FORM 10−Q

GENERAL MILLS INC − gis

Filed: March 30, 2007 (period: February 25, 2007)

Quarterly report which provides a continuing view of a company's financial position

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10−Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED FEBRUARY 25, 2007**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____**

Commission file number: 1−1185

GENERAL MILLS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**41−0274440** (I.R.S. Employer Identification No.)
Number One General Mills Boulevard **Minneapolis, MN** (Mail: P.O. Box 1113) (Address of principal executive offices)	**55426** (Mail: 55440) (Zip Code)

(763) 764−7600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non−accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b−2 of the Exchange Act. (Check one):
Large accelerated filer ☒ Accelerated filer ☐ Non−accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b−2 of the Exchange Act). Yes ☐ No ☒

As of March 26, 2007, General Mills had 346,363,303 shares of its $.10 par value common stock outstanding (excluding 155,943,361 shares held in treasury).

Item 1. Financial Statements.

GENERAL MILLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited) (In Millions, Except per Share Data)

	Thirteen Weeks Ended		Thirty−nine Weeks Ended	
	Feb. 25, 2007	Feb. 26, 2006	Feb. 25, 2007	Feb. 26, 2006
Net Sales	**$ 3,054**	$ 2,877	**$ 9,381**	$ 8,849
Cost of sales	**1,982**	1,891	**5,966**	5,667
Selling, general and administrative	**585**	528	**1,765**	1,619
Restructuring and other exit costs (income)	**1**	5	**(2)**	16
Operating Profit	**486**	453	**1,652**	1,547
Interest expense, net	**107**	100	**322**	294
Earnings before Income Taxes and After−tax Earnings from Joint Ventures	**379**	353	**1,330**	1,253
Income Taxes	**127**	123	**468**	442
After−tax Earnings from Joint Ventures	**16**	16	**58**	57
Net Earnings	**$ 268**	$ 246	**$ 920**	$ 868
Earnings per Share – Basic	**$ .77**	$ .69	**$ 2.65**	$ 2.42
Earnings per Share – Diluted	**$ .74**	$ .68	**$ 2.55**	$ 2.29
Dividends per Share	**$ .37**	$ .34	**$ 1.07**	$ 1.00

See accompanying notes to consolidated financial statements.

GENERAL MILLS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Millions)

	Feb. 25, 2007 (Unaudited)	May 28, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 476**	$ 647
Receivables	**1,208**	1,076
Inventories	**1,225**	1,055
Prepaid expenses and other current assets	**211**	216
Deferred income taxes	**148**	182
Total Current Assets	**3,268**	3,176
Land, Buildings and Equipment, at Cost	**5,951**	5,806
Less accumulated depreciation	**(3,040)**	(2,809)
Net Land, Buildings and Equipment	**2,911**	2,997
Goodwill	**6,788**	6,652
Other Intangible Assets	**3,685**	3,607
Other Assets	**2,014**	1,775
Total Assets	**$ 18,666**	$ 18,207
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	**$ 658**	$ 708
Current portion of long−term debt	**845**	2,131
Notes payable	**2,177**	1,503
Other current liabilities	**1,969**	1,796
Total Current Liabilities	**5,649**	6,138
Long−term Debt	**3,165**	2,415
Deferred Income Taxes	**1,808**	1,822
Other Liabilities	**945**	924
Total Liabilities	**11,567**	11,299
Minority Interests	**1,138**	1,136
Stockholders' Equity:		
Common stock, 502 shares issued, $.10 par value	**50**	50
Additional paid−in capital	**5,803**	5,653
Retained earnings	**5,650**	5,107
Common stock in treasury, at cost, shares of 156 and 146, respectively	**(5,807)**	(5,163)
Accumulated other comprehensive income	**265**	125
Total Stockholders' Equity	**5,961**	5,772
Total Liabilities and Equity	**$ 18,666**	$ 18,207

See accompanying notes to consolidated financial statements.

GENERAL MILLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (In Millions)

	Thirty−nine Weeks Ended	
	Feb. 25, 2007	**Feb. 26, 2006**
Cash Flows – Operating Activities		
Net earnings	**$ 920**	$ 868
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**313**	317
Stock−based compensation	**105**	33
After−tax earnings from joint ventures	**(58)**	(57)
Tax benefit on exercised options	**—**	21
Deferred income taxes	**13**	—
Changes in current assets and liabilities	**(125)**	(26)
Distributions of joint venture earnings	**18**	32
Pension and other postretirement costs	**(20)**	(17)
Restructuring and other exit costs	**(2)**	16
Other, net	**(11)**	41
Net Cash Provided by Operating Activities	**1,153**	1,228
Cash Flows – Investing Activities		
Purchases of land, buildings and equipment	**(249)**	(191)
Acquisitions	**(82)**	(10)
Investments in affiliates, net	**(108)**	4
Proceeds from divestitures	**14**	—
Proceeds from disposal of land, buildings and equipment	**12**	4
Other, net	**(2)**	(28)
Net Cash Used by Investing Activities	**(415)**	(221)
Cash Flows – Financing Activities		
Change in notes payable	**656**	1,503
Issuance of long−term debt	**1,500**	—
Payment of long−term debt	**(2,049)**	(1,344)
Common stock issued	**217**	85
Tax benefit on exercised options	**47**	—
Purchases of common stock for treasury	**(895)**	(806)
Dividends paid	**(377)**	(363)
Other, net	**(8)**	(2)
Net Cash Used by Financing Activities	**(909)**	(927)
Increase (decrease) in Cash and Cash Equivalents	**(171)**	80
Cash and Cash Equivalents – Beginning of Year	**647**	573
Cash and Cash Equivalents – End of Period	**$ 476**	$ 653
Cash Flows from Changes in Current Assets and Liabilities:		
Receivables	**$ (129)**	$ (62)
Inventories	**(175)**	(129)
	9	8

Prepaid expenses and other current assets		
Accounts payable	**(56)**	(74)
Other current liabilities	**226**	231
Changes in Current Assets and Liabilities	**$ (125)**	$ (26)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Background

The accompanying Consolidated Financial Statements of General Mills, Inc. (we, us, our, or the Company) and subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the rules and regulations for reporting on Form 10−Q. Accordingly, they do not include certain information and disclosures required for comprehensive financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature. Operating results for the thirteen and thirty−nine weeks ended February 25, 2007, are not necessarily indicative of the results that may be expected for the fiscal year ending May 27, 2007.

These statements should be read in conjunction with the Consolidated Financial Statements and footnotes included in our Annual Report on Form 10−K for the year ended May 28, 2006, as amended by Amendment No. 1 on Form 10−K/A filed January 8, 2007, and the Form 8−K filed on January 16, 2007 (the Form 8−K). The accounting policies used in preparing these Consolidated Financial Statements are the same as those described in Note 1 to the Consolidated Financial Statements in that Form 10−K, except as disclosed in Notes 2 and 3 below. Certain prior years' amounts have also been reclassified to conform to the current year presentation as disclosed in Note 3 below and in our Form 8−K.

During the third quarter of fiscal 2007, we changed the timing of our annual goodwill impairment testing from the first day of our fiscal year to December 1. During fiscal 2007, we performed this annual impairment test on May 29, 2006, and again on December 1, 2006. This accounting change is preferable in the circumstances because moving the date of our annual goodwill impairment testing into the third quarter better aligns this impairment test with the timing of the presentation of our strategic plan to the Board of Directors.

In addition, at the beginning of fiscal 2007, we shifted responsibility for several customers from our Bakeries and Foodservice segment to our U.S. Retail segment. All prior year amounts have been reclassified for comparative purposes. See Notes 6 and 15 below.

(2) Stock−Based Compensation

We have various stock−based compensation programs under which awards, including stock options, restricted stock, and restricted stock units, may be granted to employees and non−employee directors.

Options may be priced at 100 percent or more of the fair market value of our stock on the date of grant, and generally vest four years after the date of grant. Options generally expire 10 years and one month after the date of grant. The 2006 Compensation Plan for Non−Employee Directors (2006 Director Plan) allows each non−employee director to receive upon election and re−election to the Board of Directors options to purchase shares of common stock that generally vest one year, and expire 10 years, after the date of grant.

Stock and units settled in stock subject to a restricted period and a purchase price, if any (as determined by the Compensation Committee of the Board of Directors), may be granted to key employees under the 2005 Stock Compensation Plan. Restricted shares and restricted stock units, up to 50 percent of the value of an individual's cash incentive award, may also be granted under the Executive Incentive Plan. Certain restricted share and restricted stock unit awards require the employee to deposit personally owned shares with a broker (on a one−for−one basis) during the restricted period. Restricted shares and restricted stock units generally vest and become unrestricted four years after the date of grant. Participants are entitled to cash dividends on such awarded shares and units, but the sale or transfer of these shares and units is restricted during the vesting period. Participants holding restricted shares, but not restricted stock units, are also entitled to vote on matters submitted to holders of common stock for a vote. The 2006 Director Plan allows each non−employee director to receive upon election and re−election to the Board restricted stock units that generally vest one year after the date of grant.

We issue shares from treasury stock upon the exercise of stock options and the vesting of restricted stock units.

Prior to May 29, 2006, we applied Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (APB 25), and related interpretations in accounting for stock−based compensation. No compensation expense for stock options was recognized in our Consolidated Statements of Earnings prior to fiscal 2007, as the exercise price was equal to the market price of our stock at the date of grant. Expense attributable to other types of share−based awards was recognized in our results under Statement of Financial Accounting Standards No. 123, “Accounting for Stock−Based Compensation” (SFAS 123).

Effective May 29, 2006, we adopted Statement of Financial Accounting Standards No. 123 (Revised) “Share−Based Payment” (SFAS 123R), which changed the accounting for compensation expense associated with stock options, restricted stock awards, and other forms of equity compensation. We elected the modified prospective transition method as permitted by SFAS 123R; accordingly, results from prior periods have not been restated. Under this method, stock−based compensation expense for the thirteen and thirty−nine weeks ended February 25, 2007, includes quarterly amortization related to the remaining unvested portion of all equity compensation awards granted prior to May 29, 2006, based on the grant−date fair value estimated in accordance with the original provisions of SFAS 123, and quarterly amortization related to all equity compensation awards granted on or subsequent to May 29, 2006, based on the grant−date fair value estimated in accordance with the provisions of SFAS 123R.

Prior to the adoption of SFAS 123R, we made pro forma disclosures in accordance with SFAS 123, in which we calculated compensation expense for stock option awards on a straight−line basis over their vesting periods. This treatment differs from the requirements of SFAS 123R, which requires that a stock−based award be considered vested for expense attribution purposes when the award recipient’s retention of the award is no longer contingent on providing subsequent service. Accordingly, beginning in fiscal 2007, we have prospectively revised our expense attribution method so that the compensation expense is recognized immediately for awards granted to retirement−eligible individuals or over the lesser of the award’s vesting period or the period from the grant date of the award to the recipient’s retirement eligibility date.

The compensation expense related to share−based payments recognized in selling, general and administrative expense in the Consolidated Statements of Earnings for the thirteen and thirty−nine weeks ended February 25, 2007, was $24 million and $105 million, respectively. The impact of adoption of SFAS 123R was an incremental expense of $9 million ($6 million after−tax or $0.02 cents per diluted share) in the thirteen weeks ended February 25, 2007 and $61 million ($38 million after−tax or $0.11 cents per diluted share) in the thirty−nine weeks ended February 25, 2007.

Amounts for the thirteen and thirty−nine weeks ended February 26, 2006 are presented in the table below in accordance with SFAS 123. Stock−based employee compensation expense is principally related to restricted stock unit awards; stock−based employee compensation expense included in pro forma amounts also reflects expenses related to stock option grants.

In Millions, except per share data	Thirteen Weeks Ended Feb. 26, 2006	Thirty−nine Weeks Ended Feb. 26, 2006
Net earnings, as reported	$ 246	$ 868
Add: Stock−based employee compensation expense included in reported net earnings, net of related tax effects	8	22
Deduct: Total stock−based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(12)	(37)
Pro forma net earnings	$ 242	$ 853
Earnings per share:		
Basic – as reported	$ .69	$ 2.42
Basic – pro forma	$ .68	$ 2.38
Diluted – as reported	$ .68	$ 2.29
Diluted – pro forma	$ .66	$ 2.24

Prior to the adoption of SFAS 123R, we reported all tax benefits resulting from the exercise of stock options as operating cash flows in our Consolidated Statements of Cash Flows. In accordance with SFAS 123R, the presentation of our Consolidated Statements of Cash Flows beginning in fiscal 2007 has changed to report the excess tax benefits from the exercise of the stock options as financing cash flows. This amount totaled $47 million for the thirty−nine weeks ended February 25, 2007.

Net cash proceeds from the exercise of stock options were $75 million for the thirteen weeks ended February 25, 2007, and $33 million for the thirteen weeks ended February 26, 2006. Net cash proceeds from the exercise of stock options were $226 million for the thirty−nine weeks ended February 25, 2007, and $89 million for the thirty−nine weeks ended February 26, 2006.

The weighted−average grant−date fair values of stock options granted during the thirty−nine weeks ended February 25, 2007, were estimated at $10.74 per share, and during the thirty−nine weeks ended February 26, 2006, were estimated at $8.04 per share using the Black−Scholes option−pricing model with the following assumptions:

Thirty−nine Weeks Ended	Feb. 25, 2007	Feb. 26, 2006
Risk−free interest rate	5.3%	4.3%
Expected term	8 years	7 years
Expected volatility	19.7%	20.0%
Expected dividend growth rate	9.2%	10.2%

Information on stock option activity follows:

	Shares (thousands)	Weighted−average exercise price	Weighted−average remaining contractual term (years)	Aggregate intrinsic value (millions)
Outstanding at May 28, 2006	58,203	$ 41.45		
Granted	5,285	$ 51.34		
Exercised	(6,756)	$ 36.85		
Forfeited or expired	(230)	$ 46.12		
Outstanding at Feb. 25, 2007	56,502	$ 42.90	4.81	$ 807
Exercisable at Feb. 25, 2007	42,159	$ 41.07	3.69	$ 679

The intrinsic value of options exercised was $35 million during the thirteen weeks ended February 25, 2007, and $122 million during the thirty−nine weeks ended February 25, 2007. The intrinsic value of options exercised was $17 million during the thirteen weeks ended February 26, 2006, and $54 million during the thirty−nine weeks ended February 26, 2006.

Information on restricted stock unit activity follows:

	Shares (thousands)	Weighted−average grant−date fair value
Non−vested at May 28, 2006	3,672	$ 46.87
Granted	1,704	51.47
Vested	(458)	45.62
Forfeited	(124)	48.02
Non−vested at Feb. 25, 2007	4,794	$ 48.60

The total grant−date fair value of restricted stock unit awards which vested in the first thirty−nine weeks of fiscal 2007 was $21 million. The total grant−date fair value of restricted stock unit awards which vested in the first thirty−nine weeks of fiscal 2006 was $30 million.

At February 25, 2007, unrecognized compensation costs related to non−vested stock options and restricted stock units was $162 million. This cost will be recognized as a reduction of earnings over thirty−three months, on average.

(3) Reclassifications

At the beginning of fiscal 2007, we made certain changes in the classifications of revenues and expenses, balance sheet liabilities, and cash flows from joint ventures. We have reclassified previously reported Consolidated Statements of Earnings, Consolidated Balance Sheets and Consolidated Statements of Cash Flows to conform to the current year presentation. These reclassifications had no effect on previously reported net earnings. On January 16, 2007, we filed a Form 8−K to recast all historical financial information previously presented in our Annual Report on Form 10−K for the year ended May 28, 2006, to reflect the reclassifications disclosed below for all prior periods.

We made a change in accounting principle to classify shipping costs associated with the distribution of finished products to our customers as cost of sales (previously recorded in selling, general and administrative expense). We made the change in principle because we believe the classification of these shipping costs in cost of sales better reflects the cost of producing and distributing our products and aligns our external financial reporting with the results we use internally to evaluate segment operating performance. The impact of this change in principle was an increase to cost of sales of $119 million in the thirteen weeks ended February 26, 2006 and $359 million in the thirty−nine weeks ended February 26, 2006.

We also reclassified certain trade−related costs and customer allowances as cost of sales or selling, general and administrative expense (previously recorded as reductions of net sales); and royalties from a joint venture to after−tax earnings from joint ventures (previously recorded as a reduction of selling, general and administrative expense (SG&A)). The impact of these reclassifications in the thirteen weeks ended February 26, 2006, was an increase to net sales of $17 million, an increase in cost of sales of $27 million, a decrease in SG&A of $7 million, a decrease in income taxes of $2 million and an increase in earnings of joint ventures after taxes of $1 million. The impact of these reclassifications in the thirty−nine weeks ended February 26, 2006, was an increase to net sales of $54 million, an increase in cost of sales of $78 million, a decrease in SG&A of $18 million, a decrease in income taxes of $2 million and an increase in earnings of joint ventures after taxes of $4 million.

We also reclassified certain liabilities, including trade and consumer promotion accruals, from accounts payable to other current liabilities, and we classified certain distributions from joint ventures as operating cash flows (previously reported as investing cash flows). The impact of these reclassifications was a decrease to accounts payable of $443 million at May 28, 2006, and an increase to cash flows from operations of $32 million in the thirty−nine weeks ended February 26, 2006.

(4) Acquisitions

We completed the acquisition of Saxby Bros. Limited, a chilled pastry company in the United Kingdom, for approximately $24 million, of which $21 million was paid in the third quarter of fiscal 2007. This business, which had sales of $24 million in calendar 2006, complements our existing frozen pastry business in the United Kingdom. In addition, we completed an acquisition in Greece for $3 million in the third quarter.

During the first quarter of fiscal 2007, Cereal Partners Worldwide (CPW), our joint venture with Nestlé, completed the acquisition of the Uncle Tobys cereal business in Australia. We funded our 50 percent share of the purchase price by making additional advances to and equity contributions in CPW totaling $135 million (classified as investments in affiliates, net, on the Consolidated Statements of Cash Flows) and by acquiring a 50 percent beneficial interest in certain intellectual property for $58 million (classified as acquisitions on the Consolidated Statements of Cash Flows).

(5) Restructuring and Other Exit Costs

In the third quarter of fiscal 2007, we recorded restructuring and other exit costs of $1 million associated with adjustments to restructuring actions previously announced.

In the third quarter of fiscal 2006, we recorded restructuring and other exit costs of $5 million, consisting of $2 million primarily for severance costs associated with the closure of our frozen dough foodservice plant in Swedesboro, New Jersey; $2 million of restructuring costs at our Allentown, Pennsylvania frozen waffle plant, primarily related to product and production realignment; and $1 million associated with restructuring actions previously announced.

In the first thirty−nine weeks of fiscal 2007, we recorded income related to restructuring and other exit activities of $2 million. We sold our previously closed plant in San Adrian, Spain, resulting in a gain of $8 million. We incurred a $6 million loss associated with the divestiture of our par−baked bread product line, including its plants in Chelsea, Massachusetts and Tempe, Arizona. Net proceeds received for the par−baked product line were $12 million.

In the first thirty−nine weeks of fiscal 2006, we recorded restructuring and other exit costs of $16 million, consisting of $12 million of charges associated with the closure of the plant in Swedesboro, New Jersey, including $10 million of asset impairment charges recorded in the first and second quarters of fiscal 2006; $2 million related to restructuring at the plant in Allentown, Pennsylvania; and $2 million of charges associated with restructuring actions previously announced.

(6) Goodwill and Other Intangible Assets

During the third quarter of fiscal 2007 as part of our annual goodwill and brand intangible impairment assessments, we reviewed our goodwill and brand intangible allocations by country within the International segment and our joint ventures. The resulting reallocation of these balances across the countries within this segment and to our joint ventures caused changes in the foreign currency translation of the balances. As a result of these changes in foreign currency translation, we increased goodwill by $136 million, other intangibles by $18 million, deferred income taxes by $9 million, and accumulated other comprehensive income by approximately the net of these amounts.

At the beginning of fiscal 2007, we shifted selling responsibility for several customers from our Bakeries and Foodservice segment to our U.S. Retail segment. Goodwill of $216 million previously reported in our Bakeries and Foodservice segment as of May 28, 2006, has now been recorded in the U.S. Retail segment. The changes in our carrying amount of goodwill for the thirty−nine weeks ended February 25, 2007, were as follows:

In Millions	U.S. Retail	International	Bakeries and Foodservice	Joint Ventures	Total
Balance at May 28, 2006	$ 4,960	$ 138	$ 1,201	$ 353	$ 6,652
Reclassification for customer shift	216	—	(216)	—	—
Acquisitions	—	26	—	—	26
Divestiture	—	—	(6)	—	(6)
Other activity, primarily foreign currency translation	—	(3)	—	119	116
Balance at Feb. 25, 2007	**$ 5,176**	**$ 161**	**$ 979**	**$ 472**	**$ 6,788**

The changes in our carrying amount of other intangible assets for the thirty−nine weeks ended February 25, 2007, were as follows:

In Millions	U.S. Retail	International	Joint Ventures	Total
Balance at May 28, 2006	$ 3,175	$ 420	$ 12	$ 3,607
Acquisition of Uncle Tobys	—	—	58	58
Other activity, primarily foreign currency translation	—	19	1	20
Balance at Feb. 25, 2007	**$ 3,175**	**$ 439**	**$ 71**	**$ 3,685**

Intangibles arising from recent acquisitions are subject to change pending final determination of fair values.

(7) Inventories

The components of inventories are as follows:

In Millions		Feb. 25, 2007		May 28, 2006
Raw materials, work in process and supplies	$	**241**	$	226
Finished goods		**934**		813
Grain		**131**		78
Reserve for LIFO valuation method		**(81)**		(62)
Total Inventories	$	**1,225**	$	1,055

(8) Stockholders' Equity

The following tables provide detail of total comprehensive income:

In Millions	Thirteen Weeks Ended Feb. 25, 2007			Thirteen Weeks Ended Feb. 26, 2006		
	Pretax	Tax	Net	Pretax	Tax	Net
Net Earnings			**$ 268**			$ 246
Other Comprehensive Income:						
Foreign currency translation adjustments	**$ 142**	**$ —**	**$ 142**	$ 9	$ —	$ 9
Other fair value changes:						
Securities	**2**	**—**	**2**	1	—	1
Hedge derivatives	**31**	**(11)**	**20**	(4)	1	(3)
Reclassification to earnings:						
Hedge derivatives	**8**	**(3)**	**5**	19	(7)	12
Other Comprehensive Income	**$ 183**	**$ (14)**	**$ 169**	$ 25	$ (6)	$ 19
Total Comprehensive Income			**$ 437**			$ 265

In Millions	Thirty−nine Weeks Ended Feb. 25, 2007			Thirty−nine Weeks Ended Feb. 26, 2006		
	Pretax	Tax	Net	Pretax	Tax	Net
Net Earnings			**$ 920**			$ 868
Other Comprehensive Income:						
Foreign currency translation adjustments	**$ 115**	**$ —**	**$ 115**	$ (1)	$ —	$ (1)
Other fair value changes:						
Securities	**2**	**—**	**2**	1	—	1
Hedge derivatives	**16**	**(6)**	**10**	(15)	5	(10)
Pension plan minimum liability	**(5)**	**2**	**(3)**	—	—	—
Reclassification to earnings:						
Hedge derivatives	**26**	**(10)**	**16**	27	(11)	16
Other Comprehensive Income	**$ 154**	**$ (14)**	**$ 140**	$ 12	$ (6)	$ 6
Total Comprehensive Income			**$ 1,060**			$ 874

The changes in Other Comprehensive Income are primarily non−cash items.

Accumulated Other Comprehensive Income balances, net of tax effects, were as follows:

In Millions	Feb. 25, 2007	May 28, 2006
Foreign currency translation adjustments	**$ 323**	$ 208
Unrealized gain (loss) from:		
Securities	**4**	2
Hedge derivatives	**(31)**	(57)
Pension plan minimum liability	**(31)**	(28)
Accumulated Other Comprehensive Income	**$ 265**	$ 125

On March 12, 2007, our Board of Directors approved a quarterly dividend of 37 cents per share, payable on May 1, 2007, to shareholders of record on April 10, 2007.

(9) Earnings Per Share

Basic and diluted earnings per share (EPS) were calculated using the following:

	Thirteen Weeks Ended		Thirty−nine Weeks Ended	
In Millions, except per share data	**Feb. 25, 2007**	**Feb. 26, 2006**	**Feb. 25, 2007**	**Feb. 26, 2006**
Net earnings – as reported	**$ 268**	$ 246	**$ 920**	$ 868
Interest on contingently convertible debentures, after tax (c)	**—**	—	**—**	9
Net earnings for diluted EPS calculation	**$ 268**	$ 246	**$ 920**	$ 877
Average number of common shares – basic EPS	**346**	355	**347**	358
Incremental share effect from:				
Stock options (a)	**11**	6	**11**	7
Restricted stock and restricted stock units (a)	**2**	2	**2**	2
Forward purchase contract (b)	**1**	—	**1**	—
Contingently convertible debentures (c)	**—**	1	**—**	17
Average number of common shares – diluted EPS	**360**	364	**361**	384
Earnings per Share – Basic	**$ .77**	$ .69	**$ 2.65**	$ 2.42
Earnings per Share – Diluted	**$ .74**	$ .68	**$ 2.55**	$ 2.29

(a) Incremental shares from stock options, restricted stock and restricted stock units are computed by the treasury stock method. Fiscal 2007 incremental shares have been calculated in accordance with SFAS 123R; fiscal 2006 shares were calculated in accordance with APB 25. At February 25, 2007, 5 million shares from stock options and restricted stock units were excluded from our computation of diluted EPS for the thirteen weeks ended February 25, 2007, because they were not dilutive. As of the same date, 7 million shares from stock options and restricted stock units were excluded from our computation of diluted EPS for the thirty−nine weeks ended February 25, 2007, because they were not dilutive.

(b) In October 2004, Lehman Brothers Holdings Inc. issued $750 million of notes which are mandatorily exchangeable for shares of our common stock. In connection with the issuance of those notes, an affiliate of Lehman Brothers entered into a forward purchase contract with us, under which we are obligated to deliver to such affiliate between 14 million and 17 million shares of our common stock, depending upon our share price over the twenty trading days prior to settlement, and subject to adjustment under certain circumstances. These shares will be deliverable by us in October 2007, in exchange for the $750 million in cash or, in certain circumstances, securities of an affiliate of Lehman Brothers. Our average stock price was above the stock price associated with the delivery of 14 million shares during the thirteen weeks ended February 25, 2007, accordingly, the forward contract was dilutive for purposes of our dilutive EPS calculation.

(c) Shares from zero coupon convertible debentures are reflected using the if−converted method. On December 12, 2005, we completed a consent solicitation and entered into a supplemental indenture related to our zero coupon convertible debentures. We also made an irrevocable election: (i) to satisfy all future obligations to repurchase debentures solely in cash and (ii) to satisfy all future conversions of debentures (a) solely in cash up to an amount equal to the accreted value of the debentures and (b) at our discretion, in cash, stock or a combination of cash and stock to the extent the conversion value of the debentures exceeds the accreted value. As a result of these actions, no shares of common stock underlying the debentures will be considered outstanding after December 12, 2005, for purposes of calculating our diluted EPS unless our average share price for the period is above the accreted value of the debentures.

(10) Notes Payable and Long−Term Debt

The components of notes payable at the end of the respective periods were as follows:

In Millions		Feb. 25, 2007		May 28, 2006
U.S. commercial paper	$	**911**	$	713
European commercial paper		**1,142**		462
Financial institutions		**124**		328
Total Notes Payable	**$**	**2,177**	$	1,503

In January 2007, we issued $1.0 billion of 5.7 percent fixed rate notes due February 15, 2017 and $500 million of floating rate notes due January 22, 2010. The proceeds of these notes were used to retire $1.5 billion of fixed rate notes which matured in February 2007. We had previously entered into $700 million of pay−fixed, forward−starting interest rate swaps with an average fixed rate of 5.7 percent in anticipation of this refinancing and are amortizing the loss deferred to accumulated other comprehensive income of $22 million associated with these derivatives to interest expense on a straight−line basis over the life of the fixed rate notes. We expect to reclassify $2 million of the loss to earnings over the next 12 months.

We have several net investments in foreign subsidiaries that are denominated in Euros. We hedge a portion of these net investments by issuing Euro−denominated commercial paper. As of February 25, 2007, we have issued $393 million of such commercial paper and deferred foreign currency transaction net losses of $2 million and $18 million for the thirteen and thirty−nine weeks ended February 25, 2007, respectively, to accumulated other comprehensive income.

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding short−term borrowings. As of February 25, 2007, we had a $1.1 billion facility expiring October 2007; a $750 million facility expiring January 2009; and a $1.1 billion facility expiring October 2010.

As of February 25, 2007, our zero coupon convertible debentures (the Debentures) are included in the current portion of long−term debt based on the put rights of the holders. On March 26, 2007, we announced that we are redeeming all of these outstanding Debentures due 2022 on April 25, 2007, for a redemption price equal to the accreted value of the Debentures, which will be $734.45 per $1,000 principal amount at maturity of the Debentures. This redemption price will be settled in cash. As a result of the redemption, holders have the right to convert the Debentures until April 24, 2007. Upon any conversion, we will deliver cash equal to the accreted value of the Debentures delivered for conversion and shares of our common stock for any value above the accreted amount.

In March 2007, we delivered a $30 million guarantee to the trustee of the Cereal Partners U.K. pension plan to guarantee our 50 percent share of that joint venture’s pension funding obligations. This guarantee had an inconsequential fair value.

(11) Share Repurchases

During the thirteen weeks ended February 25, 2007, we repurchased 94 thousand shares of common stock for an aggregate purchase price of $5 million. During the thirteen weeks ended February 26, 2006, we repurchased 1.1 million shares of common stock for an aggregate purchase price of $55 million.

During the first thirty−nine weeks of fiscal 2007, we repurchased 17 million shares of common stock for an aggregate purchase price of $895 million. During the first thirty−nine weeks of fiscal 2006, we repurchased 17 million shares of common stock for an aggregate purchase price of $806 million.

(12) Interest Expense, Net

The components of interest expense, including distributions to minority interest holders, net were as follows:

In Millions	Thirteen Weeks Ended Feb. 25, 2007	Thirteen Weeks Ended Feb. 26, 2006	Thirty−nine Weeks Ended Feb. 25, 2007	Thirty−nine Weeks Ended Feb. 26, 2006
Interest expense	**$ 100**	$ 92	**$ 296**	$ 270
Distributions paid on preferred stock and interests in subsidiaries	**16**	15	**48**	45
Capitalized interest	**—**	—	**(1)**	(1)
Interest income	**(9)**	(7)	**(21)**	(20)
Interest Expense, Net	**$ 107**	$ 100	**$ 322**	$ 294

(13) Statements of Cash Flows

During the first thirty−nine weeks of fiscal 2007, we made cash interest payments of $348 million, versus $295 million in the same period last year. During the first thirty−nine weeks of fiscal 2007, we made income tax payments of $290 million, versus $237 million in the same period last year.

(14) Retirement and Other Postretirement Benefit Plans

Components of net pension and postretirement (income) expense for each fiscal period are as follows:

In Millions	Pension Plans Thirteen Weeks Ended Feb. 25, 2007	Pension Plans Thirteen Weeks Ended Feb. 26, 2006	Postretirement Benefit Plans Thirteen Weeks Ended Feb. 25, 2007	Postretirement Benefit Plans Thirteen Weeks Ended Feb. 26, 2006
Service cost	**$ 18**	$ 19	**$ 4**	$ 5
Interest cost	**47**	42	**14**	11
Expected return on plan assets	**(84)**	(80)	**(7)**	(6)
Amortization of losses	**3**	9	**4**	5
Amortization of prior service costs	**2**	1	**(1)**	—
Net (income) expense	**$ (14)**	$ (9)	**$ 14**	$ 15

In Millions	Pension Plans Thirty−nine Weeks Ended Feb. 25, 2007	Pension Plans Thirty−nine Weeks Ended Feb. 26, 2006	Postretirement Benefit Plans Thirty−nine Weeks Ended Feb. 25, 2007	Postretirement Benefit Plans Thirty−nine Weeks Ended Feb. 26, 2006
Service cost	**$ 53**	$ 57	**$ 12**	$ 14
Interest cost	**138**	125	**44**	37
Expected return on plan assets	**(250)**	(242)	**(21)**	(18)
Amortization of losses	**9**	28	**12**	14
Amortization of prior service costs	**6**	4	**(1)**	(1)
Net (income) expense	**$ (44)**	$ (28)	**$ 46**	$ 46

(15) Operating Segments

We operate exclusively in the consumer foods industry, with multiple operating segments organized generally by product categories. We aggregate our operating segments into three reportable segments by type of customer and geographic region as follows: U.S. Retail; International; and Bakeries and Foodservice.

U.S. Retail reflects business with a wide variety of grocery stores, mass merchandisers, club stores, specialty stores, and drug, dollar and discount chains operating throughout the United States. Our major product categories in this business segment are ready−to−eat cereals, meals, refrigerated and frozen dough products, baking products, snacks, yogurt, and organic foods. Our International segment is made up of retail businesses outside of the United States, including a retail business in Canada that largely mirrors our U.S. Retail product mix, and foodservice businesses outside of the United States and Canada. Our Bakeries and Foodservice segment consists of products marketed throughout the United States and Canada to retail and wholesale bakeries, commercial and noncommercial foodservice distributors and operators, restaurants, and convenience stores.

Our management reviews operating results to evaluate segment performance. Segment operating profit excludes general corporate expenses and stock−based compensation costs, as they are centrally managed at the corporate level and are excluded from the measure of segment profitability reviewed by management. Under our supply chain organization, our manufacturing, warehouse and distribution are substantially integrated across our operations in order to maximize efficiency and productivity. As a result, fixed assets, capital expenditures, and depreciation and amortization expenses are neither maintained nor available by operating segment.

At the beginning of fiscal 2007, we shifted selling responsibility for several customers from our Bakeries and Foodservice segment to U.S. Retail. All prior year amounts have been restated for comparative purposes. For the thirteen weeks ended February 26, 2006, net sales of $10 million and operating profit of $4 million previously reported in our Bakeries and Foodservice segment have now been recorded in the U.S. Retail segment. For the first thirty−nine weeks of fiscal 2006, net sales of $40 million and operating profit of $16 million previously reported in our Bakeries and Foodservice segment have now been recorded in the U.S. Retail segment.

In Millions	Thirteen Weeks Ended Feb. 25, 2007	Thirteen Weeks Ended Feb. 26, 2006	Thirty−nine Weeks Ended Feb. 25, 2007	Thirty−nine Weeks Ended Feb. 26, 2006
Net Sales:				
U.S. Retail	**$ 2,108**	$ 2,016	**$ 6,460**	$ 6,211
International	**510**	444	**1,560**	1,362
Bakeries and Foodservice	**436**	417	**1,361**	1,276
Total	**$ 3,054**	$ 2,877	**$ 9,381**	$ 8,849
Operating Profit:				
U.S. Retail	**$ 447**	$ 423	**$ 1,490**	$ 1,387
International	**42**	36	**160**	149
Bakeries and Foodservice	**33**	18	**118**	85
Total Segment Operating Profit	**522**	477	**1,768**	1,621
Corporate unallocated expense	**35**	19	**118**	58
Restructuring and other exit costs (income)	**1**	5	**(2)**	16
Operating Profit	**$ 486**	$ 453	**$ 1,652**	$ 1,547

(16) New Accounting Pronouncements

In the first quarter of fiscal 2007, we adopted the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards No. 151, "Inventory Costs – An Amendment of ARB No. 43, Chapter 4" (SFAS 151). SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). The adoption of SFAS 151 did not have any impact on our results of operations or financial condition.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

INTRODUCTION

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the MD&A included in our Annual Report on Form 10−K for the year ended May 28, 2006, and the Form 8−K filed on January 16, 2007, for important background regarding, among other things, our key business drivers. Significant trademarks and service marks used in our business are set forth in *italics* herein.

RESULTS OF OPERATIONS

Thirteen−Week Results

For the quarter ended February 25, 2007, we reported diluted earnings per share of $0.74, up 9 percent from $0.68 per share earned in the same period last year. Earnings after tax were $268 million in the third quarter of fiscal 2007, up 9 percent from $246 million last year. Net sales for the thirteen weeks ended February 25, 2007 grew 6 percent to $3.05 billion and total segment operating profit increased 9 percent to $522 million (see page 28 for a discussion of this measure not defined by generally accepted accounting principles (GAAP)).

Net sales growth during the third quarter of fiscal 2007 was the result of 5 points of volume growth and 2 points of growth from price increases and a product mix that included higher priced items. Volume growth was recorded in all of our reportable segments.

Components of Net Sales Growth 3rd Quarter Fiscal 2007 vs. Fiscal 2006	**U.S. Retail**	**International**	**Bakeries and Foodservice**	**Total**
Unit Volume Growth	+5 pts	+6 pts	+1 pts	+5 pts
Price/Product Mix	Flat	+7 pts	+5 pts	+2 pts
Trade and Coupon Promotion Expense	−1 pts	−3 pts	−2 pts	−1 pts
Foreign Currency Exchange	NA	+4 pts	NA	+1 pts
Net Sales Growth	5%	15%	5%	6%

Table may not add due to rounding.

Gross margins (defined as net sales less cost of sales) increased over 80 basis points from the third quarter last year to 35.1 percent of sales. Gross margins improved despite higher input costs, reflecting favorable product mix, pricing and productivity.

SG&A increased $57 million in the quarter versus the same period a year ago. SG&A as a percent of net sales in the quarter increased 80 basis points from last year to 19.2 percent. This increase was driven primarily by a $13 million increase in stock−based compensation expense ($9 million of which was an incremental effect from the adoption of SFAS 123R) and a 12 percent increase in consumer marketing expense.

In the third quarter of fiscal 2007, we recorded restructuring and other exit costs of $1 million associated with adjustments to restructuring actions previously announced. In the third quarter of fiscal 2006, we recorded restructuring and other exit costs of $5 million, consisting of $2 million primarily for severance costs associated with the closure of our frozen dough foodservice plant in Swedesboro, New Jersey; $2 million of restructuring costs at our Allentown, Pennsylvania frozen waffle plant, primarily related to product and production realignment; and $1 million associated with restructuring actions previously announced.

As part of our long range planning process, we are evaluating our plans for certain long−lived assets. Depending upon the outcome of those evaluations, we may take additional impairment or restructuring charges in fiscal 2007.

As a result of the factors discussed above, our operating profit increased $33 million to $486 million, or 7 percent, from the third quarter last year.

Interest expense for the quarter totaled $107 million, a $7 million increase from the third quarter last year. The increase reflects higher interest rates versus last year and changes in the mix of debt.

The effective tax rate was 33.5 percent for the third quarter of fiscal 2007, compared to 34.7 percent for the third quarter of fiscal 2006. The effective tax rate in the third quarter of fiscal 2007 reflects the year−to−date impact of a change in the annual effective tax rate from 35.8 percent to 35.5 percent, along with a discrete tax benefit of $4 million primarily from research and development tax credits.

Earnings after tax from joint ventures totaled $16 million in the third quarter, compared to $16 million from a year earlier. Net sales for CPW were up 22 percent. This included contributions from the Uncle Tobys business in Australia acquired by CPW in the first quarter of fiscal 2007. The fiscal 2007 third quarter also included a $4 million after−tax reduction in CPW's net earnings as a result of its previously announced restructuring project in the United Kingdom. Net sales for our Häagen−Dazs ice cream joint ventures in Asia increased 12 percent from the 2006 third quarter. 8th Continent, our soy products joint venture with DuPont, recorded a 5 percent net sales decrease in the quarter.

Average diluted shares outstanding decreased by 4 million from the third quarter of fiscal 2006 due primarily to the repurchase of 19 million shares of our stock. The repurchases were partially offset by the issuance of shares upon stock option exercises, the vesting of restricted stock units and the incremental effect of stock options, which increased due to share price appreciation and the adoption of SFAS 123R in fiscal 2007.

Thirty−nine Week Results

For the thirty−nine weeks ended February 25, 2007, we reported diluted earnings per share of $2.55, up 11 percent from $2.29 per share earned in the same period last year. Earnings after tax were $920 million for the first thirty−nine weeks of fiscal 2007, up 6 percent from $868 million last year. Net sales for the thirty−nine weeks ended February 25, 2007 grew 6 percent to $9.38 billion and total segment operating profit increased 9 percent to $1.77 billion (see page 28 for a discussion of this measure not defined by GAAP).

Net sales growth during the first thirty−nine weeks of fiscal 2007 was primarily the result of 4 points of volume growth and 2 points of growth from price increases and a product mix that included higher priced items. Volume growth was recorded in all of our reportable segments.

Components of Net Sales Growth First Thirty−nine Weeks Fiscal 2007 vs. Fiscal 2006	**U.S. Retail**	**International**	**Bakeries and Foodservice**	**Total**
Unit Volume Growth	+3 pts	+7 pts	+2 pts	+4 pts
Price/Product Mix	Flat	+6 pts	+7 pts	+2 pts
Trade and Coupon Promotion Expense	+1 pts	−3 pts	−2 pts	Flat
Foreign Currency Exchange	NA	+4 pts	NA	+1 pts
Net Sales Growth	4%	15%	7%	6%

Table may not add due to rounding.

Gross margins for the first thirty−nine weeks increased 40 basis points compared to the first thirty−nine weeks last year, to 36.4 percent of sales. Gross margins improved despite higher input costs, reflecting favorable product mix, pricing and productivity.

SG&A was up $146 million in the first thirty−nine weeks versus the same period a year ago. SG&A as a percent of net sales in the first thirty−nine weeks increased 50 basis points from last year to 18.8 percent. This increase was driven primarily by a $72 million increase in stock−based compensation expense ($61 million of which was an incremental effect from the adoption of SFAS 123R) and a 6 percent increase in consumer marketing expense.

In the first thirty−nine weeks of fiscal 2007, we recorded income related to restructuring and other exit costs of $2 million. We sold our previously closed plant in San Adrian, Spain, resulting in a gain of $8 million. We incurred a $6 million loss associated with the divestiture of our par−baked bread product line, including its plants in Chelsea, Massachusetts and Tempe, Arizona. The carrying value of the par−baked assets sold, including goodwill, was $18 million.

In the first thirty−nine weeks of fiscal 2006, we recorded restructuring and other exit costs of $16 million, consisting of $12 million of charges associated with the closure of the plant in Swedesboro, New Jersey, including $10 million of asset impairment charges recorded in the first and second quarters of fiscal 2006; $2 million related to the restructuring at the plant in Allentown, Pennsylvania; and $2 million of charges associated with restructuring actions previously announced.

As part of our long range planning process, we are evaluating our plans for certain long−lived assets. Depending upon the outcome of those evaluations, we may take additional impairment or restructuring charges in fiscal 2007.

As a result of the factors discussed above, our operating profit increased $105 million or 7 percent, to $1.65 billion in the first thirty−nine weeks of fiscal 2007.

Interest expense for the first thirty−nine weeks totaled $322 million, a $28 million increase from the first thirty−nine weeks last year. The increase primarily reflects higher interest rates versus last year and changes in the mix of debt.

The effective tax rate was 35.2 percent for the first thirty−nine weeks of fiscal 2007, compared to an effective tax rate of 35.3 percent for the first thirty−nine weeks of fiscal 2006. The effective tax rate in the first thirty−nine weeks of fiscal 2007 reflects the year−to−date impact of a change in the annual effective tax rate from 35.8 percent to 35.5 percent, along with a discrete tax benefit of $4 million primarily from research and development tax credits.

Earnings after tax from joint ventures totaled $58 million in the first thirty−nine weeks, compared to $57 million a year earlier. Net sales for CPW were up 16 percent. This included contributions from the Uncle Tobys business in Australia acquired by CPW in the first quarter of fiscal 2007. The first thirty−nine weeks of fiscal 2007 also included a $7 million after−tax reduction in CPW's net earnings as a result of its previously announced restructuring project under way in the United Kingdom. Net sales for our Häagen−Dazs ice cream joint ventures in Asia increased 3 percent from the first thirty−nine weeks of fiscal 2006. 8th Continent, our soy products joint venture with DuPont, recorded flat net sales in the first thirty−nine weeks of fiscal 2007.

Average diluted shares outstanding decreased by 23 million from the first thirty−nine weeks of fiscal 2006 due primarily to the repurchase of a significant portion of our contingently convertible debentures in October 2005 and the completion of a consent solicitation related to the remaining convertible debentures in December 2005. As a result of these actions, no shares of common stock underlying the debentures will be considered outstanding after December 12, 2005, for purposes of calculating our diluted earnings per share, unless our average share price for the period is above the accreted value of the debentures. In addition, we have repurchased 19 million shares of our stock since the third quarter of fiscal 2006, 17 million of which were repurchased in the first thirty−nine weeks of fiscal 2007. The repurchases were partially offset by the issuance of shares upon stock option exercises, the vesting of restricted stock units, and the adoption of SFAS 123R.

U.S. Retail Results

Net sales for our U.S. Retail operations were up 5 percent in the third quarter of fiscal 2007 to $2.11 billion, driven by 5 percent volume growth. Volume growth was recorded in all our U.S. Retail divisions except Big G Cereals, which was flat for the third quarter of fiscal 2007. Operating profits for the quarter improved 6 percent from $423 million last year to $447 million this year.

For the first thirty−nine weeks of fiscal 2007, net sales for our U.S. Retail operations were $6.46 billion, up 4 percent from last year, driven by 3 point volume growth and a 1 point growth in net price realization (defined as the impact of list and promoted price changes net of trade and other promotion costs). Volume growth was recorded in all our U.S. Retail divisions except Baking Products, which was down slightly for the first thirty−nine weeks of fiscal 2007. Operating profits for the period improved 7 percent from $1.39 billion last year to $1.49 billion this year.

U.S. Retail Net Sales Growth – Fiscal 2007 vs. 2006

	3rd Quarter	39 Weeks
Baking Products	11%	1%
Meals	10	6
Yoplait	9	8
Snacks	8	7
Pillsbury USA	3	2
Big G Cereals	−4	Flat
Small Planet Foods	15	21
Total U.S. Retail	5%	4%

For the thirteen weeks ended February 25, 2007, Baking Products division net sales grew 11 percent reflecting unit volume growth in non−measured channels (defined as channels not covered by nationally recognized market research firms). Net sales for the Meals division grew 10 percent, led by double−digit growth for *Progresso* soups along with gains for *Helper* dinner mixes and *Green Giant* vegetables. Yoplait division net sales rose 9 percent as *Yoplait Light* yogurt varieties and *Yoplait Kids* yogurt continued to generate growth. The Snacks division posted an 8 percent net sales gain including introductory volume for the new *Fiber One* bars and continuing growth for *Nature Valley* snack bars. Sales for Pillsbury USA division rose 3 percent, led by core refrigerated dough products, *Totino's* frozen pizza rolls and *Toaster Strudel* pastries. Big G Cereals net sales were down 4 percent due to year−over−year differences in the timing of price promotion activity, and unit volume was flat. Net sales for our Small Planet Foods organic business grew 15 percent in the quarter.

In addition, at the beginning of fiscal 2007, we shifted responsibility for several customers from our Bakeries and Foodservice segment to our U.S. Retail segment. All prior year amounts have been reclassified for comparative purposes. See Notes 6 and 15 to our consolidated financial statements.

International Results

Net sales for our International segment were up 15 percent in the third quarter of fiscal 2007 to $510 million. This increase was primarily the result of a 6 percent unit volume increase, a 7 point contribution from pricing and product mix and a 4 point contribution from the effect of favorable foreign currency. These increases were partially offset by an increase in trade promotion spending. Operating profits of $42 million for the quarter were 17 percent above last year. Operating profits also reflected increased marketing expense to support new product introductions.

For the first thirty−nine weeks of fiscal 2007, net sales for our International segment were $1.56 billion, up 15 percent. Unit volume for the first thirty−nine weeks was up 7 points over the prior year, pricing and product mix contributed 6 points to net sales growth and 4 additional points were contributed by the effect of favorable foreign currency. These increases were partially offset by an increase in trade promotion spending. Operating profits for thirty−nine weeks grew to $160 million in fiscal 2007, up 7 percent from $149 million last year.

Bakeries and Foodservice Results

At the beginning of fiscal 2007, we shifted selling responsibility for several customers from our Bakeries and Foodservice segment to U.S. Retail. All prior year amounts have been restated for comparative purposes. Third quarter net sales for our Bakeries and Foodservice segment increased 5 percent to $436 million, driven by 5 points of favorable pricing and product mix and 1 point of volume growth, partially offset by an increase in trade promotion spending. Operating profits for the segment reached $33 million, up 83 percent from $18 million in last year's third quarter as favorable net pricing realization (defined as the impact of list and promoted price changes net of trade and other promotion costs) and higher volumes were partially offset by higher commodity and fuel costs.

For the first thirty−nine weeks of fiscal 2007, net sales for our Bakeries and Foodservice segment increased 7 percent to $1.36 billion, driven primarily by a 7 point increase in pricing and product mix and 2 points of volume growth, offset partially by an increase in trade promotion spending. Operating profits for the segment were $118 million, up 39 percent from $85 million last year.

Corporate Unallocated Expense

Corporate unallocated expense increased from $19 million in the third quarter of fiscal 2006 to $35 million in the third quarter of fiscal 2007, primarily the result of a $13 million increase in stock compensation costs ($9 million associated with the adoption of SFAS 123R).

In the first thirty−nine weeks of fiscal 2007, corporate unallocated expense was $118 million, an increase of $60 million from the same period a year ago. The increase is primarily the result of increased stock compensation costs of $72 million ($61 million associated with the adoption of SFAS 123R), offset by variances in actual administrative and employee benefit costs versus the amount we allocate to our operations.

LIQUIDITY AND CAPITAL RESOURCES

During the first thirty−nine weeks of fiscal 2007, operating activities provided cash of $1.15 billion. This compares to cash provided by operations in the first thirty−nine weeks of fiscal 2006 of $1.23 billion. The decrease in cash provided by operations in the first thirty−nine weeks of fiscal 2007 compared to last year is primarily the result of a $99 million higher use of working capital partially offset by increased non−cash stock compensation expense of $72 million. The higher use of working capital affecting our cash flow from operations resulted from increases in accounts receivable due to increases from higher sales levels and prices; and increases in inventories versus the same period a year ago because of commodity market conditions, primarily in the grain markets (our grain inventories increased from $78 million at May 28, 2006 to $131 million at February 25, 2007, compared to an increase from $73 million to $101 million over the same period in fiscal 2006).

During the first thirty−nine weeks of fiscal 2007, investments for land, buildings and equipment totaled $249 million compared to $191 million in the first thirty−nine weeks last year. We expect to spend approximately $425 to $450 million for capital projects in fiscal 2007.

During the first thirty−nine weeks of fiscal 2007, CPW completed the acquisition of the Uncle Tobys cereal business in Australia. We funded our 50 percent share of the purchase price by making additional advances to and equity contributions in CPW totaling $135 million (classified as investments in affiliates, net, on the Consolidated Statements of Cash Flows) and by acquiring a 50 percent beneficial interest in certain intellectual property for $58 million (classified as acquisitions on the Consolidated Statements of Cash Flows).

We also completed the acquisition of Saxby Bros. Limited, a chilled pastry company in the United Kingdom for approximately $24 million, of which $21 million was paid in the third quarter of fiscal 2007. This business, which had sales of $24 million in calendar 2006, complements our existing frozen pastry business in the United Kingdom. In addition, we completed an acquisition in Greece for $3 million in the third quarter.

Our total debt balances were as follows:

In Millions		Feb. 25, 2007		May 28, 2006
Notes payable	**$**	**2,177**	$	1,503
Current portion of long−term debt		**845**		2,131
Long−term debt		**3,165**		2,415
Total Debt	**$**	**6,187**	$	6,049

Our notes payable balance increased $674 million from May 28, 2006 to February 25, 2007, primarily to refinance the payment at maturity of $500 million of our long−term debt in October 2006, share repurchases and our higher level of working capital during the first thirty−nine weeks of fiscal 2007.

As of February 25, 2007, our zero coupon convertible debentures (the Debentures) are included in the current portion of long−term debt based on the put rights of the holders. On March 26, 2007, we announced that we are redeeming all of these outstanding Debentures due 2022 on April 25, 2007, for a redemption price equal to the accreted value of the Debentures, which will be $734.45 per $1,000 principal amount at maturity of the Debentures. This redemption price will be settled in cash. As a result of the redemption, holders have the right to convert the Debentures until April 24, 2007. Upon any conversion, we will deliver cash equal to the accreted value of the Debentures delivered for conversion and shares of our common stock for any value above the accreted amount.

Commercial paper is a continuing source of short−term financing. We issue commercial paper in the United States, Canada and Europe. Our commercial paper borrowings are supported by fee−paid committed credit lines consisting of a $1.1 billion facility expiring in October 2007, a $750 million facility expiring in January 2009, and a $1.1 billion facility expiring in October 2010. As of February 25, 2007, we had no outstanding borrowings under these facilities.

In January 2007, we issued $1.0 billion of 5.7 percent fixed rate notes due February 15, 2017 and $500 million of floating rate notes due January 22, 2010. The proceeds of these notes were used to retire $1.5 billion of fixed rate notes which matured in February 2007. We had previously entered into $700 million of pay−fixed, forward−starting interest rate swaps with an average fixed rate of 5.7 percent in anticipation of this refinancing and are amortizing the loss deferred to accumulated other comprehensive income of $22 million associated with these derivatives to interest expense on a straight−line basis over the life of the fixed rate notes. We expect to reclassify $2 million of the loss to earnings over the next 12 months.

We have $845 million of long−term debt maturing in the next 12 months and classified as current. We also have $1.1 billion of subsidiary preferred stock (classified as Minority Interests on our Consolidated Balance Sheets) that will be remarketed between June, 2007 and October, 2007. We believe that cash flows from operations, together with available short− and long−term debt or structured financing, will be adequate to meet our liquidity and capital needs for at least the next 12 months.

We have several net investments in foreign subsidiaries that are denominated in Euros. We hedge a portion of these net investments by issuing Euro−denominated commercial paper. As of February 25, 2007, we have issued $393 million of such commercial paper and deferred foreign currency transaction net losses of $2 million and $18 million for the thirteen and thirty−nine weeks ended February 25, 2007, respectively, to accumulated other comprehensive income.

In October 2004, Lehman Brothers Holdings Inc. issued $750 million of notes which are mandatorily exchangeable for shares of our common stock. In connection with the issuance of those notes, an affiliate of Lehman Brothers entered into a forward purchase contract with us, under which we are obligated to deliver to such affiliate between 14 million and 17 million shares of our common stock, subject to adjustment under certain circumstances. These shares will be deliverable by us in October 2007, in exchange for the $750 million in cash or, in certain circumstances, securities of an affiliate of Lehman Brothers.

In March 2007, we delivered a $30 million guarantee to the trustee of the Cereal Partners U.K. pension plan to guarantee our 50 percent share of that joint venture's pension funding obligations. This guarantee had an inconsequential fair value.

There were no other material changes outside the ordinary course of our business in our contractual obligations or off−balance−sheet arrangements during the thirty−nine week period ended February 25, 2007.

On March 12, 2007, our Board of Directors approved a quarterly dividend of 37 cents per share, payable on May 1, 2007, to shareholders of record on April 10, 2007. The quarterly dividend rate of 37 cents per share was established with the February 1, 2007 payment. During the first thirty−nine weeks of fiscal 2007, we paid $377 million in dividends.

On December 11, 2006, our Board of Directors approved a new authorization for us to repurchase up to 75 million shares of our common stock. This replaces the prior authorization which permitted us to repurchase shares up to a treasury share balance of 170 million. Purchases under the new authorization can be made in the open market or in privately negotiated transactions, including the use of call options and other derivative instruments, Rule 10b5−1 trading plans and accelerated repurchase programs. The authorization has no pre−established termination date. Since December 11, 2006, we have repurchased 94 thousand shares.

During the first thirty−nine weeks of fiscal 2007, we repurchased 17 million shares of common stock for $895 million. This compares to our repurchase of 17 million shares of common stock for $806 million in the first thirty−nine weeks of fiscal 2006.

SIGNIFICANT ACCOUNTING ESTIMATES

Our significant accounting estimates are described in Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10−K for the year ended May 28, 2006, as amended by Amendment No. 1 on Form 10−K/A filed January 8, 2007, and Form 8−K filed on January 16, 2007. The accounting policies used in preparing our interim fiscal 2007 Consolidated Financial Statements are the same as those described in our Form 10−K, as amended by Amendment No. 1 on Form 10−K/A filed January 8, 2007, and Form 8−K filed on January 16, 2007, except for the change in accounting principle for stock−based compensation as discussed in Note 2 to the Consolidated Financial Statements included in this Form 10−Q, the change in accounting principle for certain shipping costs as discussed in Note 3 to the Consolidated Financial Statements included in this Form 10−Q, and the reclassifications also discussed in Note 3 to the Consolidated Financial Statements included in this Form 10−Q. In addition, at the beginning of fiscal 2007, we shifted responsibility for several customers from our Bakeries and Foodservice segment to our U.S. Retail segment. All prior year amounts have been reclassified for comparative purposes. See Notes 6 and 15.

During the third quarter of fiscal 2007, we changed the timing of our annual goodwill impairment testing from the first day of our fiscal year to December 1. During fiscal 2007, we performed this annual impairment test on May 29, 2006, and again on December 1, 2006. This accounting change is preferable in the circumstances because moving the date of our annual goodwill impairment testing into the third quarter better aligns this impairment test with the timing of the presentation of our strategic plan to the Board of Directors.

Our significant accounting estimates are those that have meaningful impact on the reporting of our financial condition and results of operations. These estimates include our accounting for trade and consumer promotion activities; valuation of stock−based compensation awards; goodwill and other intangible asset impairments; income taxes; and pension and other postretirement benefits.

Trade and Consumer Promotion Activities

We report sales net of certain coupon and trade promotion costs. The consumer coupon costs recorded as a reduction of sales are based on the estimated redemption value of those coupons, as determined by historical patterns of coupon redemption and consideration of current market conditions such as competitive activity in those product categories. The trade promotion costs include payments to customers to perform merchandising activities on our behalf, such as advertising or in−store displays, discounts to our list prices to lower retail shelf prices, and payments to gain distribution of new products. The cost of these activities is recognized as the related revenue is recorded, which generally precedes the actual cash expenditure. The recognition of these costs requires estimation of customer participation and performance levels. These estimates are made based on the quantity of customer sales, the timing and forecasted costs of promotional activities, and other factors. Differences between estimated expenses and actual costs are normally insignificant and are recognized as a change in management estimate in a subsequent period.

Our unit volume in the last week of each quarter is consistently higher than the average for the preceding weeks of the quarter. In comparison to the average daily shipments in the first 12 weeks of a quarter, the final week of each quarter has approximately two to four days' worth of incremental shipments (based on a five−day week), reflecting increased promotional activity at the end of the quarter. This increased activity includes promotions to assure that our customers have sufficient inventory on hand to support major marketing events or increased seasonal demand early in the next quarter, as well as promotions intended to help achieve interim unit volume targets. In the third quarter of fiscal 2005, 2006, and 2007, we were slightly below the two to four day range. If, due to quarter−end promotions or other reasons, our customers purchase more product in any reporting period than end−consumer demand will require in future periods, our sales level in future reporting periods could be adversely affected.

Valuation of Stock−Based Compensation Awards

We have various stock−based compensation programs under which awards, including stock options, restricted stock, and restricted stock units, may be granted to employees and non−employee directors. Stock option grants are made at 100 percent or more of the fair market value of our stock at the date of grant. These awards generally vest over four years and have a ten−year and one−month term. The expense recorded in our Consolidated Financial Statements beginning in fiscal 2007 is based on the fair value of the awards.

We estimate the fair value of each option on the grant date using the Black−Scholes option−pricing model, which requires us to make predictive assumptions regarding future stock price volatility, employee exercise behavior, and dividend yield. We estimate our future stock price volatility using the historical volatility over the term of the option. If all other assumptions were held constant, a one percentage point increase or decrease in our current period volatility assumption would increase or decrease the grant−date fair value of our fiscal 2007 option grants by approximately 4 percent, or $2 million, in the thirty−nine weeks ended February 25, 2007.

Goodwill and Other Intangible Assets

Goodwill represents the difference between the purchase prices of acquired companies and the related fair values of net assets acquired. Goodwill is not subject to amortization and is tested for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. Impairment testing is performed for each of our reporting units. We compare the carrying amount of goodwill for a reporting unit with its fair value and if the carrying amount of goodwill exceeds its fair value, impairment has occurred. Our estimates of fair value are determined based on a discounted cash flow model using inputs from our annual long−range planning process. We also make estimates of discount rates, perpetuity growth assumptions and other factors.

Finite and indefinite−lived assets, primarily intangible assets associated with the *Pillsbury*, *Totino's*, *Progresso*, *Green Giant*, *Old El Paso* and *Häagen−Dazs* brands, are also tested for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable. In December 2006, we completed our fiscal 2007 assessment of our brand intangibles as of December 1, 2006. Our estimate of the fair value of the brands was based on a discounted cash flow model using inputs which included: (1) projected revenues from our annual long−range plan, (2) assumed royalty rates which could be payable if we did not own the brands, and (3) a discount rate. All brand intangibles had fair values in excess of their carrying values by at least 20 percent, except for the *Pillsbury* brand, which we estimated had a fair value less than three percent higher than its carrying value. This brand comprises nearly one−half of our total indefinite−lived intangible assets.

If the growth rate for the global revenue from all uses of the *Pillsbury* brand decreases 50 basis points from the current planned growth rate, fair value would be reduced by approximately $165 million, assuming all other components of the fair value estimate remain unchanged. If the assumed royalty rate for all uses of the *Pillsbury* brand decreases by 50 basis points, fair value would be reduced by approximately $130 million, assuming all other components of the fair value estimate remain unchanged. If the applicable discount rate increases by 50 basis points, fair value of the *Pillsbury* brand would be reduced by approximately $175 million, assuming all other components of the fair value estimate remain unchanged.

Income Taxes

Our consolidated effective income tax rate is influenced by tax planning opportunities available to us in the various jurisdictions in which we operate and involves management judgment as to the ultimate resolution of any tax issues. We accrue liabilities in current income taxes payable for potential assessments related to uncertain tax positions in a variety of taxing jurisdictions. Historically, our assessments of the ultimate resolution of tax issues have been reasonably accurate. The current open tax issues are not dissimilar in size or substance from historical items, except for the accounting for losses recorded as part of our acquisition of The Pillsbury Company. Management currently believes that the ultimate resolution of these matters, including the accounting for losses recorded as part of our acquisition of The Pillsbury Company, will not have a material effect on our business, financial condition, results of operations, or liquidity.

Pension and Other Postretirement Benefits

The accounting for pension and other postretirement liabilities requires the estimation of several critical factors. The assumptions used in the determination of those liabilities are described on pages 22 and 23 of our Annual Report on Form 10−K for the year ended May 28, 2006, as amended by Amendment No. 1 on Form 10−K/A filed January 8, 2007, and Form 8−K filed on January 16, 2007.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115" (SFAS 159). This Statement provides companies with an option to measure, at specified election dates, many financial instruments and certain other items at fair value that are not currently measured at fair value. A company that adopts SFAS 159 will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This Statement is effective for fiscal years beginning after November 15, 2007, which for us is the first quarter of fiscal 2009. We do not believe that the adoption of SFAS 159 will have a material impact on our results of operations or financial condition.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans" (an amendment of FASB Statements No. 87, 88, 106, and 132R) (SFAS 158). SFAS 158 requires an employer to recognize in its statement of financial position an asset for a plan's over−funded status or a liability for a plan's under−funded status, measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions), and recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in our comprehensive income and as a separate component of stockholders' equity. SFAS 158 is effective for us in the fourth quarter of fiscal 2007. We are evaluating the impact of SFAS 158 on our results of operations and financial condition and estimate that we will record a reduction to accumulated other comprehensive income of between $625 million and $675 million after−tax associated with all of our defined benefit plans. We have no restrictive covenants that will be affected by this reduction to stockholders' equity.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). This statement provides a single definition of fair value, a framework for measuring fair value, and expanded disclosures concerning fair value. Previously, different definitions of fair value were contained in various accounting pronouncements creating inconsistencies in measurement and disclosures. SFAS No. 157 applies under those previously issued pronouncements that prescribe fair value as the relevant measure of value, except SFAS No. 123R and related interpretations and pronouncements that require or permit measurement similar to fair value but are not intended to measure fair value. This pronouncement is effective for fiscal years beginning after November 15, 2007, which for us is the first quarter of fiscal 2009. We are evaluating the impact of SFAS 157 on our results of operations and financial condition.

In September 2006, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 provides interpretive guidance on the process and diversity in practice of quantifying financial statement misstatements resulting in the potential carryover of improper amounts on the balance sheet. The SEC staff believes that registrants should quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective for us in the first quarter of fiscal 2008. We do not believe that the adoption of SAB 108 will have a material impact on our results of operations or financial condition.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies when tax benefits should be recorded in financial statements, requires certain disclosures of uncertain tax matters and indicates how any tax reserves should be classified in a balance sheet. FIN 48 is effective for us in the first quarter of fiscal 2008. We are evaluating the impact of FIN 48 on our results of operations and financial condition.

In June 2006, the FASB ratified the consensus of Emerging Issues Task Force Issue No. 06−3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)" (EITF 06−3). EITF 06−3 concluded that the presentation of taxes imposed on revenue−producing transactions (sales, use, value added and excise taxes) on either a gross (included in revenues and costs) or a net (excluded from revenues) basis is an accounting policy that should be disclosed pursuant to Accounting Principles Board Opinion No. 22. EITF 06−3 is effective for us in the fourth quarter of fiscal 2007. We do not believe that the adoption of EITF 06−3 will have a material impact on our results of operations and financial condition.

NON−GAAP MEASURES

We have included in this MD&A a measure of financial performance that is not defined by GAAP. This non−GAAP measure should be viewed in addition to, and not in lieu of, the comparable GAAP measure.

Total Segment Operating Profit

This non−GAAP measure is used in internal management reporting and as a component of the Board of Directors' rating of our performance for management and employee incentive compensation. Management and the Board of Directors believe that this measure provides useful information to investors because it is the profitability measure we use to evaluate segment performance. A reconciliation of this measure to the relevant GAAP measure, operating profit, is included in Note 15 to the Consolidated Financial Statements included in this Form 10−Q.

CAUTIONARY STATEMENT RELEVANT TO FORWARD−LOOKING INFORMATION FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains or incorporates by reference forward−looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on our management's current expectations and assumptions. We and our representatives also may from time to time make written or oral forward−looking statements, including statements contained in our filings with the SEC and in our reports to stockholders.

The words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "plan," "project" or similar expressions identify "forward−looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those currently anticipated or projected. We wish to caution you not to place undue reliance on any such forward−looking statements, which speak only as of the date made.

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important factors that could affect our financial performance and could cause our actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

Our future results could be affected by a variety of factors, such as:

- Competitive dynamics in the consumer foods industry and the markets for our products, including new product introductions, advertising activities, pricing actions and promotional activities of our competitors;
- Economic conditions, including changes in inflation rates, interest rates or tax rates;
- Product development and innovation;
- Consumer acceptance of new products and product improvements;

- Consumer reaction to pricing actions and changes in promotion levels;
- Acquisitions or dispositions of businesses or assets;
- Changes in capital structure;
- Changes in laws and regulations, including labeling and advertising regulations;
- Impairments in the carrying value of goodwill, other intangible assets, or other long−lived assets;
- Changes in accounting standards and the impact of significant accounting estimates;
- Product quality and safety issues, including recalls and product liability;
- Changes in customer demand for our products;
- Effectiveness of advertising, marketing and promotional programs;
- Changes in consumer behavior, trends and preferences, including weight loss trends;
- Consumer perception of health−related issues, including obesity;
- Consolidation in the retail environment;
- Changes in purchasing and inventory levels of significant customers;
- Fluctuations in the cost and availability of supply chain resources, including raw materials, packaging and energy;
- Disruptions or inefficiencies in the supply chain;
- Benefit plan expenses due to changes in plan asset values and discount rates used to determine plan liabilities;
- Resolution of uncertain income tax matters;
- Foreign economic conditions, including currency rate fluctuations; and
- Political unrest in foreign markets and economic uncertainty due to terrorism or war.

You should also consider the risk factors that we identify on pages 7 through 10 of our Annual Report on Form 10−K for the year ended May 28, 2006, which could also affect our future results.

We undertake no obligation to publicly revise any forward−looking statements to reflect future events or circumstances.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in our market risk during the thirty−nine weeks ended February 25, 2007. For additional information, see Item 7A of our Annual Report on Form 10−K for the year ended May 28, 2006.

Item 4. Controls and Procedures.

We, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a−15(e) under the Securities Exchange Act of 1934). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of February 25, 2007, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

During the thirteen weeks ended February 25, 2007, we implemented policies and procedures requiring a separate annual impairment assessment of brand intangibles, as required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". Previously, we had conducted our impairment assessment of goodwill and other indefinite−lived intangible assets on a combined basis. Except for this change to our annual impairment assessment, there were no changes in our internal control over financial reporting during the thirteen weeks ended February 25, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth information with respect to shares of our common stock that we purchased during the three fiscal months ended February 25, 2007.

Period	**Total Number of Shares Purchased (a)**		**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Programs (b)**	**Maximum Number of Shares that may yet be Purchased under the Programs (b)**
Nov. 28, 2006 – Dec. 31, 2006	21,107	$	56.64	21,107	—
Jan. 1, 2007 – Jan. 28, 2007	40,200	$	57.02	40,200	—
Jan. 29, 2007 – Feb. 25, 2007	32,336	$	57.49	32,336	—
Total	93,643	$	57.10	93,643	74,906,357

(a) The total number of shares purchased includes: (i) 92,400 shares purchased from the ESOP fund of our 401(k) savings plan, (ii) 1,243 shares of restricted stock withheld for the payment of withholding taxes upon vesting of restricted stock, and (iii) no shares purchased on the open market or in privately negotiated transactions.

(b) On December 11, 2006, our Board of Directors approved and we announced a new authorization for the repurchase of up to 75 million shares of our common stock. This replaces the prior authorization which permitted us to repurchase shares up to a treasury share balance of 170 million. Purchases under the new authorization can be made in the open market or in privately negotiated transactions, including the use of call options and other derivative instruments, Rule 10b5−1 trading plans and accelerated repurchase programs. The Board did not specify an expiration date for the authorization.

Item 6. Exhibits.

Exhibit 3	Bylaws of General Mills, Inc., as amended.
Exhibit 10.1	Aircraft Time Sharing Agreement, dated December 21, 2006, between General Mills Sales, Inc. and Stephen W. Sanger (incorporated herein by references to Exhibit 10.1 to Registrant's Report on Form 8−K filed December 28, 2006).
Exhibit 10.2	Amendment to Stock Plans.
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges.
Exhibit 18	Preferability Letter from Independent Registered Public Accounting Firm.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes−Oxley Act of 2002.
Exhibit 32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes−Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENERAL MILLS, INC.
(Registrant)

Date March 30, 2007

/s/ S. S. Marshall
S. S. Marshall
Senior Vice President,
General Counsel and Secretary

Date March 30, 2007

/s/ K. L. Thome
K. L. Thome
Senior Vice President,
Financial Operations
(Principal Accounting Officer)

Exhibit Index

Exhibit No.	Description
3	Bylaws of General Mills, Inc., as amended.
10.2	Amendment to Stock Plans.
12	Computation of Ratio of Earnings to Fixed Charges.
18	Preferability Letter from Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes−Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes−Oxley Act of 2002.

Exhibit 3

BY−LAWS

of

GENERAL MILLS, INC.

as amended

through

December 11, 2006

INDEX OF BY−LAWS

BY−LAWS

of

GENERAL MILLS, INC.

ARTICLE I

STOCKHOLDERS

SECTION 1. Place of Holding Meeting: Meetings of stockholders may be held within or without the State of Delaware, and, as determined by the board of directors or the stockholders.

SECTION 2. Quorum: Any number of stockholders together holding one−half (1/2) in amount of the stock issued and outstanding entitled to vote, who shall be present in person or represented by proxy at any meeting duly called, shall constitute a quorum for the transaction of business, except as may be otherwise provided by law, by the certificate of incorporation, or by these by−laws. At any meeting of stockholders for the election of directors at which any class or classes of stock or any one or more series of any class or classes of stock shall have a separate vote as such class or series for the election of directors by such class or series, the absence of a quorum of any other class of stock or of any other series of any class of stock shall not prevent the election of the directors to be elected by such class or series. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 3. Adjournment of Meetings: If less than a quorum shall be in attendance at the time for which the meeting shall have been called, the meeting may be adjourned from time to time by the chairman of the meeting or by a majority vote of the stockholders present or represented, without any notice other than by announcement at the meeting, until a quorum shall attend. Any meeting at which a quorum is present may also be adjourned, in like manner, for such time, or upon such call, as may be determined by the chairman of the meeting or by a majority vote of the stockholders. At any such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting as originally called. In the absence of a quorum of any class or classes of stock or any one or more series of any class or classes of stock at any meeting of stockholders at which more than one class or series of stock shall be entitled to vote separately as a class or series for the election of directors, a majority in interest of the stockholders present in person or by proxy of the class or classes or one or more series of stock which lack a quorum shall also have the power to adjourn the meeting for the election of directors which they are entitled to elect, from time to time, without notice other than by announcement at the meeting, until a quorum of such class or classes or one or more series of stock shall be present.

SECTION 4. Annual Election of Directors: The annual meeting of stockholders for the election of directors and the transaction of other business shall be held on such date and at such time as may be fixed by resolution of the board of directors.

The directors elected annually shall hold office until the next annual election and until their successors are respectively elected and qualified; provided, however, in the event that the holders of any class or classes of stock or any one or more series of any class or classes of stock have the right to elect directors separately as a class or series and such right shall have vested, such right may be exercised as provided in the certificate of incorporation of the corporation.

The secretary shall prepare, or cause to be prepared, at least ten (10) days before every election, a complete list of stockholders entitled to vote, arranged in alphabetical order, and such list shall be open for such ten (10) days to the examination of any stockholder, for any purpose germane to the meeting, and shall be produced and kept at the time and place of election during the whole time thereof, subject to the inspection of any stockholder who may be present.

SECTION 5. Special Meetings: How Called: Special meetings of the stockholders for any purpose or purposes may be called by the chairman of the board of directors or by resolution of the board of directors. Special meetings of the holders of any class or classes of stock or any one or more series of any class or classes of stock for the purpose of electing directors in accordance with a special right as a class or series shall be called as provided in the certificate of incorporation of the corporation.

SECTION 6. Voting at Stockholders' Meetings: The board of directors shall determine the voting power of any cumulative preference stock in accordance with article IV of the certificate of incorporation.

(a) **Election of Directors.** Except as set forth below in this paragraph (a), election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot and, subject to the rights of the holders of any class or series of stock to elect directors separately, each director shall be elected by a majority of the votes cast with respect to the director by stockholders entitled to vote and present in person or represented by proxy. For purposes of this by−law, a majority of the votes cast means that the number of shares voted "for" a director must exceed 50% of the votes cast "for" and "against" that director, excluding abstentions. Notwithstanding the foregoing, if as of the tenth day prior to the date that the corporation first mails out its notice of meeting, the number of nominees standing for election at any meeting of the stockholders exceeds the number of directors to be elected, the directors shall be elected by a plurality of the votes cast at the meeting. If a director is not elected, the director shall promptly tender his or her resignation to the chairman of the board following certification of the vote. The corporate governance committee shall make a recommendation to the board of directors on whether to accept or reject the resignation, or whether other action should be taken. The board of directors shall act on the committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results. The director who tenders his or her resignation shall not participate in the board's decision.

(b) **Other Matters.** At all meetings of stockholders, all other questions, except as otherwise provided by law or the certificate of incorporation, shall be determined by a majority of the votes cast by stockholders entitled to vote and present in person or represented by proxy.

(c) **Vote Tabulation.** Votes may be cast by any stockholder entitled to vote in person or by his proxy appointed by an instrument in writing, subscribed by such stockholder or by his attorney thereunto authorized, or by proxy sent by cable, telegram or by any means of electronic communication permitted by law, which results in a writing from such stockholder or by his attorney, and delivered to the secretary of the meeting. No proxy shall be voted after three (3) years from its date, unless said proxy provides for a longer period. In determining the number of votes cast for or against a proposal or nominee, shares abstaining from voting on a matter (including elections) will not be treated as a vote cast. A non−vote by a broker will be counted for purposes of determining a quorum but not for purposes of determining the number of votes cast.

SECTION 7. Notice of Stockholders' Meetings: Written notice, stating the time and place of the meeting and, in case of a special meeting, stating also the general nature of the business to be considered, shall be given by the secretary by mailing, or causing to be mailed, such notice, postage prepaid, to each stockholder entitled to vote, at his post office address as the same appears on the stock books of the corporation, or by delivering such notice to him personally, at least ten (10) days before the meeting, or by delivering through any means of electronic communication permitted by law.

SECTION 8. Notice of Stockholder Business and Nominations:

(a) **Annual Meetings of Stockholders**. (1) Nominations of persons for election to the board of directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (A) pursuant to the corporation's notice of meeting, (B) by or at the direction of the board of directors or (C) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice provided for in this section 8, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this section 8.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of paragraph (a)(1) of this section 8, the stockholder must have given timely notice thereof in writing to the secretary of the corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (A) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a−11 thereunder (including a description of all agreements, arrangements or understandings between the stockholder and each nominee for election or re−election and such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner and (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this section 8 to the contrary, in the event that the number of directors to be elected to the board of directors of the corporation is increased and there is no public announcement by the corporation naming all of the nominees for director or specifying the size of the increased board of directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this section 8 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(b) **Special Meetings of Stockholders**. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (A) by or at the direction of the board of directors or (B) provided that the board of directors has determined that directors shall be elected at such meeting, by any stockholder of the corporation who is a stockholder of record at the time of giving of notice provided for in this section 8, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this section 8. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(2) of this section 8 shall be delivered to the secretary at the principal executive offices of the corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) **General**. (1) Only such persons who are nominated in accordance with the procedures set forth in this section 8 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section 8. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this section 8 and, if any proposed nomination or business is not in compliance with this section 8, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this section 8, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this section 8, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this section 8. Nothing in this section 8 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a−8 under the Exchange Act or any successor rule regarding shareholder proposals or (ii) of the holders of any series of cumulative preference stock to elect directors under specified circumstances pursuant to the terms of such preference stock.

ARTICLE II

DIRECTORS

SECTION 1. Organization: The board of directors may hold a meeting for the purpose of organization and the transaction of other business, if a quorum be present, immediately before or after the annual meeting of the stockholders and immediately before or after any special meeting at which directors are elected. Notice of such meeting need not be given. Such organizational meeting may be held at any other time or place, which shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or in a consent and waiver of notice thereof signed by all the directors.

SECTION 2. Election of Officers: At such meeting the board of directors may elect from among its number a chairman of the board of directors, one or more persons to serve as a vice chairman; a president and one or more corporate and company vice presidents, a secretary, a treasurer, a senior vice president, financial operations, one or more assistant secretaries, and one or more assistant treasurers who need not be members of the Board of Directors. Such officers shall hold office until the next annual election of officers and until their successors are respectively elected and qualified, unless removed by the board of directors as provided in section 11 of article III.

SECTION 3. Regular Meetings: Regular meetings of the board of directors shall be held on such dates as are designated, from time to time, by resolutions of the board, and shall be held at the principal office of the corporation, or at such other location or locations as the board selects. Each regular meeting shall commence at the time designated by the Chairman of the Board on at least five (5) days' written notice to each director when sent by mail and on at least three (3) days' notice when sent by private express carrier or transmitted by telex, facsimile or similar means.

SECTION 4. Special Meetings: How Called: Notice: Special meetings of the board of directors may be called by the chairman of the board, a vice chairman of the board, the president or a majority of the directors. Written notice of the time, place and purposes of each special meeting shall be sent by private express carrier or transmitted by telex, facsimile or similar means to each director at least twenty−four (24) hours prior to such meeting. Notwithstanding the preceding, any meeting of the board of directors shall be a legal meeting without any notice thereof if all the members of the board shall be present, or if all absent members waive notice thereof.

SECTION 5. Number: Qualifications: Quorum: Term:

(a) The Board of Directors shall determine the number of directors on the board, which shall be at least twelve (12).

(b) No person shall be eligible to become or to remain a director of the corporation unless the person is a stockholder in the corporation. Not more than six (6) of the members of the board of directors shall be officers or employees of the corporation, but the chairman of the board shall not be deemed such an officer or employee.

(c) Subject to the provisions of the certificate of incorporation, as amended, a majority of the total number of the directors shall constitute a quorum for the transaction of business. The affirmative vote of the majority of the directors present at a meeting at which a quorum is constituted shall be the act of the board of directors, unless the certificate of incorporation shall require a vote of a greater number.

(d) Except as otherwise provided in these by−laws, directors shall hold office until the next succeeding annual stockholders' meeting and thereafter until their successors are respectively elected and qualified.

SECTION 6. Place of Meetings: The board of directors may hold its meetings and keep the books of the corporation within or outside of the State of Delaware, at any office or offices of the corporation, or at any other place, as it may from time to time by resolution determine.

SECTION 7. Powers of Directors: The business and affairs of the corporation shall be managed under the direction of the board of directors. Subject to the restrictions imposed by law, by the certificate of incorporation or by these by−laws, the board of directors may exercise all the powers of the corporation.

SECTION 8. Vacancies: Except as otherwise provided in the certificate of incorporation, any vacancy in the board of directors because of death, resignation, disqualification, increase in number of directors, or any other cause may be filled by a majority of the remaining directors, though less than a quorum, at any regular or special meeting of the directors; or any such vacancy resulting from any cause whatsoever may be filled by the stockholders at the first annual meeting held after such vacancy shall occur or at a special meeting thereof called for the purpose.

SECTION 9. Resignation of Directors: Any director of the corporation may resign at any time by giving written notice to the chairman of the board or to the secretary of the corporation. Such resignation shall take effect at the time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 10. Compensation of Directors: The board of directors shall have the authority to fix the compensation of directors. In addition, each director shall be entitled to be reimbursed by the corporation for expenses incurred in attending meetings of the board of directors or of any committee of which he or she is a member. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation for such services from the corporation; provided, however, that any person who is receiving a stated compensation as an officer of the corporation for services as such officer shall not receive any additional compensation for services as a director during such period. A director entitled to receive stated compensation for services as director, who shall serve for only a portion of a year, shall be entitled to receive only that portion of the annual stated compensation on which the period of service during the year bears to the entire year. The annual compensation of directors shall be paid at such times and in such installments as the board of directors may determine.

SECTION 11. Executive Committee:

(a) The board of directors may appoint from its number an executive committee of not less than eight (8) members.

(b) Not more than four (4) members shall be officers or employees of the corporation but the chairman of the board shall not be deemed such an officer or employee.

(c) A majority shall constitute a quorum, and in every case the affirmative vote of a majority of all the members of the committee shall be necessary for the adoption of any motion, provided that in order to procure and maintain a quorum at any meeting of the executive committee in the absence or disqualification of any member of such committee, the member or members thereof present at such meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the board of directors (subject always to the limitations of subsection (b) above) to act at the meeting in the place of any such absent or disqualified member.

(d) Each member of the executive committee, if appointed, shall hold office until the election at the next succeeding annual meeting of the stockholders of the corporation of a new board of directors; subject to the provisions of section 14 of this article.

SECTION 12. Executive Committee: Powers: During the intervals between the meetings of the board of directors, the executive committee shall have and may exercise all the powers of the board of directors in the direction of the business and affairs of the corporation, including power to authorize the execution of any papers and to authorize the seal of the corporation to be affixed to all papers which may require it, in such manner as such committee shall deem best for the interests of the corporation, in all cases in which specific directions shall not have been given by the board of directors.

SECTION 13. Executive Committee: Organization: Meetings, Etc.: The chairman of the executive committee shall preside at all meetings of the executive committee and the secretary of the corporation shall act as secretary of the executive committee. In the absence of the chairman of the executive committee the committee shall appoint another member thereof to act as chairman of the meeting, and in the absence of the secretary, an assistant secretary of the corporation shall act as secretary of the meeting. In the absence of all of such persons, the committee shall appoint a chairman or a secretary of the meeting, as the case may be. If an executive committee shall be appointed it shall hold regular meetings on such dates and at such times and places as the chairman or a majority of the members of the executive committee shall determine, unless the board of directors shall otherwise provide. A special meeting of the executive committee may be called by the chairman of the board, the chairman of the executive committee or the secretary of the corporation upon such notice as may be given for special meetings of the board of directors. Any meeting of the executive committee shall be a legal meeting without notice thereof if all the members of the committee shall be present or if all absent members waive notice thereof. The committee shall keep a record of its acts and proceedings and report thereon to the board of directors at the regular meeting thereof held next after they shall have been taken.

SECTION 14. Resignation and Removal of Member of Executive Committee: Any member of the executive committee may resign at any time or may be removed at any time either with or without cause by resolution adopted by a majority of the whole board of directors at any meeting of the board of directors at which a quorum is present.

SECTION 15. Vacancies in the Executive Committee: Any vacancy in the executive committee shall be filled in the manner prescribed by these by−laws for the original appointment of such committee.

SECTION 16. Other Committees: The board of directors may by resolution designate one or more other committees, in addition to the executive committee, each of which shall consist of two or more directors of the corporation. The board of directors may designate one or more directors as alternate members of any such other committee, who may replace any absent or disqualified member at any meeting of such committee. Any such other committee may, to the extent permitted by law, exercise such powers and shall have such responsibilities as shall be specified in the designating resolution. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Each such committee shall keep written minutes of its proceedings and shall report such proceedings to the board of directors when required. The chairman or a majority of the members of any such other committee may fix the time and place of its meetings, unless the board of directors shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in sections 3 and 4 of this article II with respect to meetings of the board of directors. The board of directors shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the board of directors from appointing one or more committees consisting in whole or in part of persons who are not directors of the corporation; provided, however, that no such committee shall have or may exercise any authority limited by law to the board of directors or a committee thereof.

SECTION 17. Electronic Communications at Meetings: Members of the board of directors, or any committee thereof, may participate in a meeting of the board of directors or such committee by means of communication through which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

ARTICLE III

OFFICERS

SECTION 1. Titles: The corporate and company officers to be elected by the board of directors shall be a chairman of the board of directors and one or more persons to serve as a vice chairman, and a president, who shall be directors, and one or more corporate or company vice presidents, a secretary, a treasurer, a senior vice president, financial operations, one or more assistant secretaries, and one or more assistant treasurers, who need not be directors. The board shall designate one of the corporate officers to serve as chief executive officer.

SECTION 2. Chairman: The chairman of the board of directors shall preside at all meetings of the board, all meetings of the stockholders, as well as all meetings of the executive committee. The chairman, upon being designated the chief executive officer, shall have supervisory authority over the policies of the corporation as well as the management and control of the business and affairs of the corporation. He or she shall also exercise such other powers as the board of directors may from time to time direct or which may be required by law.

SECTION 3. Vice Chairman: Any officer or officers serving as vice chairman shall have such duties and responsibilities relating to the management of the corporation as may be defined and designated by the chief executive officer or the board of directors.

SECTION 4. President: The president shall have responsibility for the management of the operating businesses of the corporation and shall do and perform all acts incident to the office of president or which are authorized by the chief executive officer, the board of directors or as may be required by law.

SECTION 5. Vice President(s): Each corporate vice president shall have such designations and such powers and shall perform such duties as may be assigned by the board of directors or the chief executive officer. The board of directors may designate one or more corporate vice presidents to be a senior executive vice president, executive vice president, senior vice president, or group vice president.

Each company vice president shall have such designations and such powers, and shall perform such duties as may be assigned by the board of directors, the chief executive officer or by a corporate vice president.

SECTION 6. Secretary: The secretary shall:

(a) keep the minutes of the meetings of the stockholders, of the board of directors and of the executive committee in books provided for the purpose;

(b) see that all notices are duly given in accordance with the provisions of these by−laws or as required by law;

(c) be custodian of the records and have charge of the seal of the corporation and see that it is affixed to all stock certificates prior to their issuance and to all documents the execution of which on behalf of the corporation under its seal is duly authorized in accordance with the provisions of these by−laws;

(d) have charge of the stock books of the corporation and keep or cause to be kept the stock and transfer books in such manner as to show at any time the amount of the stock of the corporation issued and outstanding, the manner in which and the time when such stock was paid for, the names, alphabetically arranged, and the addresses of the holders of record thereof, the number of shares held by each, and the time when each became such holder of record; exhibit or cause to be exhibited at all reasonable times to any director, upon application, the original or duplicate stock ledger;

(e) see that the books, reports, statements, certificates and all other documents and records required by law are properly kept, executed and filed; and

(f) in general, perform all duties incident to the office of secretary, and such other duties as from time to time may be assigned by the board of directors.

SECTION 7. Assistant Secretary: The board of directors may elect an assistant secretary or more than one assistant secretary. At the request of the secretary, or in his or her absence or disability, an assistant secretary may perform all the duties of the secretary, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the secretary. Each assistant secretary shall have such other powers and shall perform such other duties as may be assigned by the board of directors.

SECTION 8. Treasurer: The treasurer, if required so to do by the board of directors, shall give a bond for the faithful discharge of his or her duties in such sum, and with such sureties, as the board of directors shall require. The treasurer shall:

(a) have charge and custody of, and be responsible for, all funds and securities of the corporation (until deposited to the credit or account of the corporation with an authorized

depositary) and deposit all such funds in the name of the corporation in such banks, banking firms, trust companies or other depositaries as shall be selected in accordance with the provisions of article V of these by−laws;

(b) exhibit at all reasonable times the books of account and records to any of the directors of the corporation upon application during business hours at the office of the corporation where such books and records are kept;

(c) receive, and give receipt for, moneys due and payable to the corporation from any source whatsoever; and

(d) in general, perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned by the board of directors.

The Chief Executive Officer may designate another title for a corporate officer fulfilling the duties described herein.

SECTION 9. Assistant Treasurer: The board of directors may elect an assistant treasurer or more than one assistant treasurer. At the request of the treasurer, or in his or her absence or disability, an assistant treasurer may perform all the duties of the treasurer and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the treasurer. Each assistant treasurer shall have such other powers and shall perform such other duties as may be assigned by the board of directors.

SECTION 10. Senior Vice President, Financial Operations: The senior vice president, financial operations shall perform all of the duties incident to the office of senior vice president, financial operations, as such duties may from time to time be designated or approved by the board of directors. Included in such duties shall be the establishment and maintenance of sound accounting and auditing policies and practices, in respect to which duties he or she shall be responsible directly to the board of directors through its chairman.

The Chief Executive Officer may designate another title for a corporate officer fulfilling the duties described herein.

SECTION 11. Resignation and Removal of Officers: Any officer of the corporation may resign at any time by giving written notice to the chairman of the board or to the secretary. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Any officer may be removed for cause at any time by a majority of the board of directors and any officer may be removed summarily without cause by such vote.

SECTION 12. Salaries: The salaries of officers shall be fixed from time to time by the board of directors or the executive committee or other committee appointed by the board. The board of directors or the executive committee of the board may authorize and empower the chief executive officer, the president, any vice chairman, or any vice president of the corporation designated by the board of directors or by the executive committee to fix the salaries of all officers of the corporation who are not directors of the corporation. No officer shall be prevented from receiving a salary by reason of the fact that he or she is also a director of the corporation.

ARTICLE IV

CAPITAL STOCK

SECTION 1. Issue of Certificates and Uncertificated Stock: Shares of the capital stock of the corporation shall be represented by certificates or uncertificated and shall be in such forms as shall be approved by the board of directors. Each stockholder shall be entitled to a certificate for shares of stock

under the seal of the corporation, signed by the chairman, the president, a vice chairman or a vice president and also by the secretary or an assistant secretary or by the treasurer or an assistant treasurer; provided, however, that where a certificate is countersigned by a transfer agent, other than the corporation or its employee, or by a registrar, other than the corporation or its employee, the corporate seal and any other signature on such certificate may be a facsimile, engraved, stamped or printed. In case any officer, transfer agent or registrar of the corporation who shall have signed, or whose facsimile signature shall have been used on any such certificate, shall cease to be such officer, transfer agent or registrar, whether because of death, resignation, or otherwise, before such certificate shall have been delivered by the corporation, such certificate shall nevertheless be deemed to have been adopted by the corporation and may be issued and delivered as though the person who signed such certificate or whose facsimile signature shall have been used thereon had not ceased to be such officer, transfer agent or registrar.

SECTION 2. Transfer of Shares: The shares of stock of the corporation shall be transferable upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives, and upon such transfer the old certificates shall be surrendered to the corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers, or to such other person as the board of directors may designate, by whom they shall be cancelled, and new certificates shall thereupon be issued for the shares so transferred to the person entitled thereto. Upon a transfer of uncertificated shares, the record of such person’s stock shall be cancelled and shares shall be transferred to the person entitled thereto upon the issuance of a certificate or an electronic transfer of such shares. A record shall be made of each transfer and whenever a transfer shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer.

SECTION 3. Dividends: The board of directors may declare lawful dividends as and when it deems expedient. Before declaring any dividend, there may be reserved out of the accumulated profits such sum or sums as the board of directors from time to time, in its discretion, thinks proper for working capital or as a reserve fund to meet contingencies or for equalizing dividends, or for such other purposes as the board of directors shall think conducive to the interests of the corporation.

SECTION 4. Lost Certificates: Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact, and if requested to do so by the board of directors of the corporation shall advertise such fact in such manner as the board of directors may require, and shall give to the corporation, its transfer agent and registrar, if any, a bond of indemnity in such sum as the board of directors may direct, in a form satisfactory to the board of directors and to the transfer agent and registrar of the corporation, if any, and with or without sureties as the board of directors with the approval of the transfer agent and registrar, if any, may prescribe; whereupon the chairman, the president, a vice chairman or a vice president and the treasurer or an assistant treasurer or the secretary or an assistant secretary may cause to be issued a new certificate of the same tenor and for the same number of shares as the one alleged to have been lost or destroyed. The issuance of such new certificates shall be under the control of the board of directors.

SECTION 5. Rules as to Issue of Certificates: The board of directors may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates of stock of the corporation. It may appoint one or more transfer agents and/or registrars of transfers, and may require all certificates of stock to bear the signature of either or both. Each and every person accepting from the corporation certificates of stock therein shall furnish the corporation with a written statement of his or her residence or post office address, and in the event of changing such residence shall advise the corporation of such new address.

SECTION 6. Holder of Record Deemed Holder in Fact: The board of directors shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by law.

SECTION 7. Fixing Record Date: The board of directors shall have the power to fix in advance a date, not exceeding sixty (60) days preceding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, and in such case only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

ARTICLE V

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

SECTION 1. Contracts, Etc.: How Executed: The board of directors or such officer or person to whom such power shall be delegated by the board of directors by resolution, except as in these by−laws otherwise provided, may authorize any officer or officers, agent or agents, either by name or by designation of their respective offices, positions or class, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances; and, unless so authorized, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement, or to pledge its credit or to render it liable pecuniarily for any purpose or in any amount.

SECTION 2. Loans: No loans shall be contracted on behalf of the corporation and no negotiable paper shall be issued in its name, unless and except as authorized by the vote of the board of directors or by such officer or person to whom such power shall be delegated by the board of directors by resolution. When so authorized by the board of directors or by such officer or person to whom such power shall be delegated by the board of directors by resolution, any officer or agent of the corporation may obtain loans and advances at any time for the corporation from any bank, banking firm, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes, bonds or other evidences of indebtedness of the corporation, and, when authorized as aforesaid to give security for the payment of any loan, advance, indebtedness or liability of the corporation, may pledge, hypothecate or transfer any and all stocks, securities and other personal property at any time held by the corporation, and to that end endorse, assign and deliver the same, but only to the extent and in the manner authorized by the board of directors. Such authority may be general or confined to specific instances.

SECTION 3. Deposits: All funds of the corporation shall be deposited from time to time to the credit of the corporation with such banks, banking firms, trust companies or other depositaries as the board of directors may select or as may be selected by any officer or officers, agent or agents of the corporation to whom such power may be delegated from time to time by the board of directors.

SECTION 4. Checks, Drafts, Etc.: All checks, drafts or other orders for the payment of money, notes, acceptances, or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall be determined from time to time by resolution of the board of directors or by such officer or person to whom such power of determination shall be delegated by the board of directors by resolution. Endorsements for deposit to the credit of the corporation in any of its authorized depositaries may be made, without any countersignature, by the chairman of the board, the president, a vice chairman, or any vice president, or the treasurer or any assistant treasurer, or by any other officer or agent of the corporation appointed by any officer of the corporation to whom the board of directors, by resolution, shall have delegated such power of appointment, or by hand−stamped impression in the name of the corporation.

SECTION 5. Transaction of Business: The corporation, or any division or department into which any of the business or operations of the corporation may have been divided, may transact business and execute contracts under its own corporate name, its division or department name, a trademark or a trade name.

ARTICLE VI

MISCELLANEOUS PROVISIONS

SECTION 1.

(a) **Fiscal Year:** The fiscal year of the corporation shall end with the last Sunday of May of each year.

(b) **Staff and Divisional Titles:** The chief executive officer may appoint at his or her discretion such persons to hold the title of staff vice president, divisional president or divisional vice president or other similar designation. Such persons shall not be officers of the corporation and shall retain such title at the sole discretion of the chief executive officer who may from time to time make or revoke such designation.

SECTION 2. Notice and Waiver of Notice: Whenever any notice is required by these by−laws to be given, personal notice to the person is not meant unless expressly so stated; and any notice so required shall be deemed to be sufficient if given by depositing the same in a post office or post box in a sealed postpaid wrapper, addressed to the person entitled thereto at the post office address as shown on the stock books of the corporation, in case of a stockholder, and at the last known post office address in case of an officer or director who is not a stockholder; and such notice shall be deemed to have been given on the day of such deposit. In the case of notice by private express carrier, telex, facsimile or similar means, notice shall be deemed to be sufficient if transmitted or sent to the person entitled to notice or to any person at the residence or usual place of business of the person entitled to notice who it is reasonably believed will convey such notice to the person entitled thereto; and notice shall be deemed to have been given at the time of receipt at such residence or place of business. Any notice required by these by−laws may be given to the person entitled thereto personally and attendance of a person at a meeting shall constitute a waiver of notice of such meeting. Whenever notice is required to be given under these by−laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

SECTION 3. Inspection of Books: The board of directors shall determine from time to time whether and, if allowed, when and under what conditions and regulations the accounts, records and books of the corporation (except such as may, by statute, be specifically open to inspection), or any of them, shall be open to the inspection of the stockholders, and the stockholders’ rights in this respect are and shall be restricted and limited accordingly.

SECTION 4. Construction: All references herein (i) in the plural shall be construed to include the singular, (ii) in the singular shall be construed to include the plural and (iii) in the masculine gender shall be construed to include the feminine gender, if the context so requires.

SECTION 5. Adjournment of Meetings: If less than a quorum shall be present at any meeting of the board of directors of the corporation, or of the executive committee of the board, or other committee, the meeting may be adjourned from time to time by a majority vote of members present, without any notice other than by announcement at the meeting, until a quorum shall attend. Any meeting at which a quorum is present may also be adjourned in like manner, for such time or upon such call, as may be determined by vote. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting originally held if a quorum had been present thereat.

SECTION 6. Indemnification:

(a) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding to the fullest extent permitted by Delaware law.

(b) To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsection (a) or in defense of any claim, issue or matter therein, the person shall be indemnified or reimbursed against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(c) Any indemnification under sub−section (a) (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in sub−section (a) of this section. Such determination shall be made (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or, if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders, or (5) in the case of a determination with respect to employees or agents (who are not then directors or officers of the corporation), by the Chief Executive Officer, the President, a Vice Chairman or the General Counsel.

(d) Expenses (including attorneys' fees) incurred by an officer or director in defending a civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

(e) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by−law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

(f) The corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against any such person and incurred by any such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of this section.

(g) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as the person would have with respect to such constituent corporation if its separate existence had continued.

h) For purposes of this section, references to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the corporation” shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the corporation” as referred to in this section.

(i) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 7. Resolution of Board of Directors Providing for Issuance of Cumulative Preference Stock: For purposes of these by−laws the certificate of incorporation shall be deemed to include any certificate filed and recorded in accordance with section 151(g) of the Delaware Corporation Law which, in accordance with said section, sets forth the resolution or resolutions adopted by the board of directors providing for the issuance of cumulative preference stock or any series thereof.

ARTICLE VII

AMENDMENTS

SECTION 1. Amendment of By−Laws: All by−laws of the corporation shall be subject to alteration or repeal, and new by−laws may be made, either by the stockholders at an annual meeting or at any special meeting, provided notice of the proposed alteration or repeal or of the proposed new by−laws be included in the notice of any such special meeting, or by the affirmative vote of a majority of the whole board of directors of the corporation at any regular meeting or at any special meeting of the board of directors, provided that notice of the proposed alteration or repeal or of the proposed new by−laws be included in the notice of any such special meeting; and provided further that no by−law shall be adopted which shall be in conflict with the provisions of the certificate of incorporation or any amendment thereto. By−laws made or altered by the stockholders or by the board of directors shall be subject to alteration or repeal either by the stockholders or by the board of directors; provided, however, that the board of directors shall have no power or authority to alter or repeal sub−section (b) of section 5 or sub−section (b) of Section 11 of article II of these by−laws, respecting eligibility of officers or employees of the corporation as members of the board of directors and of the executive committee of the board or to make any alteration in sub−section (a) of section 5 or in sub−section (a) of section 11 of said article II which would reduce the number composing the board of directors below twelve (12) or the number composing the executive committee below eight (8); the sole right to make any such change being reserved to the stockholders. So long as any class or classes of stock or any one or more series of any class or classes of stock which have a separate vote as such class or series for the election of directors by such class or series shall be outstanding, no alteration, amendment, or repeal of the provisions of sections 2, 3, 4, 5 and 6 of article I, sections 1, 5, 8 and 9 of article II, section 7 of article VI, and article VII of these by−laws which affects adversely the rights or preferences of any such outstanding class or series of stock shall be made without the consent or affirmative vote of the holders of at least two−thirds (2/3) of each such class or series entitled to vote; provided, however, that any increase or decrease in the number of directors set forth in the first sentence of sub−section (a) of section 5 of article II shall not be deemed adversely to affect such rights or preferences.

Exhibit 10.2

AMENDMENT TO THE STOCK PLANS

OF GENERAL MILLS, INC.

Effective January 1, 2007, the definition of the term “Fair Market Value” for all purposes shall equal the closing price on the New York Stock Exchange of the common stock of General Mills, Inc. on the applicable date, for the following plans:

- 1990 Salary Replacement Stock Option Plan
- Stock Option and Long Term Incentive Plan of 1993
- 1995 Salary Replacement Stock Option Plan
- 1996 Compensation Plan for Non−Employee Directors
- 1998 Employee Stock Plan
- 1998 Senior Management Stock Plan
- 2001 Compensation Plan for Non−Employee Directors
- 2003 Stock Compensation Plan
- 2005 Stock Compensation Plan
- 2006 Compensation Plan for Non−Employee Directors
- Deferred Compensation Plan
- Executive Incentive Plan

This amendment shall not change the exercise price for any stock options granted prior to January 1, 2007.

Exhibit 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Thirty−nine Weeks Ended		Fiscal Year Ended				
Dollars in Millions	**Feb. 25, 2007**	**Feb. 26, 2006**	**May 28, 2006**	**May 29, 2005**	**May 30, 2004**	**May 25, 2003**	**May 26, 2002**
Earnings before Income Taxes and After−tax Earnings from Joint Ventures	$ 1,330	$ 1,253	$ 1,559	$ 1,808	$ 1,502	$ 1,310	$ 663
Plus: Distributed Income of Equity Investees	18	32	77	83	60	95	17
Plus: Fixed Charges (1)	371	340	463	524	569	619	468
Plus: Amortization of Capitalized Interest, net of Interest Capitalized	—	1	2	1	(5)	(5)	—
Earnings Available to Cover Fixed Charges	$ 1,719	$ 1,626	$ 2,101	$ 2,416	$ 2,126	$ 2,019	$ 1,148
Ratio of Earnings to Fixed Charges	4.63	4.78	4.54	4.61	3.74	3.26	2.45
(1) Fixed Charges:							
Interest and Minority Interest Expense, Gross	$ 344	$ 315	$ 428	$ 488	$ 537	$ 589	$ 445
Rentals (1/3)	27	25	35	36	32	30	23
Total Fixed Charges	$ 371	$ 340	$ 463	$ 524	$ 569	$ 619	$ 468

For purposes of computing the ratio of earnings to fixed charges, earnings represent earnings before income taxes and after−tax earnings of joint ventures, distributed income of equity investees, fixed charges, and amortization of capitalized interest, net of interest capitalized. Fixed charges represent gross interest expense and subsidiary preferred distributions to minority interest holders, plus one−third (the proportion deemed representative of the interest factor) of rent expense. Calculations are based on underlying numbers.

Exhibit 18

March 30, 2007

General Mills, Inc.

Minneapolis, Minnesota

Ladies and Gentlemen:

We have been furnished with a copy of the quarterly report on Form 10−Q of General Mills, Inc. (the “Company”) for the thirteen and thirty−nine weeks ended February 25, 2007, and have read the Company’s statements contained in Note 1 to the interim consolidated financial statements included therein. As stated in Note 1, the Company changed the date of its annual goodwill impairment test from the first day of its fiscal year to December 1 and states that the accounting change is preferable in the circumstances because it better aligns the timing of the Company’s long−range planning with this test, as the impairment test is dependent on the results of the Company’s long−range planning process. In accordance with your request, we have reviewed and discussed with Company officials the circumstances and business judgment and planning upon which the decision to make this change in the method of accounting was based.

We have not audited any financial statements of the Company as of any date or for any period subsequent to May 28, 2006, nor have we audited the information set forth in the aforementioned Note 1 to the interim consolidated financial statements; accordingly, we do not express an opinion concerning the factual information contained therein.

With regard to the aforementioned accounting change, authoritative criteria have not been established for evaluating the preferability of one acceptable method of accounting over another acceptable method. However, for purposes of the Company’s compliance with the requirements of the Securities and Exchange Commission, we are furnishing this letter.

Based on our review and discussion, with reliance on management’s business judgment and planning, we concur that the newly adopted method of accounting is preferable in the Company’s circumstances.

Very truly yours,

/s/ KPMG LLP

Exhibit 31.1

I, Stephen W. Sanger, certify that:

1. I have reviewed this quarterly report on Form 10−Q of General Mills, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2007

/s/ Stephen W. Sanger
Stephen W. Sanger

Chairman of the Board and

Chief Executive Officer

Exhibit 31.2

I, James A. Lawrence, certify that:

1. I have reviewed this quarterly report on Form 10−Q of General Mills, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 30, 2007

/s/ James A. Lawrence
James A. Lawrence

Vice Chairman and Chief Financial Officer

Exhibit 32.1

I, Stephen W. Sanger, Chairman of the Board and Chief Executive Officer of General Mills, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes−Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10−Q of the Company for the fiscal quarter ended February 25, 2007 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 30, 2007

/s/ Stephen W. Sanger
Stephen W. Sanger

Chairman of the Board and

Chief Executive Officer

Exhibit 32.2

I, James A. Lawrence, Vice Chairman and Chief Financial Officer of General Mills, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes−Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10−Q of the Company for the fiscal quarter ended February 25, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 30, 2007

/s/ James A. Lawrence
James A. Lawrence

Vice Chairman and Chief Financial Officer