



Success with Inventive Joint Ventures

Seventh Annual Farmer Cooperatives Conference
Cooperative Innovation

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Global Berry Farms
SEVENTH ANNUAL FARMER COOPERATIVES CONFERENCE



Topics

- GBF History and Today's Structure
- Partner's Background
- Strategic Motivators
- Challenges
- Partner Policies
- Vision for Growth

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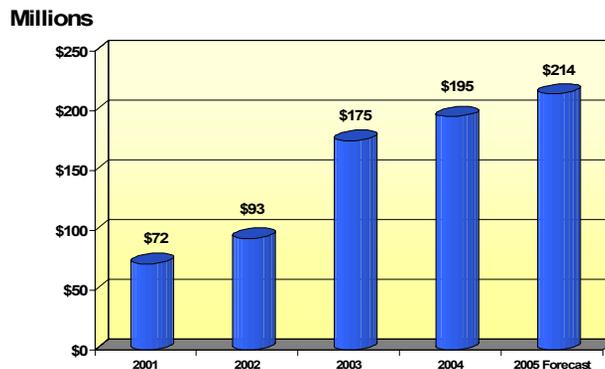


Global Berry Farms LLC

- The mission of Global Berry Farms is to be the premier **fresh berry** supplier to the North American market mutually benefiting partners, customers and consumers.
 - GBF organized Summer 2000
 - GBF operational November 1, 2000
 - MBG Marketing and Hortifrut SA – 50/50 partners
 - Naturipe Berry Growers partnered Nov. 1, 2002
 - Equal shares
 - Alliance agreement
 - \$25mm sales threshold – for consideration to become 10% partner
 - Partnership 30/30/30/10 split
 - Forecasted to achieve threshold in 2007

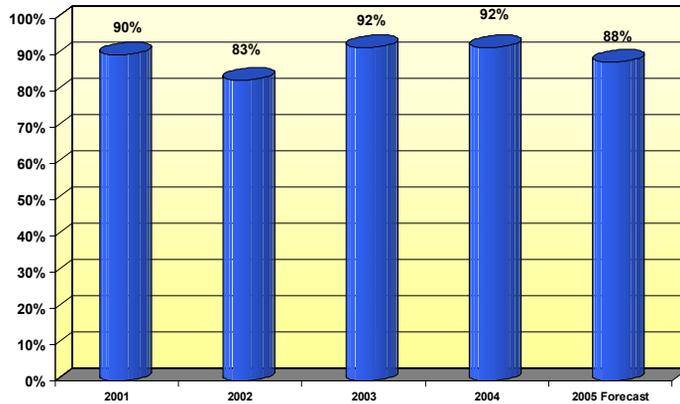


Sales History





Partner Sourced Sales



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Partner's Background

- MBG – Michigan Blueberry Growers Association
 - Founded 1935 - marketing cooperative
 - 400 Blueberry Growers
 - Michigan/Indiana
 - Florida
 - Georgia
- Members are the finest growers in North America
- Various packs of blueberries – fresh, frozen, fresh process for canning, and dried
- Represent 25 to 30% of North America's cultivated blueberries



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Partner's Background

- Hortifrut SA



- Founded 1982
- First significant Southern hemisphere berry production investment destined for northern hemisphere markets.
- Tightly held family corporation -- Victor Moller, Chairman
- Represent approximately 30-35% of all berries produced in Chile
 - Raspberries and Blackberries in early 80's
 - Blueberries in mid 90's
 - Blackberries in Mexico beginning in late 90's – today 40% of Mexico fresh blackberry supply

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Partner's Background

- Naturipe Berry Growers



- Marketing Cooperative
- Founded in 1917 as Central California Berry Grower Association
- Adopted “Naturipe” as the trademark and brand in 1922
- Entered frozen strawberry packing and sales in the 50's, exited in 2002
- Partnered with GBF - November 2002
- Represent 8-10% of California's fresh strawberry sales

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Strategic Motivators

- Customer consolidation
 - Efficiency in sourcing
 - Reduction in number of sources
 - Seasonal suppliers out
 - Full season volume suppliers in
 - Added services increasingly important
 - Logistics
 - VMI - Vendor managed inventory
 - Product support – category management
 - Shipper – Volume needed to fund services
 - Producers must commit to product and category leadership for direct relationships
 - Market leadership in each product
 - Market at least 30% of each product
 - Blueberries the core product – secure and build from existing market share position

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Strategic Motivators (cont.)

- Partners or competitors?
 - Partnering - the rational choice
 - Year round supply
 - Volume to support demand services
 - Concentration of supply
 - Facilitates a reduction of both sourcing and selling

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Strategic Motivators (cont.)

- Naturipe was attracted by
 - GBF customer relationships highly direct
 - GBF team of seven account managers
 - Participation with the full berry category
 - Partnership sales sufficient to mount serious marketing effort.

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Challenges

- Trust and confidence between partners
- Pride and emotional connection to significant successful history
- Integration and consolidation of employees

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Overcoming Challenges

- Significant history of business relationship
 - MBG and Hortifrut
 - 1991 – MBG entered into sales contract with Hortifrut selling berries November to May
 - GBF's President
 - 18 years at MBG, 12 years as Executive VP
 - employed MBG Director of Sales and key account manager who became GBF's VP Sales and lead account manager
 - Naturipe - no prior relationship.
 - Clearly evidenced in negotiations and the first years of operation



Overcoming Challenges

- MBG member communication
 - An intensive agenda of membership meetings with q & a
 - Focus on strategic issues
 - MBG board to Chile to learn Hortifrut in depth
 - MBG membership voted approval
 - NBG similar activity





Overcoming Challenges

Pride and emotional connection

- First year
 - Sales and administration consolidated
 - Packaging, brand and labels unchanged
- Second and Third Year
 - Package art and copy redesigned with GBF logo and partners
- Fourth Year
 - Naturipe brand incorporated

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Overcoming Challenges

Team integration and consolidation

- Hortifrut personnel moves to GBF – Executive and administrative function
- MBG sales team moves to GBF – No interruption of sales relationships
- NBG sales team moves to GBF
- MBG reduced administrative support positions
- One employee relocation to Naples
- Internet connectivity provides effective communication with offices in Naples, Tampa, Dallas, Salinas CA and Grand Junction, MI

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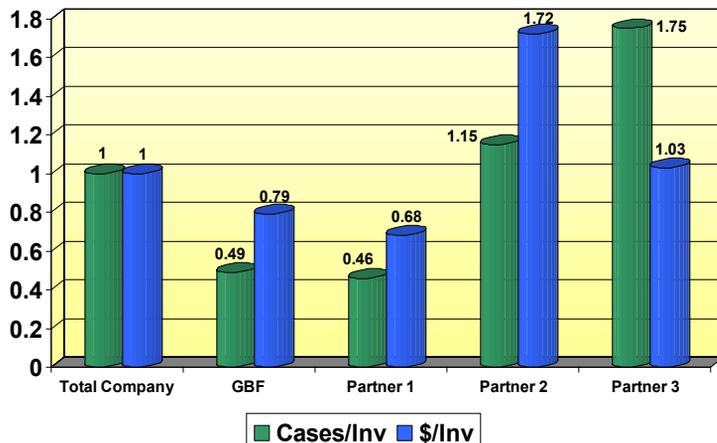
Partner Policies

- Each partner has two representatives to the Board
 - Chief Executive Officer of the partner
 - Chairmen of Partner's Board or Board designated representative
- All decisions must be unanimous
- Expenses designated fixed or activity based.
 - Fixed costs - allocated equally to each partner
 - Variable costs - allocated based on partner % of invoices generated (ABC – activity based costing)
 - Incentive for partner growth
 - Manages the risk of a significant cost shift from partner to partner in event of significant change in annual volume.
 - The partnership in-view will share an equal portion of fixed costs (25%) although it's ownership is 10%.

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Variable Cost Basis



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Partner Policies

- Three year notice required to withdraw
- First rights territories are partner assigned for supply development.
 - GBF has supply development responsibility in all districts not assigned to a partner.
 - GBF and partners work together for supply development.
- Bar high to participate as an equity partner.
 - Sales of \$25 million (2004 dollars) required for consideration as potential partner
- Founding Partners retain control
 - To hold minimum 60% voting equity
 - LLC agreement require unanimous vote

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Our Vision

- Achieve \$.5 billion in sales by 2008 through
 - Partner growth
 - New partners or alliances
 - Sales agreements with other growers
- Increase supply of each berry to a leadership share every day of the year.

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In Conclusion

- Strategic drivers must be compelling
- Inordinate Investment in Relationship Building – Trust is Essential
- Communicate Vision Often
- Deliver on Promises!

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Naturipe Labels In Your Supermarket



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The Fresh New Look Of Quality

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