Strategic Planning

- In March 2003, a two day strategic planning retreat was held.
  - Current State Analysis
  - Future Direction
  - Develop Strategic Focus Areas
  - Define & Implement Action Plans
The Current State Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

Walnut Production - Linear

Dennis A. Balint, Walnut Marketing Board
Our Future Direction

- The industry will increase utilization by 50 million shelled pounds (116 million inshell pounds - 58,000 tons) over the next five (5) years.
- We will focus on our key markets!
  - US, Japan, Germany, Spain, schools and food banks, etc
- Evaluate China and India

Area of Strategic Focus

- Marketing
- Health
- Production Research
- Government Relations
Learning from Experience

- Shipment Data
- Market Intelligence
  - Imports
  - Level of Competition
  - Price premiums

Shipment Data
California Walnut Commission Marketing for the Future

May 6, 2004

Dennis A. Balint, Walnut Marketing Board

Shipments to Japan
Inshell Equivalent Short Tons

Shipments to Japan
Shelled Pounds (000)
Shipments to Germany
Shelled Pounds (000)

Shipments to Germany
Inshell Pounds (000)
Shipments to Israel
Inshell Pounds (000)

Shipments to Spain
Shelled Pounds (000)
Shelled Success

- Since the 1985/86 crop-year
  - Shelled walnuts exports are up 650%
  - The export share of shelled shipments is up from 9.5% to 32.7%
  - The export market is the premium market
  - Shelled utilization is up 88%

Inshell is Still Important

- Early shipments
- Maintain traditional markets
- We enjoy a comparative advantage
- We can stimulate shipments after January 1
Shipmenet History
Second Half of Crop-Year

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<th>Year</th>
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Foreign Competition
- France (28M MT)
- Italy (17M MT)
- Turkey (77M MT)
- India (25M MT)
- Chile (12M MT)
- China (350M MT)?
China – Market or Menace

- Production levels in doubt
- Potential is unquestionable
- Economy is strong
- Internal consumption is up
- Exports are down dramatically
- WTO?

The Wonderful World of WTO

- Free Trade Agreements
  - Japan and Korea
  - Could China strike a deal?
  - Will tariffs come down in the WTO Doha Round?
  - Will we benefit from the US/Korea renegotiation of the rice regimen?
The $64 Question!

What Does the Future Hold

- There are many variables.
- Half full/half empty?
- Productivity the key!
- There will be markets - at what price?
- How strong will the health message be?
The Current Marketplace
- US
- Japan
- Germany
- Spain
- Israel
- Canada
- Korea

The New Marketplace
- China
- EU Development
- The Middle East
- Increased utilization in the current marketplace!
Conclusion

- The California walnut industry will enjoy success over the next decade.
- Threats do exist but so do opportunities