



President's Message

'To compete in this fast changing marketplace, Sunkist must reform itself... We need to shift from being a supply-driven organization, to a customer-driven organization. By focusing on the customer, we will find new ways to compete.'

Jeff Gargiulo, Sunkist 2001 Annual Report

Our agenda for the future: align with customers and consumers

This is my fifth annual report message since becoming your president in 2001. Since day one, my mantra has been to focus Sunkist on the customers and their consumers and to find new ways to compete in a very dynamic and fluid marketplace.

We've been aggressively focused on the changing demands of the marketplace. History is littered with companies and brands that failed to adapt to changing consumer preferences. We don't plan to be one of them.

We're enjoying many successes. We're doing much better, for example, at providing the bundling of services demanded by today's retail giants like Wal-Mart and Costco. We have led the industry to unite to assure consistent flow of product to the market at reasonable price levels, resulting in another good year of per-acre returns. Our global group is filling in the gaps of our fruit portfolio to ensure year-round availability, and our new berry offering is expanding the Sunkist brand presence.

Brand leverage lives and dies with quality

The Sunkist brand is our most valuable asset – it is an iconic brand trusted by consumers as the best and freshest fruit. We continue to put new energy behind demand strategies to increase consumption but, as I said at this year's annual meeting, all of this lives and dies with quality. Quality starts in the grove with the right varieties on the right rootstocks in the right growing locations utilizing "best- practice" farming. We've implemented new quality standards at the packinghouses to enhance fruit quality and food-safety systems. Consistent quality is a must if we're to fully leverage our brand strength and deliver higher returns to our quality growers.

Encouraging progress, but more change needed

The progress we are making is encouraging, but we need to make fundamental changes to our corporate structure and supply chain to take advantage of our size and scale. Our critical mass is not fully leveraged – it should be. Today's internal competition – between Sunkist growers, between Sunkist packers and between Sunkist packers and Sunkist – stands in the way. It slows down decision-making. It increases costs. Today's marketplace demands speed and efficiency.

We have to align ourselves clearly and directly with our customers and the end consumer. The Sunkist Board of Directors and management team are working on a vision for the future of Sunkist. The primary question that drives this process is how do we best execute our mission of maximizing returns for quality Sunkist growers.

alignment



We've talked a lot about a consumer-driven vision with a Sunkist team that knows our end consumer better than anyone. This vision helps our growers and customers deliver the right quality product, in the right package, at the right place, at the right time.

Focusing on the consumer, brand, marketing channels, supply chain

A business model serving a consumer-driven Sunkist begins with a better understanding of the consumer. This includes employing systems to monitor and strategically respond to trends as well as leveraging marketing tactics to impact demand. Other components include management of the:

- Brand experience – focusing on quality, year-round supply and convenient, consumer-friendly products and channels
- Marketing channels – understanding our customers' business needs, focusing on managing the category with consumer insight, better sales force effectiveness and reducing the transactional workload
- Supply chain – eliminating duplication and inefficiency, improving our forecasting and quality of information, achieving savings on freight and logistics for our customers, and streamlining order management and tracking

On a parallel front, the value proposition for our growers and packers has to be clear. This means doing a better job helping them anticipate and plant the right varieties, implement best practices and apply emerging technologies. Finally, providing the highest returns for quality product will help us attract more quality growers.

Change opens new opportunities to maximize returns for quality growers

Change creates uncertainty. It can be stressful, but it can also be exciting, dynamic and full of opportunity to fully maximize the returns to our quality growers.

My reality is this: The status quo is not an option. The changes in the marketplace are just too dramatic. We've brought in some of the best and brightest minds in the world to help us craft a vision and chart a new course for the future. While I am not renewing my contract as your president, you're in good hands with the management team we've put in place to move the organization in the direction it needs to go. It will be up to your Board of Directors and my successor to decide how far and how fast to implement that vision.

I am proud of my five years at Sunkist as your president and appreciate the support you've given me as I have worked to shape our now 112-year-old cooperative for the 21st Century.



Jeffrey D. Gargiulo
President & Chief Executive Officer

