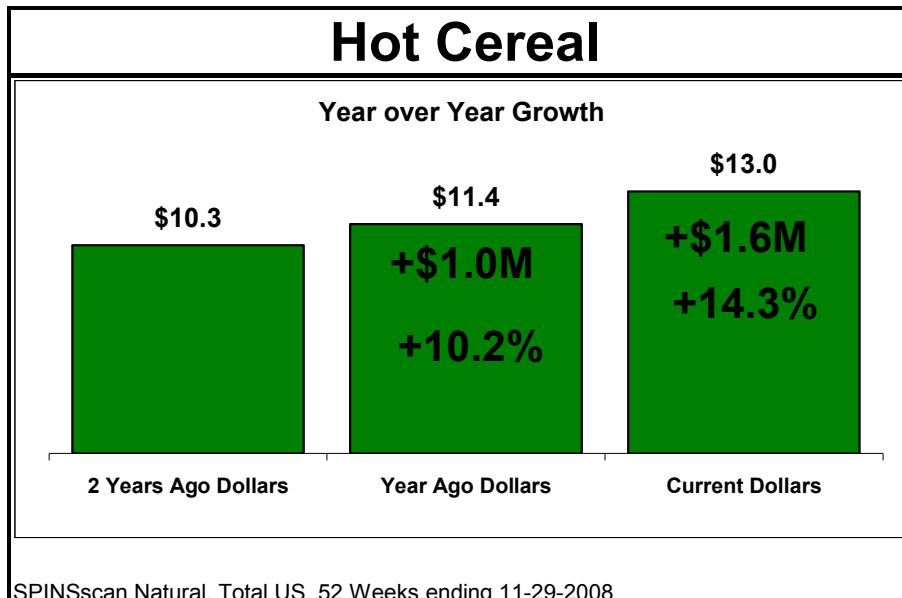
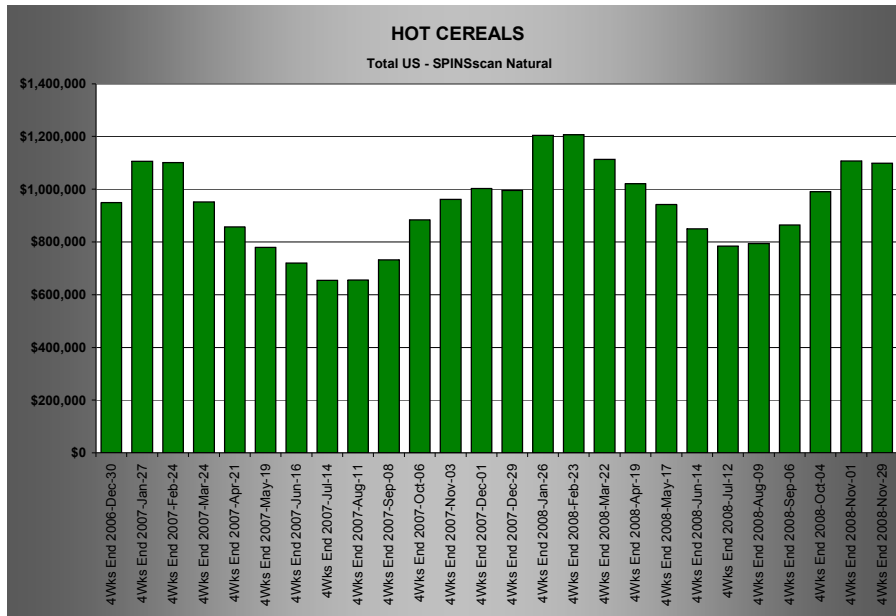


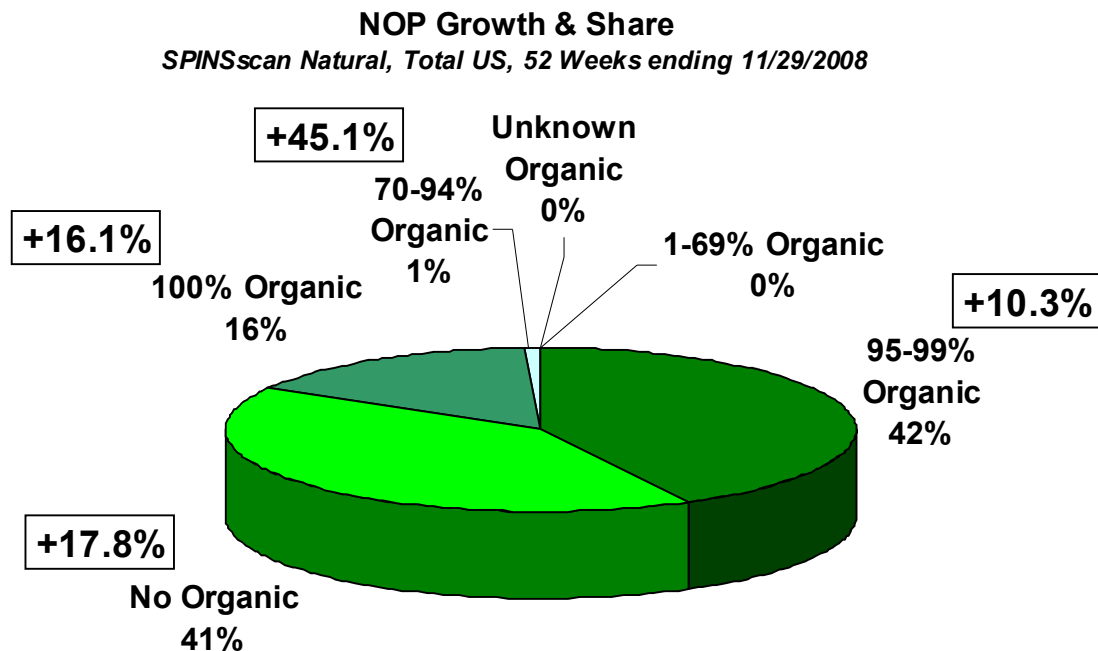
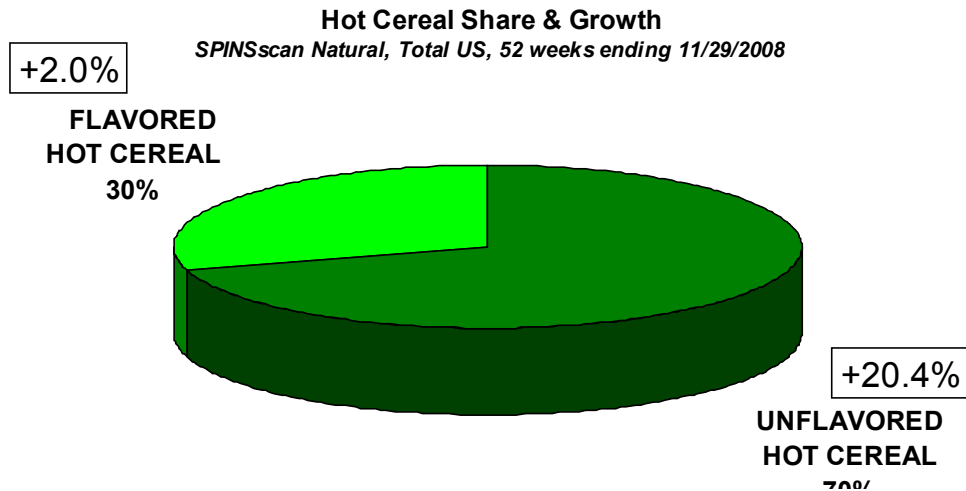


Hot Cereals

As consumers look for new and inviting ways to stretch their natural food dollars it appears that hot cereals are in the perfect position to help. While hot cereal does not generate the excitement generally seen with their cold cereal counterpart many of the natural industries trends can be seen within the product segment. According to SPINS Inc. the hot cereal category has reached dollar sales of \$13.0M and dollar growth of +14.3% for the 52 weeks ending 11/29/2008. January and February have traditionally represented the peak for the category and it appears that 2009 sales will fall in line with that trend.



The hot cereal category saw dollar growth of +14.3% but it is the renewed interest in unflavored hot cereal that is pushing the category upward. Unflavored hot cereal produced more than 70% of the category dollars with dollar growth of +20.4% in the current 52 weeks ending 11/29/2008 vs. year ago. While organic content has been a significant driver of growth for natural grocery that is not the case in hot cereal. Over 58% of the hot cereal dollars are being produced by items with some organic content but dollar growth is being produced by all of the NOP segments.



In a category of 261 active items and 62 active brands (SPINSscan Natural, Total US, 52 weeks ending 11/29/2008) variety is plentiful. Hot cereals are available in many forms (traditional and ready to eat), many flavors (plain being the most popular), and contain a variety of grains and grain combinations. With the many health benefits associated with whole grains, omega 3's, and high fiber it is not surprising to see hot cereal fit the bill for the natural consumer who can literally produce a healthy meal for pennies per serving.