Diversify Sunkist?

BY JIM PREVOR

What is Sunkist, and what sort of organization should it try to be? This is the question that western citrus growers have wrestled with for generations, and it is a question the urgency and importance of which has only increased with the horrible losses of the recent freeze and concomitant loss of a substantial portion of the western citrus crop.

In a sense, the question of what is Sunkist is clear. As a cooperative, Sunkist is owned by its grower-members, and its purpose must be to further their interests. The difficulty arises in trying to determine just what those interests actually are and what policies will most likely further these interests.

Over the years, Sunkist has tried many experiments. It has marketed Florida citrus both domestically and to export markets, has marketed grapes, and it has even tried its hand at marketing bio-engineered produce snack packets. Some of these projects go on today; others have been ended for various reasons. But few efforts at diversification have really been pursued aggressively by Sunkist, with virtually no efforts involving the full gamut of Sunkist resources, which include its sales network, consumer affairs department, consumer and trade advertising, the Sunkist PR machine, and most important, the Sunkist brand.

This isn't because of lax management. As much as any organization in the produce industry, Sunkist personnel, both current and former, have been and are people who would like to aggressively further the growth of Sunkist and enrich its owners.

Sunkist's rather meager diversification efforts instead represent a dispute over what truly serves the interests of the owner/growers of Sunkist. On the one hand, you have an argument that the business of Sunkist's growers is raising citrus, and anything that distracts from the sale of that citrus is detrimental to the growers' interest.

The second perspective acknowledges that the sale of western citrus is the priority, but argues that this priority can best be served by diversification. Proponents of this view point out that it is difficult and expensive to maintain overhead and a sales force to just sell western citrus. They also point out the danger of forcing customers to call other vendors for product. Even someone who loves Sunkist may be swayed by their friend from Sun World who they call every week to buy product that Sunkist doesn't sell.

A third angle and perhaps the most expansive view of the growers' interest goes like this: A Sunkist grower, of course, has a substantial interest in seeing his citrus marketed well. However, that is not his only interest. The Sunkist grower also has an ownership stake in a substantial organization and one of the most valuable brand names around.

The interest of the Sunkist grower, therefore, could be best served not by an exaggerated attention to the marketing of western citrus but by a balanced approach that considers the maintenance and increase in value of Sunkist as a corporate entity an important objective independent of the issue of marketing western citrus.

So, Sunkist is left with three alternatives: first, don't let anything interfere with marketing the citrus — this is the path Sunkist has basically been on. Second, take on other projects, but only to the extent that they help increase grower returns on citrus. This would involve things like selling products when citrus volume is minimal to better utilize the sales staff and so keep expenses down. Finally, the third idea is to run Sunkist like an independent business and basically treat the owners as shareholders and get involved in whatever would make sense for Sunkist as an organization.

In general, I think it is a fair thing to say that many Sunkist executives have, over the years, wanted to move toward a more aggressive diversification effort. Why couldn't there be Sunkist citrus packinghouses in Spain and Uruguay, not to mention Florida? Couldn't the Sunkist name add value to other crops? Sunkist Kiwi? Sunkist Pineapple?

Might not diversifying sources of supply and product lines help to spread costs and enable Sunkist to better serve customers? Wouldn't the higher volume enable greater resources to be devoted to reinforcing the Sunkist brand name? Wouldn't the risks to owners of Sunkist (the western citrus growers) be reduced by owning an organization whose welfare is not totally dependent on marketing western citrus?

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I think it is this last point that rings most true as the freeze blows across the produce industry. By keeping Sunkist dependent on western citrus, the grower/owners in effect keep all of their eggs in one basket. When a disastrous freeze wipes out the western citrus crop, not only do the growers lose their crop, but their equity in Sunkist as an organization is enormously reduced. What can Sunkist do but lay off salespeople, try to live on reserves and pray that they are able to get it together for the next season? This freeze may not have been fatal, but the next one could be. Or, as the Texas citrus growers can attest, a freeze can even kill trees, which can kill the business for years.

Diversification is not a panacea. Even the mighty banana giants have a difficult time making money on anything but bananas. But for those in the dangerous business of growing and marketing produce, a business almost totally dependent on the vagaries of the weather, it is wise to consider ways to cushion the blows the winds can give. In produce one farmer's agony is another's ecstasy, as shortages due to freezes make profits for others. The cold weather should give pause to Sunkist growers as to what kind of company they want to own. **pb**