

Prepared Statement

**David Dever
CEO and President
Pandol Brothers, Incorporated
Delano, California**

**Before the
U.S. House of Representatives
Committee on Agriculture**

April 2, 2009

Good morning Chairman Peterson, Ranking Member Lucas and the Members of the Committee. My name is David Dever and I am CEO and President of Pandol Bros., Inc. (Pandol). Our headquarters are located in Delano, California which is in the San Joaquin Valley between Fresno and Bakersfield. The Pandol Family has been farming and bringing to market fresh produce for more than half a century. In 1908 Steve Pandol immigrated from modern day Croatia to the United States. In the early 1940's he and his wife Margaret, also from the old country, purchased 160 acres in the San Joaquin Valley and began farming and raising a family. Their 3 sons joined the business and together, with each contributing their special set of skills, they expanded the business into a major grower, marketer and shipper of fresh quality produce, primarily table grapes. Today, with the third generation in the lead and as the fourth generation of the Pandol Family enters the organization, the company continues to focus on its core competency of growing, shipping, importing, exporting and marketing premium quality table grapes and other fresh produce items. The Pandol Family farms approximately 5,000 acres in California. Together with sources in Latin America, Pandol has a supply of table grapes to bring to the marketplace year round. From California in the summer and fall, Mexico in the spring, and Chile, Peru and Brazil in late fall and winter, Pandol Bros, Inc. almost always has fresh table grapes available to the market. In addition to domestic markets Pandol has a long history of exporting products to the world marketplace including Canada, Europe, Latin American, the Middle East and especially the Pacific Rim.

As this business has evolved over the years, so have the challenges over the safety of our food supply. Meeting or exceeding these challenges and delivering safe, quality produce to the marketplace has always been a primary goal of the Pandol Company. From the start of our company to the present day the Pandol family has been advocates of developing and implementing procedures that give our customers and consumers' confidence in the products that we grow and deliver.

Pandol Bros. has led the industry with transparent forms of self-regulation for many years. These produce based standards work to identify risks, identify control points and control measures, and to provide for independent verification of compliance. In fulfilling these produce standards Pandol evaluates and reviews:

- Land history and use
- Adjacent land use
- Soil amendments
- Pesticide usage
- Irrigation water source and quality
- Employee hygiene and sanitation practices, including training procedures
- Employee habits and conditions, including training procedures
- Harvest procedures
- Transportation procedures
- Packaging materials
- Field packing sanitation procedures

In each of these categories Pandol identifies any potential areas of hazard or exposure and develops a plan to monitor for, prevent and mitigate any undesirable conditions. Pandol utilizes verification processes which include internal standard operating procedures, independent experts and governmental agencies. We periodically perform reviews and evaluations of the systems and develop corrective actions as needed.

Additionally, we utilize third party audit companies to provide verification of the effectiveness of the systems and to provide guidance for improvement.

These tests or procedures are extensive but as a sample include:

- Conducting a pre-harvest pesticide residue testing program which establishes that the product tested meets or exceeds U.S. EPA established standards. This program is conducted and monitored by an independent, third-party laboratory which posts, to its website, United States tolerance levels whenever residues are detected.
- We monitor microbial or physical adulteration of product by participating in Good Agricultural Practices (GAP), field and harvest crew audits by independent third party auditors, and HACCP/GMP programs for our cold storage operation, also audited by an independent third party.
- In our fields Pandol conducts independent lab testing of soil and water sources, conducts fertilizer and chemical monitoring and reporting programs, and assessment of adjacent land uses, and other risks from surrounding activities.
- Harvest practices and employee hygiene/sanitation issues are also monitored and subject to periodic third party review and periodic unannounced inspection by State and Federal authorities.
- Mock product recalls are periodically implemented to test the traceability system.

Pandol requires its suppliers to certify they have food safety programs in place that include compliance with the following guidelines:

- Compliance with the FDA Guide to Minimizing Microbial Food Safety Hazards for Fresh Food and Vegetables
- Good Agricultural Practices (GAP)
- Good Manufacturing Practices (GMP), if applicable
- Third Party Audits (Field/Facility)
- Food Security Program (Field/Facility)
- Trace Recall Program

- Multi-Residue screening of all supplied product
- Meet all COOL regulatory requirements

In addition, Pandol has long been committed to the ability to trace its product through the supply chain, and has complied with the U.S. Bioterrorism Act of 2002 which requires the ability to establish and maintain records to document movement of its products both one step forward and one step back through the supply chain.

Pandol has developed a Trace Recall Program in the event a product may be deemed to be potentially hazardous or defective. In addition we have developed a Crisis Management Plan in the unlikely event that a situation reaches the point of a "disaster" or "crisis" beyond the scope of what usual policies address. The availability of such a plan insures that management and employees have a clear, well thought out guide and plan of action if a disaster should ever arise.

Pandol is also a member of the Steering Committee of the Produce Traceability Initiative, an industry wide initiative created by the three leading industry organizations United Fresh Produce Association, Produce Marketing Association and the Canadian Produce Marketing Association. This initiative that began in late 2007 was designed to assist the industry maximize the effectiveness of current trace-back procedures, while developing a standardized industry approach to enhance the speed and efficiency of traceability systems for the future. The Steering Committee representing every segment of the produce supply chain; from farm to store and restaurant, and actively involved nine U.S. and Canadian trade associations met numerous times and spent countless hours in collaborative discussions and sub-groups to develop unparalleled standardization policies for the industry as a whole. Pandol, who agrees with and supports this Initiative, is working diligently at developing systems and procedures to be able to adhere to the Milestones as established by this committee. Adoption of these standards is now in motion, and complete details on this initiative can be found on the industry website www.producetraceability.org.

However, it is important to acknowledge and address the challenges that we face today in strengthening the safety of our food source:

1. Food safety is our industry's top priority. The men and women who grow, pack, prepare and deliver fresh produce are committed to providing consumers with safe and wholesome foods. The industry, as a whole, must work together at developing systems and processes on a commodity-specific basis to enhance our food safety policies. Industry needs to take the lead in assessing the risks and exposure depending on the commodity, location and processes involved in the production of our food. Government regulation must be created to support the process, to provide the necessary enforcement policies to equalize the playing field and to strengthen the consumer confidence in the overall process. Therefore we believe food safety standards must be consistent and applicable to the identified commodity or commodity sector, no matter where grown or packaged in the United States, or imported into the country. Consumers must have the confidence that safety standards are met no matter where the commodity is grown or processed.
2. We believe that product imported into the United States needs to meet equivalent standards as that required of domestic produce. U.S. food safety officials can work together with foreign food safety officials to ensure and verify that equivalent policies and standards are in place. Many foreign governments work closely with their industries to establish and enforce food safety guidance and traceability systems. We have found that some of the more sophisticated food safety operations are found outside of the United States. When foreign countries are working congruently with U.S. standards we should acknowledge their food safety programs accordingly. This approach of working with and recognizing foreign regulatory systems is necessary to save government and industry resources. If the U.S. industry is required to police the supply chain outside of the U.S., this will put U.S. companies at a competitive disadvantage in the global marketplace.

3. Within the food supply chain there are many people involved in the process and many procedures that need to be complied with in order to minimize risk of contaminated food. The additional cost to develop and implement the systems along with the verification and audit process is costly. We must encourage participation of governmental agencies in providing input into the ongoing development of commodity-specific science based standards. In particular, as part of this commodity specific approach, FDA must develop a rule-making procedure that establishes risk and science-based regulations for the production, handling and distribution of those types of fruits and vegetables for which the Secretary determines such standards are necessary to minimize the risk of microbial illness.
4. Electronic recordkeeping with web based search features is the next level. When an incident is reported electronic recordkeeping will give the investigating process the ability to instantaneously trace the source product in order to expediently identify potential sources of the problem or to eliminate possible exposures.
5. Lastly, with all of the proactive development of systems in addition to the independent verification processes we employ to ensure that we are holding ourselves accountable for compliance, we continue to be dependent on those we do business with and the overall integrity of the people involved in the supply chain. We do not have the systems in place or the necessary personnel to monitor the compliance of non-Pandol affiliated suppliers and must rely upon the honesty and integrity of those we do business with. Therefore, we believe achieving consistent produce safety standards across the industry requires strong federal government oversight and responsibility in order to be most credible to consumers and equitable to producers.

Let me conclude with these closing thoughts. Produce food safety must be a process of continuous improvement, not a static achievement. We are on a continuum, constantly

striving toward perfection, while understanding scientifically that perfection – or zero risk – is not possible. Because our products are enjoyed by consumers in their fresh and natural state without cooking, we have to be right every single time – not one in a million, or even one in a billion. But as long as there is the potential of even one individual getting sick, we will do all we can to prevent that from happening.

The good news is that this is happening now. For the produce industry we have an overwhelming success record in regards to food safety with actual incidence of illness extremely low. Just look at the numbers.

- Over a billion servings of fresh produce are eaten every day.
- More than 5 million bags of fresh salads are sold every day.
- And, out of the hundreds of fruits and vegetables offered in a typical supermarket, only a very few have been implicated in illness outbreaks, and then rarely as compared with their volume of consumption.

But, we also know that consumers today are walking into grocery stores and restaurants with new concerns, new doubts, and sometimes fears about produce. They don't understand those statistics; they don't know what farmers and processors are doing to protect the safety of their produce; and equally important, they do not have complete confidence that government is doing all it should to protect their health.

Fears of food safety have no place in the fresh produce department. We, as an industry, must do all we can to prevent illnesses from ever occurring, and we will. But because science tells us there is no such thing as zero risk, government must also be able to assure the public that even if something does go horribly wrong in an isolated case, consumers can continue to have confidence in fresh produce. We must all be able to trust the overall system of government oversight and industry responsibility, working together to produce the safest possible supply of fresh, healthy and nutritious fruits and vegetables.

Curriculum Vitae

DAVID D. DEVER

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EXECUTIVE MANAGER (CEO, COO, & CFO)

Visionary and ethical executive with an aptitude for building and energizing enterprises while generating marked improvement in revenue, growth, and bottom line performance

Senior executive with strong performance history in the profitable development and operation of growth and start-up companies within agriculture, real estate, international agriculture, lending, marketing premium wine, environmental construction, and retail franchise operations. Combine credibility, integrity, and business process thinking to develop and improve operational effectiveness and net worth. Areas of substantial experience and success include:

Executive Leadership/Board Relations

Mergers & Acquisitions

P&L Oversight/Financial Performance

Strategic Planning

Joint Ventures/Syndications

Contract Negotiations

Senior-Level Relationship Management

Project Scheduling/Oversight

Capital & Operating Budgets

Employee Development/Retention

Restructuring of Marketing Plan

Management Information Systems

Investment/Liquidity Management

Corporate Debt Restructuring

EXECUTIVE PERFORMANCE HIGHLIGHTS

Pandol Corporation

Strategic Execution Plan

Strategy – Company has developed a long range strategy which includes the identification and implementation of numerous sourcing opportunities

Operational Action – a focus on operational efficiency, food safety and traceability has been expanded.

Cultural marketing change – a change in how the company goes to market is evolving away from the commodity world into a more programmed based business model with value added to the complete supply chain.

Ballantine Produce Co., Inc. (2002 to 2007):

Change in Corporate Focus

Strategy – Change corporate strategy to focus on merger/acquisition opportunities within allied industries.

Action – Merged two entities into Ballantine: one a vertically integrated produce company, a second was the marketing/sales functions of a major tree fruit enterprise. These were accomplished with off-balance sheet transactions.

Results – Net revenue grew 61.8% while net income improved 98.4% between 2001 and 2005.

Reorganization of Functions and Department Structure

Strategy – Develop a marketing division, restructure sales department, and established transportation unit.

Action – Implemented analytical merchandising and consumer-driven strategy.

Results – Marketing and sales restructuring contributed to expansion of sales to current clients as well as new account acquisitions. Transportation unit added \$460K in profit in first year of operation.

DAVID D. DEVER

Page 2

EXECUTIVE PERFORMANCE HIGHLIGHTS: (Continued)

Risk Management Analysis

Strategy – Evaluate safety protocols related to supply chain, food, traceability, and employee injuries.

Action – This became a key initiative within the company—with process analysis, development, implementation, substantial training, and leadership efforts implemented.

Results – While employees increased to 1200 from 600 in the years 2002 to 2005, injury incidents declined to 11 from a high of 39 in 2002. This resulted in a cost savings of \$275K in annual premiums.

Gerawan Farming (1992 – 2002)

Change in Corporate Focus

Strategy – Change business plan to focus on becoming packer of premium/quality products.

Action – Increased acreage controlled by corporation to 13,000 from 3,500 previously.

Results – Retained earnings increased 2500% over ten year period.

Debt Restructure

Strategy – Restructure and negotiate new financing arrangement with major lenders.

Action – Negotiated a syndicated financing arrangement with three lenders.

Results – Reduced annual interest expense by more \$150K and unencumbered \$20 million in assets by eliminating personal guarantees.

Real Estate Development

Strategy – Identify out-of-state residential real estate development opportunities that could be subdivided.

Action – Identified and purchased properties, obtained municipal approval and required permits, and installed infrastructure (roads, easements, and utilities).

Results – Properties were sold for a ROI of 138% and 403% respectively on the two properties.

PROFESSIONAL EXPERIENCE

Executive Vice President, Chief Financial Officer **2002 - Present**
BALLANTINE PRODUCE COMPANY, INC., Reedley, California

Ballantine is a large vertically integrated agriculture enterprise located in Central California generating in excess of \$80 million in revenue annually. Company employs more than 1200 employees and ships in excess of 9 million boxes of fruit each year.

Primary role as *EVP/CFO* is management of: marketing, sales, quality control, shipping, information systems, accounting, and administrative areas; operational policies, procedures, and financial affairs; and development and implementation of mergers (two thus far).

DAVID D. DEVER

Page 3

Vice President **1992 - 2002**
GERAWAN FARMING, Sanger, California

Gerawan Farming is a grower, packer, and shipper of stone fruit including peaches, plums, nectarines, and table grapes. The company's customers consist of high-end grocery store chains and large volume wholesale accounts. A large amount of Gerawan's product is shipped to the Northeastern United States and exported to Europe, Mexico, and Asia. Sales were approximately \$30 million in 1992 and grew almost 400% by 2002.

As VP, reported to the Board of Directors and was responsible for operations, real estate development, establishment of new profit centers, debt restructuring and financing, and all financial and administrative aspects of the organization.

President **1991 – 1992**
FRANZEN-HILL CORPORATION, Tulare, California

Franzen-Hill designs, builds, maintains, and inspects on-site fueling facilities. The major components are Hill-Vac Vapor Recovery, Equipment & Parts Sales, Service Department, and Construction.

Retained to design and implement a business turnaround. Revenues increased by 74% in first year.

Chief Operating Officer & Chief Financial Officer **1988 – 1991**
ANGLO AMERICAN AGRICULTURE (USA), INC., Fresno, California

Directed all aspects of diversified agricultural enterprise that included citrus, stone fruit, wine grapes, winery, real estate brokerage, and six subsidiaries throughout the United States.

Certified Public Accountant **1978 – 1987**
PUBLIC ACCOUNTING FIRMS, Visalia and Beverly Hills

EDUCATION/LICENSE

Agribusiness Program, Harvard Business School **2006**

California State University, Long Beach

Bachelor of Science Degree in Accounting **1977**

Certified Public Accountant, California, License 35030E

PROFESSIONAL AFFILIATIONS

Member, American & California Society of Certified Public Accountants

Board Member, United Fresh Produce Association

Chairman, Supply Chain Logistics and Technology Council

Member, Produce Marketing Association

Steering Committee, Produce Traceability Initiative

Committee Member, RFID Committee