



GENERAL MILLS  
75 *years of*  
innovation invention food & fun



*f*rom flour to submarines, from toys to restaurants, General Mills has been making a difference in people's lives for 75 years.

We fully trace our roots to 1866, and to a pair of flour mills on opposite banks of the Mississippi River that would build a city, anchor a region and change the milling industry forever.

Ours is a rich history. Even before our incorporation as General Mills in 1928, our predecessor companies demonstrated a knack for understanding consumers and providing them with innovative and inventive new products.

Our story goes beyond the grocery aisles to the "preppy craze" of alligator shirts and the invention of the "black box." We created advertising icons and secret spy decoder rings. At one point, we were the largest toy maker in the world.

Today, with brands like Cheerios, Pillsbury, Yoplait, Green Giant, Betty Crocker, Old El Paso, Totino's and Progresso, General Mills is still making a difference in consumers' lives.

It's been 75 years of innovation, invention, food and fun – inside and outside the kitchen both in America and around the world.

# 1930s: *Innovations beyond flour*

*Food companies prosper as consumers turn to new, convenient packaged food items.*



Despite the Great Depression, General Mills made great strides during the 1930s.

General Mills launched two revolutionary products. The first, Bisquick baking mix, was introduced in 1931 to immediate success. Within a year, 95 imitators came to market, but none could displace the original Bisquick. Homemakers quickly realized that the mix could be used for much more than just biscuits, and Bisquick eventually developed the slogan “A World of Baking in a Box.”

The second product, Kix cereal, was the result of the invention of an innovative new machine – the puffing gun. General Mills had entered the ready-to-eat cereal category a decade before with the introduction of Wheaties. But Kix was very different.

The puffing gun, developed by General Mills engineer and chemist Thomas R. James, expanded cereal dough pellets into different shapes – bubbles in the case of Kix. Launched in 1937, Kix was the first puffed corn cereal on the market. Later the puffing gun would be used to produce Cheerios and Trix, among other cereals.

While the food divisions were busy introducing innovative new products, the Chemical division was expanding rapidly, with substantial research on vitamins. The company began “hitting the vitamin trail,” in the words of then-CEO James Ford Bell, when the newly formed General Mills research laboratory discovered that the uncrushed embryo of a wheat kernel was a rich source of vitamins B1 and B2, protein, carbohydrates, iron and phosphorus – a virtual “storehouse of nutrients.”

By studying the effects of vitamins on rats, General Mills was able to produce several different products, including wheat-germ oil, and vitamin A and vitamin D concentrates. The division also developed a process for

creating vitamin D cheaply and efficiently, which allowed General Mills to become one of the largest producers of vitamin D in the world.

Toward the end of the decade, in a move to increase efficiency, the board of directors adopted a plan “for the complete liquidation and dissolution of all subsidiary companies.” Effectively, General Mills became a centralized company in all aspects, operating all of its mills and associated companies across the nation from one location.

Bell created two distinct divisions within the company. One was responsible for flour and feed, while the other took charge of grocery products. The large feed division sold farm animal products, including turkey feeds, cattle fattener and pig and hog meal. The grocery products division sold flour, Wheaties, Bisquick and Kix.

While the new organization had central headquarters in Minneapolis, executives in the regional locations still had great responsibility for day-to-day operations. Centralization simply gave Minneapolis more overall responsibility for activities such as quality control, mill construction and order processing.

Meanwhile, elsewhere in Minnesota, the Minnesota Valley Canning Company (later the Green Giant Company) was developing vegetable technology that would make it one of the premier vegetable producers in the world.

In 1933, Minnesota Valley Canning began using gravity separators to separate tender young peas from the more mature; tender peas were less dense and therefore floated. The company then combined this process with a tenderometer, which tested the tenderness of a pea, allowing the company to separate peas into 10 distinct grades.

One year later, a company researcher created the “heat unit theory,” which improved planting and harvesting techniques. Effectively, it allowed the company to harvest day or night and to program the vegetables to arrive at canneries in an orderly manner. As a result, the slogan “picked at the fleeting moment of perfect flavor” was created.

# On the radio



Washburn Crosby Company, the largest predecessor company of General Mills, purchased WLAG, a failing radio station, in 1924. Changing the station's call letters to WCCO, the company's acronym, it began using the new radio station as a vehicle for groundbreaking advertising and promotions. The 50,000-watt clear channel signal reached far and wide, and WCCO became the region's major source of entertainment.

Washburn Crosby's first shows were the *Gold Medal Flour Home Service Talks* and the *Betty Crocker Cooking School of the Air*. The cooking school was an immediate success, expanding to more than a dozen stations in its second year. It joined the young NBC national radio network in 1927 and continued in various formats for 27 more years.

The Wheaties Quartet made its singing debut on WCCO on Christmas Eve in 1926. It is believed to be the first singing advertisement, and is credited for increasing sales with the jingle "Have You Tried Wheaties?"

WCCO was purchased by CBS in 1932, but General Mills continued to be involved in radio advertisements and sponsorships, including Wheaties sports endorsements, which began in 1933. The company's first baseball sponsorship appeared only on WCCO, but Wheaties ads quickly expanded to 95 stations across the country.

Wheaties also sponsored *Jack Armstrong*, *The All-American Boy*, the first juvenile

adventure serial on radio. The program debuted in 1933 and ran through 1951. In the last few years of its run, the show was called *Armstrong of the SBI* (Scientific Bureau of Investigation). As a tie-in to the cereal, Jack Armstrong would regularly use items that would later appear as premiums offered on Wheaties boxes. The program was inducted into the Radio Hall of Fame in 1989.

Bisquick was responsible for the first radio "soap opera." *Betty and Bob* debuted in 1932 and ran through the end of the decade. The first serial to use melodrama to drive the story, *Betty and Bob* used the central themes of love, hate, jealousy and misunderstanding to tell the story of Betty, a secretary who worked for Bob Drake, the heir to a large fortune. Betty and Bob's world was filled with divorce, murder, betrayal and insanity – daily events that would come to define soap operas. Soap companies would eventually become the principal sponsors of most programs, and unfortunately the name "baking mix operas" just never caught on.

General Mills sponsored nearly 200 shows through the mid-1950s, ranging from serials such as *Dr. Kate* and *Today's Children* to musical programs like *Beat the Band*.





# 1940s: *Food marches on*

*American companies rally around the war effort, pitching in and helping out.*



After the United States entered World War II in 1941, both General Mills and Pillsbury helped the war effort in several ways. Government contracts had General Mills building military equipment, while Pillsbury developed special packaging to ensure that the troops received fresh, quality food. And both companies made concerted efforts to educate the public on nutrition and efficient food consumption.

By 1941, the General Mills Mechanical division had become well-known as a world-class manufacturer of precision machines and equipment. During the war, it changed its focus to military equipment, developing several important advances. For example, the hedgehog, an instrument that would guide missiles to their target regardless of the target's movements, was credited with playing a significant role in sinking more than 300 German submarines.

At Pillsbury, most of the wartime efforts focused on food and its packaging. Pillsbury developed several products for the U.S. Army Quartermaster Corps, including dehydrated soup mixes. The company also provided food for liberated countries as well as for prisoners of war.

On the home front, both companies provided the public with valuable nutrition and recipe information to help consumers during periods of food rationing. General Mills distributed more than seven million *Your Share* Betty Crocker booklets across the nation, providing easy, nutritional meal ideas that housewives could create using war-rationed foods.

In 1941, President Franklin Roosevelt held a National Nutrition Conference for Defense in part to address concepts of food enrichment. General Mills had launched Vibic flour – enriched with vitamin B, calcium and iron – in 1940. And the Pillsbury Flour Mills Company (renamed Pillsbury Mills, Inc. in 1944) had begun enriching its flour

with vitamins and iron in 1941, giving consumers across the nation easier access to foods containing important nutrients. By 1943, bread was required by law to be enriched with vitamins. Reductions in several nutrition-related illnesses were attributed to the enrichment program, called the “greatest contribution ever made to the program of public health.”

Another healthful product introduced during the war years was Cheerioats, the first ready-to-eat oat cereal. Launched in 1941, the name changed to Cheerios in 1945. It also supplied several vitamins and minerals that were the adult requirements at the time.

After the war, both companies returned their focus to nonmilitary products and innovations. Both launched cake mixes in the late 1940s. The General Mills Mechanical division developed a series of consumer appliances in 1946, including the popular Betty Crocker Tru-Heat Iron.

In 1947, a 64-year-old California man approached General Mills with a secret recipe. “I wanted Betty Crocker to give the secret to the women of America,” Harry Baker explained. Refined in the Betty Crocker test kitchens, General Mills debuted Chiffon cake. Heralded as the “cake discovery of the decade,” and “the first new cake in 100 years,” the new Chiffon cake used a secret ingredient – salad oil.

General Mills also developed Brown ‘n Serve rolls – a revolutionary technological development in the grocery world. The idea came to Joseph Gregor, a Florida fireman, in 1949. Gregor had rolls in the oven when the fire alarm sounded, so he turned off the oven. Upon returning, he noticed that the half-baked rolls had kept their shape, so he continued baking them. Thus par-baked rolls and biscuits were born. Gregor, a bakery owner, tested the rolls on his customers with great success. A General Mills salesman brought the idea to the company’s bakeries research laboratories, which perfected the baking process, and obtained a patent. The patent was then given to the entire baking industry. “What is good for the baking industry is also good for the milling industry,” said Leslie Perrin, then-president of General Mills.

# The 'General' in the war

The "General" did its part in the war. Like many companies, General Mills adapted its production and products to help with the effort. Food was important, of course, not just for the troops, but also for families stretching war-rationed supplies back home.

The company's Mechanical division played a particularly important role. In the 1940s, the division was known as one of the best precision manufacturers in the world. Its engineers were meticulous about producing machinery with incredible accuracy. The U.S. Army, Navy and Air Force all looked to tap that innovative precision technology with the division being contracted to produce numerous control instruments, various torpedoes and gunsights.

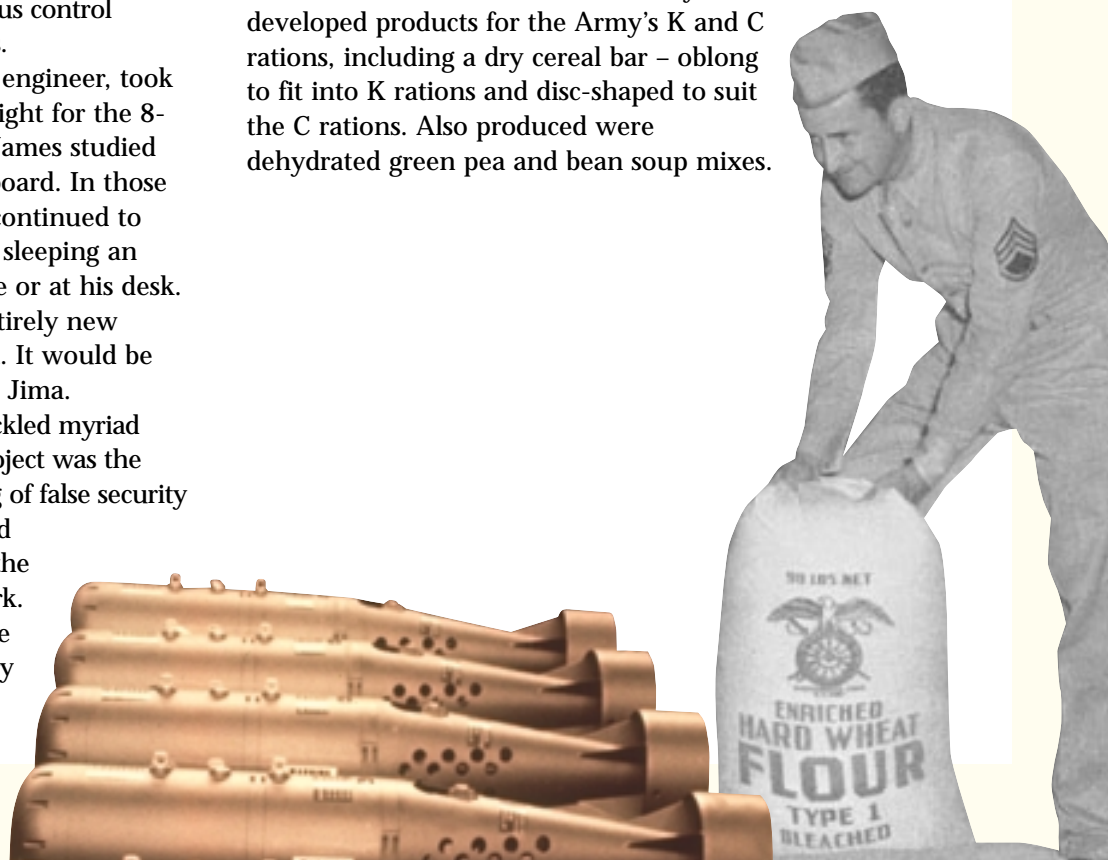
Tom James, a legendary General Mills engineer, took on the difficult task of redesigning the gunsight for the 8-inch gun on Navy warships. For five days, James studied the gunsight and sketched on his drawing board. In those five days, he slept a total of five hours. He continued to work day and night for more than 40 days, sleeping an hour or two each night on a cot in his office or at his desk. In just over one month, he produced an entirely new design for a significantly improved gunsight. It would be put to use months later in the Battle of Iwo Jima.

The Mechanical division ambitiously tackled myriad projects of wide-ranging importance. One project was the jitterbug torpedo. Designed to create a feeling of false security on board the targeted ship, the torpedo would appear to go in the wrong direction, then at the last minute turn at a right angle to hit its mark. The torpedo could even do U-turns and figure 8s in what the Navy called "unusual trajectory patterns."

But the division's most unusual project may have been the training of live pigeons to be bomb pilots. Famed Professor B.F. Skinner trained the pigeons to guide the bombs to their targets, while the Mechanical division built precision guidance equipment to allow a three-pigeon team to tap their way to the target – directing this early "smart bomb" with their beaks. Although "pigeon bombers" never played an actual part in the war, the project remained classified for a decade.

While General Mills was producing military machinery, Pillsbury was assisting the troops by developing special foods and unique packaging to better suit the needs of soldiers. For example, Pillsbury worked with several companies to develop waterproof sacks of food that could be dropped out of enemy range and float to soldiers in need.

Both General Mills and Pillsbury developed products for the Army's K and C rations, including a dry cereal bar – oblong to fit into K rations and disc-shaped to suit the C rations. Also produced were dehydrated green pea and bean soup mixes.



# Revolutionary technology

For almost 40 years, the General Mills Mechanical division designed and manufactured a wide range of products, from milling and flour packing equipment to submarines.

The division had its roots in Washburn Crosby Company's Manufacturing Service department, established in 1926 with only six employees. Headed by Helmer Anderson, the department was charged with keeping the flour milling machinery running smoothly. Along the way, the group developed extraordinary capabilities and some revolutionary machinery, such as the Anderson sealer, a machine that glued flour packages closed rather than tying them with string. The Long packer, an innovative machine designed by George Long, filled different size flour bags, automatically knowing when the bag was full.

The division expanded and began working on projects beyond the scope of food, including working with the U.S. Navy. With war looming, government contracts continued to arrive. General Mills' largest mechanical facility was known as a "defense plant," and was part of President Franklin Roosevelt's "Arsenal of Democracy."

Immediately after the Pearl Harbor attack, it became a "war plant," complete with armed guards. General Mills' involvement with the military eventually became so

extensive that nearly 90 percent of the plant's employees were working on war-related projects. Most of the milling-related work was moved to a smaller facility in Iowa. The company's dedication and hard work earned the Mechanical division four U.S. Army-Navy "E" awards for excellence.

After the war, the Mechanical division turned its attention back to nonmilitary work, providing consumer appliances such as irons, toasters and pressure cookers.

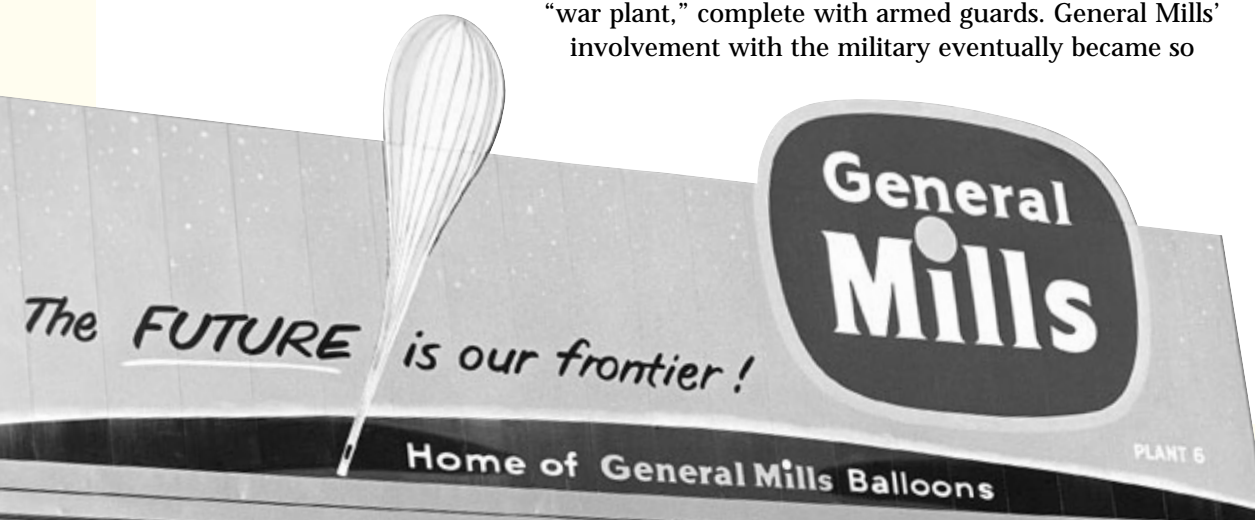
In 1947, residents in Minneapolis began reporting strange silvery objects overhead. They were assured they had nothing to worry about, but

when the balloons first started appearing, General Mills could not tell the witnesses that its Mechanical division had begun working with the U.S. government on hot air balloon projects. The majority of the flights were to collect information about the upper atmosphere, though some were estimating the spread of potential radioactive fallout in the cold war atomic era.

The balloon department did projects for the Air Force, Office of Naval Research, Atomic Energy Commission and North American Aviation, among others.

Project Strato-Lab, which began in 1946 and continued through the 1950s, yielded valuable information about cosmic rays as well as atmospheric observations not possible from the ground.

By 1963, General Mills decided to once again concentrate on consumer goods and convenience foods, divesting its electronics and mechanical holdings.





# 1950s: *Peace and prosperity*

*The postwar economy booms, as consumers enjoy the many convenient new products seen on TV.*

The 1950s was a time of change in the United States. World War II was over, and the country was enjoying the prosperity of a postwar economy. It was a decade of change for Pillsbury and General Mills, too, both domestically and internationally.

In 1951, Pillsbury purchased Ballard & Ballard Co., Inc. Pillsbury's then-CEO Paul Gerot said, "They had one interesting product, Ballard OvenReady biscuits, and a good piece of their profit was coming from this product. If we could build a mix business with a variety of products – pancake and pie crust and cake mix and hot roll mix, and so on – why can't we put research behind this refrigerated idea and develop a wide range of refrigerated products – cinnamon rolls and so on?"

Ballard & Ballard held the patent for a packaging technology for refrigerated dough, which came with the acquisition. Although Ballard hadn't moved its products beyond regional distribution, Gerot saw opportunity.

Gerot asked Ballard employees to list every product they thought was possible using the packaging technology and refrigerated dough. They came to him with a list of about 50 products. Three years later, Pillsbury Quick Cinnamon Rolls hit the market, the first of that list.

Pillsbury was producing 10 different biscuit and roll varieties by 1957. By the end of the decade, refrigerated dough reached profits of \$5.6 million.

In 1958, Pillsbury built a food production plant next to its flour mill in Ontario, and several flour mills in Guatemala. In 1960, Pillsbury snatched an opportunity to purchase interest in a mill near Caracas, Venezuela, beginning an international expansion trend that would continue for many years.

General Mills also expanded internationally in the decade, creating General Mills Canada and constructing a facility in Rexdale, Ontario. General Mills Canada launched its first products, Cheerios and Wheaties cereals and Betty Crocker dessert mixes, later that year.

The decade saw continued expansion of General Mills cereal brands, with the company's first presweetened cereal, Sugar Jets, coming in 1953, followed by Trix the next year and Cocoa Puffs in 1958.

The General Mills Appliance division continued to expand in the 1950s as well, with the addition of food mixers, waffle bakers, coffee makers and deep fryer-cookers. The appliance business was sold to Illinois-based McGraw Electric Company in 1954. Revenue from the sale was used to expand the Mechanical division.

Although the Mechanical division began working with high-altitude, lightweight balloons with the Office of Naval Research in the 1940s, its involvement took off in the 1950s. Among the endeavors was "Project Skyhook," which required General Mills to develop a bigger and better plastic balloon that could reach heights of more than 100,000 feet. The purpose of Skyhook was to collect information on phenomena in the upper atmosphere.

On May 17, 1954, a Skyhook balloon reached the record altitude of 116,700 feet – more than 22 miles above the earth's surface. This particular balloon was the largest ever built – 282 feet long when deflated and 200 feet in diameter when inflated. Sent up to study cosmic rays, the huge balloon could be seen at distances of up to 90 miles.

Two General Mills researchers, Keith Lang and Harold "Bud" Froelich, even made it into the Guinness Book of World Records for ascending in an open gondola to 42,150 feet in 1956. They were researching the weight of various papers, wind direction and scatter patterns for leaflet drops.





# On the tube

General Mills was truly a television pioneer. In 1939, Wheaties sponsored the first televised commercial sports broadcast, a game between the Cincinnati Reds and the Brooklyn Dodgers. The audience for that inaugural baseball broadcast was the roughly 500 owners of television sets in New York City, with Red Barber providing the commentary.



The Betty Crocker Television Show with Adelaide Hawley

General Mills immediately recognized the potential of the new medium and quickly began using popular radio personalities on television, including the Lone Ranger, and George Burns and Gracie Allen to market General Mills products.

The popularity of the General Mills-sponsored *The Lone Ranger* radio show, which began in 1941, quickly carried over to the new medium. Since he was always on the side of justice, high standards were set for the western hero. George Trendle, who created the character, said, "We try to convey messages that subtly teach patriotism, tolerance, fairness, and respect."

When *The Lone Ranger* first moved to television in 1949, there were only about a million television sets in the United States. By 1952, that number had grown to approximately 16 million. The Lone Ranger, his horse Silver and his faithful companion Tonto appeared regularly on television until 1961.

Following in the footsteps of the popular Betty Crocker radio show, General Mills developed *The Betty Crocker Television Show*, with Adelaide Hawley as Betty Crocker.

Hawley also appeared as Betty Crocker in segments of the *Bride and Groom* television show, giving advice to new homemakers. In 1952, Bisquick, Gold Medal and other brands began sponsoring the show, which also had begun on radio. The show was set in a specially designed studio chapel where viewers would watch a wedding take place.

From the mid-1950s through the 1970s, General Mills and Pillsbury sponsored myriad shows. Pillsbury supported popular programs hosted by Arthur Godfrey and Art Linkletter. General Mills sponsored *Ding Dong School*, featuring real-life preschool teacher Mrs. Frances Horwich, which was a surprise hit. It received fan mail from young children across the country and won a Peabody Television Award for "Outstanding 1952 Children's Program."

One of the most well-known shows sponsored by

General Mills featured Rocket J. Squirrel and his sidekick Bullwinkle J. Moose. When *Rocky and His*



*Friends* made its ABC debut on November 19, 1959, audiences watched a moose and squirrel soaring toward earth on a return visit





Box Top Robbery episode from Rocky and His Friends television show

from the moon. The two residents of Frostbite Falls, Minnesota, had been blasted into outerspace when the quick-rising moose-berry cake they were baking exploded. Subtle, humorous references to

General Mills were often woven into the show's plots. In one storyline airing over 12 episodes, Boris Badenov hatched a scheme to counterfeit cereal box tops, since they were "the real basis for the world's monetary system."

In its first season, *Rocky and His Friends* topped the Nielsen ratings for daytime shows. In 1961, it joined NBC's evening lineup. Renamed *The Bullwinkle Show*, the prime-time version was produced in color. New characters were added to the cast, including the lovable, but bumbling Dudley Do-Right of the Canadian Mounties and his nemesis, Snidely Whiplash.

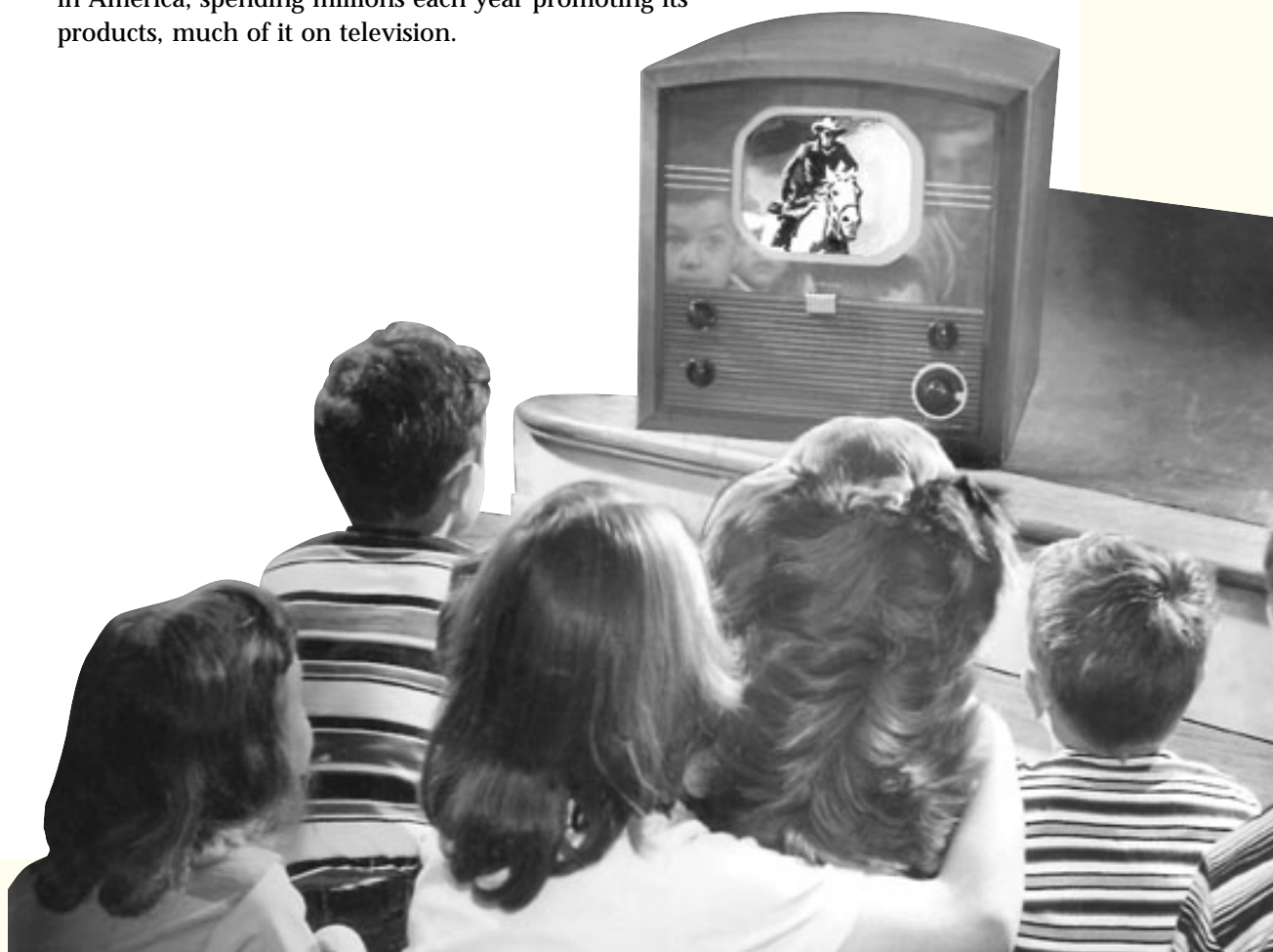
Although the last new Rocky and Bullwinkle episode ran in 1964, the squirrel and his sidekick have never really left the airwaves. Thanks to syndication, new generations of children know the crazy capers of the lovable moose and squirrel and their Cold War counterparts, Boris and Natasha. Adults love Bullwinkle, too – and even today the clever stories appeal to a broad audience.

Sponsorship of television shows diminished in the latter 1950s through the 1960s as television's gain in ratings made sponsorship prohibitively expensive. Most major advertisers – including General Mills and Pillsbury –

turned to spot advertising. General Mills has advertised on some of the era's most popular television shows, including *The Life and Legend of Wyatt Earp*, *I Love Lucy*, *The Flintstones*, *Lost in Space*, *Dick Van Dyke*, *The Carol Burnett Show* and many, many more.

Pillsbury aired commercials on *The Ed Sullivan Show* for many years, including that famous episode in February 1964, when the Beatles appeared on U.S. television. An estimated 70 million viewers, more than 40 percent of the homes with TV sets, tuned in. The Beatles rocked America that night with "She Loves You" and "I Want to Hold Your Hand."

General Mills remains one of the biggest advertisers in America, spending millions each year promoting its products, much of it on television.



# 1960s: *Not just toying around*

*Society changes, and businesses change, too, diversifying and expanding internationally.*



General Mills welcomed the 1960s by introducing a new method of flour milling. The Bellera Air Spun milling process drastically reduced the amount of time and number of people necessary to mill high-quality flour.

Research on a new flour milling process had begun about 30 years earlier with James Ford Bell's instruction to "simplify" the cumbersome milling process. Bellera, named after James Ford Bell and his son Charles Bell, not only simplified the process, but also milled a higher quality, more uniform flour in one-third less space.

Early in the decade, General Mills dramatically changed its focus from commodity-oriented to consumer-oriented. Within years, the company closed half of its flour mills, exited the feed business and divested its mechanical and electronic holdings – beginning a period of dramatic growth through acquisition.

Between 1961 and 1969, General Mills went on a buying spree, purchasing 37 companies in the United States and abroad – the majority nonfood companies. Although six of those acquisitions were rather quickly divested, General Mills was still a "power to be reckoned with" according to *Financial World* magazine.

During this period, General Mills developed a formidable Toy division, with the acquisition of Rainbow Crafts, makers of Play-Doh modeling compound, in 1965, Kenner Products in 1967, and Parker Brothers, in 1968. General Mills began building its clothing and fashion business with the acquisition of Monocraft Products, maker of Monet jewelry, in 1968 and David Crystal, Inc., maker of Izod and Lacoste shirts, in 1969.

The food business was still central to the company, even during this time of great acquisition. Not only did

Betty Crocker dessert mixes expand with a variety of flavors, but the company began its snack business with a bang, as Bugles, Whistles and Daisy\*s were introduced in the middle of the decade. Total and Lucky Charms cereals were created as well.

While General Mills was expanding its operations domestically, Pillsbury was continuing its rapid international growth, acquiring mills in Ghana and Venezuela, and eyeing the European market.

Pillsbury's first European acquisition was Etablissement Gringoire, S.A., with headquarters near Paris. It was an important purchase for Pillsbury, as the 100-year-old Gringoire name was well-respected, and it had several market-leading products.

A year later, Pillsbury made three more European purchases: Paul Erasmi, G.M.B.H., a West German fruit and vegetable canner; H.J. Green & Co., an English baking mix company; and Dorai, S.A., a Swiss cookie company.

Pillsbury also acquired interest in an Australian mix company, as well as flour mills in the Philippines. This rapid expansion added about \$40 million to Pillsbury's total sales.

The company also was active on the home front. Pillsbury's most important domestic acquisition was the Burger King Corporation in 1967, its first restaurant acquisition. Pillsbury quickly grew the Florida-based chain from 275 restaurants in 1967, to 489 locations in 1969.

Additionally, Pillsbury developed a low-calorie drink mix called Funny Face. Six flavors of the drink quickly entered the national market in 1969.



# 1970s: *From yuppies to yuppies*

*Convenience and health gain prominence in grocery aisles as more women enter the work force and baby boomers look for healthier choices.*



Consumer demographics were changing dramatically. More women were entering the work force and baby boomers were starting their careers, representing a formidable new consumer base.

To assist busy families, General Mills introduced Hamburger Helper dinner mixes in 1971 in five flavors. Tuna Helper was released the following year.

General Mills rolled out Nature Valley brand granola cereal in 1973. It was the company's first attempt at a 100 percent natural ready-to-eat cereal. The new cereal was touted as healthy and versatile. Advertising pointed out that granola could be eaten as a snack, used as an ice cream topping or as a baking ingredient, as well as a breakfast cereal.

Two years later, Nature Valley granola bars were introduced. The bars were 100 percent natural with no additives or preservatives. General Mills was the first major food company to sell granola bars.

General Mills introduced French-style blended Yoplait yogurt, after licensing the brand from Sodima, a French dairy cooperative in 1977. Sodima had launched the product in France in the early 1960s and had marketed the product regionally in the United States through licensees in the mid-1970s. The product caught the attention of General Mills, and Yoplait USA was created in 1977.

During the late 1970s, Pillsbury divested some of its "toe-hold acquisitions," including a wine business, interest in a Minneapolis housing developer, a flower business and several magazines. The company also made a series of consumer foods acquisitions. Pillsbury acquired Totino's Finer Foods, Inc. in 1975. For

several years, Pillsbury had been searching for an avenue to enter the frozen food category. Minneapolis-based Totino's provided the perfect solution. Totino's held the No. 2 position in the frozen pizza category and had yet to expand to the populous East Coast. In 1978, after patenting a "crisp crust," Totino's became the top-selling frozen pizza in the country.

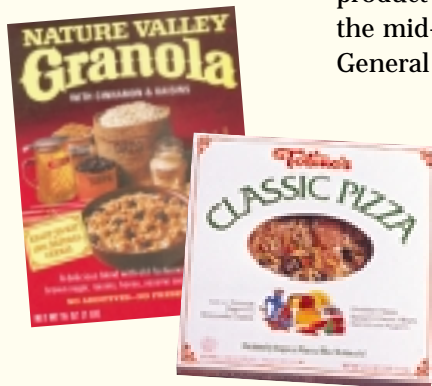
A second important consumer foods acquisition came in 1979, when Pillsbury purchased the Le Sueur, Minnesota-based Green Giant Company. The Jolly Green Giant was as well-known as the Pillsbury Doughboy, and the company had sales of nearly a half-billion dollars. Green Giant was the country's leading producer of canned and frozen vegetables, with a line of frozen entrees in development.

With the emergent use of microwave ovens, both General Mills and Pillsbury helped consumers make use of this new technology. Betty Crocker began a newsletter called "Microwave Memos" in 1976, with directions and recipes for the new appliance. In 1978, Pillsbury introduced microwave popcorn and pancake products.

Outside of the grocery aisle, General Mills expanded into the retail sector, acquiring Eddie Bauer and The Talbots.

General Mills found success in its Toy division when Kenner Products purchased the "galaxy-wide" rights to the *Star Wars* movies in 1977. The *Star Wars* licensing opportunity had been turned down by other leading toy companies, but Bernard Loomis, then president of Kenner, thought the movie had potential. He was right.

The movie was so popular and the demand for toys was so overwhelming, dramatically outstripping supply, that General Mills had to sell "certificates of ownership" assuring children they could purchase the popular toys when they actually made it off the production line.



# Something for everyone



Growth through acquisitions has been a key strategy for General Mills throughout its history. In the beginning, General Mills acquired companies that were close to its milling roots. Later, the company branched out, purchasing toy companies, restaurants, clothing companies and more.

In the 1960s, General Mills underwent a dramatic transformation, shifting its focus from commodity-based goods to consumer products. It closed half of its flour mills, exited the feed business and divested its electronic and mechanical businesses.

Then the company went on a bold shopping spree, buying a wide range of consumer products, including toys, furniture and clothing. Rainbow Crafts, maker of Play-Doh modeling compound, was General Mills' first toy company acquisition in 1965. Two years later, the company purchased Kenner Products, gaining a toy box full of popular playthings including the Easy-Bake Oven and Spirograph.

The next move was to purchase Parker Brothers in 1968, makers of classic board games including

Monopoly, Risk and Clue. The addition of Craft Master Corporation and its subsidiary, Model Products Corporation, added craft kits and Lionel trains to the General Mills family of products.

In the late 1960s, General Mills moved into the fashion business with its purchase of Monet jewelry and its parent company, Monocraft. Soon after, Izod's iconic alligator joined the General Mills family with the purchase of David Crystal. Other David Crystal brands included Lacoste and Haymaker. Later additions to the company's wardrobe included Foot-Joy footwear, with its leading line of golf shoes; Ship 'n Shore, a producer of women's shirts and blouses; and Kimberly Knitwear.

With garment industry experience under its belt, General Mills expanded into the retail sector in the 1970s, acquiring Eddie Bauer and The Talbots. Other retailers soon followed, including LeeWards and Wallpapers To Go.

As the decade progressed, General Mills acquired collectible stamps (H.E. Harris & Co.), a travel agency (Olson-Travelworld) and fine furniture (Kittinger, Pennsylvania House and Dunbar). Pillsbury, too, explored new ventures with the purchase of *Bon Appétit* magazine and Souverain, a California winery.

Because consumers were increasingly dining away from home, both companies made significant investments in restaurant



businesses throughout the 1960s and 1970s. Pillsbury acquired Burger King in 1967. A few years later, General Mills picked up a fledgling chain of seafood restaurants – Red Lobster – and later developed The Olive Garden Italian restaurant concept.

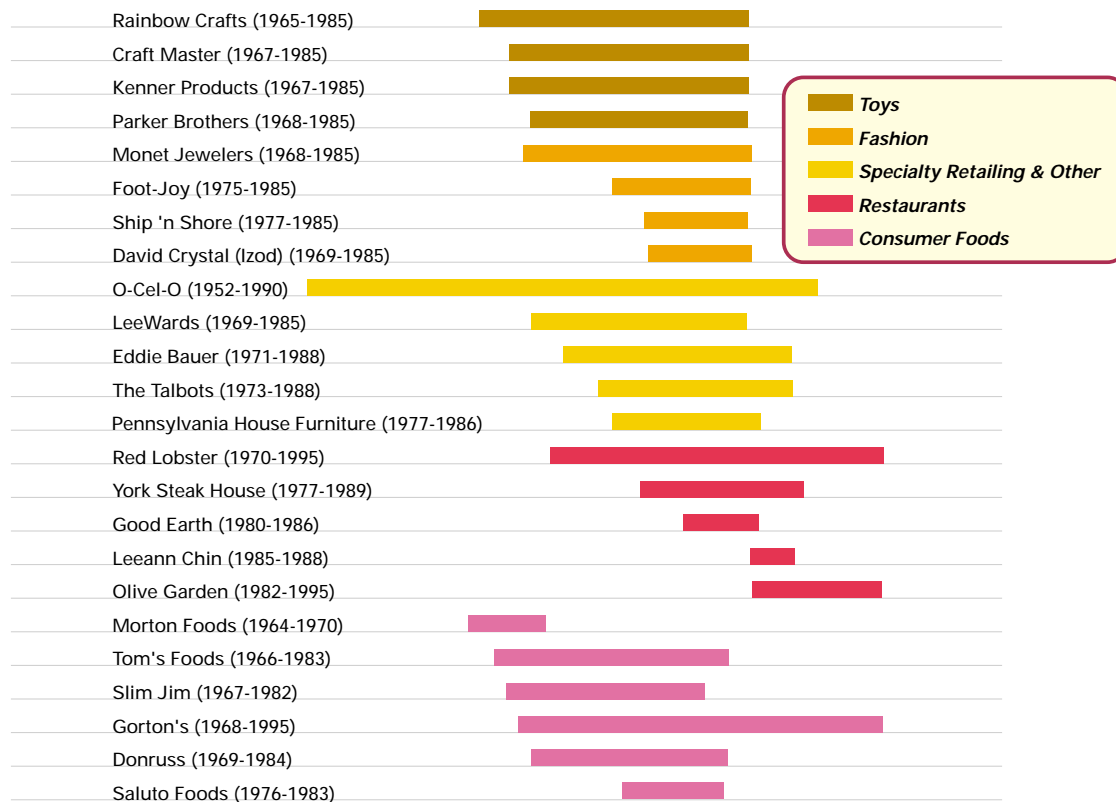
Growth through acquisition was important to both companies' consumer foods businesses as well. General Mills bought snack company Tom's Foods in 1966 and seafood producer Gorton Corporation in 1968. Pillsbury entered the pizza business with its 1975 purchase of Totino's Finer Foods. Green Giant was a big acquisition in 1979, and Häagen-Dazs was scooped up a few years later.

General Mills began the 1980s with a diverse portfolio of consumer-focused businesses. The company consisted of five divisions: Consumer Foods, Fashion, Toys, Restaurants and Specialty Retailing. As the 1980s progressed, the company divested most of these businesses, and by 1990, General Mills had narrowed its focus to two businesses: consumer foods and restaurants.

In 1989, Pillsbury underwent a major change, being purchased by Britain's Grand Metropolitan plc. Under GrandMet, Pillsbury bought Pet, Inc. in the mid-1990s, acquiring important new brands, including Old El Paso and Progresso. When GrandMet merged with British-based Guinness in 1997, Pillsbury became part of the newly formed Diageo plc.

With the spinoff of its restaurant businesses into Darden, Inc. in 1995, General Mills began a new round of acquisitions. The Chex and Chex Mix franchise was purchased from Ralcorp in 1997. Other acquisitions soon followed, including Gardetto's snacks; organic food brands Cascadian Farm and Muir Glen; and Lloyd's Barbeque Company. By the end of the decade, General Mills was positioned to make the largest acquisition in its history – the purchase of Pillsbury.

## Major Acquisitions & Divestitures



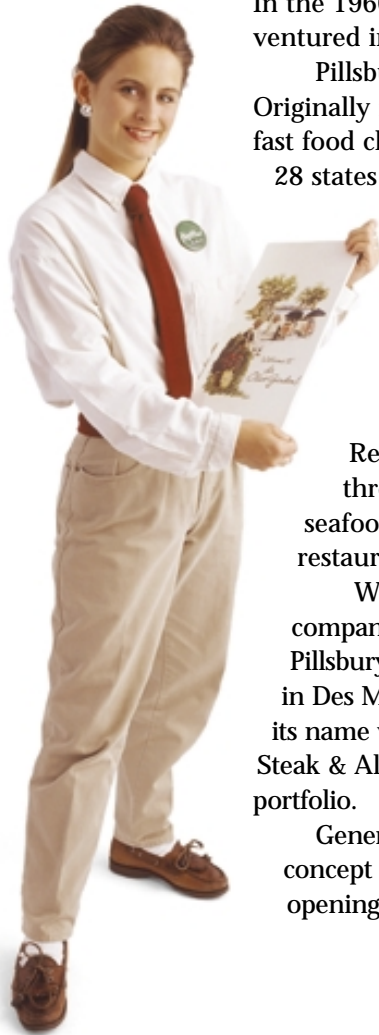
General Mills

Pillsbury

Cascadian Farm and Muir Glen (2000)  
 Lloyd's Barbeque (1999)  
 Gardetto's (1999)  
 Yoplait USA (1977)  
 Totino's (1975)  
 Green Giant (1979)  
 Häagen-Dazs (1983)  
 Old El Paso and Progresso (1995)



# Service with a smile



In the 1960s, both General Mills and Pillsbury ventured into the restaurant business.

Pillsbury purchased Burger King in 1967. Originally founded in 1954, the Florida-based fast food chain consisted of 275 restaurants in 28 states at the time. With the acquisition,

Burger King co-founder James McLamore predicted there would be more than 1,250 restaurants and \$400 million in annual sales by 1975.

Pillsbury did better. By 1975, there were 1,395 stores with total sales of \$706 million.

General Mills purchased its first restaurant, Red Lobster Inns of America, in 1970. Then just a three-restaurant operation, the Florida-based seafood chain expanded quickly, adding 350 restaurants in a single decade.

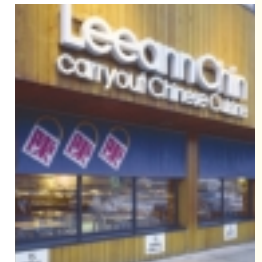
With the success of their first ventures, both companies delved further into the restaurant business. Pillsbury began testing the Poppin Fresh Pie Shop concept in Des Moines, Iowa, in 1969. When it was sold in 1983, its name was changed to Bakers Square. Pillsbury acquired Steak & Ale and Bennigan's to expand its restaurant portfolio.

General Mills developed The Olive Garden restaurant concept on its own in 1982, with the initial restaurant opening in Orlando, Florida. It was one of the first Italian



restaurant chains, opening up to 50 new restaurants every year at its peak of growth. At various times, General Mills also owned Leeann Chin, Darryl's, Good Earth, Casa Gallardo, York Steak House and China Coast.

When The Pillsbury Company was purchased by Grand Metropolitan in 1989, Pillsbury's restaurants were separated from consumer foods to operate as a separate division. In 1995, General Mills spun off its restaurant businesses to shareholders as Darden Restaurants, named in honor of William Darden, the founder of Red Lobster. Today, Darden remains a leader in the family dining category, listed on the New York Stock Exchange.



# 1980s: *When less is more*

*Conglomerates streamline, returning greater shareholder value through renewed focus.*

General Mills was one of the largest toy makers in the world by the beginning of the 1980s. Profit fluctuations in both the toy and clothing divisions, however, led General Mills to make a very important business decision mid-decade. With shareholders in mind, General Mills decided to divest both divisions and concentrate more fully on its main strength – food.

General Mills' focus was solely food when it spun off its Fashion division (as Crystal Brands, Inc.) and its Toy division (as Kenner Parker Toys, Inc.) in 1985, and its Specialty Retailing division, which included shops and mail-order catalogs such as The Talbots and Eddie Bauer, in 1988.

After the divestitures, General Mills consisted of the Consumer Foods division, and the Restaurant division.

Explaining the company's actions, then-CEO Bruce Atwater said, "The companies with the very best results concentrate their resources and their management in a very limited number of businesses which they know well." General Mills owned both Red Lobster and The Olive Garden, and had acquired three more restaurants – Darryl's and Good Earth in the early 1980s and Leeann Chin in 1985.

Yoplait achieved national distribution of its original French-style yogurt in 1982, followed by successful launches of Yoplait Light, Yoplait Custard Style and snack-size packs.

By the mid-1980s, microwaves had proven themselves indispensable in kitchens nationwide. After considerable development, General Mills introduced

Pop Secret popcorn in butter and natural varieties. It quickly built a devoted following.

Similarly, Fruit Roll-Ups fruit snacks made a big impact in the 1980s. The concept expanded into Fruit Bars, Fruit Wrinkles, and shaped fruit snacks, such as The Berry Bears and Shark Bites.

The new salad mix product Suddenly Salad was launched in 1987. It capitalized on consumers' interest in lighter meals and pasta. The unique packaging included a pouch that was used both as a cooking bag and a colander for quick preparation.

Pillsbury made a critical acquisition in 1983. The company purchased New York-based Häagen-Dazs, already established as the premier ice cream brand in the United States. Pillsbury also established Häagen-Dazs Japan, a joint venture with two Japanese companies in 1984.

By the end of the decade, an unsolicited offer was made to purchase The Pillsbury Company. Drawn by the strength of Pillsbury's brands and the scope of its consumer-based businesses, the British company Grand Metropolitan plc, known as GrandMet, approached Pillsbury with an offer. Pillsbury management initially refused, but after GrandMet tendered its offer to Pillsbury shareholders, management negotiated a sale. It was 1989. For the second time in its history, Pillsbury was British-owned.

Under GrandMet, Pillsbury's full-service restaurants, including Bennigan's and Steak & Ale, were sold, and Burger King was separated from the rest of the business. The remaining parts of Pillsbury were organized into four areas: Pillsbury, GrandMet Foodservice, Häagen-Dazs and GrandMet Foods Europe.



# 1990s: *A world of change*

*The world becomes smaller, with globalization in the Internet age.*



Two important joint ventures were formed to drive General Mills' international growth in the new decade. Cereal Partners Worldwide, a 50-50 joint venture with Nestlé, coupled General Mills' cereal expertise with Nestlé's powerful sales and distribution network to form a new ready-to-eat cereal company outside of North America in 1991.

Snack Ventures Europe combined General Mills' European snack operations, including Smiths Foods and Biscuiterie Nantaise, with those of PepsiCo to form continental Europe's largest snack foods company the following year.

The national launch of Pillsbury's Grands! refrigerated biscuits was extremely successful in 1992. Green Giant frozen Pasta Accents and Create a Meal! meal starters were also popular entries in grocery stores.

General Mills decided to exit the restaurant business in 1995, spinning off its restaurants to shareholders as a separate company. Named Darden Restaurants, Inc., and listed on the New York Stock Exchange, it was a \$3.2 billion public company. As the 1995 annual report explained to shareholders, "We believe that highly focused companies with tightly integrated strategies, organization and incentive programs produce the strongest growth performance, so we separated General Mills into two independent companies – one for consumer foods and one for restaurants."

That same year, Pillsbury acquired Pet, Inc., gaining the Progresso and Old El Paso brands. Old El Paso was already a market leader in the Mexican food category, but Progresso was well behind Campbell's in the canned soup category in the United States. Under Pillsbury, the

Progresso brand began gaining – positioning itself with a quality message as the ready-to-eat soup for adults.

General Mills' Cheerios brand was expanding in the 1990s, adding four new varieties: Apple Cinnamon, MultiGrain, Frosted and Team Cheerios. Team USA Cheerios was launched for General Mills' sponsorship of Team USA in the 1996 Olympic Games in Atlanta. Team Cheerios arrived on grocery shelves after the Olympics. In 1999, to help celebrate the new millennium, Cheerios offered a once-in-a-lifetime flavor – Millenios, with brown-sugar sweetened "2"s mixed in with the "O"s.

In December 1997, Grand Metropolitan, Pillsbury's parent company, merged with Guinness, a British spirits company, to form Diageo plc.

General Mills acquired the Chex franchise in 1997, adding both Chex cereal and Chex Mix snacks; then added Gardetto's snacks and Lloyd's Barbeque Company, both in 1999.

The 1999 launch of Go-GURT, yogurt in a tube, offered consumers a nutritious food to eat on the go. Initially, the production of this yogurt couldn't keep pace with the high consumer demand.

Already fortified with vitamins, many Big G cereals strengthened their health profile in the late 1990s. Cheerios, which has been clinically shown to lower cholesterol levels when included as part of a low-fat diet, earned the right to bear the Food and Drug Administration's approved heart healthy claim in 1997. In 1999, calcium was added to several cereal brands. Many Big G cereals, including Cheerios, Wheaties and Whole Grain Total, also qualified to carry the new FDA-authorized claim that whole-grain foods play a role in the fight against heart disease and certain cancers.





# Our communities

General Mills and its people have always been committed to helping our communities.

When one of the company's founders, Cadwallader Washburn, died in 1882, he left behind an endowment for an orphanage to serve children "without question or distinction as to age, sex, race, color or religion." John S. Pillsbury was so dedicated to Minnesota that he not only served as governor but also is known as the "father" of the University of Minnesota, its first major benefactor.

The General Mills Foundation was established in 1954. Initially, Foundation grants focused on education, but the focus has expanded to include grants to arts and culture; youth nutrition and fitness; and family life.

General Mills employees are actively involved as volunteers and leaders in their communities. Seventy percent of employees give their time and resources to local agencies. Throughout the United States and Canada, General Mills employees are significant contributors to the United Way, pledging millions of dollars each year to local campaigns. These pledges are matched dollar-for-dollar by the General Mills Foundation.

As a food company, General Mills is strongly committed to feeding the hungry, donating to foodbanks the

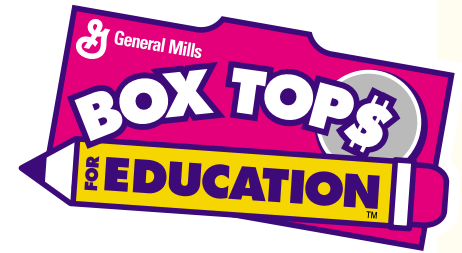
equivalent of three semi-trailers of food a day.

General Mills has a long history of innovative corporate giving. In the 1970s, General Mills redeveloped the Stevens Court area, an inner-city Minneapolis neighborhood. In the 1980s, the company partnered with the Wilder Foundation and created Altcare to explore alternative health care for seniors. In the 1990s, General Mills lent financial support and technical expertise to Siyeza, a minority-owned food company providing living-wage jobs to inner-city residents.

In the 1990s, General Mills made a long-time commitment to revitalizing a troubled inner-city Minneapolis neighborhood, convening the Hawthorne Huddle, a monthly meeting bringing together community partners to solve livability issues.

In 2002 the General Mills Champions Youth Nutrition and Fitness initiative was launched to help youth improve their nutrition and fitness behavior.

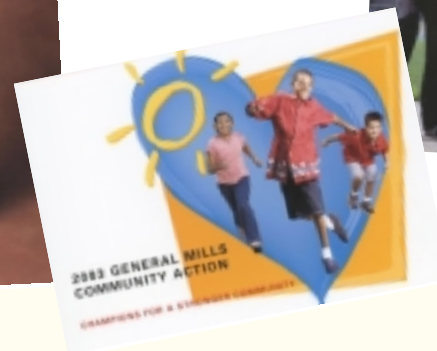
In addition, General Mills brands donate millions of dollars to worthwhile causes annually through programs such as Box Tops for Education and Yoplait's Save Lids to Save Lives.



Washburn Memorial Orphan Asylum

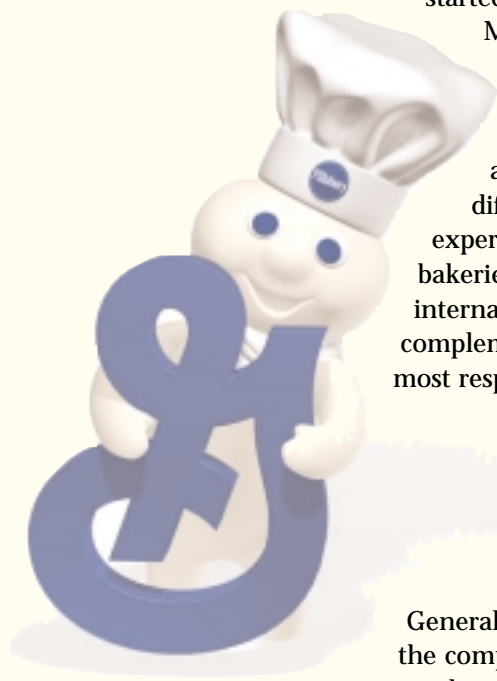


John S. Pillsbury memorial at University of Minnesota



## 2000s: *Together even better*

*General Mills gears up for faster growth with its acquisition of Pillsbury – and becomes one of the world's largest food companies.*



In the spring of 2000, General Mills CEO Steve Sanger had dinner with Paul Walsh, head of Diageo. Walsh was interested in selling Diageo's food businesses. The late 1990s had been a frenzied period of consolidation within the food industry. Kraft and General Foods merged. PepsiCo bought Quaker. Kellogg's bought Keebler. Companies were looking for product variety and scale.

Sanger saw tremendous opportunity in the potential merger of Pillsbury and General Mills. Both companies had started as flour milling companies on the banks of the

Mississippi River. From these milling roots,

General Mills had leveraged its grain expertise into breakfast cereals, cake mixes and grain-based snacks, adding other food businesses along the way. Pillsbury had evolved in a different direction, developing unmatched expertise in refrigerated dough products, a strong bakeries and foodservice business and a growing international portfolio. Their individual strengths complemented each other. Each was among America's most respected food companies; together, they could

become one of the largest, most respected food companies in the world. Even

more importantly, Sanger believed the two companies could grow faster together than either could separately.

A deal was struck, and in July 2000, General Mills announced the most significant event in the company's history since James Ford Bell had united several regional millers to form General Mills. The



acquisition of Pillsbury would dramatically increase General Mills' international sales and quadruple its foodservice sales. General Mills would divest Pillsbury desserts and several smaller flour brands, but would substantially increase its presence by adding a variety of categories, from refrigerated dough to frozen foods to ready-to-serve soup, throughout the grocery store.

After months of regulatory review, the company marked its first day as the new General Mills on October 31, 2001. Sanger rang the opening bell at the New York Stock Exchange on November 1, 2001, to mark the first day of trading as the new "blue chip" General Mills. Special "blue chip" cookies were distributed to commemorate the event.

The acquisition was a huge undertaking and had its share of challenges. But the combination has created a stronger company with a record of solid performance.