



Working Paper # 6

Labelling Dole:  
Some Thoughts on Dole Food Company's  
Expansion in World Agriculture

Don Villarejo

University of California, Santa Cruz

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**California Institute for Rural Studies  
P. O. Box 2143  
Davis, CA 95617  
USA**

**Focused Research Activity on Agroecology  
and Sustainable Agriculture – UCSC**

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Introduction

Imagine a farm so vast that in the course of a full 24-hour day the sun always illuminates at least one of its many fields; a farm that spans both hemispheres to evade the limitations of seasonal climatic variation on its ability to produce. When it is winter in the United States this farm's Northern Hemisphere fruit trees are dormant, but its Southern Hemisphere trees are lush and productive because it is summer there.

As far-fetched as this concept of farming may seem, the latest innovation in world agriculture is precisely this ambitious. Several multi-national farm businesses now grow farm products in a dozen or more countries scattered around the globe and do so on an enormous scale in each country. A few of these companies have a long history of operating plantations in Third World nations. But in the past three years the agricultural multi-nationals have been aggressively acquiring farm properties in various parts of the world, including the United States, as well as expanding their world-wide marketing capacity.

Unlike small-scale farm businesses these large multi-nationals grow only a portion of the commodities they sell. Contract growers are recruited to farm the balance on company owned or leased lands. The company handles shipping and marketing for these "independent" growers and in many cases does the harvesting and packing as well. Instead of concentrating exclusively on farming, the new agricultural multi-nationals focus much of their resources on the distribution and marketing of their products on a world wide basis.

Farming is seen as just one part of the full range of their activities. In fact, "farming" is a term they prefer not to use: the new up-scale term they prefer is "sourcing". As Dole food Company describes itself, it

"...is engaged in the worldwide sourcing, processing, distributing and marketing..."<sup>1</sup>

and its

"...fresh food products are produced both directly on company owned or leased land, and through associated producer and independent grower arrangements..."<sup>2</sup>

and the company provides

"...varying degrees of farming, harvesting, packing, storing, shipping, stevedoring and marketing services, as

well as financing through loans to growers..."<sup>3</sup>

The strong emphasis on marketing requires that company-owned processing, storage and transportation facilities be highly developed. Refrigerated container ships, trucks and storage facilities must be well-coordinated by the sales staff. A phone call from a Florida-based sales representative to a potential customer in Japan might trigger a shipment of citrus from California to the desired destination. Or a mid-winter FAX from a sales office in Philadelphia might route grapes from Chile to a marketing opportunity in Europe.

There are several characteristics that all of the multinational agricultural production companies have recently developed and now share.

1. Their farms are very large: typically aggregating 150,000 acres or more (234 square miles).

2. They specialize in crops having a high value per acre of production: fresh fruit, fresh vegetables, dried fruit and nuts, and containerized fruit juices.

3. They seek to simultaneously market a wide range of produce: citrus, vegetables, tropical fruit and dried fruit.

4. They label all of their full line of products with a brand name (Dole, Del Monte, Sun World, etc.) and then focus advertising campaigns around brand name recognition.

5. They are vertically integrated, providing any of a number of services: farming, accounting, harvesting, packing, shipping, marketing, and, in some cases, farm financing for growers under contract to them.

6. They place primary emphasis on a coordinated marketing strategy for their full line of products on a world-wide basis.

7. Most of these companies began as shipping or marketing companies and have expanded into direct agricultural production by acquisition of already established farming companies. It is this method of expansion by acquisition that has attracted considerable attention among other produce firms.

What is especially important to realize is that combining all of these characteristics in a single company is what is so striking and unusual. As an executive of one of the companies acquired by an agricultural multi-national put it,

"What I am talking about in produce is unheard of."<sup>4</sup>

While their brand names are already familiar to most Americans, the names of the some of the companies are somewhat obscure: Grand Metropolitan P.L.C., Polly Peck International P.L.C., and Sun World International. In other cases the company name is a well-known brand name: Chiquita Brands International Inc. and Dole Food Company.

### Dole Food Company

Los Angeles-based Dole Food Company is the largest "U.S." company among the Agricultural Multi-Nationals. In 1989, Dole became the first company to market a full line of fresh vegetables under a brand name. Individual packages of asparagus, broccoli, brussels sprouts, carrots, cauliflower, celery and lettuce now carry the Dole label. And each and every grapefruit, lemon or orange the company sells has a Dole sticker affixed. According to the company, it

"...provides retail and institutional customers and other food product companies with high quality products produced and improved through research, agricultural assistance and advanced harvesting, packing, cooling, shipping and marketing techniques."<sup>5</sup>

Dole markets nearly 100 fresh fruit and vegetable products. It also sells more than 100 processed and packaged fruits, juices and nuts. In June 1991 the Dole Food Company name was adopted to replace Castle & Cooke, Inc., the long-time name of the parent firm.

In 1990 world-wide food product sales of Dole amounted to \$2.8 billion.<sup>6</sup> Sales have been increasing quite rapidly in the past several years, at a brisk double-digit per centage rate of increase. This is shown in Figure 1.

Gross company profits have also been increasing at an ever greater rate of increase. Figure 2 shows the food products gross profits over the past several years.

About 64% of sales were in North America while 36% were in other regions - Latin America, the Far East and Europe. The regional distribution of 1990 food product sales is illustrated in Figure 3. Interestingly, the distribution of gross profits showed that 64% of the company's operating income came from Latin America, the Far East and Europe whereas just 36% came from North America, exactly the reverse of the distribution of sales. This is shown in Figure 4.

The agricultural products the company markets are grown in fifteen countries. These are listed in Table I where we also show farm acreage figures for those farms which are directly operated by the company or its subsidiaries. Thus, the acreage figures shown in the table below substantially understates the actual acreage in which Dole plays an active role.

Table I

Farm Acreage Directly Operated by Dole Food Company

<u>Country</u>	<u>Acreage</u>	<u>Commodities</u>
Argentina	0	apples, citrus, pears
Chile	0	apples, grapes, pears
Columbia	0	bananas
Costa Rica	18,800	bananas
Dominican Republic	6,000	pineapples
Ecuador	0	bananas
Greece	0	unknown
Guatemala	0	unknown
Honduras	19,100	citrus, bananas, pineapples
Mexico	0	fruit, vegetables
New Zealand	0	unknown
Philippines	30,200	pineapples
Spain	0	unknown
Thailand	5,000	pineapples
United States		
Arizona	3,200	vegetables
California	33,930	almonds, citrus, grapes, nuts, pistachios, vegetables
Hawaii	35,100	cane sugar, pineapples
Washington	1,800	apples
<b>Total</b>	<b>153,130 acres</b>	

While the company's farm acreage is substantial, most of its produce is grown by independent farmers. The company has grower-shipper agreements with these independent growers who farm substantial acreage. Dole provides harvesting, packing, shipping, marketing, or financing services to these growers. For example, all of Dole's apple exports from Chile are produced by these independent growers. In 1989 this production amounted to 2.1 million boxes of Granny Smith variety and 1.8 million boxes of other varieties. This represents 22% of all Chilean apple exports. The volume of Chilean grapes is even greater: Dole exported about 10 million boxes of grapes during the current season.

These grower-shipper arrangements are not peculiar to lesser developed countries where Dole is active. Its Bud Antle Inc. subsidiary owns 1,250 acres of farm land in the United States but leases an additional 13,450 acres. And the vast majority of its estimated 60,000 acres of vegetable production comes from farms operated by approximately fifty independent growers under grower-shipper agreements, in many cases operating on Bud's leased land.

The widespread use of leased land and independent growers is an unexpected finding. However, recent study of California principal vegetable producers yielded a similar finding. Nearly 94% of California commercial fresh market tomato production comes from land leased by the farm operation from non-farmer landowners.<sup>7</sup>

This could be understood in terms of the desire of a firm to keep

its capital commitments as low as possible in a highly competitive and high-risk business, such as the produce business. Leaseholds on land provide a way to maintain access to land but at the same time avoid the kind of investment that would otherwise be needed.

Dole has expanded its operations very significantly over the past decade, adding fresh citrus, grapes and tree fruit to its already existing vegetable, banana and pineapple operations. Instead of establishing new facilities and creating a business from the ground up Dole has, without exception, entered these businesses through acquisition. The major U.S. acquisitions, and the date acquired, are as summarized in Table II below.

Table II

Major U.S. Acquisitions by Dole Food Company

<u>Company Name</u>	<u>Main Activity</u>	<u>Date</u>
Bud Antle, Inc.	Grower-Packer-Shipper, Vegetables	1978
Blue Goose Growers, Inc.	Grower-Packer Citrus	1984
Joe Maggio, Inc.	Packer-Shipper Carrots, vegetables	1986
Bonner Packing Company	Raisin packer	1988
Tenneco West, Inc.	Grower-Packer-Shipper, Grapes, Nuts, Dates	1989
Apache Corp. (S & J Ranch)	Grower-Packer-Shipper, Citrus, Nuts, Olives	1989
Wells & Wade Fruit Co.	Grower-Packer-Shipper, Apples	1989
Beebe Orchard Company	Grower-Packer-Shipper, Apples	1989
Naumann Bros. Packing	Grower-Packer-Shipper, Vegetables	1990
Royal Packing Company	Grower-Packer-Shipper, Vegetables	1990
Pacific Land. Corp.	Grower, Citrus	1991

Source: Castle & Cooke, Inc., Form 10-K Reports, Various years.

Acquisition of a large position in the fresh produce industry would be very difficult for an "outsider" to realize. It usually takes many years to build up a knowledgeable sales force and develop the highly intricate skills of moving large volumes of produce to market at the right time to gain maximum return. The history of the industry is replete with tales of those who have failed. By using outright purchase of established firms Dole was able to gain the synergistic effect of adding skilled produce industry veterans to its established operations.

The pattern of acquisitions shows that a great deal of thought was given to strategic placement in particular crop industries where Dole had not been previously active. A good example is the citrus industry, where Dole is now the #2 player, behind Sunkist Growers. Prior to the acquisition of Blue Goose Growers in 1984, Dole was not active in the citrus industry. By acquiring a major player, who owned packing facilities in Florida, Arizona and California as well as operated citrus groves in all three states, Dole became a force in the industry. The subsequent acquisitions of the Apache Corporation farming properties made Dole the second largest citrus company in the state. The acquisitions of Tenneco and Pacific Land Corp. farming properties has solidified that position by adding substantial citrus acreage to the firm.

Another consequence of these citrus acquisitions was a weakening of Sunkist's base as well as strengthening Dole's position. Subsequent to the Apache Corp. acquisition by Dole in 1989, the Earlibest Orange Association packing facility in Exeter withdrew from Sunkist and now packs exclusively for Dole, its parent. It is likely that the other Apache facilities owned by Dole will also eventually switch all of their marketing through Dole.

The Dole story really revolves around a marketing scheme: to develop identification with the Dole label and to sell a wide range of products using the common Dole label. It is much the same marketing strategy that Coca Cola has used with great success throughout the world.

During October 1991 company's advertising strategy, Rick Uchtell, marketing director, announced the beginning of a

"...comprehensive ad blitz...sixty-second television commercials, starting October 21 in 19 U.S. markets, trigger Dole's advertising surge. The consumer push will be backed by advertisements in more than 40 magazines, a consumer services department and Dole's four divisions pursuing their own campaigns."<sup>8</sup>

Dole can also cut deals with supermarket chains, offering a price break on one or several commodities in return for better shelf position or amount of shelf space. The possibilities are only limited by the imagination of the marketing department. Few competitors will have as much to work with.



#### References

1. Castle & Cooke, Inc., Form 10-K, U.S. Securities and Exchange Commission, December 29, 1990, p. 1.
2. *ibid.*
3. *ibid.*
4. The Packer, January 21, 1989, p. 4-A.
5. Castle and Cooke, Inc., Form 10-K, *op. cit.*
6. Castle & Cooke, Inc., Annual Report, 1990, p. 22.
7. Farm Size, Farm Structure and Land Tenure in California's Principal Labor-Intensive Crop Industries, California Institute for Rural Studies, Inc., to be published.
8. The Packer, October 19, 1991, p. 1-A.

Figure 1 – Dole Food Co., Sales

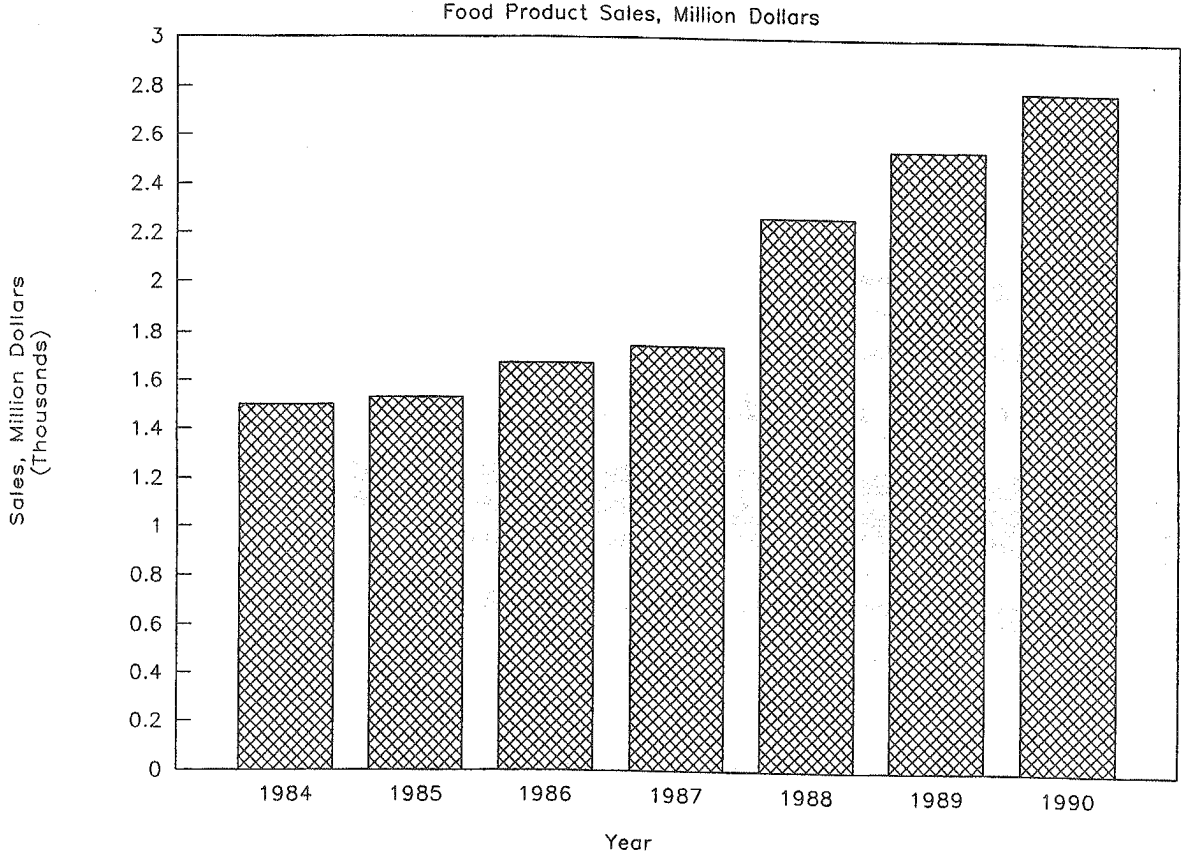


Figure 2 – Dole Food Co., Gross Profit

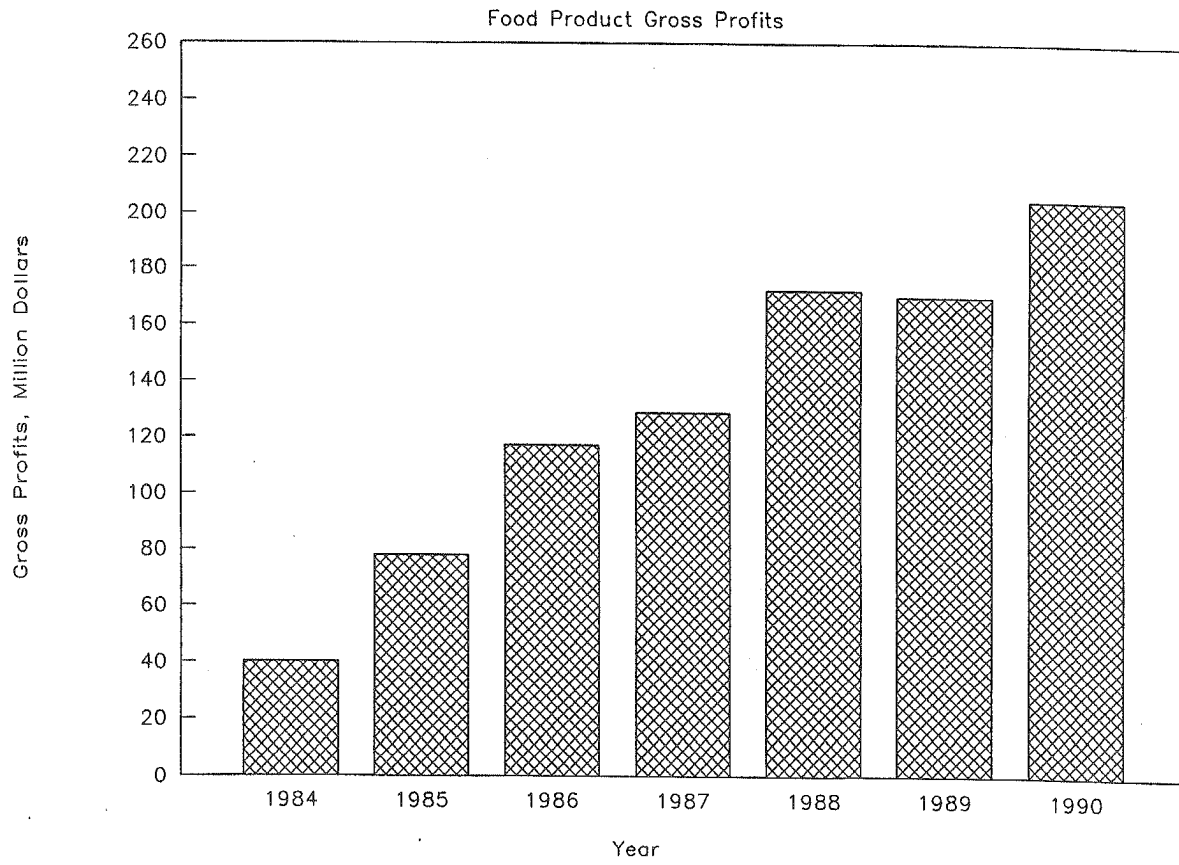


Figure 3 – Food Product Sales by Region  
1990 Gross Sales

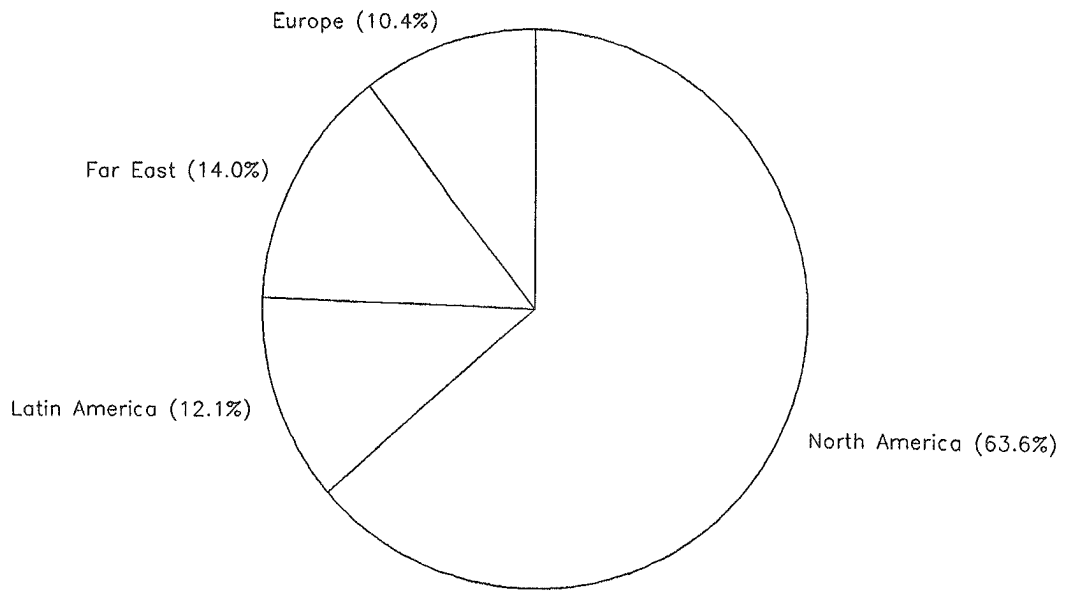


Figure 4 – Gross Profits by Region  
1990 Food Product Gross Profits

