

Sunkist promotions give our citrus a premium brand voice.

Sunkist promotions focus not only on selling citrus today but also on building long-term demand by making the fruit more relevant to busy families. Sunkist takes citrus out of a commodity role, building a brand character and reinforcing the message that citrus is fresh, nutritious and delicious. Sunkist promotions are the types of programs retailers want - programs that generate consumer excitement and help them grow their business.



Year in Review

The 2006-07 season was off to a superb start. The crops were of excellent quality. Navel and lemon FOB averages were higher than at the same time a year earlier and sales of specialty citrus varieties were on their way to beating the record set in 2005-06.

Then on January 12, with nearly 70 percent of the citrus crop still on the trees, came night after night of temperatures in the low 20s. The days following the freeze were hectic. The early estimates of the damage caused by the ten nights of below-freezing temperatures were devastating – and wrong. More fruit than anyone expected survived the freeze undamaged – much more.

And so, despite the freeze, 2007 was a very successful year for Sunkist and for many of its growers. This success was a result of many growers producing outstanding fruit, of packers working with Sunkist staff to pace the fruit into the marketplace and of sophisticated market intelligence that enabled Sunkist to seize opportunities that translated into more sales and greater grower profits. Sunkist worked closely with all its packinghouses – as well as with the independents – on harvesting plans, fruit inspections and market strategies as the industry adjusted to the consequences of the natural disaster. Daily contact with federal and state government officials helped secure disaster assistance and crop insurance for Sunkist grower-members.

Fresh fruit results top expectations

Navels

Sunkist shipped roughly 60 percent of the prior year's navel volume in 2007 – and generated roughly 87 percent of the prior year's revenue – much more than anyone believed

could be generated in that market. Those growers with acreage that survived the freeze and delivered strong production per acre had a very good year.

The success was due in large part to industry-wide cooperation in delivering only quality fruit to the marketplace. When freeze-damaged fruit reaches consumers, it costs the industry sales, both at that time and for weeks to come. It was a hard lesson taught in 1991, re-taught in 1999 and learned well by 2007. Sunkist growers and packers did a superb job keeping substandard product out of the market, and sales were outstanding.

Valencias

The Valencia season, however, was unexpectedly difficult. Coming off an excellent navel season, orange prices were high. The Valencia crop was very short, and the juice market relatively strong. Unfortunately, something happened to the fruit.

Perhaps because of the freeze, it never made Valencia maturity standards and it never tasted like a Valencia is supposed to taste. Over the entire season, there were complaints from all markets about fruit quality. And because the fruit never achieved the quality needed for high value Not-from-concentrate (NFC) juice, close to a million cartons, which was expected to move to the juice market, never made it. That changed the dynamics considerably.

Lemons

One of the year's biggest accomplishments was Sunkist's ability to drive lemon revenues while shipping nearly 3 million fewer cartons. 2007 was, by far, Sunkist's largest lemon revenue generation year ever, with revenues of \$380 million topping the previous record by approximately 11 percent. It was an outstanding achievement by everyone in the supply chain.

The impact of last year's freeze is still being felt this year in lemons. In District 3, the crop is 60 percent of normal and in District 1 it is down 20 to 25 percent. For 2008, lemons are in a short supply, high FOB situation – a good position for growers' bottom lines.

Specialties

The results for specialty citrus in 2007 depended on the individual varieties. Pre-freeze, Sunkist was once again driving huge revenues in all varieties and growers were enjoying one of the best Fairchild and Satsuma seasons ever. The freeze hit into the front end of the season for Bloods, Cara Caras, Minneolas and Pummelos, impacting each variety differently. Immediately following the freeze, the industry had a difficult time ascertaining the supply situation, variety by variety. Once that was clarified, however, Sunkist's sales team did an excellent job bringing home good returns to those growers whose fruit was not affected by the freeze.

Grapefruit

There was good news and bad news for grapefruit growers. The good news: production is now in a more effective supply and demand balance. The bad news: Florida and Texas are back in the markets in full force following disruptions from hurricanes and freezes. While grapefruit FOBs and revenue generation were down a bit from recent seasons, 2007 was still a profitable year, and in the near term, results will probably continue to be good for West Coast grapefruit growers. There is a very real possibility however, that too many new acres are being planted, particularly in District 1. Consumption is still trending downward so despite the short-term successes, in the long-term it does not appear that the grapefruit category will be growing.



Sunkist's packaging helps our customers sell their customers.

In today's highly competitive environment, packaging is an indispensable selling tool. Sunkist's innovative array of packaging communicates Sunkist's branded quality and value and provides our customers with solutions to their changing needs in transportation, merchandising and new technologies.



Global Sourcing

Sunkist's 2007 Global Sourcing business continued expanding relationships and introducing new sourcing programs for the future. Sourcing, however, was difficult due to poor weather conditions, particularly in South Africa, where the majority of the counter-seasonal fruit is sourced. On the eastern cape of South Africa winds left the fruit scarred; on the western cape there was too much rain at the wrong time, and the northern growing areas suffered from a freeze.

Despite these problems, Sunkist maintained the momentum achieved in 2005-06, securing counter-seasonal fruit to meet specific customer needs. Much of this fruit is sold in Southeast Asian markets, although some is marketed in the U.S. and Canada.

The program continued to concentrate on fruit from Australia and South Africa as well as limes from Mexico. Some domestically sourced fruit, grapefruit from Texas and non-member Clementines, are also handled under the global program. In the coming year, Sunkist is exploring additional sourcing opportunities in areas such as Chile and Morocco as well as expanding opportunities in South Africa.

Sunkist's Citrus Juice & Oils Business

The January freeze offered a huge challenge, and a huge opportunity, to the Sunkist Citrus Juice & Oils (CJ&O) business, which processes citrus fruit into juice, oil, aroma and peel byproducts. Going into the 2006-07 season it appeared that deliveries to the processing plants would be light. The results of the freeze changed all that. Post-freeze, Sunkist's CJ&O plants surpassed last year's record-setting navel processing

tonnage and achieved the best pay price in five years. Despite the freeze, the quality of the navel juice was excellent, increasing the amount of NFC volume produced and raising revenues.

Valencia deliveries were another story. While the tonnage was about the same as last year, returns were down due to a decrease in futures pricing and even more, to the lower quality blended product resulting from the lack of fruit maturity.

As expected following the freeze, most of the lemon crop was moved in the fresh market leaving very little fruit for byproducts. While negative results were expected, careful budgeting and cost reductions led to better-than-expected returns.

Sunkist management and staff devoted a great deal of time and effort to the successful conclusion of the anti-dumping action the lemon industry filed against companies in Argentina and Mexico. The U.S. Department of Commerce proffered a suspension agreement, accepted by all parties, which brought much improved prices in the market and allows U.S. lemon growers to be competitive.

In May, Ted Leaman joined Sunkist as Vice President, Citrus Juice & Oils. With his strong background in both juice and food processing, he is a valuable addition to Sunkist's management team and Sunkist is the beneficiary of his track record in increasing efficiencies and reducing costs.

Under the guidance of the new vice president, Sunkist took a major step in 2007, beginning the consolidation of its CJ&O operations. The lemon operations, housed in Ontario, California, began the move to Sunkist's state-of-the-art processing facility in Tipton, California, which processes oranges and tangerines. The consolidation will be funded through the sale of the Ontario property. No additional capital will be

required. Upon completion, processing capacity will actually increase by 15 percent and during light crop years, the overhead per ton costs will be less with a single facility. It is a move that will pay for itself several times over in greater economies of scale and increased efficiencies.

The freeze-driven shortage of lemons made this the optimum time to accomplish the consolidation. The extraction equipment has been moved to Tipton where the new lemon lines are expected to be up and running in March 2008. Post-extraction functions will continue at the Ontario plant for about a year, until the move is complete. After that time, only the tank farm for juice storage will remain in Ontario.

The 17-acre Tipton plant has the most technologically advanced orange juice processing capability in the world. Built in 1981 in the heart of the San Joaquin Valley citrus-growing area, the facility has been continuously improved. A 6 million gallon aseptic tank farm allows Sunkist to provide a year-round supply of Not-from-concentrate (NFC) orange juice – a key revenue producer – to today's major brands. Increased evaporation capacity and juice debittering and de-oiling systems have also improved the value of the operation.

With this historic consolidation, Sunkist will have a world class processing facility for all its citrus byproducts – the largest on the West Coast. The increased efficiencies and reduced fixed costs will mean a dramatic improvement to grower returns. On track to become a leading supplier of value-added citrus products, Sunkist is already regarded as a major high quality juice producer on the West Coast. The consolidation of the CJ&O business significantly benefits both Sunkist growers and Sunkist-affiliated packinghouses.



Licensed products carry the Sunkist name around the world.

Sunkist is one of the world's most recognized brands because the Sunkist name is constantly on display. The global licensing program generates millions of dollars in advertising and billions of brand impressions enhancing the brand worldwide - at no cost to growers. The program also returns a substantial amount of royalty income to the cooperative while reinforcing the selling power of all things Sunkist.



Global Licensing

The growth of Sunkist's Global Licensing business effectively demonstrates the intrinsic value of the Sunkist brand. With more than 600 different products in 45 countries on five continents, more consumers every day are seeing the name Sunkist.

Now working with Sunkist's Marketing Department, the global licensing program is focused on enhancing the sales of existing licensees as well as developing relationships with select new companies which can provide high levels of brand exposure and royalties. Already heavily invested in juice, juice drinks and sodas, Sunkist Global Licensing is looking beyond those areas to products that support the basic premise of the Sunkist brand – premium quality, great tasting, healthy and natural.

Consumers may not understand licensing, but they do believe that if a product carries the Sunkist name, it is consistently a quality product. Sunkist is working with licensees to repackage products with fresh graphics more indicative of our fresh and healthy imagery, which make a subtle visual link between the quality of Sunkist fresh fruit and the quality of the Sunkist product. Presenting the brand consistently helps to distinguish Sunkist products on the shelf and to build on Sunkist's premium imagery and credibility.

Sunkist analyzed each of its licensees in 2007, looking at both performance and potential. Working with current licensees, Sunkist is helping to identify opportunities and share information and innovations. As these "best practices" are shared across the licensee network, Sunkist licensees are repositioning their products for better alignment and greater growth. Sunkist is also identifying new products that offer

opportunities aligned with the Sunkist brand promise and seeking opportunities with the right licensees to take these products to market.

In 2007, Sunkist licensees introduced two exciting products into U.S. produce departments. Sunkist Naturals, a line of 100% juices and smoothies, was developed by Maverick Brands, a company whose executives have a long list of successful new product introductions. Introduced at the October 2007 Produce Marketing Association convention, production is now underway and retailers are lining up to carry Sunkist Naturals.

Sunkist Premium Sweet is a new line of jarred fruit aimed at on-the-go families where convenience is a key factor. What makes this product unique is that it is stored in juice rather than in sugary syrup – a healthy alternative in the \$100 million jarred fruit category. It is manufactured by the 'Better for You' Food Division of Old World Enterprise Group. Sunkist Premium Sweet entered East Coast markets on a limited basis in September 2007. Distribution will expand rapidly in 2008.

Last year saw a change in the license for Sunkist Fruit Gems, the pectin candy that is a long-time consumer favorite. When one of Sunkist's earliest licensees, the Ben Myerson Company, exited the candy business in 2007, the license was granted to Jelly Belly, a well-known confection company. Jelly Belly has the Fruit Gems line as well as jelly beans and other confection products. The products have been repackaged and repositioned. Distribution will be expanding, not only in the United States, but also internationally.

Sunkist's new international licensee, Wafer Foods, is marketing juice for both retail and foodservice and fresh fruit in the Middle East. Additional product lines will be identified in the near future with the goal of

invigorating Sunkist branding in the Middle East and introducing Sunkist-branded products into India.

Enhancing the future

The new season, and the new fiscal year, is underway. Sunkist is marketing a large crop of navels and seasonal specialties and it looks as if the Valencia crop will be abundant also. The lemon crop, long predicted to be smaller-than-normal in Districts 3 and 1, is running true to expectations. Recent wind damage in District 2 added another issue with which to deal. In this short supply/high FOB lemon situation, grower returns are expected to be strong.

The recent realignment which joined the Global Licensing program with the Marketing Department has provided the opportunities for greater enhancement of the Sunkist brand. Existing licensees are reinvigorating their products and packages and strong new licensees are joining the Sunkist family of products.

The realignment of Sunkist's Citrus Juice & Oils business, along with cost reductions and introductions of efficiencies, is making Sunkist extremely efficient and extremely competitive. Already, Sunkist has eliminated the 5 cent per carton products delivery right charge in 2008.

The implementation of Sunkist's major initiatives are enhancing the brand, streamlining operations and allowing Sunkist to take advantage of new opportunities that better position it in the marketplace. In addition, by effectively harnessing the value of the Sunkist brand, Sunkist is leveraging that value for the benefit of its grower-owners and positioning Sunkist for an ever more successful future.

The Sunkist logo, featuring the word "Sunkist" in a blue, stylized font with a white outline.

Fresh Fruit Varietal Summary

Shipments in thousands of cartons

	2007		2006		% Change	
	Cartons	Avg. FOB	Cartons	Avg. FOB	Cartons	Avg. FOB
Navels and Miscellaneous						
Domestic	13,050	\$ 14.48	20,345	\$ 10.78	-36%	34%
Export.....	4,788	\$ 18.33	7,437	\$ 13.22	-36%	39%
*Products-grade	595	\$ 4.66	1,343	\$ 2.68	-56%	74%
Total.....	<u>18,433</u>	\$ 15.16	<u>29,125</u>	\$ 11.03	-37%	37%
Valencias						
Domestic	4,103	\$ 14.47	6,462	\$ 13.74	-37%	5%
Export.....	1,927	\$ 18.47	4,814	\$ 12.40	-60%	49%
*Products-grade	886	\$ 5.58	1,822	\$ 4.36	-51%	28%
Total.....	<u>6,916</u>	\$ 14.45	<u>13,098</u>	\$ 11.94	-47%	21%
Lemons and Limes**						
Domestic	14,186	\$ 22.09	16,635	\$ 17.21	-15%	28%
Export.....	2,540	\$ 27.79	3,094	\$ 19.51	-18%	42%
*Products-grade	-	-	-	-	0%	0%
Total.....	<u>16,726</u>	\$ 22.96	<u>19,729</u>	\$ 17.57	-15%	31%
Grapefruit						
Domestic	3,183	\$ 11.62	3,274	\$ 13.45	-3%	-14%
Export.....	579	\$ 12.47	795	\$ 11.76	-27%	6%
*Products-grade	140	\$ 4.02	250	\$ 4.43	-44%	-9%
Total.....	<u>3,902</u>	\$ 11.47	<u>4,319</u>	\$ 12.61	-10%	-9%
Tangerines						
Domestic	1,327	\$ 20.59	1,797	\$ 16.33	-26%	26%
Export.....	51	\$ 24.60	282	\$ 14.62	-82%	68%
*Products-grade	49	\$ 2.24	23	\$ 3.62	113%	-38%
Total.....	<u>1,427</u>	\$ 20.10	<u>2,102</u>	\$ 15.96	-32%	26%
All Varieties						
Domestic	35,849	\$ 17.47	48,513	\$ 13.77	-26%	27%
Export.....	9,885	\$ 20.47	16,422	\$ 14.12	-40%	45%
*Products-grade	1,670	\$ 5.03	3,438	\$ 3.70	-51%	36%
Total.....	<u>47,404</u>	\$ 17.65	<u>68,373</u>	\$ 13.34	-31%	32%

*“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 190,919 and 280,897 cartons of limes are included in the Fiscal 2007 and Fiscal 2006 figures above, respectively.

Sunkist Growers, Inc. and Subsidiaries Five-Year Summary

	2007	2006	2005	2004	2003
Sales and Other Revenues (In millions of dollars)					
Fresh fruit, all varieties:					
Domestic sales.....	\$ 618	\$ 660	\$ 600	\$ 587	\$ 525
Export sales.....	<u>187</u>	<u>234</u>	<u>225</u>	<u>229</u>	<u>219</u>
Total.....	805	894	825	816	744
Fruit products, all varieties	<u>72</u>	<u>83</u>	<u>49</u>	<u>38</u>	<u>56</u>
Total Sales.....	877	977	874	854	800
Other revenues	<u>117</u>	<u>138</u>	<u>131</u>	<u>121</u>	<u>142</u>
Total Revenues.....	\$ 994	\$ 1,115	\$ 1,005	\$ 975	\$ 942
Payments to Members (In millions of dollars)					
Fresh fruit, all varieties.....	\$ 777	\$ 839	\$ 772	\$ 772	\$ 692
Fruit products	<u>20</u>	<u>26</u>	<u>7</u>	<u>7</u>	<u>8</u>
Total Payments to Members.....	\$ 797	\$ 865	\$ 779	\$ 779	\$ 700
Production and Utilization (Pool Year)					
Fresh fruit shipments: (In millions of cartons)					
Domestic	36	49	49	50	53
Export.....	10	16	17	18	19
Products-grade	<u>1</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total.....	47	68	69	71	75
Products fruit: (In thousands of tons)					
Navels.....	244	220	156	82	141
Valencias & Misc.....	68	75	92	31	82
Lemons.....	132	256	258	190	346
Grapefruit	-	-	-	-	1
Tangerines	<u>3</u>	<u>15</u>	<u>5</u>	<u>8</u>	<u>5</u>
Total.....	447	566	511	311	575