



## Crop & Sales Update

Date Of Issue: 4/21/15

The California raisin industry remains busy preparing for the 2015 crop. The vines look healthy and we are looking forward to another successful year of exceptional quality California raisins for our markets. First and foremost, we at Sun Valley thank you for your continued support of California raisins. Because of your loyalty to our commodity we remain the #1 selling dried fruit in the market.

### 2015 Crop Update

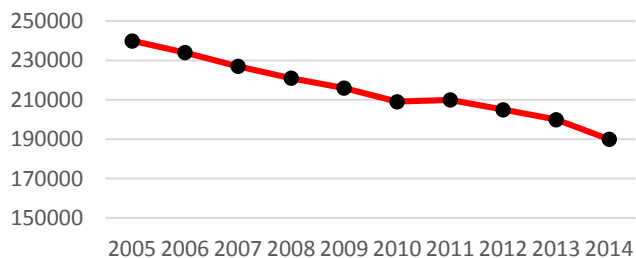
The 2015 California raisin crop is developing nicely at about 2 weeks ahead of schedule due to the mild weather conditions we have had up to this point. The industry has formally announced the bunch count at 35.98 per vine, which is very close to the 10 year average of 36.57. This gives an indication of the upcoming crop volume based on average grower management practices and weather patterns. However, there are a variety of factors that will play into the overall quantity and quality of the 2015 harvest. A few of these factors are listed below for your reference.



### Reduced Bearing Acreage

It is no secret that the California raisin industry has observed a slow erosion in raisin grape bearing acreage over the past 10 years. Below is a chart to illustrate these losses during that time period.

California Raisin Grape Bearing Acreage



Since the 2014 harvest it has been estimated that the industry has lost 10,000+ raisin vineyards as referenced by the California Department of Food & Agriculture

California Grape Acreage Report\* issued on April 15, 2015. Vineyards are being pulled for a variety of reasons, which are listed below.

### Land Value

At the present, agricultural land with adequate water access is selling around \$35,000/acre. Many smaller raisin growers (100 acres or less) are choosing to exit the business and capitalize on the elevated land values. We expect additional pull-outs in 2015 related to this area of influence.

### Alternate Crop Planting

It seems every week we are reading stories in the Fresno Bee regarding raisin grape farmers pulling their vineyards to plant nut crops. Nuts are rumored to use approximately 3-4 times more water than raisin grapes. Even with the increase in water cost, nuts provide the grower with exceptional returns compared to raisins. Almonds are the commodity of choice as there are no major global competitors who can produce the volume or quality comparable to California. We anticipate that additional raisin grape acreage will continue to be removed at the expense of the 'almond craze'.

### Water Cost & Availability

This year will be especially painful for those growers who do not have ready access to water and rely heavily on the irrigation districts to supply the needs. The central valley is already in an emergency status and many questions surround how much, if any, water they will receive during this year. In review of the Fresno Irrigation District *Waterways\*\** publication, it is evident that this year will be a very tough year. The unknown is how the raisin vines will react to the multi-year water reductions. It is believed that this will have some influence on future yields as the vines are being stressed, thus making them susceptible to a variety of plant health issues.

### Labor Cost

California implemented a labor rate increase in July 2014 accounting for a 12.5% rise in the minimum wage requirement. Current legislation is set for an additional 11.1% minimum wage increase to take effect in January of 2016. These cost increases are having a direct influence on California agriculture producers and their future financial health. Growers in the California raisin industry who are hand picking vineyards will not be able to do so with the new labor costs incurred. Labor unions are currently lobbying for a \$15/hour minimum wage in California, which would be a 50% increase compared to the \$10/hour rate that will go into effect January 2016. Those growers who are mechanical harvesting are in a better position to manage these cost increases. We expect many more raisin grape acres to convert to this style of harvest over the next few years.

### Volume Availability

The California raisin industry has ample volume to service it's markets at this point in time. Customers are still enjoying the surplus effects of the 2013 crop, which measured in at 365,000 short tons. However, the 2014 crop was significantly smaller and we project the final delivery volume on July 31<sup>st</sup> to be 300,000 short tons or less. This shortage is primarily attributed to vine stress from the previous year's large production, as well as reduced water stress and hot weather. Once again we will be faced with continued water stress, which will have

a direct influence on marketable volume for the 2015-2016 marketing year. Based on the projected sales for the remainder of this marketing year (ending July 31<sup>st</sup>), we anticipate the crop carry-out to be reduced by 25+ %.

Crop Year	Carry-In
1999	101,946
2000	97,109
2001	116,131
2002	132,135
2003	129,345
2004	95,003
2005	114,792
2006	111,444
2007	105,430
2008	106,249
2009	126,824
2010	83,143
2011	110,206
2012	132,061
2013	132,407
2014	138,215
<b>2015</b>	<b>99,925</b>

#### Current Sales

Early marketing year indicators suggested that a large Turkish sultana crop would offset a significant amount of the export gains realized in the 2013-2014 marketing year. However, it is rumored that the Turkish sultana crop was smaller than estimated and much of the early season selling may have been attributed to not only reclaiming lost market share, but to generate much needed revenue due to the shortages observed in the 2013 marketing year. The California raisin industry March shipment report posted a 7% reduction in overall sales compared to the 2014-2015 marketing year. This is a more positive position than we were projecting due to the reduction in supply from the 2014 harvest. **If we are able to continue at this pace for the remainder of the marketing season, we project a surplus inventory as shown below:**

Attribute	Sweatbox Tons
2014 Carry-In	138,215
2014 Est. Crop Size	300,000
2014-2015 Sales	(338,290)
<b>2015 Est. Carry-In</b>	<b>99,925</b>

Even with a 7.5% raw material increase compared to the 2013 crop, a rumored large 2014 Turkish crop, and a very strong US dollar exchange rate, California raisin sales are performing much better than expected. There is optimism in the industry for better returns as additional acreage is pulled out, global raisin crops returning to normal yields, and the chance for the currency value moving in a direction that promotes export sales.

Domestic sales remain fairly constant accounting for 63% of total sales to date for the marketing year. Export has dipped by a total of 19% during that same period but it is the general consensus that export will improve over the next few months. Some of the losses experienced in export were related to the US west coast port labor strikes and the inability to ship orders.

#### Expansion

Sun Valley recently implemented numerous x-ray and laser sorting equipment in an effort to indigenous material counts in our processed products. We now have the capability to achieve specifications requiring very stringent stem and cap-stem counts for bakery, cereal, confection, and a variety of snack mix applications. Sun Valley also has installed a new sugar coating line. In addition, we have added an additional cold and dry storage with enclosed shipping docks.

#### Food Service/Retail Products

The company has developed a core line of food service and retail packages for 'all-natural' California raisins. We currently sell the following items:

- 1 OZ Pillow Pouch (200 ct/case.)
- 24/6/1.0 OZ, 24/6/1.33 OZ and 24/6/1.5 OZ (Naturals)
- 24/15 OZ Bag In The Box (Naturals and Goldens)
- 24/12 OZ Bag In The Box (Naturals)
- 12/2 LB Stand Up Resealable Pouch (Naturals)



#### Certifications

Sun Valley is certified in HACCP, OU Kosher, Halal, and CCOF Organic. We are also Global Food Safety Initiative (GFSI) compliant and an 'A' rated British Retail Consortium (BRC) company.

#### In Closing

It is most important to prevent additional California raisin vineyards from being removed. At the rate we are seeing raisin grape vineyard removals, we could find ourselves with about 170,000 bearing acres within a few short years.

Although there are many cost pressures and political hurdles for California raisin growers, the industry still remains the #1 volume dried fruit in the market. California raisins are regarded as the 'all-natural' dried fruit of choice! Our product has no added sugar and has an entrée of nutritional components beneficial to a healthy lifestyle. We invite you to experience the benefits of California raisins and allow Sun Valley to demonstrate how we can be a strategic supplier to your company.

\* CDFA Grape Acreage Report, April 2015 Report

[http://www.nass.usda.gov/Statistics\\_by\\_State/California/Publications/Fruits\\_and\\_Nuts/2015\\_03grpac.pdf](http://www.nass.usda.gov/Statistics_by_State/California/Publications/Fruits_and_Nuts/2015_03grpac.pdf)

\*\* Fresno Irrigation District, March 2015 Circular

<http://www.fresnoirrigation.com/index.php?dI=569>

