

Sunsweet Growers: Prunes as Part of a Healthy Diet

Jena Silva, Michael Boland, and John Crespi

Arthur Driscoll II, President and CEO of Sunsweet Growers (Sunsweet), walked into the corporate office in Yuba City, Calif. There was a hint of rain in the forecast but not enough to help the farmers, he thought to himself. “We need rain!” He walked down the hallway to his office. The bi-monthly board meeting was tomorrow and he wanted to review the financial reports with Ana Spyres, Vice-President and Chief Financial Officer, and the marketing reports with Dane Lance, Vice President for Global Marketing and Sales.

Sunsweet had changed a lot over the past 10 years, he thought. The current board of directors was really engaged and energized with the performance of Sunsweet over the past several years. “How many farmer-owned cooperatives had deliberately set out a strategy to seek higher margins for a product through extensive marketing and promotion coupled with research and development on a product in a mature industry?”

The results were impressive, even record setting for the co-op, but maintaining that momentum was something that required careful planning. Since 2004, Sunsweet had been forewarning its members that industry acreage greatly exceeded demand on a global basis and that favorable market pricing would prove to be an aberration from crop failures rather than a long-term trend. In preparation, Sunsweet had not only grown company sales to record levels, it had invested heavily in retooling and gearing the company to prosper during oversupply conditions as well.

Art knew the days of oversupply had arrived. Market pricing had already declined 30% by the end of 2009 and threatened to drop further still as new acreage in South America became bearing.

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An Appendix to *International Agribusiness Strategy Cases: A Book in Honor of Professor Ray Goldberg.*

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Against this backdrop, Art's team prepared for the crucial board meeting. Dane was going to discuss the marketing plan that called for continued investment in advertising and value added strategies, while Gene Dodson, VP Operations, was going to report on ongoing operational investments in quality improvements and Ana was going to outline the potential impact of eroding market pricing for commodity prunes on Sunsweet's projected income statement and balance sheet. Art knew these Sunsweet strategies had resulted in record grower returns in recent years. Now it was time to generate board resolve to continue these investments to protect and enable the co-op to thrive in the years to come, even as the industry as a whole went through an oversupply shakeout. "It will be an interesting board meeting," he thought.

Background Information on Sunsweet

Sunsweet Growers Inc. is a non-profit cooperative association. Its primary purpose is to process and market the dried fruits and agricultural products produced or delivered by its members. It is the world's largest cooperative of dried tree fruits including apricots, cranberries, and prunes. Sunsweet was founded in 1917 by California apricot and prune producers.

In January 2010 Sunsweet had 325 active members. The cooperative was governed by a 12-person board of directors. These directors were elected by the membership at the annual meeting where each member had one vote plus additional votes based on the volume of agricultural products marketed by the member through the association from the previous year. All of Sunsweet's members were divided into five districts, which had at least one director in that district.

Sunsweet has prune dryers in 10 California locations: Corning, Gridley, Hamilton City, Live Oak, Madera, Marysville, Red Bluff, River Bend, Winters, and Yuba City.

The processing facility in Yuba City, Calif., is the world's largest dried tree fruit processing plant. Each day 40,000 cases of Sunsweet products are processed and shipped all over the world from this facility. Yuba City is also where the executive Sunsweet office is located.

Sunsweet had expanded into Chile through a wholly owned subsidiary called Agricola by building a new dryer. Sunsweet had expanded its operations into Chile in order to secure fruit during crop disasters in California and to closely monitor the rapid expansion of prune acreage there. Over the past decade the California prune industry has had crop disasters, record high field prices and high production costs due to energy, fertilizer, lack of water and reduced labor caused by immigration policies. This influenced Chile to expand prune acreage and Sunsweet to branch production out to Chile, where it felt it needed a local presence to protect Sunsweet interests and ensure Sunsweet quality standards could be met.

Exhibits 1 and 2 present supply and demand information for prune producers over time and Exhibit 3 shows a balance sheet for Sunsweet. Note that the number of acres has declined (including bearing fruit) while the price per ton has increased and the impact of weather can be seen.

The US Prune Industry

The prune industry in the United States (US) is concentrated in California. Most all production in the US is in the Sacramento and San Joaquin Valleys of California. The decline in supply has been coupled with volatility in prices paid to growers as seen in Exhibits 1 and 2, along with the attractiveness of growing walnuts and almonds, and the possible returns from selling the land to developers.

France, Chile, Argentina, and the US are the largest producers of prunes. The US and France supply large domestic markets and are active in export markets as well. Chile and Argentina have virtually no domestic market and rely exclusively on exports. Chile exported approximately 90% of its total production while the US and France export about 40% of their total production.

United States exports have declined due to many varying factors. The largest factor associated with the US export decline is crop disasters and unavailability of product to export. The large crop disasters in the US created a small supply to the foreign markets, allowing other exporters to increase their market shares. United States exports also decreased due to a loss of market share in the EU to Chile as a result of the EU-Chile free trade agreement. Under this agreement, the EU and Chile can trade with no tax penalties. United States dried plums have a 9.6% tax since they are not part of any free trade agreement making US imports extremely unfavorable. The biggest decrease in the EU was the loss of Germany imports. The largest import market for the US is the Japanese market. Another factor associated with this decline was that commodity pricing had nearly doubled.

Prunes and fresh plums often are analyzed as part of the large group of tree fruits of the US. The US export market contains large percentages of fruits. This number has been continually increasing due to programs such as the Market Access Program and free trade agreements. The Market Access Program is a US Department of Agriculture (USDA) program that helps promote the exportation of certain commodities in other countries. The program accomplishes this through consumer promotions, market research, technical assistance, and trade servicing. This program has been important to the tree fruit export market. With more than 30% of the total production of dried fruits being exported, they have the highest export level for fruits.

Fresh fruits export approximately 15% of the available domestic supplies yearly. This 15% adds up to an export value of around \$3 billion a year. In the dried fruits market, raisins make up about three-fourths of the market, while prunes make up about a quarter of the overall market. Japan is the largest importer of dried fruits from the US importing nearly 20% of annual exports. Exhibit 4 shows the leading export countries for US dried fruit.

It is believed that prunes were originally domesticated near the foothills of the Caucasus region and the shores of the Caspian Sea. The prune industry originated in California when the Petite d' Agen plum from Southeast France was brought in during the 1850s where it was grafted with the American wild prune stock. In the 1870s a man by the name of John Kelsey, a Berkeley nurseryman, introduced the Japanese prune that was later hybridized by Luther Burbank in the late 1800s.

In the 1880s California farmers had been producing apples and pears. However, due to a decline in the apple and pear industry, US farmers planted prune trees, which turned out to be fairly profitable, and, over time, began to export prunes. California produces 70% of the world's prune crop. Due to the large amount of production in this area, Sunsweet was located centrally in the largest prune-producing county in California.

In the 1980s there was an increase in demand for fiber. This increase, when coupled with intense advertising by Sunsweet, led to increased prune sales and grower returns of more than \$1,000 per ton. The increase in price led to California growers expanding their acreage capacity from nearly 70,000 acres to 90,000 acres. The annual tonnage soared to over 200,000 tons when global demand was only fluctuating between 165,000 to 185,000 tons.

Overview of Prune Production

The first step to developing a prune orchard is to prep the land for planting including disking of the soil, running soil samples to assure the correct nutrients are present, applying nutrients if necessary, building of berms, and setting up of the proper irrigation techniques for the area. The most common type of irrigation is drip systems running along the berms. Once the field is prepped, a seedling is planted. According to a cost study conducted by the University of California Cooperative Extension in 2001, the average cost to establish a prune orchard is about \$1,264 per acre.

It takes four to six years before any form of production will be seen and eight to 10 years before the trees are fully producing. When a tree is in full production they can produce on average 2.1 dry tons per acre at a 3:1 dry-way. A mature healthy orchard typically produces 6+ green tons per acre. Typically an orchard lasts approximately 30 years. Prune trees are deciduous meaning they go dormant during the winter. Once dormant, farmers prune and shape the tree to specific guidelines for optimal growth. This is a critical point in prune production. The goal of a prune farmer is to have a moderate crop of large sized prunes. Large crops typically result in small prunes, which result in a large decrease in price. It is more costly to process large amounts of small prunes and typically leads to small or no profit.

The trees develop a white blossom in the spring, making prune orchards a beautiful landscape. The blossoms only maintain for approximately a week before the fruit begins to develop and push the buds off. Depending on the location and past history of the orchard, farmers may choose to place beehives (for pollination) in their orchard to promote a better set. Pollination is becoming more expensive due to a lack of beekeepers and pollination services coupled with a dramatic decline in the population of bee colonies.

In the summer farmers irrigate the orchards on a regular basis. Since California typically gets little rainfall in the summer, farmers have the ability to control the amount of water their trees receive in order to increase production yields. In mid-August the prunes are ripe and ready for harvest. The date of harvest varies by orchard and farmers determine this by the firmness, coloring and sugar content of their prunes. Firmness is simply tested by squeezing of the prunes by hand, the desirable color is a deep reddish purple, and the sugar content is determined by a penetrometer. Harvest varies from mid-May through early October due to the different varieties grown in California. According to the University of California Cooperative Extension the total operating cost of a fully producing prune orchard is approximately \$3,642 per acre.

Harvest today in California is primarily done by machine. A large machine called a shaker comes in and wraps a mechanical hand around the trunk of the tree and shakes the tree so all of the fruit on the tree falls onto the shakers' catching frame, which is a padded funnel that also wraps around the tree. The fruit is then exported to a conveyer belt and into bins that are loaded on trucks and hauled to the dehydrator. For dried plums, fruit size is measured by the number of pieces needed to total a pound (e.g., 50-60's means 50 to 60 pieces of dried plums per pound).

Harvest in other countries tends to be primarily done by hand. However, in Chile, mechanical harvesting is developing.

Prunes produced for drying are sent to the dehydrator. At the dehydrator the prunes are thoroughly washed and put on trays where they are dehydrated. After dehydration, three pounds of fresh prunes are equal to one pound of prunes on average. However, depending upon the fruit sugar levels, this may vary by as much as 2.8 to 3.3 pounds. Following this technical process the prunes are stored at 21% moisture. They are then packed to order.

Dried Prune Industry

The per capita consumption of prunes has been on the decline for the past few years. Exhibit 5 shows the per capita consumption of dried and fresh market plums since 1970. Frozen, canned, and fresh prunes are not shown in the exhibit because they are relatively miniscule relative to prunes. Exhibit 6 shows a demand curve for prunes.

The fresh market plum industry is about one-third the total production of bearing acres in California. Per capita consumption of fresh plums has been fairly constant since 1970. The biggest competition for fresh market plums are peaches, cherries, and oranges. A new development of a combination of apricot and plum, or a Pluot, has increased the overall fresh plum consumption. The typical variety used in the fresh plum market is the Tulare Giant. Much of the fresh prunes produced in California are shipped to other countries. The largest importers of fresh market plums are Canada followed by Taiwan, Mexico, and Hong Kong. Today the market for fresh plums has become a very small portion of the prune industry in the US.

According to the USDA, 97% of prunes grown in California are of the French prune variety. This is an ideal variety for the drying process due to optimal sugar content and its easy ability to be pitted. The commonly used prune for the fresh market is the Tulare Giant, which is a larger plum that does not have the ideal characteristics of high sugar content for drying. All prunes are plums; however, not all plums can be dried into prunes. Common forms of prunes are pitted dried plums commonly used for snacking and baking, whole dried plums, prune juice, fresh plum juice, and fresh prunes or plums.

The nutritional value of prunes is fairly unique. Prunes have been found to provide potassium, soluble and insoluble fiber, magnesium, boron, antioxidants, and phytochemicals. Prunes are well known for their aid in increased digestive health. A study by Chai et al. (2011) suggests that consumption of prunes can lead to the reduction of atherosclerosis (i.e., hardening of the arteries).

Sunsweet has developed and promoted new products to increase the consumption of prune products. Two products that have been highly accepted are Sunsweet Ones that promote the nutritional value associated with prunes along with Plumsmart prune juice that is “clinically proven to help regulate digestion.” Other new products include single-serve Sunsweet Booster drinks with different specific nutritional values, an antioxidant blend, and increased ingredient use of prunes in different recipes. Another new product line is Sunsweet Naturals, organic prune products, and organic prunes, Superfiber-fiber supplement, and herbal blend drinks. Through its partnership with ShoEi Foods, Inc., Sunsweet markets preservative-free prunes in Japan.

Sunsweet Faces Challenges

In the mid-1980s, Sunsweet, which had already formed a sales and marketing alliance with Diamond Walnut (Diamond-Sunsweet), helped form a combined sales organization called Sun Diamond. This organization was composed of Diamond Walnut Growers, Sun-Maid Growers of California, Sunsweet Growers, Valley Fig Growers, and Hazelnut Growers. Sun Diamond was a marketing cooperative providing sales, marketing, IT, accounting and customer service functions to its members. It was a one-stop shop for buyers to buy dried fruit and nut products. By the late-1980s, the member co-ops of Sun Diamond had each brought marketing in-house to help steer Sun Diamond and ensure the potential of each co-op's commodity would be maximized. Dane was hired by Sunsweet in 1989 to work with Sun Diamond to develop Sunsweet business internationally.

Attractive grower prices throughout the late-1980s and early-1990s led to excess planted acreage in California and Chile, and to oversupply conditions by the late-1990s. By 2002 grower returns had plummeted to between \$600 and \$800 per ton, which is below the production costs for California farmers. This resulted in large and growing inventories, as prunes can be stored up to two years.

California prune farmers responded to oversupply and unsustainable market pricing in the early 2000s with a tree-pull program in 2002 and 2003. However, the reduced acreage had been more than offset by increased plantings during the same period by Argentina and Chile whose grower economics enabled them to be sustainable at lower pricing levels.

Although too many acres for global demand existed, market pricing nearly doubled following California crop disasters in 2004 and 2005 and a series of below average crops in France thereafter. In response, South America planted even more acreage.

In 1999 and 2000 Sunsweet underwent organizational turmoil. The Sunsweet President retired and the board hired a produce executive who had no past experience in the packaged goods industry or the prune industry. He was charged to address the oversupply issue. This decision by the board prompted the two senior vice presidents and the chief financial officer to leave the company. In addition, the new president led the dissolving of Sun Diamond in 1999 due to conflicting interests among its members and mistrust that Sun Diamond could effectively execute the strategies of each without bias. Sunsweet was forced to build an entire sales force, logistics, accounting, and IT infrastructure overnight.

In addition, the new president borrowed \$40 million to launch new products while trying to create a company that could either be sold or taken public. The new products failed, the board refused to sell the company, and the president abruptly resigned. Sunsweet was left in danger of breaking bank covenants.

During the 2000 to 2003 time period, Sunsweet was in a messy transition from the failed president. An interim (who then became permanent) president was elected. A plan was put in place to reduce costs. There was additional organizational turmoil as senior vice presidents brought in by the departed president changed over, including four different chief financial officers. The CFO position finally stabilized with the promotion of Ana Spyres in 2003.

The interim president led the board to take action on the increasing oversupply by working with the industry and USDA to implement a mandatory tree pull program that reduced acreage by 17,000 acres in 2002. Under the program farmers were compensated \$5 per tree. The criteria for the program was that the trees had to be removed by a specific date, they had to agree to not plant trees back until the ending date of the program, and the orchard had to be capable of producing 1.5 dry tons per acre and sufficiently farmed in the last year. This program was utilized on a large scale; nearly 17,000 acres were removed and resulted in a decrease in the amount of producing prune acres in California. This decrease accounted for nearly 23% of bearing acres in California.

The board was restructured to influence more cooperation among the members. Sunsweet Growers returns began to improve. However, Chile began planting more than 20,000 acres during this time period.

In 2004, Sunsweet's president stepped aside, clearing the path for Arthur Driscoll, the Sunsweet Chief Operating Officer, to become president. Arthur had come to Sunsweet to head up North American Sales in 1999 following successful career stops at Dannon, Coke Foods, and Dole. After leading the effort to build a new sales force and distribution system at Sunsweet after it had exited

Sun Diamond, Art, in a few short years, had become vice president of global marketing and sales and then chief operating officer.

Art was hired as president in 2004 with a vision for increasing grower returns and growing the company. The 2004 and 2005 crops were disaster crops for California prune producers with Sunsweet's annual volume declining from 77,000 tons to 45,000 tons.

From 2004 to 2009 Sunsweet has been pushing forward to continually increase their successes. In 2009, in an economy in recession, Sunsweet has successfully navigated through the challenge by sticking with its already formed basic strategies listed in Exhibit 7. In 2009 Sunsweet's gross revenue surpassed \$300 million dollars. They also increased their total investments in brand-building advertising and increased prune sales in the US. Growers received the third highest grower returns in Sunsweet's history, \$1,515 average net proceeds per net crop tonnage. It is apparent that these 10 basic strategies were successful for Sunsweet in the short term. Now the question is will it be enough in the long term?

Current Strategic Issues for Sunsweet

Art, his senior management team, and the board were focused on several issues that were of great importance to Sunsweet. Exhibit 7 shows the strategies set out by Sunsweet for success.

Argentinean and Chilean Competition

Chile was now the number two producer of prunes. With cheaper labor and land prices in Chile, it was difficult for California producers to compete with the Chilean product. However, Chile tended to produce very small, low quality prunes. This in turn forced the California producer to produce larger fruit to bypass the Chilean competition. The Chilean Free Trade Agreement with the EU had many advantages and had increased the Chilean exports to the EU over the years, including prune exports. Sunsweet's operations in Chile were doing well. Many foreign markets recognized that California grown prunes tend to be more consistent and have better quality. But was this reputation enough to offset the lower priced Argentinean and Chilean exports? Could Sunsweet reach some form of alliance in Chile to help better match supply and demand? Could Sunsweet create additional packing alliances in other key regions such as Hungary, China, Germany, and the Philippines?

Weather and its Implications for Supply

In the years 2004, 2005, and 2007 there was unexpected early hot weather that affected the pollination during the March bloom period that in turn resulted in very light crops for farmers. This occurred after many farmers had participated in the voluntary tree pull program in 2002 and led to an increase in market prices. From 2000 to 2004 prune acreage reduced from 100,000 to 75,000. Today, there are only 65,000 acres of prunes in California. This was helpful in that farmers did not have such a large supply as before the program. However, farmers are still dealing with increased supply from South America that tends to be much cheaper than US prunes and a declining demand.

Over the past few years the price of prunes has been considerably high, but the buyers are very particular about what they will accept and have strict regulations that can result in price discounts. The farmers must have moderate crops that produce considerably sized prunes. Large crops often tend to produce a lot of small prunes and small prunes get much less in price and therefore reduce profitability.

One devastating result of these three bad years for the US is that the supply from the US was below what was being demanded in the world market, so it opened up the market to Chile and Argentina. The US always had foreign competition. However, Chile and Argentina are different in that they have lower production costs and can lower the overall market price of prunes. The global dried prune crop for 2010 was predicted to be a very good one at about 170,000 tons, which is a 32% increase from 2008. However, this figure, when coupled with existing inventories, was still 20,000 tons greater than world demand. What would this increased supply do to prices? The law of supply and demand dictated that the price would fall. How inelastic was the demand for Sunsweet's prunes relative to the private label prunes that were more price elastic?

Demand Factors

With new technology such as refrigeration, fresh market fruit has become a year-round option and many consumers prefer fresh fruit as opposed to dried fruit. This was likely going to reduce demand for prunes. But prunes had much lower sugar content than other dried fruits, which improved its glycemic index measure.

Current healthy eating trends have influenced increased prune consumption due to prunes' high nutritional value. The ability to utilize prunes for ingredient uses such as pastries, rolls, and similar products was very limited because it was difficult to remove all of the pits from prunes. Sunsweet had invested heavily in technology to reduce the incidence of pits but additional investments were needed for an ingredient sales infrastructure if Sunsweet wanted to sell in the ingredient market. Would Sunsweet's members be willing to pay for such investments or would its earnings be high enough to pay for these investments? Would the prices for these prunes stay high enough to offset the additional investments and justify the returns?

Relationship with Customers

Sunsweet wanted to continue to emphasize branded retail items at 70% of total sales volume. This was only going to work if advertising was continued and marketing emphasis was placed on high specialty value-added customers. The value that Sunsweet wanted to pitch was built around its investments in proprietary operational technologies designed to reduce the incidence of pits to 25 times better than industry standard, processed as preservative free, and individual wrapped. Was this going to be enough to create a value proposition for Sunsweet's customers? What about the new product development for prune fiber, oil, and puree? Were there markets for these products?

Sunsweet in 2010

With the projected oversupply coming predominantly from small fruit (less than 92 prunes per pound), Sunsweet had determined that market pricing for small fruit would not be enough to cover drying costs. As a result, Sunsweet had announced it would not pay for fruit smaller than 92 prunes per pound. It was compelling its members to intensify their in-orchard grading done at harvest to screen out these small sizes. It was also re-emphasizing the importance of shaker-thinning the trees in mid-May in order to improve the sizing of remaining fruit. This thinning technique, however, can only go so far. Those growers who had not aggressively pruned their trees in the winter to produce large fruit were at risk. Would this be enough to ensure the co-op received the right mix of sizes from the upcoming crop? How would growers, whose land made it difficult to grow large prunes, respond? Could Sunsweet continue to pay growers a premium versus independent growers? Could California prune producers remain competitive in a global environment?

Art leaned back in his chair. It was going to be a long day tomorrow and they needed all of it to discuss these issues.

Acknowledgements

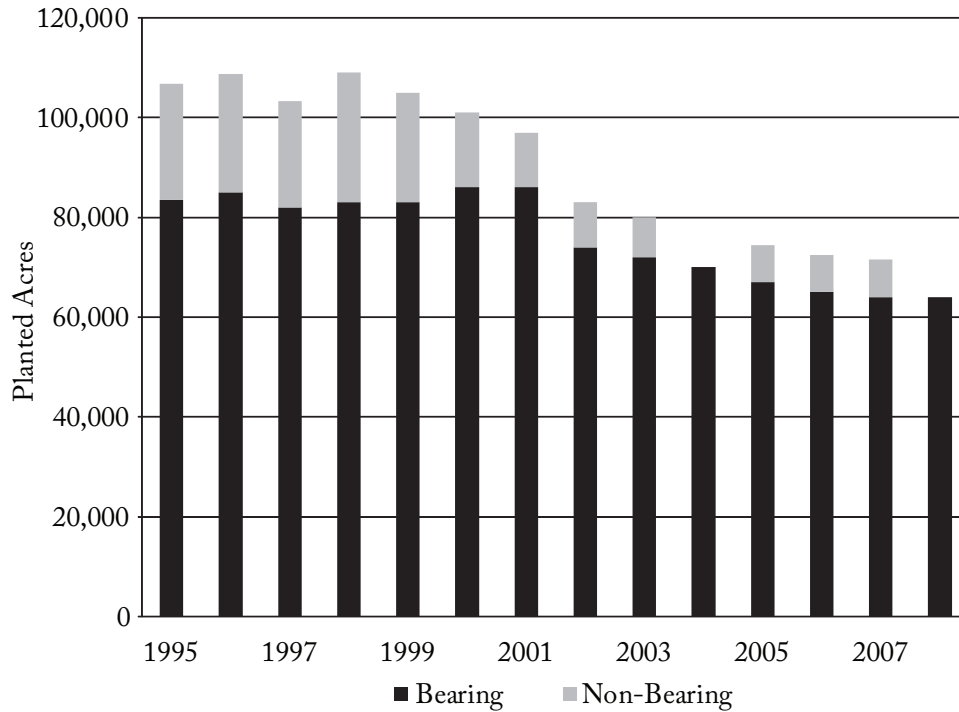
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Exhibits

Exhibit 1. Bearing and Non-Bearing Acres for Dried Plums in California, 1995 to 2008



Source: US Department of Agriculture

Exhibit 2. Prune Production and Dollars Paid to Producers, 1995 to 2008

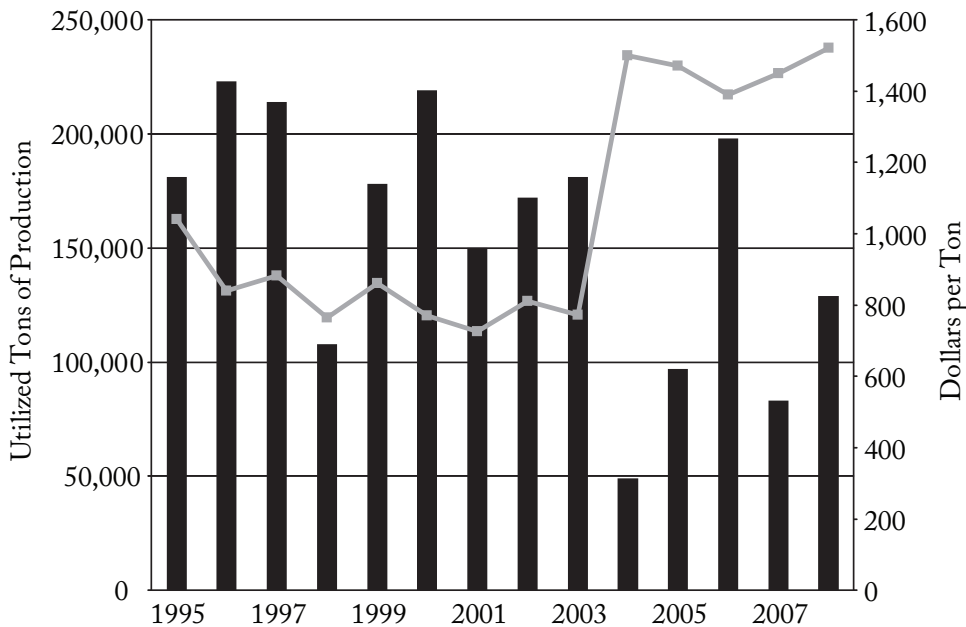
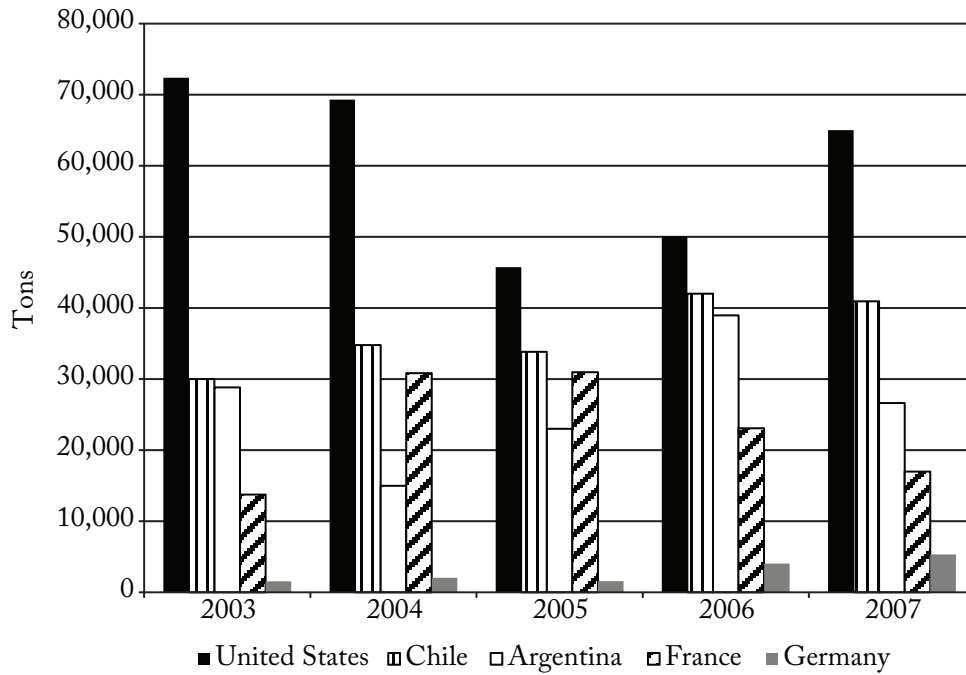


Exhibit 3. Sunsweet Growers Inc. and Subsidiaries Consolidated Balance Sheets

Assets	2009	2008
Current assets:		
Cash and Cash Equivalents	\$ 17,706	9,816
Trade Receivables, net of allowances For doubtful accounts, cash discounts and sales returns of \$559 at 2009 and \$1,610 at 2008	14,916	15,422
Inventories, net	76,132	68,569
Prepaid Expenses and other current assets	1,205	1,917
Deferred tax assets, net	703	600
Total current assets	110,689	96,342
Investment in CoBank	431	418
Deferred tax assets, net	5,389	4,694
Other assets	2,845	4,735
Property, net	50,912	49,268
Intangible assets	3,236	3,236
Total assets	\$ 173,502	158,675
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,842	19,146
Current member accounts	42,175	36,907
Current portion of long-term notes payable	4,000	4,000
Current portion of capital lease obligations	557	1,082
Total current liabilities	65,574	61,135
Long-term notes payable, net of current portion	20,000	12,000
Capital lease obligations, net of current portion	----	471
Mandatory redeemable subordinated debentures	20,620	20,620
Other liabilities	10,300	7,060
Commitment and contingencies		
Members' capital, allocated reserve and retained earnings	62,006	57,996
Accumulated other comprehensive loss	(4,998)	(607)
Total member's Equity	57,008	57,389
Total liabilities and member's equity	173,502	158,675

Source: *Sunsweet 2009 Annual Report*

Exhibit 4. Top Exporting Countries of Dried Plums (Prunes)



Source: FAOStat

Exhibit 5. Consumption of Fresh Plums and Processed Plums (Dried and Juice)

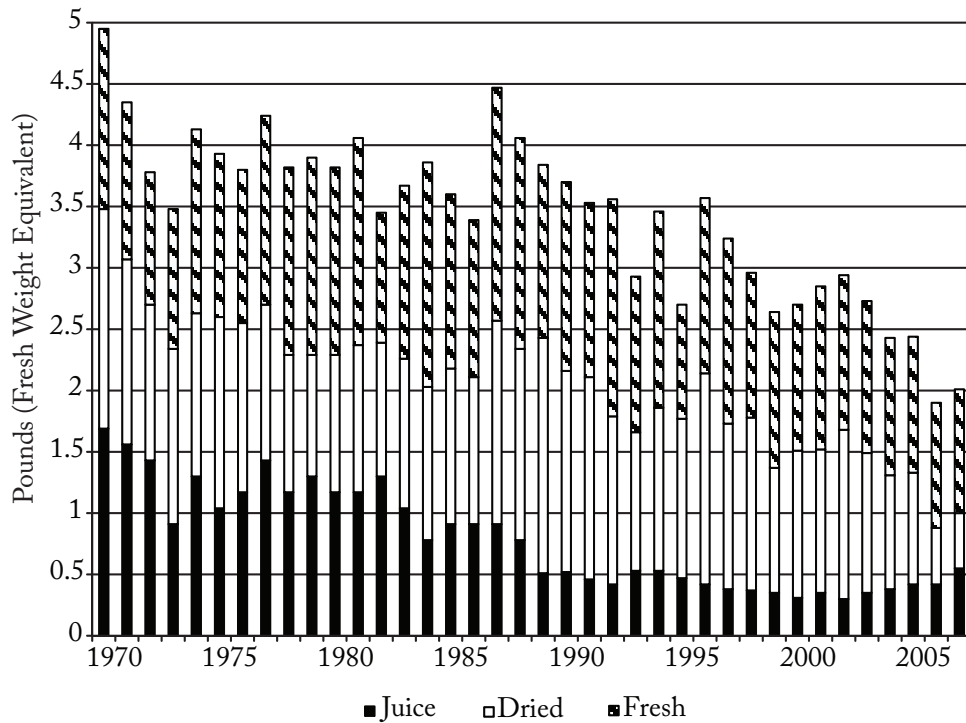


Exhibit 6. Demand Curve for Prunes for the 2000 to 2007 Time Period

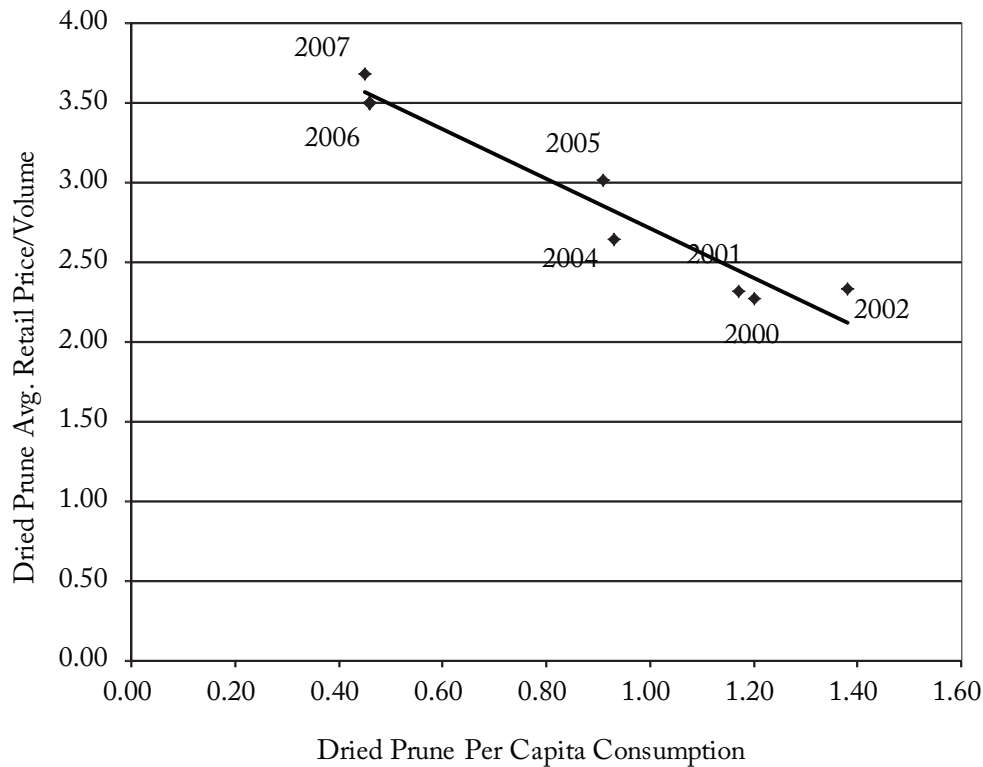


Exhibit 7. Sunsweet's Ten Strategies for Success

1. Emphasize branded retail items (70% retail pack/ 30% Bulk or Private label).
2. With bulk, focus on high specialty, valued added customers and exit pure commodity customers.
3. Advertise, advertise, advertise.
4. Source 10% to 20% of prune tonnage from non-cooperative members.
5. Invest in proprietary operational technologies.
 - pit incidence to 25 times better than industry standards
 - preservative free
 - Individual wrapped prunes
6. Invest in ingredient sales infrastructure.
7. Production alliances in prune producing countries (i.e., Chile) packing alliances in key regions (Hungary, China, Berlin, Germany, The Philippines).
8. New product development for prune items (fiber, Oil, Puree, etc.).
9. Patronage strategic alliances (ShoEi Foods).
10. New non-patronage products & non-patronage strategic alliances.

**2012 AAEA GRADUATE STUDENT CASE STUDY COMPETITION
JUDGING GUIDELINES & SCORING SHEET**

Category	Description	Point Value	Team Score
Description of the Case Situation	A brief assessment of the situation found in the case should be provided. The focus should be framing the challenges and assumptions of the case. See Comment #2 below for some key insights into Sunsweet's organizational form.	5	
Industry Assessment	Application of Five Forces Model, drivers of change, and key success factors. See Comment #1 below for further information.	20	
SWOT Analysis	An understanding of the firm's products and product potentials should be presented, including an assessment of the external and market environments. See Comment #1 for further information	20	
Marketing Strategy Evaluation	How would you evaluate the effectiveness of Sunsweet's marketing, advertising, and promotion program? See Comment #3 below for insight on how to answer this question.	25	
Ability to Address Questions	How well did students support their recommendation? Were they able to adequately address judges' questions?	15	
Presentation	Presentation Clarity & Style, Evidence of Teamwork, Poise answering questions.	10	
Time	Team is on time. (20 minutes of presentation time)	5	

Three comments as you prepare your analysis

1. Industry and firm analysis tools are widely used in graduate programs and are based upon work started by Dr. Michael Porter of the Harvard Business School. Any management strategy textbook will discuss the steps in an industry or firm analysis and both are rooted in classical industrial organization theory. You should be able to find materials to help you prepare that analysis.
2. Agricultural economists have made major contributions in understanding the theory of cooperatives. Sunsweet is a cooperative and prune growers have vertically integrated their farming operation through their investment in Sunsweet. It is important to think about what this type of structure implies for how Sunsweet sources capital for investments (e.g., Sunsweet cannot access public capital markets and these investments are financed through retention of Sunsweet earnings or producers must write out personal checks to finance those).
3. Agricultural economists have played an important role in the development of the theory of commodity advertising and advertising, marketing, and promotion in general. That theory is widely available and easily accessible. A key finding is that the optimal advertising-sales ratio for a monopoly (Dorfman-Steiner condition) should be set equivalent to the ratio of the firm's advertising elasticity to its own-price elasticity (in absolute value): $[\text{Advertising Elast}]/[\text{Own Price Elast}]$. In the attached spreadsheet are A) weekly values of the quantities of Sunsweet *Ones* sold in the United States from July 2008 to June 2010 as obtained from Infoscan IRI data and provided by Sunsweet Growers, and B) Sunsweet's television advertising expenditures (estimates) for Sunsweet *Ones* during this time period. Advertising expenditures are budgeted by Sunsweet but the marketing firm determines how and when the advertising will be allotted (what television times and regions, etc.). The figures in the table represent Sunsweet Growers' "best guess" of when a television commercial actually ran and the dollars that would have been allocated to those media at that time. The data has been disguised somewhat from what is contained in Boland, M.A., J.C. Crespi, J. Silva, and T. Xia. "Measuring the Benefits to Advertising under Monopolistic Competition." *Journal of Agricultural & Resource Economics* 37(2012):144-155 but the implications remain the same when you use tables 1 and 2 from that paper. You have enough data to estimate a simple linear demand relationship for Sunsweet *Ones* or use the results from the Boland et al. paper which is attached. You should provide an explanation for why the results look the way they do which will provide information for your answer regarding the marketing strategy evaluation.