.

The frozen food industry will continue to be highly competitive in fiscal 1990, and ConAgra Frozen Foods will continue to invest significantly in new product expansion. Ingredient and feed costs should be slightly more favorable though, and we expect good results from established product lines. Overall, we expect good sales growth and increased earnings in fiscal 1990.

POULTRY PRODUCTS

ConAgra Poultry Company is a leading producer and marketer of poultry products for retail and foodservice customers. Principal brands are Country Pride, Country Skillet, Armour Golden Star, Longmont, Mott's and Water Valley Foods. Companies within ConAgra Poultry are ConAgra Broiler Company, ConAgra Turkey Company, Longmont Foods, Mott's Inc. and Professional Food Systems.

ConAgra Poultry's annual sales are about $1.5 billion. Annual volume of broiler chicken products is about 1.3 billion dressed pounds *(not including Banquet's volume of about 300 million dressed pounds)*. Annual volume of ConAgra Poultry's turkey products is about 300 million dressed pounds.

The supply-and-demand balance in the broiler industry improved considerably during fiscal 1989. Volumes were up, but consumer demand was strong enough to maintain good price levels. Drought-related corn and soybean crop shortfalls drove feed ingredient costs up significantly during the year, but stronger markets offset the higher ingredient costs.

ConAgra Broiler Company had an outstanding year, with earnings up sharply from fiscal 1988. Average operating profit per pound was over seven cents, compared to about two cents per pound the prior year. The company's marketing strategy focused on the Country Pride brand's "fresh" image, and market share and brand recognition increased in designated markets. Country Pride branded sales were up over 10 percent. New value-added products were introduced in three categories: seasoned thigh strips, single-serve marinated breasts and bone-in seasoned chicken products that are convenient for grilling or microwaving. Broiler production expanded slightly, but less than the industry average.

ConAgra Broiler plans major capital investment in fiscal 1990 to provide for future expansion. The company expects good productivity increases, and will continue to invest significant marketing dollars in the Country Pride brand and in value-added products with more stable margins.

The turkey industry improved gradually during fiscal 1989 as periods of slower production increases allowed for periods of profitability. Industry margins were squeezed by higher feed ingredient costs and, after Thanksgiving, by frozen inventories that were too high.

ConAgra Turkey Company performed well in this environment, however, and fiscal 1989 was a turnaround year, with good improvement particularly in the Missouri division. Improved management brought overall results that were substantially better than in fiscal 1988.

Early in the year, a large capital expenditure was approved to modernize plants and add capacity for new product lines. Fiscal 1990 will be a year of marketing transition for ConAgra Turkey, as the company works to develop earnings less dependent on commodity cycles. For example, ConAgra Turkey will introduce a turkey breakfast line and a fresh boneless tray-pack line under the Turkey Selects by Armour brand.

Longmont Foods is a ConAgra Poultry company which manufactures further-processed turkey products for national foodservice and regional retail customers. Fiscal 1989 was a very good year for Longmont, with strong sales and earnings increases. Problems in Longmont's live operations put pressure on earnings late in fiscal 1989 and will depress results in the first part of fiscal 1990, so the full-year outlook is for little change in earnings.

Professional Food Systems (PFS) is ConAgra Poultry's sales and distribution business. PFS' earnings increased sharply to a record level. We expect earnings to increase again in fiscal 1990.

Early in fiscal 1989, ConAgra Poultry acquired Mott's, Inc., which processes poultry products



ConAgra Poultry Company delivers to consumers the value-added poultry products they want.

for national foodservice, retail and industrial markets. Mott's major brand is Water Valley Foods, and the major products are pulled and diced chicken. Mott's was unprofitable in fiscal 1989, primarily because of tightness in hen supplies, but we expect a turnaround in fiscal 1990.

Fiscal 1989 was ConAgra Poultry's second year of a strong companywide focus on their quality process, "PDQ" *(the Process of Delivering Quality)*. The program paid dividends in better customer service and more involved and dedicated employees. PDQ will make an important contribution to ConAgra Poultry's future.

Early indications are that fiscal 1990 will be a reasonably good year for the poultry industry. Feed ingredient costs should be lower, barring another weather disaster. Demand and price levels should be satisfactory in the first half of the year, but if the industry again overexpands, we'll see pressure on prices as the year progresses.

PROCESSED MEATS
DELI PRODUCTS
DAIRY & FOOD OIL PRODUCTS

Armour Food Company is a leading processor, marketer and distributor of branded, processed meats. Armour, Golden Star, Decker and Webber Farms are the primary brands. Products include hot dogs, bacon, hams, sausage and lunch meat. This company also produces frozen, portion-controlled beef, chicken and veal products for foodservice and retail customers.

Armour made good progress during fiscal 1989. The branded retail part of the business operated near plan, with volumes and margins up over 10 percent. Advertising and promotion spending was well ahead of the fiscal 1988 level as Armour continued to invest in the strong Armour brand.

During fiscal 1989, Armour also focused on becoming more cost-competitive. Restructuring initiatives were aimed at achieving significant expense reduction. Overhead was reduced, and product lines were pared to eliminate low-return items. Capital investment during the year will increase efficiency at Armour's fresh pork plant.

Armour still commands a leading market share in the lower-salt processed





Turkey breakfast products and Armour lower-salt products are popular with consumers who want to reduce cholesterol and sodium levels.

meat categories the company pioneered in response to consumer demand. Despite much new competition, Armour's lower-salt share increased substantially in fiscal 1989. A new bun-length hot dog, Extra Bite, was introduced late in the year and is doing well in the marketplace.

The fresh pork industry struggled during fiscal 1989 due to weak demand and excess industry capacity. Armour's fresh pork business also was impacted by plant renovation and associated start-up expenses.

Overall, Armour's results were still unsatisfactory. The fresh pork losses more than offset the improvement in the flagship branded business. We expect good progress in fiscal 1990, helped by this year's cost reductions and capital investment. Armour has a first-class management team, fully committed to building Armour into a fine business that meets our financial standards.

Armour Dairy and Food Oils Company produces, packages and distributes a wide variety of products including bulk and branded cheese, spray-dried food ingredients, spices, lard, butter, food oils and eggs. Major brands are Armour, Cloverbloom and Miss Wisconsin.

Early in fiscal 1989, Armour Dairy and Food Oils acquired the assets of SpiceTec, Ltd., which imports, grinds and blends a full line of spices. The spice business showed strong growth during the year.

Overall, fiscal 1989 was a challenging year for Armour Dairy and Food Oils. Volumes were up moderately, but operating profit was flat. Drought-related increases in milk prices, losses in the egg business and increased competition and industry capacity for spray-dried products all combined to hold earnings down. We expect a significant increase in earnings in fiscal 1990.

ConAgra Deli Company is the only company offering a full line of products to the growing U.S. delicatessen market. ConAgra Deli, created in fiscal 1986, markets about 125 products, including traditional deli meats and cheeses, as well as innovative prepared entrees, desserts and appetizers. Brands are World's Fare, Main Street and a promising new brand, Lite n' Low, for meats and cheeses lower in fat, sodium and cholesterol.

ConAgra Deli made substantial progress in fiscal 1989, nearly doubling its volumes and increasing margins dramatically. The business expects continued improvement in fiscal 1990.

SEAFOOD

ConAgra seafood companies are leaders in the U.S. seafood industry, with major businesses on the West, East and Gulf coasts. Total seafood sales, including 45-percent-owned Trident Seafoods Corporation, exceed $600 million. Trident's sales are not reported in ConAgra's consolidated results.

ConAgra Shrimp Companies include Singleton Seafood Company and International Seafood Traders. Singleton is a leading shrimp processor, foodservice supplier and retail marketer of seafood. In addition to shrimp, products include scallops, oysters and flounder.

Consumer demand for shrimp continued strong during fiscal 1989, with U.S. per capita consumption edging up from 2.3 to 2.4 pounds. Singleton made good progress in its foodservice business during fiscal 1989, moving into new markets and expanding its product line.

A plant modernization project completed in fiscal 1988 enabled the company to lower costs and begin producing a number of new shrimp items they were unable to produce in the past. Additionally, Singleton added a line of sauteed shrimp items to help foodservice operators meet their customers' demands for lower-calorie, non-breaded shrimp dishes. Singleton's sales were up significantly. And in spite of unstable shrimp price levels that squeezed margins, Singleton achieved earnings slightly over last year's record level.

International Seafood Traders (IST) is a processor and worldwide procurer, broker and marketer of commodity seafood. IST volumes were down in fiscal 1989 because high domestic shrimp price levels forced a decline in IST's domestic business, normally the strength of the operation. IST earnings were below par in fiscal 1989, but domestic market conditions have stabilized and IST volumes had returned to good levels by early fiscal 1990.

In total, ConAgra Shrimp Companies achieved another year of record sales and earnings, with results ahead of the fiscal 1988 record. We expect increased earnings in fiscal 1990.

Country Skillet Catfish Company processes and markets grain-fed, farm-raised catfish products for retail and foodservice customers. Country Skillet increased volumes and market share during fiscal 1989, but industry and company processing margins were hurt by intensified competition for live fish supplies.

During fiscal 1990, Country Skillet will lease and operate a new Mississippi processing plant owned by Fishco, a farmer-owned cooperative. The arrangement will double Country Skillet's processing capacity, assure the company of live fish supplies and allow increased production of new, value-added catfish products. We expect improved results in fiscal 1990.

O'Donnell-Usen Fisheries Corporation is a sourcer of Atlantic cod and ocean perch, operating 11 trawlers in the waters off Nova Scotia and Prince Edward Island. Under the brand name Taste O'Sea, O'Donnell-Usen processes and markets more than 100 frozen seafood products, as well as an extensive line of private label products. The company also is a leading supplier of breaded cod portions to fast-food markets.

Fiscal 1989 was a disappointing year for O'Donnell-Usen, primarily because of difficulties in the cod and perch industries. A sharp decline in selling prices created bleak market conditions. In the retail business, a battle for market share pressured margins. Earnings were unsatisfactory. By the end of fiscal 1989, however, the industry and O'Donnell-Usen were in much better shape. We expect significantly improved results for O'Donnell-Usen in fiscal 1990.

Trident Seafoods Corporation, of which ConAgra owns 45 percent, is a leader in the Northwest Pacific seafood industry. The company sources, processes and markets crab, salmon, herring and bottomfish — principally Pacific pollack — for domestic and export markets. Trident operates two catcher processors, six floating processors, six fishing vessels and more than 30 tenders in the Bering Sea and the North Pacific Ocean, as well as five shore-based facilities.

Fiscal 1989 was a good year for Trident, although increasing competition and a stronger dollar pressured results in the second half of the year. Two new processing plants, under construction in Alaska and Washington, will open during fiscal 1990, expanding Trident's capacity for existing products and enabling the company to add new capacity for surimi and fishmeal. Lower seafood market prices and continued competitive pressures will challenge Trident in fiscal 1990, but we expect another good year.

FOODSERVICE

ConAgra Foodservice Companies became an independent operating company during fiscal 1989. Three businesses were consolidated: ConAgra Poultry Foodservice Company, ConAgra Prepared Foods Foodservice Company and Monfort Red Meat Foodservice Company.

ConAgra Foodservice offers foodservice operators center-of-the-plate choices in beef, frozen food and poultry under the brands Award, Armour, Banquet, Chun King, Monfort and Morton. During the year, the company created a central organization, focused and expanded the national sales force and improved production systems. ConAgra Foodservice added lamb and pork products, expanded distribution in cooked meats, increased frozen food products marketed through national distributor chains and expanded the volume of poultry products sold to club and convenience stores.

ConAgra Foodservice was unprofitable, as expected, during its start-up year, but results were improved from the fiscal 1988 performance of the three business units before they were combined. During fiscal 1990, ConAgra Foodservice will open a new, state-of-the-art product development facility and pilot plant that will allow the company to focus on custom development of products designed to meet their customers' specific needs. We expect continued improvement in results.

Lamb-Weston, Inc., a 50-50 joint venture, is a leading processor of frozen potato products, primarily for foodservice markets.



award BRAND

ConAgra companies work with foodservice operators to meet the needs of consumers dining away from home.

Fiscal 1989 was the first year of the Lamb-Weston joint venture, and the company made a contribution to ConAgra's profitability, exceeding our expectations. During the year, Lamb-Weston's management team achieved significant overhead reductions, reduced manufacturing and operating costs, and improved product mix. We expect an increased contribution to ConAgra's earnings in fiscal 1990.



SPECIALTY PRODUCTS

ConAgra Pet Products Company offers a full line of pet accessories to consumers through independent and high-traffic retail stores. In fiscal 1989, ConAgra Pet Products had a record year in sales and earnings, with excellent increases over fiscal 1988.

Early in fiscal 1990, ConAgra Pet acquired the Sergeant's Pet Care Division of A.H. Robins Company. The acquisition combines two strong sellers of pet products and will result in a superior product assortment for consumers. Sergeant's is best known for its pet remedy and flea and tick control products. ConAgra's Geisler/Snoopy brand is best known for its pet toys and bird and small animal products. The two businesses are an excellent fit.

ConAgra Pet Products expects increased sales and earnings for the newly combined businesses in fiscal 1990.

Home Brands Company produces and markets preserves, jellies, peanut butter and syrups for customers worldwide. Fiscal 1989 was an outstanding year for Home Brands, with improved results in all areas of operations: branded and private label products, and products for foodservice, industrial and export markets. Sales and earnings hit record levels, up sharply from fiscal 1988.

During fiscal 1989, Home Brands expanded its capacity and customer base by acquiring the Holsum Foods peanut butter processing plant in Albany, Georgia, and its related business. We expect increased sales and earnings in fiscal 1990.

Pfaelzer Brothers Company markets premium quality meats and other gourmet foods to consumers via direct response catalogs and specialty marketing programs. Early in fiscal 1990, Pfaelzer acquired the mail order catalog division of Ace Pecan Co. The acquisition allows Pfaelzer to broaden its customer base and serve buyers of lower-cost food gifts like nuts, dried fruits and candies, as well as buyers of premium food gifts.

Pfaelzer's fiscal 1989 sales improved moderately, but earnings declined due to expenses related to new business projects. We expect good sales and earnings increases in fiscal 1990.

Dyno Merchandise Corp. markets a broad line of home sewing accessories through independent and chain retailers. Dyno is the exclusive licensee to market these products under the brand name "Singer." Dyno had a record year, with a significant sales increase and earnings up sharply over the prior year. We expect further increases in sales and earnings in fiscal 1990.



Finance Companies

Highlights

In thousands

	1989	1988
Sales	**$143,814**	$133,293
Operating profit	**9,637**	9,791
Invested capital at year beginning	**92,200**	92,475

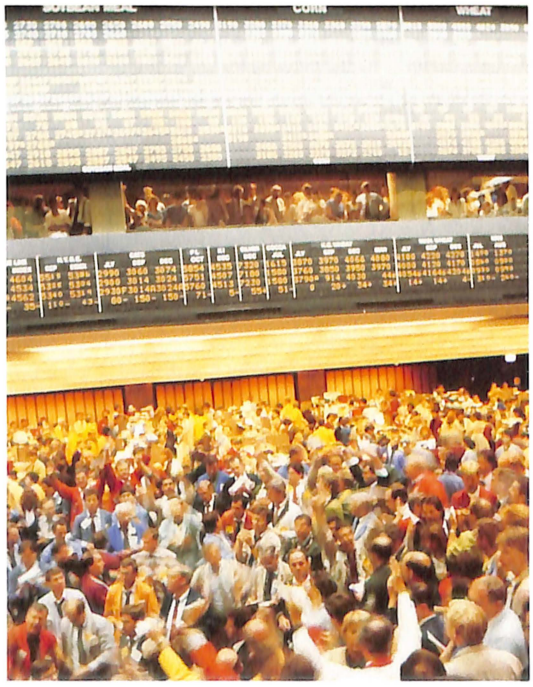
ConAgra's Finance Companies are fully consolidated for the first time this year because of a new financial accounting standard. These companies previously were accounted for on an equity basis because of their different financial characteristics. Except for a business which is being discontinued, these companies are self-financed, with no parent company guarantees to support borrowings.

Our Finance Companies' operating profit decreased slightly in fiscal 1989. Earnings were up in the Geldermann futures brokerage business and the livestock and transportation financing business. Earnings were down in the insurance business and the agricultural financial services business, which is being discontinued. We expect increased earnings for the Finance Companies in fiscal 1990.

Geldermann, Inc., an independently operating subsidiary of ConAgra, is a leading futures brokerage firm serving customers internationally through more than 100 branches and affiliated introducing brokerage offices. Geldermann's securities subsidiary, Geldermann Securities, Inc., specializes in both retail securities and options markets for customers and market makers. Another subsidiary, Heinold Asset Management, Inc., is a leading commodity fund general partner, managing more than 25 public commodity futures funds. ConAgra does not guarantee any obligations of Geldermann.

Fiscal 1989 was Geldermann's eighth consecutive year of record profits, with earnings up modestly from fiscal 1988 despite general weakness in the futures and securities markets during the year. Planned growth in service to institutional customers contributed to the year's good results. Institutional customers now using futures and options as an integral part of their financial activities include corporations; banks; energy, investment banking and insurance companies; program traders and large mutual and pension funds.

Geldermann's foreign exchange and bullion trading business achieved steady growth during the year through its London subsidiary, Geldermann Ltd. In preparation for participation in the globalization of financial markets, Geldermann began offering customers around-the-clock trading through the Chicago and London offices. The company is well-positioned to take advantage of electronic trading systems for futures and options, which are expected to be launched in the coming year. Geldermann expects earnings to increase in fiscal 1990.



Monfort Finance Company is a self-financed subsidiary which provides short-term financing, typically four to five months, primarily for cattle in ConAgra Red Meat Companies' feedlots. This business finances cattle and lambs it owns and will sell to ConAgra Red Meat Companies for processing. It also finances cattle owned by third parties while these cattle are on feed in ConAgra Red Meat Companies' feedlots.

Monfort Finance Company was formed toward the end of fiscal 1989. At the end of the year it owned over 300,000 head of cattle, including the inventories of cattle on feed formerly owned by Monfort. This number will grow some during fiscal 1990 as Monfort Finance Company takes ownership of cattle on feed in other feedlots of ConAgra Red Meat Companies.

Weld Agricultural Credit, Inc. (WACI) is a self-financed subsidiary which holds certain assets, primarily truck tractors and trailers owned by Monfort and leased to independent operators and Monfort. WACI also finances truck tractors and trailers owned by independent operators. WACI previously was involved in cattle financing as well, before Monfort Finance Company was formed.

WACI's fiscal 1989 earnings, including cattle financing, improved from the fiscal 1988 level.

Weld Insurance Company, Inc. (WICI) is a small, self-financed insurance subsidiary which protects certain risks of ConAgra Red Meat Companies and administers the Companies' workmen's compensation program. WICI's earnings in fiscal 1989 declined from the fiscal 1988 level.

United Agri Products Financial Services (UAPFS) is in the process of discontinuing operations. Most of its assets have been sold. UAPFS served the short-term seasonal financing needs of United Agri Products' customers in selected regions. The business was an experiment, and United Agri Products will continue to look for innovative ways to serve the financial needs of the agricultural community.

In thousands

	1989	1988	1987
Sales	**$11,340,414**	$9,608,244	$9,143,519
Operating profit	**468,265**	343,342	373,069
Invested capital:			
Year beginning	**1,392,058**	1,296,906	1,116,888
Year end	**1,626,743**	1,392,058	1,296,906

Introduction

In this part of the business review we discuss ConAgra's financial condition and overall operating results.

Note 1 on page 50 reviews accounting changes effective in fiscal 1989, including adoption of Statement of Financial Accounting Standards No. 94. SFAS No. 94 required ConAgra to consolidate the accounts of the company's financial services affiliates with its basic food businesses. In past years, the results of financial services operations were accounted for on the equity basis as was appropriate and permissible under prior rules.

The consolidated financial statements of prior years have been restated to conform with the current year's presentation. Restatement had no effect on previously reported net income, net income per share and stockholders' equity.

Nevertheless, consolidation adds together the results of operations with distinctly different operating and financing characteristics. In an effort to make our financial statements more meaningful, we are presenting them in three formats: Basic Food Companies, Finance Companies and Consolidated.

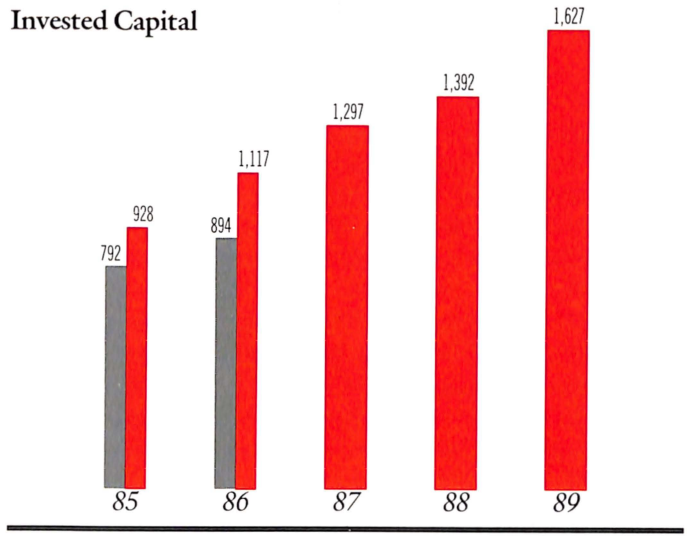
The five-year bar graphics in this section show figures two ways: "restated" and "as reported." The "restated" version includes: restatement of fiscal years 1985 through 1988 for SFAS No. 94; the effect of the change in ConAgra Fertilizer Company's fiscal year end (see Note 1); and restatement of fiscal years 1985 and 1986 for pooling of interests with Monfort, Inc. and E.J. Miller Enterprises, Inc., which merged with ConAgra during fiscal year 1987. "As reported" bars show results as actually reported at the time, before any subsequent restating. "As reported" bars are shown only for fiscal years 1985 and 1986 because the differences are significant only for the years prior to the fiscal 1987 Monfort and Miller mergers.

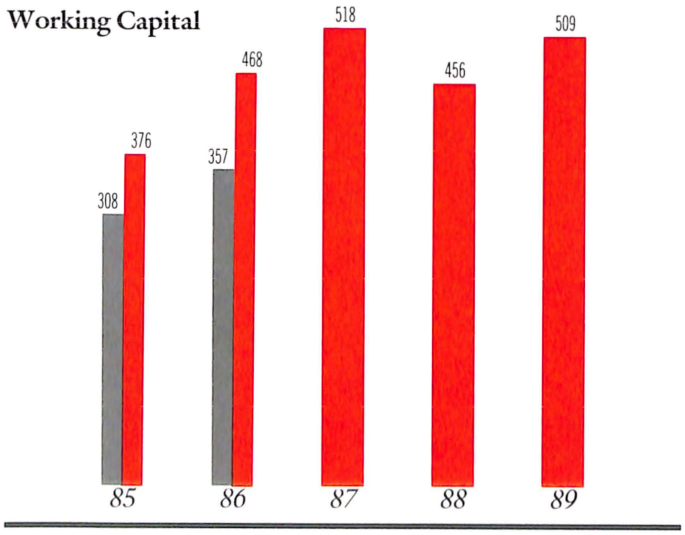
Financial Condition

Capital Resources

ConAgra's capital investment consists of working capital (current assets less current liabilities) plus all noncurrent assets. This capital investment is financed principally with stockholders' equity and long-term debt.

During fiscal 1989, capital investment increased $234.7 million, or 17 percent, to $1,626.7 million. Of this amount, $1,518.6 million, or 93 percent, is in the Basic Food Companies, and $108.1 million, or seven percent, is in the Finance Companies. Of the capital investment increase, 77 percent was in noncurrent assets, after depreciation and amortization of $101.7 million, and 23 percent was in working capital. The 1989 Increases in Capital Investment table shows more details.





Restated As reported

All figures in $ millions

1989 INCREASES IN CAPITAL INVESTMENT

$ in millions

	Consolidated		Basic Food Companies		Finance Companies	
Working capital	$ 53.0	11.6%	$ 41.4	10.5%	$11.6	19.2%
Noncurrent assets	181.7	19.4%	177.3	19.6%	4.4	13.8%
Invested capital	$234.7	16.9%	$218.7	16.8%	$16.0	17.3%

Internally generated cash flow is the source of ConAgra's capital investment growth. In fiscal 1989, cash flow from operating activities totaled $405.8 million. Net income, depreciation and amortization generated $300 million of this amount.

During fiscal 1989, ConAgra invested $163.5 million of cash in additions to property, plant and equipment of ongoing businesses, an increase of 19 percent over fiscal 1988. Cash used to acquire businesses and increase investment in unconsolidated subsidiaries totaled $185.0 million, 34 percent higher than fiscal 1988. The third largest use of cash flow in 1989 was $58.4 million used to pay stockholder dividends, 20 percent more than the previous year.

In fiscal 1990, ConAgra plans to invest approximately $225 million in additions to property, plant and equipment of present businesses. Cash flow from net income plus depreciation and amortization of approximately $140 million is expected to be sufficient for this investment and dividend requirements, with a surplus for other potential needs including acquisitions.

During fiscal 1990's first quarter, ConAgra intends to acquire the remaining 50 percent of SIPCO, Inc. for about $52 million. Acquiring and consolidating SIPCO's results will reduce ConAgra's working capital and increase long-term debt and is not expected to have a significant near-term effect on ConAgra's earnings. However, management believes this move will help accelerate improvement in SIPCO's performance. Management also expects to meet the company's balance sheet objectives, discussed below, in fiscal 1990.

ConAgra financed the increase in fiscal 1989 capital investment as shown in the 1989 Capitalization Changes table.

Retained earnings were the major source of the increase in common stockholders' equity. During fiscal 1989, ConAgra issued 1,970,446 shares of the company's common stock in connection with the acquisition of Cook Family Foods, Ltd. ConAgra also purchased 683,810 shares of its own common stock for $20.9 million. In accordance with ConAgra's ongoing program, these shares were added to treasury stock for use in meeting obligations

1989 CAPITALIZATION CHANGES

$ In millions

	Increase (decrease)	
Long-term debt	$ 75.2	15.5%
Deferred income taxes	15.6	16.8%
Preferred stockholders' equity	(1.0)	(10.1%)
Common stockholders' equity	144.9	18.0%
	$234.7	

for stock options, incentive plans and conversion of preferred stock. ConAgra's objective is to use outstanding shares for these purposes, rather than issuing additional shares, so that earnings per share will not be diluted.

Preferred stockholders' equity decreased due to conversion of preferred stock to common stock. Deferred income taxes increased due to temporary differences in the recognition of revenue and expense for tax and financial statement purposes and due to classification of the differences in accordance with a newly adopted accounting standard.

Long-term debt increased as ConAgra used financing capacity created by retained earnings.

Financing Objective

ConAgra's primary financing objective is to maintain a conservative balance sheet. Equity and long-term debt are used to finance noncurrent assets and permanent working capital needs. ConAgra uses short-term debt to finance liquid and seasonal asset requirements.

ConAgra's long-term debt objective for the Basic Food Companies is to have long-term debt represent not more than 35 percent of total capitalization. The short-term debt objective for the Basic Food Companies is to eliminate year-end net short-term debt (short-term debt less cash) used to finance assets other than hedged commodity inventories. Hedged commodity inventories include, for example, grain hedged in futures markets or by firm forward sales contracts.

ConAgra has met its debt objectives every year since they were established in fiscal 1976.

The Basic Food Companies' long-term debt was 34.9 percent of capitalization at the end of fiscal 1989 and 35.0 percent at the end of fiscal 1988. Cash flow from earnings, depreciation and amortization was 97 percent of total debt less cash at the end of fiscal 1989, compared to 69 percent the preceding year. Net short-term debt of the Basic Food Companies was less than zero at the end of fiscal 1989 and fiscal 1988. Cash of $126.7 million exceeded short-term debt of $35 million at the end of fiscal 1989. Cash of $153.3 million exceeded short-term debt of $35 million at the end of fiscal 1988.

The Finance Companies are self-financing. Their debt is not guaranteed by ConAgra. The Finance Companies had long-term debt of $30 million at the end of fiscal years

1989 and 1988. Short-term debt of $296.0 million at the end of fiscal year 1989 and $223.0 million at the end of fiscal 1988 were appropriate levels to finance assets such as livestock on feed, notes receivable and open customer transactions. ConAgra was supporting $21 million of debt at the end of fiscal 1989 that related to an agricultural finance business that is in the process of discontinuing operations.

ConAgra relies primarily on the sale of commercial paper to provide short-term financing, although the company also borrows from commercial banks and may borrow from or lend to affiliates. Commercial paper borrowings are backed by bank credit facilities. During fiscal 1989, short-term borrowing continued at interest rates below prime. Short-term indebtedness averaged $1,226.0 million in fiscal 1989, while the highest period-end level was $1,466.2 million, compared to $885.5 million and $953.9 million, respectively, in fiscal 1988. This increase in short-term borrowing was caused mostly by higher commodity prices in fiscal 1989.

ConAgra uses operating leases primarily for transportation equipment and selected facilities. In fiscal 1989, the company's noncancelable operating lease rentals were $73.5 million. Earnings before tax, noncancelable rent or interest on long-term debt covered noncancelable rent plus interest on long-term debt by a factor of 3.4 times in fiscal 1989 and 3.3 times in fiscal 1988.

Asset Liquidity

Most of ConAgra's businesses are current asset intensive. At the end of fiscal 1989, current assets accounted for 67 percent of total asset investment. Grain, flour and major feed ingredients are hedged to the extent practicable to protect inventory value against major price fluctuations.

For fiscal 1989, total sales invoiced to customers were approximately $19 billion. This is above net sales reported in ConAgra's financial statements because grain and certain other commodity trading and merchandising transactions include only gross margins in reported sales. At the end of fiscal 1989, net accounts receivable represented an average of 20 days of total sales invoiced to customers.

During fiscal 1989, ConAgra's current assets increased 13 percent to $3.16 billion, while current liabilities increased 13 percent to $2.65 billion. As reviewed earlier, working capital increased 12 percent to $508.9 million.

When evaluating liquidity, the company looks at its Basic Food Companies' current ratio (current assets divided by current liabilities) in two ways—with and without hedged commodity inventories and associated short-term financing. This is done because of the high liquidity of hedged commodity inventories. Including hedged commodity inventories, the Basic Food Companies' current ratio was 1.22 to 1 at the end of fiscal year 1989 and 1.24 to 1 at the end of fiscal year 1988. Excluding hedged commodity inventories, the Basic Food Companies' current ratio at the end of fiscal 1989 was 1.29 to 1, compared to 1.32 to 1 at the end of fiscal 1988.

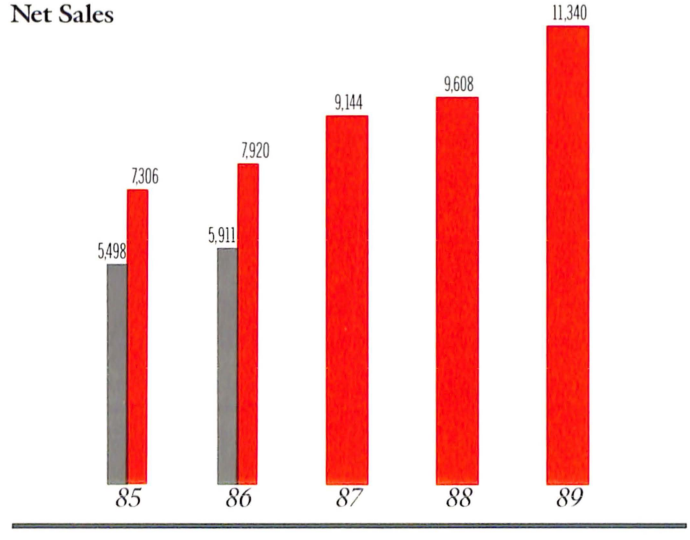
ConAgra's Basic Food Companies' current ratio is a composite of various current ratios appropriate for our individual businesses, which participate in different sectors of the food industry. For example, in our Agri-Products segment, where trade payables commonly finance most current assets of pesticides and fertilizer distribution businesses, a current ratio of about 1.1 to 1 would be appropriate. Businesses in ConAgra's Trading & Processing segment typically have highly liquid, hedged inventories. Consequently, a current ratio on the order of 1.2 to 1 is sound. On the other hand, many of ConAgra's Prepared Foods businesses are more typical of a manufacturing industry, where a current ratio of 1.5 to 1 or greater would be expected.

Operating Results

ConAgra's management considers return on common stockholders' equity the single most significant measure of operating performance. The company's objective is to average in excess of a 20-percent after-tax return on year-beginning common stockholders' equity, and earn in excess of a 15-percent return in any given year. This return was 24.5 percent in fiscal 1989 and has averaged 22.9 percent over the last five years. See pages 4 and 5 of this report for a full treatment of ConAgra's financial objectives and results.

In fiscal 1990, ConAgra expects to have a one-time gain of approximately $27 million, or 33 cents per share, in the first quarter as a result of a settlement following ConAgra's decision to withdraw from the bidding for Holly Farms Corporation.

Through the Changes in Earnings Components table and the discussion that follows, ConAgra's total operating



results for the most recent fiscal years are reviewed in terms of changes in the components of earnings. Operating results by ConAgra's industry segments were discussed in considerable detail in earlier pages of this report.

Fiscal 1989 Compared to 1988

The three largest sources of the fiscal 1989 sales increase were ConAgra Grain Processing, ConAgra Poultry and Berger. The acquisition of significant flour milling assets late in fiscal 1988 was the major source of the grain processing increase. ConAgra Poultry's increase came from higher unit volumes and selling prices and two acquisitions, one in the middle of fiscal 1988 and one early in fiscal 1989. Berger's increase was principally due to higher unit volumes and selling prices and three acquisitions.

Other businesses contributing substantially to the sales increase included Monfort, ConAgra Fertilizer, Cook Family Foods, United Agri Products and ConAgra Frozen Foods. Cook was acquired in the second quarter of fiscal 1989. The frozen foods increase was partially related to an acquisition at the beginning of fiscal 1989. The United Agri Products increase was partially related to an acquisition early in fiscal 1989.

The increase in cost of goods sold was associated mainly with the sales increase. Gross margin (net sales minus cost of goods sold) increased significantly in all three of ConAgra's Basic Food industry segments. The single largest increase was by ConAgra Poultry, part of the Prepared Foods segment. Other significant sources of the increase in Prepared Foods included ConAgra Frozen, Cook Family Foods and ConAgra Fresh Meats. ConAgra Grain Processing and Berger were the largest contributors to the gross margin increase in ConAgra's Trading & Processing segment. In the Agri-Products segment, United Agri Products, ConAgra Retail and ConAgra Fertilizer increased gross margin significantly.

Selling, administrative and general expense increased in all three Basic Food industry segments. The principal sources of the increase were ConAgra Frozen Foods and ConAgra Poultry in the Prepared Foods segment, ConAgra Grain Processing in the Trading & Processing segment and United Agri Products in the Agri-Products segment.

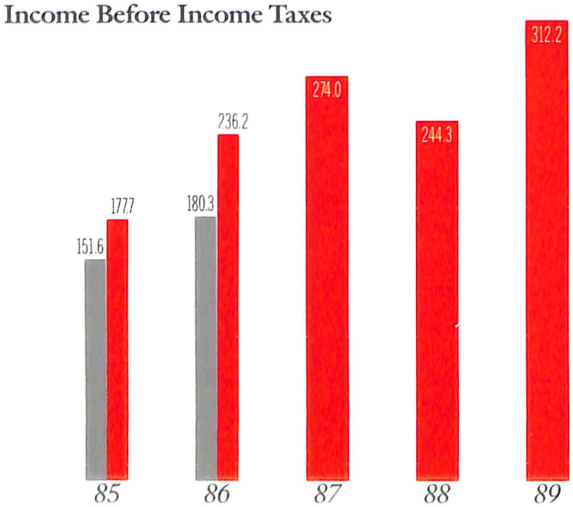
Interest expense was up substantially due mainly to much higher commodity price levels, higher interest rates and increased long-term investment as ConAgra used its borrowing capacity consistent with the company's balance sheet objective.

ConAgra Poultry was the single largest source of the fiscal 1989 pretax earnings increase as industry margins rebounded from the prior year's cyclical downturn. Other significant sources of the increase included ConAgra Flour Milling, ConAgra Specialty Grain Products, Cook Family Foods, ConAgra Retail, ConAgra Fresh Meats, Berger and United Agri Products. These and other increases were partially offset by decreases in a number of businesses, including Camerican, Monfort, ConAgra Frozen Foods and O'Donnell-Usen.

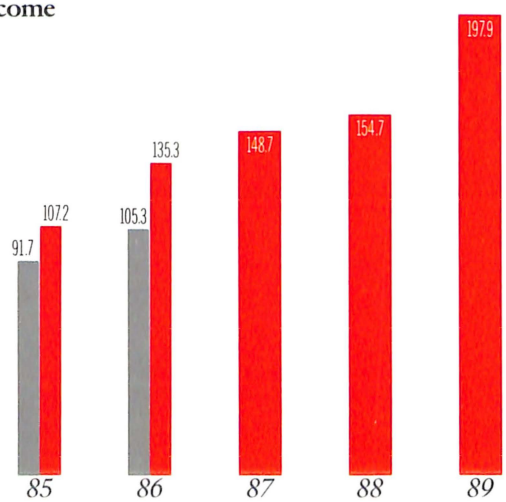
Equity in earnings of unconsolidated subsidiaries declined from $5.4 million in fiscal 1988 to a loss of $37,000 in fiscal 1989. A substantial downward swing in SIPCO's results, larger losses in ConAgra Europe and start-up losses in a ConAgra Grain Processing joint venture more than offset an increase in Trident and contributions from a NutriBasics joint venture and Lamb-Weston, 50-percent owned by ConAgra as of the beginning of fiscal 1989.

Income taxes and net income increased in line with the increase in pretax income. Income per share advanced less than net income because weighted average shares outstanding increased, mainly due to shares of ConAgra common stock issued to acquire Cook Family Foods.

Income Before Income Taxes



Net Income



Restated As reported

All figures in $ millions

Fiscal 1988 Compared to 1987

The major sources of fiscal 1988's net sales increase were Monfort, principally due to higher market prices, and ConAgra Fertilizer, mainly because of increased unit volumes. Other sources of the sales increase included United Agri Products, E.A. Miller, O'Donnell-Usen and ConAgra Frozen Foods. The O'Donnell-Usen gain was acquisition-related. ConAgra acquired the business during fiscal 1987's second half.

These increases were partially offset by reduced sales in Armour Food and, to a lesser extent, in other businesses, including ConAgra International. The merger of wholly owned Sea-Alaska into 45-percent-owned Trident during fiscal 1987 also caused a decrease in reported sales. Sea-Alaska's sales were consolidated in ConAgra's sales through fiscal 1987 until the merger. Subsequently, including all of fiscal 1988, no Trident sales were consolidated in ConAgra's sales.

The increases in cost of goods sold and selling, administrative and general expense were associated mainly with the sales increases.

Gross margin (net sales minus cost of goods sold) increased in ConAgra's Agri-Products and Trading & Processing segments. Principal sources of the increases were United Agri Products and ConAgra Fertilizer in the Agri-Products segment, and ConAgra Grain and ConAgra Flour Milling in the Trading & Processing segment. Gross margin declined in the Prepared Foods segment where ConAgra Poultry's industry-related downturn more than offset increased gross margin in the balance of the segment. ConAgra's gross margin as a percent of net sales declined about one-half percentage point in fiscal 1988 primarily due to the poultry industry reversal.

Selling, administrative and general expense increased in all three Basic Food industry segments; however, this expense declined slightly as a percent of ConAgra's sales. The principal sources of the increase were United Agri Products in the Agri-Products segment, ConAgra Grain in the Trading & Processing segment and Monfort in the Prepared Foods segment. Also in the Prepared Foods segment, Armour Food's selling, administrative and general expense declined significantly.

Interest expense rose with substantially higher short-term and long-term borrowing levels, in line with higher inventory levels and commodity prices and use of ConAgra's long-term financial capacity consistent with the company's balance sheet objective. Higher interest rates also contributed to increased interest expense.

CHANGES IN EARNINGS COMPONENTS

Dollars in millions except per share amounts

	Fiscal 1989 vs. 1988		*Fiscal 1988 vs. 1987*	
	$ Increase	*% Increase*	*$ Increase (Decrease)*	*% Increase (Decrease)*
Net sales	$1,732.2	18.0%	$464.7	5.1%
Cost of goods sold	1,484.6	17.7	464.2	5.9
Selling, administrative and general expense	122.9	13.7	15.7	1.8
Interest expense, net	51.3	63.4	19.5	31.7
Income before income taxes	67.8	27.8	(29.6)	(10.8)
Income taxes	24.6	27.5	(35.6)	(28.4)
Net income	43.2	27.9	6.0	4.0
Primary income per share	.51	26.3	.09	4.9

Pretax earnings decreased only $29.6 million in spite of a drop of approximately $120 million in the poultry business caused by excessive industry supply. The largest pretax gains were accounted for by ConAgra Flour Milling, ConAgra Grain, Monfort, ConAgra Frozen Foods and Armour Food.

Equity in earnings of unconsolidated subsidiaries advanced to $5.4 million from $376 thousand. Much of the increase came from SIPCO. ConAgra acquired a 50-percent interest in this business during the second quarter of fiscal 1988. Trident also was a substantial source of equity earnings growth, in part due to a full year of equity earnings contribution in fiscal 1988 versus a partial year in fiscal 1987. ConAgra Europe's larger losses partially offset the increases from SIPCO and Trident.

Although pretax earnings declined, net income increased because ConAgra's effective income tax rate was 36.7 percent in fiscal 1988 versus 45.7 percent in fiscal 1987. Under the new federal tax legislation, investment tax credits were lost in fiscal 1987 and lower tax rates were not effective until fiscal 1988. Earnings per share increased slightly more than net income due to small reductions in preferred stock dividends and weighted average shares outstanding.

Eleven-Year Results

Five-year results, shown first, are restated.*
Eleven-year results are shown as actually reported in all years.

Dollars in thousands except per share amounts

Fiscal Year	1989	1988	1987
FOR THE YEAR (Restated)			
Net sales	**$11,340,414**	$9,608,244	$9,143,519
Income from continuing operations	**197,878**	154,698	148,726
Primary income per share — continuing operations	**$2.45**	$1.94	$1.85
Fully diluted income per share — continuing operations	**$2.43**	$1.92	$1.83
Cash dividends declared per share of common stock	**$.745**	$.648	$ .56
AT YEAR END (Restated)			
Total assets	**$4,278,223**	$3,745,340	$2,939,007
Long-term debt (noncurrent)	**560,114**	484,878	489,370
Redeemable preferred stock	**8,656**	9,627	13,329

Fiscal Year	1989	1988	1987
FOR THE YEAR (As actually reported)			
Net sales	**$11,340,414**	$9,474,951	$9,001,553
Equity in earnings (loss) of unconsolidated subsidiaries	**(37)**	10,491	2,789
Income from continuing operations before income taxes	**312,163**	240,108	271,526
After-tax income from continuing operations	**197,878**	154,698	148,726
Net income	**197,878**	154,698	148,726
Primary income per share			
— Continuing operations	**$ 2.45**	$ 1.94	$ 1.85
— Net income	**$ 2.45**	$ 1.94	$ 1.85
Fully diluted income per share			
— Continuing operations	**$ 2.43**	$ 1.92	$ 1.83
— Net income	**$ 2.43**	$ 1.92	$ 1.83
Cash dividends declared per share of common stock	**$ .745**	$ .648	$ .56
Market price per share of common stock			
High	**$35.75**	$38.00	$34.00
Low	**$27.00**	$20.88	$24.81
Last	**$34.25**	$27.75	$26.75
Weighted average common shares outstanding (000)			
Primary	**80,369**	79,188	79,552
Fully diluted	**81,557**	80,771	81,260
Additions to property, plant and equipment, including acquisitions	**$241,103**	$196,348	$178,224
Depreciation and amortization	**101,658**	89,520	77,428
AT YEAR END (As actually reported)			
Total assets	**$4,278,223**	$3,042,898	$2,482,520
Current assets	**3,160,358**	2,076,192	1,707,119
Current liabilities	**2,651,480**	1,636,141	1,236,615
Working capital	**508,878**	440,051	470,504
Current ratio — Basic Food Companies			
Excluding hedged commodities**	**1.29:1**	1.37:1	1.51:1
Including hedged commodities	**1.22:1**	1.27:1	1.38:1
Property, plant and equipment, net	**$825,530**	$696,061	$601,896
Capital investment	**1,626,743**	1,406,757	1,245,905
Long-term debt (noncurrent)	**560,114**	489,878	428,670
Redeemable preferred stock	**8,656**	9,627	13,329
Common stockholders' equity	**949,540**	814,393	722,504
Stockholders' equity (all classes)	**958,196**	824,020	735,833
Common stockholders' equity per share	**$11.81**	$10.44	$9.26

*In the five-year table:
Fiscal years 1985 and 1986 were restated in fiscal 1987 to reflect the two fiscal 1987 mergers accounted for on a pooling-of-interests basis.
Fiscal years 1985 through 1988 have been restated to reflect the required consolidation of ConAgra's Finance Companies.
Year-end numbers for fiscal years 1985 through 1988 have been restated to reflect the change in ConAgra Fertilizer Company's fiscal year end.

1986	1985
$7,919,688	$7,305,649
135,263	107,169
$1.68	$1.32
$1.65	$1.31
$.484	$.422
$2,468,956	$1,914,689
400,878	284,784
14,225	23,552

1986	1985	1984	1983	1982	1981	1980	1979
$5,911,046	$5,498,157	$3,301,524	$2,308,919	$1,709,599	$1,381,701	$847,099	$646,851
3,117	1,878	18,116	4,918	(1,233)	300	727	3,575
180,317	151,581	89,718	79,662	52,213	38,200	20,029	34,374
105,285	91,728	65,208	50,384	32,873	27,071	18,515	21,034
105,285	91,728	62,648	47,770	32,873	27,071	18,515	21,034
$ 1.53	$ 1.33	$ 1.03	$ .91	$ .84	$ .74	$ .52	$ .59
$ 1.53	$ 1.33	$ .99	$ .86	$ .84	$ .74	$ .52	$ .59
$ 1.51	$ 1.31	$ 1.02	$ .90	$ .84	$ .72	$ .50	$ .57
$ 1.51	$ 1.31	$ .98	$ .86	$ .83	$ .72	$ .50	$ .57
$ .484	$ .422	$ .369	$ .322	$.278	$.243	$.208	$.169
$28.07	$17.19	$12.21	$10.79	$8.33	$7.75	$3.29	$3.25
$17.00	$11.34	$ 8.58	$ 5.67	$5.33	$2.84	$2.50	$2.09
$27.88	$17.00	$11.75	$ 8.79	$7.21	$6.46	$2.88	$2.82
67,858	67,520	61,218	53,160	38,768	36,222	35,118	34,878
69,904	69,780	63,802	55,472	39,408	37,682	36,960	36,864
$112,369	$97,525	$140,322	$199,004	$30,321	$35,893	$30,344	$18,304
53,584	45,923	33,983	24,128	14,305	12,323	7,672	5,928
$1,819,696	$1,547,138	$1,304,872	$901,514	$488,570	$500,213	$347,548	$249,517
1,283,476	1,062,875	840,921	593,289	345,496	370,689	246,327	162,115
926,158	755,285	618,952	390,012	222,606	275,860	172,943	108,774
357,318	307,590	221,969	203,277	122,890	94,829	73,384	53,341
1.52:1	1.59:1	1.46:1	1.65:1	—	—	—	—
1.39:1	1.41:1	1.36:1	1.52:1	1.55:1	1.34:1	1.42:1	1.49:1
$427,139	$373,791	$331,216	$253,174	$122,885	$108,534	$ 87,633	$ 67,011
893,538	791,853	685,920	511,502	265,964	224,353	174,605	140,743
309,003	261,852	237,723	203,381	96,799	89,368	65,047	43,761
14,225	23,552	30,267	26,471	8,221	8,665	4,470	4,470
510,549	458,253	405,542	273,332	156,451	123,297	100,902	89,250
524,774	481,805	435,809	299,803	164,672	131,973	106,707	95,114
$7.71	$6.92	$6.12	$4.95	$3.97	$3.35	$2.88	$2.57

**Not calculated in years before financing objective was revised.

Per share results and number of shares reflect the three-for-two common stock split in 1979, the two-for-one stock split in 1980, the three-for-two stock split in 1984 and the two-for-one stock split in 1986.

Corporate Responsibility

We Help Feed People Better

ConAgra operates across the food chain. That gives us broader opportunities than any other company to help feed people better. We welcome those opportunities, and we are committed to doing our job well.

We are committed to consistently providing our customers with the quality of products and services they expect and deserve. We exist because of our customers, and their needs define our businesses.

We are committed to nurturing strong partnerships with the customers who work with us to feed people better — farmers, ranchers, bakers, grocers, foodservice operators and others. The U.S. food chain is an efficient network of partnerships that result in a safe, high-quality food supply that is the most affordable in the world. We are proud to be one of the partners.

We are committed to using wisely and well the food and food ingredients we buy from our suppliers. We produce food products that are safe, nutritious and convenient.

ConAgra contributes great efficiency to the food chain. We operate on a very narrow profit margin (about one percent of invoiced sales). In our intensely competitive industries — from flour milling to meat processing to frozen foods — our scale helps us add efficiency and value. Our size and diversity help smooth the effects of cyclical ups and downs in commodity markets and allow us to take the lead in strengthening our industries to benefit customers, suppliers and consumers.

We are committed to listening to consumers and providing products to meet their needs. Consumers say they want convenience; we develop boneless chicken products, microwavable frozen foods, deli products, high-quality restaurant entrees and much more. Some consumers tell us they're concerned about fat, cholesterol and sodium; we answer with low-fat, low-cholesterol, low-sodium Healthy Choice dinners, lower-salt processed meats and cheeses, increased production of oat bran and convenient poultry and seafood products.

The examples are many, and the point is simple: when the consumer speaks, we listen.

We are committed to giving our employees opportunities to contribute and grow. ConAgra is many committed individuals who take responsibility for their jobs and make things happen. They are proud of what they do to help feed people better — and we are proud of them.

We are committed to continually finding better ways to do our jobs. ConAgra Red Meat Companies, for example, are leading the meat industry with innovative and aggressive programs that are markedly improving workplace safety.

ConAgra®

FEEDING PEOPLE BETTER

We are committed to the communities where ConAgra people work and live. We have donated millions of dollars, as well as products and services, to our communities. More important, ConAgra employees and their families donate *their* time and money to their communities.

Many of our charitable activities are directly tied to feeding people better. We look for opportunities to leverage our donations and our volunteer community work to fight hunger, improve nutrition education and help prepare students for careers in food and agriculture.

We give money and products to food banks and food drives. We have founded and funded a major nutrition education program for low-income citizens. We have helped create and fund a precedent-setting university agribusiness degree program. We have contributed money and technological expertise to support a university food processing center that serves the state of Nebraska.

We have a special commitment to the state of Nebraska, where we are building our new headquarters and product development complex and a new oat mill. We are investing money and creating jobs in Nebraska, and our investment is a catalyst for major new investments by other businesses. We're proud of Nebraska's state government, particularly the State Legislature, whose strong support for economic development has made Nebraska a vital center for business expansion and, in the process, brought many new jobs into the state. And we're proud to be contributing to the economic vitality of our home state.

We are committed to the nation. ConAgra is a part of America's economic engine. We contribute to the vital flow of goods and services across America. We invested over $300 million in our businesses in fiscal 1989. ConAgra creates and preserves jobs — we employ 55,000 people compared to 6,000 10 years ago.

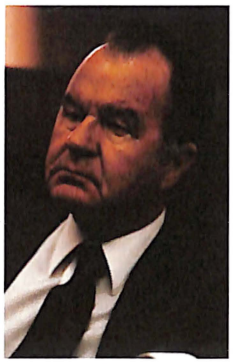
We are proud that ConAgra contributes to the economic foundation of national security. We believe in peace and freedom secured by a strong national defense.

Our most important economic commitment, of course, is to reward our stockholders. You have invested your money and your trust with us, and we owe you a return on that investment. Stockholders who have held ConAgra stock for 10 years have seen dividends quadruple and the stock price grow to about 13 times the level 10 years ago.

Despite our narrow profit margin, we intend to be the best-earning company in the food industry. We plan to accomplish this by continuing to manage capital carefully and continuing to operate efficiently and effectively.

The job we do — **feeding people better** — is worth doing. We are committed to doing it very well.

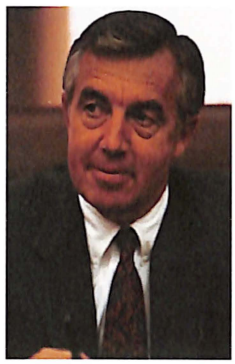
Board of Directors



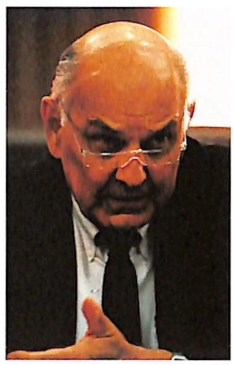
CLAUDE I. CARTER, 69, Daphne, Alabama. *Former president and chief executive officer of ConAgra.* Director since 1964.



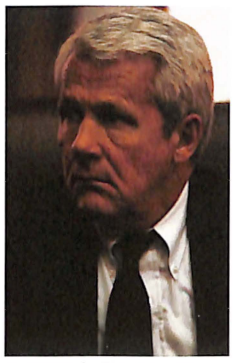
ROBERT B. DAUGHERTY, 67, Omaha, Nebraska. *Chairman of the board of Valmont Industries, Inc., Valley, Nebraska (irrigation equipment, metal fabricating and retail computer centers).* Director since 1968.



PHILIP B. FLETCHER, 56, Omaha, Nebraska. *President and chief operating officer of ConAgra.* Director since July 1989.



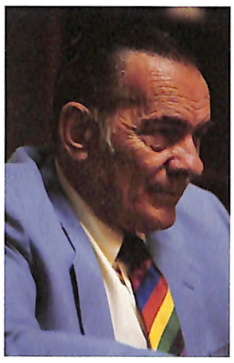
CHARLES M. HARPER, 61, Omaha, Nebraska. *Chairman of the board and chief executive officer of ConAgra.* Director since 1975.



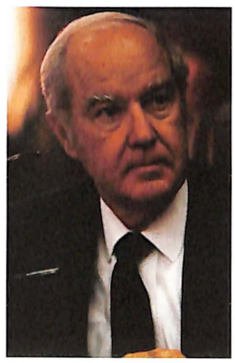
ROBERT A. KRANE, 55, Denver, Colorado. *President and chief executive officer of Central Bancorporation (financial services).* Director since 1982.



L. D. MCGEHEE, 67, Ruston, Louisiana. *Chairman of the board of Northwest Louisiana Production Credit Association (agricultural financing).* Director since 1974.



KENNETH W. MONFORT, 60, Greeley, Colorado. *Former president and chief operating officer of ConAgra Red Meat Companies.* Director since July 1989.



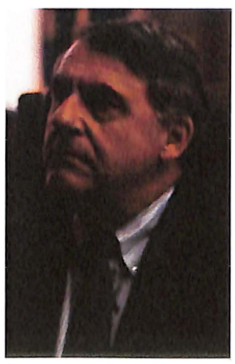
GERALD RAUENHORST, 61, Minneapolis, Minnesota. *Chairman of the board and chief executive officer of Opus Corporation (architects, contractors and developers).* Director since 1982.



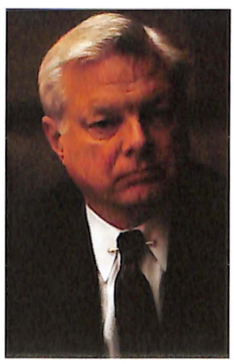
WALTER SCOTT, JR., 58, Omaha, Nebraska. *President and chairman of the board of Peter Kiewit Sons', Inc. (construction, mining, packaging and forest products).* Director since 1986.



WILLIAM G. STOCKS, 62, Phoenix, Arizona. *Former chairman of the board and chief executive officer of Peavey Company.* Director since 1982.



FREDERICK B. WELLS, 61, Minneapolis, Minnesota. *President of Asian Fine Arts, Inc. (fine arts retailing).* Director since 1982.



THOMAS R. WILLIAMS, 60, Atlanta, Georgia. *President of Wales Group Inc. (investment management and counseling).* Director since 1978.

BOARD COMMITTEES

Executive Committee
Robert B. Daugherty, *Chairman*
Philip B. Fletcher
Charles M. Harper
Walter Scott, Jr.
William G. Stocks

Audit Committee
Thomas R. Williams, *Chairman*
Robert A. Krane
Kenneth W. Monfort
Frederick B. Wells

Compensation Committee
L. D. McGehee, *Chairman*
Claude I. Carter
Robert B. Daugherty
Gerald Rauenhorst

Principal Officers

CORPORATE

MANAGEMENT EXECUTIVE COMMITTEE

EXECUTIVE OFFICE

CHARLES M. HARPER
Chairman and Chief Executive Officer

PHILIP B. FLETCHER
President and Chief Operating Officer

OFFICE OF THE PRESIDENT

PHILIP B. FLETCHER
President and Chief Operating Officer
ConAgra Prepared Food Companies

GEORGE R. HAEFNER
President and Chief Operating Officer
ConAgra Poultry Company

FLOYD MCKINNERNEY
President and Chief Operating Officer
ConAgra Agri-Products Companies

RICHARD L. MONFORT
President and Chief Operating Officer
ConAgra Red Meat Companies

T. TRUXTUN MORRISON
President and Chief Operating Officer
ConAgra International & ConAgra Grain Processing Companies

DAVID T. PETERS
Vice President, Controller

JOHN B. PHILLIPS
Assistant to the Chairman

L. B. THOMAS
Vice President, Finance and Secretary

GERALD B. VERNON
Vice President, Human Resources

CORPORATE STAFF

WALTER H. CASEY
Vice President, Corporate Communications

MARTIN G. COLLADAY
Vice President, Public Affairs

JOHN J. DILL
Vice President, Taxes

P. DAVID EPPENAUER
Vice President, Assistant Corporate Controller

RICHARD L. GADY
Vice President, Economic Research

C. WAYNE GANO, JR.
Vice President, Insurance and Loss Control

REEDER P. JONES
Vice President, Assistant Corporate Controller

L. JAMES KENNEDY
Vice President, Corporate Director of Marketing

PAUL A. KORODY
Vice President, Government Affairs

JAMES P. O'DONNELL
Corporate Treasurer

JOSEPH V. PETTY
Vice President, Management Information Systems

LYNN L. PHARES
Vice President, Public Relations

DONALD J. STONE
Vice President, Transportation

ROBERT J. WHITE
Vice President, Corporate Planning and Development

EXECUTIVE OFFICE

MIKE HARPER, 61
Chairman and Chief Executive Officer
CEO since 1976, chairman since 1981. Joined ConAgra as chief operating officer in 1974 after 20 years with The Pillsbury Company, where his responsibilities at various times included the poultry and foodservice businesses, several venture companies, research, product and process development, and engineering. Also previously associated with General Motors.

PHIL FLETCHER, 56
President and Chief Operating Officer, ConAgra, and President and Chief Operating Officer, ConAgra Prepared Food Companies
Named president and chief operating officer of ConAgra in July 1989; named to the Office of the President in 1984. Joined ConAgra in 1982 as president of Banquet Foods Company. Thirty-one years of food industry experience; formerly associated with Heublein Company, H.J. Heinz, U.S.A. and Campbell Soup Company.

OFFICE OF THE PRESIDENT

GEORGE HAEFNER, 56
President and Chief Operating Officer, ConAgra Poultry Company
Named to the Office of the President in 1986. Joined ConAgra in 1982 as president of Country Pride Foods. Thirty-two years of food and poultry industry experience; formerly associated with The Pillsbury Company and Imperial Foods.

FLOYD MCKINNERNEY, 52
President and Chief Operating Officer, ConAgra Agri-Products Companies
Named to the Office of the President in 1987. Joined ConAgra in 1978 as president of Mid Valley Chemicals. Twenty-eight years of experience in the agricultural chemical industry; formerly co-owner of Dennison's Chemical Company, Weslaco, Texas.

DICK MONFORT, 35
President and Chief Operating Officer, ConAgra Red Meat Companies
Named to the Office of the President in 1989. Joined ConAgra in 1987 when Monfort of Colorado, Inc. merged with ConAgra. President of Monfort 1987-1989. Fifteen years of meat industry experience in purchasing, production, sales and management.

TRUCK MORRISON, 51
President and Chief Operating Officer, ConAgra International, and Chief Operating Officer, ConAgra Grain Processing Companies
Named to the Office of the President in 1987. Joined ConAgra in 1982 when Peavey Company merged with ConAgra. Twenty-eight years of experience in the grain merchandising and commodity trading industries.

INDEPENDENT OPERATING COMPANIES

CONAGRA AGRI-PRODUCTS COMPANIES
GEORGE W. DOERING, *Chairman*
FLOYD MCKINNERNEY
President and Chief Operating Officer

CONAGRA FERTILIZER COMPANY
JACK D. SATTERWHITE, *President*

CHARLES M. GRAU
Executive Vice President, North American Group

JAMES A. WRIGHT
Executive Vice President, International Group

CONAGRA RETAIL COMPANIES
ANTHONY J. SEITZ, *President*

COUNTRY GENERAL STORES
BRUCE G. WHEELER, *President*

NORTHWEST FABRICS & CRAFTS
DEAN C. EMMANS, *President*

NUTRIBASICS COMPANY
GARY R. VANNORSDEL, *President*

UNITED AGRI PRODUCTS COMPANIES
PHILIP J. JAMES, *President*

WILLIS J. HOLLAND
Executive Vice President

DUWAYNE H. OSTLUND
Executive Vice President

J. RONALD UELAND
Executive Vice President

DONALD W. WITTNAM
Executive Vice President

CONAGRA FOODSERVICE COMPANIES
ANTHONY J. REBELLO, *President*

CONAGRA GRAIN PROCESSING COMPANIES
T. TRUXTUN MORRISON
Chief Operating Officer

THOMAS L. MANUEL, *President*

CONAGRA FEED COMPANY
CLARENCE T. BARINOWSKI, *Vice President and General Manager*

CONAGRA FEED INGREDIENT MERCHANDISING COMPANY
GARY P. WHITE, *Vice President and General Manager*

CONAGRA FLOUR MILLING COMPANY
THOMAS L. MANUEL, *President*

CONAGRA SPECIALTY GRAIN PRODUCTS COMPANY
MICHAEL D. WALTER, *President*

CONAGRA INTERNATIONAL
T. TRUXTUN MORRISON
President and Chief Operating Officer

ROBERT H. PEYTON
Executive Vice President and Risk Officer

KENNETH C. DAVIS
Executive Vice President, Far East

RAYMOND R. DESTIN
Executive Vice President, Europe

NOEL L. ROBYN
Executive Vice President, Latin America

BERGER AND COMPANY
PETER R. BERGER, *President*

CAMERICAN INTERNATIONAL
NORMAN J. OPPENHEIMER, *Chairman*

PETER R. BERGER, *President*

CONAGRA EUROPE
RAYMOND R. DESTIN, *Managing Director*

BIOTER-BIONA, S.A.
SAPROGAL, S.A.
MICHAEL T. LAPSYS, *Director General, ConAgra Spain*

SAPROPOR, S.A.R.L.
ARTUR M. NOGUEIRA, *Vice President and Chief Operating Officer, ConAgra Portugal*

CONAGRA GRAIN COMPANIES
THOMAS M. RACCIATTI, *President*

CONAGRA LATIN AMERICA
NOEL L. ROBYN, *Managing Director*

CARIBBEAN BASIC FOODS COMPANY
WILLIAM M. CORDERO, *President*

PUERTO RICO BASIC FOODS COMPANY
JULIO E. SANTIAGO, JR., *President*

GELDERMANN, INC.
KEVIN D. MACK, *President and Chief Executive Officer*

PETROSUL INTERNATIONAL LTD.
JEROME F. DEAN, *Chairman*

EDMOND E. PRICE
Vice President and General Manager

WOODWARD & DICKERSON
JEROME F. DEAN
President and Chief Executive Officer

CONAGRA POULTRY COMPANY
GEORGE R. HAEFNER
President and Chief Operating Officer

CONAGRA BROILER COMPANY
CLYDE M. SASSER, *President*

CONAGRA TURKEY COMPANY
JERRY R. NELSON, *President*

MOTT'S INC.
ROBERT E. GLAUB, *President*

LONGMONT FOODS
LEONARD STREAR, *President*

PROFESSIONAL FOOD SYSTEMS
KENNETH P. BROWN, *President*

CONAGRA PREPARED FOOD COMPANIES
PHILIP B. FLETCHER
President and Chief Operating Officer

ARMOUR DAIRY AND FOOD OILS COMPANY
BOB J. POWDRILL, *President*

ARMOUR FOOD COMPANY
JOHN R. MILLER, *President*

CONAGRA DELI COMPANY
JAMES R. BABKA, *President*

CONAGRA FROZEN FOODS
SCOTT W. RAHN, *President*

CONAGRA DIRECT MARKETING COMPANIES
PATRICK K. STEWART, *President*

CONAGRA PET PRODUCTS COMPANY
MICHAEL R. LEINEN, *President*

DYNO MERCHANDISE CORP.
LEE R. GARDNER, *President*

PFAELZER BROTHERS COMPANY
PATRICK K. STEWART, *President*

CONAGRA SHRIMP COMPANIES
SINGLETON SEAFOOD COMPANY
JESSE GONZALEZ, *President*

INTERNATIONAL SEAFOOD TRADERS
DAVID P. CORDY
Vice President and General Manager

COUNTRY SKILLET CATFISH COMPANY
RICHARD D. STEVENS, *President*

HOME BRANDS COMPANY
WILLIAM S. MARSDEN, *President*

LAMB-WESTON, INC.
(50-percent owned)
ROBERT G. COWAN, *Managing Director*

O'DONNELL-USEN FISHERIES CORPORATION
JESSE GONZALEZ, *President*

TRIDENT SEAFOODS CORPORATION *(45-percent owned)*
CHARLES H. BUNDRANT, *President*

CONAGRA RED MEAT COMPANIES
RICHARD L. MONFORT
President and Chief Operating Officer

CONAGRA FRESH MEATS COMPANY
ALAN E. GLUECK, *President*

COOK FAMILY FOODS, LTD.
HARRY L. COOK, *President*

E.A. MILLER INC.
TED A. MILLER, *President*

MAPELLI BROTHERS COMPANY
ROLAND L. MAPELLI, *President*

MONFORT, INC.
MICHAEL L. SANEM, *President*

SIPCO, INC.
RICHARD L. MONFORT, *President*

MONFORT PORK DIVISION
DAVID W. VAN WERT, *President*

ConAgra Locations

CONAGRA AGRI-PRODUCTS COMPANIES

Headquarters in Greeley, Colorado.

ConAgra Fertilizer Company
Headquarters in Knoxville, Tennessee.
Facilities in 27 states include five anhydrous ammonia terminals, 27 dry fertilizer terminals, 21 liquid fertilizer terminals, 13 retail propane gas operations, 10 liquid mix plants, four formula feed plants, one premix plant, one soil testing lab and 142 retail locations. Twenty-one U.S. sales offices and five international trading offices.

ConAgra Retail Companies
Headquarters in Greeley, Colorado.

Country General Stores
Headquarters in Grand Island, Nebraska.
Ninety-one stores under the Country General, Wheelers, S & S, Sandvig's and Peavey Ranch and Home names in eight central states and California.

Northwest Fabrics & Crafts
Headquarters in Eau Claire, Wisconsin.
Eighty-six stores in 16 northern-tier states from Washington to New York.

NutriBasics Company
Headquarters in Highland, Illinois.
Three feed additive plants in Illinois, Minnesota and Tennessee.

United Agri Products Companies
Headquarters in Greeley, Colorado.
Over 120 field sales, administration, warehouse and formulation locations in 37 states and Canada.

CONAGRA FOODSERVICE COMPANIES

Headquarters in Omaha, Nebraska.

Five processing plants in Colorado, Louisiana, Nebraska, Tennessee and Texas. Warehousing operations in Louisiana and Tennessee. Product development facility in Omaha.

CONAGRA GRAIN PROCESSING COMPANIES

Headquarters in Omaha, Nebraska.

ConAgra Feed Company
Headquarters in Augusta, Georgia.
Facilities in three states include three formula feed plants, one warehouse and eight retail operations.

ConAgra Feed Ingredient Merchandising Company
Headquarters in Omaha, Nebraska.
Merchandising offices in Arizona, California, Colorado, Florida and Nebraska.

ConAgra Flour Milling Company
Headquarters in Omaha, Nebraska.
Twenty-eight flour mills in 15 states. Branded and private label flour and corn meal products produced at plants in Alabama, Colorado and Texas.

ConAgra Specialty Grain Products Company
Headquarters in Omaha, Nebraska.
Four oat mills and one dry corn mill in three states and the United Kingdom.

CONAGRA INTERNATIONAL

Headquarters in Omaha, Nebraska.

ConAgra International operates 54 international trading offices in 26 countries, doing business as ConAgra International, ConAgra Grain Companies, CTC, Berger and Company, Camerican International, Geldermann, Inc., Kurt A. Becher GmbH & Co. KG, Peavey Grain Company and Woodward & Dickerson. ConAgra International also has processing businesses in the U.S., Canada, Europe and Latin America.

Berger and Company
Headquarters in San Francisco, California.
International trading offices as described above. About 51 bean processing and specialty crop processing and packaging facilities in eight states, Argentina, Chile, Manitoba and Saskatchewan.

Camerican International
Headquarters in Teaneck, New Jersey.
International trading offices as described above.

ConAgra Europe
Headquarters in Brussels, Belgium.
Eleven formula feed plants in Spain, three in Portugal. Animal health products in Spain. Hog breeding operations at four locations in Portugal. Two broiler processing complexes in Spain, one in Portugal. Trout aquaculture and eels in Portugal. Meat processing in Spain, ham processing in Portugal.

ConAgra Grain Companies
Headquarters in Minneapolis, Minnesota.
International trading offices as described above. Seven additional grain merchandising offices in the U.S. and a U.S. network of over 100 grain elevators, river loading facilities and export elevators in 18 states. Barge line based in Illinois.

Geldermann, Inc.
Headquarters in Chicago, Illinois.
More than 100 commodity futures brokerage offices, agencies and introducing brokers in the U.S., Canada and Europe.

Petrosul International Ltd.
Headquarters in Vancouver, British Columbia.
Warehouse and shipping facilities in Vancouver. Two sulfur processing facilities in British Columbia, one in Alberta and a merchandising office in Alberta.

Puerto Rico Basic Foods Company
Headquarters in San Juan, Puerto Rico.
Three feed plants, a flour mill, a dry corn mill and a broiler growing and processing complex in Puerto Rico.

Woodward & Dickerson
Headquarters in Bryn Mawr, Pennsylvania.
International trading offices as described above.

CONAGRA POULTRY COMPANY

Headquarters in El Dorado, Arkansas.

ConAgra Broiler Company
Headquarters in El Dorado, Arkansas.
Eight broiler growing and processing divisions in Alabama, Arkansas, Delaware, Georgia, Louisiana and Maryland. One poultry further-processing plant in Maryland.

ConAgra Turkey Company
Headquarters in El Dorado, Arkansas.
Two turkey growing and processing divisions in California and Missouri, and a further-processed turkey plant in North Carolina.

Longmont Foods
Headquarters, turkey growing complex and processing plant in Longmont, Colorado.

Mott's Inc.
Headquarters in Water Valley, Mississippi.
Five processing plants in Georgia, Kentucky, Mississippi and Texas.

Professional Food Systems
Headquarters in El Dorado, Arkansas.
Fifteen sales and distribution units in nine states.

CONAGRA PREPARED FOOD COMPANIES

Headquarters in Omaha, Nebraska.

Armour Dairy and Food Oils Company
Headquarters in Omaha, Nebraska.
Three plants in Kentucky, one in Wisconsin and a spice plant in Illinois.

Armour Food Company
Headquarters in Omaha, Nebraska.
Nine plants in Iowa, Kentucky, Missouri, Oregon, Texas and Wisconsin. Sixteen sales and distribution units in 14 states. Product development facility in Omaha.

ConAgra Frozen Foods
Headquarters in Omaha, Nebraska.
Eight plants in Arkansas, California, Iowa, Missouri and Virginia. Two broiler growing and processing complexes in Arkansas. Product development facility in Omaha.

ConAgra Deli Company
Headquarters in Omaha, Nebraska.

ConAgra Direct Marketing Companies
Headquarters in Santa Ana, California.

ConAgra Pet Products Company
Headquarters in Omaha, Nebraska.
Pet accessories distribution and manufacturing operations in California, Nebraska, Oregon, Virginia and Canada.

Dyno Merchandise Corp.
Headquarters and warehouse in Fort Lauderdale, Florida.

Pfaelzer Brothers Company
Headquarters and distribution facilities in Chicago, Illinois.

ConAgra Shrimp Companies
Headquarters in Tampa, Florida.

Singleton Seafood Company
Headquarters in Tampa, Florida.
Main processing plant in Florida; waterfront unloading and initial processing facilities in Florida and Texas.

International Seafood Traders
Headquarters in Biloxi, Mississippi.
Processing, freezing and storage operations in Mississippi and Louisiana; waterfront unloading facilities and satellite sales office in Louisiana.

Country Skillet Catfish Company
Headquarters and processing operations in Isola, Mississippi.

O'Donnell-Usen Fisheries Corporation
Headquarters in Boston, Massachusetts.
Processing plants in Massachusetts, Nova Scotia and Prince Edward Island. Fishing operations in Canada.

Home Brands Company
Headquarters in Ballwin, Missouri, and production facilities in Georgia and Minnesota.

Lamb-Weston, Inc. *(50-percent owned)*
Headquarters in Kennewick, Washington.
Seven plants in Idaho, Oregon and Washington, and a research and development lab in Washington.

Trident Seafoods Corporation *(45-percent owned)*
Headquarters in Seattle, Washington.
Three plants in Alaska and two in Washington. Two catcher processors, six floating processors and six fishing vessels in the Bering Sea and North Pacific Ocean.

CONAGRA RED MEAT COMPANIES

Headquarters in Greeley, Colorado.

ConAgra Fresh Meats Company
Headquarters in Greeley, Colorado, and three plants in Idaho, Nebraska and Texas.

Cook Family Foods, Ltd.
Headquarters in Lincoln, Nebraska.
Two plants in Nebraska and Michigan.

E.A. Miller Inc.
Headquarters in Hyrum, Utah.
Processing facilities in Utah and a feedlot in Idaho.

Mapelli Brothers Company
Headquarters in Greeley, Colorado, and 60 sales and distribution branches in 30 states.

Monfort, Inc. *(excluding the seven SIPCO plants)*
Headquarters in Greeley, Colorado.
Four plants in Colorado, Kansas and Nebraska. Three feedlots in Colorado.

Monfort Finance Company
Weld Agricultural Credit, Inc.
Weld Insurance Company, Inc.
Headquarters in Greeley, Colorado.

Additional Stockholder Information

CONAGRA'S STOCKHOLDERS

At the end of fiscal 1989, approximately 80.4 million shares of ConAgra common stock were outstanding. There were about 14,000 stockholders of record and an estimated 22,000 beneficial holders whose shares are held in names other than their own. *(These figures do not include the large number of employees holding stock through the ConAgra Retirement Income Savings Plan, the Employee Stock Ownership Plan or the Employee Payroll Stock Purchase Plan.)*

ConAgra stockholders reside in all 50 states, the District of Columbia and a number of overseas locations.

DIVIDEND INCREASES

ConAgra's dividend objective and a five-year record of results are on page 5 of this report. The common stock dividend was increased 15 percent, effective December 1, 1988. The two previous increases were 15.5 percent in December 1987 and 16 percent in December 1986.

STOCK LISTING AND PERFORMANCE

ConAgra's common stock is listed on the New York Stock Exchange. The symbol is CAG. Current share price and related information can be found in the financial section of most daily newspapers. On page 32 of this report is an eleven-year summary giving the high, low and closing prices of ConAgra shares each fiscal year. For the two most recent fiscal years, the high and low prices are shown for each quarter on page 60.

During fiscal 1989, there were approximately 30.9 million shares traded, for a daily average of 122,141 shares. During fiscal 1988, there were about 39.5 million ConAgra shares traded, for a daily average of 156,730.

DIVIDEND REINVESTMENT PLAN

ConAgra's stockholders of record may elect to have common and/or preferred dividends automatically reinvested in ConAgra common stock. Participating stockholders also may invest from $10 to $3000 a calendar quarter to purchase additional shares of common stock. Both services are free. . . stockholder participants pay no brokerage commissions or bank fees to purchase stock.

If you are interested in this plan, please request a copy of ConAgra's dividend reinvestment brochure and enrollment card from Manufacturers Hanover Trust Company, P.O. Box 24134, Church Street Station, New York, New York 10242-4134, or the Corporate Secretary, ConAgra, Inc., One Central Park Plaza, Omaha, Nebraska 68102, or return the prepaid postcard included with each quarterly dividend check.

ANNUAL MEETING OF STOCKHOLDERS

The annual meeting of ConAgra's stockholders will be held on Thursday, September 28, 1989 at 2 p.m. at the Red Lion Inn, 1616 Dodge Street, Omaha, Nebraska.

We encourage stockholders to participate in this meeting in person or by proxy. We invite stockholders who attend in person to come for a light product sampling, which will be served from 1 until 1:45 p.m. Stockholder registration also begins at 1 p.m.

AVAILABILITY OF 10K REPORT

The Form 10K is an annual filing with the Securities and Exchange Commission. Stockholders may obtain a copy of the Form 10K annual report for fiscal 1989 by calling or writing to the Corporate Communications Department, ConAgra, Inc., One Central Park Plaza, Omaha, Nebraska 68102, (402) 978-4157.

CORPORATE HEADQUARTERS

ConAgra, Inc., One Central Park Plaza, Omaha, Nebraska 68102, (402) 978-4000.

STOCK TRANSFER AGENT AND REGISTRAR

Manufacturers Hanover Trust Co., 450 West 33rd Street, New York, New York 10001, (212) 613-7147. The stock transfer agent can help stockholders with questions about their ConAgra shares.

AUDITORS

Touche Ross & Co.

LEGAL COUNSEL

McGrath, North, Mullin & Kratz, P.C., Omaha, Nebraska.

GENERAL COUNSEL

Bruce C. Rohde.

STOCKHOLDER RELATIONS

ConAgra maintains an active investor relations program to keep stockholders and potential investors informed about company activities. We welcome comments and questions from our stockholders. Anytime you would like information about ConAgra, we encourage you to call or write Walt Casey or Lynn Phares in our Corporate Communications Department, ConAgra, Inc., One Central Park Plaza, Omaha, Nebraska 68102, (402) 978-4154 or 4153.

Responsibilities

The Conduct of Our Affairs

The major objectives of the company are expressed in terms of return on stockholders' equity, growth in earnings and growth in dollar volume. As we conduct ourselves in the pursuit of our existing businesses and in the growth of our businesses in an ethical and moral way, we must also fulfill our commitments to our government, to our society and to ourselves as individuals. In one sense, ethics involves the point of view that suggests we live in a glass bowl, and we should feel comfortable with any actions we take, if they were shared publicly. Further, we will conduct our affairs within the law.

Should there be evidence of possible malfeasance on the part of any officer or member of management, each person must feel the responsibility to communicate that to the appropriate party. This is a commitment that each of us must undertake and not feel that it is a high-risk communication, but that it is expected and, indeed, an obligation.

—from *ConAgra's Philosophy,* page 4
(originally published in 1976)

Principal Officers

The principal officers of the company include, among others, those listed on pages 36 and 37 of this report. The principal officers are responsible for maintaining throughout the company a system of internal controls which protect the assets of the company on a reasonable and economic basis. They also are responsible for maintaining records which permit the preparation of financial statements that fairly present the financial condition and results of operations of the company in accordance with generally accepted accounting principles.

Audit Committee of the Board

The Audit Committee of ConAgra's Board of Directors is composed entirely of outside directors and recommends the appointment of the company's independent public accountants. The Audit Committee meets regularly, and when appropriate separately, with the independent public accountants, the internal auditors and financial management. Both the independent public accountants and the internal auditors have unrestricted access to the Audit Committee.

Independent Auditor's Report

The Stockholders and Board of Directors
ConAgra, Inc.

We have audited the accompanying consolidated balance sheets of ConAgra, Inc. and subsidiaries, ConAgra Basic Food Companies and ConAgra Finance Companies, as of May 28, 1989 and May 29, 1988, and the related statements of earnings, common stockholders' equity and cash flows for each of the three years (fifty-two/fifty-three weeks) in the period ended May 28, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ConAgra, Inc. and subsidiaries, ConAgra Basic Food Companies and ConAgra Finance Companies, as of May 28, 1989 and May 29, 1988, and the results of their operations and their cash flows for the three years (fifty-two/fifty-three weeks) in the period ended May 28, 1989 in conformity with generally accepted accounting principles.

As discussed in Note 1, the consolidated financial statements give retroactive effect to the Company's adoption of Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-Owned Subsidiaries."

Touche Ross & Co.

July 13, 1989
Omaha, Nebraska

ConAgra, Inc. and Subsidiaries

Consolidated Statements of Earnings

In thousands except per share amounts

For the fiscal years ended May	CONSOLIDATED 1989	1988	1987
Net sales	**$11,340,414**	**$9,608,244**	**$9,143,519**
Costs and expenses			
Cost of goods sold	9,873,918	8,389,314	7,925,077
Selling, administrative and general expense	1,022,031	899,082	883,357
Interest expense (Note 8)	132,265	80,943	61,476
	11,028,214	9,369,339	8,869,910
Income before equity in earnings of unconsolidated subsidiaries and income taxes	312,200	238,905	273,609
Equity in earnings (loss) of unconsolidated subsidiaries	(37)	5,443	376
Income before income taxes	312,163	244,348	273,985
Income taxes (Note 7)	114,285	89,650	125,259
Net income	**197,878**	**154,698**	**148,726**
Less preferred dividends	895	1,171	1,366
Net income available for common stock	$ 196,983	$ 153,527	$ 147,360
Income per common and common equivalent share			
Primary	**$ 2.45**	**$ 1.94**	**$ 1.85**
Fully diluted	$ 2.43	$ 1.92	$ 1.83
Weighted average number of common shares outstanding			
Primary	80,369	79,188	79,552
Fully diluted	81,557	80,771	81,260

BASIC FOOD COMPANIES			FINANCE COMPANIES		
1989	1988	1987	1989	1988	1987
$11,196,600	**$9,474,951**	**$9,001,553**	**$143,814**	**$133,293**	**$141,966**
9,873,918	8,389,314	7,925,077	—	—	—
906,354	788,624	754,931	115,677	110,458	128,426
113,189	67,396	52,808	19,076	13,547	8,668
10,893,461	9,245,334	8,732,816	134,753	124,005	137,094
303,139	229,617	268,737	9,061	9,288	4,872
(326)	5,169	90	289	274	286
302,813	234,786	268,827	9,350	9,562	5,158
110,528	85,410	122,800	3,757	4,240	2,459
192,285	**149,376**	**146,027**	**5,593**	**5,322**	**2,699**
895	1,171	1,366	—	—	—
$ 191,390	$ 148,205	$ 144,661	$ 5,593	$ 5,322	$ 2,699
$ 2.38	**$ 1.87**	**$ 1.82**	**$ 0.07**	**$ 0.07**	**$ 0.03**
$ 2.36	$ 1.85	$ 1.80	$ 0.07	$ 0.07	$ 0.03

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets

May 28, 1989 and May 29, 1988
Dollars in thousands

ASSETS	CONSOLIDATED 1989	CONSOLIDATED 1988	BASIC FOOD COMPANIES 1989	BASIC FOOD COMPANIES 1988	FINANCE COMPANIES 1989	FINANCE COMPANIES 1988
Current assets						
Cash	$ 130,535	$ 154,794	$ 126,702	$ 153,271	$ 3,833	$ 1,523
Cash equivalents	249,903	88,040	179,638	14,563	70,265	73,477
Receivables, less allowance for doubtful accounts of $29,238 and $28,821	1,094,853	1,195,085	810,388	754,401	284,465	440,684
Margin deposits and segregated funds	226,550	217,269	—	—	226,550	217,269
Recoverable income taxes	5,030	1,451	5,030	1,451	—	—
Inventories (Note 3)						
Hedged commodities	431,130	454,635	431,130	454,635	—	—
Other	951,948	641,439	771,836	641,439	180,112	—
	1,383,078	1,096,074	1,202,966	1,096,074	180,112	—
Prepaid expenses	70,409	56,437	54,401	56,432	16,008	5
Total current assets	**3,160,358**	**2,809,150**	**2,379,125**	**2,076,192**	**781,233**	**732,958**
Other assets						
Investment in unconsolidated subsidiaries (Notes 2 and 4)	147,674	112,315	144,291	108,581	3,383	3,734
Sundry investments, deposits and noncurrent receivables	26,345	31,142	15,343	24,457	11,002	6,685
Total other assets	**174,019**	**143,457**	**159,634**	**133,038**	**14,385**	**10,419**
Property, plant and equipment (Note 8)						
Cost (Note 5)	1,397,724	1,180,996	1,383,208	1,166,610	14,516	14,386
Less accumulated depreciation	572,194	478,887	563,241	470,549	8,953	8,338
Property, plant and equipment, net	825,530	702,109	819,967	696,061	5,563	6,048
Unamortized finance expense	2,074	1,716	2,074	1,716	—	—
Trademarks and goodwill, at cost less accumulated amortization of $27,334 and $20,652	116,242	88,908	100,146	73,691	16,096	15,217
	$4,278,223	**$3,745,340**	**$3,460,946**	**$2,980,698**	**$817,277**	**$764,642**

LIABILITIES AND STOCKHOLDERS' EQUITY	CONSOLIDATED		BASIC FOOD COMPANIES		FINANCE COMPANIES	
	1989	1988	1989	1988	1989	1988
Current liabilities						
Notes payable	$ 330,950	$ 258,000	$ 35,000	$ 35,000	$295,950	$223,000
Current installments of long-term debt	41,058	23,019	41,058	23,019	—	—
Accounts payable and accrued liabilities	1,427,356	1,279,257	1,403,204	1,213,467	24,152	65,790
Advances on sales	427,477	372,483	427,477	372,483	—	—
Payable to customers, clearing associations, etc.	389,006	383,652	—	—	389,006	383,652
Dividends payable	15,671	13,319	15,671	13,319	—	—
Income taxes (Note 7)	19,962	23,552	19,962	23,552	—	—
Total current liabilities	**2,651,480**	**2,353,282**	**1,942,372**	**1,680,840**	**709,108**	**672,442**
Long-term debt, excluding current installments (Note 8)	**560,114**	**484,878**	**530,114**	**454,878**	**30,000**	**30,000**
Deferred income taxes (Note 7)	**108,433**	**92,859**	**108,433**	**92,859**	—	—
Commitments and contingencies (Notes 6, 12 and 13)						
Preferred shares subject to mandatory redemption (Notes 9 and 11)	**8,656**	**9,627**	**8,656**	**9,627**	—	—
Common stockholders' equity (Notes 8, 9 and 10)						
Common stock of $5 par value, authorized 300,000,000 shares; issued 80,969,291 and 78,998,845	404,846	394,994	404,846	394,994	493	91
Additional paid-in capital	—	883	—	883	69,676	55,193
Retained earnings	560,681	434,599	560,681	434,599	7,420	6,763
Foreign currency translation adjustment	589	1,488	589	1,488	580	153
	966,116	831,964	966,116	831,964	78,169	62,200
Less treasury stock, at cost—common shares 562,289 and 978,377	(16,576)	(27,270)	(16,576)	(27,270)	—	—
Less equity of Finance Companies	—	—	(78,169)	(62,200)	—	—
Total common stockholders' equity	**949,540**	**804,694**	**871,371**	**742,494**	**78,169**	**62,200**
	$4,278,223	**$3,745,340**	**$3,460,946**	**$2,980,698**	**$817,277**	**$764,642**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Common Stockholders' Equity

Columnar dollars in thousands

	Common Stock	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Stock	Total
Balance at May 25, 1986, as previously reported	$226,388	$ 86,483	$346,784	$(2,301)	$(17,185)	**$640,169**
Change in year end of ConAgra Fertilizer Company	—	—	(9,699)	—	—	(9,699)
Balance at May 25, 1986, as restated	226,388	86,483	337,085	(2,301)	(17,185)	**630,470**
447,929 shares issued in connection with employee stock option plan	—	—	(7,522)	—	11,647	4,125
147,656 shares issued in connection with incentive plans	—	196	(176)	—	3,670	3,690
234,000 shares issued in connection with the executive stock purchase plan	—	—	(4,674)	—	5,691	1,017
Conversion of 35,956 shares of preferred stock into 110,702 shares of common stock	408	490	—	—	—	898
2,804 shares issued from treasury in connection with acquisition of Peavey Company	—	—	—	—	73	73
Purchase of 945,053 shares for treasury	—	—	—	—	(27,947)	(27,947)
Common equity transactions of pooled companies	—	—	(597)	—	—	(597)
Two-for-one common stock split, 33,516,608 shares	167,583	(87,004)	(80,579)	—	—	—
Foreign currency translation adjustment	—	—	—	1,640	—	1,640
Change in year end of pooled companies	—	—	(6,465)	—	—	(6,465)
Cash dividends						
Preferred stock, all classes	—	—	(1,366)	—	—	(1,366)
Common stock, $.56 per share	—	—	(37,591)	—	—	(37,591)
Dividends of pooled companies	—	—	(3,868)	—	—	(3,868)
Net income	—	—	148,726	—	—	148,726
Balance at May 31, 1987	394,379	165	342,973	(661)	(24,051)	**712,805**
179,800 shares issued in connection with employee stock option plan	—	—	(3,018)	—	5,182	2,164
154,172 shares issued in connection with incentive plans	—	335	—	—	4,450	4,785
75,000 shares issued in connection with the executive stock purchase plan	—	—	(1,529)	—	2,154	625
Conversion of 148,689 shares of preferred stock into 458,075 shares of common stock	615	383	(6,743)	—	9,463	3,718
300,913 shares issued from treasury in connection with acquisitions	—	—	—	—	7,767	7,767
Purchase of 1,167,966 shares for treasury	—	—	—	—	(32,235)	(32,235)
Foreign currency translation adjustment	—	—	—	2,149	—	2,149
Cash dividends						
Preferred stock, all classes	—	—	(1,171)	—	—	(1,171)
Common stock, $.65 per share	—	—	(50,611)	—	—	(50,611)
Net income	—	—	154,698	—	—	154,698
Balance at May 29, 1988, carried forward	$394,994	$ 883	$434,599	$ 1,488	$(27,270)	**$804,694**

Columnar dollars in thousands

	Common Stock	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Stock	Total
Balance at May 29, 1988, brought forward	$394,994	$ 883	$434,599	$1,488	$(27,270)	**$804,694**
456,547 shares issued in connection with employee stock option plan	—	—	(8,828)	—	13,388	4,560
185,559 shares issued in connection with incentive plans	—	142	—	—	5,242	5,384
336,000 shares issued in connection with the executive stock purchase plan	—	—	(7,938)	—	9,550	1,612
217 shares issued from treasury in connection with the acquisition of Peavey Company	—	—	—	—	6	6
Conversion of 38,822 shares of preferred stock into 119,575 shares of common stock	—	—	(2,483)	—	3,453	970
Purchase of 683,810 shares for treasury	—	—	—	—	(20,945)	(20,945)
1,970,446 shares issued in connection with the acquisition of Cook Family Foods, Ltd.	9,852	(1,025)	7,816	—	—	16,643
Foreign currency translation adjustment	—	—	—	(899)	—	(899)
Cash dividends declared						
Preferred stock, all classes	—	—	(895)	—	—	(895)
Common stock, $.75 per share	—	—	(59,468)	—	—	(59,468)
Net income	—	—	197,878	—	—	197,878
Balance at May 28, 1989	$404,846	$ —	$560,681	$ 589	$(16,576)	**$949,540**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Dollars in thousands

For the fiscal years ended May	CONSOLIDATED		
Increase (Decrease) in Cash and Cash Equivalents	1989	1988	1987
Cash flows from operating activities			
Net income	$197,878	$154,698	$148,726
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	101,658	93,131	81,559
Provision for losses on accounts receivable	19,658	9,391	15,404
Change in assets and liabilities before effects from business acquisitions			
Decrease (increase) in accounts receivable	112,121	(419,060)	(120,857)
Decrease (increase) in inventory	(133,694)	(219,342)	(85,739)
Decrease (increase) in prepaid expenses	(11,862)	(12,481)	4,157
Increase (decrease) in accounts payable and accrued expenses	101,652	518,762	269,802
Increase (decrease) in interest and income taxes payable	(1,507)	(238)	(5,570)
Increase (decrease) in noncurrent deferred income taxes	14,513	11,457	10,087
Undistributed (earnings) loss of unconsolidated subsidiaries	37	(5,443)	(376)
Issuance of common stock in connection with the management incentive plans	5,384	4,785	3,690
Change in year end of pooled companies	—	—	(6,465)
Net cash flows from operating activities	**405,838**	**135,660**	**314,418**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	21,805	19,547	30,535
Additions to property, plant and equipment	(163,536)	(137,585)	(131,384)
Increase in investment in unconsolidated subsidiaries	(35,396)	(61,113)	(25,380)
Change in equity of Finance Companies	—	—	—
Increase in trademarks	(9,305)	(4,134)	(17,271)
Payment for business acquisitions, net of cash acquired of $34,525 in 1987	(149,596)	(76,476)	(100,399)
Other items	(11,398)	670	2,298
Net cash flows from investing activities	**(347,426)**	**(259,091)**	**(241,601)**
Cash flows from financing activities			
Net short-term borrowings	68,650	179,500	(19,750)
Proceeds from issuance of long-term debt	116,782	81,590	191,620
Proceeds from exercised contracts and contracts to sell common shares under executive stock purchase plan	1,612	625	1,017
Proceeds from exercise of employee stock options	4,560	2,164	4,125
Cash dividends paid	(58,365)	(48,563)	(41,388)
Repayment of long-term debt	(32,384)	(90,556)	(125,198)
Treasury stock purchases	(20,945)	(32,235)	(27,947)
Other items	(718)	7,106	(644)
Net cash flows from financing activities	**79,192**	**99,631**	**(18,165)**
Net increase (decrease) in cash and cash equivalents	**137,604**	**(23,800)**	**54,652**
Cash and cash equivalents at beginning of year	242,834	266,634	211,982
Cash and cash equivalents at end of year	**$380,438**	**$242,834**	**$266,634**

BASIC FOOD COMPANIES			FINANCE COMPANIES		
1989	1988	1987	1989	1988	1987
$192,285	$149,376	$146,027	$ 5,593	$ 5,322	$ 2,699
97,665	89,520	77,428	3,993	3,611	4,131
14,571	7,818	12,359	5,087	1,573	3,045
(29,730)	(141,249)	26,742	141,851	(277,811)	(147,599)
46,418	(219,342)	(85,739)	(180,112)	—	—
4,141	(12,476)	(3,620)	(16,003)	(5)	7,777
138,027	386,796	169,286	(36,375)	131,966	100,516
(1,598)	(427)	(5,274)	91	189	(296)
14,513	11,457	10,087	—	—	—
326	(5,169)	(90)	(289)	(274)	(286)
5,384	4,785	3,690	—	—	—
—	—	(6,465)	—	—	—
482,002	**271,089**	**344,431**	**(76,164)**	**(135,429)**	**(30,013)**
21,548	17,553	30,389	257	1,994	146
(162,054)	(136,348)	(126,273)	(1,482)	(1,237)	(5,111)
(36,036)	(61,793)	(25,992)	640	680	612
(10,376)	(23,288)	(8,024)	10,376	23,288	8,024
(9,305)	(4,134)	(7,494)	—	—	(9,777)
(149,596)	(76,476)	(100,399)	—	—	—
(3,919)	502	261	(7,479)	168	2,037
(349,738)	**(283,984)**	**(237,532)**	**2,312**	**24,893**	**(4,069)**
(4,300)	35,000	(53,250)	72,950	144,500	33,500
116,782	51,590	130,920	—	30,000	60,700
1,612	625	1,017	—	—	—
4,560	2,164	4,125	—	—	—
(58,365)	(48,563)	(41,388)	—	—	—
(32,384)	(29,856)	(55,198)	—	(60,700)	(70,000)
(20,945)	(32,235)	(27,947)	—	—	—
(718)	7,106	(644)	—	—	—
6,242	**(14,169)**	**(42,365)**	**72,950**	**113,800**	**24,200**
138,506	**(27,064)**	**64,534**	**(902)**	**3,264**	**(9,882)**
167,834	194,898	130,364	75,000	71,736	81,618
$306,340	**$167,834**	**$194,898**	**$74,098**	**$75,000**	**$71,736**

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements
Years ended May 28, 1989, May 29, 1988 and May 31, 1987

Columnar dollar amounts in thousands except per share amounts

1. Summary of Significant Accounting Policies

Consolidation and Financial Statement Presentation

As a result of being required to adopt Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-Owned Subsidiaries" in 1989, the consolidated financial statements now include nonhomogeneous financial companies previously accounted for under the equity method of accounting.

In order to present more meaningful financial statements, management believes that the balance sheets and results of operations of the consolidated company should be further grouped and separately presented as follows:

Basic Food Companies: Except for the elimination of investment and equity in earnings of subsidiaries now consolidated, the financial statements are on the same basis as previously reported in prior years.

Finance Companies: Includes a commodity brokerage business, Geldermann, Inc., and the following finance companies: United Agri Products Financial Services, Inc., Weld Agricultural Credit Inc., Monfort Finance Company, and Weld Insurance Company, Inc. All of these companies are operations which would have been accounted for previously under the equity method of accounting.

No parent company guarantees have been issued supporting borrowings of the Finance Companies. The parent company will remain liable for borrowings of United Agri Products Financial Services, Inc. while it is in the process of ceasing operations.

Thus, the consolidated financial statements include the accounts of ConAgra, Inc. and all majority-owned subsidiaries, except certain foreign companies that are not material to the Company. All significant intercompany investments, accounts and transactions have been eliminated.

The accounts of a wholly owned subsidiary, United Agri Products, Inc., have been consolidated on the basis of a year ended February 28. Such fiscal period corresponds with that company's natural business year. For this same reason, during fiscal 1989 another wholly owned subsidiary, ConAgra Fertilizer Company, changed its fiscal year to end on February 28. In connection with the restatement of the consolidated financial statements to reflect this change in reporting entity, retained earnings at the beginning of fiscal 1987 were adjusted to exclude the $9,699,000 after-tax income attributable to the three-month period ended May 1986, and each of the fiscal years presented includes twelve months of operating results of ConAgra Fertilizer Company. This change did not have a material effect on the consolidated results of operations for any of the three fiscal years presented, or on the corresponding consolidated balance sheets.

The investments in and the operating results of 50-percent-or-less-owned companies and the foreign companies referred to above are included in the financial statements on the basis of the equity method of accounting.

Inventories

Grain, flour and major feed ingredient inventories are hedged to the extent practicable and are generally stated at market including adjustment to market of open contracts for purchases and sales. Short-term interest expense incurred to finance hedged inventories is included in cost of sales in order to properly reflect gross margins on hedged transactions. Except for certain food products and livestock inventories which are stated at the lower of last-in, first-out (LIFO) cost or market, inventories not hedged are priced at the lower of average cost or market.

Property and Depreciation

Property, plant and equipment are carried at cost. Depreciation has been calculated using primarily the straight-line method over the estimated useful lives of the related assets.

Amortization of Intangibles

Unamortized finance expense is being amortized over the life of the related obligations.

Trademarks are being amortized over a forty-year period.

Goodwill arising from the excess of cost of investment over equity in net assets at date of acquisition is being amortized using the straight-line method over periods of time varying from 20 to 40 years.

Net Sales

Gross margins earned from grain and feed ingredients merchandised are included in net sales.

Income Taxes

The parent company and all eligible wholly owned subsidiaries subject to United States income taxes file a consolidated federal income tax return.

Deferred income taxes are provided for temporary differences between financial and tax reporting in accordance with Statement of Financial Accounting Standards No. 96.

The aforementioned Statement No. 96 was adopted at the beginning of fiscal 1989 and had no material effect on the profit after tax or financial position of the Company.

Retirement Benefits

The Company and its subsidiaries have retirement plans covering substantially all salaried and hourly employees. Total pension expense includes provisions for retirement benefits, interest on unfunded past service costs, and amortization of past service costs over a thirty-year period. The Company has adopted a policy of funding accrued pension costs to the extent deductible for tax purposes.

Effective June 1, 1987, the Company adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." Pension costs and related disclosures are determined under the provisions of the new statement for fiscal 1989 and 1988, whereas for fiscal 1987, costs were determined under provisions of previous accounting principles. The adoption of the new statement did not have a material effect on the results of operations or financial position of the Company.

Effective May 28, 1984, the estimated costs of medical benefits to retiring employees are accrued prior to retirement and are not funded. The estimated costs of medical benefits to be provided to retired employees which have not been accrued at May 28, 1989 are approximately $27,856,000. The costs of medical benefits provided for all retired employees for 1989, 1988 and 1987 amounted to $2,686,000, $2,256,000 and $3,814,000, respectively.

Earnings Per Share

Earnings per common and common equivalent share are calculated on the basis of the weighted average outstanding common shares and, when applicable, those outstanding options that are dilutive and after giving effect to the preferred stock dividend requirements. Fully diluted earnings per share give effect to the assumed conversion of convertible preferred stock.

Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Restatement and Reclassifications

Prior year statements have been restated or reclassified as appropriate to conform them to the presentations required by Statement of Financial Accounting Standards No. 94.

2. Business Combinations

Subsequent Event

During fiscal 1988, the Company purchased a 50-percent interest in a corporation which controls SIPCO, Inc. and Val-Agri, Inc., and acquired an option to purchase the remaining 50-percent interest. The Company presently intends to exercise this option no later than December 31, 1989. The purchase price for the remaining 50-percent interest will be approximately $52,000,000.

1989

On June 6, 1988, L. W. Acquisition, Inc. (LWA), a joint venture company owned equally by the Company and Golden Valley Microwave Foods, Inc. (Golden Valley) acquired all of the outstanding capital stock of Lamb-Weston, Inc. (Lamb-Weston) from Amfac Foods, Inc. Lamb-Weston is a major processor of frozen potato products in the United States. Its major product line is french fries which are marketed primarily to fast-food restaurants and other foodservice markets. The purchase price was approximately $280,000,000. The Company and Golden Valley each made $25,000,000 cash investments in LWA. LWA obtained $262,000,000 of senior debt bank financing, which is collateralized by the assets and capital stock of Lamb-Weston. The Company and Golden Valley have agreed to provide LWA supplemental funding support up to $12,500,000 each, upon the occurrence of specified events.

On October 27, 1988, ConAgra acquired all of the outstanding capital stock of Cook Family Foods, Ltd. in exchange for 2,178,000 shares of ConAgra common stock, including option shares for Cook employees, in a transaction which has been accounted for as a pooling of interests. Cook produces branded smoked ham products and markets them nationally through retail channels. Financial information for periods prior to this transaction has not been restated because of immateriality and, accordingly, results of operation have been included since the date of acquisition.

In February 1989, the Company acquired the grain merchandising division of The Pillsbury Company (including receivables and grain inventories) for approximately $153,000,000 in cash plus the assumption of approximately $4,000,000 in long-term debt. The acquired business, accounted for as a purchase, operates grain handling and storage facilities in the Midwest.

1988 ***(Transaction recorded as a purchase)***

In May 1988, the Company purchased the assets of International Multifoods' U. S. flour milling business for approximately $76,000,000 in cash and the assumption of approximately $15,000,000 in long-term debt. International Multifoods' U. S. flour milling business manufactures and markets flour for commercial uses.

1987 ***(Transactions recorded as purchases)***

In June 1986, the Company acquired the frozen food business of RJR Nabisco, Inc. for approximately $64,000,000 in cash. The business produces a wide variety of frozen foods under the Morton, Patio, Chun King and Award brands.

In December 1986, the Company acquired three Swiss companies with operations in Canada and the United States, all for approximately $7,000,000 in cash, net of $34,000,000 excess cash withdrawn from the businesses. The Canadian operations market wheat, barley and oats and trade domestic Canadian grains and pulses for export. The U.S. operations trade grain and grain byproducts domestically and for export to Caribbean Basin countries.

Effective January 1, 1987, the Company acquired O'Donnell-Usen Fisheries Corporation, with fishing, fish processing and marketing operations in Canada and the United States, for approximately $16,000,000 in cash and the assumption of approximately $19,000,000 in long-term debt.

1987 ***(Transactions recorded as poolings of interests)***

In January 1987, the Company acquired all the outstanding capital stock of Ernest J. Miller Enterprises, Inc. and Interstate Feeders, Inc. in exchange for 1,040,000 shares of common stock. The pooling did not have a material effect on the financial statements previously presented. Ernest J. Miller Enterprises, Inc. is a Utah-based holding company whose primary operating company, E. A. Miller Inc., is a producer of premium boxed beef for western United States markets.

In May 1987, the Company acquired all the outstanding common stock of Monfort of Colorado, Inc. in exchange for 10,749,814 shares of the Company's common stock. Monfort is a vertically integrated agribusiness engaged in the production, transportation, distribution and sale of beef and lamb products. Monfort's net income of $6,465,000 for the period June through August 1986 has been deducted as an adjustment to consolidated retained earnings, as a result of conforming fiscal years.

Results of operations of acquired companies recorded as purchases have been included in the financial statements since date of acquisition.

The following unaudited summary, prepared on a pro forma basis, combines the consolidated results of operations of the Company for the years ended May 28, 1989 and May 29, 1988, with those of companies acquired as of May 28, 1989 described above, as well as the parent of SIPCO/Val-Agri as described in Note 4, as if such acquisitions had occurred June 1, 1987.

	1989	1988
Net sales	$11,448,982	$10,020,096
Net income	202,893	142,983
Net income per share		
Primary	$2.46	$1.74
Fully diluted	2.43	1.72

During fiscal 1989, 1988 and 1987, the Company acquired certain other businesses, the revenues and net earnings of which did not significantly affect consolidated results.

3. Inventories

The major classes of inventories are as follows:

	1989	1988
BASIC FOOD COMPANIES		
Hedged commodities	$ 431,130	$ 454,635
Food products	296,952	238,973
Agricultural chemicals, fertilizer and feed	206,869	140,707
Retail merchandise	96,649	108,317
Other, principally ingredients and supplies	171,366	153,442
	1,202,966	1,096,074
FINANCE COMPANIES		
Livestock	180,112	–
	$1,383,078	$1,096,074

The cost of certain food products and livestock inventories stated under the last-in, first-out (LIFO) method was $243,000,000 and $50,841,000 at May 28, 1989 and May 29, 1988, respectively. Had these inventories been stated at lower of principally first-in, first-out (FIFO) costs or market, they would have been $70,730,000 and $65,030,000 greater than reported at May 28, 1989 and May 29, 1988, respectively.

4. Investments in and Advances to Unconsolidated Subsidiaries

During fiscal 1987, the Company increased its equity interest in Bioter-Biona to approximately 99 percent. Effective January 31, 1987, the Company exchanged the net assets of its Alaskan crab and salmon business (working capital and fixed assets approximating $16,000,000 and $8,000,000, respectively) for a 45-percent equity interest in Trident Seafoods Corporation. ConAgra's investment in Trident is included as an investment in unconsolidated subsidiaries under the equity method of accounting. At May 31, 1987, the Company had equity interests in Bioter-Biona (99 percent), Saprogal (100 percent), Sapropor (75 percent) and Trident Seafoods (45 percent).

During fiscal 1988, the Company purchased a 50-percent interest in a corporation which controls SIPCO, Inc. and Val-Agri, Inc. The Company purchased stock and other securities for approximately $51.5 million in cash, and has an option to purchase the remaining 50 percent at any time up to four years from the date of purchase.

At May 28, 1989 and May 29, 1988, the Company had equity interests in the parent of SIPCO/Val-Agri (50 percent), Saprogal (100 percent), Sapropor (75 percent) and Trident Seafoods (45 percent). The Company's investment in Bioter, S.A., formerly Bioter-Biona, was contributed to Saprogal in December 1987. During 1989 the Company acquired a 50-percent interest in the parent of Lamb-Weston. Summary financial information of these companies and certain other individually insignificant businesses acquired during 1989 and 1988, as of the end of each year presented, is set forth below and includes amounts since date of acquisition of each respective equity interest (in thousands):

	1989	1988
Current assets	$ 504,508	$391,278
Noncurrent assets	635,413	355,766
Total assets	1,139,921	747,044
Current liabilities	434,356	202,628
Noncurrent liabilities	442,269	359,899
Total liabilities	876,625	562,527
Net assets	$ 263,296	$184,517
ConAgra's investment	$ 147,674	$112,315

	1989	1988	1987
Net sales	$4,293,538	$2,787,820	$342,022
Net income	$ 17,150	$ 17,152	$ 3,521
ConAgra's equity in earnings (loss)	$ (37)	$ 5,443	$ 376

5. Property, Plant and Equipment

Following is a detail of property, plant and equipment cost:

	CONSOLIDATED		BASIC FOOD COMPANIES		FINANCE COMPANIES	
	1989	1988	1989	1988	1989	1988
Land	$ 35,300	$ 32,478	$ 35,300	$ 32,478	$ –	$ –
Buildings, machinery and equipment	1,170,588	994,053	1,166,500	989,940	4,088	4,113
Autos, trucks, trailers, etc.	62,109	62,602	59,923	59,653	2,186	2,949
Furniture and fixtures	54,880	45,226	47,858	38,310	7,022	6,916
Construction in progress	74,847	46,637	73,627	46,229	1,220	408
	$1,397,724	$1,180,996	$1,383,208	$1,166,610	$14,516	$14,386

6. Short-Term Credit Facilities and Borrowings

At May 28, 1989, the Company had $330,950,000 of short-term borrowings outstanding against short-term credit lines from banks which totaled approximately $3,212,000,000, including a $275,000,000 revolving credit and term loan commitment (see Note 8); a $280,000,000 revolver, which matures on November 1, 1993; a $100,000,000 revolver which matures on June 30, 1991; and uncompensated bankers' acceptance and money market loan facilities approximating $2,557,000,000. Borrowings under all three of the revolver agreements are at or below prime rate and may be prepaid without penalty. The Company pays fees for its revolving credit facilities.

ConAgra finances its short-term needs with bank borrowings, commercial paper borrowings and bankers' acceptances. The average short-term borrowings outstanding under these facilities for the 1989 fiscal year were $1,226,032,000. This excludes $139,435,000 of commercial paper which was classified as long-term throughout the fiscal year (see Note 8). The highest period-end short-term indebtedness was $1,466,189,000. Short-term borrowings were at rates below prime.

All outstanding borrowings at May 28, 1989 applicable to the Finance Companies are not guaranteed by ConAgra, Inc. or any non-finance company entity.

7. Income Taxes

Income taxes computed by applying the statutory rates to income before income taxes are reconciled to the provision for income taxes set forth in the financial statements as follows:

	1989	1988	1987
Computed U.S. federal income taxes	$106,135	$85,522	$126,033
Decrease resulting from Puerto Rico income subject to tax exemptions	(1,200)	(1,741)	(3,653)
State income taxes net of federal tax benefit	10,725	7,157	6,508
Other	(1,375)	(1,288)	(3,629)
Income taxes provided	$114,285	$89,650	$125,259

The provision for income taxes includes the following:

	1989	1988	1987
Current			
Federal	$ 81,639	$67,792	$ 92,417
State	16,250	11,012	12,052
Foreign	7,722	6,524	8,396
	105,611	85,328	112,865
Deferred	8,674	4,322	12,394
	$114,285	$89,650	$125,259

Deferred tax expense results from temporary differences in the recognition of revenue and expenses and basis of assets and liabilities for tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	1989	1988	1987
Depreciation	$ 9,663	$ 7,974	$ 6,937
Accrued expenses	(4,248)	(2,338)	6,124
Other	3,259	(1,314)	(667)
Total deferred taxes	$ 8,674	$ 4,322	$12,394

8. Long-Term Debt and Loan Agreements

	1989	1988
BASIC FOOD COMPANIES		
Commercial paper backed by long-term revolving credit commitments	$120,550	$ 97,500
Revolving credit and term loan agreements from banks (unsecured)	15,500	42,500
9.12% to 9.98% unsecured medium term notes due in various amounts in 1991 through 1999	154,800	50,000
8.8% unsecured note due in annual installments of $1,250,000 from 1998 through 2016 and the balance due in 2017	25,000	25,000
12.6% unsecured note due in semi-annual installments of $14,000,000 in 1991 and 1992	42,000	70,000
9% unsecured note due in 1997	50,000	50,000
12% unsecured notes due in annual installments of $1,000,000 through 2000, and the balance due in 2001	11,000	12,000
10% to 10.375% unsecured notes due in annual installments of $1,650,000 in 1991, $650,000 in 1992 through 2000, and the balance due in 2001 (net of unamortized discount of $666,000 and $805,000 based on imputed rates of from 12.5% to 13%)	7,734	9,245
Unsecured notes, $12,657,000, maturing in 1994 and $12,700,000 in 1995, with interest at 65% of prime rate	25,357	25,357
Industrial Development Revenue Bonds (collateralized by plant and equipment)		
6.5% to 10% lease obligations, maturing serially from $1,025,000 in 1991 to $200,000 in 2007	12,635	5,105
5% to 7.2% lease obligations due in various amounts through 2007 (net of unamortized discount of $3,165,000 and $3,494,000 based on imputed rates of 5.9% to 9.6%)	22,787	23,637
Lease obligation, payable $654,000 quarterly to 1996, with interest at 63% to 72% of prime rate	7,102	9,718
Miscellaneous	35,649	34,816
Total long-term debt, excluding current installments – Basic Food Companies	530,114	454,878
FINANCE COMPANIES		
Geldermann, Inc. subordinated notes due 1991	30,000	30,000
Consolidated long-term debt, excluding current installments	$560,114	$484,878

The aggregate minimum principal maturities of the long-term debt for each of the five years following May 28, 1989 are as follows:

	BASIC FOOD COMPANIES	FINANCE COMPANIES
1990	$41,058	$ –
1991	44,758	30,000
1992	34,992	–
1993	7,673	–
1994	45,335	–

At May 28, 1989, $120,550,000 of outstanding commercial paper was classified as long-term debt, supported by an unsecured revolving credit and term loan agreement with ten banks, under the terms of which the Company can borrow up to $275,000,000 extending to August 23, 1993, when the borrowings may be converted to a term loan payable in three equal annual installments. Borrowings are at or below prime rate and may be prepaid without penalty.

The Company may prepay, in whole or in part, the 8.8% unsecured note at any time after March 1, 1995 through February 28, 2007, with penalties equal to the excess of the present value of the prepaid principal and interest over the then-outstanding principal. Penalties on prepayments from March 1, 2007 to April 1, 2017 are at declining rates from 2.9% to 0% of principal prepaid.

The Company may prepay, in whole or in part, the 12.6% unsecured notes at any time after November 1, 1990, at a penalty of 1.8% of principal prepaid.

Under terms of the 12% unsecured notes, the Company has the option to prepay, without penalty, a maximum of $4,000,000 in annual installments not in excess of the required annual payments otherwise due on the notes.

Geldermann's subordinated notes are placed with banks and are subordinated to the claims of present and future general creditors. The loans bear interest on a floating rate basis at a premium over the bank certificate of deposit rate (13.9% at May 28, 1989) and mature on July 31, 1990. The loan agreements stipulate that these loans cannot be repaid if such repayment would cause Geldermann, Inc. not to meet its regulatory capital requirements.

The Company's most restrictive note agreements provide that the Company will maintain working capital (as defined) in an amount equal to the greater of $100,000,000 or 67 percent of funded debt (as defined); a ratio of current assets to current liabilities (as defined) of 117 percent; stockholders' equity (as defined) in an amount not less than $300,000,000; and limit the amount of retained earnings available for dividends. As of May 28, 1989, approximately $443,410,000 of retained earnings was available for the payment of dividends.

Net interest expense consists of:

	1989	1988	1987
BASIC FOOD COMPANIES			
Long-term debt	$ 52,244	$41,896	$33,259
Short-term debt	73,637	31,222	22,669
Finance expense	530	197	178
Bank service and facility fees	3,421	3,095	4,036
Interest income	(14,615)	(8,326)	(7,260)
Interest capitalized	(2,028)	(688)	(74)
Total Basic Food Companies	113,189	67,396	52,808
FINANCE COMPANIES			
Long-term debt	4,719	4,569	4,341
Short-term debt	14,357	8,978	4,327
Total Finance Companies	19,076	13,547	8,668
Consolidated net interest expense	$132,265	$80,943	$61,476

Short-term debt interest expense of $21,991,000, $10,128,000 and $6,850,000 in 1989, 1988 and 1987, respectively, incurred to finance hedged inventories, has been charged to cost of goods sold.

9. Capital Stock

The Company has authorized shares of preferred stock as follows:

Class B — $50 par value; 150,000 shares
Class C — $100 par value; 250,000 shares
Class D — without par value; 1,100,000 shares
Class E — without par value; 2,500,000 shares

All classes are cumulative, nonparticipating and shall be issued in series with such designations, preferences, rights and limitations as the Board of Directors may establish. Such designation shall distinguish the shares of each series from the shares of all other series and classes.

The following limitations apply as to payment of dividends and as to distribution of assets upon liquidation, distribution or winding up of the Company:

Class C — May not be given any priority over any shares of Class B preferred stock.
Class D — May not be given any priority over Class B or Class C preferred stock.
Class E — May not be given any priority over Class B, Class C or Class D preferred stock.

10. Stock Options and Rights

Stock option plans approved by the stockholders provide for the granting of options to employees for purchase of common stock at prices equal to the fair market value at the time of the grant. For the most part, options granted are exercisable in five equal annual installments and expire ten years after date of grant. For participants under the long-term senior management incentive plan, options are not exercisable for three years from the date of grant. The option shares are subject to changes in capitalization.

The changes in the outstanding stock options during the three years ended May 28, 1989 are summarized below:

	Shares	Option Price Per Share—Range
Balance at May 25, 1986	2,033,374	$ 2.86–26.75
Granted	743,638	27.19–31.12
Exercised	(447,929)	2.86–27.19
Canceled	(99,101)	6.59–27.19
Balance at May 31, 1987	2,229,982	2.86–31.12
Granted	822,390	21.75–27.12
Exercised	(179,800)	2.86–27.19
Canceled	(118,618)	7.17–30.38
Balance at May 29, 1988	2,753,954	2.86–31.12
Granted	1,025,093	5.61–31.12
Exercised	(456,547)	2.86–31.00
Canceled	(133,720)	7.17–31.00
Balance at May 28, 1989	3,188,780	$ 6.17–31.12
Exercisable at May 28, 1989	1,755,362	

At May 28, 1989, 1,546,588 shares were reserved for granting additional options.

On September 25, 1979, the stockholders approved an Executive Stock Purchase Plan under which the Company was authorized, during any or all calendar years through 1985, to sell a maximum of 1,800,000 shares of its common stock at fair market value to certain key executives. Under the Plan, the Company was also authorized to sell to each executive who purchases shares an option requiring the Company to repurchase such shares. During the three years ended May 28, 1989, contracts for the purchase of 336,000 (1989), 75,000 (1988) and 234,000 (1987) shares were exercised. As of May 28, 1989, all contracts have been exercised.

On July 10, 1986, the Board of Directors of the Company declared a dividend of one common share purchase right (Rights) on each outstanding share of common stock of the Company for stockholders of record on July 25, 1986. Each Right will entitle the holder thereof until the earlier of July 24, 1996, or the redemption of the Rights to buy one share of common stock at an exercise price of $100.00. The Rights will be represented by the common stock certificates and will not be exercisable or transferable apart from the common stock until the earlier of the tenth day after announcement that a person or group has acquired beneficial ownership of 20 percent or more of the common stock or the tenth day after a person commences, or announces an intention to commence, an offer for 30 percent or more of the common stock.

At May 28, 1989, 80,407,002 shares of common stock were reserved for exercise of the Rights.

11. Preferred Shares Subject to Mandatory Redemption

	1989	1988
Outstanding – Class D $2.50 cumulative convertible, outstanding 346,252 shares in 1989 and 385,065 shares in 1988	$ 8,656	$ 9,627

The Company shall call the voting, convertible, cumulative Class D, $2.50 preferred stock for redemption on or prior to July 20, 1989 and on each July 20 thereafter a number of shares of $2.50 cumulative, convertible preferred stock equal to 5 percent, and at the option of the Company up to 10 percent, of the aggregate number of shares issued by paying in cash $25.00 per share plus accrued dividends. All or any portion of the $2.50 cumulative, convertible preferred stock may be called for redemption by the Company at any time at prices ranging from $25.50 (1990) to $25.00 (1992 and thereafter) plus accrued dividends. The holders of the Class D, $2.50 preferred stock have the option at any time to convert their shares to common stock at the rate of 3.08 shares of common stock for each share of $2.50 cumulative, convertible preferred stock. During 1989 and 1988, 38,822 and 148,689 shares of $2.50 cumulative, convertible preferred stock were converted into 119,575 and 458,075 shares of common stock, respectively. Conversions are applied against redemption requirements.

At May 28, 1989, 1,064,551 shares of common stock were reserved for conversion of Class D preferred stock.

12. Commitments

Certain facilities and transportation equipment are leased under agreements expiring at various dates during the next nineteen years. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Substantially all leases require payment of property taxes, insurance and maintenance costs in addition to rental payments.

A summary of rent expense charged to operations follows:

	1989	1988	1987
Cancelable	$ 51,427	$ 41,652	$ 39,529
Noncancelable	73,465	59,683	61,561
	$124,892	$101,335	$101,090

A summary of noncancelable operating lease commitments follows:

	Type of Property	
Fiscal Years Ending in	Real and Other Property	Transportation Equipment
1990	$46,382	$30,048
1991	43,935	24,351
1992	37,334	20,241
1993	28,287	17,908
1994	21,041	15,136
Later Years	52,460	67,153

For the most part, the Company's operations in Puerto Rico are supplied from the United States by ocean transportation under terms of a time charter. Charter fees are considered cost of product on an as-delivered basis and are not reflected as rent expense. The current charter, which expires December 31, 1990, includes a provision for upward and downward adjustment of charges corresponding with changes in price levels, as well as a provision for standby charges as defined of approximately $10,047 per day if, as and when the equipment is not in use. Since the Company's demand for shipping is substantially in excess of the capacity of the equipment under charter, standby charges have not been incurred.

In connection with its trading activities, the Company had letters of credit and performance bonds outstanding at May 28, 1989, aggregating approximately $316,000,000.

The Company has entered into a redevelopment agreement with certain governmental bodies to construct facilities for use by the Company as corporate and various independent operating company headquarters. Under this agreement, the Company has an obligation to spend various amounts aggregating $51,000,000 by December 31, 1992. As of May 28, 1989, $12,000,000 had been expended.

13. Contingencies

There was no litigation at May 28, 1989 which, in the opinion of management, would have a significant effect on the financial position of the Company.

14. Retirement Plans

The Company and its subsidiaries have defined benefit retirement plans for eligible salaried and hourly employees. Benefits are based on years of credited service and average compensation or stated amounts for each year of service. For fiscal years 1989 and 1988, the Company's funding policy is to contribute the maximum amount deductible for federal income tax purposes. Plan assets are primarily invested in equity securities, corporate and government securities and common trust funds.

Consolidated pension costs consisted of the following:

	1989	1988
Service cost	$ 11,700	$ 11,578
Interest cost	13,820	12,140
Actual return on plan assets	(17,930)	(3,263)
Net amortization and deferral	1,102	(12,228)
Credit for merger	(172)	–
Net pension costs	$ 8,520	$ 8,227

Consolidated pension costs for these plans for 1987 were $12,243,000.

The funded status of the plans at February 28, 1989 and February 29, 1988, dates of the most recent actuarial report, was as follows:

	1989	1988
Plan assets at fair value	$206,253	$191,942
Projected benefit obligation		
Actuarial present value of vested benefits	139,707	117,108
Actuarial present value of nonvested benefits	13,394	10,502
	153,101	127,610
Additional obligation of projected compensation increases	38,325	35,432
	191,426	163,042
Plan assets in excess of projected benefit obligations	$ 14,827	$ 28,900
Consisting of:		
Unrecognized transition asset	$ 36,116	$ 41,413
Unrecognized prior service cost	(4,181)	(1,964)
Unrecognized net loss	(5,205)	(769)
	26,730	38,680
Accrued pension cost on consolidated balance sheet	(11,903)	(9,780)
	$ 14,827	$ 28,900

Plan assets include 574,246 shares of the Company's common stock at a fair market value of $17,156,000 at February 28, 1989.

The actuarial projected benefit obligation was determined using an assumed discount rate of 8.5% (8.0% for 1988) and a long-term rate of compensation increase of 6.0%. Pension costs for 1989 were determined using a long-term rate of return of 8.5% (8.0% for 1988).

The Company and its subsidiaries are also participants in multi-employer pension plans covering a small number of hourly employees. Costs associated with these plans are not significant.

15. Business Segments

The Company has four business segments with operations principally limited to the United States. Intersegment sales have been recorded at amounts approximating market. Operating profit for each of the segments is based on net sales less all identifiable operating expenses and includes the related equity in earnings of companies included on the basis of the equity method of accounting. General corporate expense, interest expense (except Finance Companies segment), and income taxes have been excluded from segment operations. All assets other than cash (except Finance Companies segment) and those assets related to the corporate office have been identified with the segments. For the Finance Companies segment, operating profit includes the effect of interest, which is a large element of its operating costs.

	1989	1988	1987
Sales to unaffiliated customers			
Basic Food Companies			
Agri-Products	$ 2,242,694	$1,962,561	$1,678,248
Trading & Processing	1,869,008	1,379,894	1,469,145
Prepared Foods	7,084,898	6,132,496	5,854,160
	11,196,600	9,474,951	9,001,553
Finance Companies	143,814	133,293	141,966
Total	$11,340,414	$9,608,244	$9,143,519
Intersegment sales			
Basic Food Companies			
Agri-Products	$ 28,038	$ 17,696	$ 11,024
Trading & Processing	65,564	47,588	40,722
Prepared Foods	24,389	30,726	4,992
	117,991	96,010	56,738
Intersegment elimination	(117,991)	(96,010)	(56,738)
Total	$ –	$ –	$ –
Net sales			
Basic Food Companies			
Agri-Products	$ 2,270,732	$1,980,257	$1,689,272
Trading & Processing	1,934,572	1,427,482	1,509,867
Prepared Foods	7,109,287	6,163,222	5,859,152
	11,314,591	9,570,961	9,058,291
Intersegment elimination	(117,991)	(96,010)	(56,738)
	11,196,600	9,474,951	9,001,553
Finance Companies	143,814	133,293	141,966
Total	$11,340,414	$9,608,244	$9,143,519

Operating profit			
Basic Food Companies			
Agri-Products	$ 82,129	$ 55,894	$ 54,869
Trading & Processing	83,397	72,653	53,391
Prepared Foods	293,102	205,004	259,433
	458,628	333,551	367,693
Finance Companies	9,637	9,791	5,376
Total	468,265	343,342	373,069
General corporate expenses	42,913	31,598	46,276
Interest expense-Basic Food Companies	113,189	67,396	52,808
Total	$ 312,163	$ 244,348	$ 273,985
Identifiable assets			
Basic Food Companies			
Agri-Products	$ 562,346	$ 497,217	$ 442,759
Trading & Processing	1,059,753	1,010,996	688,235
Prepared Foods	1,490,637	1,267,782	1,087,951
Corporate	348,210	204,703	229,986
	3,460,946	2,980,698	2,448,931
Finance Companies	817,277	764,642	490,076
Total	$4,278,223	$3,745,340	$2,939,007
Additions to property, plant and equipment			
Basic Food Companies			
Agri-Products	$ 8,019	$ 10,720	$ 20,798
Trading & Processing	96,322	87,386	29,187
Prepared Foods	134,501	92,392	126,485
Corporate	779	5,850	1,754
	239,621	196,348	178,224
Finance Companies	1,482	1,237	5,111
Total	$ 241,103	$ 197,585	$ 183,335
Depreciation and Amortization			
Basic Food Companies			
Agri-Products	$ 12,789	$ 12,499	$ 12,545
Trading & Processing	21,422	18,496	16,793
Prepared Foods	60,108	55,363	44,863
Corporate	3,346	3,162	3,227
	97,665	89,520	77,428
Finance Companies	3,993	3,611	4,131
Total	$ 101,658	$ 93,131	$ 81,559

16. Supplemental Cash Flow Information

	1989	1988	1987
Cash paid during the year for			
Interest (net of amount capitalized)			
Basic Food Companies	$107,463	$66,978	$ 55,274
Finance Companies	18,985	13,358	8,964
Total	$126,448	$80,336	$ 64,238
Income taxes			
Basic Food Companies	$103,339	$74,798	$115,521
Finance Companies	3,757	4,240	2,459
Total	$107,096	$79,038	$117,980
Noncash investing and financing activities – Basic Food Companies			
Issuance of common stock for conversion of preferred stock	$ 970	$ 3,718	$ 898
Long-term debt assumed in business acquisitions	8,627	14,560	19,184
Fair value of common stock issued in business acquisitions accounted for as a purchase	6	7,783	75
Value of common stock issued in business acquisitions accounted for as a pooling of interests	16,643	–	–

17. Quarterly Results (Unaudited)

Dollars in thousands except per share amounts

	Net Sales	Gross Profit	Net Income			Stock Market Price		Dividends Declared Per Share
			Amount	Per Share		High	Low	
				Primary	Fully Diluted			
Fiscal 1989								
First	$ 2,808,115	$ 341,323	$ 38,185	$ .48	$ .47	$31.88	$27.75	$.1675
Second	2,843,730	368,530	56,781	.71	.70	34.00	27.00	.1925
Third	2,716,650	344,118	37,560	.46	.46	32.38	27.25	.1925
Fourth	2,971,919	412,525	65,352	.80	.79	35.75	29.13	.1925
Year	**$11,340,414**	**$1,466,496**	**$197,878**	**$2.45**	**$2.43**	**$35.75**	**$27.00**	**$.7450**
Fiscal 1988								
First	$ 2,447,746	$ 283,813	$ 29,313	$ .37	$ .36	$35.88	$26.88	$.1450
Second	2,330,737	313,370	48,684	.61	.60	38.00	22.63	.1675
Third	2,227,137	277,479	30,538	.38	.38	29.00	20.88	.1675
Fourth	2,602,624	344,268	46,163	.58	.57	28.13	24.13	.1675
Year	**$ 9,608,244**	**$1,218,930**	**$154,698**	**$1.94**	**$1.92**	**$38.00**	**$20.88**	**$.6475**

Quarterly per share numbers may not add to annual totals due to rounding.


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Skinless Breasts & Thighs
BONELESS