

CROP REPORT

2011 crop may top forecasts

As this issue went to press, it appeared deliveries in 2011 would be slightly higher than the 122,000 tons estimated by the California Agriculture Statistical Services, but the exact number will not be available until all dried fruit has been received and sampled by handlers. On December 22, the DFA reported deliveries of 118,000 tons to packers, with fruit continuing to trickle in.

Sunsweet's 2011 crop came in 9% larger than 2010, with average size an exceptional count of 57 per pound and undersize of 2.77%. (The average count in 2010 was 59, with 3.04% undersize.) This compares exceptionally well to our previous five-year average count of 61 per pound and 4.82% undersize. As to be expected, our overall large count puts our crop distribution at 75.45%



of fruit at 66 count and larger.

The average yield for 2011 came in at 2.37 tons per bearing Sunsweet acre, compared to 2.36 tons per bearing acre averaged over the past four years. Green fruit deliveries by local were generally up from 2010. Butte and Visalia locals saw decreases of 5% and 13%, respectively, while Glenn and Tehama locals came back strong with increases of 53% and 67%. Other locals saw increases ranging between 12% and 29%. Dry ratios averaged 3.24 this year—well above last year's 2.93. This year we saw lower-than-average Brix levels in all areas of the state, with early deliveries averaging 3–4 points less than we normally see at the start of harvest. We did not see Brix levels consistently exceeding 25% until our last week of harvest (these normally are seen as early as the first week).

MARKETING UPDATE

The New Diced Super Fruit... "More Amazin" than Cranberries and Raisins

Introducing new *Sunsweet Plum Amazins™*—diced dried plums that are a smarter, healthier and more delicious ingredient addition to your favorite recipe. Visit www.PlumAmazins.com for delicious new recipes!

What makes *Plum Amazins* so amazing? Compared to raisins or dried cranberries, *Plum Amazins* have:

- ♦ 50% more fiber
- ♦ 19% fewer calories
- ♦ 45% less sugars

Retailer response has been incredible for *Plum Amazins*, with acceptance nationwide at key customers such as Walmart, Kroger, Safeway, Publix, CVS to name a few.



Look for national advertising continuing through spring 2012—our new commercial will reach over 1.5 billion consumer impressions.

No bones about it: prunes and osteoporosis

When it comes to improving bone health and preventing fractures and osteoporosis, university researchers have found a simple, proactive solution: eating prunes.

Over a 12-month period, Florida State University's Bahram H. Arjmandi, PhD, RD, and a group of researchers from FSU and Oklahoma State University tested two groups of postmenopausal women. Roughly half ate 100 grams of prunes a day (about 10) and the rest (the control group) consumed 100 grams of dried apples. All also received daily doses of calcium and vitamin D.

The group that consumed the prunes had

significantly higher bone mineral density of the bones in the forearm and spine. The report was published in the *British Journal of Nutrition*.

Over his career Dr. Arjmandi has tested numerous fruits, from raisins to strawberries, "and none of them come anywhere close to having the effect on bone density that dried plums, or prunes, have," he noted.

The study and prunes' health benefits are highlighted in the December issue of *Women's Health*, with a circulation of 1.5 million one of the fastest-growing magazines in the U.S. "As few as three prunes a day can help stem bone loss, which begins at age 30," the magazine urges readers.

New website a hit with health professionals

Sunsweet recently launched a website specifically *Continued on back*



Another benefit of being a member Of Sunsweet cooperative

Section 199 Manufacturing Deduction

In December Sunsweet members received a "Manufacturing Deduction Notification of Allocation" from Sunsweet. Members are no doubt aware of the sizeable benefit this manufacturing credit represents but may not be as familiar with why they qualified to receive it. We're happy to provide this background information to yet another key benefit of being a Sunsweet Growers member.

What is the Section 199 Deduction?

The Section 199 Deduction is a tax break enacted by Congress for businesses which makes deductible a portion of income derived from domestic production, manufacturing and extractive activities to encourage job expansion and creation in the U.S. It was established by the American Jobs Act of 2004 in an effort to ease the tax burden of domestic manufacturers and as a result make the investment in domestic manufacturing facilities more advantageous.



How does this apply to Sunsweet?

Through attribution rules provided in §199, prunes grown and delivered to the cooperative by its members that Sunsweet Growers Inc. markets are deemed to have been grown by the cooperative. Accordingly, income generated by Sunsweet for the sale of member prunes is eligible for the Manufacturing Deduction.

The Manufacturing Deduction equals a percentage of the net income from eligible activities: 3% in tax years 2005–2006; 6% for tax years 2007–2009; and 9% after tax year 2009. This is approximately equal to a three-percentage-point reduction (35% to 32%) in the corporate income tax rate for qualified domestic income.

As a cooperative, Sunsweet is permitted to either retain the Manufacturing Deduction to offset taxable income or to pass through the deduction to its growers. Since inception of this deduction, Sunsweet's management has recommended and the Board of Directors has approved passing it through. For fiscal year ended July 31, 2011 (2010 tax year), Sunsweet passed through \$5.8 million of Manufacturing Deduction to its growers. In order for growers to claim this deduction on their tax returns, Sunsweet must issue a Notice of Allocation and corresponding Form 1099-PATR to report each grower's allocable share. Notice of Allocation for the fiscal year July 31, 2011, Manufacturing Deduction was mailed on December 12, 2011.

Other Information

The calculation of this deduction is complicated; thus, we have summarized its major points above so you can better understand the background. We hope all of you are taking advantage of this deduction by sharing your notice of allocation letter with your tax advisor in order to reduce your taxable income.

CULTURAL CHECKLIST

D screen review—Now that your DFA P-1's have arrived, and harvest is still fresh in your memory, it's a great time to review your P-1's with particular attention to your "D" screen average count. If your average "D" screen size is a 92 count or smaller, consider opening up your sizer next year—a 1/16" difference can have a significant impact. Since 92 count and smaller prunes have no financial value, it is best to leave them in the field to save harvest, hauling and drying charges.

Pruning—With the heavy crop load experienced last year, most orchards suffered some limb and scaffold breakage. Take time now to locate and remove "dead" wood. Talk with your pruning contractor to make sure he understands your size count goals for 2012 and prune accordingly.

Fertilization—The October 2011 issue of the IPEP newsletter has an excellent article by Franz Niederholzer, UC Farm Advisor for Colusa/Sutter/Yuba counties, on the "Key 3" for orchard fertility. (If you haven't seen it, contact your local field representative to get a copy.) This article does an excellent job of ranking the NPK values in order of importance to your orchard's prune production success.

Drying rights—It has been a while since we last had to think about drying rights. For those of you who experienced the troubles of being "under shared" this past harvest, however, now is a good time to discuss with your local field representative or fellow Sunsweet Dryer member the idea of purchasing or leasing some additional rights for the future.

Membership changes—Remember to keep your field representative abreast of any changes to your membership or acreage.

FOR SALE—191 acres Prunes + 20 acres Open
Adjacent to Planada, Merced County
Mature trees 18X18. Flood irrigation
Merced ID @ 18.25/af unlimited.
Merrill Real Estate 559-661-6363

Policy reminders

With the 2011 crop out of the orchard, dried and on its way to the consumer, now is a good time to reflect on some current Sunsweet policies that are often unknown or misunderstood by our members.

Membership acreage—

Membership in Sunsweet is closed and has been for nearly 20 years. New member applications for new acreage memberships are generally not being considered by the Board. For the most part and under most conditions, current members may increase their acreage—but only with Board approval. If you are considering increasing your acreage in any way, contact your field representative BEFORE you make a financial commitment.

Minimum acreage for membership—

The minimum acreage for a non-member purchase of existing Sunsweet acreage is 25 acres of land, with a minimum of 75% of that acreage currently planted to prunes. The membership application is contingent on several factors and subject to Board approval. Once again, if you are contemplating selling a parcel that meets the above criteria, contact your field representative BEFORE you finalize the sale.

Orchard leases—

Membership additions from leased orchards are now subject to Board approval. Member Services has a detailed list of criteria to be met for approval of leased acreage if you are contemplating a lease arrangement. DO NOT agree to an orchard lease until you are fully aware of all the requirements for approval as you may be creating liability for your own membership by breaking policy. A few highlights include: A contemplated lease of acreage exceeding a current member's registered acreage will generally not be approved, but may be considered by the Board on a case-by-case basis. Provide a copy of the contemplated lease with a term not less than 10 years. Contact your field representative for more details.

Lot numbers and codenames—

Now would also be a good time to review your list of lot numbers and codenames to ensure your needs are being met. Each membership is entitled to one lot number and one codename per 100 acres per county for purposes of accounting and recordkeeping. Additional codenames and/or lot numbers are available for more detailed accounting, but each additional lot number/codename carries a fee of \$250 payable from the current year's crop proceeds.

Board approval—

Please note that EVERY transaction involving acreage requires Board approval. Do not make changes to your membership acreage with an assumption that it will automatically meet the necessary criteria for approval. Check with your field representative for proper procedures.

Huller completes second season

As harvest wrapped up, Sunsweet's second season in the walnut hulling business also drew to a close. This year's throughput at the huller, which is located at the Hamilton City Dryer, was down 18% from last year due to our contracted growers' reduced yields from 2010. As with any new business of

this nature, volume is the key to success in covering fixed costs associated with the purchase and construction of the huller. Labor utilization and huller efficiencies were improved from lessons learned our first year. Customers and receiving handlers all seemed pleased with product quality and final moisture levels.



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VP Member Services & Dryers

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Member Services Administrative Assistant

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Grower Accountant

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SUNSWEET DRYERS:

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Red Bluff Dryer — 530-527-3377
Mark Gilles, manager / cell: 530-682-2451

River Bend Dryer — 530-458-4904
Larry Jennings, manager / cell: 530-682-2354

Winters Dryer — 530-661-6172
Mark Ramos, manager / cell: 530-682-8754

Yuba City Dryer — 530-671-2325
Javier De La Cerda, manager / cell: 530-682-2329

Next membership meetings

Members continue to have the opportunity to learn first-hand the current status of the global prune industry as well as current Sunsweet initiatives to drive the category while bringing members the highest returns possible. Those who attend our quarterly meetings leave with a very up-to-date picture of the market environment and challenges and opportunities faced by their cooperative.

Next meetings:

Fresno and Visalia Locals

February 21st, 10 a.m. / Selma Women's Club

Glenn & Tehama Locals

February 22nd, 9 a.m. / Los Molinos Veterans Hall

Butte, Feather River, Yuba and Vacayolo Locals

February 22nd, 2 p.m. / Yuba City Moose Lodge and Family Center

Please plan to attend the meeting in your area.

Access your records

Have you ever misplaced a P-1 or grade sheet and payment information? Finding them is only a click away with Sunsweet's Data Warehouse (dw.sunsweet.com), available to all members. The "warehouse" allows easy retrieval of copies of your P-1's, grade sheets and payment information, production history and much more. It's a great way to access your records for a crop insurance claim, track your current year-to-date payments and review your entire membership in Sunsweet. Assignees also can access grade sheet and payment information, production history and more.

Perhaps best of all, it's available 24 hours a day, seven days a week from the convenience of your home or office computer. This should save you valuable time in tracking down your field representative when you need to find production information.

To enroll in dw-warehouse, call David Blanton in Grower Accounting at 530-751-5301; he will help you establish a security ID that will allow you to access your information as needed.

Dryers reports another efficient year

Following on the success of the 2010 crop, 2011 should prove to be another efficient year for Sunsweet Dryers. The system's 10 dryers received 163,902 green tons during the delivery period, an increase of nearly 25% over 2010's deliveries of 132,023 green tons. Members delivered 93.4% of all fruit dried at our dryers in 2011, compared to 96.7% in 2010. This year saw a nice increase of 4,798 green tons dried resulting from our Outside Purchase Agreement contract growers.

Cooler-than-normal weather during the spring and summer, along with a later

bloom, resulted in our dryer system starting seven to 10 days later than normal. All locations operated at or near full capacity for varying periods this harvest.

The 2011 crop resulted in our dryers receiving fruit for an average of 21.4 days, down from 24.7 days in 2010. Average daily tonnage received was 7,244 green tons, up significantly from the 2010 crop's daily average of 5,324 green tons. With the greater tonnage received this year, and continued efficiencies of our dryer staff, final 2011 drying costs are expected to come in at \$84 per green ton.

Yerxa Scholarship accepting applications

The Charles T. Yerxa Scholarship in the amount of \$4,000 is open to high school seniors who are the children or grandchildren of current Sunsweet Growers Inc. members or current Central or District Directors. To print an application, please go to our website (Sunsweet.com) and select "Member Services" or contact Tracy Atondo at 530-751-5276 (toll free: 800-524-4455 ext. 276). All applications must be submitted and postmarked by April 1, 2012.

Marketing Update

continued from front

aimed at health professionals that features a wealth of information about its products and their benefits as well as healthy recipes and the latest in research.

Site users have responded enthusiastically. In a survey, a majority said they found the website very valuable, and 38% anticipate visiting on a weekly or monthly basis or more frequently. Other survey findings:

- ♦ 75% found the "Client Education Materials" section of the website useful; other helpful sections include recipes, "Healthy Living News" and product information.
- ♦ 77% recommend Sunsweet products to patients and clients.

- ♦ Nine out of 10 (91%) use Sunsweet products themselves.

Visit the website at <http://healthprofessionals.sunsweet.com/>

D'Noir Prunes™ Reaps Awards and Outstanding Consumer Response

The kudos keep coming for Sunsweet's delightful, delicious D'Noir Prunes. In July, this preservative-free product was recognized by leading fitness magazine *Shape* with a Best Snack Award and in October it received *Health* magazine's Health Food Award. Both publications boast millions of readers and highly desir-

able demographics.

Shape has a circulation of over 1.6 million mostly college-educated readers with a median age of 37 and annual household income of more than \$87,000. *Health* magazine's circulation of nearly 1.4 million is mostly women with a median age of 48 and annual household income of nearly \$60,000. Along with these outstanding awards, consumers are showing their support as well with D'Noir Prunes now controlling a 7% market share* and top 5 ranking within prunes.

*IRI 10/30/11

