



California Raisin Industry Crop, Sales, & Marketing Report

Date: March 14, 2016

2016 Crop Status

Warm weather is upon us here in the central valley of California and the vines are pushing out new growth. Vines are approximately 10 days ahead of normal at this point. The industry is coming off of what would be considered a high yielding 2015 crop. [Last year the reported yield average was 10.8 green tons per acre.](#) Many believe that vineyards will cycle down to lower than normal yields for the upcoming crop, which is 8.23 green tons per acre based on the 10-year average posted in the California Grape Bearing Acreage yield data in the USDA report.



Supply vs. Demand

The California industry has an adequate supply of 2015 conventional crop inventory to meet current domestic and export needs. Winery demand was 'lack-luster' for the 2015 crop as global stocks have been more than adequate for wine and juice makers in the US. With that said, we expect the same, to slightly less, winery demand (60,000 – 100,000 green tons) for natural seedless raisin grapes this coming season based on the trends over the past few years.

It is anticipated that the industry will acquire approximately 310,000 tons of 2015 California raisin crop by July 31st, 2016. We are coming off of a very large

yielding 2015 harvest with 185,000 bearing acres reported. Sun Valley is estimating sales of 300,000 packed short tons (315,789 raw short tons) for the 2015-2016 marketing season.

Global Supply Update

Other key global producing origins for grapes, raisins and sultanas have reported major issues over the past few months.

The Chilean grape industry has seen increased grape shipment demand due to weather related losses in Peru. The raisin crop in this region was behind schedule and did sustain some loss of volume and quality due to weather at harvest time. It is not clear on the losses sustained but an industry contact has stated potential damages of up to 20% of the crop.

South Africa has reported weather damage to it's raisin crop as well but it is not known how this will impact natural seedless raisin availability for the year. [Golden raisin production in South Africa has been reported to be 40% less compared to 2015.](#)

Turkish origin sultanas and raisins have unfortunately fallen on hard times. [The 2015 crop was damaged by weather and was reported to be 37% shorter than the 2014 crop \(page 4\).](#) It has also been reported that raisin products coming out of Turkey will not meet the pesticide requirement for chlorpyrifos in the new EU proposed tolerance at 0.01 ppm.

In review of the DFA of California pesticide residue surveys for California raisins over the last 10 years, more than 1,100 samples were tested with no results at ≥ 0.01 ppm chlorpyrifos levels. This is a testament to the outstanding food safety record for California raisins and the crop management efforts of our industry's growers. It is believed this EU food safety concern will have a positive influence on

demand for California raisins in the interest of public food safety improvement.

Raisin Bargaining Association Field Price Announcement

It has been a very difficult negotiation process for California raisin growers this year. Although an overwhelming majority of the California raisin processors agreed to a \$1,600/ton proposal, several packers in the industry have stalled efforts to unify our industry and allow the growers to be appropriately compensated in a timely manner. This situation has caused unnecessary confusion in the market and we believe lost sales to our industry. More details about the specifics of this situation can be found at the [Raisin Bargaining Association website.](#)

El Nino Weather Influence On 2016 Crop

The valley has received a record amount of rainfall for the past 6 months. This is much needed to help ease the pressures of the extreme drought we have been experiencing over the past 4 years. Reservoirs and underground aquifers will be refilled to some extent. Although this historical record rainfall has taken California out of the extreme drought category, it is predicted that long-term drought will persist. Since our region is expected to have warmer-than-average temperatures this spring, precious snowpack will melt prematurely. Without additional water storage capability, much of this valuable resource will be regulated into the ocean and lost. El Nino is predicted to continue to bring precipitation into our area as the [NOAA Oceanic Nino Index data](#) shows ocean waters remain in a high value warm episode.

California Raisin Sales

At the present, the California raisin industry is down 3% in total sales for the first 7 months of the marketing year. It is expected that the last 5 months of sales will

be above last year's volume as the global crop availability tightens and new food safety regulations take effect in the EU. This was predicted in the [USDA FAS Raisins: World Market & Trade Report](#) released in September 2015.

Attribute	Raw Short Tons
Carry-In 8/1/15	122,954
2016 Estimated Crop Size	310,000
2015-16 Average Sales	315,789
Estimated Carry-In 8/1/16	117,165

[Table 1. \(Click to see enlarged version\)](#)

Export sales have been pressured by a very strong US dollar vs. the GBP and EUR currencies. At the present, the GBP is weaker by 3.4% compared to 1 year ago. Although the EUR has improved by 5% compared to last year this time, it is still 20% below the values observed 2 years ago. These factors, along with the weakness of the Turkish Lira has caused a -28% dip in California raisin sales to European countries.

2016 Crop Prediction

Many [vineyard pull-outs](#) have been observed since the 2015 harvest and it is quite possible that the raisin grape bearing acreage will be <180,000 for the 2016 crop. Although almond prices have come down significantly, almond tree nurseries are still reporting a high level of orders. These new almonds plantings will definitely continue to erode existing raisin grape vineyard farms in the central valley. It is estimated that our normal crop sizes will be more in the 300,000 short ton range and lower for the foreseeable future. With that in mind, the projection of available raisin grapes will decline.

Volume Attribute	Value	Green Ton Usage
Est. 2016 Bearing Acres	180,000	
Green Tons/Acre	8.23	
Dry Down Ratio	4.25	
Total Green Tons	1,481,400	
	(20,000)	Cannery
	(85,000)	Goldens
	(17,000)	Dehydrated
	(60,000)	Winery
	(57,375)	Organic
Total Green Tons For Raisins	1,242,025	
Dry Raisin Tons	292,241	

[Table 2. \(Click to see enlarged version\)](#)

Table 2 assumes average tonnage per acre and dry down ratio to illustrate our best case scenario for 2016 crop production.

Sun Valley Operations Update

Sun Valley has been working on the farm side to provide our processing department with improved quality raw materials. The addition of our dried-on-the-vine, continuous tray dried (DOV-CT) hybrid product has provided us the best production qualities of both. We have been able to not only reduce the risk of rain damage, but also reduce the quantity of continuous paper tray used on our farms.

Bulk

The installation of our new laser and x-ray systems to the process have increased our handling efficiencies, as well as allow us to strategically pack custom high specification products. Please ask your Sun Valley sales contact to share our Sun Valley Black, Gold, and Platinum label options to determine if one of these programs is a fit for your needs.

Retail

Sun Valley has been servicing customers with our house brand line of retail products for over a year now.



Visit www.sunvalleyraisins.com for more product availability details.

Organic Update

California organic raisins remain in an oversold position. Since 2010 the organic raisin production has declined approximately 30%. We attribute this to the removal of vineyards for the planting of more lucrative crops, and the pest pressure issues associated with 'mealy bug' infestations that cannot be

adequately controlled with organic farming practices.

As the largest grower of California organic raisins, we are excited about the future opportunities in this category. Stand by for more information this fall regarding Sun Valley organic retail options.

Food Safety

We are proud to announce our GFSI recertification for the British Retail Consortium Issue 7 platform in February of this year. Sun Valley has attained an 'AA' rating and continues to provide our clients with unprecedented food safety and quality with every shipment.



Continuous Improvement

Sun Valley has recently began the installation of a 1 MW solar field west of our facility. This utility will power our production facility, nearby farm shops and surrounding raisin vineyard properties. We anticipate this solar utility to be up and operational by June of this year. Sun Valley is excited about this new addition to our sustainability program.

Our Mission

Sun Valley is committed to providing our customers with superior service and quality. We stand behind our product and will ensure the experience with our company is satisfying!

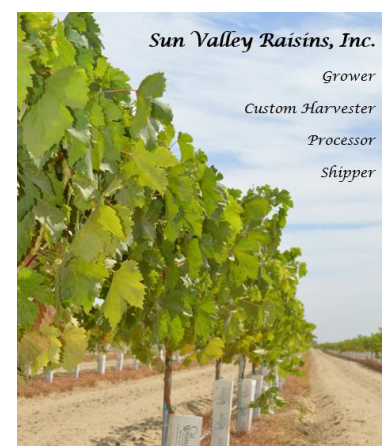


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