

Chairman's Message

2006 was a momentous year for Sunkist.

Total revenues reached an all-time high of \$1.1 billion. A complex navel season was brought to a remarkable conclusion. Valencia growers enjoyed the best returns in more than a decade. Lemon FOBs, already high, climbed higher. Grapefruit growers enjoyed yet another year of high prices and seasonal specialties sales topped all previous records. Sunkist's Citrus Juice and Oil business established itself as the most efficient high quality operator in the region. And Sunkist's global reach continued to gain strength. With our fresh fruit and licensed products, we market more than 600 products in over 50 countries on five continents.

After 16 years of membership, Paramount Citrus Association decided to disassociate itself from Sunkist at the end of the season. The volume lost with their departure was partially offset by volumes from new grower-members.

Sunkist is a voluntary organization and over our 114-year history our membership has remained remarkably stable. Those who choose to join do so because we have consistently proven that we provide the best in sales and marketing, along with many other services not found elsewhere. Sunkist continues to expand the opportunities and benefits offered our growers with the global footprint of our brand.

At the end of 2005, then President and CEO Jeff Gargiulo announced his decision to leave and pursue his wine business. To ease the transition and provide continuity, the board asked retired Fruit Growers Supply Company (FGS) President Tim Lindgren to serve as Interim President and CEO, a position he very effectively filled during the time the selection committee conducted a nationwide search for a new president.

While serving as Interim President, Tim convincingly demonstrated that we could find no finer or more qualified individual than him to take the reins of our cooperative at this critical time. As a veteran of the



Nicholas L. Bozick
Chairman of the Board

Sunkist/FGS system, Tim has extensive operational knowledge of all aspects of our cooperative and he is well known and widely respected in the agricultural industry. While the selection committee interviewed a number of excellent candidates, the Board of Directors came to the unanimous conclusion that Tim Lindgren's leadership capabilities, depth of knowledge and industry experience made him the unparalleled choice.

There were a multitude of issues with which Sunkist had to deal in 2006, including several projects the previous administration had started, which needed to be reevaluated, and in some cases restructured, in order to move forward efficiently. These included the strategies for our global sourcing program, the new fresh-cut produce venture, the implementation of the new Oracle software package system for our financial operations, and the relocation of several departments incidental to the sale of several Sunkist properties in Ontario.

The watchword of the previous administration was "dynamic change." The watchword of the current leadership is "strategic execution." Together, they are working. With its multi-faceted business model, Sunkist is well positioned for the future.

Sunkist has accomplished a great deal in its Citrus Juice and Oil operations in recent years. Modernizing the Ontario and Tipton facilities and reducing overhead has helped us navigate the low volume years and still provide the resources necessary to handle the high volume ones. There will continue to be volume fluctuations, which will affect earnings on an annual basis, but they will not be nearly as severe as they had been in the past. Equally important, we have upgraded product quality and are now recognized as the high quality bulk juice producer in the western United States.

There is great potential for expanding Sunkist's product presence and income with our licensed products applications. Hundreds of products around the world carry the Sunkist brand and that number

was increased again this year as existing licensees introduced new products and new licensees joined our program.

Sunkist's government affairs staff continued to accomplish great things in 2006. This department's vital work with federal and state governments continues to help keep our markets open and accessible, create new opportunities and to fight for the rights and interests of Sunkist's growers and shippers. Intervention to secure disaster assistance for our industry in the aftermath of the freeze is of critical importance in 2007.

Operational changes and a program of cutting redundancies have resulted in substantial savings – and cost-cutting continues to be a major area of concentration. Our goal in the near future, which will be temporarily delayed by the effects of the freeze, is to not only be able to provide funds to support our ongoing programs, but also to provide dividends to our members from these programs.

Not only has President Lindgren very effectively steered Sunkist throughout the transition period, he has done so while overseeing a record setting 2005-06 season. Tim received tremendous help from his management team, some of the most knowledgeable and experienced in the industry, and from Sunkist's dedicated and hardworking employees. We owe them our thanks.

I want to also express my gratitude to the members of the Board of Directors and the executive committee. They have all devoted an extraordinary amount of time, effort and expertise to help set our cooperative on its ever more successful path. I am proud to be a part of this great organization.



Nicholas L. Bozick
Chairman of the Board