



The Time is Ripe

S. Martinelli & Co. makes a splash in new beverage categories while maintaining its strong tradition in apple juice. **By Jamie Morgan**



>> S. Martinelli & Co. has made apple juice according to the same processes the company has used since 1868 – with no added water, sweeteners or preservatives.

Is there nothing to be said for tradition? Yes, technology has allowed us to do more in less time and at lower costs, but in some cases, it also asks us to forfeit some things – often, the quality of products. In the food industry, when one company increases production or cuts costs with a bells-and-whistles machine, its competitors may follow suit to stay within a target price range. But then there's always one company that rejects changes that hurt quality, and when it comes to apple juice, S. Martinelli & Co. has proudly limited its technological advances for the past 143 years.

"We still process our apples the way we did in 1868," says John Martinelli, president and fourth-generation owner of S. Martinelli and Company. "Technology hasn't necessarily helped produce a better product; technology is all [about] producing higher yield and higher throughput. Most of the major volume brands do that by adding enzymes and heat to get more juice out of the apple, and in doing so, quality is sacrificed."

In Martinelli's time-honored tradition, the apples are pressed, and the juice is allowed to settle and be filtered at orchard temperature. Total extraction isn't possible and some juice is left behind in the apple pulp, but the fresh apple flavor remains intact.

The juice is left as it was meant to be rather than boiled and vacuumed down to a concentrate, which also means Martinelli apple juices contain no added water, sweeteners or preservatives. The only time Martinelli's apple products feel heat is during the pasteurization process.

"Cold is good," Martinelli says. "Cold preserves quality, but it decreases efficiency and yield, thereby increasing

company profile

S. Martinelli & Co.

www.martinellis.com

Headquarters: Watsonville, Calif.

Employees: 150-250 seasonally

Specialty: Apple Juice

S. John Martinelli, president: "If I am going to put my name on every bottle, I am going to be sure it is the best money can buy."

cost. That's the tradeoff. If you want higher volume, higher throughput [then] heat it up, but you'll lose the quality."

Martinelli's more-than-century-old process has made it the go-to premium product in apple juice and sparkling cider. The sparkling cider packaging, along with the stout apple-shaped bottle, are iconic images among U.S.-made products. And Martinelli says it's about time for the company to become an icon in other beverage categories, as well.

Branching Out

"We've been introducing product diversification," Martinelli says. "And we felt like our brand deserved to have more breadth to it. We want people to think of us as being more than apple juice, but we don't want to take anything away from that because it's obviously what we are most noted for. But after 143 years, it's time to branch out a little bit."

Twenty years ago, Martinelli's expanded within familiar territory with new sparkling cider flavors such as cranberry and grape. Five years ago, it added pomegranate to the portfolio and four years ago launched a much-extended line with pear, peach, raspberry, wildberry and mango, with mango taking the lead in popularity among these new flavors. As these ciders continue to sweep the category along with their classic forefather, Martinelli's then decided to fall a little farther from the tree.

Last year, it introduced lemonade and sparkling lemonade to capture the summer crowds. "Our strategy was to develop a product line that could give us volume during our traditional slow time," Martinelli explains. "With our sparkling cider products, the surge is really during the holiday season. We were looking for some balance

throughout the year and for a summer beverage. Lemonade was the obvious choice."

Just like the apple products, Martinelli's makes its classic lemonade and sparkling lemonade the old-fashioned way with lemon juice, water and sugar and sans high-fructose corn syrup and preservatives. The

sparkling lemonade uses less carbonation than the sparkling cider since carbonation tends to heighten lemon's sour profiles.

Mimicking the success of the flavored ciders, Martinelli's simultaneously introduced a flavored lemonade to the line. Prickly Passion®, made with the juice from

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S. Martinelli & Co.



>> Martinelli's says its apple juice has become iconic, and it wants to achieve the same status in other categories.

prickly pear cactus, passion fruit and raspberry was introduced last year. This year Martinelli's added mango and watermelon blends to the mix. It turns out that no matter what the fruit, the Martinelli's name on any sparkling beverage garners interest.

"We ran our first two, classic and Prickly Passion®, last summer in Raley's and Ralph's Grocery Stores in


California, and they went to no. 1 and no. 2 in the entire sparkling beverage category during that time frame," Martinelli says. "So based on that success, we expect to get a lot more new distribution this year."

Also last year, Martinelli's rolled out FruitVirtues®, a line of "superfruit" juice blends in five varieties: Awesome Acai Blueberry, Get Up and Goji

Tropical, Powerful Pomegranate Yumberry, Refreshing Rainforest Blend, and Yummy Yumberry Blueberry. The brightly packaged 10-ounce bottles are a visual deviation from the company's classic look.

In recent years, Martinelli's curb appeal has sparked interest just as much as the goods inside. The FruitVirtues® packaging designed by McDill Associates last year won a silver ADDY from the American Advertising Federation. In 2006, Martinelli's plastic 10-ounce apple bottle won a DuPont Packaging Award for innovation in food processing and packaging.

The challenge was to create a shatterproof bottle that would maintain its iconic apple shape during the pasteurization process. The company worked with Fogg Filler, a 55-year-old manufacturing company that designs and builds filling machines, as well as cap-



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pers, sanitizers, rinsers and sorters. The company developed a process that maintains the bottle's apple-shape so Martinelli customers can continue to literally drink their apple a day.

Room to Grow

At the end of the day, the packaging is a reflection of the product itself. "We find that the consumer already expects premium flavor and quality when our brand is on the bottle," Martinelli says. "They don't have any trouble confidently picking up something new if we made it."

That consumer trust dates all the way back to when Stephen G. Martinelli, John Martinelli's great-grandfather, began producing the first bottles of Martinelli's products in the 19th century. As a young Swiss immigrant, he had followed his brother Louis Martinelli who came to California in the 1850s looking to strike it rich during the gold

rush. Instead, he found his wealth in the orchards.

Louis Martinelli settled in Watsonville Calif., and Stephen Martinelli travelled over to help with the flourishing apple growing business. He farmed with his brother for a little while and then started making cider on a lean to on the side of his barn on what is now Watsonville's Martinelli Street.

In 1885, the company moved to a white brick building on East Beach Street where it still produces about 40 percent of its product. In 1994, it purchased another plant on West Beach Street a few blocks away, which was the former home of Green Giant frozen foods. In late June, Martinelli's closed escrow on a Birdseye frozen food plant next door that's been vacant for the past five years.

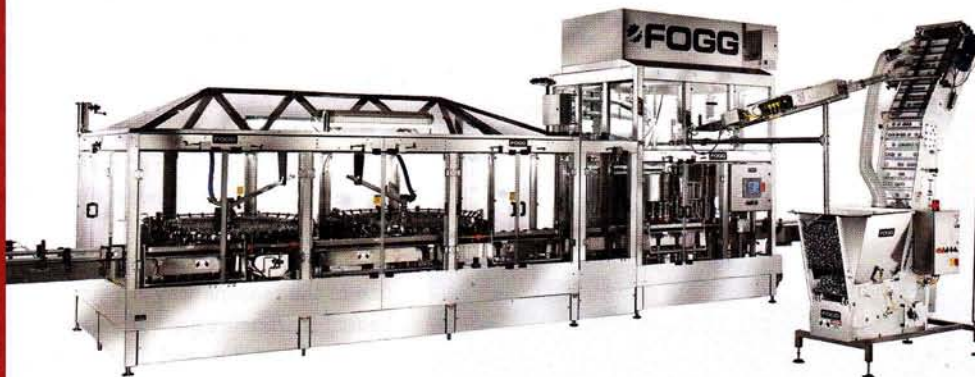
The purchase was spurred by a blaze that damaged an independent grower-owned cold storage operator, taking out

approximately 20 percent of Martinelli's cold storage capacity.

"That tragedy provided the incentive to purchase the Birdseye plant because we had to recover the square footage quickly to be ready for the apple harvest this fall," Martinelli says. "It was fortuitous that the Birdseye building was available right when we needed it. Because the plant is bigger than we need now, we have an added opportunity to expand our business." Some of the West Beach plant will be converted back to cold storage for apples and half

In today's world of corporate giants, it's refreshing to see a successful, family owned business such as Martinelli's. FOGG FILLER, also a family business, is privileged to supply filling equipment for their products. As new technology evolves it is implemented into Martinelli's filling process to improve production, safety, and sanitation to keep Martinelli's at the forefront of the industry. Both Martinelli's and Fogg's focus on constant improvement ensures the excellent quality customers have come to know and expect.

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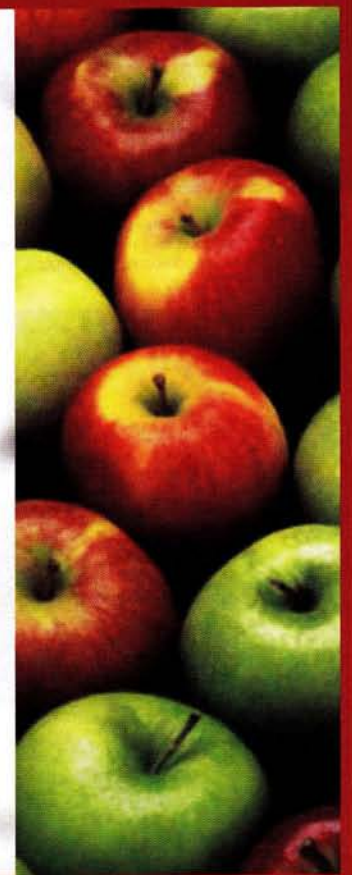
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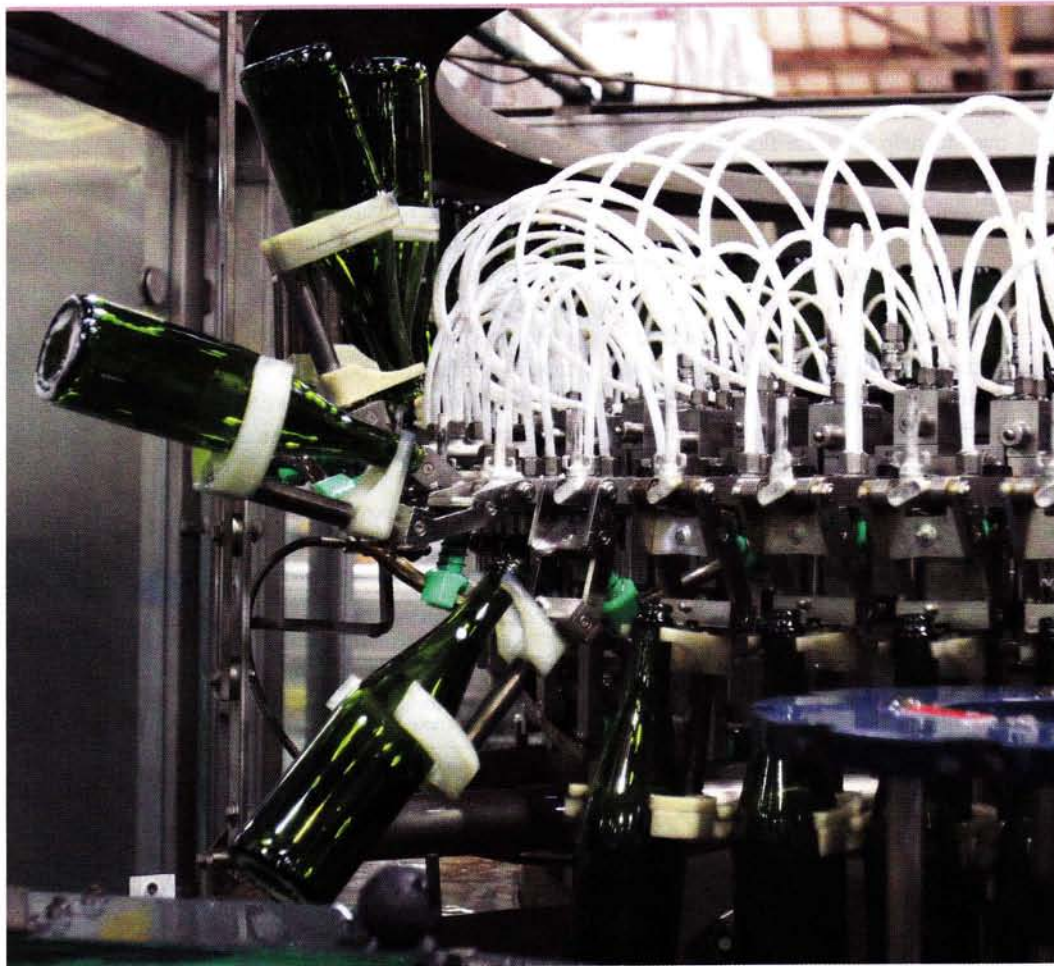


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>> Although the company faces stiff competition in the form of foreign-sourced concentrates, S. Martinelli & Co. says its products continue to be market leaders in their categories. The company says it receives fan mail from consumers who appreciate the fact that it makes pure, U.S.-made products.



of the new plant will be used as storage for finished goods. The other half will be maintained for future growth and the entire plant will open Sept. 1, just in time for the harvest.

Plentiful Harvest

"[We] harvest once a year, in the fall beginning in late August or early September and continuing through October," explains David Rose, owner of Green Valley Harvest, an apple grower. "During that time we go back and forth delivering fruit directly to Martinelli's and putting fruit into cold storage for them to use at a later time. It allows them to use whatever blend and varieties they need at the time."

Green Valley's 140 acres contribute to a list of more than 100 growers that provide Martinelli's with its special blend of U.S.-grown fresh apples. It's a mix of more than a half-dozen apples that produce a consistent premium flavor including red delicious, gold delicious, gala, Fuji and granny smith, with the standout player being the Newtown Pippin. The Pippin is an apple that Martinelli describes as an ugly, yellowish, greenish apple with a squat jack-o-lantern shape marked by a brown scab at the top of the apple, making it a poor performer in the fresh market. However, it has robust apple flavor with a remarkable balance of tart and sweet.

The other fruits such as the gala, tart granny smith and the sweet Fuji are its key backup players.

"We have a special blend, which is one of the reasons why our juice tastes better," Martinelli says. "Whenever there is a blind taste test and the judges don't know the brand, we win hands-down all the time, and we're very proud of that. It's our claim to fame and the thing we're most known for and the reason we have the premium position in the category."

Just like Martinelli's is a premium juice maker, the fertile Watsonville soil and accommodating weather are premium for apple growing. "It's kind of a unique microclimate in this area," Rose

says. "We get warmer days and the fog comes in later, and that helps to bring out some of the sugar in the fruit; whereas the Central Valley gets hotter days that doesn't allow the natural sugar to get into the fruit. The sugar will come into the fruit, but the heat will bake it right away."

In Watsonville, Mother Nature can take its course, and allow the apples to hang on the tree longer so they ripen to a mature condition, like growing fine grapes. Martinelli's will pay their growers a higher price for tree-ripened fruit, and because it sources apples for its apple juice and sparkling cider primarily from Watsonville's Pajaro Valley, Martinelli's and the local apple growers have formed a synergy. "We have to continue paying more than our competitors because we have made a commitment to keep our growers in business," Martinelli says. "We have to pay them a price that sustains them long-term. In China their labor costs may be \$2 a day compared to \$20 an hour in the U.S."

Martinelli is referring to an international phenomenon that has seen China consume 80 percent of the apple juice concentrate market over the past decade or so. Apparently, in the 1990s China began planting orchards to satisfy domestic needs for fresh apples. The excess is boiled down to a concentrate and shipped worldwide, where water is added back in when it reaches its destination. China's surplus of concentrate has largely frozen prices on apple juice for the last 10 years, even while other food prices – including Martinelli's 100 percent pure and U.S.-made product – continues to rise.

While the rise of cheap concentrate has left its mark on the apple juice industry, Martinelli's product is still the premium product on the shelf, putting it in a category

all to itself. It's become a kind of cult product because you can't get a product like Martinelli's anywhere else.

"Cheap foreign concentrate has limited our growth opportunities in the conventional apple juice business," Martinelli admits. "But we find we're doing very well in the

niche markets such as natural foods. Our consumers are very dedicated. We receive fan mail from people simply saying thank you for making a 100 percent pure, U.S.-grown product. Our juices definitely resonate with quality-conscious consumers, so we're happy to make 'em for them." **FD**



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