California Prunes

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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

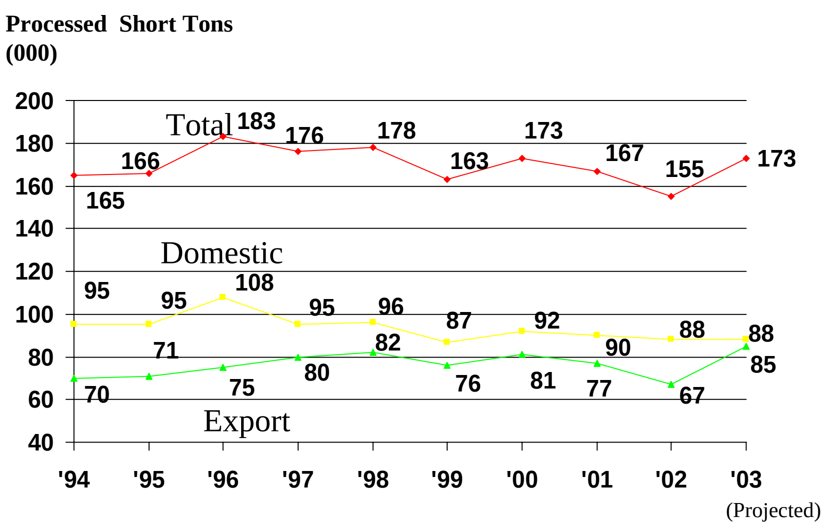
Technical and Nutritional Research

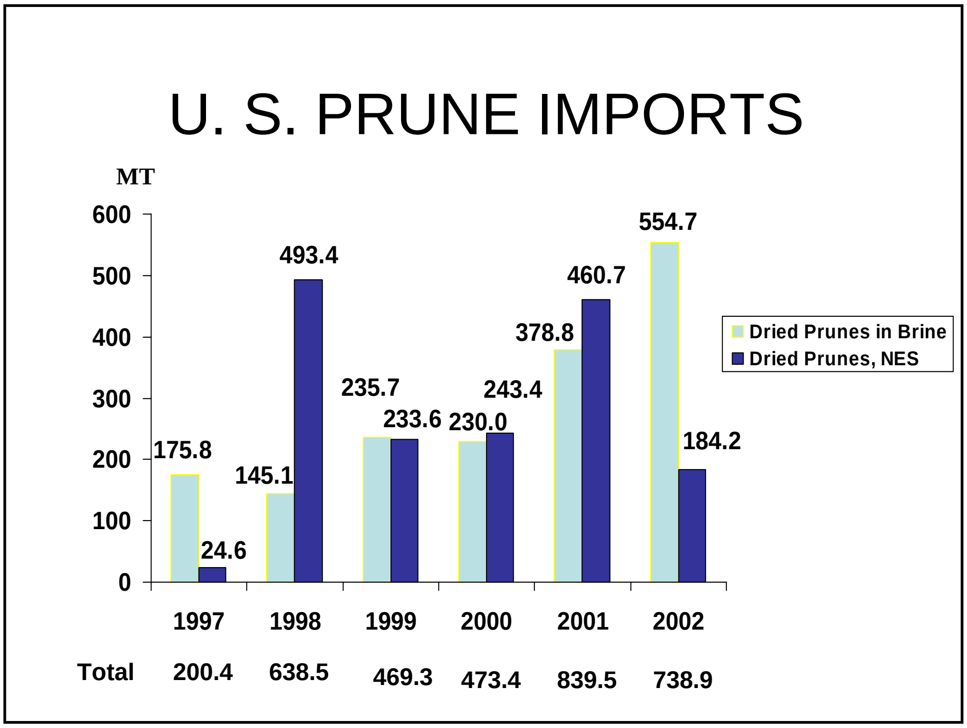
- Highest Antioxidant Score of any fruit or vegetable tested- Tufts University, 1999
- Complex Phenolic Composition
  - Glucose Metabolism
  - Cardiovascular Health
  - Bone Metabolism
  - Antimicrobial properties/shelflife extension

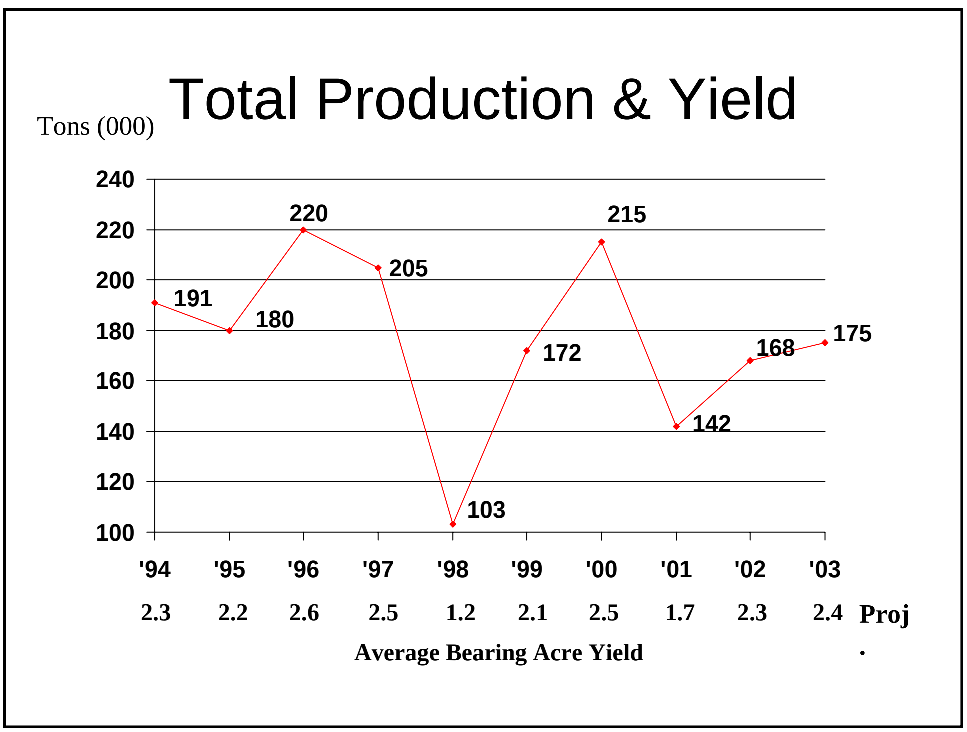
Unique Properties of Prunes

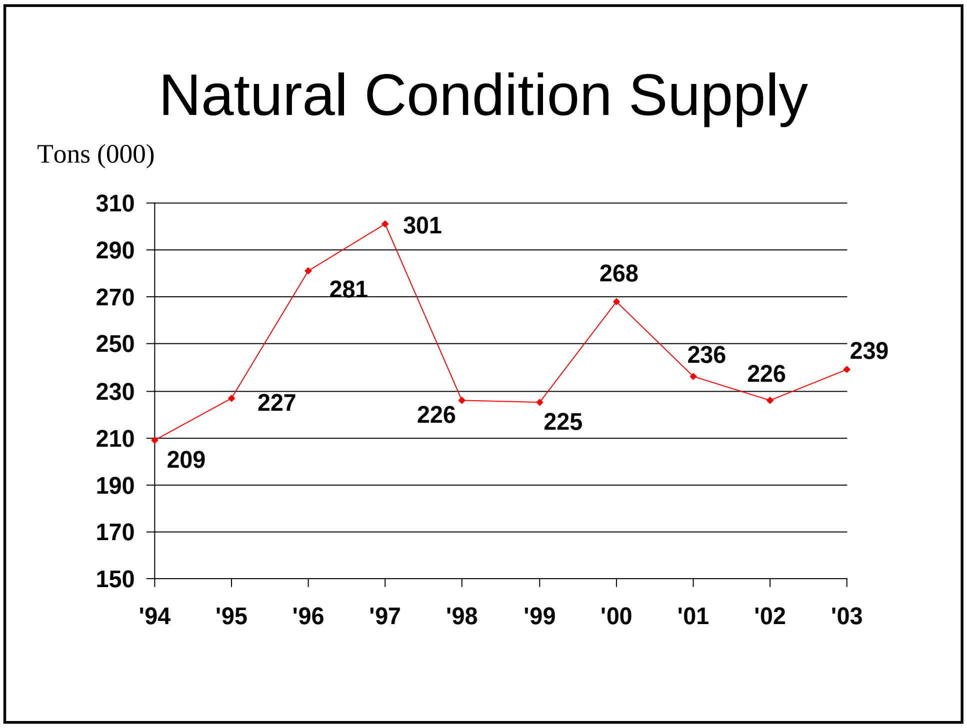
- Highest Sorbitol content of any Fruit (28%)
- High in Soluble/insoluble Fiber
- Promotes Digestive Health
- The Essence of a Functional Food

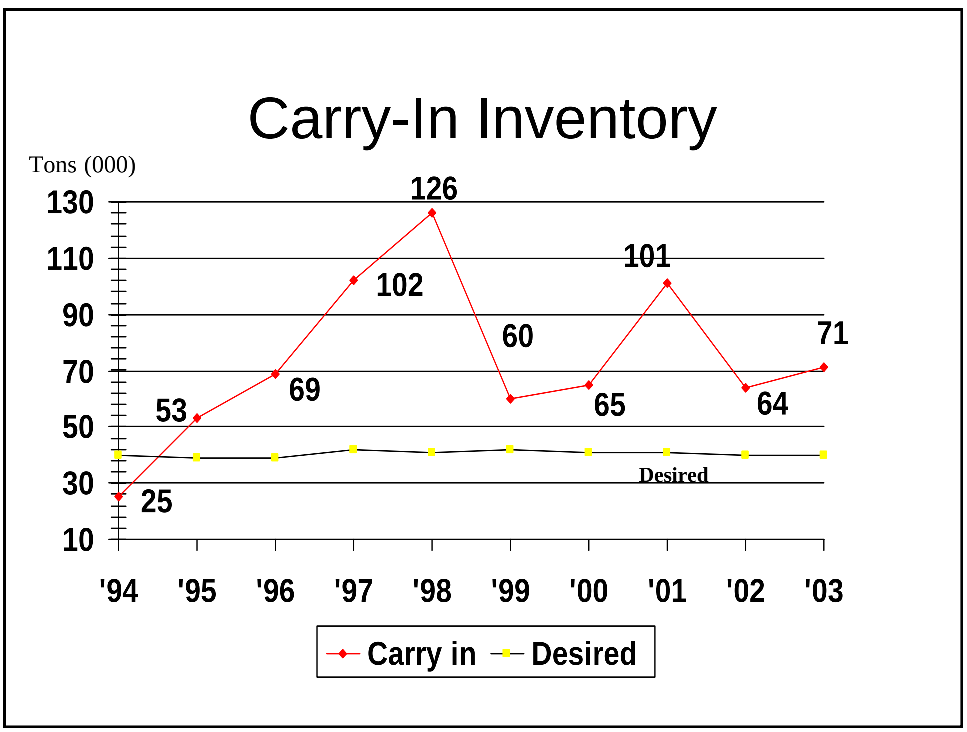
California Historical Shipments



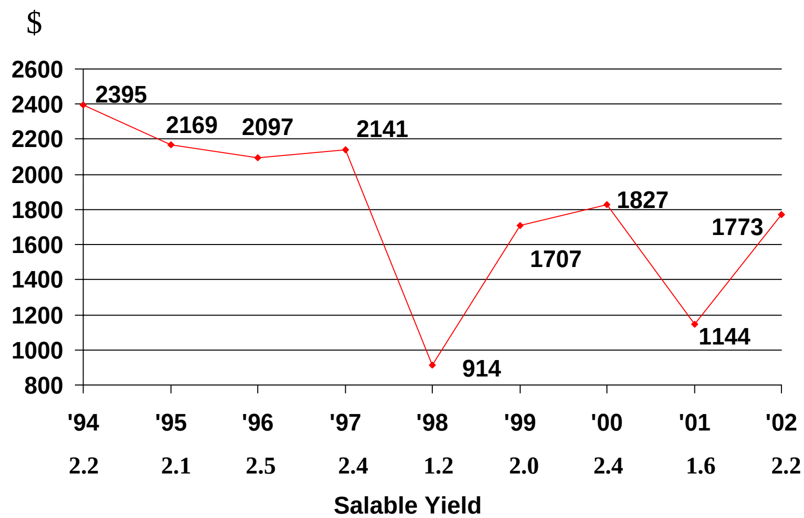

U. S. PRUNE IMPORTS
MT
600
500
400
300
200
100
0
175.8
24.6
145.1
493.4
235.7
233.6
230.0
243.4
378.8
460.7
554.7
184.2
Dried Prunes in Brine
Dried Prunes, NES
1997 1998 1999 2000 2001 2002
Total 200.4 638.5 469.3 473.4 839.5 738.9


Total Production & Yield
Tons (000)
240
220
200
180
160
140
120
100
191
180
220
205
103
172
215
142
168
175
'94 '95 '96 '97 '98 '99 '00 '01 '02 '03
2.3 2.2 2.6 2.5 1.2 2.1 2.5 1.7 2.3 2.4 Proj
Average Bearing Acre Yield

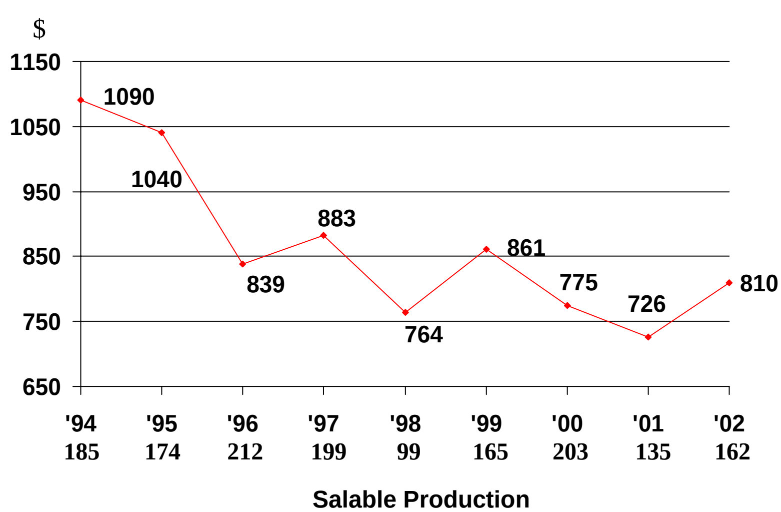

Natural Condition Supply
Tons (000)
310
290
270
250
230
210
190
170
150
'94
'95
'96
'97
'98
'99
'00
'01
'02
'03
209
227
281
301
226
225
268
236
226
239


Carry-In Inventory
Tons (000)
130
110
90
70
50
30
10
'94
'95
'96
'97
'98
'99
'00
'01
'02
'03
25
53
69
102
126
60
65
101
64
71
Desired
Carry in
Desired

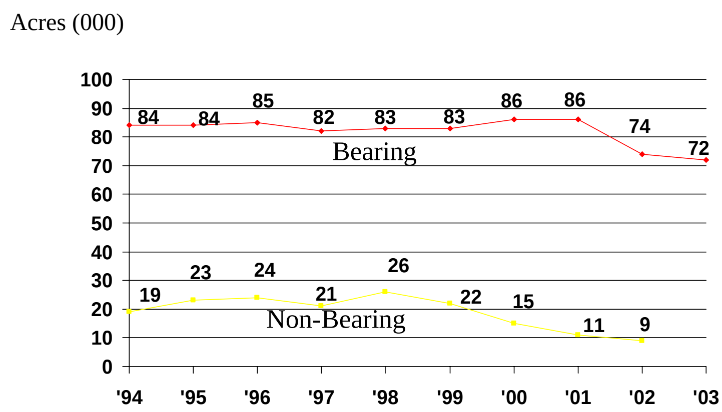
Average Returns / Bearing Acre



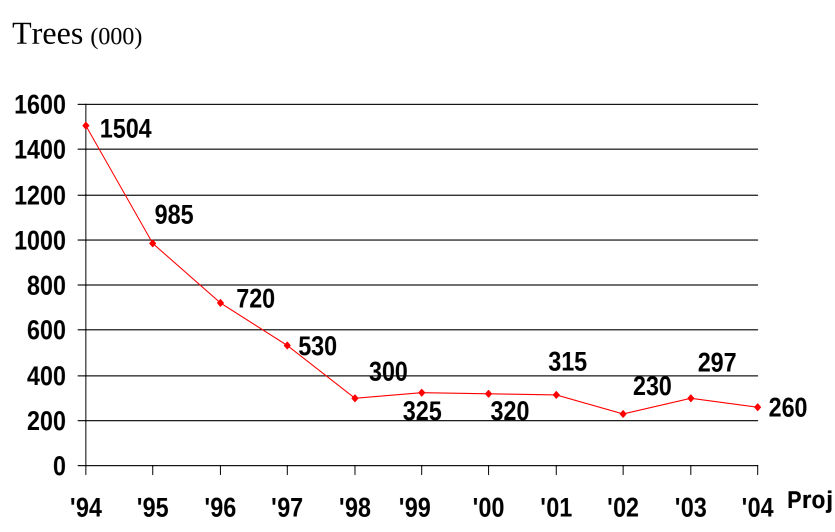
Average Grower Returns/Ton



Prune Acreage



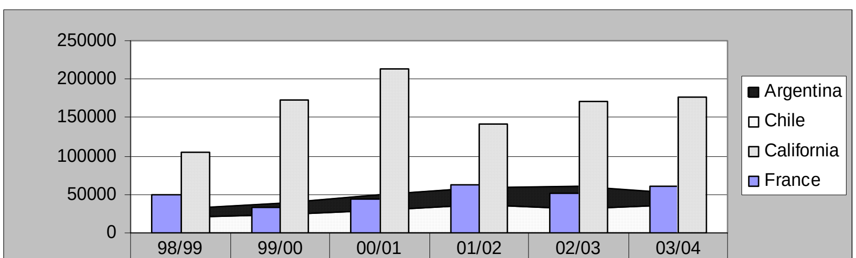
Prune Tree Sales



General Market Conditions

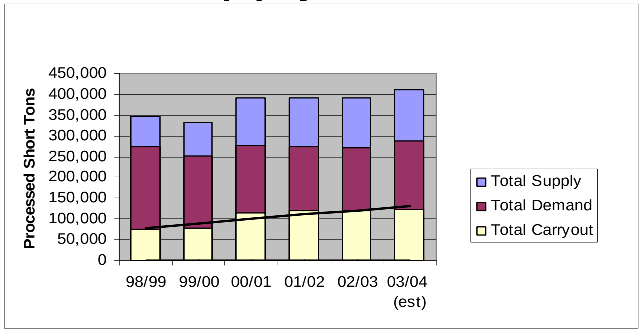
- Pricing has been in decline since the late 90’s as chronic oversupply created excess competition
- Lower pricing did not expand consumption but actually led to domestic volume reduction
- International competition increasing

World Production (short processed tons) of exporting countries



	98/99	99/00	00/01	01/02	02/03	03/04
Argentina	11023	13228	20503	22046	30864	14330
Chile	20350	24750	28665	36300	30525	36300
California	104241	172820	212895	142287	170372	176077
France	49266	33000	43841	62211	50577	60500

World Supply vs Demand



	Supply	Demand	Carryout	as % of demand
98/99	347,643	272,770	74,873	27%
99/00	331,725	252,637	79,088	31%
00/01	390,820	276,174	114,646	42%
01/02	392,155	273,247	118,908	44%
02/03	390,877	271,159	119,718	44%
03/04 (est)	411,591	288,026	123,565	43%

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