



California Walnuts Industry Update

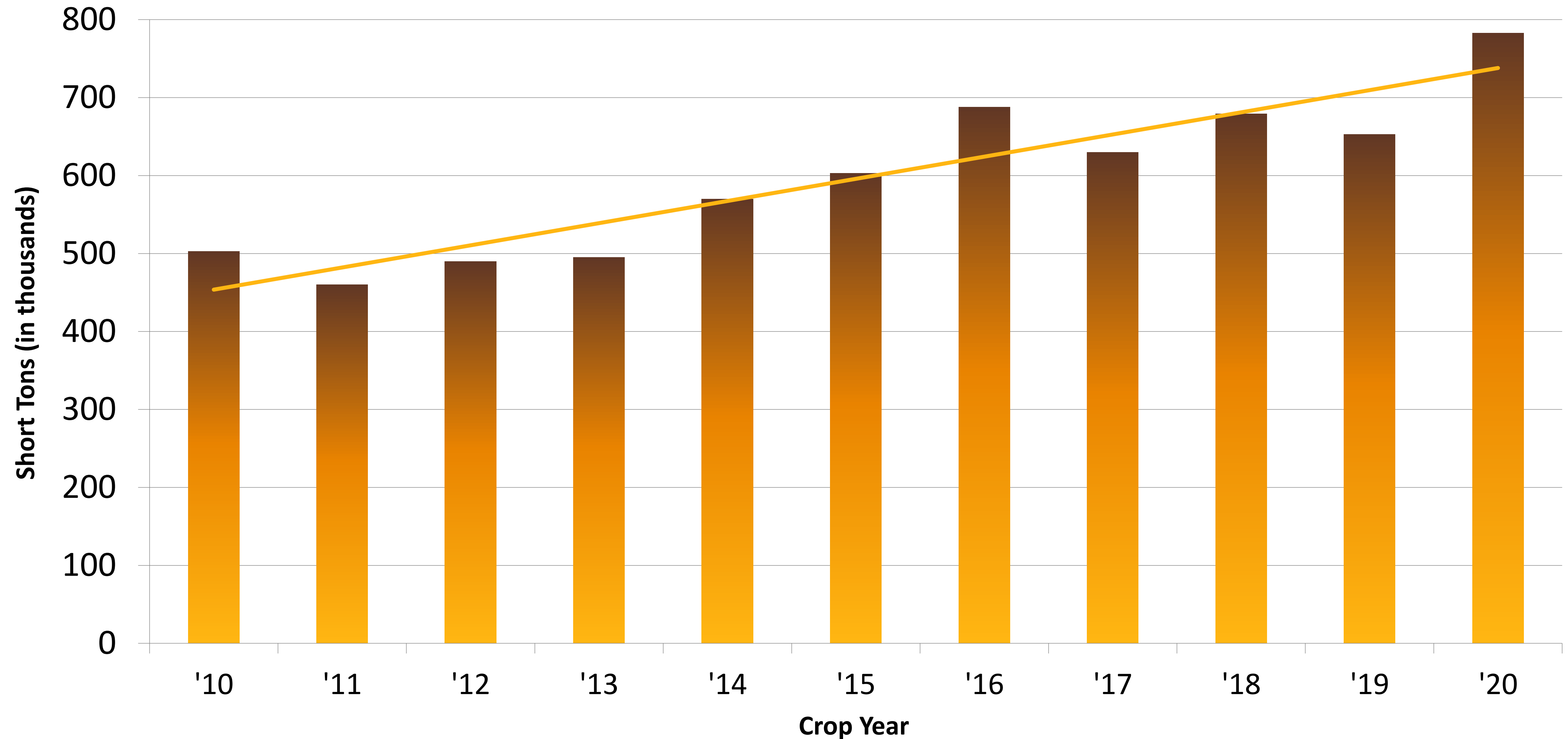


Market Situation

- U.S. Supply/Crop/Inventory
- Competitive Landscape
- Tariffs/Trade Policy
- COVID-19 Pandemic
- Increased Regulations at Home and Abroad

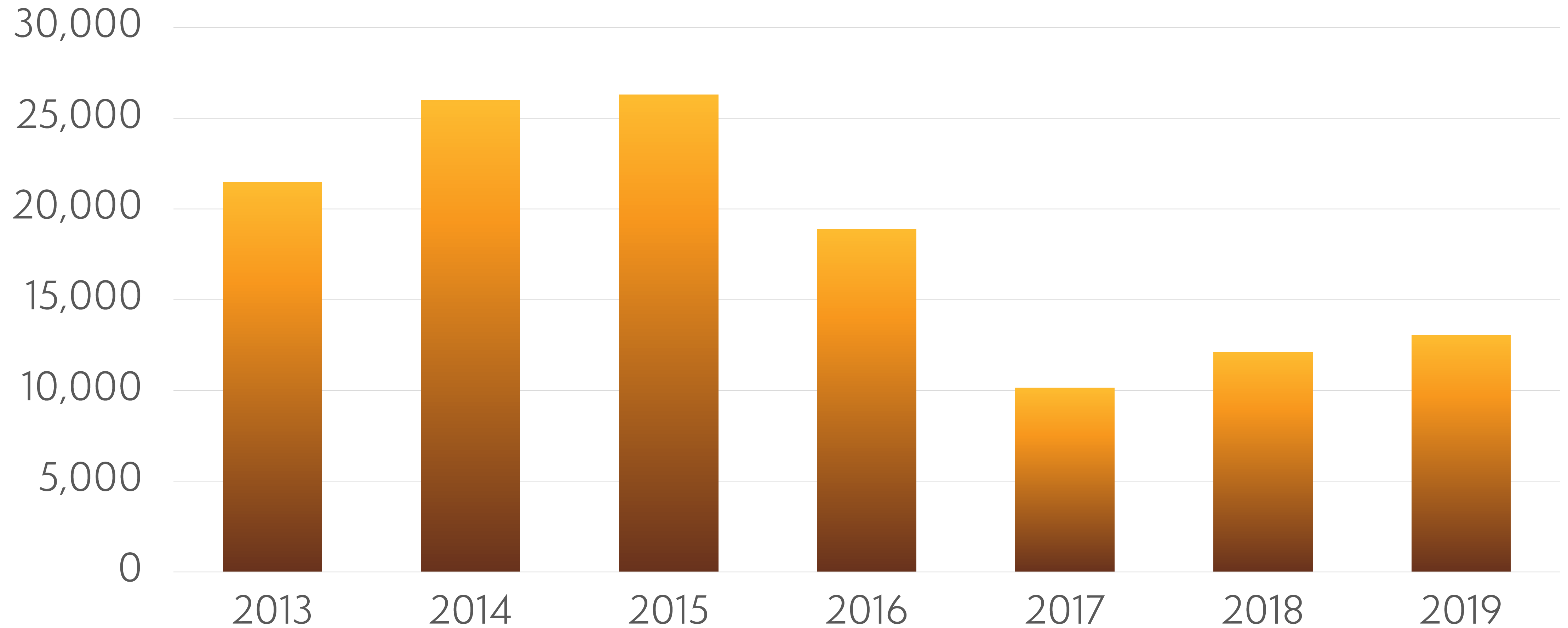


California Walnut Crop

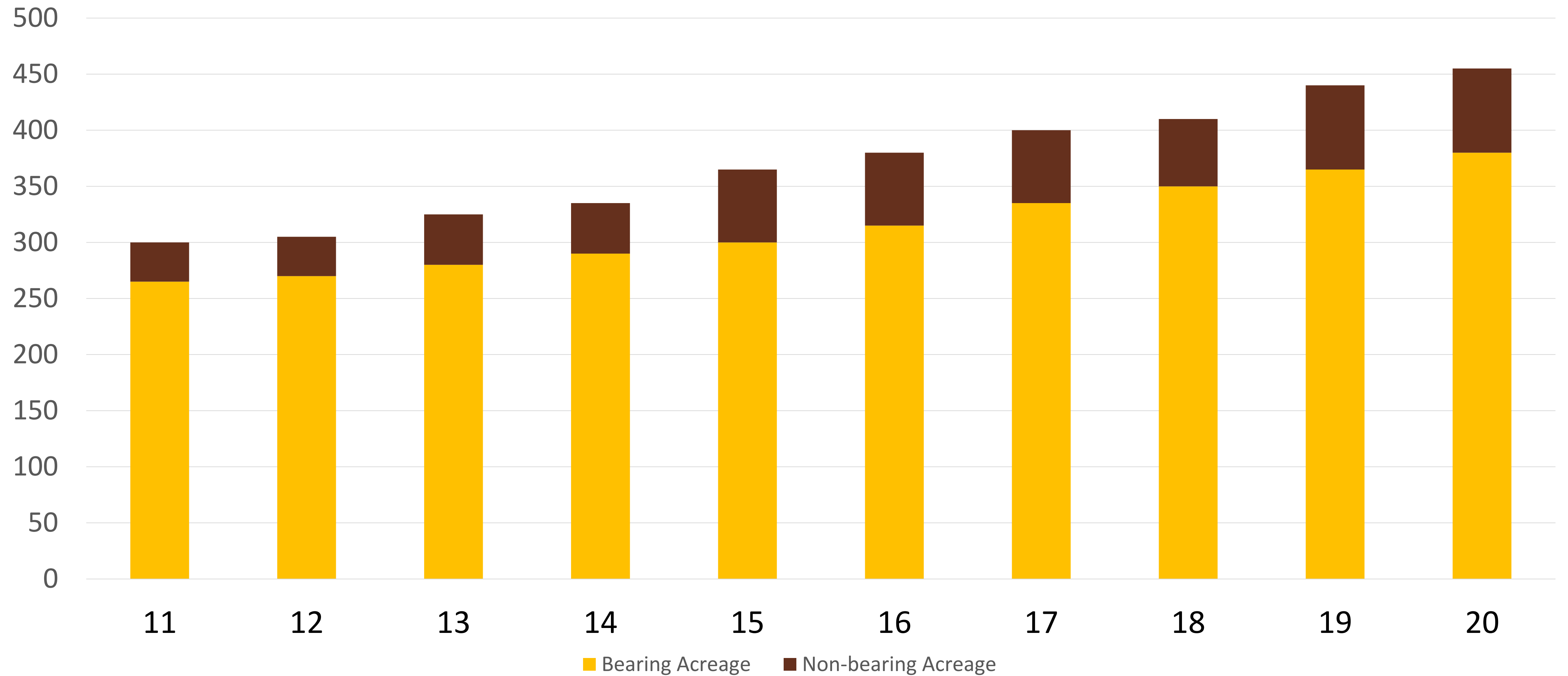


CA New Walnut Plantings

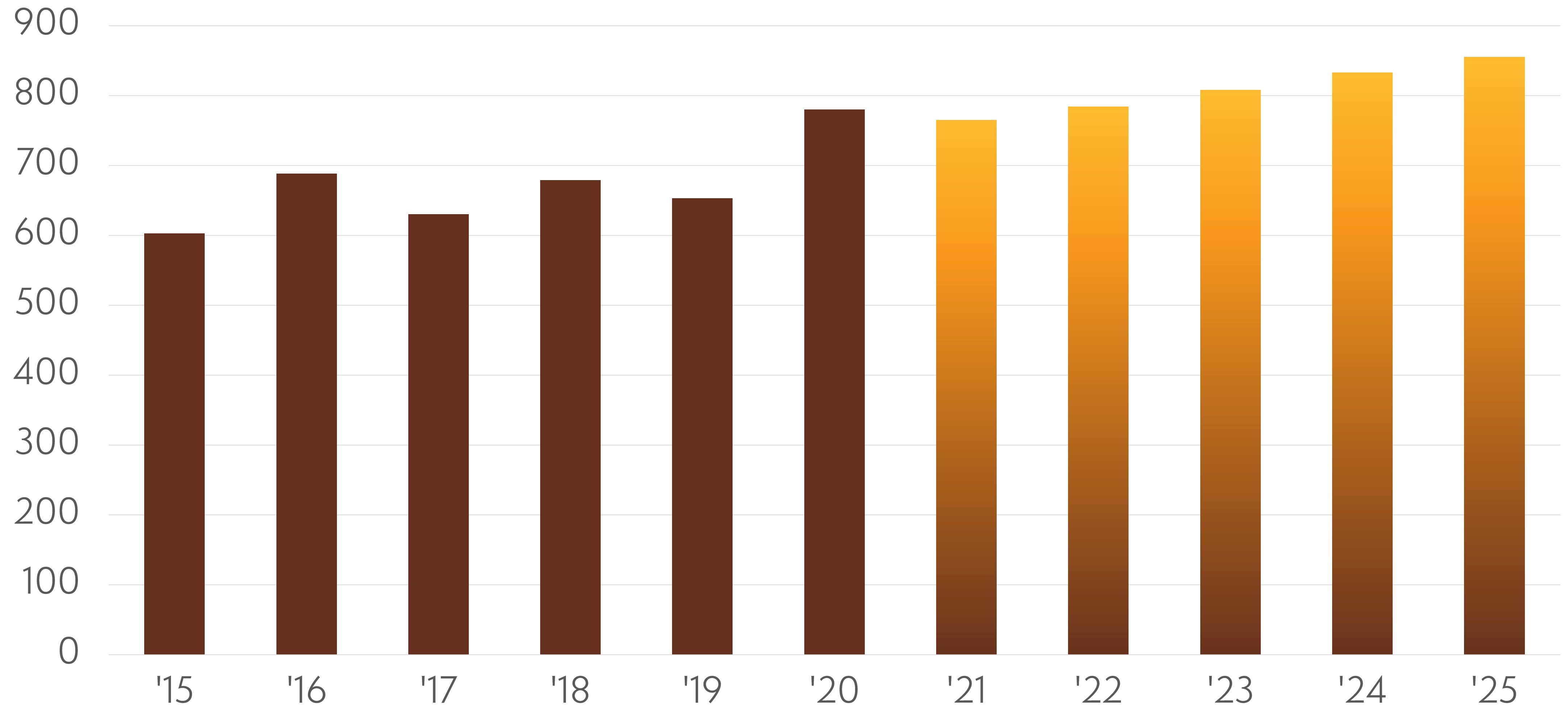
New Acres



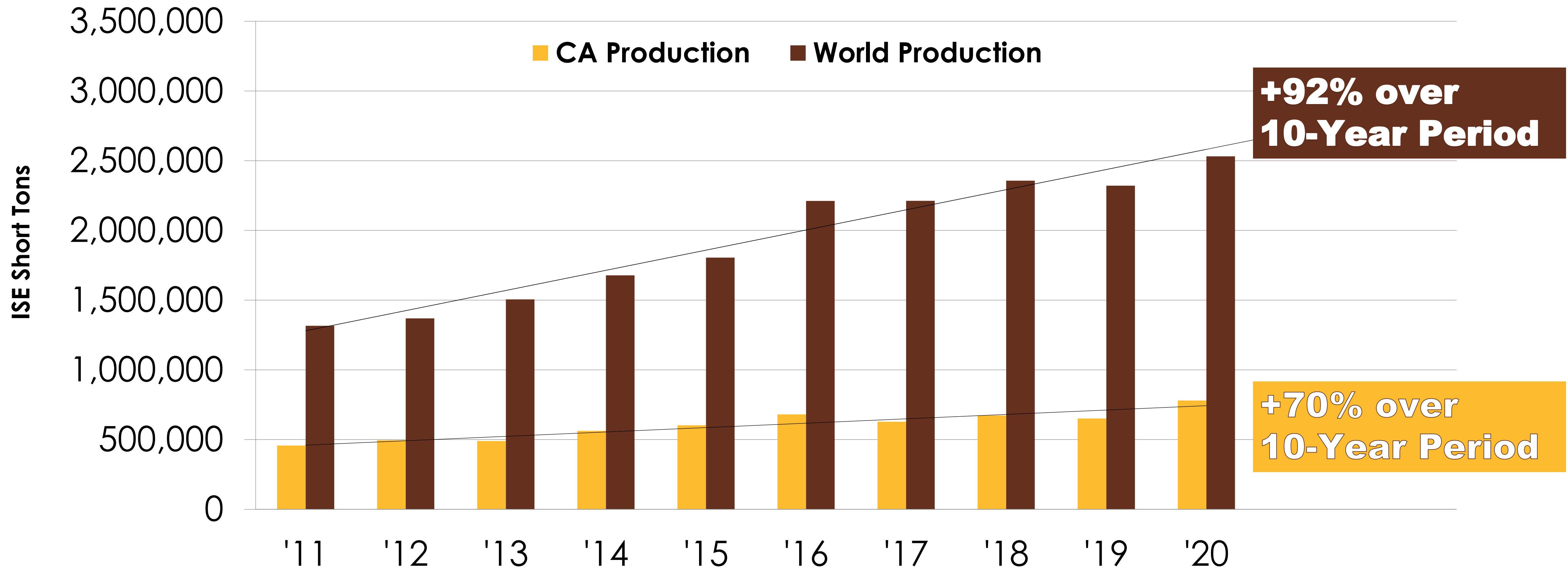
Total CA Acreage



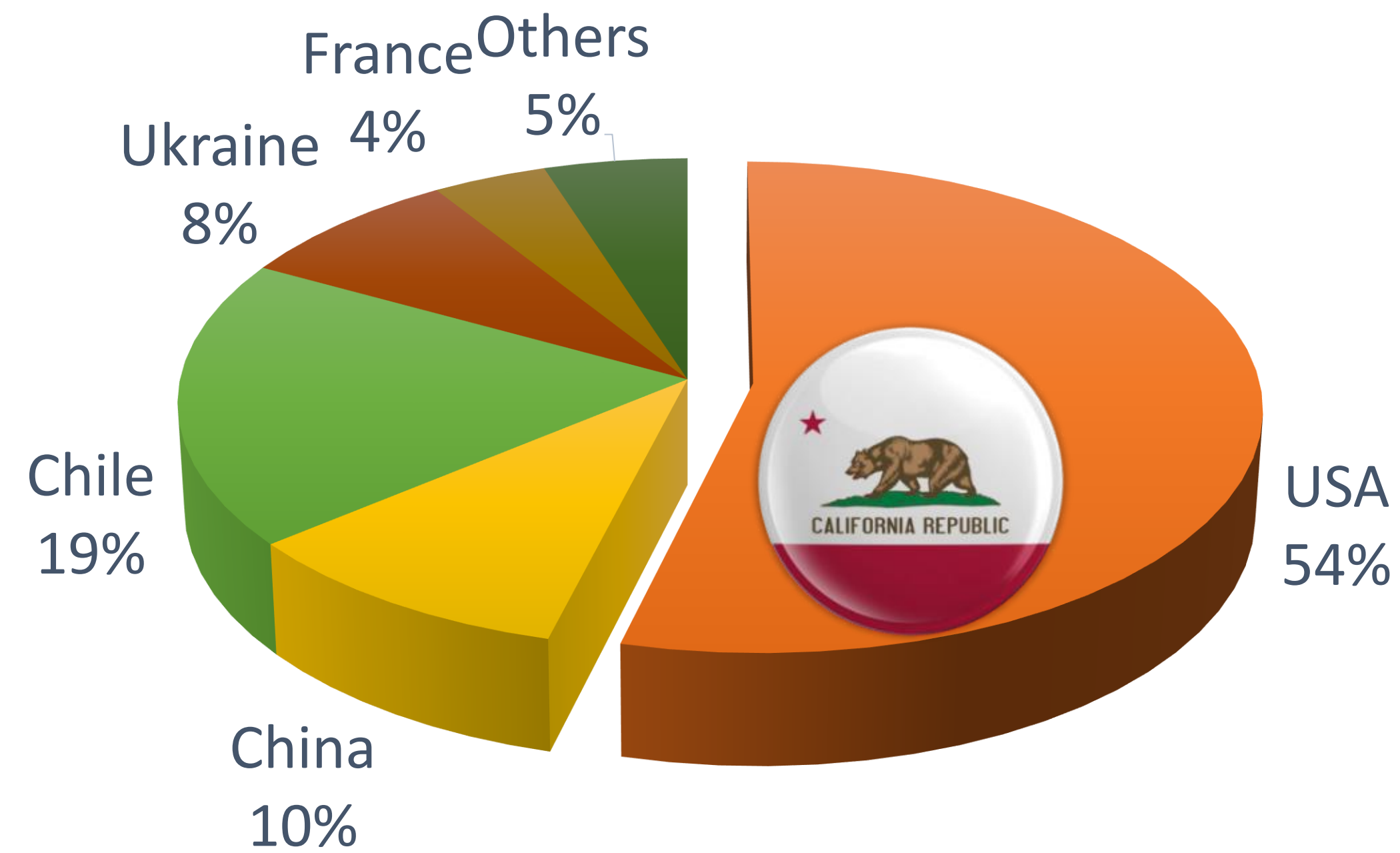
Projected Production



Walnut Supply Growth California compared to Global



2019/20 WORLD TRADE



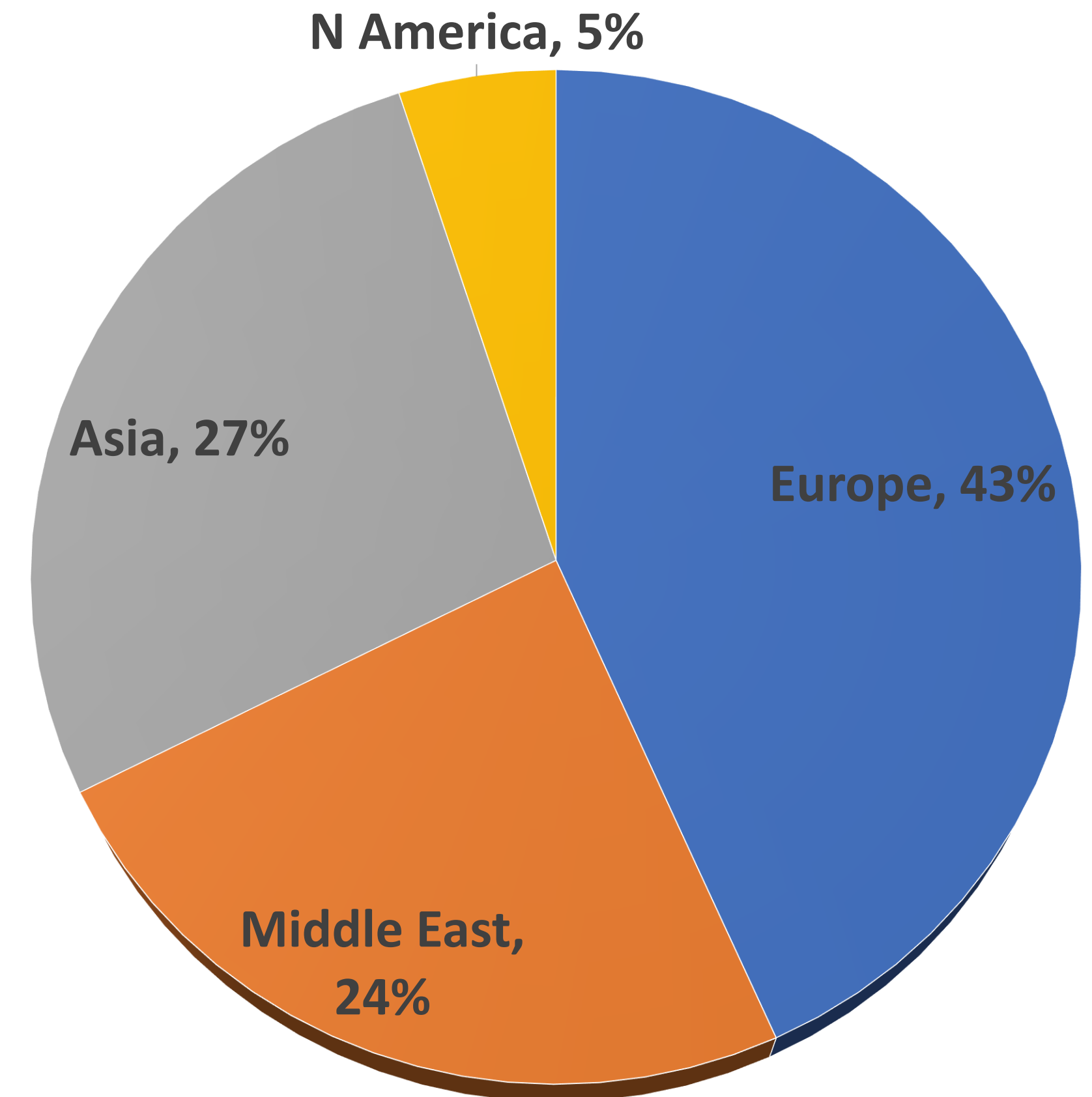
■ USA ■ China ■ Chile ■ Ukraine ■ France ■ Others



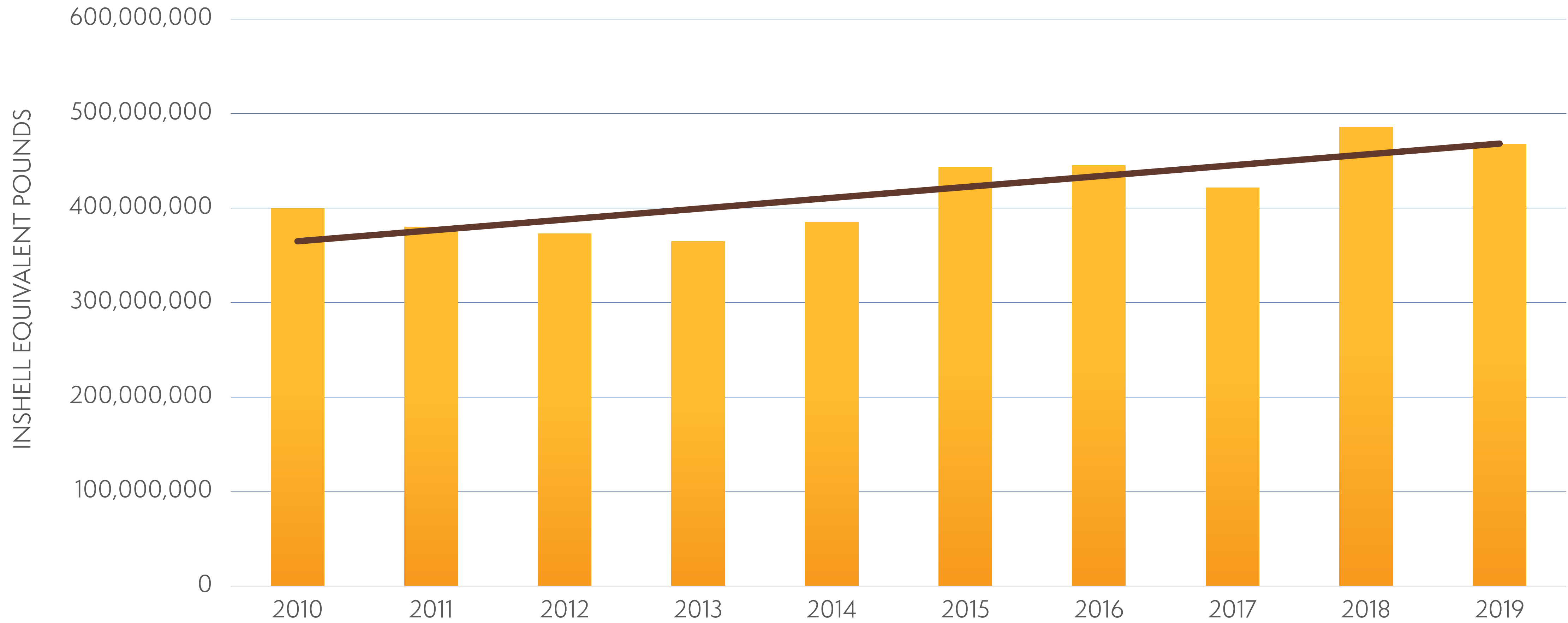
Exports – 2019/20

Top 10 Export Markets			
Market	Volume (ISE Lbs.)	% of Total Shipments	Value (Million)
Germany	154 MM	11.7%	\$224
Turkey	93 MM	7.1%	\$126
Japan	83 MM	6.3%	\$117
Spain	74 MM	5.6%	\$108
Italy	60 MM	4.6%	\$ 89
Korea	55 MM	4.2%	\$ 84
UAE	50 MM	3.8%	\$ 69
Canada	41 MM	3.1%	\$ 61
Netherlands	31 MM	2.3%	\$ 45
United Kingdom	24 MM	1.8%	\$35

Exports by Region



Domestic Shipments



CROP YEAR



Shipments YTD

	Inshell			Shelled		
	2019/20	2020/21	% Change	2019/20	2020/21	% Change
Domestic Total	8,525,377	9,075,734	6.5%	91,540,349	93,651,898	2.3%
Export Total	229,841,832	288,190,144	25.4%	109,787,044	125,302,307	14.1%



Source: CWC Shipment Report January 2021

COVID Trade Impacts

- Retail - strong sales initially, e-commerce growing
- Food service – severely limited
- Food Manufacturing – adapting to conditions, changing new products focus
- Supply disruption – ports and in country
- Labor Shortages – expats went home & city dwellers returned to rural areas



Current Tariffs in Major Markets

MARKET	TARIFF INSHELL	TARIFF SHELLED
Canada	0%	0%
China	70%	65%
European Union	4%	5.1%
India	120%	100%
Japan	10%	0%
Korea	18%	0%
Turkey	14%	14%
U.A.E.	5%	5%
United Kingdom	4%	5.1%



Trade Policy Outlook

- New Biden administration
- Covid-19 Recovery and America first agenda
- Trade policy platform
 - China
 - U.S. - U.K., U.S. – Kenya bilateral agreements
 - Existing 232 tariffs
 - Future agreements – great uncertainty (i.e. India)
- Role of climate change in ag/trade policy



CWC Advocacy

- Industry delegation(s), Meetings, Formal comments and/or Letter writing:
 - Support for USDA Market Access Program (MAP)/Farm Bill /Appropriations
 - Mitigate tariff and non-tariff trade barriers
 - Trade policy
 - MRLs/Pesticides/Chemicals/Protocols/Standards
 - Monitor and respond to regulation (i.e. food safety, bioengineered disclosure, environmental)
 - Legislative liaison (where appropriate by entity)with the United States Trade Representative (USTR), USDA (FAS and AMS), APHIS, EPA, Congressional Representatives and our consultants/agencies



Marketing Order Changes

- Credit back authority
 - Referendum Vote – end of 2020
 - USDA announced amendments to the order approved in February





Marketing

How we keep CA walnuts top of mind
and drive purchase



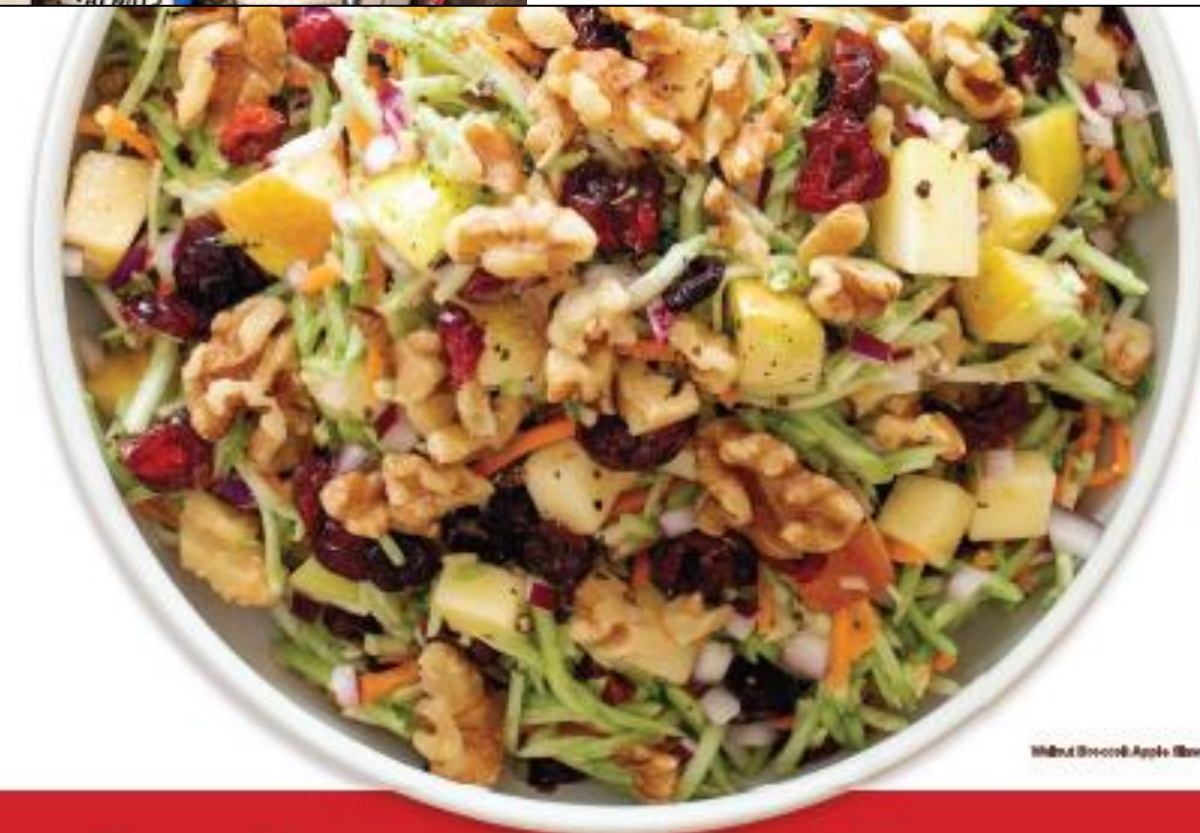
COVID Changes to Consumer Behavior

- People are cooking more at home
- Looking for foods that improve their health
- Eating plant-based more often
- Want shelf stability and multi-use
- Impacts on restaurants and retail



Retail

- Retail promotions in all 9 countries plus USA
- Point-of Purchase displays increase purchase
 - Large chain retailers
 - Warehouse stores/discounters
 - Traditional mom & pop shops
 - Wholesale markets
- Online Food & Beverage Retailers
 - Banner ads
 - Special California Walnut landing pages
 - Shopping list apps with links to purchase



Eat Heart-Smart for
American Heart Month

Heart-healthy* California walnuts are the **only** nut that offers an excellent source of essential omega-3 ALA with 2.5 grams per ounce. **Support your well-being. Take a bag home today.**

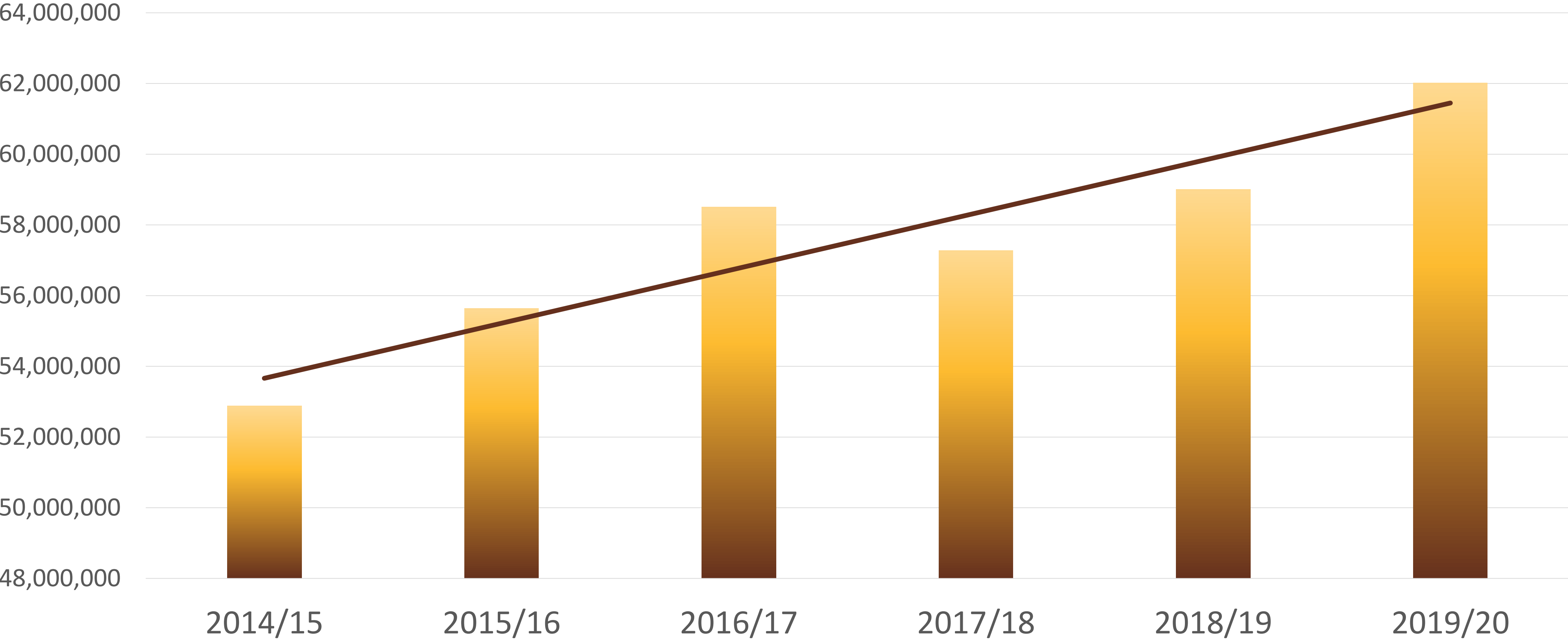


Find recipes and more at walnuts.org.

*California walnuts are certified by the American Heart Association. HeartCheck food certification does not apply to recipes unless expressly stated. Supportive but not conclusive research shows that eating 1.5 ounces of walnuts per day, as part of a low saturated fat and low cholesterol diet and not resulting in increased caloric intake, may reduce the risk of coronary heart disease. (FDA) One ounce of walnuts offers 18g of total fat, 2.5g of monounsaturated fat, 1.3g of polyunsaturated fat including 2.5g of alpha-linolenic acid—the plant-based omega-3.



Domestic Retail Sales



Foodservice

- Menu Promotions
- Technical & Educational Chef Seminars
- Collaboration with Food Service Publications
- Institutional/Mass Catering Promotions



The screenshot shows the website napolipizza.jp/menu/10-78/. The header features the logo for "ナポリの窯" (Napolipizza) with the tagline "ITALIAN DELIVERY". Navigation links include "キャンペーン | 会社概要 | 採用情報". A search bar is present with the text "お店を探す 都道府県を選択". A menu icon is in the top right corner.

The main content area displays the breadcrumb trail: "ナポリピザの宅配 ナポリの窯 > 宅配メニュー > ナポリピッツァ > カリフォルニア産くるみとゴルゴンゾーラのハニーメープル添え". Below this is a "Menu ナポリピッツァ" section.

The featured item is "カリフォルニア産くるみとゴルゴンゾーラのハニーメープル添え". It is categorized as "ナポリピッツァ" and "ソースレス". The description reads: "カリッと香ばしい食感のくるみと、100%ナチュラルチーズやゴルゴンゾーラとの絶妙なバランスが、とまらない美味しさです！ ※ハニーメープル付き。 ※ハーフ&ハーフ不可。 >特設ページはこちら<".

Two price options are listed: **M 1,890円** (※約25cm 8カット 1~2人分) and **L 2,590円** (※約30cm 8カット 2~3人分). A note states "●表記価格は税抜き価格です。". A "注文する" button is located at the bottom right.

A "California WALNUTS" logo is visible in the bottom left corner of the product image area. Below the image, there are two small notes: "●写真はイメージです。" and "●写真はMサイズです。".



Food & Beverage Manufacturing

- Industry specific tradeshow
- Development of Formularies & Prototypes
- Educational Workshops
- One-on-one meetings with research & development staff



(photo; Bean Powder Walnut Products are newly launched at E-mart)



New Products Internationally

- Mintel research has discovered there have been **more than 3,800 new products launched** in 24 countries **during the past 3 years**.
- While new product launches has been steady from year-to-year, the USA, France, Canada, Austria, the UK, Poland, Taiwan and Switzerland have seen positive growth.
- Top categories include: cakes, pastries & sweet goods; snack mixes; snack/cereal/energy bars; cold cereals; and sweet biscuits/cookies.
- Growth categories include: pasta sauces; bread and bread products; cold cereals; and snack mixes



Advertising

- Print Ads
- Online Ads
- Radio
- Outdoor
- In-store
- Television



Public Relations and Media Outreach

- Articles about walnuts exceeded **25,000** globally during the past year.
- Recipe placements show consumers how to use walnuts in new and different ways
- Health Research studies help to position walnuts as a healthy go-to daily food choice

Survey reveals increased snacking habits in the 'new normal'

Nearly half of Americans admit they are snacking more than ever with sweet snacks now more popular than salty



Social Media & Influencers

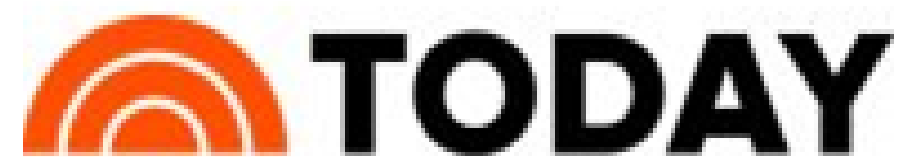


- More than half of the world's total population now uses social media (Facebook, Instagram, Twitter, YouTube)
- Inexpensive platforms that reach the masses to promote and create awareness for California walnuts
- 30% of customers make their purchase decisions based on the recommendations they receive online.
- Consumers follow and trust influencers adding credibility to California walnuts and ultimately driving sales



Health Research Promotion

- Keeps media interested in covering walnuts
- More coverage keeps walnuts top of mind with consumers
- Health is a growing topic of concern for consumers
- Reason to reach out to health professionals
- Go-to resource on health information on walnuts
- Sample U.S. articles that highlighted walnuts:
 - “Prepare for COVID-19’s next wave: Stock your kitchen with these foods” (Today.com)
 - “These Are the 6 Best Anti-Aging Foods, According to Experts” (Real Simple)
 - “14 Tips to Reduce Inflammation to Lose Weight Faster, According to RDs” (Eat This, Not That!)



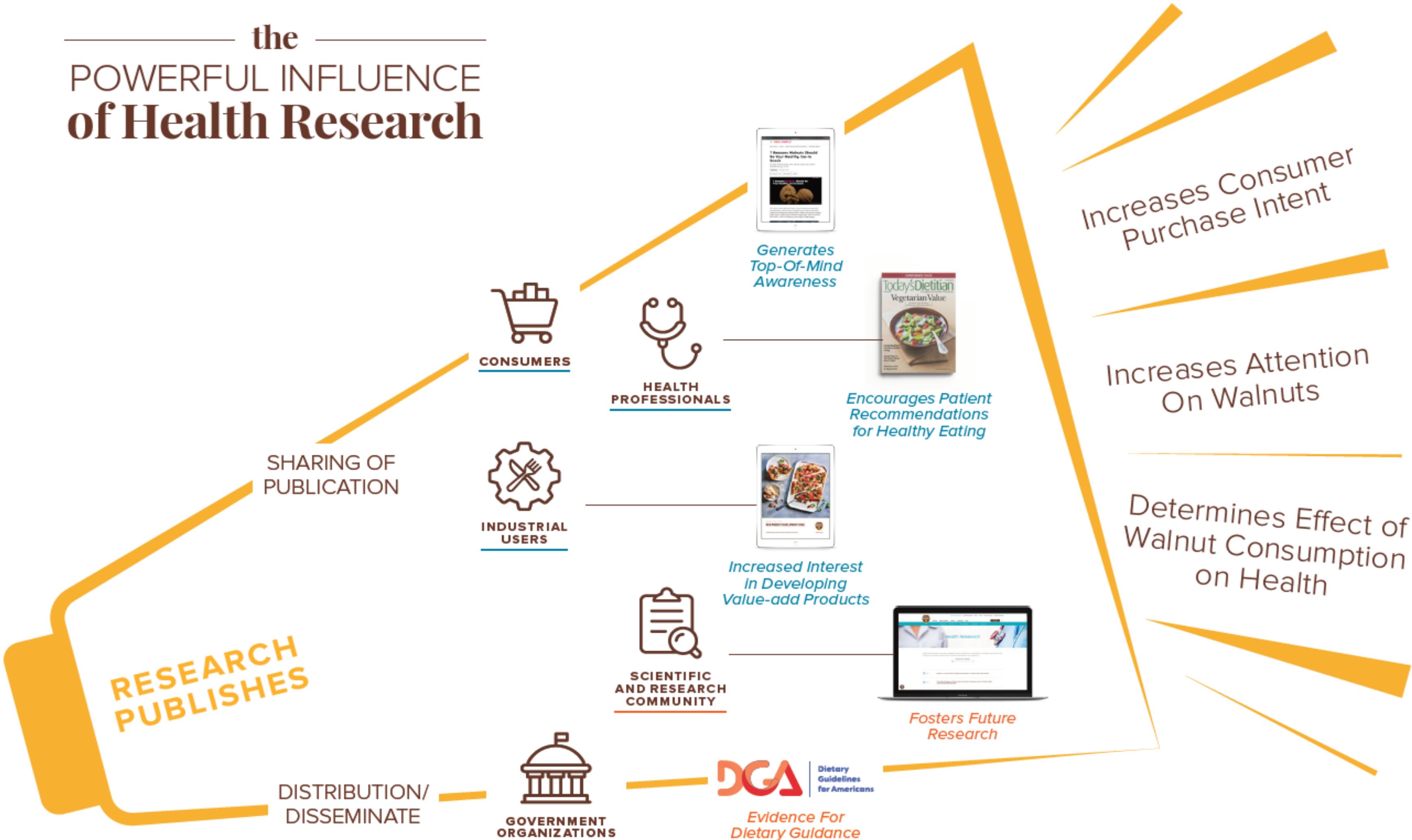
REALSIMPLE



Eat This, Not That!

Health Research Promotion

the
POWERFUL INFLUENCE
of Health Research





Regulatory Stewardship & Compliance

Regulatory Stewardship & Compliance

- **Section 24-C / Special Local Needs (SLN)** registrations for application of fungicides on orchards with standing water
 - Dithane (Mancozeb) formally received SLN label approval and is now available for usage.
 - Champ WG (Copper) still in final stages and awaiting updates as soon as they become available.
- **Glyphosate** – EPA concluded that there are no risks of concern to human health when glyphosate is used according to the label and that it is not a carcinogen.
 - Summer 2020, permanent injunction was entered against enforcing the requirement of including a Prop 65 warning label on pesticides containing glyphosate.
 - EPA Draft Biological Evaluation
 - Collective thoughts are glyphosate will remain an important tool for years to come and it will remain in use BUT decline as other products gain market share.



Regulatory Stewardship & Compliance

- **Mancozeb** Recent Development(s) – EU Status
 - Non-renewal decision adopted by EU
 - EU has established MRLs for dithiocarbamates as a group (six chemicals)
 - EU will wait to take action on applicable MRL until after EU has completed renewal process for all six chemicals (several years)
 - European Commission (EC) confirmed as long as one dithiocarbamate is still approved, lowering the dithiocarbamate MRL to the limit of quantification is not imminent
- **Spirodiclofen** (Envidor CA) – Article 12 EU
 - Article 12 supports the conversion of MRLs in the EU to import MRLs
 - Registration extension approved by EPA through 2022
- Additional product registration and re-registrations efforts
 - PPO, Phosphine (PH₃), Oxytetracycline



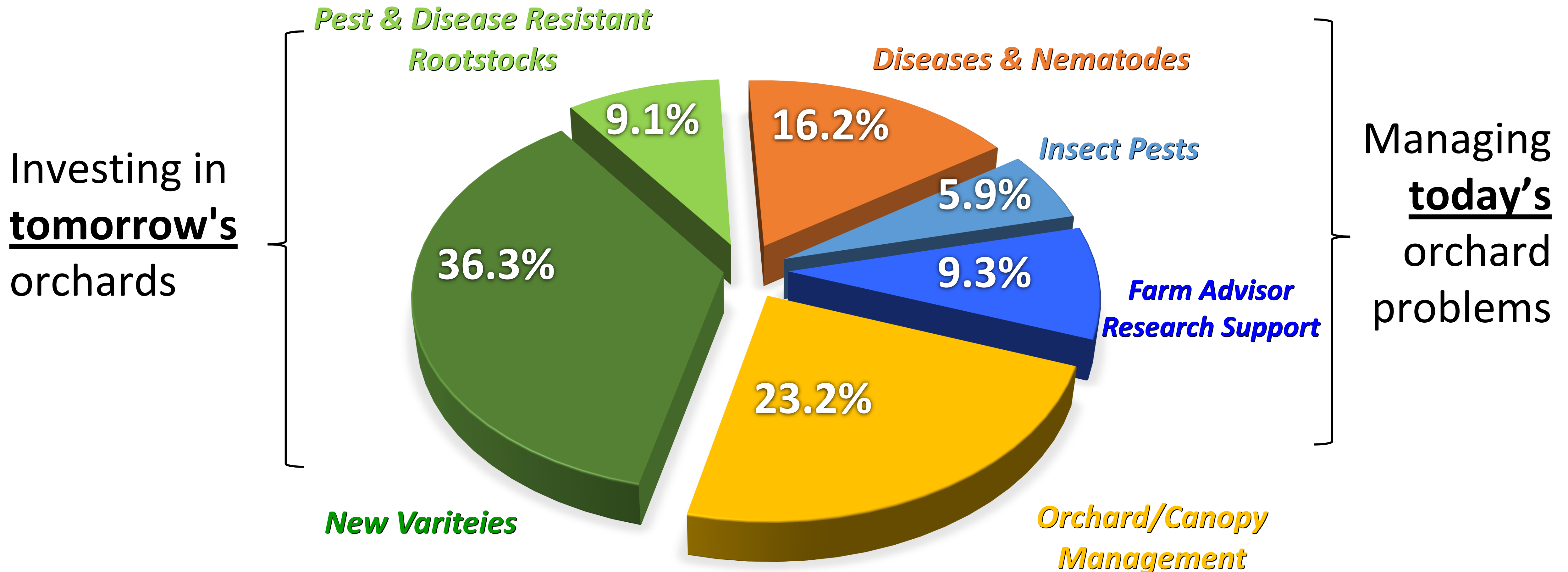


Research & Development

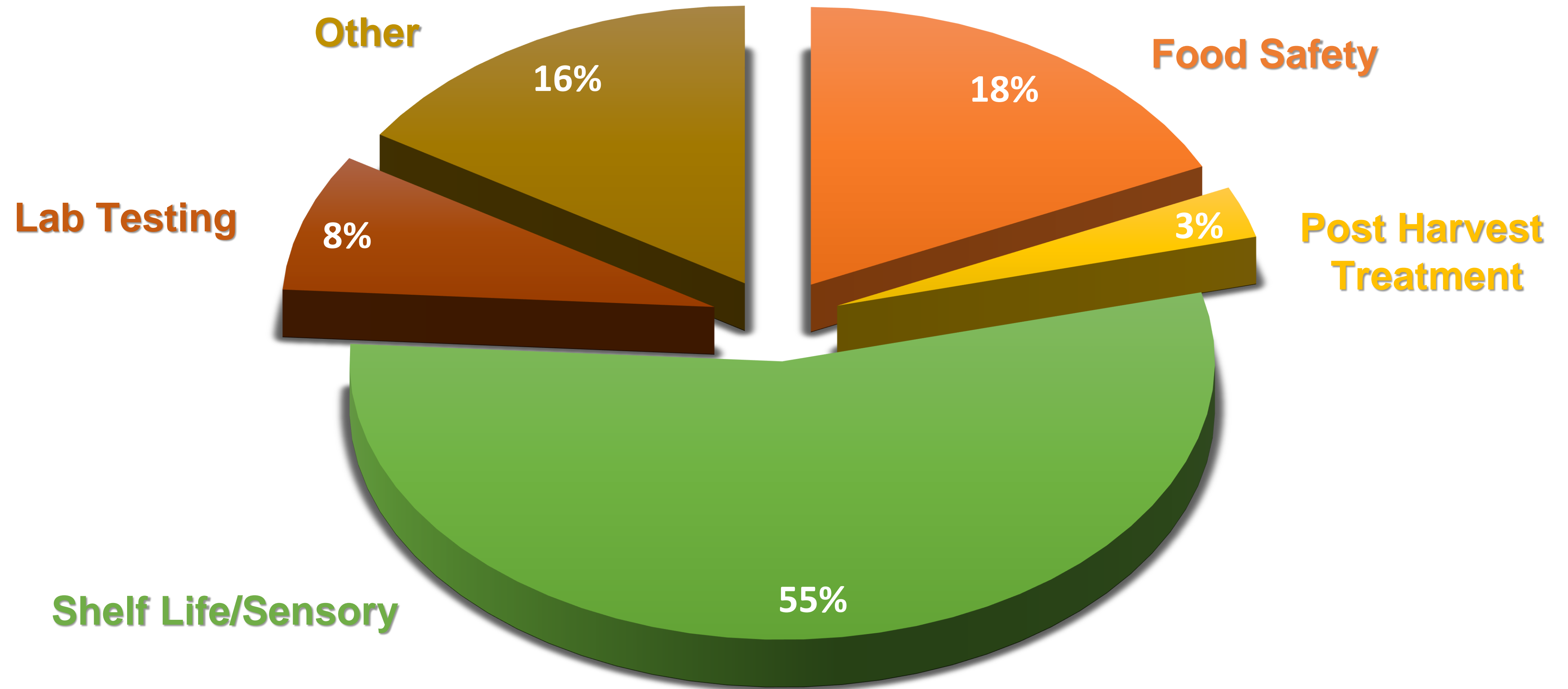
Production Research

FY 2019-2020 Production Research Expenditures

Combining short- and long-range solutions to advance orchard profitability and industry competitiveness & staying power



Post-Harvest Research Pipeline



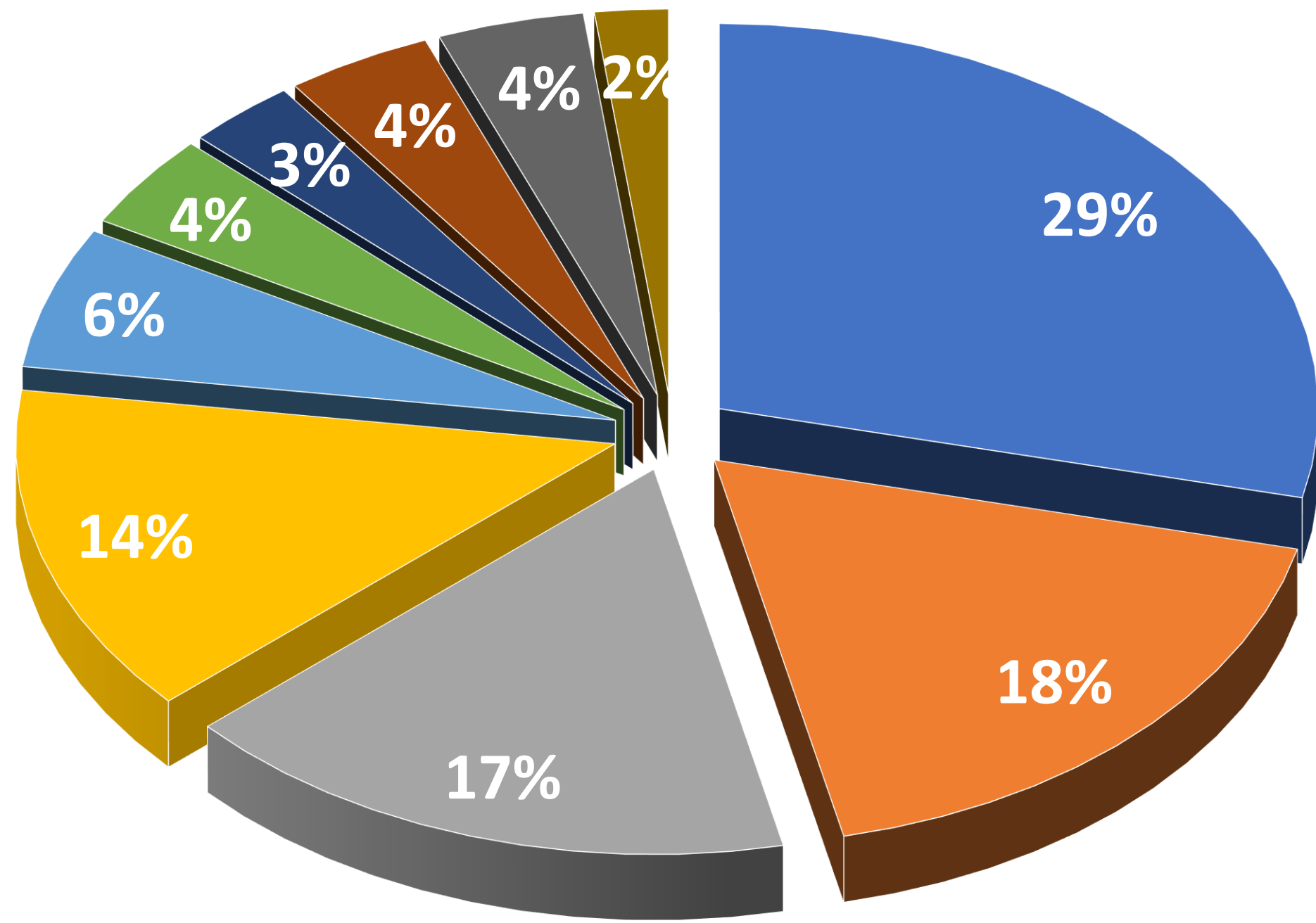
Health Research

CWC continues to build the foremost body of comprehensive walnut nutrition health research based on new and previous scientific findings

Publications to date: 187

Areas of Study

- Heart Health
- Body Weight and Composition
- Cancer
- Cognitive Health
- Diabetes
- Gut Health
- Nutrient & Bioactive Composition
- Research Methodology
- Metabolic Syndrome



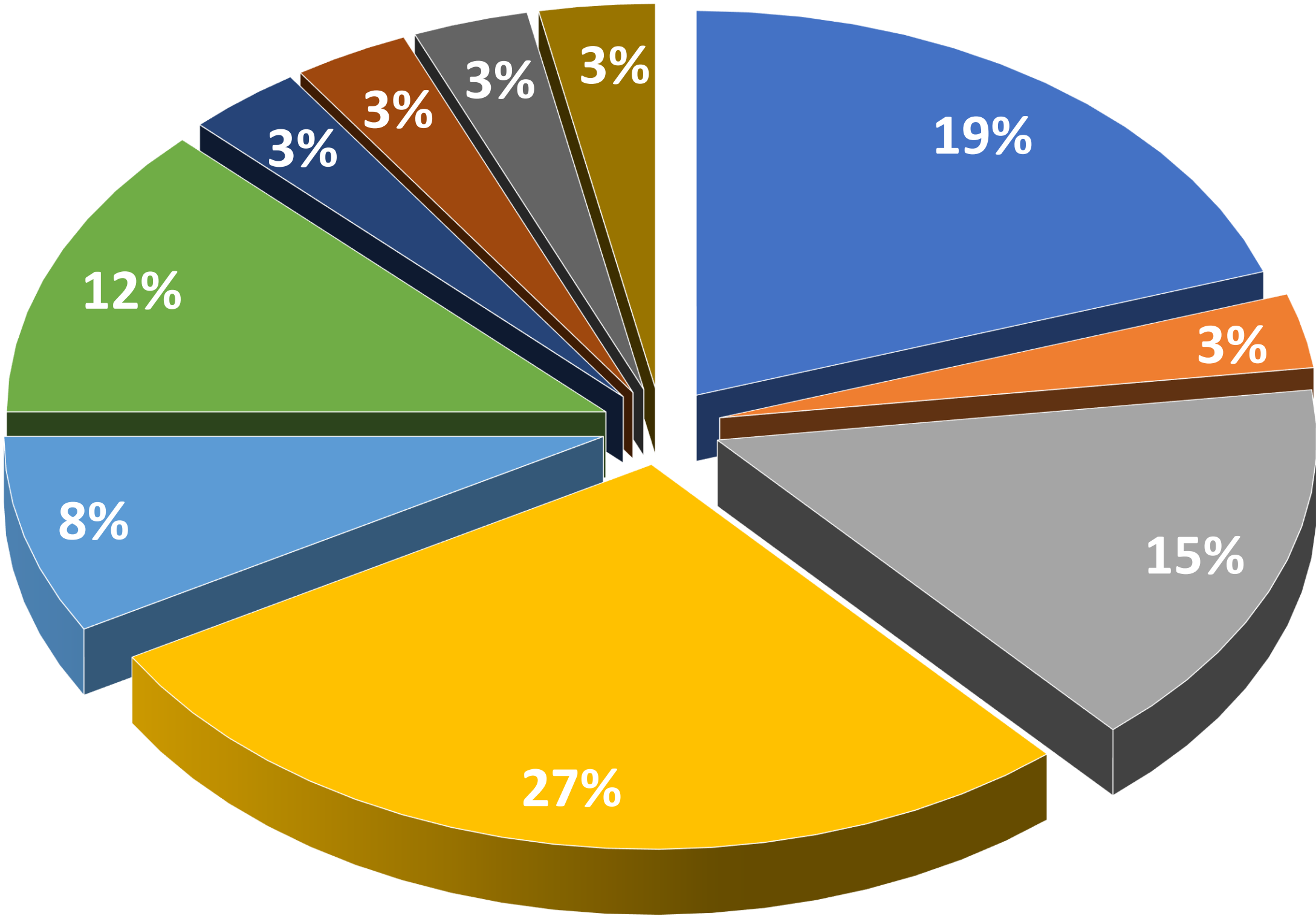
Health Research Pipeline

75% Human Clinical Trials “The Gold Standard”

25% Epidemiological “Study of the frequency, distribution, and determinants of disease in humans, a fundamental science of public health”

Areas of Study

- Heart Health
- Body Weight and Composition
- Cancer
- Cognitive Health
- Diabetes
- Gut Health
- Walnut Research Review
- Food Modeling
- Reproductive Health
- Sleep



Summary

- Build Awareness & Drive Demand
- Mitigate risk & protect industry
- Create opportunity



THANK YOU

Any Questions?

C A L I F O R N I A

WALNUTS