California Prunes
John Weaver
Managing Director, CropSource International, LLC

World Market Outlook
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Personal Background

- Began as a dried fruit trader 1980
- Joined SDG international sales in 1987
- Lead executive in AgEx, an Internet marketplace for almonds, in 1999
- Started CropSource International LLC in 2001 specializing in international sales management & strategy
## Dynamics of Prunes

- Mostly consumer driven
- Comparably little industrial/ingredient use vs nuts or other dried fruits
- % of sales destined for consumer packages or direct purchase by consumer - 70%
- Almonds by comparison perhaps 30%
- Demand elasticity low (not price driven)
- Awareness at point of sale critical to offtake

## Technical and Nutritional Research

- Highest Antioxidant Score of any fruit or vegetable tested - Tufts University, 1999

- Complex Phenolic Composition
  - Glucose Metabolism
  - Cardiovascular Health
  - Bone Metabolism
  - Antimicrobial properties/shelflife extension
Unique Properties of Prunes

- Highest Sorbitol content of any Fruit (28%)
- High in Soluble/insoluble Fiber
- Promotes Digestive Health
- The Essence of a Functional Food

California Historical Shipments

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<th>Year</th>
<th>Processed</th>
<th>Domestic</th>
<th>Export</th>
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(Projected)
U. S. PRUNE IMPORTS

Total Production & Yield

Average Bearing Acre Yield

Dried Prunes in Brine
Dried Prunes, NES

John Weaver, Managing Director, CropSource International, LLC
Average Returns / Bearing Acre

$ 2600 2400 2200 2000 1800 1600 1400 1200 1000 800

'94 2.2 '95 2.1 '96 2.5 '97 2.4 '98 1.2 '99 2.0 '00 2.4 '01 1.6 '02 2.2

Salable Yield

Average Grower Returns/Ton

$ 1150 1050 950 850 750 650

'94 185 '95 174 '96 212 '97 199 '98 199 '99 165 '00 203 '01 135 '02 162

Salable Production
Prune Acreage

Acres (000)

Prune Tree Sales

Trees (000)
General Market Conditions

- Pricing has been in decline since the late 90’s as chronic oversupply created excess competition
- Lower pricing did not expand consumption but actually led to domestic volume reduction
- International competition increasing
Outlook- Opportunities

- Tree-pull has eradicated California's structural oversupply problem, which means that pricing should improve at all levels
- New markets show signs of growth (China, Eastern Europe)
- France will have a difficult time sustaining subsidized prices, making them uncompetitive in export markets.
- Substitution for French supply may offset increasing South American production from eating into existing California export markets
- Health trends, aging population and reinforcement of positive positioning of prunes should mean increased domestic demand
- Technical improvements in pit removal should create additional opportunities for ingredient usage
Outlook- Threats

• South American producers have demonstrated returns of $700-900/dry ton creates planting incentives
• Profile of South American grower has changed from small to large, with capital to drive rapid expansion
• Eastern European growing regions so far not commercialized but increased demand should create favorable conditions for expansion
• Dried fruit consumption not focused on prunes/raisins as in the past- habitual consumers of prunes decreasing as younger consumers move towards “new” items such as cranberries and tropical dried fruits.

Conclusions

• Worldwide demand is increasing slightly, but not in mature markets
• Foreign competition an increasing factor
• California is emerging from a chronic oversupply problem which has damaged orderly marketing and buying confidence
• Shortages in California’s next crop should correct worldwide oversupply problem
• Pricing should improve both at field and wholesale levels as pricing begins to reflect actual production costs. However, foreign competition from subsidized and lower cost producers will mean only efficient producers will be able to realize profitable growth