

ASTA Crop Report

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Capsicum Crop Report

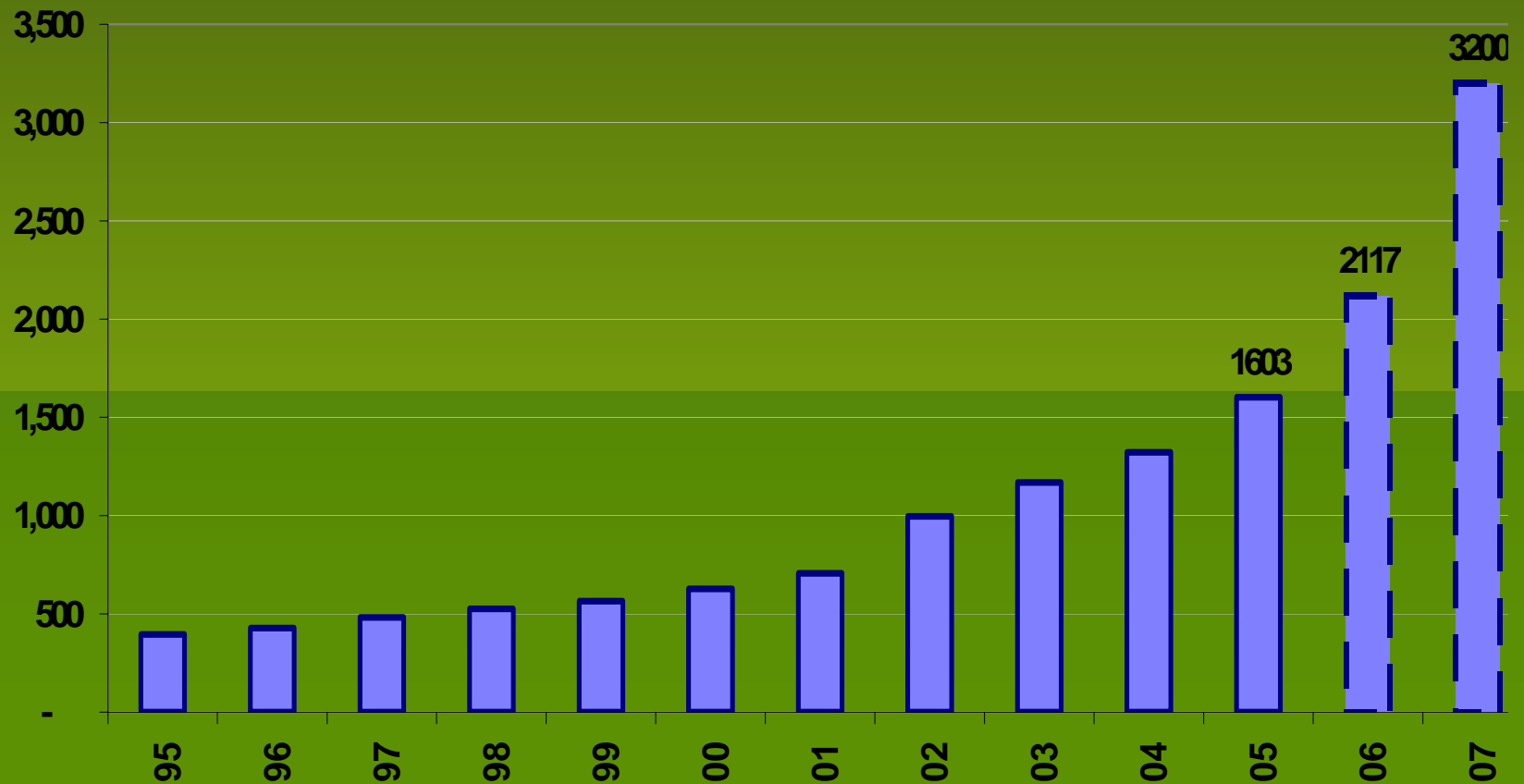
- Global agricultural markets
- Capsicum production and overview
 - US production
 - Peruvian production
 - US Imports
- Future outlook and implications

Global Agricultural Markets

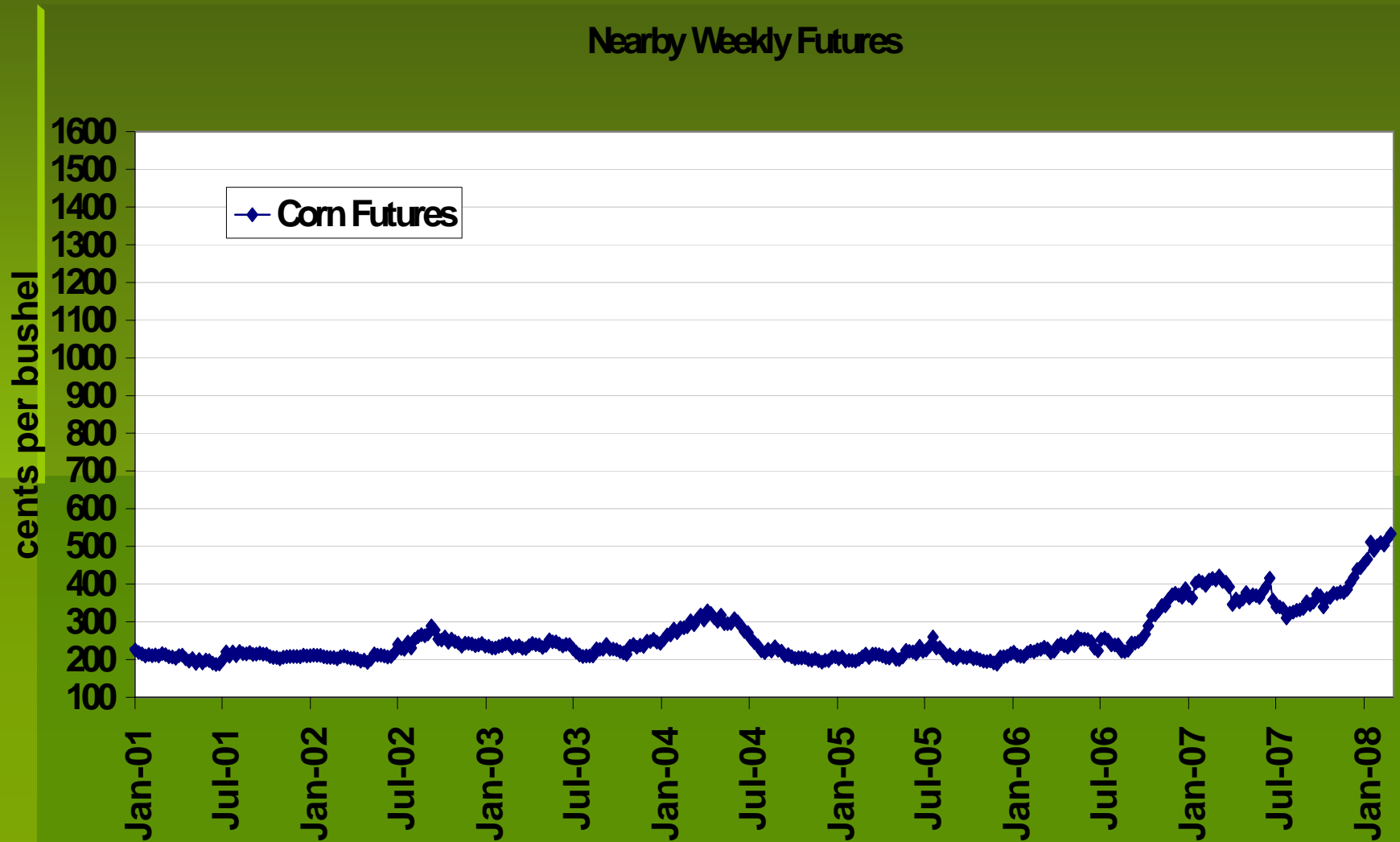
- US energy policy has changed the market
- Agricultural markets are in new territory
- Base commodities: corn, wheat and soy, are driving the market
- Specialty crops have fight to find their place

Ethanol Production is Booming

U.S. Corn Used For Ethanol
2007/08F: 3.2 B Bushels, +51%

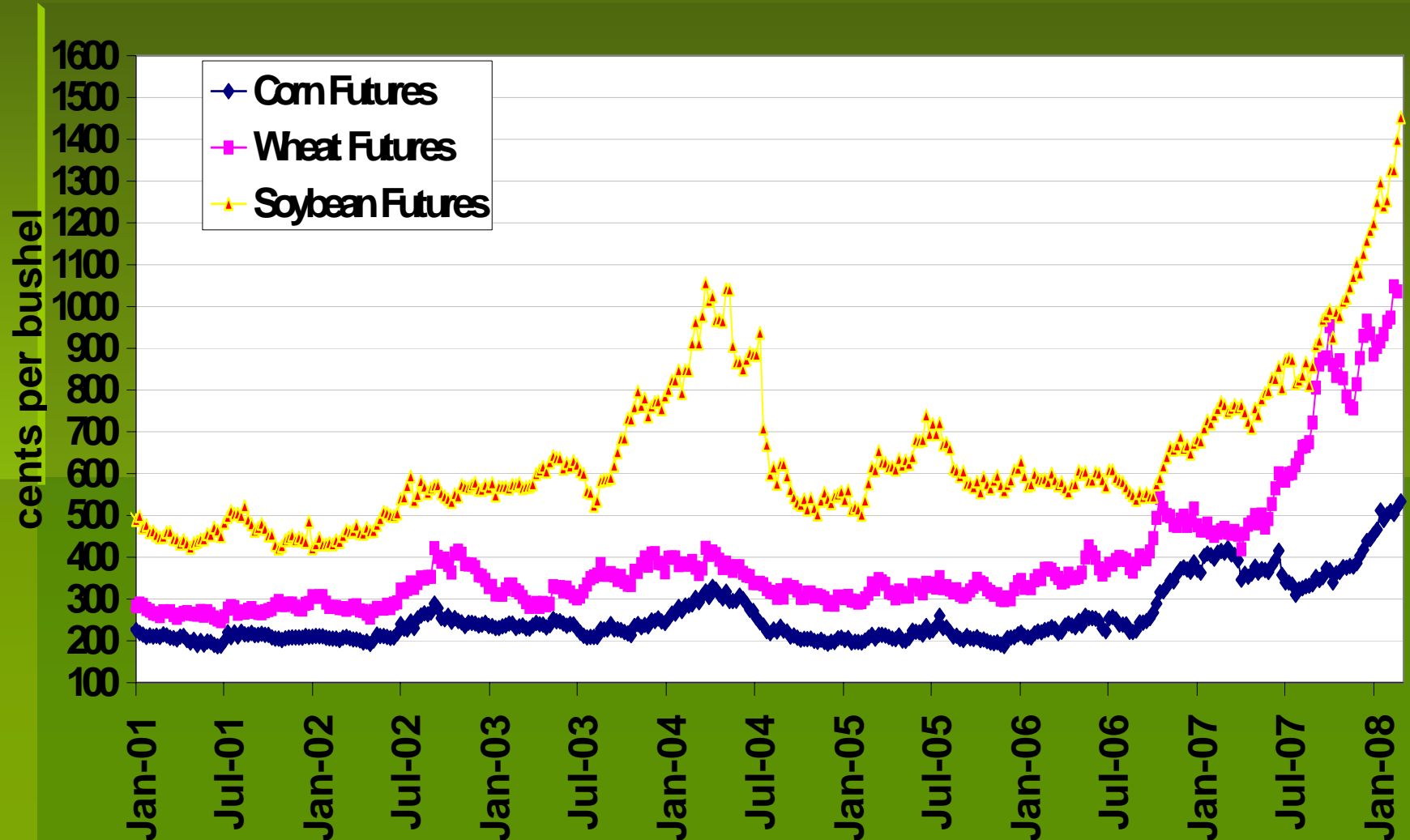


Corn Prices Have Doubled

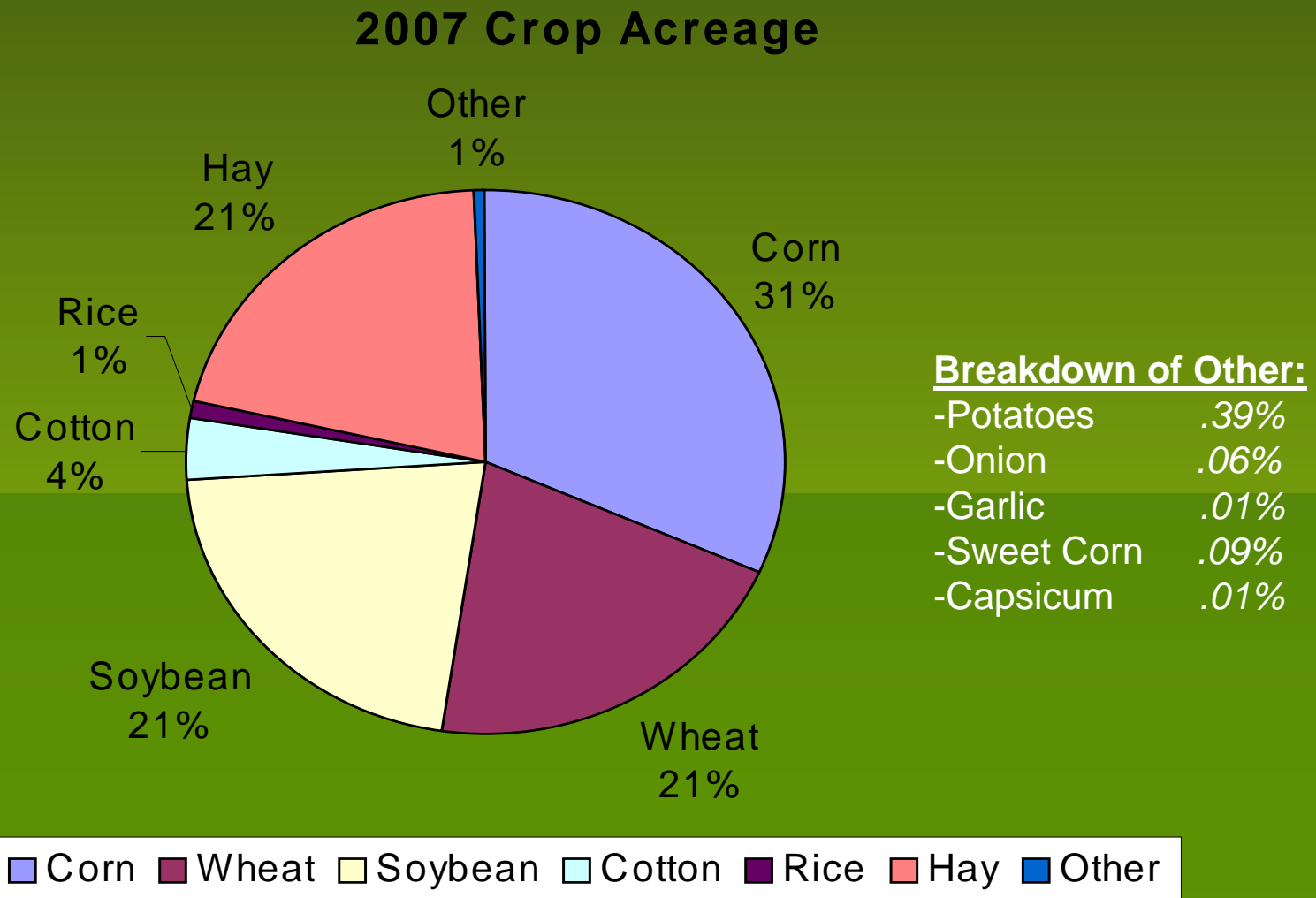


Wheat & Soybeans Move with Corn

Nearby Weekly Futures



Specialty Crops Battle for Acres



U.S. Production

Capsicum Production

- U.S. capsicum production is in a downward trend due to a number of factors
 - Competing crops
 - Lower yield trend
 - Market prices
 - Disease pressure

U.S. Chile Pepper Production

<u>State</u>	<u>Area Planted (acres)</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Arizona	6,000	5,500	4,000
California	6,000	5,500	5,800
New Mexico	17,500	15,300	12,000
Texas	4,900	4,500	4,700
Total US	34,400	30,800	26,500

Source: USDA – NASS, red and green chile combined

U.S. Chile Pepper Production

- Planted acres for red and green chile combined are down 23% over 3 years
- New Mexico planted acres combined are down 31% over 3 years
- General market estimates indicate that red chile acres declined 20% in 2007 verses the prior year

U.S. Chile Pepper Production

- 2007 crop yields were significantly impacted by disease pressure
- Un-harvested acres increased dramatically in Arizona and New Mexico
- General market estimates indicate final red chile yields for 2007 were 20% lower than anticipated

U.S. Chile Pepper Production

- From general estimates, the combined impact of lower planted acres and disease pressure resulted in a 2007 crop that was 40% lower than the prior year's production of red chile
- 2007 marks the lowest U.S. production level in the past 10 years

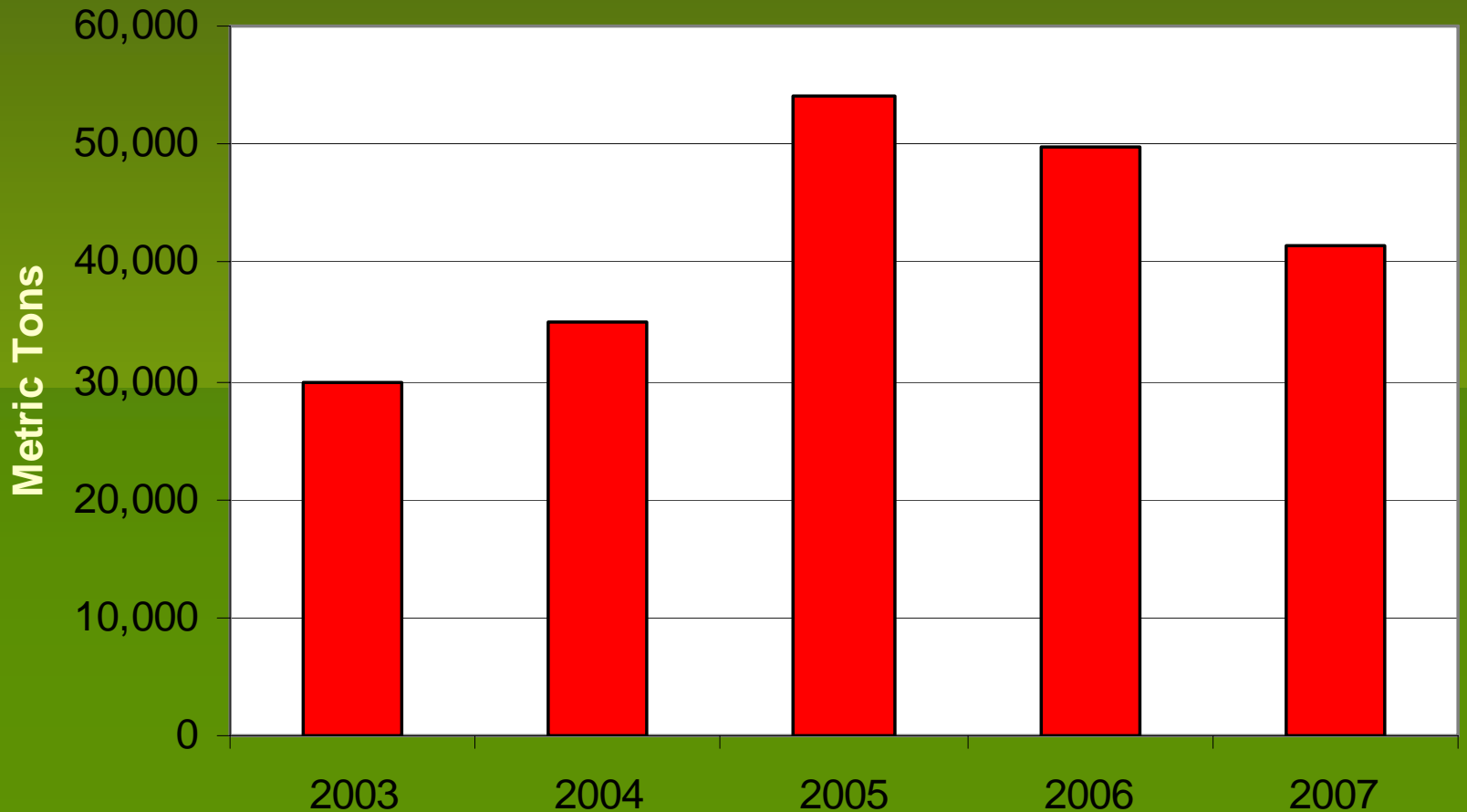
Peruvian Production

Peru – Key Global Supplier

- The world market has grown increasingly reliant on Peruvian capsicum production over the past 8 years
- Downtrends in U.S. and European production have resulted in Peru being a larger part of the global supply equation

Peruvian Capsicum Supply

Peruvian Paprika Exports

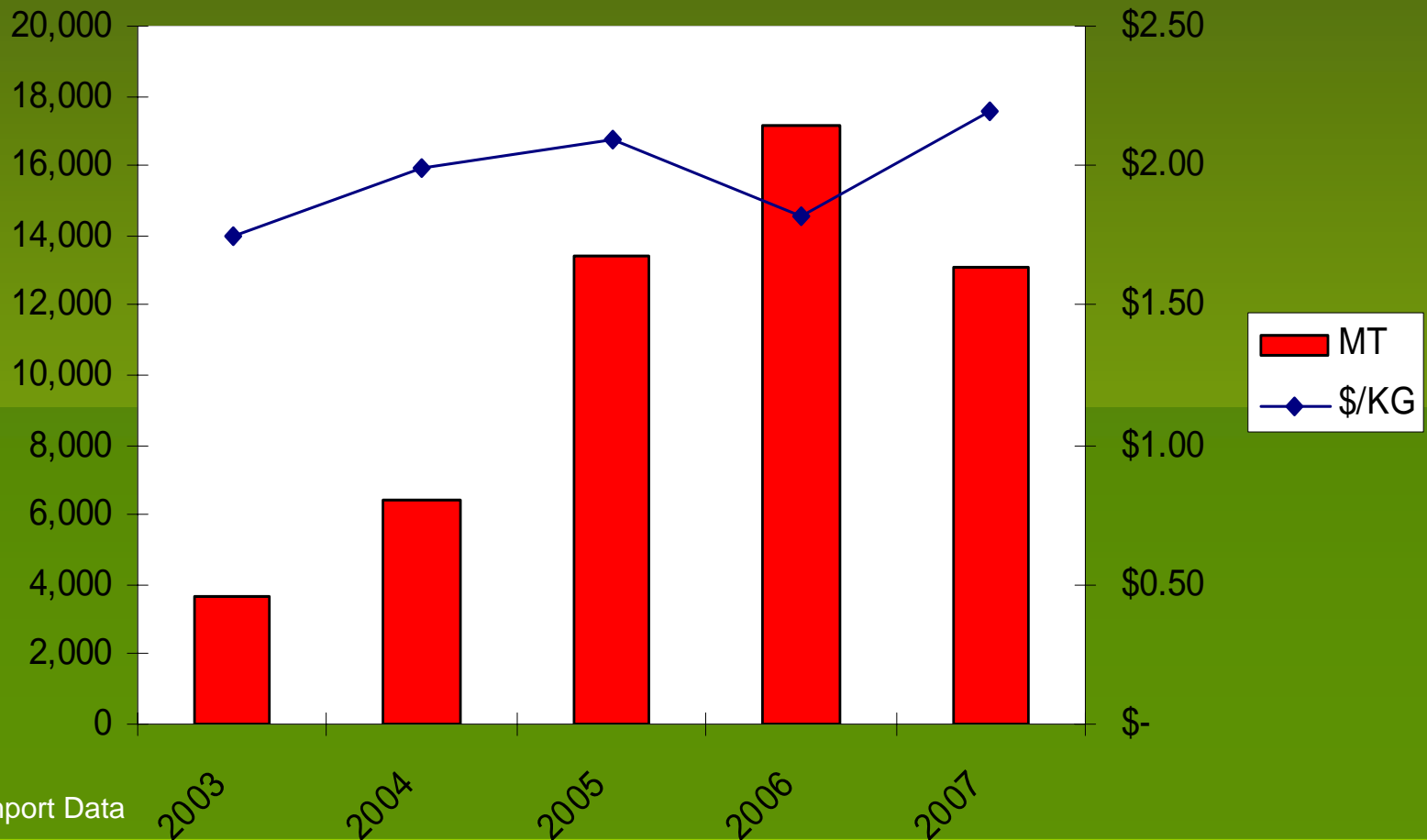


2007 Peruvian Production

- 2007 capsicum production was much lower than anticipated by the market
- Farm level prices tripled during the 2007 season in reaction to the tight supply
- Supply chain disruptions rippled through the market and market values increased

Peruvian Exports to the U.S.

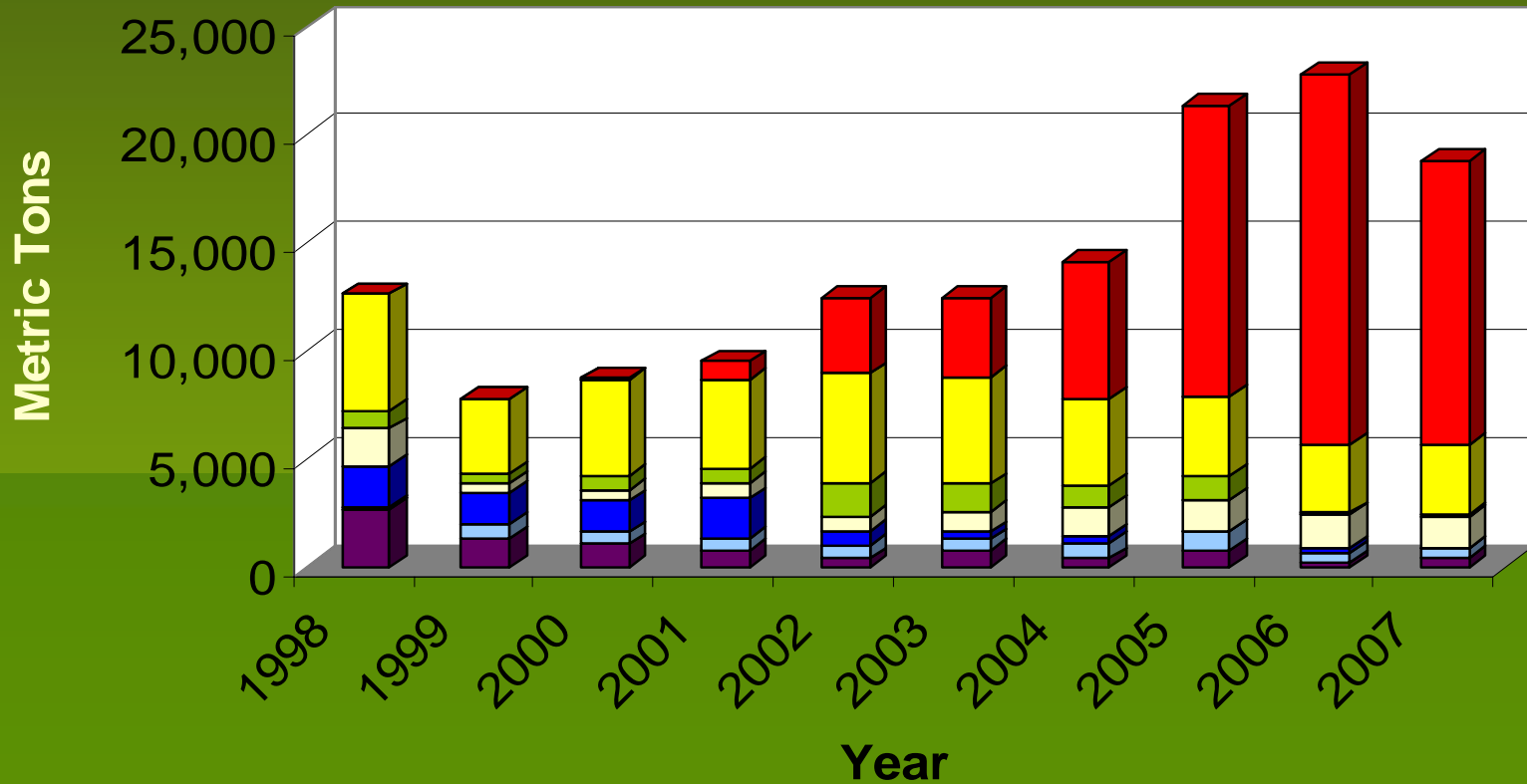
US Capsicum Imports from Peru



USDA Import Data

U.S. Capsicum Imports

US Paprika Imports 1998-2007



ALL OTHER BRAZIL CHILE ISRAEL
SOUTH AFRICA SPAIN PERU

Outlook

Outlook

- Lower U.S. and Peruvian capsicum production in 2007 has significantly tightened global supply
- Demand remains steady
- Prices are moving higher in reaction to the decreased supply
- The market will be depending on a successful 2008 crop in the U.S. and Peru

Outlook

- Peruvian production is estimated to increase in 2008, however, few believe it will rebound to 2006 levels
- Market estimates are that U.S. acres will be unchanged to down 5% in 2008
- Cost pressure will remain in capsicums for the next 12-18 months, with this market structure
- The market will need to re-build safety stocks to move price in a negative direction

Thank you!

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