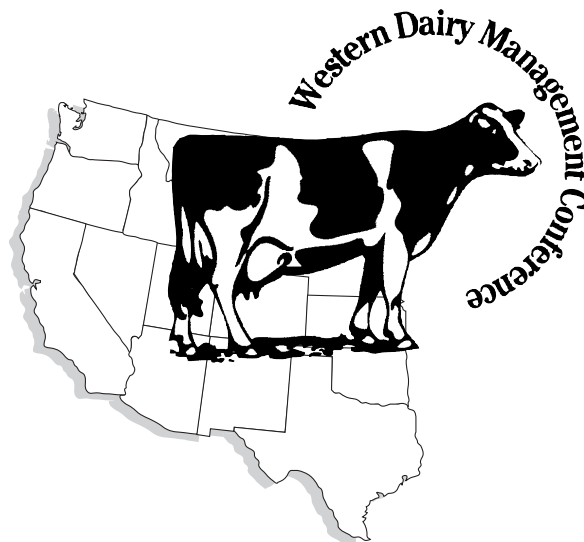


U.S. Cooperative Success Story:
**Sunsweet Sells The
World On Prunes**

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U.S. Cooperative Success Story: **Sunsweet Sells The World On Prunes**

I. INTRODUCTION: SUNSWEET GROWERS INC.

Formed in 1917

Number of members: 650 California prune growers

Headquarters: Yuba City, California

Other major location: Fleetwood, Pennsylvania

Crop Share: 55% or U.S.; 40% of world supply

Principle products: Pitted prunes, prune juice

Principle markets: U.S.; one-third of production is exported, primarily to European countries and Japan.

Market share: 70% of U.S. consumer market

Annual sales: \$225 million

II. STRATEGIES FOR SUCCESS IN GLOBAL MARKETS

A. Become the lowest cost processor

1. Invest in technology to improve efficiency and quality

2. Form a marketing agency in common to create more sales and distribution power at lower cost.

a. Sun-Diamond was formed in 1980 by three cooperatives: Sunsweet Growers, Diamond Walnut Growers, and Sun-Maid Growers of California. Each had the number-one brand position but saw a need to improve sales effectiveness and reduce costs by joining together for certain common needs.

B. Objectives:

1. Increase sales and market share.

2. Reduce sales and distribution costs.

3. Enhance political visibility and effectiveness.

b. Today's Sun-Diamond has five co-op partners.

d. Produce a product that commands premium pricing; invest in a brand.

e. Add value beyond the farm gate by ownership of pitting, processing, packaging, bottling, marketing, sales and distribution functions, thus eliminating the middleman.

Example: Bulk prunes are valued at \$1800 per ton. When those prunes are pitted, packaged, and sold under the Sunsweet label, that value is doubled for the Sunsweet prune grower.

III. SUNSWEET'S FUNDING TECHNIQUES

A. Normal retains: Sunsweet retains 7.5% of the grower's earnings for a 4-year cycle.

B. Retains and reserves from the profits of ancillary activities:

1. Co-packing: Bottling services for companies such as Ocean Spray and Snapple provide revenue and reduce fixed overhead.

2. Cogeneration: Reduces operating costs by producing steam as a byproduct from the production of electricity for the public utility company.

3. Sun-Land: Produces profits from the sale of non-member commodities and provides another source of retains.

4. Research and Development: Funded by a reserve program on a periodic basis from crop pools. The resulting new products such as flavored prunes provide new sources of profit. Our strategy is to introduce or acquire at least one new item per year in each major business area by consistently generating new concepts and reviewing old concepts.

C. Bank borrowing from conventional and cooperative lenders.

IV. BOARD AND MANAGEMENT STRUCTURES THAT WORK

The members, directors and managers of the cooperative form a circle:

Growers provide equity and elect board members.

Board chooses management and monitors their performance.

Management implements board policy and communicates back to members.

V. MEMBER COMMITMENT A KEY INGREDIENT

- The cooperative's mission is to maximize long-term economic returns of members in excess of independent packers.

- Sunsweet producers are committed to quality.



- The cooperative's strong performance, especially in recent history, has built a stable grower base. Membership is now closed, providing a more controlled, predictable supply of tonnage.
- An informed, responsive membership elects qualified representatives to lead the cooperative.

VI. CONCLUSION: SUNSWEET'S STRATEGY FOR SUCCESS INTO THE 21ST CENTURY

Through hard work and good fortune, Sunsweet has proven its ability to manage change through the better

part of the 20th century, and we now have in place a formal structure for viewing the future from a strategic position in order to continue to manage change. Though our five-year planning process, each year we focus on long-term planning for five years out. This year when the board meets for its strategic planning sessions, we will focus on the cooperative's needs in the year 2000. To the best of our ability, the 21st century will not take Sunsweet by surprise. We're enjoying success now and we're preparing ourselves for success into the 21st century!

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