

# Competing in the World Concentrate Market

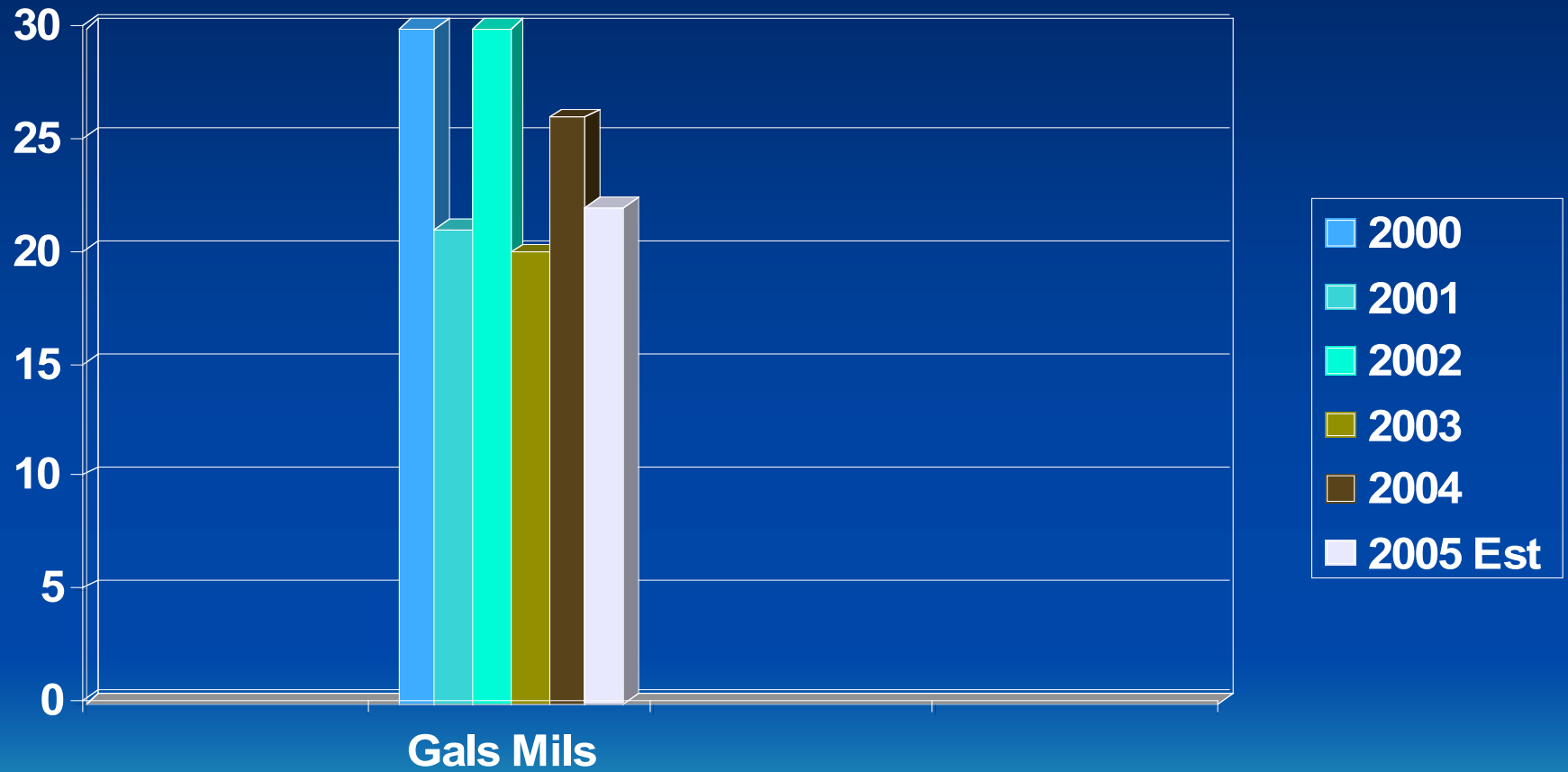
Presented by Greg MaGill  
Joseph W. Ciatti Co., LLC



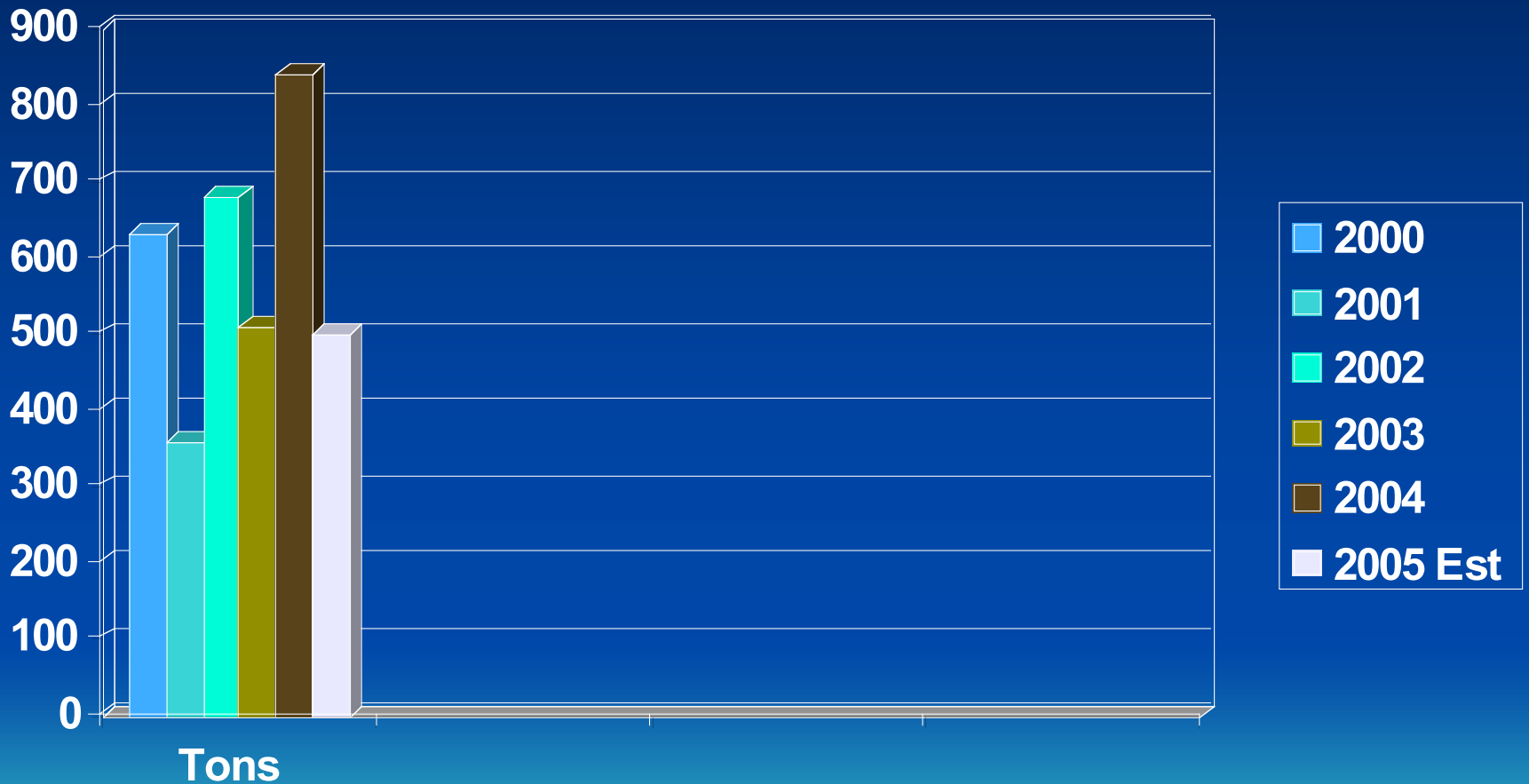
# WGJC Pricing



# WGJC Volumes

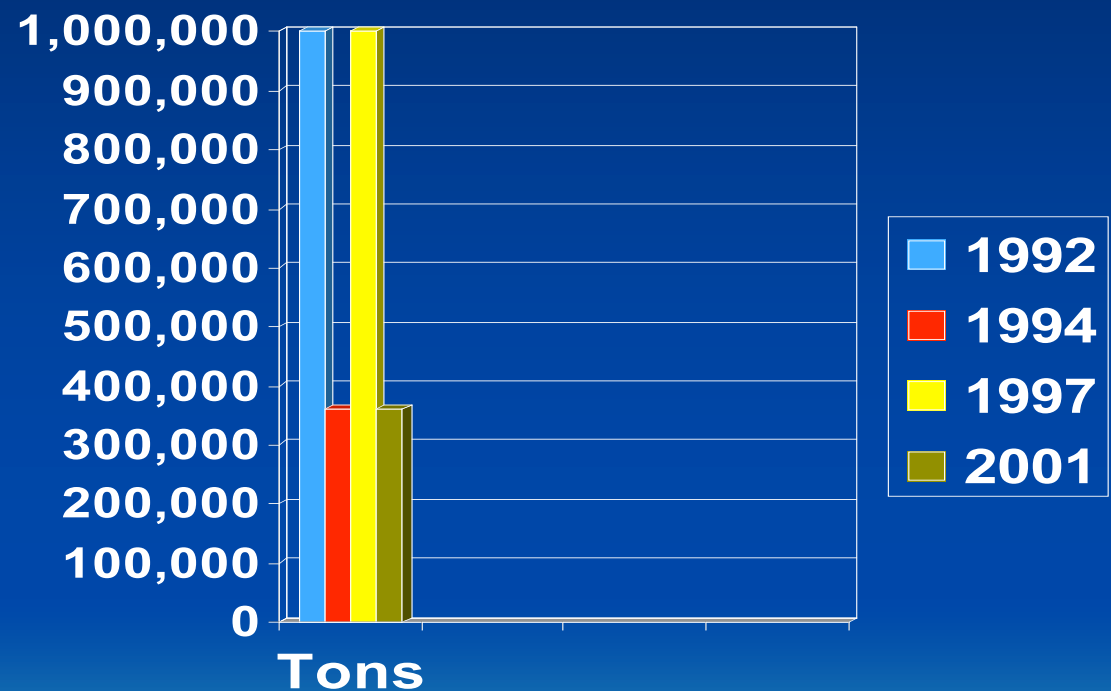


# Tons Crushed for Concentrate



# Highs and Lows

- Most Grapes crushed for concentrate:
- 1992 and 1997
- Least crushed:
- 1994 and 2001



# White Grape Juice Concentrate

- Used predominantly for filler in 100% fruit juice products.
- Competes in the world market with imported Grape Juice Concentrate.
- Apple juice concentrate.
- Pear juice concentrate.

# Domestic Demand of Grape Juice Concentrate

- The Current estimation of usage of Grape Juice Concentrate in the USA Fruit Juice beverage industry is somewhere in the 27-30 million gallon range.

These estimates have declined from 32-35 million gallons over the past several years.

# Domestic vs. Imports

USA 2005 estimates of Grape Juice Concentrate are at 20 - 22 million gallons.  
(500k - 550k tons)

Argentina is estimating 15 -17 million gallons to USA  
(374k - 425k tons).

Other: EU countries: 2 - 3 million gallons  
(100k - 150k tons).

Total Estimates for grape Juice Concentrate in the USA  
(37 - 42 million gallons).

# CA Wine Industry - Our Saving Grace

- Weak U.S. dollar vs. Euro spurs on exports.
- Grape Juice Concentrate used significantly to help add value to everyday drinking wine.
- Fruit forward wines have necessitated the use of GJC in fermentation.
- Cost per ton for Thompson's has enabled wineries to keep costs down and compete in a world market.
- Estimated usage of GJC in the U.S. Market is 7-8 million gallons.



# Let's do the Math

- Estimated Domestic Production = 20-22 million gallons
  - Estimated Import Production = 17-20 to USA
- Total = 37-42 million gallons

Domestic fruit juice demand: - 27 - 30

Winery demand - 7 - 8

Export demand - 2 - 3

Carryover stock needs - 1 - 1

We appear to be in balance = 0 0

# Red Grape Juice Concentrate

- No Longer considered a Commodity
- Superior Natural Color exceptional Shelf Stability
- Winery Demand for Ruby Red Here to Stay
- Import Competition Limited
- Domestic Pricing holding firm @ \$8.75 per gallon, Red 1000 color.

# How do We Compete ?

## WGJC vs. Apple/Pear Concentrate

- Commodity Juice Concentrates:
- Chinese Apple: 1.4 MMT Estimated crushed this year.
- Oversold the market/Customers shorted?
- Price increasing to \$5.50 -\$6.00 per gallon Ex-doc/duty paid.
  
- Pear Juice Concentrate: China has doubled production in the last three years to 8 million gallons.
- Pricing around the \$5.50 Ex-doc/duty paid, per gallon range.
  
- Argentina WGJC:
- Estimated large crop: Plenty of carryover.
- Price dropping to the \$5.50 per gallon Ex-doc/duty paid.
  
- EU WGJC: Limited export success to US Market:
- High Sulfites limit usage predominantly to the wine industry.
- Current estimated pricing is \$5.75 -\$6.25 Ex-doc/duty paid.

# Long Term Success Utilizing our Farming Expertise to stay Competitive.

- Pull out low producing vineyards.
- Estimated 30k - 35k acres will be pulled this year.
- Plant high producing vineyards.
- Triplett Blanc/ Fiesta
- 15 -20 ton per acre crops.
- Cut labor costs. Utilize trellising techniques as well as mechanized harvesting and pruning.
- Drip irrigation techniques.
- Independent energy sources. Wind, Solar, Hydrogen.
- Develop long term planting contracts relationships with wineries and producers.

# Where must we be to Compete on White Grape Juice Concentrate?

- Estimated average 2005 pricing for grapes crushed for white concentrate: = \$150.00. This includes the average of both contracts and spot market/surplus sales.
- Cost of processing averaging \$90.00 -\$100.00 per ton.
- Average gallons per ton: 40
- All in costs \$6.00 -\$6.25 per gallon.
- World Market average for all FJC = \$5.75 - \$6.00.
- Domestic value is at best \$.25 - \$.50 per gallon premium.
- We will sell very little WGJC at \$1.50 over world market pricing. (This in turn could cause a market surplus and drive pricing lower.)

# We Can Succeed

Plant Smart:

Work Together:

Know our Market:

Utilize Technology:

# Shameless Plug

- Call your friendly Ciatti Broker.
- Thank you.

