Geographic Compatibility

- Prunes
  - Over Supply/USDA Prune Pull Program
  - High Cost of Drying/Pruning
  - Recent Poor Crops
  - Strong Foreign Competition
  - Perishable at Harvest
  - Market Elasticity (Inelasticity)
  - Produces Well in Both Sacramento & San Joaquin Valleys
Geographic Compatibility

- Almonds
  - Expanding Markets
  - Early Production
  - Market for Hulls
  - Semi-Perishable at Harvest
  - Excellent Recent Grower Returns
  - Limited Foreign Competition
  - Honey Bee Supply
  - Produces Better in San Joaquin Valley

Geographic Compatibility

- Pistachios
  - Expanding Market
  - Snack Item
  - Limited Foreign Competition
  - Produces Better in South State
  - Excellent Recent Grower Returns
  - Produces Best in San Joaquin Valley
### Geographic Compatibility

**Peaches**
- Declining Markets for Canned Fruits
- Strong Foreign Competition
- High Pruning, Thinning & Picking Costs
- Perishable at Harvest
- Early Production
- Produces Equally Well in Sacramento & San Joaquin Valley

**Walnuts**
- Expanding Market
- Semi-Perishable at Harvest
- Weakening Foreign Competition
- New Higher Yielding Varieties w/ Unique Characteristics
- Lowest Cultural Costs
- Requires Best Soils
Which Crop to Choose?

- Do Not Grow What You Cannot Sell
  - Fruit Crops Currently Experiencing Declining Markets
  - Fruit Crops Have More Foreign Competition
  - Nut Crops in General Enjoying Expanding Markets

English Walnuts –
As A Permanent Crop Option
Proper Soils

Sufficient Water & Water Quality
Analyzing Future Market Potential

World Production 2004/2005

Based on USDA data
*As Estimated By C. Crain
California Production

Based Upon Data Compiled from the Walnut Marketing Board

World Trade

Based Upon USDA & FAS Data
*Estimated by C. Crain

<table>
<thead>
<tr>
<th>CROP YEAR</th>
<th>IN-SHELL TON</th>
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<tr>
<td>1985</td>
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<td>2003</td>
<td>370,000</td>
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<td>2005*</td>
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*Projected

World Trade:
- California 55.34%
- China 10.59%
- France 11.07%
- India 7.22%
- Turkey 0.24%
- Italy 0.48%
- *Other 9.62%

*Based Upon USDA & FAS Data
*Estimated by C. Crain
World Trade

China's Domestic Consumption vs. Exports

Based Upon Data Compiled from the Walnut Marketing Board

Annual California Sales Volume

Based Upon Data Compiled from the Walnut Marketing Board
*Projected by C. Crain
Domestic Consumption

How Large of an Exporter can California Be?

Potential Growth Markets
Varieties to Meet Expanding Markets
Potential Growth Markets

- Potential Expansion
  - Increased Domestic Consumption by World Competitors
  - Meeting Quality Demands w/ New Varieties
  - Duty Reduction

- Trade Barriers
  - Prohibition of California Walnuts
    - China
    - Korea

TOTAL SHIPMENTS TO FIVE LARGEST EXPORT MARKETS

Based Upon Data Compiled from the Walnut Marketing Board
Varieties to Grow to Meet Expanding Markets

**2004 CROP BY VARIETY**

- Eureka
- Franquette
- Howard
- Serr
- Tehama
- Vina
- Tulare
- Ashley
- Other

**Annual California Walnut In-Shell and Kernal Sales Volume**

Based on WMB data.

- Kernel
- In-Shell

Million lbs.
Varieties to Grow to Meet Expanding Markets

EXTRA LIGHT

LIGHT

LIGHT AMBER

AMBER

Traditional Varietal Characteristics
Varieties to Grow to Meet Expanding Markets

Superior Quality & Production

Chandler
Howard
Tulare

CHANDLER

34mm

CHANDLER GROWTH

Chandler Walnut Crop

Based Upon Data Compiled from the Walnut Marketing Board
HOWARD GROWTH

Howard Walnut Crop

Based Upon Data Compiled from the Walnut Marketing Board

TULARE GROWTH

Tulare Walnut Crop

Based Upon Data Compiled from the Walnut Marketing Board
Conclusion

- New cultivars with the preferred attributes are in strong demand and will continue to be in demand for some time. All market growth is for new varieties.
- Older traditional varieties will become obsolete at such times as demand is filled by new cultivars.
- Both China and India, the largest competitors, also have strengthening economies and large populations. They should be expanding markets for California walnuts in the near future.