

Harris Farms

Farm 2200 acres in Genesee County western
NY between Rochester and Buffalo

Produce: 1300 acres of vegetables for Pro-Fac
400 acres of snap beans for others
500 acres of corn and hay for local
dairy farms

Processing Vegetable Profitability

850 acres 4 year sweet corn avg. 7 ton @ \$49

CMV Net profit < \$50 per acre.

200 acres 4 year green pea avg. 2.25 ton @
\$220

CMV Net profit \$75-\$100 per acre

250 acres 4 year snap bean avg. 4 ton @ \$135

CMV Net profit \$100-\$125 per acre

Pro-Fac History

- 1961- Western NY growers formed partnership with local food processors
- Agway played a significant role in start up
- Co-Op named Pro-Fac to symbolize producers and facilities
- Farmers produced the vegetables and owned the processing facilities
- Partner Curtice-Burns leased and operated the facilities and marketed the finished product

Pro-Fac History

- Pro-Fac History
- Farmers bought growing stock to join and provide capital to new Co-Op
- Agway provided capital to Curtice-Burns
- Profit and losses shared equally by series of agreements
- Pro-Fac provided access to favorable interest rates from the Farm Credit System
- Raw product supply controlled by prorating growing stock to meet market demands

Pro-Fac History

- Business model worked extremely well and through acquisitions the company grew
- By the early 1990's sales were over 800 million and patronage earnings over CMV for the first 30 years averaged almost 18%

Pro-Fac History

- 1993-Curtice Burns majority owner Agway needs to sell food businesses
- Year long bid process takes place with most active competition from Dean Foods
- Pro-Fac ultimately acquires Curtice Burns and solely owns the company by the end of 1994
- Debt \$328 million
- Interest Expense \$42 million

Pro-Fac History

- Control our own destiny
- 1996 received 90% of CMV first time in over 25 years members received less than 100%
- Sept. 1998 purchases Dean Foods Vegetable Company and the Birds Eye brand
- Debt \$676 million interest \$83.5 million
- Majority of financing not with CoBank
- Financing through a syndication led by Harris Bank

Pro-Fac History

1999- 2001 Highly leveraged company
Poorly positioned to grow the business
Optimistic business plans not realized
Proceeds above CMV over 4 year period average
less than 5% per year
Deadline for refinancing approaching
2002 Decision that the best alternative for
membership was to sell approximately 58% of the
company to Vestar Equity Investment

Vestar Deal

- Vestar investment \$175million
 - 137.5 million preferred @15%PIK
 - 37.5 million equity investment
- Pro-Fac separate entity with approximately 40% ownership in new company now called Birds Eye Foods
- Management buys 3% of new entity which can increase up to 10% based on performance

Vestar Deal

- Supply Agreement
 - 10 years with liquidated damages
 - Maintain CMV process
- Payment to Pro-Fac of \$10 mm/yr for 5years mainly to maintain dividend on preferred

Vestar's Focus

- Maximize return on investment
- Sell investment in three to seven year time frame
- Accomplish these goals by
 - marketing new products
 - capital investments
 - sales of poor performing businesses
 - acquisitions
 - attract and retain talent
 - reduce debt and interest cost

Pro-Fac's Focus Short Term

- Protect members equity
- Maintain market and profitability for members raw product
- This has been accomplished for the short term except for enhancing the profitability, since we no longer share earnings

Pro-Fac at Present

- No longer control our own destiny
- Members have limited input
- Two distinct groups of members
 - those waiting to cash out at the event
 - those who want a viable market for for their raw product

Pro-Fac Present

- \$160mm equity still at risk
- Contract relationship with processor
- No longer share earnings

Hindsight

- Under capitalized
- Needed to retain more of the earnings
 - Patronage 120mm since 1961
- High level of preferred led to cumulative dividend
- High patronage over inflated price of growing stock

Pro-Fac Future

- Marketing Co-Op with innovative partnership-Similar to Curtice Burns
- Need to provide more than raw product
 - Ag Services
 - Harvesting
 - Trace ability
- Concentrate on what we do well

Pro-Fac Future

- Good Management
- Strong Capital
- Committed Membership
- Quality Product
 - evaluation process
- Produce to market

Birds Eye Foods Financials

\$ in millions	2003	2004
Net Sales	\$ 863	\$ 843.4
Net Earnings	\$20.8	\$31.8
Interest Expense	\$47.2	\$35.3
Debt	\$459.9	
EBITDA		