

2010 CALIFORNIA ENGLISH WALNUT CROP

CY 2010 Edition 11.



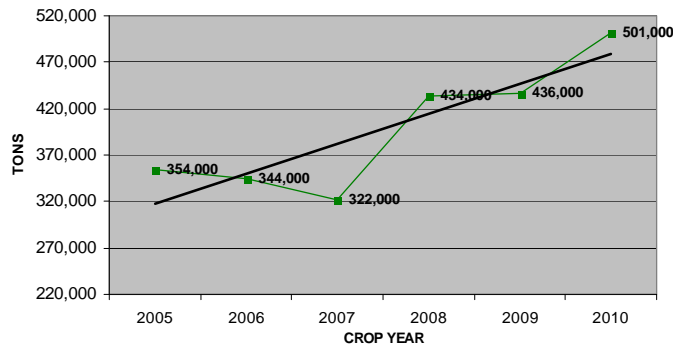
CROP DEVELOPMENT REPORT

January 26, 2011

To: All Customers and Forward Sales Staff

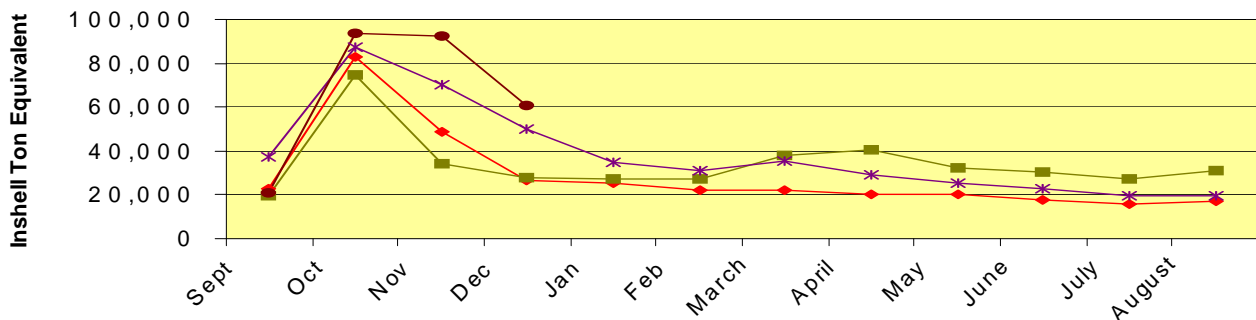
The California Walnut Board has announced the **2010 ORCHARD RUN PRODUCTION, RECEIVED BY HANDLERS as of December 31, 2010: 501,446 TONS**. This volume is approximately 2% below the California Agricultural Statistics Service (C.A.S.S.) September Objective Walnut Measurement Survey of 510,000 in-shell short tons.

California Walnut Crop Size
In-Shell Basis



Industry shipments have set new volume records through December for both kernel and in-shell sales. The chart below indicates sales by month for recent years, on an in-shell ton equivalent. Demand remains strong, which we anticipate will continue for the remainder of the sales year, as production from other origins such as China, India, France and Eastern Europe have fallen short of expectations.

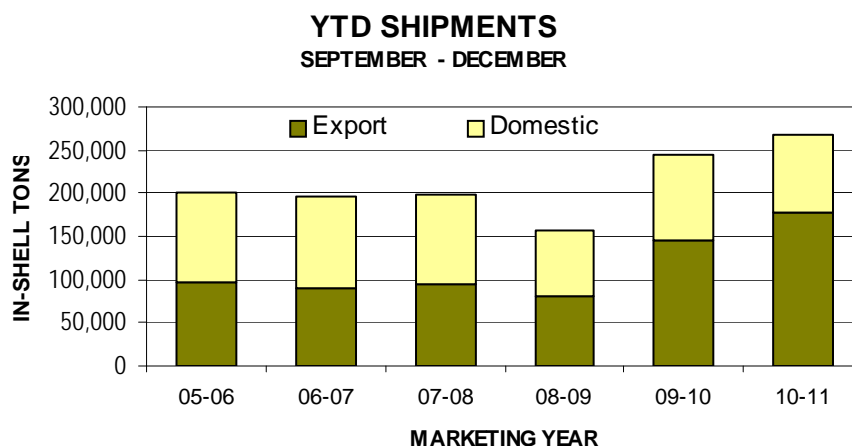
CALIFORNIA WALNUT SHIPMENTS BY MONTH



2010 CALIFORNIA ENGLISH WALNUT CROP

CY 2010 Edition 11. Page 2

Although this year's harvest began 10 days later than normal, the California Walnut industry has shipped a record 267,650 in-shell short tons, versus last year's (record) of 236,702 tons. As demonstrated in the graph below, the significant increase has been in export sales, with a YTD increase of 27% (178,056 vs 139,725 tons).



The kernel market has been trailing the in-shell sale value for the majority of the 2010 marketing year. This pricing disparity, combined with the unsettled in-shell price to date, has not allowed us to offer forward or annual positions as we traditionally would do. To date, each time the kernel prices have reached equilibrium with those of in-shell, the in-shell market has moved upward rendering our average returns to our grower base uncompetitive with those selling only in-shell walnuts. In the end, we must return to our grower base a competitive price with in-shell marketers or we will lose grower volume for the coming season.

Since our business is only the sale of kernels, we are continuing to remain competitive on both the kernel sales pricing side as well as the grower side by offering prompt or quarterly volumes. With the final crop size coming in about 2% below the objective estimate, we anticipate the market should stabilize in the next couple of weeks, which will position us to start offering longer term contracts. Until that time, we will provide pricing for spot orders and/or shorter term positions.

Please feel free to call if you have any questions specific to your interests, and we will continue to do our best to provide an un-interrupted supply while we work through these difficult times.