

Di GIORGIO CORPORATION



Di GIORGIO CORPORATION

November 20, 1964

Dear Stockholder:

Enclosed is a copy of a speech made today by Robert Di Giorgio, President of your corporation, to the New York Society of Security Analysts.

Since your corporation's founding, it has changed from a primarily agricultural and farming concern to its present status as a diversified food company. For that reason, your management is recommending changing the name from Di Giorgio Fruit Corporation to Di Giorgio Corporation. We will ask your approval at our next stockholders' meeting of an amendment to our Certificate of Incorporation reflecting this change. During the interim period, we will use the trade style "Di Giorgio Corporation".

We will continue to use the name Di Giorgio Fruit Corporation for our farming division, which today produces approximately 10 per cent of our total revenue.

Mr. Di Giorgio's speech, besides introducing the new name, discusses recent changes in our business and our plans for the future. We hope you find it interesting. If you have any questions, please write to us.

Sincerely,

J. S. DI GIORGIO
Chairman of the Board



Di GIORGIO CORPORATION

AN ADDRESS BY

ROBERT DI GIORGIO

PRESIDENT OF DI GIORGIO CORPORATION

BEFORE THE NEW YORK SOCIETY OF SECURITY ANALYSTS

NOVEMBER 20, 1964

Think of Di Giorgio Fruit Corporation as one big farm, with more than 80% of its dollar volume coming from California and Florida agricultural operations.

Consider Di Giorgio primarily a producer of perishable fruits and vegetables, with grapes accounting for 35% of our volume, citrus fruit 18%, vegetables 12%, plums 10%, and pears 5%.

These are perishable crops: they are subjected to the vagaries of weather. They have to be sold in a relatively short period of time: so they are subjected to the vagaries of the market. My uncle, the founder of this company, used to describe our business as "an every day gamble with the weather".

Let me use 1963 as an example. That year started off with the big freeze in Florida. Fortunately, our citrus lands are located in the relatively frost-free Indian River area. Our crop came through virtually unscathed, and Di Giorgio realized a very good profit, while other Florida growers suffered a 50% crop loss. Our more sizable California operations experienced exceptionally good weather in 1963. There was a bumper crop of most commodities throughout the state. Prices were driven down; profits hit extreme lows. You would certainly expect 1963 to have been a year of poor earnings. As a matter of fact, our 1963 earnings hit a 15 year high of \$2,110,000.

How did we do it?

Obviously, I have engaged in a deception. I did it to make a point. I told you that approximately 80% of Di Giorgio's volume came from the California and Florida farming operations. It did - *in 1955!* Today, only 10% of Di Giorgio's sales are from farming.

I strongly suspect that if you have thought of Di Giorgio at all, it has been as a producer of perishable fruits and vegetables. I have only one point to leave with you today: Di Giorgio Fruit Corporation is no longer the 22,000 acre farm it was ten years ago. It is today a diversified producer, processor, distributor and marketer of food products.

In fact, Di Giorgio Fruit Corporation is no longer Di Giorgio Fruit Corporation. Our stockholders are being advised today of our intent to adopt a new name: Di Giorgio Corporation. As Di Giorgio Corporation we hope to become more widely known as a diversified, expanding, profit-oriented organization.

BACKGROUND

Di Giorgio Fruit Corporation had its beginning in 1904 and was incorporated in 1920 by a colorful and dynamic man: Joseph Di Giorgio. He came to this country from Sicily at the age of 14, with a small consignment of his family's lemon crop. He decided to spend the rest of his years in this land of opportunity. He started by working for a local Baltimore fruit jobber at \$8.00 per week, and ended as the dynamic leader of a sprawling agricultural enterprise with assets in 1951 of almost \$20 million and annual gross sales of over \$14 million. A remarkable American pioneer.

Following the death of Joseph Di Giorgio, we recognized that the food industry was entering a period of dramatic change. We faced the problems of reconstituting the agricultural foundation left in our hands.

DECISIONS: 1. We decided too much risk was involved in continued emphasis on perishable commodities. We would acquire well-known labels and brands which enjoy a relative stability in both price and demand.

2. We decided that the steadily declining consumption of fresh fruits and vegetables was additional handwriting on the wall. We would strive to increase the company's participation in packaged foods.

3. We decided Di Giorgio should be changed from a closely-held company, to a publicly-owned corporation. Earnings would be built up to give the company's shares an investment value more in line with company assets.

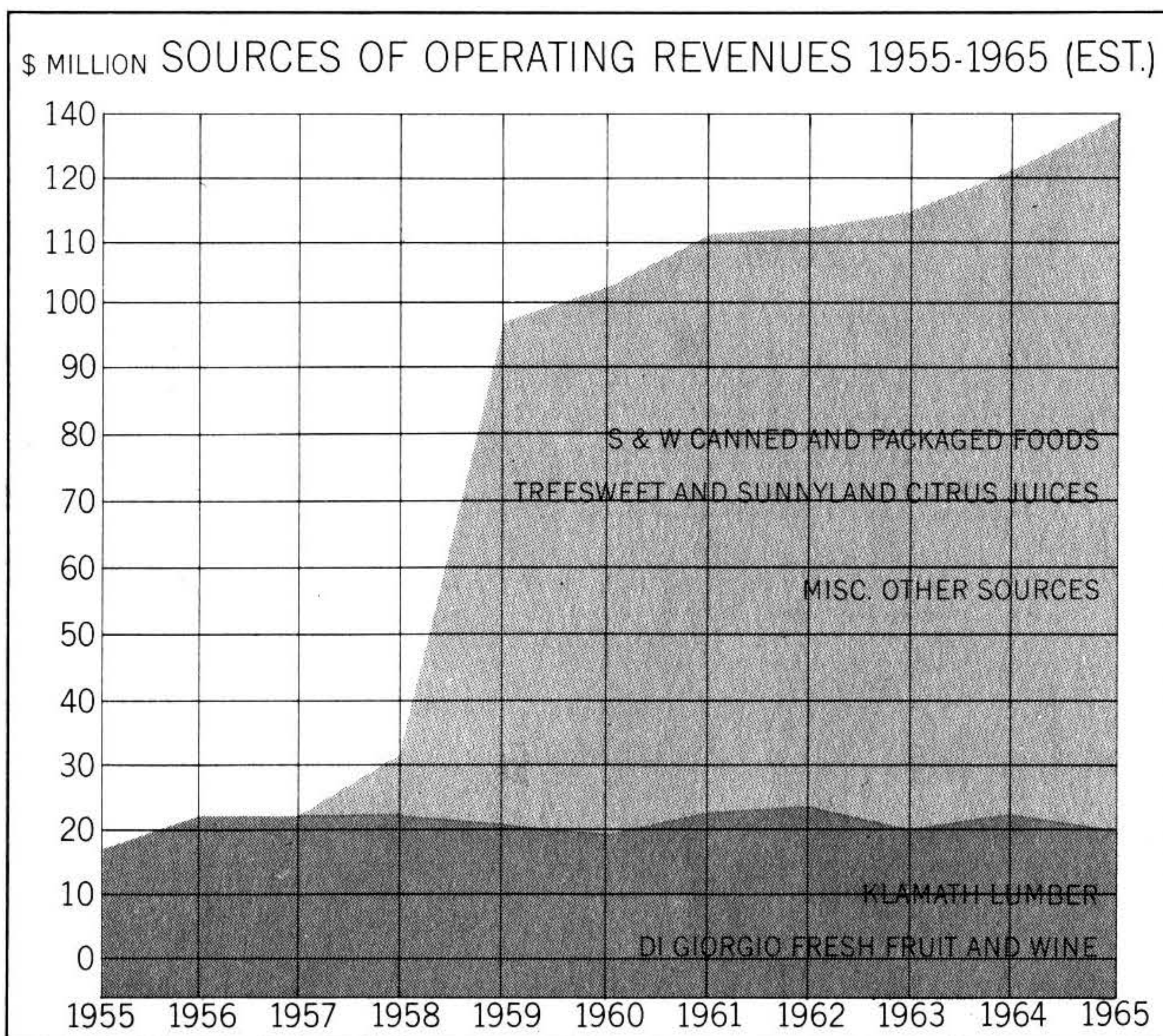
4. We decided Di Giorgio could successfully diversify by planned acquisition. We would acquire profitable companies engaged in the business we knew best.

5. We decided Di Giorgio could grow and prosper in future years only through modern management. We would establish a program to attract and train capable younger men to staff a new professional management team.

We utilized the 1951-1955 period to prepare for the future. This was to be a carefully planned and executed program, not a headlong plunge. Our program of calculated change in Di Giorgio Fruit Corporation was inaugurated in 1956.

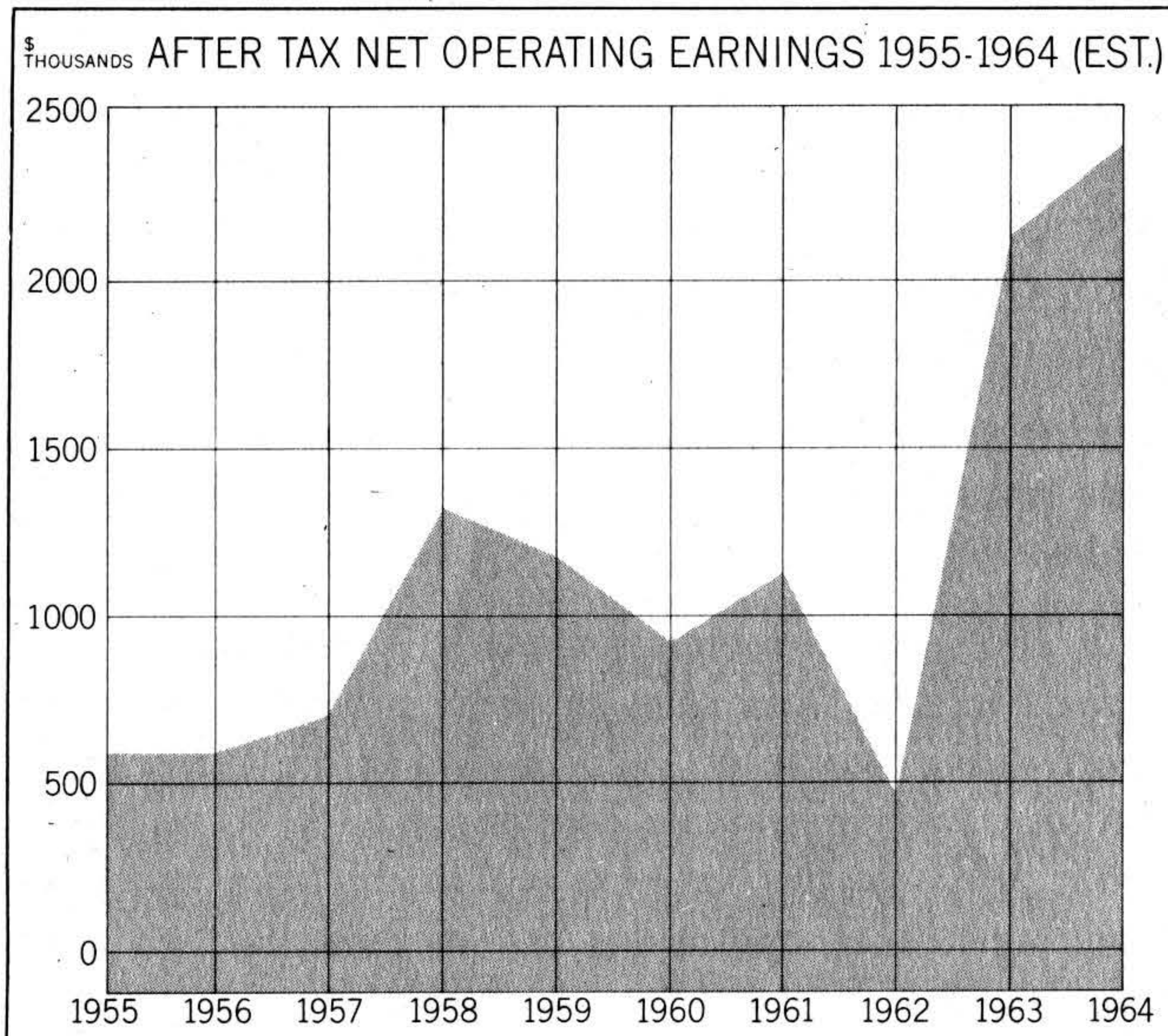
RESULTS: Let us briefly look at the results to date, in each instance comparing 1955 with our current situation:

In 1955 our revenues totaled \$17 million and were derived largely from sales of fresh products. We anticipate gross income of \$125 million in the current year and look with reasonable confidence to \$140 million in 1965. 90% of this revenue will come from processed foods and other operations not in existence ten years ago.

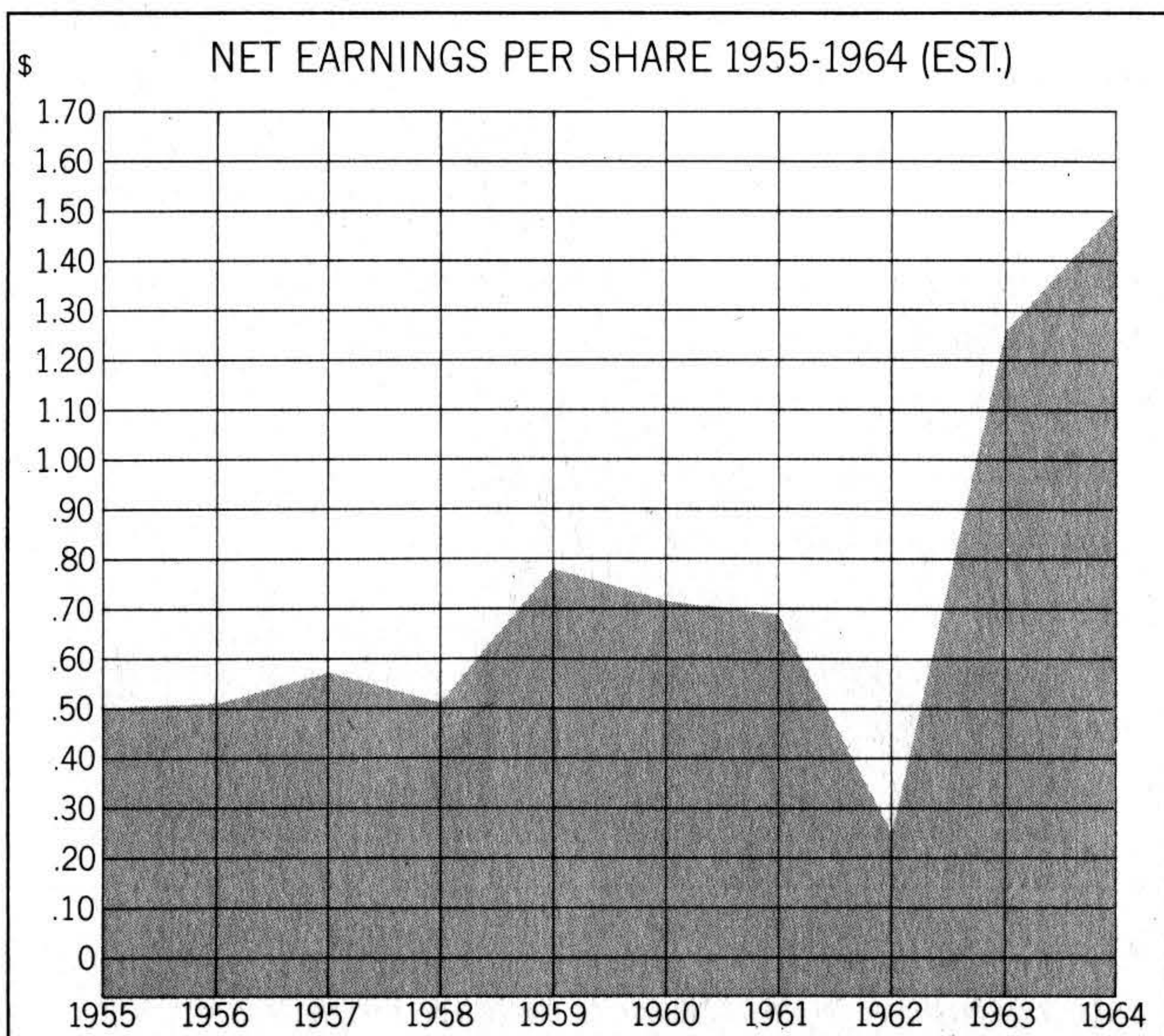


*Figures followed by asterisks reflect the anticipated sale of Sierra Vista Ranch during 1964.

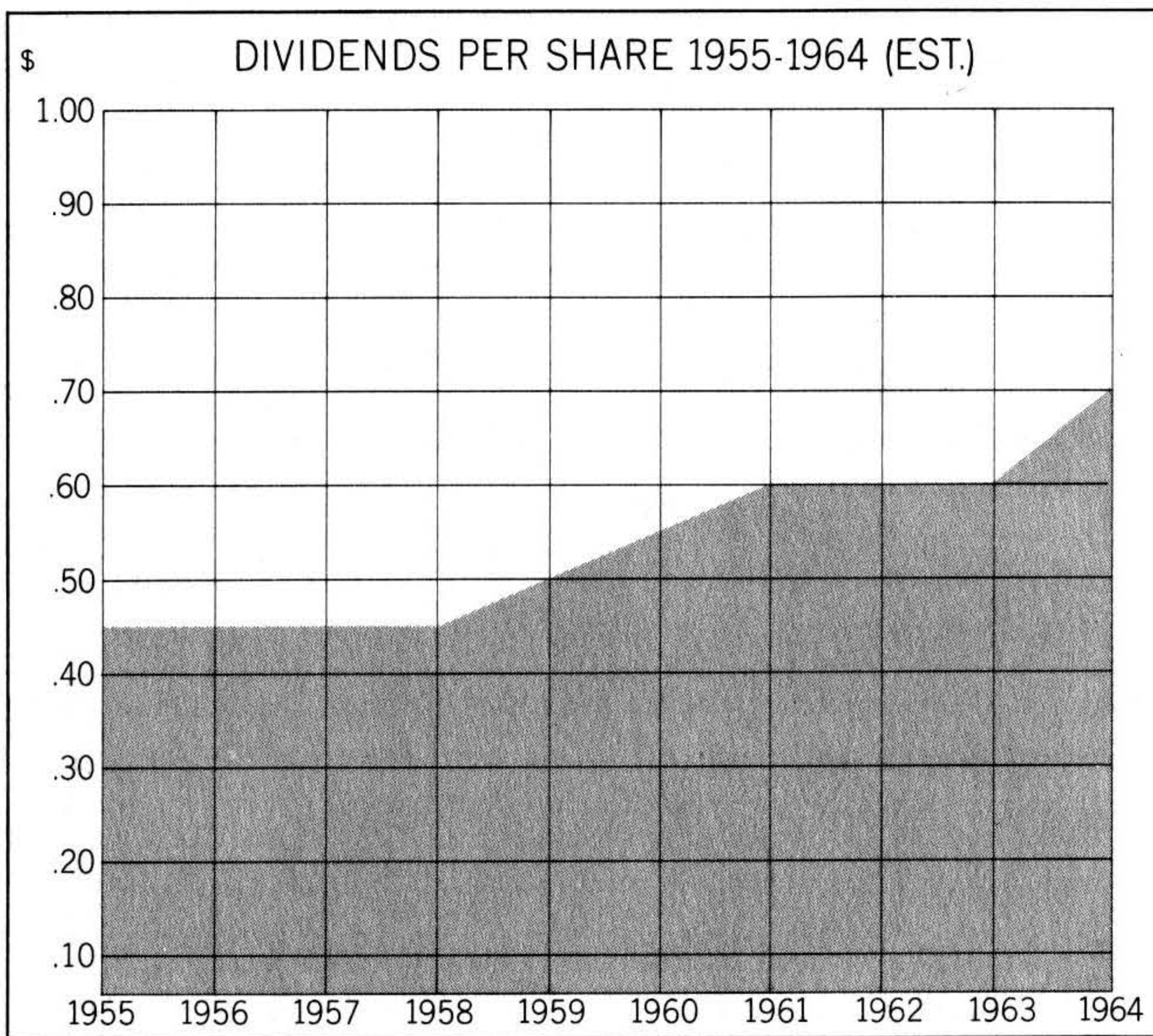
Net after-tax earnings in 1955 totaled \$601,000. Our controller tells me that we will be able to report close to \$2,500,000 after taxes in the year ending less than six weeks from today.



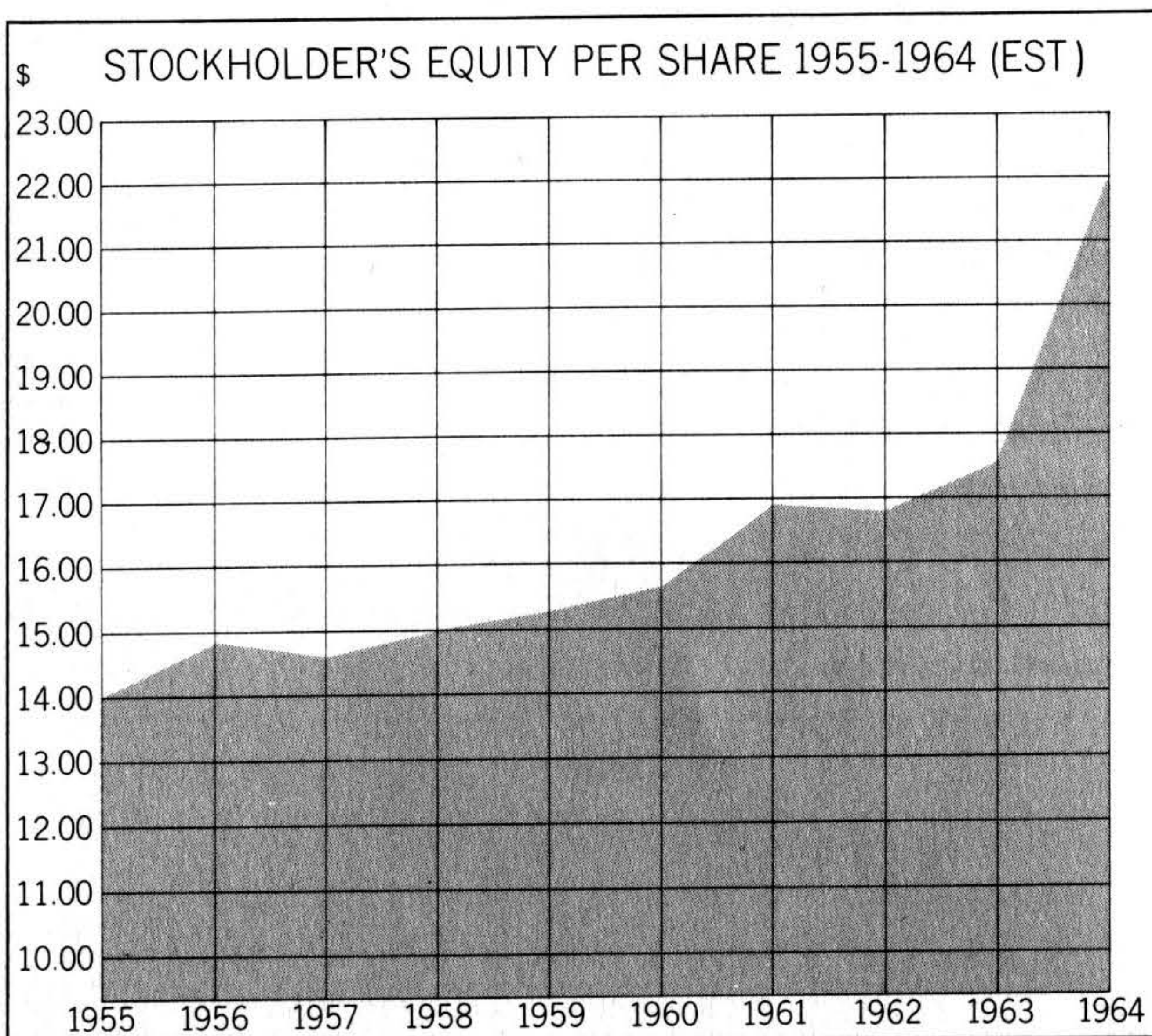
On a per share basis, after-tax net earnings have progressed from 50¢ to an estimated \$1.50 in the past ten years.



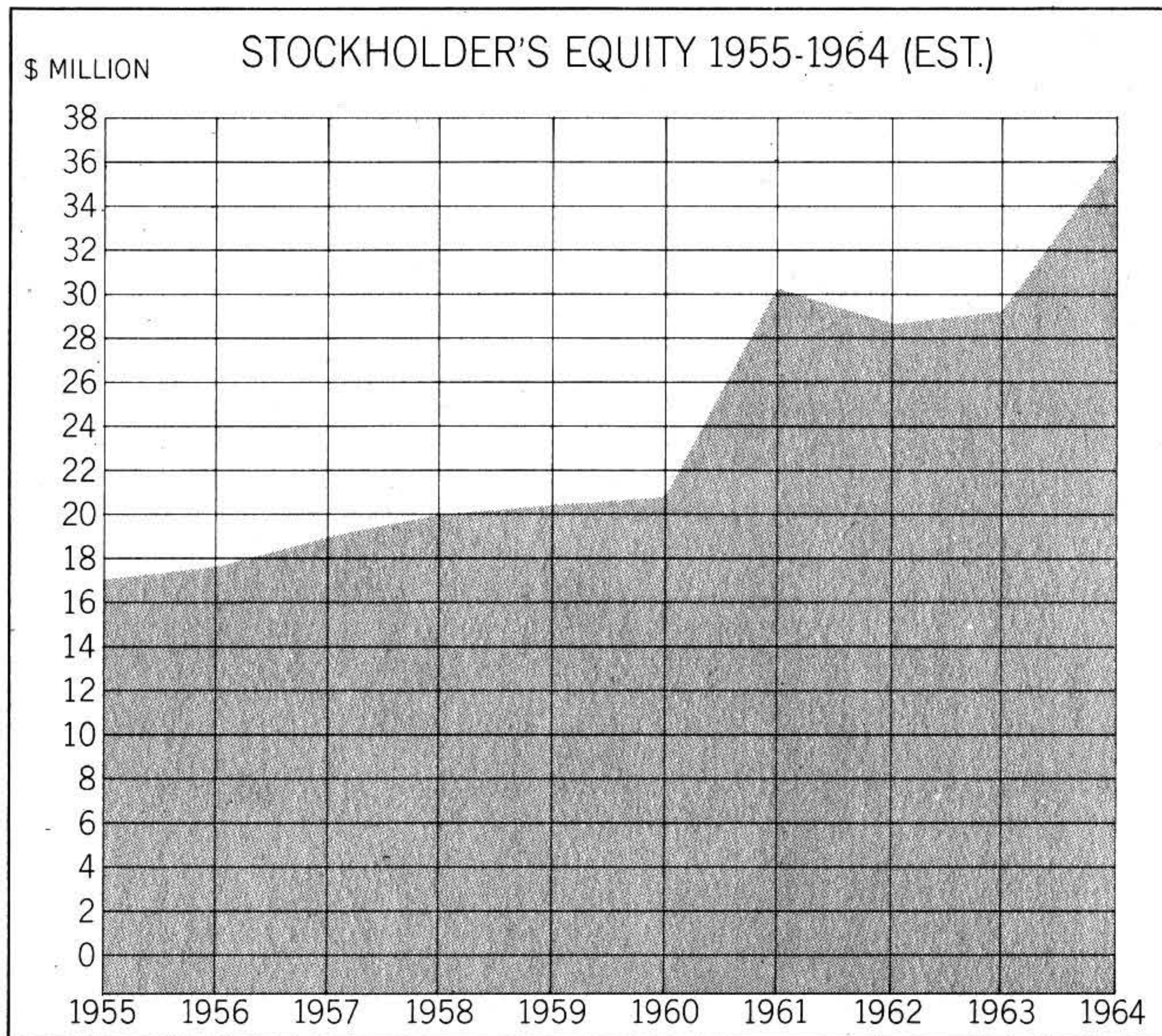
Building upon a payout of 45¢ per share in 1955, dividends have been increased three times to the 70¢ which will be paid this year. Our current rate will result in an 80¢ dividend in 1965.



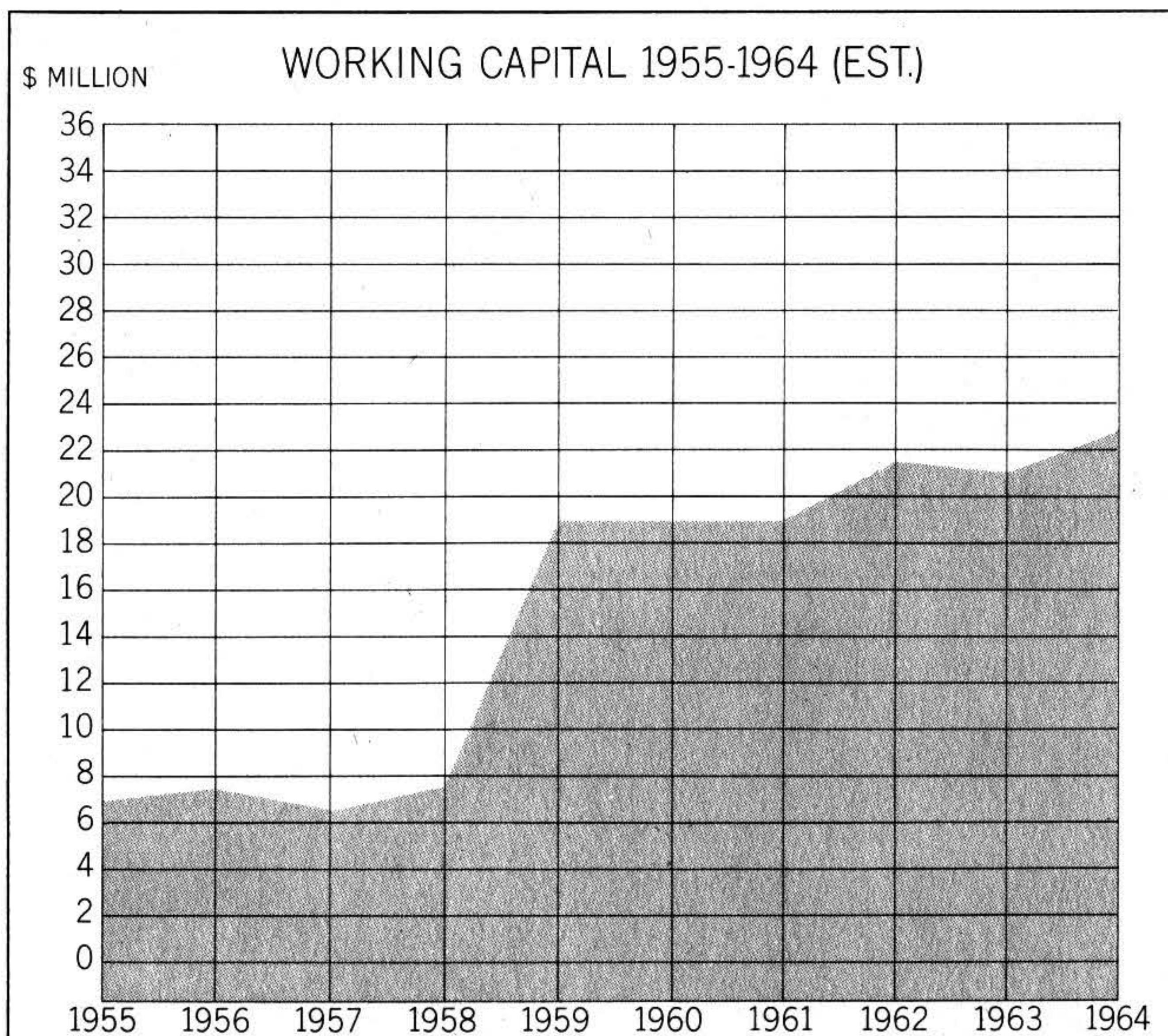
Book value per common share will have advanced from \$14.06 to \$22.00* by year-end.



During the ten years ending in December, the equity of our stockholders will have increased from \$17 million to \$36.5 million.*



Our working capital has more than trebled, in the period, from \$7 million to \$22.5 million.*



CURRENT OPERATIONS

Di Giorgio Corporation today engages in three major businesses: the production and distribution of processed foods, the farming and marketing of agricultural products, and the manufacture and sale of lumber.

PROCESSED FOODS

In the first and largest of these operations—processed foods—we have given emphasis to the development of established consumer labels.

S & W FINE FOODS, INC. One of our most important divisions, S & W Fine Foods, Inc., will have 1964 sales in excess of \$80 million. S & W is a quality label which appears on over 75 food varieties. Of these products, approximately 30% are processed at S & W plants. These items are of a highly formulated nature in which quality can be tightly controlled and nearly the entire pack utilized for S & W. Non-formulated products, such as fruits and vegetables, must be handled differently: because of the impossibility of any one canner processing more than 15% of his pack to meet S & W's rigid quality standards, it is necessary for us to depend on a great number of suppliers for the remaining 70% of our merchandise. S & W must skim the cream from the packs of more than 150 independent canners throughout the world. To secure the high quality upon which S & W insists, we must pay a premium. This premium naturally increases our total costs and is reflected in a retail selling price a penny or two higher than that of other well-known national brands. S & W is not content to offer merely the best products available. To illustrate: if in any year we cannot find apricots to meet S & W quality specifications, we do not buy apricots for the S & W label.

S & W products are distributed both nationally and internationally. Domestic sales and distribution facilities are maintained in San Francisco, Los Angeles,

Portland, Seattle, St. Louis, Chicago, and New York. We are represented by brokers throughout the rest of the country. Overseas, S & W products are distributed in more than 40 world-wide markets—in the Orient, South America, Africa, the Middle East, and Europe.

Di Giorgio production facilities—which process fruit, vegetable, and specialty products for S & W as well as for distributors' private labels—are located throughout California at Redwood City, Stockton, San Francisco, Modesto, and Los Angeles. Excluding merchandise packed for the S & W label, these factories will generate additional 1964 revenues of about \$10 million.

TREESWEET PRODUCTS CO. In 1955 Di Giorgio acquired a part-interest in TreeSweet Products Co., and in 1958 TreeSweet became a wholly-owned subsidiary. Estimated 1964 sales for TreeSweet are \$14 million. TreeSweet was formed in 1933 in Santa Ana, California, and developed one of the first successful methods for canning orange juice. Although the executive offices and a single strength canning facility remain in California, TreeSweet has switched its main production operations to Florida. A highly efficient new concentrate and single strength plant at Fort Pierce is within five miles of the Di Giorgio citrus groves which supply a portion of TreeSweet's processing requirements. The frozen concentrate production facilities have been expanded several times to meet increased demand. A current expansion will make this TreeSweet facility one of the largest in Florida.

SUNNYLAND JUICE CORPORATION. Late last summer, through an exchange of stock, we acquired the Sunnyland Juice Corporation of Anaheim, California. Estimated 1964 sales for this company are over \$8 million. Sunnyland is primarily a processor and distributor of chilled orange juice. We have received what appears to be a routine inquiry from the Federal Trade Commission concerning the Sunnyland acquisition. This will be answered in due course.

GROCERY WHOLESALING. Grocery wholesaling is an increasingly important part of our processed food business.

Equitable Cash Grocery, a division of S & W, serves retailers throughout the San Francisco Bay area with a full line of grocery and delicatessen products. This operation does in excess of \$30 million per year and, despite the fact that grocery wholesaling is considered a low margin business, has consistently shown a fine return on investment.

Our California wholesale grocery activities have recently been expanded through the purchase of a San Jose based full line wholesaler with a firmly established retail clientele in the fast-growing area to the south of San Francisco.

S & W and TreeSweet sales have traditionally been heavy in the West. In recent years management has been hard at work developing the New York trading area. This effort has resulted in a volume increase of 10% so far this year. To consolidate this market development, Di Giorgio recently purchased a 34% interest in Met Food Corp. of New York City. Met Food is already a leading wholesale distributor in this market with volume at a current annual rate of \$100 million. They are presently using the Di Giorgio investment as working capital to further improve their position in this important market.

AGRICULTURAL PRODUCTS

The oldest of our three areas of operation—the growing and marketing of agricultural products—is now second in productive importance due to the program of diversification I have just described. This portion of our business retains the designation *Di Giorgio Fruit Corporation* and operates as a division of the parent Di Giorgio Corporation; as do S & W, TreeSweet, and Sunnyland.

Di Giorgio Fruit Corporation owns and operates nearly 26,000 acres of valuable agricultural and commercial land in California and Florida.

<u>DESIGNATION</u>	<u>LOCATION</u>	<u>ACRES</u>	<u>PRIMARY PRODUCTS</u>
<i>California Division</i>			
Di Giorgio Farms	Bakersfield	9,100	Grapes, plums, potatoes, cotton
Sierra Vista Ranch	Delano	4,800	Grapes
Borrego Farms	Borrego Springs	4,300	Grapes
Dantoni Orchard	Marysville	1,500	Pears, plums
New England Orchard	Yuba City	900	Pears, plums
Wolfskill Ranch	Winters	100	Apricots
Tindell Vineyard	Lodi	100	Grapes
<i>Florida Division</i>	Ft. Pierce	5,100	Citrus

SIERRA VISTA RANCH. In 1952, to secure needed water from the federally-financed Central Valley Project, Di Giorgio signed an agreement which granted the Secretary of the Interior the right to sell (after a ten-year period) all but 160 acres of our Sierra Vista Ranch at an appraised value to be determined at the time of sale. We have been notified by the Government that the sale has been scheduled for December 2, 1964. Although the property is carried on our books at \$1 million, the sale price will be approximately \$7 million. Aside from the substantial capital gain, we expect this sale to have a beneficial effect on earnings since Sierra Vista has not been a strong profit contributor in recent years.

As will be seen from the magnitude of the Sierra Vista gain, Di Giorgio's substantial land holdings, which now carry a total book value of \$9,500,000 will eventually be a source of considerable asset appreciation.

DI GIORGIO FARMS. The largest Di Giorgio agricultural operation is the 9,000 acre Di Giorgio Farms located in the southern San Joaquin Valley of California. The eventual need for additional water at Di Giorgio Farms means that it too must soon become the subject of a contract with the Department of the Interior. Such a contract will result eventually in a further decrease in the importance of farming to Di Giorgio Corporation.

BORREGO FARMS. As suggested earlier, much of Di Giorgio land will someday be too valuable to justify its continued use for agricultural purposes. This applies particularly to Borrego Farms. Located near San Diego, California, this ranch is surrounded by land which is rapidly becoming a residential and tourist resort in the pattern of Palm Springs. To the 1,850 acres of farmland at Borrego, we have in recent years added 2,450 acres as an investment. As partner in a joint venture, Di Giorgio several years ago developed an 18-hole golf course and club house at Borrego. Currently we are participating in the construction of a shopping center which should add further impetus to the commercial development of this area.

PEARS. Two of the largest pear orchards in the world are the Di Giorgio Fruit Corporation's properties at Marysville and Yuba City, California. These profit centers consistently show a better return than our other agricultural operations.

WINE. Di Giorgio Wine Company, an operating unit of Di Giorgio Fruit Corporation, processes an annual crush of 60,000 to 80,000 tons of our own and neighbors' grapes at the modern Di Giorgio Farms winery. Di Giorgio bulk wine sales for 1964 are estimated at \$3 million. Grapes and wine represent low margin operations. We are reducing both our grape acreage and our direct participation in the wine business.

FLORIDA. Our Florida properties which are located near Fort Pierce in the warm Indian River area, consist of 5,100 acres planted to oranges and grapefruit. Because of the importance of fresh fruit shipping from this area, we have under construction a new packing

house which will be capable of handling in excess of one million boxes of fruit per season. The proximity of TreeSweet's Fort Pierce plant permits maximum utilization of our entire citrus crop.

MARKETING. Sales of Florida and California agricultural products are handled by our own marketing organization either directly to buyers throughout the world or through the auction markets. Joseph Di Giorgio early took a hand in the formation and development of the fruit auction business in major metropolitan areas. These provide a free market to establish fair prices based on supply and demand and enable shipments to be broken down into less than carload lots for small buyers, chains, and brokers.

Today Di Giorgio holds a 46.7% ownership in The New York Fruit Auction Corporation, a 100% interest in the Philadelphia Fruit Exchange, and a 13.75% interest in the Fruit Auction Sales Company in Chicago. These investments have been rewarding financial ventures over the years.

LUMBER PRODUCTS

Our third business — lumber — is administered by Klamath Lumber Company, of Klamath Falls, Oregon. Our first mill was purchased by Joseph Di Giorgio in 1919 to provide a reliable source for the wooden boxes required to ship his produce to market. In 1961, as wood continued to give way to other packaging materials, we completely replaced these out-dated, limited-production facilities with a modern, efficient operation devoted exclusively to the processing of lumber for the construction industry. With an annual cut of 50 million board feet, Klamath estimates sales for 1964 at \$4,500,000. This operation produces a fine return on invested capital.

THE DAYS AHEAD

As we look ahead to the next few years, we believe we are equipped to achieve the goals we have set.

To the Di Giorgio story I have related so far, I would add a few words about our management and financial substance—two areas in which we think we have competitive strength.

MANAGEMENT

We adhere to a management philosophy which places operating and profit responsibility in the hands of the operating divisions. With the guidance of an alert and objective Board of Directors, the parent Di Giorgio Corporation serves as a planning and policy-making body, and deals with opportunities for corporate growth and development.

We are fortunate to have a balanced mixture of youth and experience in our management group. The average age of the Di Giorgio corporate management, for example, is only 50; yet these men have spent an average of 25 years working for the company or its subsidiaries.

The following officers—who also serve on the Board of Directors and as members of the Executive Committee—can boast a total of 160 years of experience with Di Giorgio.

Joseph S. Di Giorgio, Chairman of the Board, with direct supervision over all farming operations, has spent 40 years of his business life with Di Giorgio.

In my position as President, I can look back to various assignments with this company covering 28 years.

Robert S. McKnight, Executive Vice President, joined Di Giorgio 48 years ago.

Charles J. Nossler, Jr., Executive Vice President and also President of The New York Fruit Auction Corporation, has 44 years experience in company affairs.

Blending with these men of long experience are a core of younger corporate officers with an average age of 38 years.

First line executives in our operating divisions average only 41 years of age. These are vigorous, enthusiastic and highly competent men with wide-ranging experience in the food and lumber industries.

FINANCIAL

As I have related to you, the steps taken by Di Giorgio Corporation to build an integrated food processing and marketing organization have been primarily the result of an active acquisition program augmented by a plan of internal development. I fully expect this pattern to continue. I call your attention to our financial capacity to pursue these objectives.

First is the untapped, short-term borrowing power, the result of an extremely conservative book value. (The 7 to 1 relationship of market value to book at Sierra Vista Ranch is a case in point.)

Second, over the past several years the company has maintained a program of acquiring its own shares in the open market, in the belief that market prices reflected a significant discount from realistic value. In the last 24 months we have purchased 240,000 shares. Of this amount we used about half in the Sunnyland acquisition and still retain 120,000 shares which are being held for future business purposes. These remaining shares were acquired at an average cost of \$13.50.

At present selling levels, Di Giorgio stock shows a price/earnings ratio of 14 times estimated 1964 earnings of \$1.50. As you know, this is substantially below current food industry averages.

In the matter of dividend yield, the current 3.6% return for Di Giorgio is considerably higher than the food industry average. 1964, incidentally, marks the twenty-second consecutive year that Di Giorgio has paid cash dividends. Our dividend rate has increased steadily throughout this period.

At the outset, I emphasized that the change in character of Di Giorgio Corporation has been the result of a carefully planned and executed program. I can

assure you, any future changes will be as carefully handled.

Obviously some of this planning is going on today. To supplement our own activities, we are working with independent research organizations to develop patterns for future growth and to re-define our corporate strategy.

Generally we give first consideration to expansion in the processed food industry, but we are willing to look beyond our traditional fields of interest. For us to consider an investment outside our area of demonstrated competence, there would have to be roughly twice the profit potential—plus vigorous, experienced management.

In closing, I hope that the things I have told you about the new Di Giorgio Corporation have helped your understanding of our company.



Di GIORGIO CORPORATION

S & W FINE FOODS, INC. — *processed foods*
TREESWEET PRODUCTS CO. — *canned and frozen citrus juices*
DI GIORGIO FRUIT CORPORATION — *fresh fruits and vegetables*
SUNNYLAND JUICE CORPORATION — *chilled juice*
WOOD CANNING COMPANY — *canned fruits and vegetables*
KLAMATH LUMBER COMPANY — *forest products*
DI GIORGIO WINE COMPANY — *bulk wine*
PHILADELPHIA FRUIT EXCHANGE, INC. — *fruit auction*

EXECUTIVE COMMITTEE

J. S. DI GIORGIO - 62 - *Chairman of the Board,
Di Giorgio Corporation,
40 years with Di Giorgio*

ROBERT DI GIORGIO - 52 - *President, Di Giorgio Corporation
Director and Member of
Executive Committee of the
Bank of America, N.T. & S.A.
Director - Broadway-Hale Stores, Inc.
Director - Union Oil Company
of California
Director - The Pacific Telephone and
Telegraph Company
28 years with Di Giorgio*

R. S. MC KNIGHT - 65 - *Executive Vice President,
Di Giorgio Corporation
48 years with Di Giorgio*

C. J. NOSSER, JR. - 62 - *Executive Vice President,
Di Giorgio Corporation
President, New York Fruit
Auction Corporation
44 years with Di Giorgio*

D. B. SHIPPEY - 36 - *Vice President and Controller,
Di Giorgio Corporation
5 years with Di Giorgio*

OUTSIDE DIRECTORS

- R. W. CAHILL *President and Director -
Cahill Construction Co., Inc.
Director - Bank of California*
- E. S. DULIN *Director - Petroleum Equipment
Suppliers Association
Director - Lockheed Aircraft
Corporation
Director - Investment Company
of America
Director - American Mutual
Fund, Inc.*
- P. C. HALE *Chairman of the Board -
Broadway-Hale Stores, Inc.
Director - Pacific Lighting
Corporation
Director - Union Oil Company
of California
Director - Bank of America,
N.T. & S.A.
Director - Pacific Vegetable Oil
Director - Emporium Capwell
Company
Director - Foremost Dairies, Inc.*
- A. S. HALLEY *Senior Vice President and Director -
Fibreboard Paper Products
Corporation
Director - California Ink Company*
- C. O. LINDEMAN *President and Director - The Pacific
Telephone and Telegraph Company
Director - Crocker-Citizens
National Bank
Director - Stanford Research Institute
Director - California Chamber
of Commerce*
- A. E. SBARBORO *Director - Bank of America,
N.T. & S.A.
Chairman of the Board - Merchants
National Realty Company
Director - Inter America Corporation
Director - Transamerica Insurance
Company*
- C. F. WENTE *Honorary Chairman of the Board,
Bank of America, N.T. & S.A.
Director - Firemen's Fund
Insurance Company
Director - Pacific Gas & Electric
Company
Director - Foremost Dairies, Inc.*

DIVISION MANAGEMENT

- R. B. MAC LEAN - 46 - *President - S & W Fine Foods, Inc.*
- R. C. MC CRACKEN - 37 - *President - TreeSweet Products Co.*
- H. L. KERR - 41 - *President - Klamath Lumber Co.*
- W. L. CANOLE - 40 - *President - Sunnyland Juice
Corporation*
- F. H. NUSZ - 51 - *President - Wood Canning Co.*
- C. J. DOUGHERTY - 63 - *President - Philadelphia Fruit
Exchange, Inc.*

