

*By Fresh Fruit Portal editor Matthew Ogg*

✘ It was only two weeks ago that Dole Food Company (NYSE: DOLE) backtracked on a US\$200 million share repurchase program, instead opting to put the money [towards upgrading ships](#) with a little bit to spare. Struggling strawberries were another reason for the change in tack while plans to sell 21,800 acres of Hawaiian land were unlikely to bring enough cash to support the scheme on time.

Despite the company's optimistic views about what this capacity building would mean for long term growth prospects, the share price slipped in the following days, hitting lows that hadn't been seen since July last year.

There are few strategies that can win over shareholder confidence like a stock buyback, and the reverse is true when pulling out of one, especially if you also lower revenue forecasts (as was the case for strawberries, by about US\$3-8 million compared to an earlier announcement).

But like the weather that can make or break fruit growers, the corporate climate too has a tendency for unexpected events. Wall Street was witness to one of them yesterday, when Dole chairman David Murdock announced plans to buy all outstanding common Dole shares at US\$12 each, representing a 17.7% premium.

With around a 39.5% share in the company, the remaining shares at Murdock's proposed price would be worth close to US\$650 million, more than triple the amount slated for the buyback scheme on May 9. On yesterday's announcement, the Dole share price jumped by 22% to a level that was higher than the 90-year-old's bid.

North America's biggest fruit multinationals have been no strangers to big personalities and bold moves, and each generation faces their own unique opportunities to be acted upon.

Dole's predecessor Standard Fruit gained an edge in the 1920s when Sicilian immigrant Joseph Vaccaro aggressively bought up ice factories - a crucial element in the banana supply chain at the time - along the Gulf Coast to secure supply and help build what was to eventually become the largest provider of the fruit to the U.S. market. Vaccaro was also instrumental in bringing forth today's staple variety the Cavendish, at a time when Gros Michel banana plantations around the world were being wiped out by Panama disease.

Castle & Cooke, previously Dole's parent company, was on the brink of bankruptcy when Murdock bought it in 1985 but it continues in the real estate business while Dole is standing

on its own two feet as a US\$1.1 market cap player. The entrepreneur used to fully own Dole but in 2009 he issued an initial public offering; now he's decided he'd like it back in his own hands again, just like he did in 2003.

Making yesterday's tilt for a full stake at the world's largest fruit and vegetable grower shows that while the market may not have been convinced of Dole's broad-reaching strategies - whether it be the recent sale of its Asian business to Japan's ITOCHU Corporation, farm investment plans, expanding its port in Ecuador or growing the fresh vegetable business - Murdock believes in Dole's potential and has not been spooked by the losses of the last three quarters.

The fact the share price was lower certainly plays in Murdock's favor, but it is yet to be seen how the company will respond. In a release, Dole said the board of directors would be meeting in the next several days to "establish a Special Committee of independent directors to consider Mr. Murdock's proposal and its implications, in the context of assessing the appropriate course of action that is in the best interests of the Company and its stockholders".

This high premium is not to be scoffed at, but Dole shares were just one cent short of the proposed price as recently as Feb. 19, while the one-year high is US\$14.35 , achieved in September last year. Some may argue a lower price is warranted given the company is smaller now, but the sale to ITOCHU did bring in US\$1.685 billion to help pay down debt, which was still there before.

After such a volatile year, Murdock has brought shareholders at least the backstop of some certainty in a minimum price, and it will be very interesting to see how the board responds. At [www.freshfruitportal.com](http://www.freshfruitportal.com) we'll keep you updated on the situation, and please let us know your thoughts on the offer.

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