



Date: December 16, 2015

Season's greetings from all of us at Sun Valley Raisins, Inc.. We hope that this newsletter finds you well and in good spirits!

What Is Going On In The Field?

The California raisin growers should be cane pruning or planning to do so in the near future. Other farming activities observed during this period are winter fertilization applications, cover crop plantings and trellis repairs.



Weather Update

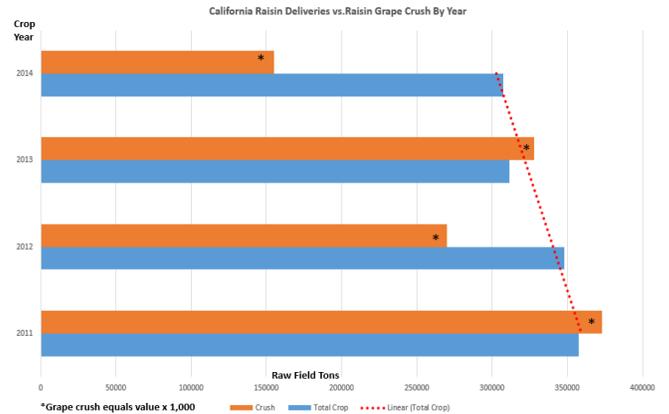
This year the Fresno area has experienced similar 2014 rainfall conditions during the October 1st – December 12th time frame. We are off to a good start and are hoping for more to come. Although it is probable we will not fully recover from the drought over the next 12 months, we anticipate a significant improvement in water availability due to the effects of El Nino.

2015 Conventional Crop Update

The 2015 California raisin harvest appears to be a decent volume crop but with a high percentage of holds. Not since the damaging rain on the 2011 crop has the industry observed USDA inspection rejections above these levels. At the present, the current level (9% incidence rate) of incoming crop holds are running 4 times higher than the previous 3-year average. This will certainly be a challenging year as the raw material shrink values will have a direct influence on grower and packer returns for the 2015-2016 marketing season. The high level of substandard (low maturity) raisins from the 2015 harvest is being attributed to the extended drought period observed over the last few years. In addition, the vineyards tend to cycle in volume from year-to-year with smaller and larger yields based on water availability, farming practices, and the economic factors for both. When looking at the grape crush activity over the past 4 years, the numbers tell a sobering story. During that time, the industry reports

claim raisin grape bearing acreage was reduced by 10,000 acres between the years of 2011-2014. This would account for a calculated reduction of approximately 20,000 dry tons at a 2 ton/acre yield basis. The California raisin industry volume fell 50,000 tons (acquired + memo storage + holds) during that same period. We believe this suggests the vineyard pullouts during that period were much higher than reported.

The graph illustrates the 4-year raisin crop reduction (blue line) and significant decline in winery/juice crush demand (orange line). Zoom document for detail.



It is projected that the winery/juice crush demand for 2015 was around 100,000 green tons, compared to 2014 at 155,000 green tons. At a factor of 4.5 green tons/dry raisin ton, this added around 12,222 raisin tons to the overall available volume for the 2015-2016 marketing year. We mention this influence simply due to the fact that, even in light of what appears to be ample supply this year, the stage is set for much smaller crops in the future. This could be further exacerbated by any increased demand from the winery sector, which would severely shorten up the available volume in the near future.

Sales

At the present the California raisin industry is experiencing a total sales decline of 9% over the first 4 months of the marketing year. This is attributed to several factors:

1. Delayed deliveries from the grower
2. Delayed field price establishment delaying buyer contracts domestically, as well export
3. USD, EUR, GBP and TRY currency differentials affecting European sales

Where Will The Raisin Price Fall Out This Year?

Many growers, processors, and customers are waiting on an official industry price. The California raisin industry has been divided due to conflicting opinions regarding global supply and overall demand. A minor faction of small grower/processors within our industry argue that there is too much volume on the market. They have offered unreasonable grower payment programs that will have an undesirable influence on industry health. This action has infuriated many California raisin growers and may have a direct impact on those processors California raisin supply availability in the future. The majority of the industry agrees that, although the price must come down from last year, it is imperative that an agreement be established that

will allow the California raisin industry to slow the rate of raisin grape vineyard pull-outs and protect valuable supply in the near future. As one of the largest grower/harvester/processors in the California raisin industry, Sun Valley Raisins, Inc. agrees with this majority. Recent industry meetings have suggested the processor majority agrees on a \$1,600/ton price structure. It is our hope that our industry will reach a formal agreement soon, which will help not only stabilize the current market, but also allow the raisin growers to plan for 2016.

The Future Of The California Raisin Industry

Regardless whether the field price is established at \$1,400/ton or \$1,800/ton, the fact of the matter is that California raisin grape vineyard removal will continue. A video of current pull-outs was taken on 12/16/15 and can be viewed at:

<https://www.youtube.com/watch?v=DCsXpOUYgb4>

One does not have to venture too far out to observe vineyards being removed to make room for other crops. The farm gate value and return of other commodities (namely tree nut crops), are by far much better than a raisin farmer has, or will, experience in the foreseeable future. Another factor influencing raisin grape vineyard removal is the overall value of the land. The majority of the raisin grape growers are an older generation. Some are choosing to sell the property to developers or farming companies and retire from the profession.

Organic Crop Update

The California organic raisin market is in a much different situation. Supply over the past 4 years has decreased but demand remains high. Several years ago, farmers chose to convert organic raisin vineyards back to conventional due to low premium payments. Since the average yield for organic fields are lower than conventional, bonuses must be **\$300+ per ton higher** to justify organic. In addition, many farms have abandoned organic growing practices due to the mealy bug infestation*. Currently there are no effective organic field applications to control this destructive field pest. These factors have reduced supply and organic raw material availability is off 39% when comparing 2011 to 2014 harvest volumes. Sales are down 27% for the first 4 months of the marketing year. Unlike the conventional raisin market, the organic sector is at a healthy level and sustainable for the target consumer and grower alike.

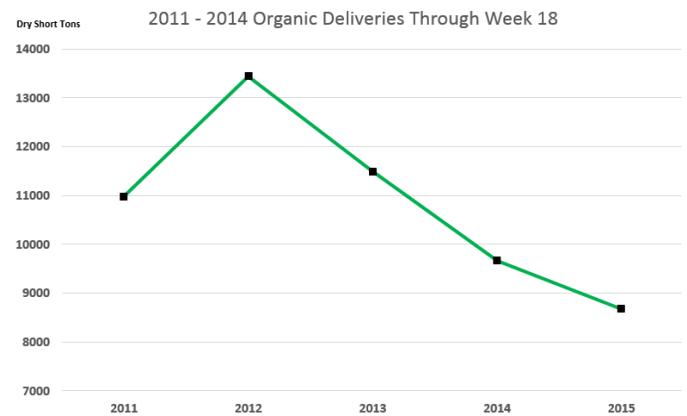
Crop Year	Sales (SBT)	Crop Size (SBT)
2011	13,492	22,981
2012	14,284	18,915
2013	19,915	18,654
2014	18,340	14,165

The orange highlighted area indicates that a good portion of organic oversupply in 2011 and 2012 converted to conventional raisin usage.

* <http://www.ipm.ucdavis.edu/PMG/r302301811.html>

Organic raisin qualities are experiencing similar maturity issues much like the conventional market. The net effect of this will only reduce the available supply for the year as handlers will observe increased

raw material shrink in processing. This will further tighten the supply picture. The line graph following is a 5-year comparison of organic deliveries through 18 weeks of receiving.



Our industry is only 4 months into the 2015-2016 marketing year and a vast majority of the California organic raisin volume has already been committed to buyers for the year. We anticipate continued interest California organic raisins for the 2016 and 2017 crops.

Processing Activities

Sun Valley Raisins, Inc. continues to strive for improved food safety and quality processing techniques. In addition to our extensive foreign material control system, we have expanded our process to include an additional wash step for improved quality needs. We invite you to visit our facility, see this unique system in operation, and talk about how Sun Valley can offer you improved value in your California raisin purchases.

Sustainable Energy Initiatives

We are happy to announce the ground breaking of a 5-acre solar field to the west side of our processing facility. We anticipate this 1 MW solar utility to be up-and-operational by June 1st, 2016 at the latest.

Strength In Farming

The company is independently owned and operated by the Ray Moles family. Moles Farms is one of the largest California raisin growers and mechanical harvesters in the San Joaquin Valley. This offers our customers security with over 4,000+ acres of raisin vineyards supplying our production facility.

State-Of-The-Art Processing

Our facility was commissioned in 2009 and offers our clients with one of the newest, most advanced, food safety and quality control systems available.

Our Commitment

We pride ourselves on performing at an exceptional level for our customers. It is our goal to exceed our client's expectations. Sun Valley Raisins, Inc. guarantees the quality of our work and is committed to excellence in all that we do.

Certifications

Sun Valley Raisin, Inc. is certified organic, kosher, halal, HACCP, and has met the requirements of Global Food Safety Initiatives through the British Retail Consortium (BRC) platform.