

On the Move in 2005

Sales were solid across the breadth of Sunkist's core business categories in 2005. On every variety, Sunkist's returns exceeded the average net return-per-acre benchmark.

As it has in recent years, however, the spread between higher and lower earning levels continued to widen. While returns were very good for many growers, they were not good for all growers. *Results - good or poor - depended on the crop, the pace and the location.*

United industry benefits all growers

Sunkist's leadership in the CCGA once again helped lift the entire citrus industry in 2005. The success of a united industry in strategically marketing the season's orange crops is seen in the season's FOBs. That success has encouraged the formation of similar cooperative organizations for California and Arizona lemon and mandarin growers.

The first-ever California citrus advertising campaign was tested in 2005. The CCGA-funded campaign promoting the "fresh picked" quality of California oranges and the Sunkist brand increased orange sales in test markets and has formed the basis for an expanded program in 2006.

"Sunkist promotions are no longer just '50 cents off' offers. Our account-specific sales programs are showing retailers that we're practical partners, working to increase citrus consumption to add to their bottom line as well as to ours."

John McGuigan, Sunkist Vice President, Domestic Sales

Targeted account management drives sales

As supply more closely equaled demand, the average net return per acre for Valencias rose and grapefruit earned an average \$13.80 FOB. With volumes just slightly less than in 2004, both navels and lemons saw higher FOBs in domestic and export markets. Sunkist Seasonal Specialties enjoyed remarkable growth in both volume and revenue. While demand for Cara Caras, Clementines, Minneolas, Moros, Pummelos and Satsumas continued to climb, some varieties such as Orlandos and Honeys remained out of favor due to either the presence of seeds or the absence of great taste.

Sunkist's targeted management of sales and marketing - customer-by-customer and account-by-account - drove the year's solid performance. Sales efforts became increasingly more channel-specific in 2005. And a large part of today's growth in the citrus category is coming in alternate channels - those outlets other than retail.

Five years ago, Sunkist did little or no business with club stores or big box stores. Today, these stores are among its largest customers. As alternate store formats add produce to their inventories, major discount drug chains, convenience stores and dollar stores are joining the ranks of satisfied Sunkist customers. Today, wherever a consumer is buying food, Sunkist can be there because its products are hearty, as well as healthy.

Retail customers want help managing citrus category

Sunkist understands and is responding to the changing retail landscape. Customers are demanding category management - and category management demands global

safety



sourcing. As a category manager, Sunkist must have the right product, at the right price, at the right time. Today, Sunkist does. Sunkist's global sourcing program allows it to manage the competition that is in the market anyway to the benefit of both its customers and growers.

Expanding the category

In 2005, Sunkist expanded its citrus category to include limes – pleasing customers by helping bring stability and marketing acumen to that fractured industry. The nearly 300,000 cartons Sunkist moved exceeded expectations, and volumes for 2006 are expected to reach 1 million.

Sunkist also continued to market berries under the Sunkist brand, adding blackberries and raspberries to the product line. While there was a reduction in volume due to the sale of Coastal Berry, Sunkist's supply partner in 2004, many other growers successfully marketed their strawberries through Sunkist in 2005, and that volume is growing in 2006. Also in 2006, Sunkist will expand its brand presence by expanding its berry offerings to include blueberries.

Foodservice market grows: chefs emphasize citrus in food trends

Ongoing focus on the growing foodservice market saw revenues jump to \$70 million in 2005, a \$20 million increase over the past three years. Sunkist continued to partner with well-known chefs to increase the use of citrus as an ingredient in cooking. Events such as the Sunkist Citrus Célébré at the Culinary Institute of America allows Sunkist to help set trends in the industry.

Fueling motivation to expand demand for citrus

Continuous research keeps Sunkist abreast of consumer trends and provides the knowledge of what needs to be done to stay ahead of them. Sunkist is differentiating its products and giving its sales team more and better tools to help them compete in an increasingly competitive marketplace.

The goal of today's marketing program is motivation: motivating consumers to consume more citrus, motivating retail customers – traditional and non-traditional – to offer more citrus, and motivating foodservice operations to incorporate more citrus into their menus.

To accomplish that goal, Sunkist is focusing on the consumer experience – the fresh, healthy, vibrant “energizing enjoyment” that Sunkist citrus delivers.

“The Sunkist brand name is instantly recognized and trusted in many regions of the world and with it carries the promise of the highest quality.”

Greg Combs, Vice President, Sunkist Global Licensing

Research shows that consumers love citrus because of its effect on their senses: the taste, the look, the color, the texture and the aroma. Building on that knowledge in the coming year, Sunkist will be promoting the Sunkist Citrus Sensation, expressing the unique and vibrant citrus experience.



Making the consumer connection

Sunkist programs make an emotional connection with consumers. The hugely successful Little League Baseball program is the model. It is an excellent fit for both retail customers and consumers. It fulfills customers' desires to be a vital part of their communities and consumers' desires for a tasty, healthy and energizing snack. Sunkist's Take A Stand program is also an ongoing hit with customers and consumers. The program, which provides Sunkist lemonade stands to kids who pledge to raise money for their personal charities, has touched hearts nationwide while raising thousands of dollars for those in need. In 2006, country singer Billy Dean joins Take A Stand as the official spokesperson to increase its impact. New in 2005 was a test program targeting the Hispanic market that proved highly successful and will be expanded in 2006.

One factor driving today's consumer decisions is convenience. And Sunkist Fun Fruit®, the new line of kid-size fresh-cut produce, is a big hit in school cafeterias. Orange Smiles™, Apple Grins®, Grape Giggles®, Pineapple Pals® and Carrot Kidders® in ready-to-eat, kid-appealing packaging are fun, tasty and nutritious. With the concern about childhood obesity, Sunkist Fun Fruits are just what parents are looking for – convenient, healthy food that tastes good.

Creating demand with a brand promise

Much of what Sunkist is doing today is focused on building demand in the long term. Promotional programs are designed not just to sell fruit, but also to make the fruit itself more relevant to today's families. Sunkist is taking citrus out of the commodity role and building a brand character around it.

Demand cannot be taken for granted; it must be created. Oranges have been oranges forever, as lemons have been lemons. Sunkist is giving those mature commodities a premium brand voice that is satisfaction-oriented and that reinforces the message that citrus is fresh, nutritious and delicious – qualities that drive today's decision-making.

Kid-friendly characters such as Cookie Monster and other Sesame Street regulars are helping promote this positive imagery and generating consumer excitement about Sunkist products. These are the types of programs retailers say they want, and expect, from Sunkist – forward-looking programs that help grow their business.

Premium quality

Customers will only pay a premium price for a product that is presented in premium fashion. Newly designed packaging is an extension of the consumers' positive experience with Sunkist, offering appetite appeal, nutritional information, suggestions for uses and the Sunkist brand promise.

Sunkist is all about quality – quality of product, of presentation and of promotion. Consumers know they can depend on the quality of fruit bearing the Sunkist sticker. And customers know the marketing value of that quality.

quality



Sunkist has embraced a brand promise from the more than 6,000 growers in the Sunkist family, which emphasizes the character of their products:

“The fresh taste of Sunkist is our guarantee of satisfaction and premium quality. Since 1893, our customers and consumers have trusted Sunkist growers to deliver the essential goodness of Mother Nature’s best citrus. Sunkist products reward the senses with energizing enjoyment.”

Strategic initiatives drive improvements in juice and oil business

Sunkist Citrus Juice and Oil Business (CJ&O) processed nearly 27 million carton equivalents in 2005, almost double the volume of the previous year. New fruit quality standards decreased defective fruit 100 fold, transportation costs were substantially reduced, margins on orange juice increased more than \$7 million and new forecasting and reporting tools helped to better manage the business. The improvements led to a record return for Valencias and stable returns for navels and lemons.

“To the consumer, the Sunkist brand is a trust mark. Consumers trust that if the name on the fruit is Sunkist, it will be good; and the safety of the fruit is an integral part of that trust.”

Robert Verloop, Vice President, Sunkist Marketing and Promotion

The U.S. orange juice market strengthened significantly following the hurricanes that pummeled Florida citrus the past two seasons. Orange juice futures traded above \$1 per pound solid most of the year, ending in the \$1.20 range. Consumption in the U.S. continued its decline, falling more than 1 percent in 2005 to a cumulative 5 percent over the prior five years.

The combination of a large 2005 Argentine lemon crop and low products prices resulted in a quarter of that crop not being harvested due to a lack of processor offers. All-time low prices for Argentine lemon concentrate prompted an investigation into dumping.

Brand licensing increases recognition worldwide

One of the reasons Sunkist is among the world’s most recognized brands is because Sunkist licensed products carry the Sunkist brand across the country and around the world. The global licensing program not only returns a substantial amount of royalty income to Sunkist, it also reinforces the selling power of all things Sunkist. Hundreds of products in more than 50 countries carry the Sunkist brand. Sunkist licensees find that the Sunkist logo consistently increases product trial, loyalty and sales.

The global licensing program generates millions of dollars in advertising and billions of brand impressions from which Sunkist benefits – at no cost to the grower. Sunkist licensees understand the value of the Sunkist brand as well as the relevance of the exciting, fresh and healthy message it delivers to consumers.

Royalty revenues keep Sunkist growers’ capital investment one of the lowest of any cooperative in the world, providing the majority of the after-tax retained earnings that fund the company’s capital expenditures.



Fresh Fruit Varietal Summary

Shipments in thousands of cartons

	2005		2004		% Change		2003		2002	
	Cartons	Avg. FOB	Cartons	Avg. FOB	Cartons	Avg. FOB	Cartons	Avg. FOB	Cartons	Avg. FOB
Navels and Miscellaneous										
Domestic	20,962	\$10.26	21,000	\$9.42	0%	9%	23,431	\$8.07	18,463	\$10.78
Export	5,727	\$13.23	8,167	\$11.79	-30%	12%	7,523	\$10.80	5,321	\$13.54
* Products-grade	1,522	\$2.93	1,273	\$2.60	20%	13%	1,068	\$2.48	1,319	\$2.74
Total	<u>28,211</u>	<u>\$10.47</u>	<u>30,440</u>	<u>\$9.77</u>	<u>-7%</u>	<u>7%</u>	<u>32,022</u>	<u>\$8.53</u>	<u>25,103</u>	<u>\$10.94</u>
Valencias										
Domestic	7,029	\$9.50	6,327	\$9.65	11%	-2%	8,489	\$7.28	9,499	\$7.79
Export	6,267	\$11.20	4,925	\$11.71	27%	-4%	6,453	\$9.28	5,918	\$9.40
* Products-grade	2,067	\$3.23	1,988	\$3.20	4%	1%	2,039	\$2.47	2,013	\$2.62
Total	<u>15,363</u>	<u>\$9.35</u>	<u>13,240</u>	<u>\$9.48</u>	<u>16%</u>	<u>-1%</u>	<u>16,981</u>	<u>\$7.46</u>	<u>17,430</u>	<u>\$7.74</u>
Lemons & Limes**										
Domestic	16,343	\$15.37	16,883	\$14.39	-3%	7%	16,378	\$13.27	16,339	\$15.53
Export	3,359	\$18.56	3,421	\$17.44	-2%	6%	3,756	\$16.02	3,659	\$19.47
* Products-grade	0	\$0.00	0	\$0.00	0%	0%	0	\$0.00	0	\$0.00
Total	<u>19,702</u>	<u>\$15.91</u>	<u>20,304</u>	<u>\$14.90</u>	<u>-3%</u>	<u>7%</u>	<u>20,134</u>	<u>\$13.79</u>	<u>19,998</u>	<u>\$16.25</u>
Grapefruit										
Domestic	3,186	\$13.90	3,912	\$10.18	-19%	37%	3,250	\$9.63	3,237	\$8.12
Export	1,029	\$14.43	724	\$10.25	42%	41%	880	\$10.03	875	\$8.08
* Products-grade	100	\$4.15	127	\$3.25	-21%	28%	151	\$2.43	179	\$1.96
Total	<u>4,315</u>	<u>\$13.80</u>	<u>4,763</u>	<u>\$10.01</u>	<u>-9%</u>	<u>38%</u>	<u>4,281</u>	<u>\$9.46</u>	<u>4,291</u>	<u>\$7.85</u>
Tangerines										
Domestic	1,556	\$16.13	1,732	\$13.18	-10%	22%	1,511	\$13.62	1,781	\$14.66
Export	250	\$16.55	295	\$13.68	-15%	21%	223	\$13.36	138	\$14.85
* Products-grade	64	\$2.61	37	\$2.28	75%	14%	148	\$2.60	357	\$2.54
Total	<u>1,870</u>	<u>\$15.71</u>	<u>2,064</u>	<u>\$13.06</u>	<u>-9%</u>	<u>20%</u>	<u>1,882</u>	<u>\$12.72</u>	<u>2,276</u>	<u>\$12.77</u>
All Varieties										
Domestic	49,076	\$12.27	49,854	\$11.77	-2%	4%	53,059	\$9.80	49,319	\$11.74
Export	16,632	\$13.67	17,532	\$12.85	-5%	6%	18,835	\$11.31	15,911	\$13.07
* Products-grade	3,753	\$3.13	3,425	\$2.97	10%	5%	3,406	\$2.48	3,868	\$2.62
Total	<u>69,461</u>	<u>\$12.11</u>	<u>70,811</u>	<u>\$11.62</u>	<u>-2%</u>	<u>4%</u>	<u>75,300</u>	<u>\$9.85</u>	<u>69,098</u>	<u>\$11.54</u>

**“Products-grade” relates principally to bulk sales of processing-quality fruit to outside processors and fresh juicers, accounted for under board-established policies as fresh fruit sales.

** Sunkist commenced marketing limes in 2004. A total of 282,508 and 4,884 cartons of limes are included in the Fiscal 2005 and Fiscal 2004 figures above.

Sunkist Growers, Inc. and Subsidiaries

Five-Year Summary

	2005	2004	2003	2002	2001
Sales and Other Revenues					
<i>(In millions of dollars)</i>					
Fresh fruit, all varieties:					
Domestic sales	\$ 600	\$ 587	\$ 525	\$ 585	\$ 574
Export sales	225	229	219	215	222
Total	825	816	744	800	796
Fruit products, all varieties					
Total Sales	49	38	56	62	83
Total Sales	874	854	800	862	879
Other revenues					
Total Revenues	131	121	142	102	114
Total Revenues	<u>\$ 1,005</u>	<u>\$ 975</u>	<u>\$ 942</u>	<u>\$ 964</u>	<u>\$ 993</u>
Payments to Members					
<i>(In millions of dollars)</i>					
Fresh fruit, all varieties:					
Domestic sales proceeds	\$ 567	\$ 562	\$ 491	\$ 553	\$ 536
Export sales proceeds	205	210	201	195	200
Total	772	772	692	748	736
Fruit products					
Total Payments to Members	7	7	8	12	18
Total Payments to Members	<u>\$ 779</u>	<u>\$ 779</u>	<u>\$ 700</u>	<u>\$ 760</u>	<u>\$ 754</u>
Production and Utilization					
<i>(Pool Year)</i>					
Fresh fruit shipments:					
<i>(In millions of cartons)</i>					
Domestic	49	50	53	49	55
Export	17	18	19	16	18
Products-grade	3	3	3	4	4
Total	69	71	75	69	77
Products fruit:					
<i>(In thousands of tons)</i>					
Navels	156	82	141	69	96
Valenicas & Misc.	92	31	82	63	73
Lemons	258	190	346	177	343
Grapefruit	—	—	1	1	3
Tangerines	5	8	5	5	12
Total	<u>511</u>	<u>311</u>	<u>575</u>	<u>315</u>	<u>527</u>