

Coastal and Southern Inland Valley Regions

2005 Spring Ag Outlook

California Chapter of the ASFMRA

April 22, 2005

Mark Clarke

Rabo AgriFinance, Inc.

These Materials, and many more, are also available on our web site :

www.CALASFMRA.com

Overview

- Land values have shown dramatic increases during 2004.
- The “Bad News” is there’s no bad news...
- The link between income and value is being stretched ever thinner.
- Weak U.S. Dollar has had a noticeable impact - assisting our export products and increasing the cost of imports.
- §1031 Exchange transactions have significant impact on all investment real estate markets.

Overview (cont.)

Good News:

- Interest rates still low by Historical standards.
- Nut crops are in great shape – walnuts, pistachios, and almonds. Concerns about handling massive almond crops were proved unfounded. We need more nuts!
- Wine grape optimism, ahead of reality?
- Commodities ok?

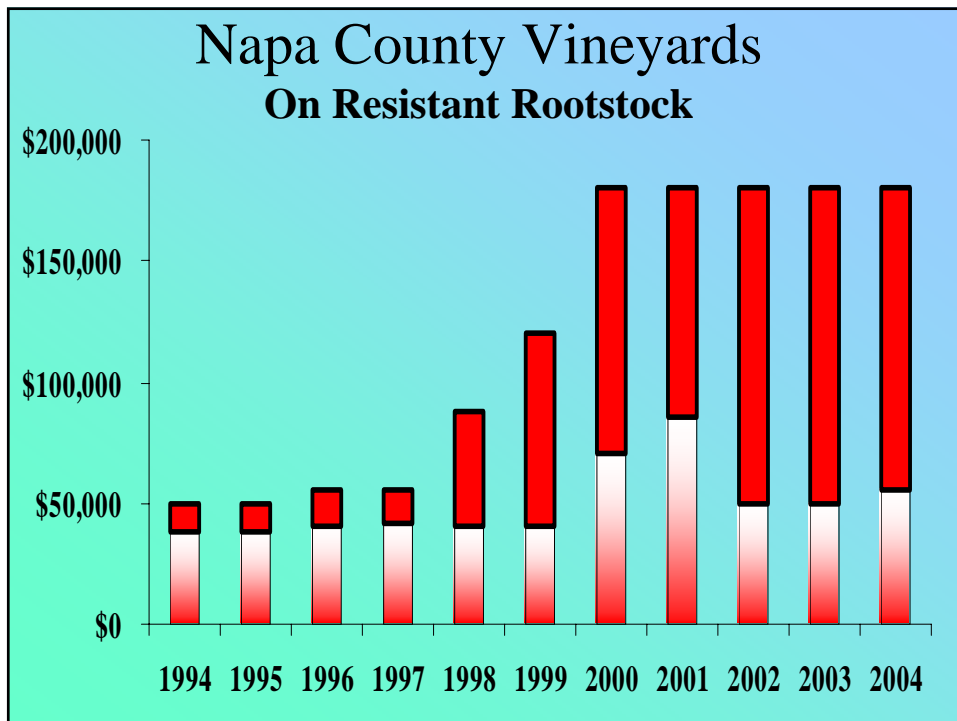
Bad News: Already said no bad news... but if you insist...

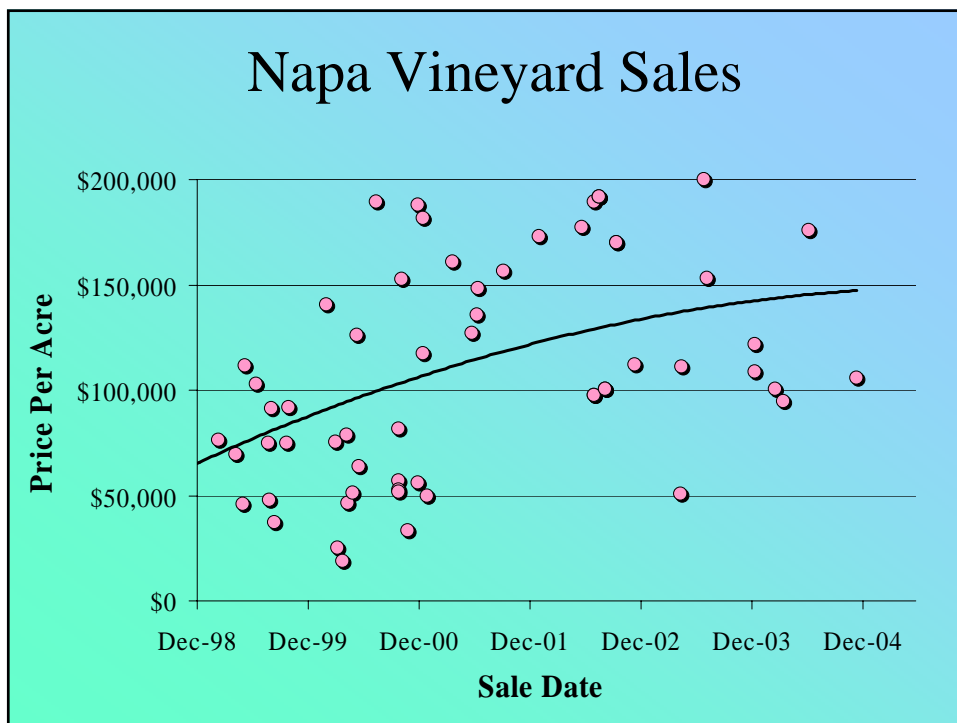
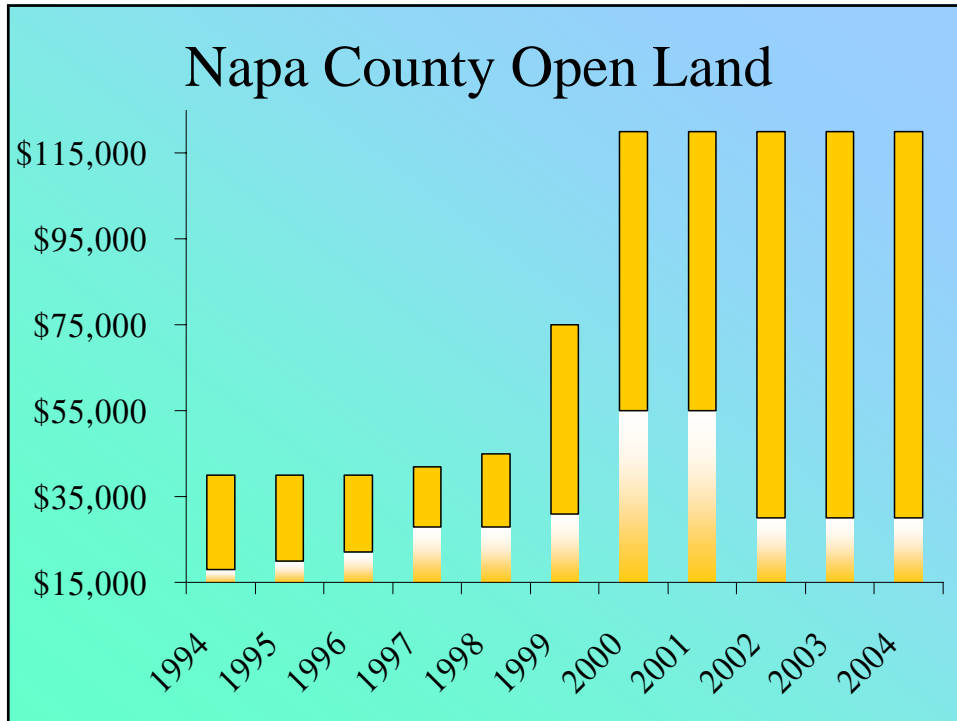
Strawberries ended their run, with near disastrous results in Ventura and Santa Barbara Counties



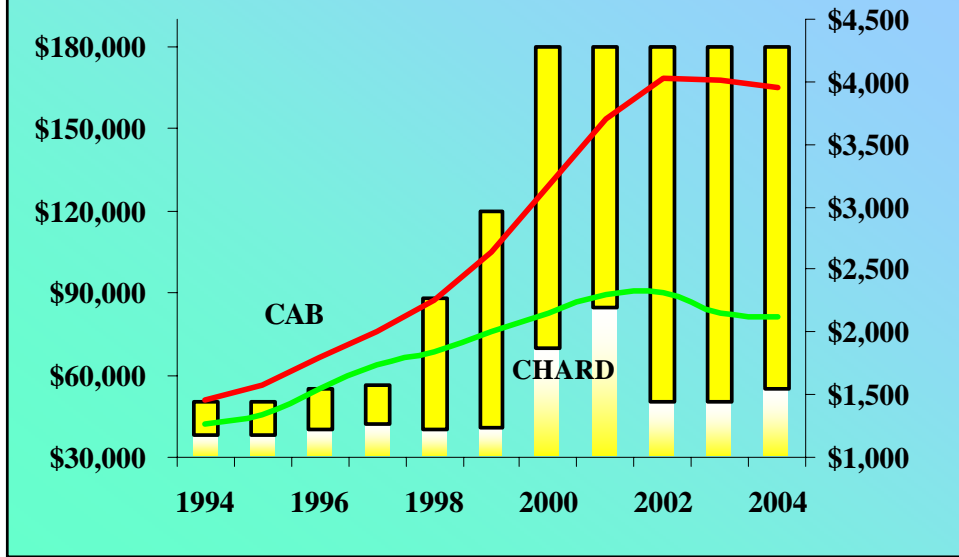
North Coast

- Prices were steady during 2004 as market participants waited to see if the upturn was real.
- Limited offerings.
- By the end of the year optimism returned as industry fundamentals began to improve.

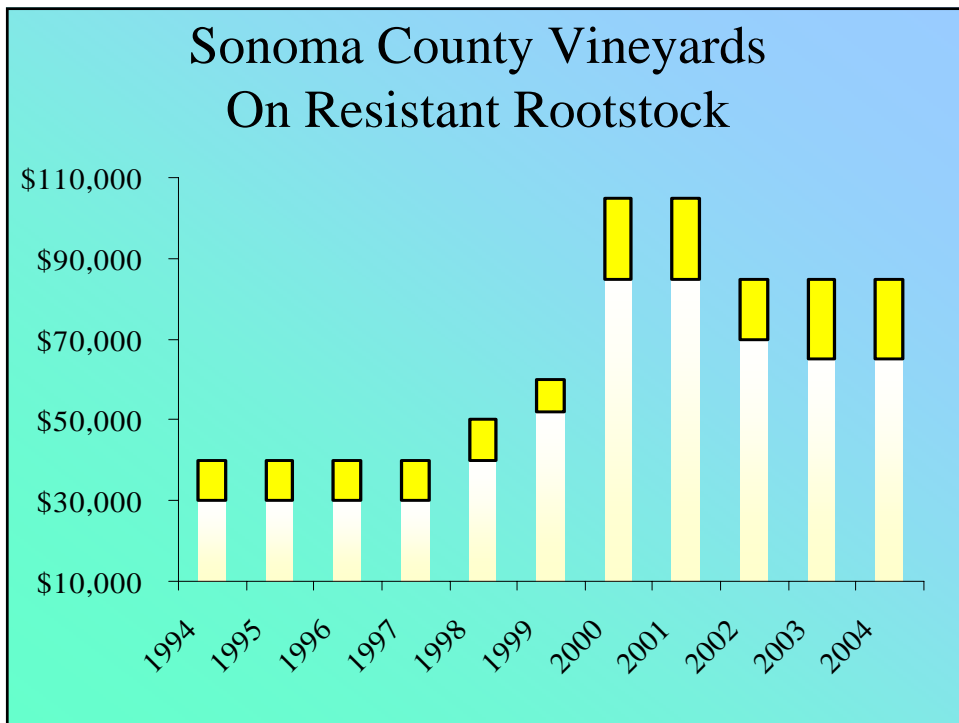


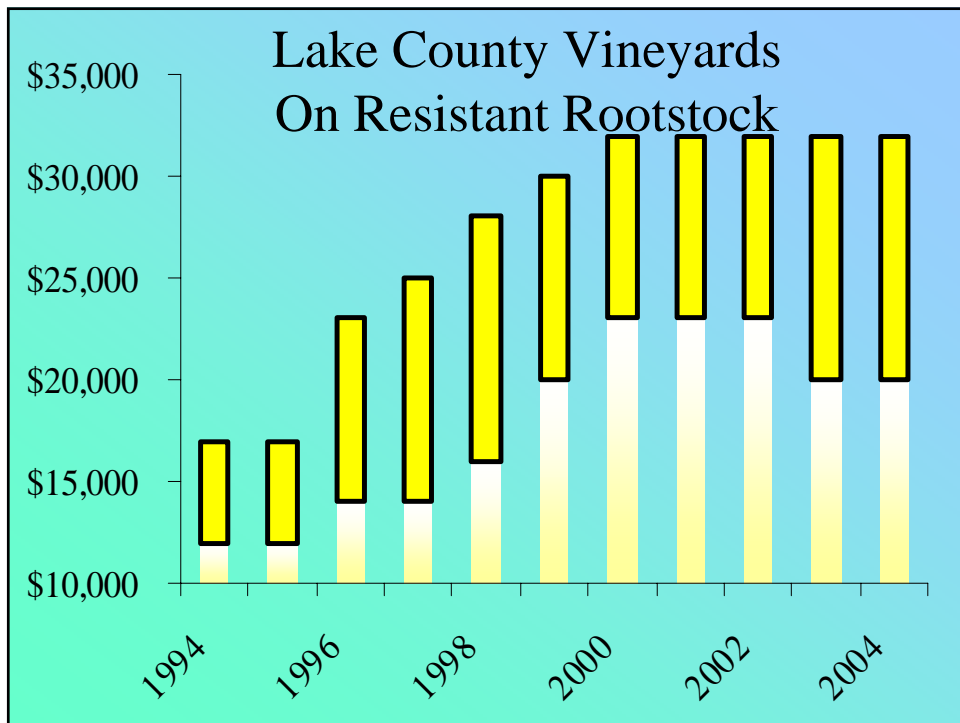
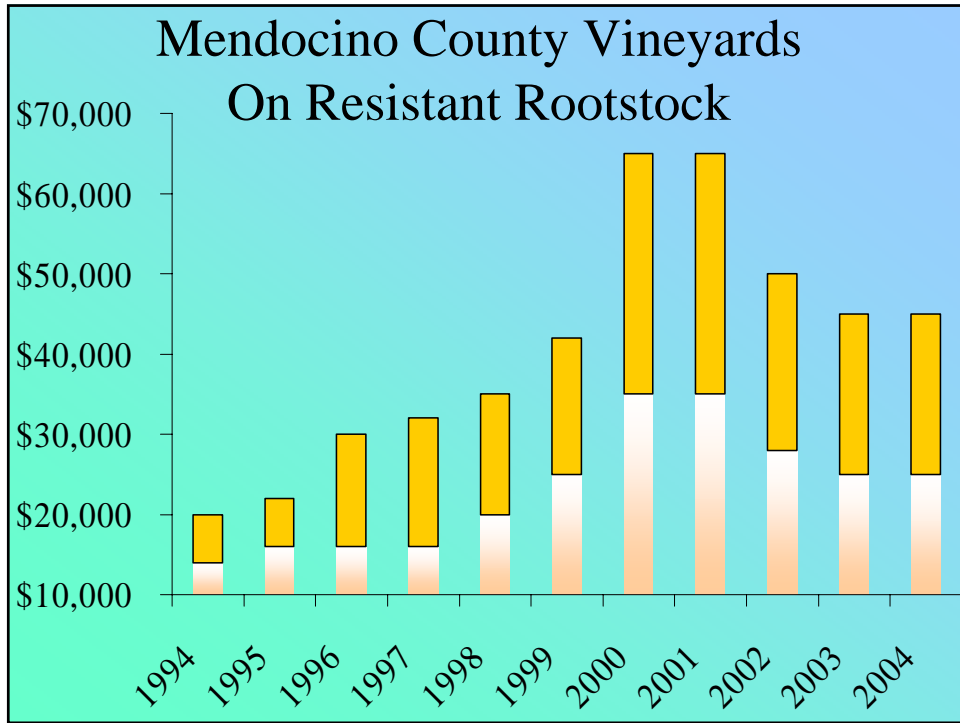


Napa Vineyard Values vs. Price



Sonoma County Vineyards On Resistant Rootstock





Central And South Coast...



More of the Same

- Transactions were spotty for open, irrigated land. Demand remains very strong, in spite of the difficult year for berry growers.
- Price range narrowed for vineyard sales as confidence returned to the market.
- Whither Paso Robles? Real estate market for vineyards firmed, but fundamentals remained weak. Significant amount of uncontracted fruit, mostly red varieties. Turnaround waits until 2006?
- “Sideways” effect. Pinot envy... Santa Barbara County vineyards and wineries enjoying marked recovery in early 2005, demand for Pinot Noir is extraordinary. Stay tuned for next year’s survey.
- As berries go, so goes the Central Coast.

