



***Global Prune Industry
2013 - 2023***

***Dried Fruit and Nut Chile 2012
11-12 September, Crowne Plaza Hotel, Santiago Chile***

GLOBAL PRUNE INDUSTRY

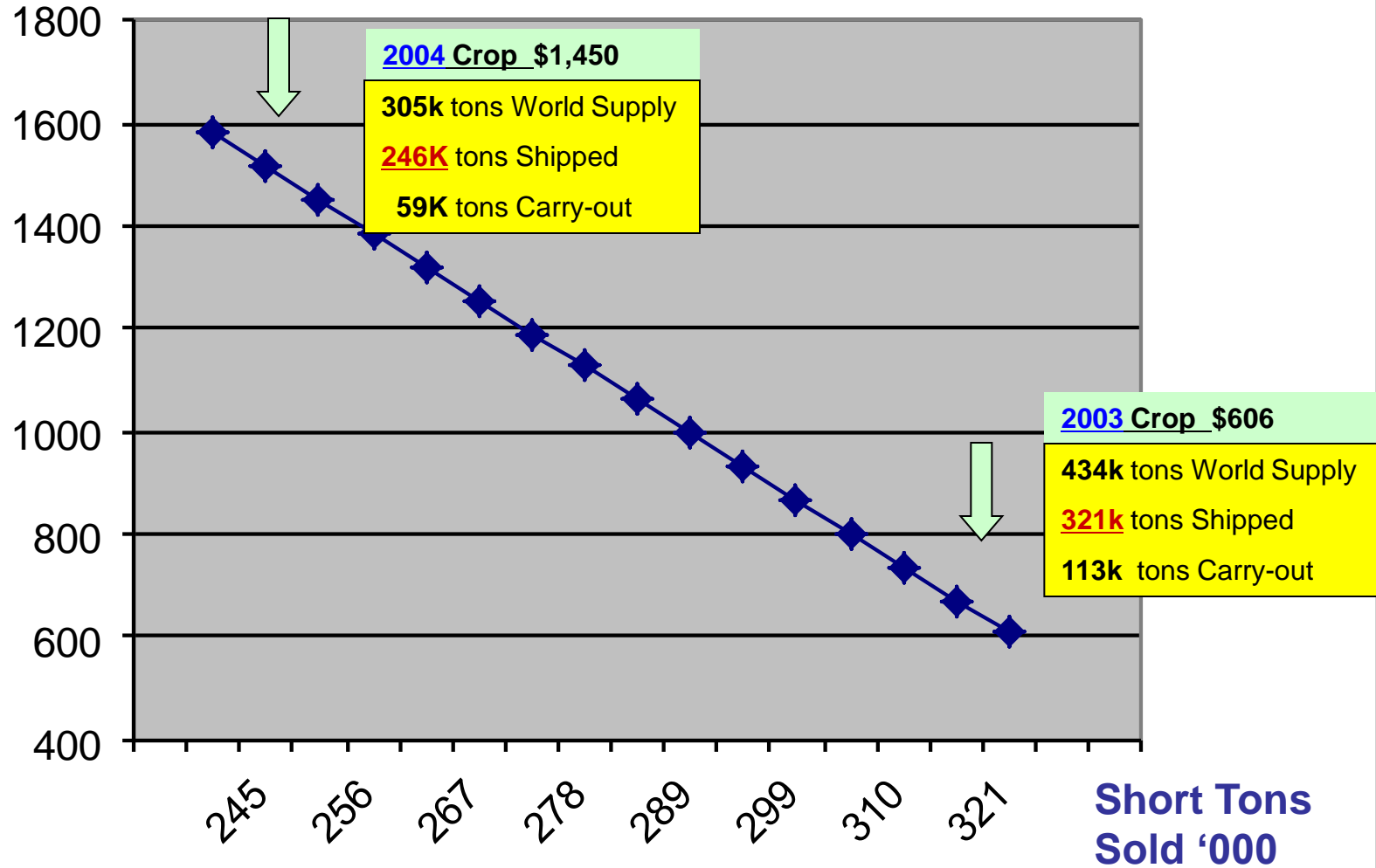
1. Basic Economic “Demand” Modeling, or...
Numbers don't lie...ignore at your peril
2. Predictably Irrational* Responses, or...
If we know it's irrational, perhaps we can learn how to avoid it?

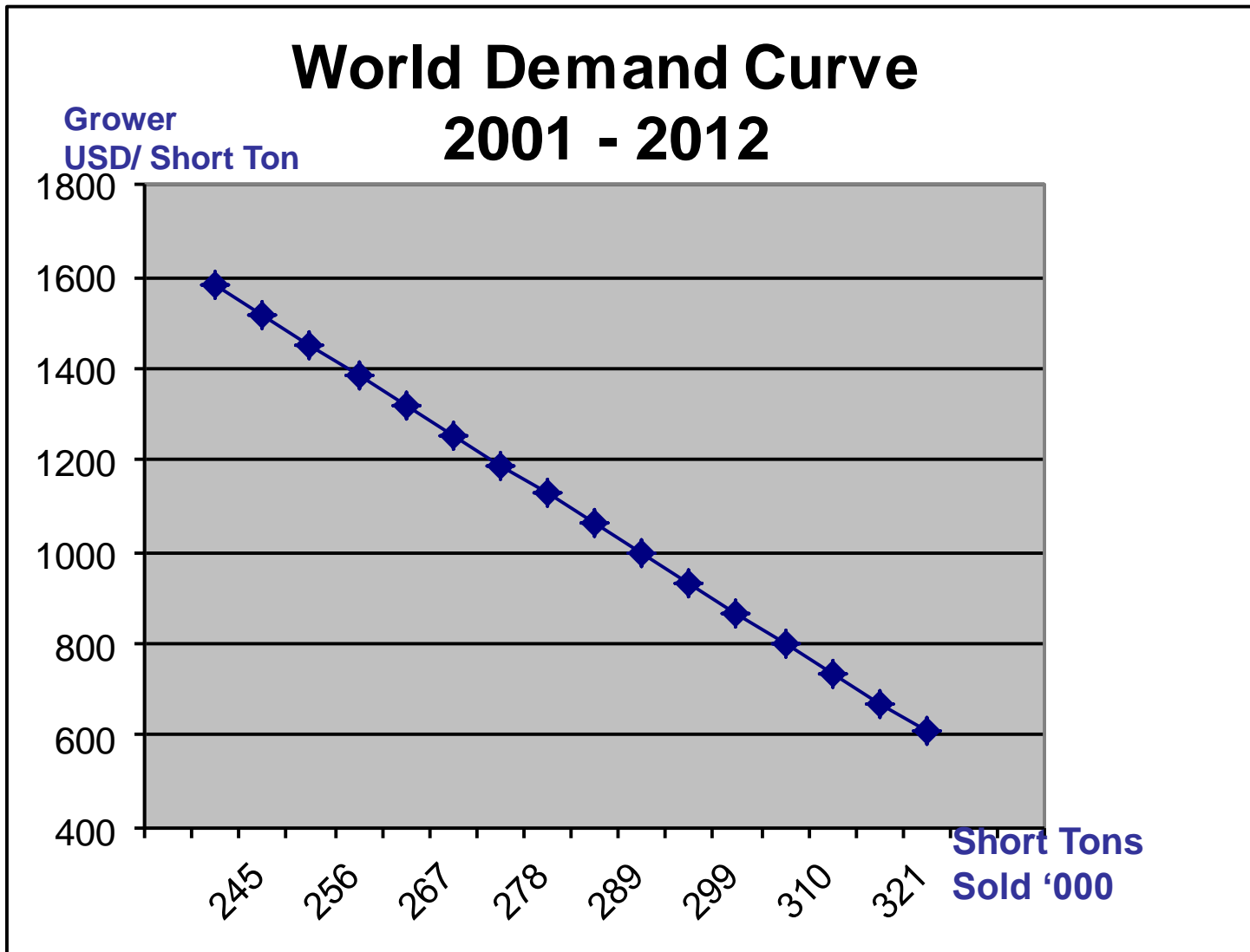
* Book by Dan Ariely, 2008



World Demand Curve 2001 - 2012

Grower
USD/ Short Ton





In 2004, the industry knew the “Demand Curve”

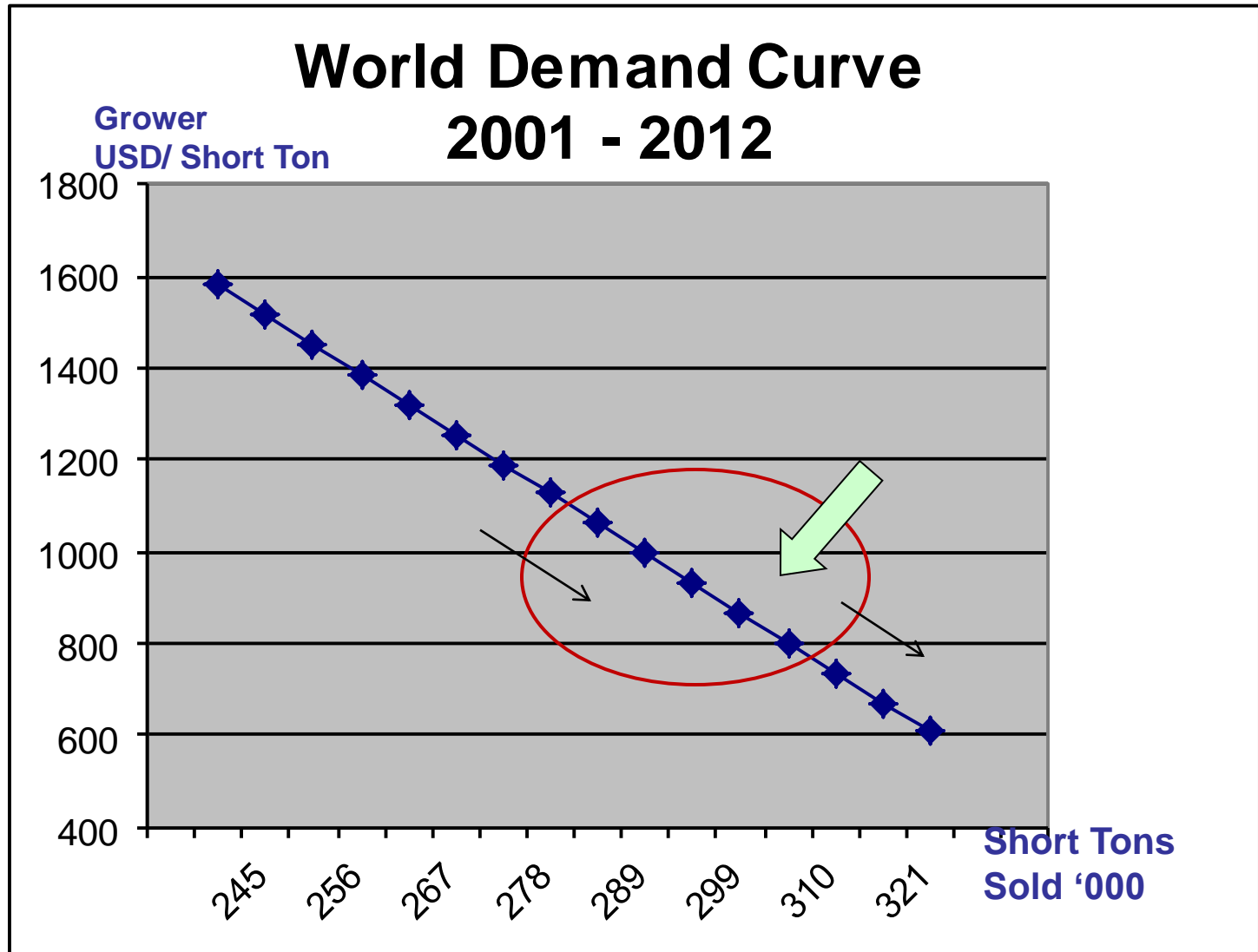
What did we expect supply to be?



SUPPLY OUTLOOK

	Production (SHORT tons)
	2010
Argentina	40
Australia	5
CA. USA	153
Chile	50
France	55
Italy	2
South Africa	2
World rnd.	307





In 2004, the industry knew the “Demand Curve”

What did we expect supply to be?

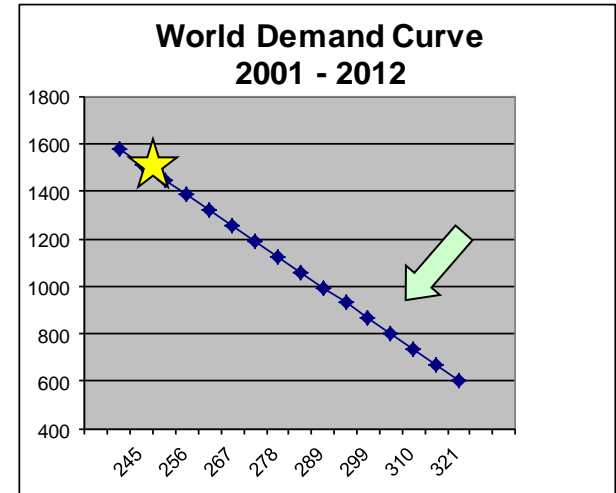


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2001 – 2012

Rational responses

- Recognize bearing acreage is way out of line with demand
- Recognize demand growth (“shift”) is highly unlikely given historical precedent.
- Develop non “price” competitive strategies

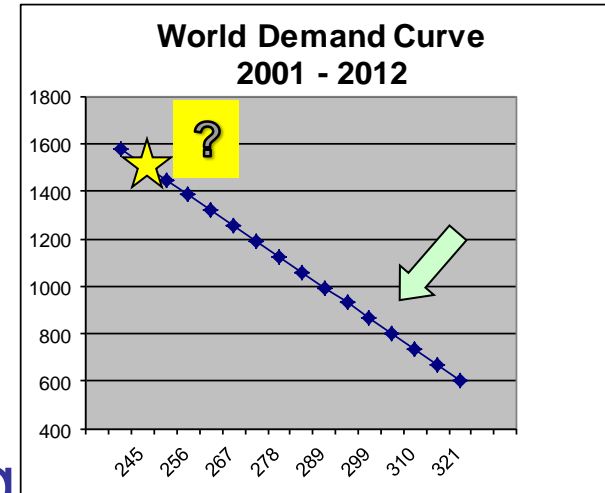




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2001 – 2012 Predictably Irrational California responses

- Growers told by independent representatives that market pricing would support \$1,500
- Growers told their increased costs will be reflected in the market pricing
- Industry marketing support reduced

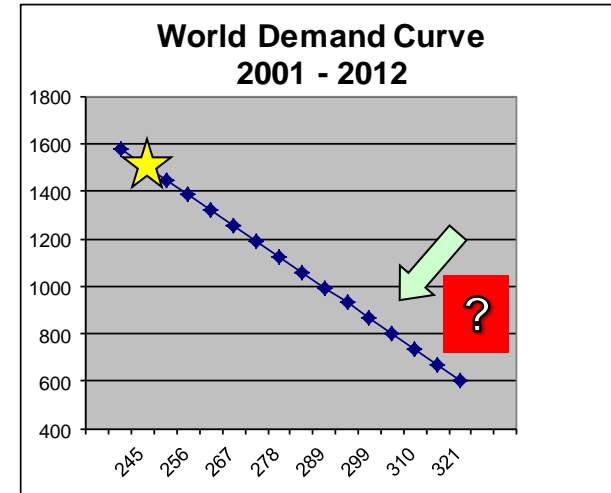




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2001 – 2012 Predictably Irrational Chilean responses

- I know, let's plant even more orchards
- What crop disasters in California? We're great "marketers" – keep planting, we can sell everything we grow





Dried Fruit & Nut Chile 2012

2001 – 2012 Predictably Irrational

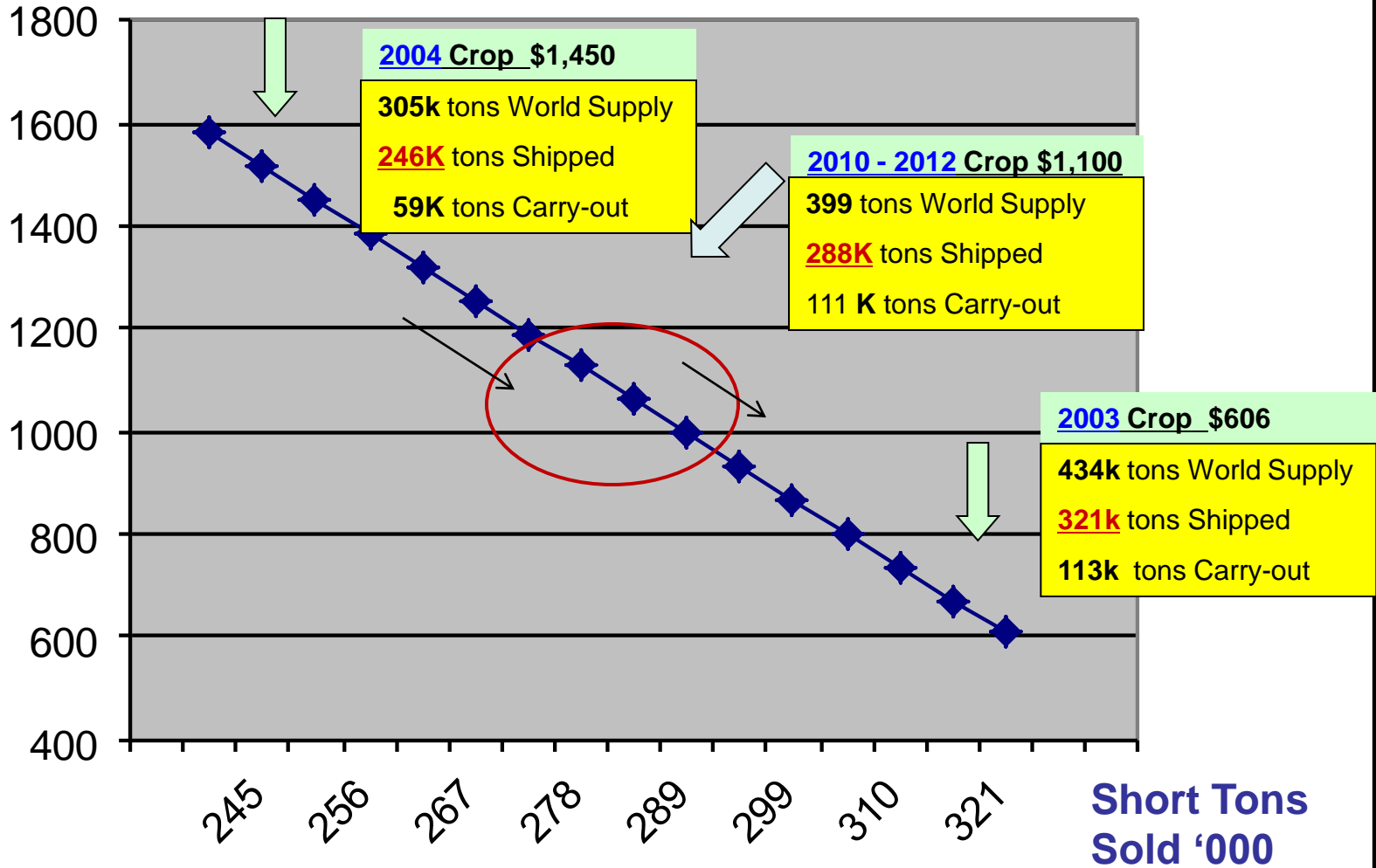
Other producing country responses

- France, focus on their domestic market
- Italy, Australia, South Africa, focus on domestic markets



World Demand Curve 2001 - 2012

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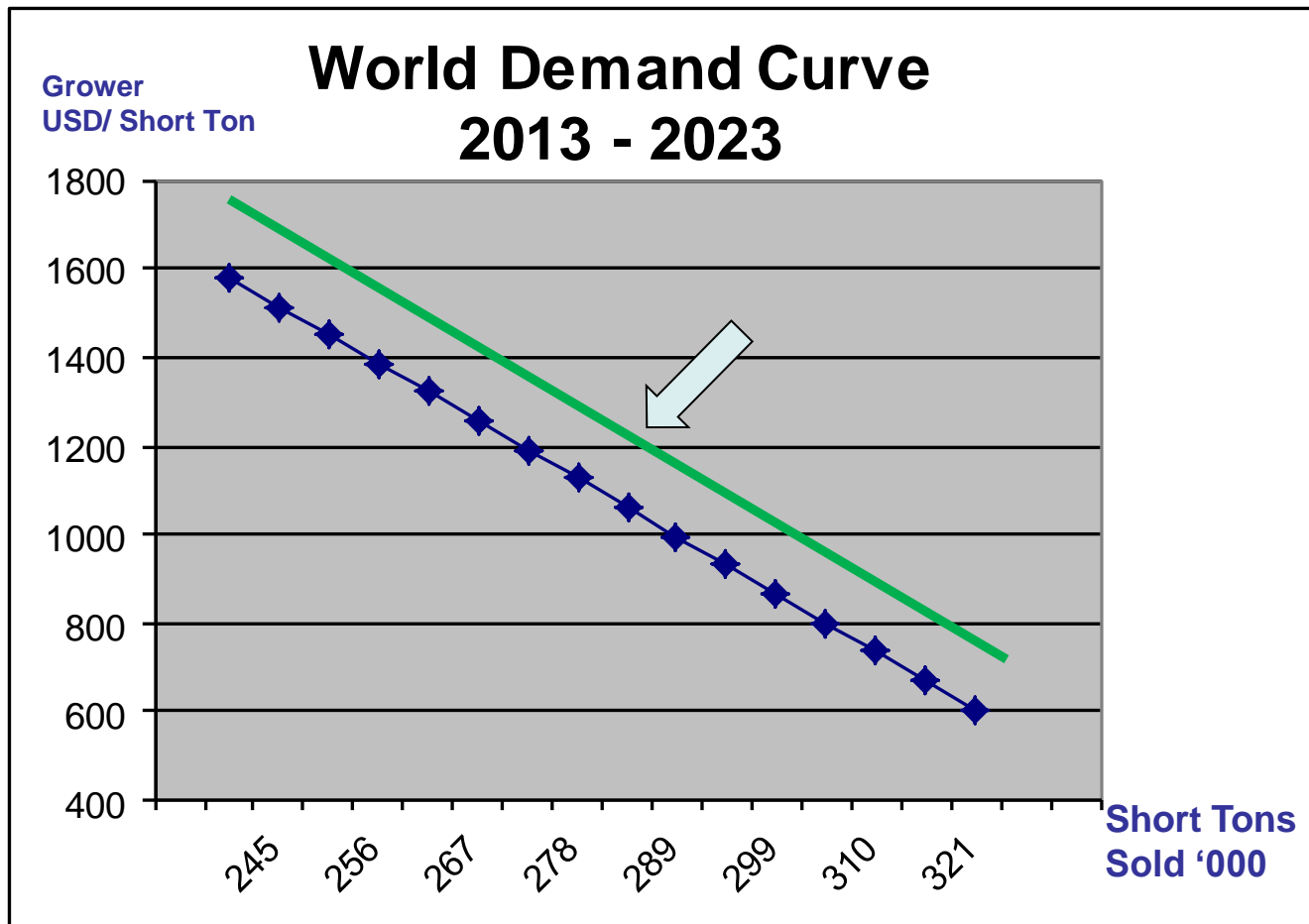
- Nobody should be surprised by today's grower pricing nor in its continued erosion
- In fact, we should be celebrating it wasn't much, much worse!
 - Two crop disasters and acreage removal in multiple countries...otherwise we would have seen a return to \$600/nct grower price levels



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So, what does the economic model say going forward?



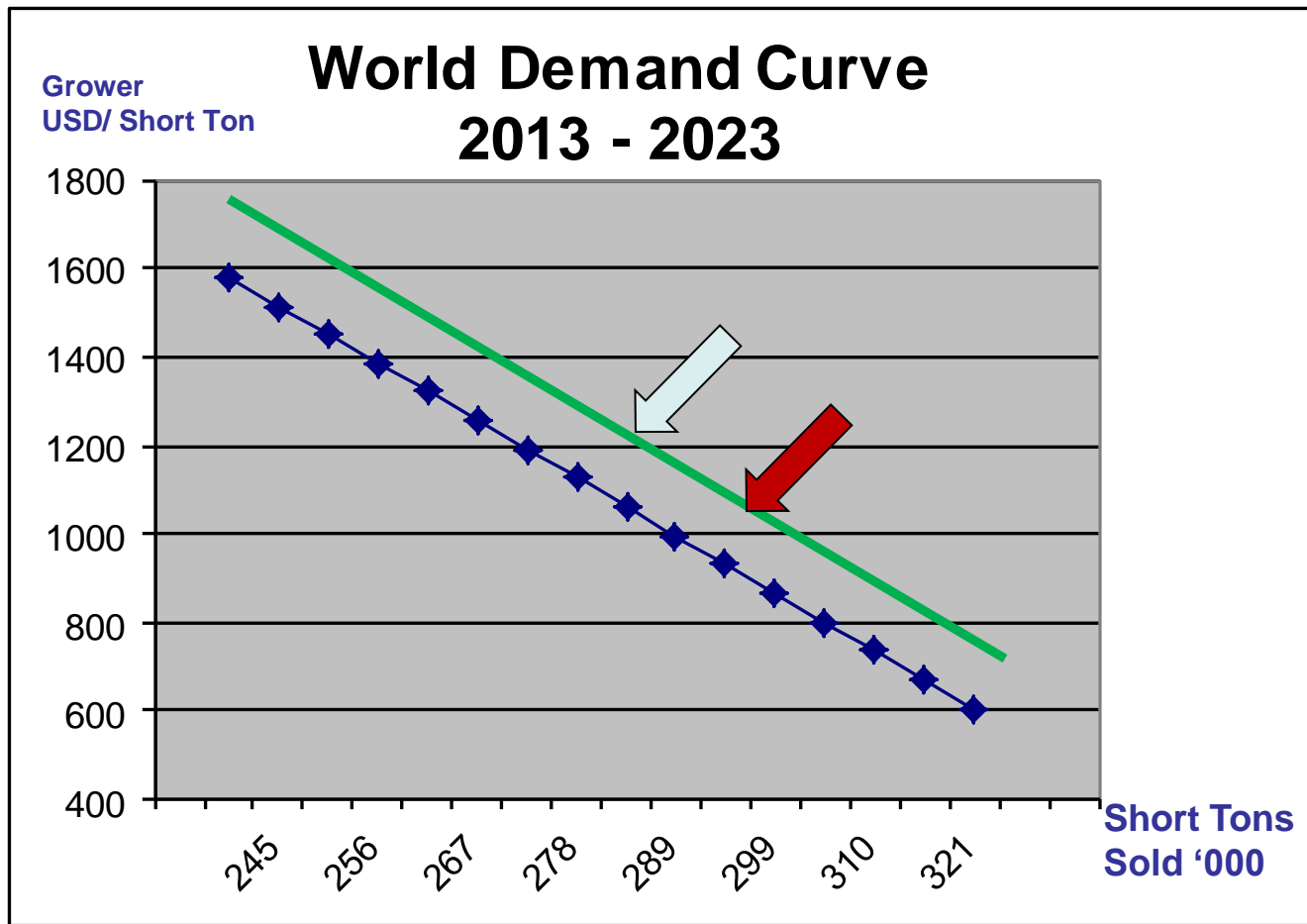


Modest increase in demand from China and Eastern Europe (10,000 MT)



SUPPLY OUTLOOK

	2010 Estimate	2008-2011 Actual	2012 Estimate	2016 Estimate	2016 Revised
Argentina	40	34	17	42	30
Australia	5	4	4	6	4
CA. USA	153	143	130	131	115
Chile	50	58	85	110	100
France	55	41	45	44	45
Italy	2	2	2	2	2
South Africa	2	2	2	2	2
World rnd.	307	284	285	337	298



Modest increase in demand from China and Eastern Europe (10,000 MT), but offset by Chile producing another 12,000+ MT



GLOBAL PRUNE INDUSTRY

Numbers don't lie...ignore at your peril

- If you like today's prices...you're going to like the next couple years.
 - Increases in China, and arguably elsewhere, offset by increased bearing acreage from Chile
- The good news, it shouldn't get worse, unless WE act irrationally.

2013 – 2023

California reality

- Industry may lose another 800 to 1,200 hectares
- Sunsweet will increase from 45% to roughly 65%+ of the industry due to increased membership and increase cash contracts (already signed)
- Selling 125,000 MT at today's prices, expect higher average returns when selling 105,000

2013 – 2023

California predictably irrational?

- Encouraging growers to grow smaller fruit due to recent increase in China demand.
- Large independent growers planting prunes as a contrarian strategy and to diversify from heavy nut portfolios
- Increased prices from a below average crop (long overdue) will result in new plantings.

2013 – 2023

California predictably irrational?

- Believe our own PR that global growth is just around the corner.
- When favorable pricing doesn't materialize, California will not blame it on their own irrational expectations or actions,
we will blame it on Chile pricing.

2013 – 2023

Chile Reality

- 2012 pricing is down .03 - .05 per lb.
(in response to a 78,000 MT crop vs 65,000 MT crop last year)
- Expect to produce 100,000 MT by 2015



2013 – 2023

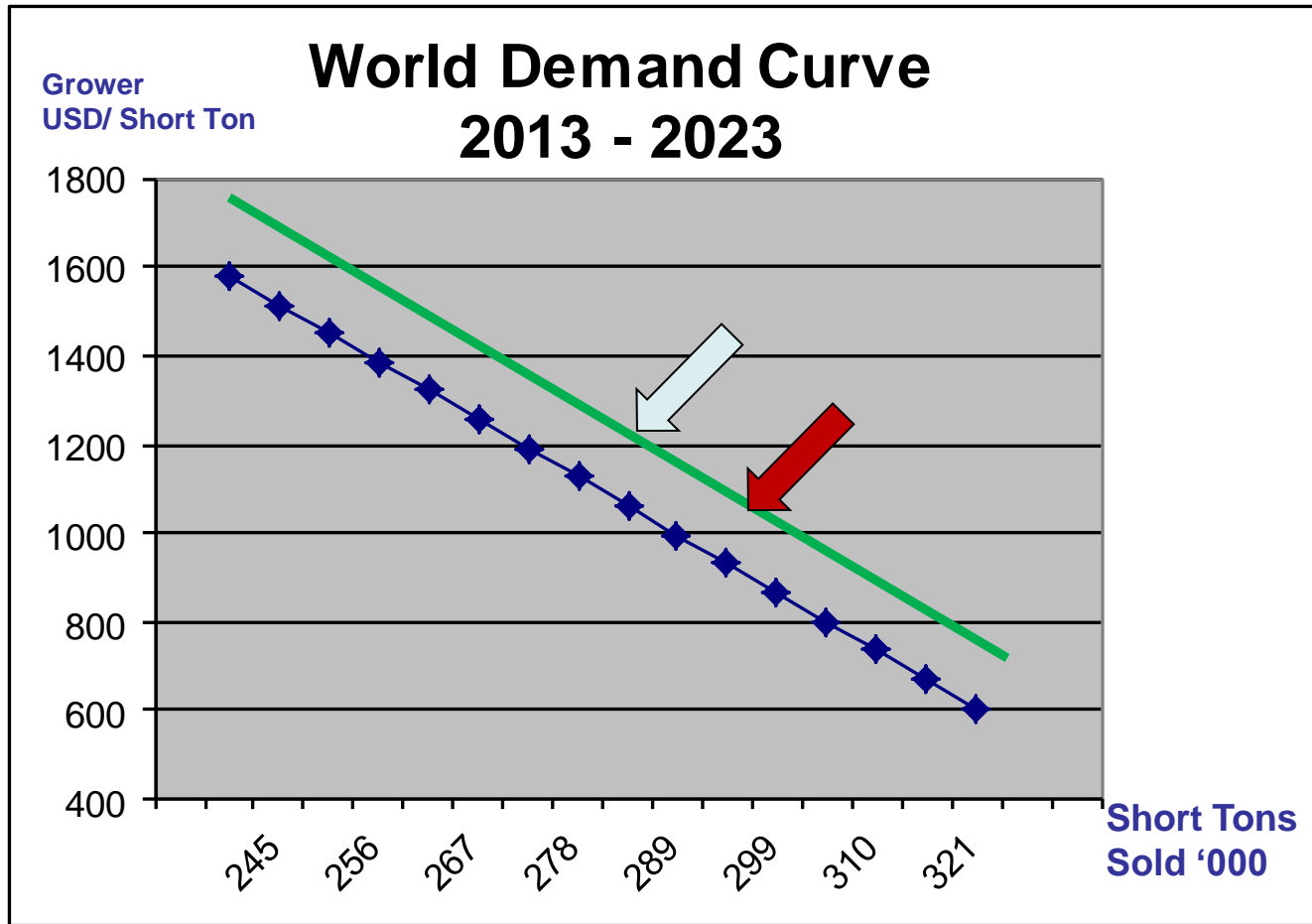
Chile predictably irrational?

Will insure minimum prices via

- Consignment pricing to growers
- Too many exporters
- Practice of selling out crop before next harvest
- Mistaking trade shows, reverse auctions, and share stealing as “marketing”

When pricing stays low...

We will continue to blame Argentina (30,000 MT)



1. Basic Economic Modeling...

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If California and Chile act rationally

2013 to 2015

Today's prices will continue, then firm quickly with the first meaningful California crop short fall.

2016 to 2023

Letting proven demand growth precede planting will insure sustainable prices to growers and result in a healthy industry



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If California and Chile act irrationally

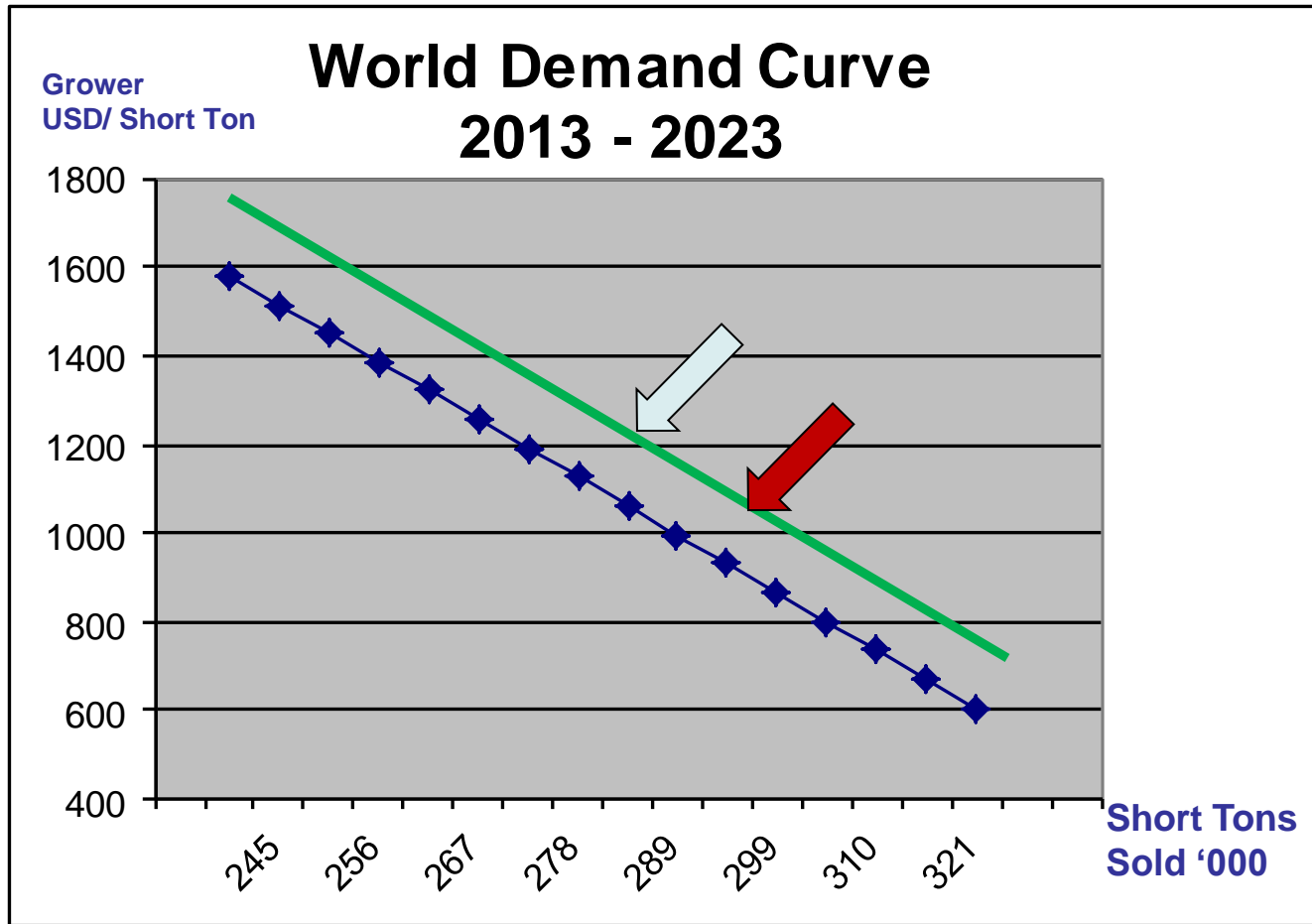
2013 to 2015

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2016 to 2023

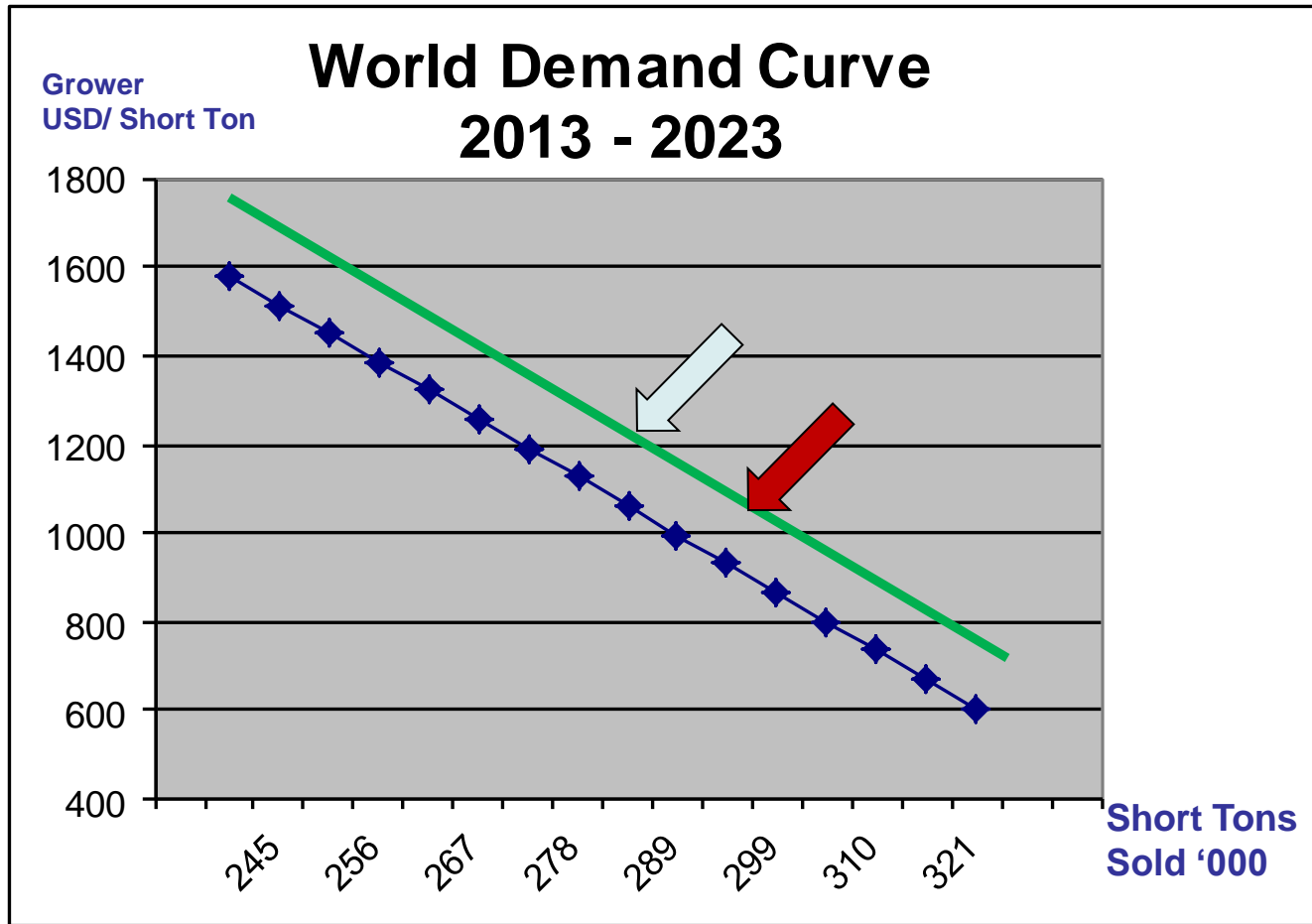
The industry will plunge into another 5+ year shakeout period of too much acreage.





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