

2010 CALIFORNIA ENGLISH WALNUT CROP Field Report and Market Update

CY 2010 Edition 2.

May 4, 2010
Los Molinos, California

TO: All Forward Sales Staff, Customers and Friends

BLOOM REPORT

Since our last report of April 6th, California has received above average precipitation, including regional thunder and hail storms, which are potentially damaging to tender nutlets forming. Blight damage should be easily controlled with good orchard management, as the storms have been short and cool in nature.

Frost danger is behind us now, with no remarkable conditions to report.

Below is an overview of reports received by our field representatives earlier this week.

Field Report

This year most crops, i.e.: prunes, almonds, etc. started bloom about a week +/- later than normal due to colder than normal winter and early spring temperatures. Initially, walnuts fit into that scenario also. However, as the cooler than normal temperatures and above average rainfall have continued, the development of the crop has slowed (at least psychologically). It appears that the early varieties leafed out a little on the late side, however the Chandlers leafed out earlier than usual resulting in a compressed crop development.

The nutlet size at this time does not show the size difference that would normally be expected at this time of the year. All varieties have a good bloom with more than sufficient nutlet count to produce a good crop. The Serrs are just now shedding unfertilized nutlets and look to have a good crop. This should be an "on" year for Serrs. Chandlers in North State seemed to start leafing out earlier than normal. Serr and Ashley varieties would normally have received the first Codling Moth spray by now due to the size of the nuts and the degree day biofix, but they have not, due to the slow development and the cooler than normal temperatures.

We have not had any frost damage in my area and even though we have lots of rain, so far, there has been little indication of walnut blight damage.

The potential for pistillate flower abscission which could reduce nut set should be low this year because we have had rain washing away excess pollen.

So, at this time the overall development of the crop looks good, but it is too early to estimate crop size. We are at least 1 month away from being able to determine nut set results



CRAIN WALNUT SHELLING, INC.
10695 DECKER AVE.
LOS MOLINOS, CA 96055
Phone: 530-529-1585
Fax: 530-529-1458
www.crainwalnut.com



MARKET UPDATE

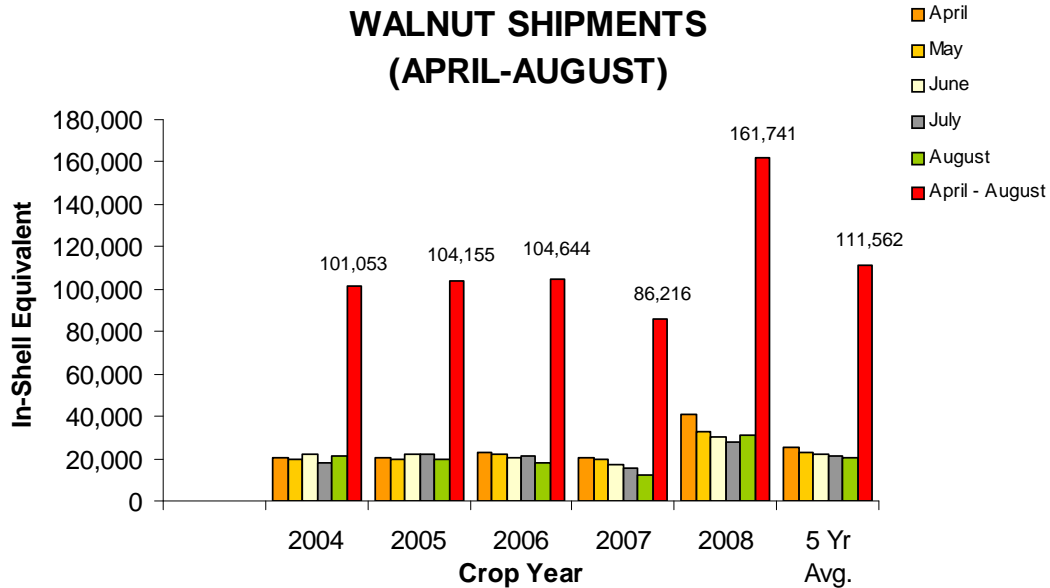
On April 27th, the California Walnut Board announced the March 31st Walnut Inventory report. Below is a recap of the contained data.

| Crop Year | USDA Crop Size (In-shell Tons) | In-shell March 31st Inventory (1,000 Pounds) | Shelled March 31st Inventory (1,000 Pounds) |
|------------------|---------------------------------------|---|---|
| 2005 | 355,000 | 24,702 | 118,181 |
| 2006 | 346,000 | 14,979 | 104,119 |
| 2007 | 328,000 | 11,387 | 89,799 |
| 2008 | 436,000 | 30,439 | 168,729 |
| 2009 | 438,013* | 11,570 | 114,240 |

*CWB January Estimate

Using the current 43.6 crack-out rate, the California Walnut March 31st inventory is an 136,795 in-shell ton equivalent.

With shipments continuing to be strong in both the domestic and exports markets, we estimate the 2009 Crop carry-in will be close to 30,000 in-shell tons (about one-half of last year's 63,000 ton carry-in). Our carry-in estimate is the result of our evaluation of shipments for the remainder of the marketing year (see historical figures below), against the remaining inventory calculation above (136,795).



Current market prices should follow suit and remain firm well into harvest, and until shipments from new crop can begin to fill the supply pipeline. Of course, new crop opening prices remain speculative until the crop size and quality is better determined.

If you have any questions or comments, please do not hesitate to contact us.

Best Regards,
 Vicki Lopera