FORM 10-K

CADIZ INC - CDZI

Filed: March 19, 1999 (period: December 31, 1998)

Annual report with a comprehensive overview of the company

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)
[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from..to...

Commission File Number 0-12114

Cadiz Inc
(Exact name of registrant specified in its charter)

DELAWARE	77-0313235
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Wilshire Boulevard, Suite 1600 Santa Monica, CA	90401-1111
(Address of principal executive offices)	(Zip Code)

(310) 899-4700
(Registrant's telephone number, including area code)

Cadiz Land Company, Inc.
(Former Name of Registrant)

Securities Registered Pursuant to Section 12(b) of the Act: None

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Title of Each Class	Name of Each Exchange on Which registered
None	None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 220.405 of this chapter) is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. /_/

As of March 16, 1999, the registrant had 34,366,572 shares of Common Stock outstanding. The aggregate market value of the Common Stock held by nonaffiliates as of March 16, 1999, was approximately $263,903,000 based on the average of the closing bid and asked prices on this date.

Documents Incorporated by Reference

Certain portions of Registrant's proxy statement for the annual meeting to be held on May 10, 1999, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the Registrant's fiscal year, are incorporated by reference under Part II of this Form 10-K.

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PART I

ITEM 1. BUSINESS

The long-term strategy of Cadiz Inc. (the "Company") is to acquire and develop water and agricultural resources, as well as selected water-related technologies. The Company has created an integrated and complementary portfolio of assets encompassing undeveloped land with high-quality groundwater resources and/or storage potential, prime agricultural properties located throughout central and southern California with secure and reliable water rights, and other contractual water rights. Management therefore believes that, with both the increasing scarcity of water supplies in California and an increasing population, the Company's access to water will provide it with a competitive advantage both as a major agricultural concern and as a supplier of water, which will lead to continued appreciation in the value of the Company's portfolio.

In September 1996, the Company significantly enhanced this portfolio through its acquisition of Sun World International, Inc. ("Sun World"). The Sun World acquisition made the Company one of the largest fully integrated agricultural companies in California by adding to the Company's portfolio prime agricultural land, packing facilities, marketing expertise, proprietary agricultural products and the highly regarded Sun World brand name. The acquisition of Sun World also added valuable water rights to the Company's existing water resource development operations. Currently, Sun World owns more than 19,200 acres of land primarily located in two major growing areas of California: the San Joaquin Valley and the Coachella Valley.

In addition to its Sun World properties, the Company holds more than 39,000 acres of land in eastern San Bernardino County which are underlain by excellent groundwater resources with demonstrated potential for various applications, including water storage and supply programs, and agricultural, municipal, recreational and industrial development. All of the Company's properties are located in close proximity to California's major aqueduct systems. The Company expects to utilize its resources to participate in a broad variety of water storage and supply programs, including the storage and supply of surplus water for public agencies, which require supplemental sources of water, exchanges, or transfers to third parties.

In December 1997, the Company entered into an interim Agreement with the Metropolitan Water District of Southern California ("Metropolitan") to develop principles and terms for a long-term agreement at its Cadiz, California property. In July 1998, the Company and Metropolitan approved the principles and terms for agreement for the Cadiz Groundwater Storage and Dry-Year Supply Program (the "Program"), authorized preparation of a final agreement based on these principles and terms and initiated the environmental review process for the Program. The Program will enhance Southern California water supply reliability in two ways, providing a new dry-year water supply and much-needed storage. During wet years or periods of excess supply, Metropolitan will store surplus Colorado River water in the aquifer system underlying the Company's Cadiz property. During dry years, the previously imported water, together with indigenous groundwater, will be extracted and delivered, via a conveyance pipeline, to Metropolitan's service area. The principles and terms for agreement call for Metropolitan to store a minimum of 500,000 acre-feet of Colorado River water and purchase a minimum of 1,100,000 acre-feet of indigenous groundwater for transfer over the 50-year term of the agreement.

The Company continually seeks to develop and manage its water and agricultural resources for their highest and best uses. The Company also continues to evaluate acquisition opportunities, which are complementary to its current portfolio of water and agricultural resources.

(a) General Development of Business

As part of its current business plan, the Company's land acquisition, development activities and agricultural operations are conducted for the purpose of enhancing the long-term appreciation of its properties. See "Narrative Description of Business," below.

As the most populous state in the nation, California's population is projected to swell to nearly 50 million people by the year 2020. This increasing population is placing great demands on California's infrastructure, particularly its limited water resources. According to the California Department of Water Resources, shortfalls of approximately 7 million acre-feet are forecasted in a dry year by the year 2020. Management therefore believes that, with both the increasing scarcity of water supplies in California and the increasing demand for water, the Company's access to water will provide it with a competitive advantage both as a major agricultural concern and as a supplier of water which will lead to continued appreciation in the value of the Company's portfolio.

On September 13, 1996, the Company acquired all of the stock of a reorganized Sun World pursuant to a consensual plan of reorganization for a net purchase price of approximately $179 million (the "Sun World Acquisition"). Sun World and certain subsidiaries of Sun World had filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on October 3, 1994 after debt restructuring negotiations with its existing lenders failed.

The Company's Sun World Acquisition was an integral part of the Company's business strategy. Sun World adds to the Company's portfolio approximately 19,200 acres of prime agricultural land primarily in the San Joaquin and Coachella Valleys, increasing the Company's total landholdings to approximately 58,200 acres. See Item 2, "Properties."

Effective September 1, 1998, the Company changed its name from Cadiz Land Company, Inc. to Cadiz Inc.

(b) Financial Information About Industry Segments

During the year ended December 31, 1998, the Company operated its agricultural resources segment and continues to develop its water resource segment of the business. See Consolidated Financial Statements. Also, see Item 7, "Management's Discussion and Analysis."

(c) Narrative Description of Business

Pursuant to its business strategy, the Company continually seeks to develop and manage its portfolio of water and agricultural resources for their highest and best uses. The development and management activities of the Company are currently focused on agricultural operations (primarily through its wholly-owned Sun World subsidiary) and water resource development. The Company also continues to evaluate acquisition opportunities, which are complementary to its current portfolio of water and agricultural resources.

WATER RESOURCE DEVELOPMENT

The Company's portfolio of water resources, located in close proximity to the Colorado River or the major aqueduct systems of central and southern California, such as the State Water Project and the Colorado River Aqueduct, provides the Company with the opportunity to participate in a variety of water storage and supply programs in partnership with regional public water agencies.

CADIZ GROUNDWATER STORAGE AND DRY-YEAR SUPPLY PROGRAM. The Company's 27,400 acres in the Cadiz and Fenner Valleys of eastern California (the "Cadiz/Fenner Property") are underlain by a substantial high-quality groundwater basin. This groundwater is recharged by rain and snowfall within a catchment area of nearly 1,300 square miles. See Item 2, "Properties - The Cadiz/Fenner Property."

In July 1998, the Company and Metropolitan approved principles and terms for agreement for the Cadiz Groundwater Storage and Dry-Year Supply Program. The principles and terms for agreement provide that Metropolitan will, during wet years or periods of excess supply, store surplus water from its Colorado River Aqueduct in the Company's groundwater basin. During dry-years or times of reduced allocations from the Colorado River, the stored water will be withdrawn and returned via conveyance facilities to the aqueduct to meet Metropolitan's water supply needs. In addition, indigenous groundwater would also be transferred utilizing the same facilities.

During the 50-year term of the agreement, Metropolitan will store a minimum of 500,000 acre-feet of Colorado River Aqueduct water in the Company's groundwater basin and purchase a minimum of 1,100,000 acre-feet of existing groundwater for transfer during dry-years. The Program will have the capacity to convey, either for storage or transfer, up to 150,000 acre-feet in any given year.

During storage operations, Metropolitan will pay a fee per acre-foot for put of water into storage and a fee per acre-foot for return of water from storage, and a storage fee every year that water is stored in the groundwater basin. On the transfer of water, Metropolitan will pay a base rate of approximately $230 per acre-foot, which will be adjusted according to a water price formula. Additionally, recognizing that delivery of the Company's high-quality, indigenous groundwater to the aqueduct provides a significant water quality benefit, Metropolitan will pay the Company a water quality fee for both transferred and returned water.

The Program facilities, including spreading basins, extraction wells, conveyance pipeline and a pumping plant, are estimated to cost between $125 and $150 million, and both parties will share these costs. A pilot spreading basin project has been constructed which will model and further analyze the storage and extraction of water. Engineering and optimization studies are currently ongoing to finalize design criteria for the Program facilities. All operational costs of the Program, including annual operations, maintenance and energy costs, will be an obligation of Metropolitan.

The principles and terms for agreement call for the establishment of a comprehensive, independent groundwater monitoring and management plan to ensure long-term protection of the groundwater basin. The environmental review process, which will include compliance with California Environmental Quality Act and National Environmental Protection Act requirements, has commenced. The final agreement may reflect adjustments to these principles and terms in order to reflect information identified during this review. The final agreement will be presented to the respective Boards of both parties for approval. The Program is anticipated to be operational by the year 2001.

PIUTE. The Company's water development operations at its 7,300 acre Piute property are located in eastern San Bernardino County approximately 15 miles from the resort community of Laughlin, Nevada and about 12 miles from the Colorado River town of Needles, California. Hydrological studies and testing of a full scale production well have demonstrated that this landholding is underlain by recharging groundwater of excellent quality. See Item 2, "Properties - The Piute Property." Additional technical and environmental investigations are currently underway for a water development program anticipated to transfer approximately 10,000 to 15,000 acre feet per year.

DANBY LAKE AND OTHER. The Company currently owns or controls additional acreage located throughout other areas of the Mojave Desert, such as Danby Lake. This area is located approximately 30 miles southeast of the Company's Cadiz/Fenner Valley property and 10 miles north of the Colorado River Aqueduct.

SUN WORLD WATER RESOURCES. Sun World has valuable water rights in various parts of central and southern California. The Company believes with increasing water shortages in California, land with prime water rights will increase substantially in value.

Sun World's landholdings and associated water resources are located adjacent to the major aqueduct systems of central and southern California, and in close proximity to the Colorado River. These holdings complement the Company's other groundwater resources and will enhance the Company's opportunities to participate in a broad variety of water storage, supply, exchange or banking programs.

AGRICULTURAL OPERATIONS

The Company is one of California's largest vertically integrated agricultural companies combining an extensive research and development program, year-round sourcing, farming and packing activities and strong marketing capabilities. For the twelve months ended December 31, 1998, Sun World recorded revenues of $106.4 million.

PRODUCT LINE. Sun World ships approximately 75 different varieties of fresh fruits and vegetables to all 50 states and to more than 30 foreign countries. Sun World is a leading grower and marketer of table grapes, seedless watermelons, colored sweet peppers, plums, peaches, nectarines, apricots and lemons. It is also one of California's largest independent marketers of grapefruit, tangerines, mandarins, navel oranges and dates.

The breadth and diversity of the product line helps to minimize the impact of individual crop earnings fluctuations. Further, the breadth and diversity of its product offering provides Sun World with greater presence and influence with its grocery and food service customers.

Although many fruits and vegetables are fungible commodities, Sun World has adopted a strategy of developing and acquiring specialty produce varieties with unique characteristics which differentiate them from commodity produce varieties. Most of these varieties are harvested during favorable marketing windows when available supply from competitors is limited. These specialty varieties typically command a price premium and are less subject to the same price volatility than the commodity varieties. They also provide Sun World with a dominant position in a number of product categories. Examples of the branded produce grown and marketed by Sun World include Superior Seedless (TM) table grapes, Black Diamond(R) plums, Sun World Seedless(R) watermelons, Honeycot(R) apricots, Amber Crest(R) peaches, Super Star(TM) nectarines and Sun World sweet colored peppers. These products evolved through a combination of internal development and acquisition. Sun World's research and development center is dedicated to developing additional high value proprietary varieties. See "Proprietary Product Development," below.

FARMING OPERATIONS. Sun World's farming operations produced approximately 7 million units of fruits and vegetables during the year ended December 31, 1998. Its principal agricultural lands are located in the San Joaquin and Coachella Valleys of California. See Item 2, "Properties."

Sun World properties are primarily dedicated to producing permanent commercial crops and, to a lesser extent, annual (or row) crops. Additionally, over 1,400 acres are currently utilized for developing crops (e.g., vines and trees that have not yet reached a commercial maturity). Following the Sun World acquisition, the Company implemented a crop development plan which has redeployed marginally productive acreage to produce more varieties of crops which possess superior proprietary characteristics and/or are available for delivery at peak pricing windows throughout the year.

Additionally, during 1998, the Company acquired two citrus ranches totaling approximately 2,000 acres in the San Joaquin Valley. These acquisitions reflect the Company's strategy of expanding its contra-seasonal operations to complement the summer table grape and treefruit production.

PACKING AND MARKETING OPERATIONS. In addition to merchandising its own products, Sun World provides marketing and packing services to third party growers. For third party growers, Sun World provides three key benefits: (i) Sun World's brand name, proprietary products and reputation with wholesalers resulting in a significant pull through effect; (ii) a full complement of handling services that include harvest, cooling, packing and shipping; and (iii) an internal sales and marketing force servicing over 650 customers throughout the world.

Sun World's packing facilities handled approximately 8 million units of produce during the year ended December 31, 1998. These facilities provide harvesting, packing, cooling and shipping services for Sun World production, as well as for other commercial clients. Currently, Sun World owns four facilities, three of which are located in the Coachella Valley and one of which is located in the San Joaquin Valley. See Item 2, "Properties."

Sun World's vertically integrated operations enable it to offer the market a continuous stream of new specialty products, which receive a market premium. As a large grower, Sun World is able to manage the quality of its own product line, and as a significant packer/marketer, Sun World works with other growers to ensure product quality through packing and distribution. During fiscal 1998, the Company sold approximately 10 million units with wholesale value of approximately $100 million. This amount includes sale proceeds received for units sold on behalf of third party growers for which only the sales commission and packing revenues received by Sun World are included in Sun World's reported revenues.

Sun World's sourcing, both external and internal, is diversified geographically. Sun World's owned and leased farming operations are located throughout California from the Coachella Valley in the south to central California's San Joaquin Valley, as well as operations near the coast. Sun World sources externally produced product from throughout California, from other areas of the United States, and from international sources. This geographic diversification not only reduces the impact that unfavorable weather conditions and infestations could have on Sun World's operations, but also provides Sun World with a longer selling season for many crops since the harvests occur at different times. In addition, geographic diversification also allows Sun World the ability to provide the quality and breadth of product throughout the year which is being demanded by retailers.

Sun World's customer base consists of more than 650 accounts including supermarket retailers, food service entities, warehouse clubs, and international trading companies located in approximately 30 countries. Domestic customers include national retailers such as Safeway Stores and Albertson's; club stores, including PriceCostco and Sam's; and food service distributors, including Sysco and Alliant. Approximately 9% of Sun World's products were marketed outside of the United States in Canada, Europe, Australia, Japan, Hong Kong, Singapore, Malaysia and Taiwan in 1998. Only one national retailer, Safeway Stores, (representing approximately 12%) accounted for more than 10% of Sun World's revenues in 1998. As is consistent with industry practice, Sun World does not maintain written agreements with this or its other significant customers.

PROPRIETARY PRODUCT DEVELOPMENT. Sun World has a long history of product innovation, and its research and development center maintains a fruit breeding program that has introduced dozens of proprietary fruit varieties in the last six years. Recent product successes include the Midnight Beauty(TM) seedless black table grape, Black Diamond(R) plum, the Amber Crest(R) peach, Super Star(TM) nectarine and the Honeycot(R) apricot. Management believes that there are several other promising grape and treefruit varieties, which are scheduled for commercial planting and production in the near future.

Sun World utilizes approximately 235 acres for its research and development center and crop experimentation. The research and development center facility houses tissue culture rooms, growth rooms, four greenhouses, and over 200 acres of experimental growing crops. The amounts expended by Sun World on its research and development activities since the Sun World Acquisition amounted to $1,249,000 for the year ended December 31, 1998, $809,000 for the year ended December 31, 1997 and $120,000 for the period from September 14, 1996 to December 31, 1996.

As a result of over 20 years of research and development, Sun World holds rights to more than 600 patents and trademarks around the world. The patent registrations exist in most major fruit producing countries and the trademarks are held in both fruit producing and consuming regions. Sun World's patents have varying expiration dates occurring within the next several years through 2017; however, the expiration of any individual patent will not have a material effect upon Sun World's operations.

Enhancing the value of the proprietary product portfolio through licensing is an integral part of Sun World's growth strategy. Sun World continues to seek key licensing opportunities (both domestically and internationally) in production areas that do not compete with Sun World's own domestic production. These licensing agreements will provide Sun World with a long-term annual revenue stream based upon a royalty fee for each box of proprietary fruit sold from the licensed production. In December 1998, the Company entered into a definitive agreement with the South African fruit industry granting long-term license agreements to South African fruit companies seeking to produce and export Sun World's proprietary Sugraone grape variety (more commonly known as Sun World's private Superior Seedless(R) grapes). These agreements also provide Sun World compensation for past Sugraone grapevine plantings and fruit sales and grant Sun World exclusive North American marketing rights for these Sugraone grapes. The Company believes these licensing agreements have established a precedent that will change the way new and improved varieties of produce will be brought to market in the future.

SEASONALITY

In connection with the water resource development activities of the Company, revenues are not expected to be seasonal in nature.

Sun World's agricultural operations are impacted by the general seasonal trends that are characteristic of the agricultural industry. Sun World has historically received the majority of its net income during the months of June to October following the harvest and sale of its table grape and treefruit crops. Due to this concentrated activity, the Company has, therefore, historically incurred a loss with respect to its agricultural operations in the other months during the year.

The wet and cool weather conditions in California during the first half of 1998 delayed the harvest of all California grape and treefruit production by as much as four weeks from the previous year's harvest schedule. This caused a shift in recognition of certain revenues and related profits from the third to the fourth quarter of 1998.

COMPETITION

The Company faces competition for the acquisition, development and sale of its properties from a number of competitors, some of which have greater resources than the Company. The Company may also face competition in the development of water resources associated with its properties. Since California has scarce water resources and an increasing demand for available water, the Company believes that location, price and reliability of delivery are the principal competitive factors affecting transfers of water in California.

The agricultural business is highly competitive. Sun World's competitors include a limited number of large international food companies, as well as a large number of smaller independent growers and grower cooperatives. No single competitor has a dominant market share in this industry due to the regionalized nature of these businesses. In addition to drawing from its proprietary base of products, Sun World utilizes brand recognition, product quality, harvesting in favorable production windows, effective customer service and consumer marketing programs to enhance its position within the highly competitive fresh food industry. Consumer and institutional recognition of the Sun World trademark and related brands and the association of these brands with high quality food products contribute to Sun World's ability to compete in the market for fresh fruit and vegetables.

EMPLOYEES

As of December 31, 1998, the Company employed a total of 843 full-time employees. Sun World, throughout the year, engages various part-time and seasonal employees, with a seasonal high of approximately 2,500 part-time employees. Approximately 150 of the Company's employees are represented by a labor union pursuant to contracts that expire in 1999. Generally, the Company believes that its employee relations are good.

REGULATION

Certain areas of the Company's operations are subject to varying degrees of federal, state and local law and regulations. The Company's agricultural operations are subject to a broad range of evolving environmental laws and regulations. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Comprehensive Environmental Response, Compensation and Liability Act. Compliance with these foreign and domestic laws and related regulations is an ongoing process, which is not currently expected to have a material effect on the Company's capital expenditures, earnings or competitive position. Environmental concerns are, however, inherent in most major agricultural operations, including those conducted by the Company, and there can be no assurance that the cost of compliance with environmental laws and regulations in the future will not be material. However, neither the Company nor Sun World expects to incur any material capital expenditures for environmental control facilities during 1999.

The Company's food operations are also subject to regulations enforced by, among others, the U.S. Food and Drug Administration and state, local and foreign equivalents and to inspection by the U.S. Department of Agriculture and other federal, state, local and foreign environmental and health authorities. Among other things, the U.S. Food and Drug Administration enforces statutory standards regarding the safety of food products, establishes ingredients and manufacturing procedures for certain foods, establishes standards of identity for foods and determines the safety of food substances in the United States. Similar functions are performed by state, local and foreign governmental entities with respect to food products produced or distributed in their respective jurisdictions. Existing environmental regulations have not, in the past, had a materially adverse effect upon the operations of the Company, and the Company believes that existing environmental regulations will not, in the future, have a materially adverse effect upon its operations. There can be no assurances, however, as to the effect of any environmental regulations which may be adopted in the future.

As the Company proceeds with the development of its properties, including the Program, the Company will be required to satisfy various regulatory authorities that it is in compliance with the laws, regulations and policies enforced by such authorities. Groundwater development, and the export of surplus groundwater for sale to single entities such as public water agencies, are not subject to regulation by existing statutes other than general environmental statutes applicable to all development projects. Additionally, the Company must obtain a variety of approvals and permits from state and federal governments with respect to issues that may include environmental issues, issues related to special status species, issues related to the public trust, and others. Because of the discretionary nature of these approvals and concerns which may be raised by various governmental officials, public interest groups and other interested parties during both the approval and development process, the Company's ability to develop properties and realize income from its projects, including the Program, could be delayed, reduced or eliminated.

ITEM 2. PROPERTIES

The Company currently leases its executive offices in Santa Monica, California. The Company also maintains a development office in San Bernardino, California. Sun World owns its main packing facility (including sales and administrative offices) in Bakersfield, California and owns three packing facilities (including sales offices) in Coachella, California. The Company and each of its subsidiaries believe that their property and equipment are generally well maintained, in good operating condition and adequate for their present needs.

The following is a description of the Company's significant properties.

THE CADIZ/FENNER PROPERTY

In 1984, the Company conducted an investigation of the feasibility of the agricultural development of land located in the Mojave desert near Cadiz, California, and confirmed the availability of prime quality water in commercial quantities appropriate for agricultural development. Since 1985, the Company has acquired over 27,000 acres in the Cadiz and Fenner Valleys of eastern San Bernardino County approximately 30 miles north of the Colorado River Aqueduct.

Additional numerous independent geotechnical and engineering studies conducted since 1985 have confirmed that the Cadiz/Fenner property overlies a natural groundwater basin which is ideally suited for underground water storage and dry year transfers as contemplated in the Program. See Item 1, "Business - Narrative Description of Business - Water Resource Development."

In November 1993, the San Bernardino County Board of Supervisors unanimously approved a General Plan Amendment establishing an agricultural land use designation for 9,600 acres at Cadiz for which 1,600 acres have been developed and are leased to Sun World. This Board action represented the largest land use approval on behalf of a single property holder in the County's known history. This action also approved permits to construct infrastructure and facilities to house as many as 1,150 seasonal workers and 170 permanent residents (employees and their families) and allows for the withdrawal of more than 1,000,000 acre-feet of groundwater from the Company's underground water basin.

Substantially all Cadiz/Fenner acreage is held in fee directly by the Company.

THE SUN WORLD PROPERTIES

FARM PROPERTIES. Sun World owns approximately 19,200 acres and leases approximately 3,000 acres of improved land in central and southern California. The majority of this land is used for the cultivation of permanent and annual crops and support activities, including packing facilities.

Sun World owned farming property is divided between five distinct geographic regions: Madera, Bakersfield and Arvin (located within the San Joaquin Valley), Coachella (located in the state's southeastern corner near Palm Springs) and Blythe (located approximately 100 miles east of the Coachella Valley adjoining the Colorado River).

PACKING AND HANDLING FACILITIES. Sun World owns four packing and handling facilities, three of which are located on one campus in the Coachella Valley and one of which is located in the San Joaquin Valley at Kimberlina, near Bakersfield.

The Kimberlina facility, located on an 83 acre parcel owned by Sun World, consists of two highly automated production lines for packing treefruit and citrus, cold storage areas, and office space.

Sun World's Coachella Valley facility consists of three independent buildings located on 26 acres of industrial commercial zoned land in Coachella, California. One building is used primarily for packing citrus, receiving table grapes, cold storage and office space. A second building is used primarily for receiving, cooling and storing table grapes. The third building is used primarily for packing watermelons and lemons and for storage.

THE PIUTE PROPERTY

The Piute property consists of approximately 7,300 acres and is located approximately 60 miles northeast of Cadiz and approximately 15 miles west of the Colorado River and Laughlin, Nevada, a small, fast growing town with hotels, casinos and water recreation facilities. The Piute property was identified for acquisition by the Company by a combination of satellite imaging and geological techniques, which were used by the Company to identify water at Cadiz.

The Piute acreage adjoins Highway 95, which is a direct route to Las Vegas, approximately 60 miles north. The Santa Fe Railroad passes through the land and Interstate 40 is approximately 12 miles to the south. The property is held by the Company in fee title as to approximately 3,600 acres, with the remaining acreage under option.

The Company has commenced the development of the water resources of this property. See Item 1, "Business Narrative - Description of Business - Water Resource Development."

OTHER PROPERTIES

In addition to the Cadiz and Piute properties, the Company owns approximately 4,300 additional acres in the Mojave Desert, including the Danby Lake property, as to which development has not yet commenced.

The Company will continue to seek to acquire additional properties both in southern California desert regions and elsewhere which are believed to be suitable for development.

DEBT SECURED BY PROPERTIES

Of the Company's outstanding debt at December 31, 1998, $119.1 million represents loans secured by substantially all of Sun World's properties and $24.8 million represents loans secured by the majority of the Company's non-Sun World properties. Information regarding interest rates and principal maturities is provided in Note 10 to the consolidated financial statements.

ITEM 3. LEGAL PROCEEDINGS

In December 1995, an action styled CADIZ LAND COMPANY, INC. VS. COUNTY OF SAN BERNARDINO, ET AL, CASE NO. BCV 02341 was filed by the Company in Superior Court in San Bernardino County. The action challenges the various decisions by the County relative to the proposed construction and operation of a landfill (the "Rail-Cycle Project") near the Company's Cadiz, California property, and seeks to set aside such decisions and to obtain compensatory damages arising therefrom. Named in this action, in addition to the County, were the County's Board of Supervisors, three individual members of the Board of Supervisors, a County employee and Rail-Cycle, L.P., whose general partner is controlled by Waste Management, Inc. ("WMI"). On or about September 30, 1998, the Court granted defendants' motions for summary judgement, finding that the Company's procedural due process claim is not ripe due to the fact that, as the Rail-Cycle Project cannot proceed without voter approval of a business license tax, there is no actual concrete injury to the Company at this point in time. The Company has appealed this decision.

On October 24, 1997, the Company filed suit in the United States District Court, Central District of California (CADIZ LAND COMPANY, INC. V. WASTE MANAGEMENT, INC., ET. AL., CASE NO. CV 97-7827 WMB (MANx) (the "Federal Court Action")) against WMI, certain key executives and consultants of WMI, and certain other parties in interest as to the Rail-Cycle Project. The Complaint as originally filed asserted claims under both federal and state law from activities of defendants adverse to the Company in connection with the Rail-Cycle Project. In December 1997, the federal district judge, on its own motion, severed the state law claims from the complaint and dismissed them without prejudice. Those claims were reasserted in a state proceeding filed by the Company on January 8, 1998 in Los Angeles Superior Court (West Division) (CADIZ LAND COMPANY, INC. V. WASTE MANAGEMENT, INC., Civil Action No. SC 050743 (the "State Court Action")).

On or about April 27, 1998, in response to motions to dismiss filed by various defendants in the Federal Court Action, an order was entered granting the Company leave to amend its complaint. In addition, pursuant to that order, the Company's claims for stock manipulation pursuant to Section 10(b) of the Exchange Act against the WMI defendants and its RICO claims against San Bernardino County officials Marsha Turoci and Michael Dombrowski were dismissed without leave to amend. Judgements were subsequently entered in favor of defendants with respect to these claims. Based upon the criminal indictments against certain defendants described below and other evidence made available to the Company on account of the pending criminal investigation, the Company has filed appeals with the Ninth Circuit Court of Appeals seeking the reversal of the trial court's dismissal of these claims, and these appeals are currently pending. Upon the Company's motion, the remainder of the Company's claims in the Federal Court Action, which will be pursued in the State Court Action, have been dismissed without prejudice.

In response to the State Court Action, the WMI defendants on or about April 15, 1998 sought and obtained a stay of the action, which expired by its own terms in December 1998. The Company intends to file a Second Amended Complaint and will continue to vigorously prosecute its claims against the WMI defendants.

During 1998, felony complaints were filed by the San Bernardino District Attorney charging a Waste Management employee and a consultant with multiple felony counts based upon their criminal activities in connection with the Rail-Cycle Project, and, also during 1998, an indictment was handed down by a San Bernardino Special Criminal Grand Jury which charges WMI, certain affiliates and employees with 23 felony counts, all arising from WMI's scheme to sabotage the Company in retaliation for the Company's opposition to the Rail-Cycle Project. In addition, indictments were handed down for certain County employees for criminal activities in connection with the Rail-Cycle Project. The WMI consultant pleaded nolo contendere to four felony counts, including stock fraud and conspiracy to commit stock fraud and was sentenced to six years in prison.

Prior to the acquisition of Sun World, the Internal Revenue Service (IRS) had filed claims against Sun World and certain of its subsidiaries (collectively "the Sun World Claimants") for taxes refunded for workers that the IRS claims were employees. The Sun World Claimants contend that the workers are excluded from the definition of employment under the Internal Revenue Code. On January 21, 1998, the District Court ruled in favor of one of the Sun World Claimants. The IRS has appealed this decision. Management believes that the likelihood of an unfavorable future outcome with regard to this matter is remote. Accordingly, the Company released $3,780,000 of reserves related to this matter at December 31, 1997 which are reported on the Consolidated Statement of Operations as Litigation Benefit.

The Company is involved in other legal and administrative proceedings and claims. In the opinion of management, the ultimate outcome of each proceeding or all such proceedings combined will not have a material adverse impact on the financial position of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The results of the Company's Annual Meeting of Stockholders held May 13, 1998 were reported in the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the Nasdaq National Stock Market under the symbol "CLCI." The following table reflects actual sales transactions. The high and low range of the sales price of the common stock for the dates indicated have been provided by Nasdaq.

Quarter Ended	High Sales Price	Low Sales Price
1996:		
March 31	$ 6.375	$ 5.250
June 30	$ 6.500	$ 5.219
September 30	$ 6.000	$ 3.875
December 31	$ 5.625	$ 3.875
1997:		
March 31	$ 6.063	$ 4.838
June 30	$ 6.250	$ 4.813
September 30	$ 8.063	$ 5.000
December 31	$ 9.375	$ 6.125
1998:		
March 31	$ 11.938	$ 7.875
June 30	$ 14.188	$ 10.625
September 30	$ 13.438	$ 7.750
December 31	$ 9.500	$ 5.875

On March 16, 1999, the high, low and last sales prices for the shares, as reported by Nasdaq, were $8.13, $7.94 and $7.94, respectively.

In January 1998, options in the Company's stock began trading on the American Stock Exchange, the Chicago Board

Options Exchange and the Pacific Stock Exchange under the symbol "QAZ."

The Company also has an authorized class of 100,000 shares of preferred stock ("Preferred Stock"). To date, the Board of Directors has designated three series of Preferred Stock for issuance, including (i) up to 60,000 shares of Series A Preferred, of which 27,631 shares have been issued and no shares remain outstanding; (ii) up to 1,000 shares of Series B Preferred, of which 1,000 shares have been issued and no shares remain outstanding; and (iii) up to 365 shares of Series C Preferred, of which 340 shares have been issued and no shares remain outstanding. The Board of Directors has no present plans or arrangements for the issuance of additional shares of Preferred Stock.

The estimated number of beneficial owners of the Company's Common Stock is approximately 3,070, and the number of stockholders of record on March 16, 1999 was 231.

To date, the Company has not paid a cash dividend on Common Stock. The Company's ability to pay such dividends is subject to certain covenants pursuant to agreements with the Company's lenders.

During the quarter ended December 31, 1998, the Company issued 18,100 shares upon exercise of outstanding options to a single option holder at an exercise price of $5.50 per share. The issuance of the shares was not registered under the Securities Act of 1933, as amended (the "Securities Act"). The Company believes that the transactions described are exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof as transactions not involving any public offerings. The shares were issued in accordance with the terms of previously executed stock option agreements. All other securities sold by the Company during the year ended December 31, 1998, which were not registered under the Securities Act have previously been reported in the Company's Quarterly Reports on Form 10-Q.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data insofar as it relates to the years ended December 31, 1998, and 1997, the nine months ended December 31, 1996, and to each of the years ended March 31, 1996 and 1995 has been derived from financial statements audited by PricewaterhouseCoopers LLP, independent accountants. The information that follows should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 1998, and 1997 and the nine months ended December 31, 1996 included elsewhere herein. See also Item 7, "Management's Discussion and Analysis".

CADIZ INC.

Selected Financial Data
($ in thousands, except for per share data)

	Year Ended December 31,		Nine Months Ended December 31,	Year Ended March 31,	
	1998	1997	1996(1)	1996	1995
Statement of Operations Data:					
Total revenues	$ 106,544	$ 100,157	$ 23,780	$ 1,441	$ 543
Loss from continuing					

operations before extraordinary items	(7,470)	(8,538)	(5,997)	(8,487)	(4,706)
Extraordinary items	-0-	-0-	-0-	-0-	115
Net loss	(7,470)	(8,538)	(5,997)	(8,487)	(4,591)
Less:					
Preferred stock dividends	-0-	(1,213)	(674)	-0-	-0-
Imputed dividend on preferred stock	-0-	-0-	(2,451)	-0-	-0-
Net loss applicable to common stock	$ (7,470)	$ (9,751)	$ (9,122)	$ (8,487)	$(4,591)
Per share:					
Net loss from continuing operations before extraordinary items	$ (.23)	$ (.33)	$ (.44)	$ (.48)	$ (.29)
Extraordinary items	-0-	-0-	-0-	-0-	.01
Net loss	$ (.23)	$ (.33)	$ (.44)	$ (.48)	$ (.28)
Weighted average common shares and equivalents	33,173	29,485	20,500	17,700	16,500

	December 31,			March 31,	
Balance Sheet Data:	1998	1997	1996	1996	1995
Total assets	$ 214,359	$ 203,049	$ 230,790	$ 38,663	$ 34,888
Long-term debt	$ 142,317	$ 131,689	$ 149,111	$ 68	$ 16,827
Redeemable preferred stock	$ -0-	$ -0-	$ 27,431	$ -0-	$ -0-
Preferred stock, common stock and additional paid-in capital	$ 127,998	$ 121,199	$ 88,808	$ 73,149	$ 62,857
Accumulated deficit	$ (78,288)	$ (70,818)	$ (61,067)	$ (54,396)	$(45,909)
Stockholders' equity	$ 49,710	$ 50,381	$ 27,741	$ 18,753	$ 16,948

(1) Subsequent to the Company's September 13, 1996 acquisition of Sun World, the Company changed its fiscal year end from March 31 to December 31 in order to align the Company's year end with that of Sun World. Additionally, as a result of the Sun World acquisition, the operations for the nine months ended December 31, 1996 include the results of operations of Sun World for the period September 14, 1996 through December 31, 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

On September 13, 1996, the Company acquired all of the outstanding capital stock of Sun World. The Company's acquisition of Sun World was accounted for using the purchase method of accounting. The Consolidated Financial Statements include Sun World from the date of acquisition. In addition, in 1996, the Company changed its fiscal year end from March 31 to December 31 in order to align the Company's year end with that of Sun World.

RESULTS OF OPERATIONS

The consolidated financial statements set forth herein for the years ended December 31, 1998 and 1997 and the nine months ended December 31, 1996, reflect the results of operations of the Company and its wholly owned subsidiaries, Sun World (since September 14, 1996), and Southwest Fruit Growers ("SWFG") in which the Company was the general partner and had an approximate 66.3 percent partnership interest. On November 5, 1998, the Company purchased the assets of SWFG and the partnership dissolved.

A summary of the Sun World elements which management of the Company believes is essential to an analysis of the results of operations for such periods is presented below. For purposes of this summary, the term Sun World will be used, when the context so requires, with respect to the operations and activities of the Company's Sun World subsidiary, and the term Cadiz will be used, when the context so requires, with respect to those operations and activities of the Company not involving Sun World.

The Company's net income or loss in future fiscal periods will be largely reflective of (a) the operations of the Company's water development activities including the Cadiz Groundwater Storage and Dry-Year Supply Program (the "Program") and (b) the operations of Sun World. Sun World conducts its operations through four operating divisions: farming, packing, marketing and proprietary product development. Net income from farming operations varies from year to year primarily due to yield and pricing fluctuations which can be significantly influenced by weather conditions, and are, therefore, generally subject to greater annual variation than Sun World's other divisions. However, the geographic distribution of Sun World's farming operations and the diversity of its crop mix makes it unlikely that adverse weather conditions would affect all of Sun World's properties or all of its crops in any single year. Nevertheless, net profit from Sun World's packing, marketing and proprietary product development operations tends to be more consistent from year to year than net profit from Sun World's farming operations. As such, Sun World continues to strategically add volume in the packing and marketing areas that will complement Sun World's in-house production or fill in contra-seasonal marketing windows. Sun World has entered into agreements internationally to license selected proprietary fruit varieties and continues to pursue additional domestic and international licensing opportunities.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO THE YEAR ENDED DECEMBER 31, 1997
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The Company's agricultural operations are impacted by the general seasonal trends that are characteristic of the agricultural industry. Sun World has historically received the majority of its net income during the months of June to October following the harvest and sale of its table grape and treefruit crops. Due to this concentrated activity, Sun World has, therefore, historically incurred a loss with respect to its agricultural operations in the other months during the year.

The cooler wet weather patterns experienced in California during the first half of 1998 delayed the harvest of all California grape and treefruit production by as much as four weeks from the 1997 harvest schedule and also reduced yields on certain crops which prefer warmer weather conditions, particularly early season table grapes in the San Joaquin Valley.

The table below sets forth, for the periods indicated, the results of operations for the Company's four main divisions (before elimination of any interdivisional charges), as well as the categories of costs and expenses incurred by the Company which are not included within the divisional results (in thousands):

	Year Ended December 31, 1998	Year Ended December 31, 1997
Divisional net income		
Farming	$ 8,522	$ 8,643
Packing	7,320	8,017
Marketing	3,245	4,126
Proprietary product development	11,466	1,568
	30,553	22,354
General and administrative	10,487	10,636
Special litigation	1,308	683
Litigation benefit	-	(3,780)
Depreciation and amortization	8,688	7,745
Interest expense, net	17,540	15,608
Net loss	$ (7,470)	$ (8,538)

FARMING OPERATIONS. Net income from farming operations totaled $8.5 million for 1998 compared to $8.6 million in 1997. Farming revenues were $78.1 million and farming expenses were $69.6 million for 1998. For 1997, the Company had farming revenues of $77.9 million and farming expenses of $69.3 million. Farming profits from the Coachella Valley operations increased $1.7 million from 1997 due to strong F.O.B. prices for peppers and watermelons and record table grape yields partially offset by lower table grape F.O.B. prices due to downward pressure from the record yields coupled with increased production from Mexico. Farming profits for the desert lemon operations at Blythe and Cadiz increased $2.7 million from 1997 due to strong yields and strong F.O.B. pricing experienced in 1998. Farming profits from the San Joaquin Valley operations decreased $4.1 million primarily due to reduced yields and higher harvest costs on the early season table grapes in the San Joaquin Valley. These unfavorable results were partially offset by improved F.O.B. pricing on plums and the removal of certain underperforming peach and nectarine crops at the conclusion of the 1997 season. Farming profits for coastal sweet peppers were off $0.4 million from 1997 primarily attributable to increased production costs.

PACKING OPERATIONS. During 1998, Sun World's four packing and handling facilities contributed $20.5 million in revenues offset by $13.2 million in expenses resulting in $7.3 million in net income. In 1997, Sun World generated revenues of $23.1 million and expenses of $15.1 million resulting in net income of $8.0 million. The decrease in net income from packing operations is primarily attributable to the impact of reduced yields experienced in the farming operations during the year, particularly for the early season table grapes in the San Joaquin Valley. During the year, Sun World packed 3.6 million units and moved an additional 4.0 million units through the cold storage facilities for a total of 7.6 million units processed through the packing operations. In 1997, Sun World packed 4.1 million units and moved an additional 5.1 million units through the cold storage facilities for a total of 9.2 million units. Products packed or handled during the year primarily consisted of Sun World-grown table grapes, treefruit, sweet red and yellow peppers, seedless watermelons and lemons, as well as table grapes and citrus products packed for third party growers.

MARKETING OPERATIONS. Sun World's marketing operations include selling, merchandising and promoting Sun World-grown products, as well as providing these services for third party growers. During 1998, approximately 9.9 million units were sold primarily consisting of Sun World-grown table grapes, treefruit, sweet red and yellow peppers, seedless watermelons and lemons; and table grapes, seedless watermelon, and citrus from domestic third party growers. These unit sales resulted in marketing revenue of $7.7 million while marketing expenses totaled $4.5 million for 1998 resulting in a net income from marketing operations of $3.2 million. During 1997, Sun World marketed 12.2 million units and generated revenues of $9.0 million offset by expenses of $4.9 million resulting in net income of $4.1 million. The decrease in units sold, revenues and net income primarily resulted from the decreased yields experienced in the farming operations, particularly the early season table grapes in the San Joaquin Valley.

PROPRIETARY PRODUCT DEVELOPMENT. Sun World has a long history of product innovation, and its research and development center maintains a fruit breeding program that has introduced dozens of proprietary fruit varieties during the past five years. In addition, Sun World has a 50% interest in ASC/SWB Partnership, formerly named American SunMelon (the "Partnership"). During the year ended December 31, 1998, net income from proprietary product development was $11.5 million consisting of revenues of $12.7 million ($10.7 million from the Partnership) offset by expenses of $1.2 million. The Partnership revenues relate to the operations of American SunMelon for the period from January 1, 1998 to October 27, 1998 and the revenues related to the distribution of proceeds from the Partnership from the sale of substantially all of its assets to a third party on October 27, 1998. In addition, the increase in proprietary product development income is also attributable to the licensing agreement for the Company's Sugraone table grape variety entered into with the South African table grape industry in December 1998. Revenues of $1.1 million were recognized in 1998 related to current and past royalties for fruit sales and for past Sugraone grapevine plantings. Net income of $1.6 million for the year ended December 31, 1997 related primarily to the operations of American SunMelon.

GENERAL AND ADMINISTRATIVE. General and administrative expenses for 1998 totaled $10.5 million compared to $10.6 million in 1997.

SPECIAL LITIGATION. The Company is engaged in lawsuits seeking monetary damages in connection with the prevention of a landfill which was proposed to be located adjacent to its Cadiz/Fenner Valley properties. See "Item 3 - Legal Proceedings." During the year ended December 31, 1998, expenses including litigation costs and professional fees and expenses totaled $1.3 million as compared to $0.7 million during the year ended December 31, 1997.

LITIGATION BENEFIT. Prior to the acquisition of Sun World by the Company, the Internal Revenue Service (IRS) had filed claims against Sun World and certain of its subsidiaries, (collectively "the Sun World Claimants") for taxes refunded for workers that the IRS claims were employees. Sun World Claimants contend that the workers are excluded from the definition of employment under the Internal Revenue Code. On January 21, 1998, the District Court ruled in favor of the Sun World Claimant who had the largest outstanding claim. The IRS has appealed this decision. Management believes that the likelihood of an unfavorable future outcome with regard to this matter is remote. Accordingly, Sun World released $3.8 million of reserves related to this matter at December 31, 1997.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses for the year ended December 31, 1998 totaled $8.7 million compared to $7.7 million for the year ended December 31, 1997. The increase is attributable to depreciation related to property, plant and equipment additions made during the year and the timing of relief of depreciation costs from inventory due to the timing of the harvests.

INTEREST EXPENSE. As a result of the acquisition of Sun World, net interest expense totaled $17.5 million during the year ended December 31, 1998 compared to $15.6 million during the year ended December 31, 1997. The following table summarizes the components of net interest expense for the two periods (in thousands):

	Year Ended December 31, 1998	Year Ended December 31, 1997
Interest on outstanding debt - Sun World	$ 14,394	$ 13,446
Interest on outstanding debt - Cadiz	1,511	875
Amortization of financing costs	1,914	1,879
Interest income	(279)	(592)
	$ 17,540	$ 15,608

The increase in interest on outstanding debt during 1998 is primarily attributable to the Company's debt refinancing in April 1997, whereby Sun World issued $115 million of 11-1/4% First Mortgage Notes and used the proceeds and existing cash balance to pay off approximately $130 million of long-term debt. Interest expense is also higher due to (a) increased borrowings for seasonal working capital needs primarily resulting from the delay in harvest and sale of crops due to cooler weather conditions during the growing season, (b) amortization of warrants issued on the $15.0 million Cadiz Revolver entered into during the fourth quarter of 1997 and (c) reduced average cash balances in 1998 compared to 1997 prior to the debt refinancing resulting in lower interest income. Financing costs, which include legal fees, loan fees and warrants, are amortized over the life of the debt agreements.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO NINE MONTHS ENDED DECEMBER 31, 1996

The table below sets forth, for the periods indicated, the results of operations for the Company's four main divisions (before elimination of any interdivisional charges) as well as the categories of costs and expenses incurred by the Company which are not included within the divisional results (in thousands):

	Year Ended December 31, 1997	Nine Months Ended December 31, 1996
Divisional net income		
Farming	$ 8,643	$ 3,867
Packing	8,017	726
Marketing	4,126	666
Proprietary product development	1,568	718
	22,354	5,977
General and administrative	10,636	5,979
Special litigation	683	394
Litigation benefit	(3,780)	-
Depreciation and amortization	7,745	1,039
Interest expense, net	15,608	5,203
Income tax benefit	-	(641)
Net loss	$ (8,538)	$ (5,997)

FARMING OPERATIONS. The Company farmed over 19,000 acres of agricultural properties in 1997 primarily dedicated to producing permanent commercial crops. Revenues during the year ended December 31, 1997 resulted primarily from the harvest of table grapes, treefruit, sweet red and yellow peppers and seedless watermelons from the San Joaquin Valley; table grapes, sweet red and yellow peppers and seedless watermelons from the Coachella Valley; lemons from the Cadiz and Blythe ranches; as well as sweet red and yellow peppers from the California coastal operations. Although yields for these crops were higher than normal, similar high crop yields throughout the industry resulted in lower prices. As Sun World was able to command a premium price for its proprietary products such as Superior Seedless(TM) table grapes and Black Diamond(R) plums, the impact of the industry-wide lower prices were somewhat mitigated. Net income from farming operations totaled $8.6 million for the year ended December 31, 1997 based upon revenues of $77.9 million offset by farming expenses of $69.3 million. Net income from farming operations for the nine months ended December 31, 1996, which included the operations of Sun World subsequent to the acquisition from September 13, 1996, totaled $3.9 million on revenues of $16.5 million and expenses of $12.6 million.

PACKING OPERATIONS. During 1997, Sun World's four packing and handling facilities contributed $23.1 million in revenues offset by $15.1 million in expenses resulting in $8.0 million in net income.

During the year, Sun World packed 4.1 million units and moved an additional 5.1 million units through the cold storage facilities for a total of 9.2 million units processed through the packing operations. Products packed or handled during the year primarily consisted of Sun World-grown table grapes, treefruit, sweet red and yellow peppers, seedless watermelons and lemons, as well as table grapes and citrus products packed for third party growers. The 1996 net income of $0.7 million from packing operations related to the results of Sun World from September 14, 1996 to December 31, 1996 in which Sun World generated packing revenues of $4.7 million and expenses of $4.0 million.

MARKETING OPERATIONS. During the year ended December 31, 1997, approximately 12.2 million units were sold primarily consisting of Sun World-grown table grapes, treefruit, sweet red and yellow peppers, seedless watermelons and lemons; and table grapes, seedless watermelon, and citrus from domestic third party growers. These unit sales resulted in marketing revenue of $9.0 million while marketing expenses totaled $4.9 million for the year ended December 31, 1997 resulting in a net income from marketing operations of $4.1 million. The 1996 net income from marketing operations related to the results of Sun World from September 14, 1996 to December 31, 1996 in which Sun World generated marketing revenues of $2.5 million offset by expenses of $1.8 million resulting in net profits of $0.7 million.

PROPRIETARY PRODUCT DEVELOPMENT. During the year ended December 31, 1997, net income from proprietary product development was $1.6 million consisting of revenues of $2.4 million ($1.3 million from American SunMelon) offset by expenses of $0.8 million. The net income of $0.7 million for the nine months ended December 31, 1996 related primarily to the operations of American SunMelon from September 14, 1996 to December 31, 1996.

GENERAL AND ADMINISTRATIVE. General and administrative expenses during the year ended December 31, 1997 and the nine months ended December 31, 1996 consisted primarily of corporate operating expenses, professional fees and salaries. These expenses increased by $4.7 million in 1997 as compared to the nine months ended December 31, 1996 period primarily due to the inclusion of a full year of operations for Sun World in 1997.

SPECIAL LITIGATION . The Company is engaged in lawsuits seeking monetary damages in connection with the prevention of a landfill which was proposed to be located adjacent to its Cadiz/Fenner Valley properties. See Item 3, "Legal Proceedings." During the year ended December 31, 1997, expenses incurred in connection with activities in opposition to the project, such as litigation costs and professional fees and expenses totaled $0.7 million as compared to $0.4 million during the nine months ended December 31, 1996.

LITIGATION BENEFIT. Prior to the acquisition of Sun World by the Company, the Internal Revenue Service (IRS) had filed claims against Sun World and certain of its subsidiaries, (collectively "the Sun World Claimants") for taxes refunded for workers that the IRS claims were employees. The Sun World Claimants contend that the workers are excluded from the definition of employment under the Internal Revenue Code. On January 21, 1998, the District Court ruled in favor of the Sun World Claimant who had the largest outstanding claim. Management believes that the likelihood of an unfavorable future outcome with regard to this matter is remote. Accordingly, Sun World released $3.8 million of reserves related to this matter at December 31, 1997.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense for the year ended December 31, 1997 totaled $7.7 million compared to $1.0 million for the nine months ended December 31, 1996. The increase is attributable to depreciation relating to the acquired Sun World assets.

INTEREST EXPENSE. As a result of the acquisition of Sun World, net interest expense totaled $15.6 million during the year ended December 31, 1997 compared to $5.2 million during the nine months ended December 31, 1996. The following table summarizes the components of net interest expense for the two periods (in thousands):

	Year Ended December 31, 1997	Nine Months Ended December 31, 1996
Interest on outstanding debt - Sun World	$ 13,446	$ 4,411
Interest on outstanding debt - Cadiz	875	782
Amortization of financing costs	1,879	746
Interest income	(592)	(736)
	$ 15,608	$ 5,203

The increase in interest expense on outstanding debt during 1997 is attributable to the long-term debt acquired as part of the Sun World acquisition. Financing costs, which include legal fees and extension fees, are amortized over the life of the debt agreement.

LIQUIDITY AND CAPITAL RESOURCES

General Discussion of Liquidity and Capital Resources

Based on the $13.6 million of cash at December 31, 1998 and the revolving credit facilities in place for both Cadiz and Sun World, as further discussed below, the Company believes it will be able to meet its working capital needs over the next year without looking to additional outside funding sources, although no assurances can be made. See "Current Financing Arrangements" below.

Under Sun World's historical working capital cycle, working capital is required primarily to finance the costs of growing and harvesting crops, which generally occur from January through September with a peak need in June. Sun World harvests and sells the majority of its crops during the period from June through October, when it receives the majority of its revenues. In order to bridge the gap between incurrence of expenditures and receipt of revenues, large cash outlays are required each year which are financed through a revolving credit agreement. In April 1998, Sun World entered into a $25 million one year facility (the "Sun World Revolver"). In February 1999, Sun World increased the Sun World Revolver to a $30 million facility in conjunction with a one year renewal of the facility. See "Current Financing Arrangements - Sun World" below.

In order to provide additional availability of working capital and to provide a readily available funding mechanism for add-on acquisition opportunities, Cadiz entered into a three year $15 million revolving credit facility (the "Cadiz Revolver") in November 1997.

Current Financing Arrangements
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CADIZ OBLIGATIONS

As Cadiz has not received significant revenues from its water resource activity to date, Cadiz has been required to obtain financing to bridge the gap between the time water resource development expenses are incurred and the time that revenue will commence. Historically, Cadiz has addressed these needs primarily through secured debt financing arrangements with its lenders, private equity placements and the exercise of outstanding stock options.

As of December 31, 1998, Cadiz was obligated for approximately $9.8 million under a senior term loan facility. With Cadiz' election to extend the facility in 1998, the maturity date of the term loan is April 30, 1999. The Company issued certain additional warrants in conjunction with the extension. Cadiz also has the right to obtain an additional one-year extension. The Company is currently evaluating opportunities to refinance this term loan. If the extension is exercised, Cadiz would be required to issue certain warrants and the interest rate would be adjusted. Currently, the term lender holds a senior deed of trust on substantially all of Cadiz' non-Sun World related property.

The Cadiz Revolver is secured by a second lien on substantially all of the non-Sun World assets of the Company. Principal is due on December 31, 2000. The Company had $15.0 million outstanding under the Cadiz Revolver at December 31, 1998. During 1998, the Company issued additional warrants in connection with borrowings under the Cadiz Revolver.

As the Company continues to actively pursue its business strategy, additional financing specifically in connection with the Company's water programs may be required. Responsibility for funding the design, construction and program implementation costs of the capital facilities for the Cadiz Groundwater Storage and Dry-Year Supply Program will, under currently developed principles and terms, be shared equally by the Company and the Metropolitan Water District of Southern California ("Metropolitan"). The Company is analyzing various alternatives for funding its share of the estimated $125 million to $150 million cost of the program capital facilities. These funding alternatives include (a) long-term financing arrangements or (b) utilization of monies to be received from Metropolitan for its initial purchase of 500,000 acre-feet of indigenous groundwater. The principles of agreement call for payment to Cadiz of at least $115 million for this initial groundwater. Based upon the results of analyses performed by investment banking firms retained by the Company, management believes that several alternative long-term financing arrangements are available to the Company.

SUN WORLD OBLIGATIONS

The First Mortgage Notes (the "Sun World Notes") were issued in the principal amount of $115 million on April 16, 1997 and will mature on April 15, 2004. The Sun World Notes will be redeemable at the option of Sun World, in whole or in part, at any time on or after April 15, 2001. Interest accrues at the rate of 11-1/4% per annum and is payable semi-annually on April 15 and October 15 of each year. The Sun World Notes are secured by a first lien (subject to certain permitted liens) on substantially all of the assets of Sun World and its subsidiaries, other than growing crops, crop inventories and accounts receivable and proceeds thereof, which secure the Sun World Revolver, and certain real property pledged to third parties. The Sun World Notes are also secured by the guarantee of Cadiz and the pledge by Cadiz of all of the stock of Sun World.

Commencing October 14, 1997, Sun World offered to exchange (the "Exchange Offer") up to $115.0 million aggregate principal amount of its 11-1/4 % Series B First Mortgage Notes (the "Exchange Notes") for $115.0 million aggregate principal amount of the Sun World Notes. The Exchange Notes are registered under the Securities Act of 1933 and have the same terms as the Sun World Notes. The exchange of all of the Sun World Notes was completed on November 12, 1997.

In April 1998, Sun World entered into the Sun World Revolver which is guaranteed by Cadiz. As of December 31, 1998, no amount was outstanding under the Sun World Revolver. To meet its working capital needs for 1999, Sun World has renewed the Sun World Revolver for an additional year including an increase in the facility to $30 million. Additionally, Sun World has an intercompany revolving credit agreement with Cadiz for seasonal working capital needs as needed. No amount was outstanding under the intercompany revolver as of December 31, 1998.

CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES. Cash used for operating activities totaled $7.9 million for the year ended December 31, 1998, as compared to cash provided by operating activities of $0.2 million for the year ended December 31, 1997. The increase in cash used for operating activities is primarily due to the elimination of the Company's share of partnership operations related to the sale by American SunMelon of the majority of its assets in October 1998 as the cash distribution to Sun World corresponding to the sale is included in investing activities.

CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES. Cash provided by investing activities totaled $2.7 million for the year ended December 31, 1998, as compared to cash used for investing activities of $2.9 million for the same period in 1997. In October 1998, Sun World received an initial distribution of $15.2 million from a 50% owned partnership, American SunMelon. This distribution resulted from the sale by the partnership of substantially all of its assets to a third party for $35 million in cash. During 1998, the Company invested $3.4 million in developing crops, $0.9 million in water programs, and $7.3 million for the purchase of property, plant and equipment including two citrus ranches in the San Joaquin Valley, totaling approximately 2,000 acres, and a new computer system implementation. In 1997, the Company received $2.8 million from the disposal of certain non-core properties compared to $0.4 million in 1998.

CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES. Cash provided by financing activities totaled $13.6 million for the year ended December 31, 1998, consisting primarily of $2.0 million in borrowings by Sun World in conjunction with the purchase of a citrus ranch and $10.0 million in borrowings under the Cadiz Revolver. Cash used for financing activities totaled $25.3 million for the year ended December 31, 1997 resulting from the Sun World debt refinancing in April 1997. Principal payments on long-term debt totaled $0.6 million for the year ended December 31, 1998. Net proceeds from the exercise of stock options totaled $2.2 million during 1998 compared to $1.7 million during 1997.

OUTLOOK

The Company is actively pursuing the development of its water resources. Specifically, in July 1998, the Company and Metropolitan approved the principles and terms for agreement for a water storage and supply program on the Company's land in the Cadiz and Fenner Valleys of eastern San Bernardino County (the "Cadiz Groundwater Storage and Dry-Year Supply Program"). The principles and terms for agreement provide that Metropolitan will, during wet years or periods of excess supply, store surplus water from its Colorado River Aqueduct in the Company's groundwater basin. During dry years or times of reduced allocations from the Colorado River, the previously imported water, together with additional existing groundwater, will be extracted and delivered, via a conveyance pipeline, back to the aqueduct.

During the 50 year term of the agreement, Metropolitan will store a minimum of 500,000 acre-feet of Colorado River Aqueduct water in the Company's groundwater basin and purchase a minimum of 1,100,000 acre-feet of existing groundwater for transfer during dry-years. The Program will have the capacity to convey, either for storage or transfer, up to 150,000 acre-feet in any given year.

During storage operations, Metropolitan will pay a fee per acre-foot for put of water into storage and a fee per acre-foot for return of water from storage, and a storage fee per acre-foot every year that water is stored in the groundwater basin. On the transfer of water, Metropolitan will pay a base rate of approximately $230 per acre-foot, which will be adjusted according to a water price formula. Additionally, recognizing that delivery of the Company's high-quality, indigenous groundwater to the aqueduct provides a significant water quality benefit, Metropolitan will pay the Company a water quality fee for both transferred and returned water.

The Program facilities, including spreading basins, extraction wells, conveyance pipeline and a pumping plant, are estimated to cost between $125 and $150 million, and both parties will share these costs. All operational costs of the Program, including annual operations, maintenance and energy costs, will be an obligation of Metropolitan.

The principles and terms for agreement call for the establishment of a comprehensive independent groundwater monitoring and management plan to ensure long-term protection of the groundwater basin. The parties have commenced the environmental review process, which will include compliance with California Environmental Quality Act and National Environmental Protection Act requirements. The final agreement may reflect adjustments to these principles and terms in order to reflect information identified during this review. The final agreement will be presented to the respective Boards of both parties for approval. The Program is anticipated to be operational by the year 2001.

In addition to the development of its water resources, the Company is actively involved in further agricultural development and reinvestment in its landholdings. Such development will be systematic and in furtherance of the Company's business strategy to provide for maximization of the value of its assets. The Company also continually evaluates acquisition opportunities, which are complimentary to its current portfolio of water and agricultural resources. With the acquisition of two citrus ranches in 1998, the Company will grow, pack and market additional boxes of citrus from December through March, which is contra-seasonal to the Company's primary farming operations. This acquisition helps to further diversify the Company's portfolio and enables the Company to utilize its Bakersfield packing facility during a previous period of limited utilization.

The Company believes that, based upon current levels of operations and anticipated growth, Sun World can adequately service its indebtedness and meet its seasonal working capital needs utilizing available internal cash, the Sun World Revolver and, if necessary, through an intercompany revolver with Cadiz. Cadiz expects to be able to meet its ordinary working capital needs, in the short-term, through a combination of cash on hand, quarterly management fee payments from Sun World, payments from Sun World under an agricultural lease whereby Sun World now operates the Company's 1,600 acres of developed agricultural property at Cadiz, California, and the possible exercise of outstanding stock options. Except for the foregoing, additional intercompany cash payments between Sun World and Cadiz are subject to certain restrictions under its current lending arrangements.

Since the Company's inception, inflation has not had a material impact on the cost of materials required in the development of property or on labor costs. Similarly, the value of the Company's real property has not been materially impacted by inflation. In the event the rate of inflation should accelerate in the future, the Company believes the increase in value of its real property will exceed any increases in costs attributable to inflation.

YEAR 2000

The year 2000 ("Y2K") issue is the result of computer programs using two digits rather than four to define the applicable year. Such software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations leading to disruptions in the Company's activities and operations. If the Company or its significant suppliers or customers fail to make necessary modifications, conversions, and contingency plans on a timely basis, the Y2K issue could have a material adverse effect on the Company's business, operations, cash flows, and financial condition. The impact of the Y2K issue cannot be quantified at this time because the Company cannot accurately estimate the magnitude, duration, or ultimate impact of noncompliance by suppliers, customers, and third parties that have no direct relationship to the Company.

The Company has established a corporate-wide project team to identify and mitigate all Y2K issues. The team has identified three categories of software and systems that require attention:

(1) Information technology ("IT") systems, such as mini mainframes, PCs, and networks;

(2) Non-IT systems, such as equipment, machinery, climate control, and security systems, which may contain microcontrollers with embedded technology; and

(3) Partner (supplier and customer) IT and non-IT systems.

For each category, the project team is utilizing the following steps to identify and resolve Y2K issues: (1) inventory the systems, (2) assess risks and impact of each system, (3) prioritize projects, (4) fix, replace, or develop contingency plans for non-compliant systems, and (5) test Y2K compliance.

The status of each of the major categories as of February 1999 is as follows:

Information Technology

Currently, various IT remediation projects are at different phases of completion. The Company's assessments have identified three major internal IT remediation projects: (1) AS400 Applications, (2) PC Based Accounting and Payroll Systems, and (3) PC Based Network Servers and Desktop Computers.

The Company's plan is to resolve compliance issues in critical business information systems by August 31, 1999.

YEAR 2000 COMPLIANCE FOR AS/400 APPLICATIONS

The IBM AS/400 hardware and operating systems are year 2000 compliant. The Company utilizes AS/400 applications for its sales/order entry, accounts receivable, produce inventory, and grower accounting systems. The primary year 2000 issue as it relates to the IBM AS/400 is that the core business applications software currently does not process nor store properly dates after December 31, 1999. Currently, date storage fields are being expanded from six digits to eight digits for all affected display screens and reports where appropriate. The Company plans to have all programming and testing with regard to core business AS/400 applications completed by August 31, 1999. As of February 28, 1999, the Company is approximately 50% complete with the AS/400 project and remains on schedule to have the AS/400 applications Year 2000 compliant by August 31, 1999.

YEAR 2000 COMPLIANCE FOR PC BASED ACCOUNTING AND PAYROLL SYSTEMS

The Company utilizes commercial PC based accounting systems for its general ledger, accounts payable, project costing, purchasing, non-produce inventory, payroll and human resource systems. As of January 1999, all required service packs to make these applications Year 2000 compliant have been installed and tested.

YEAR 2000 COMPLIANCE ON PC BASED NETWORK SERVERS AND DESKTOP COMPUTERS

The Company has contacted all significant PC based desktop and server system manufacturers to ascertain Year 2000 compliance. All significant PC based systems are either Year 2000 compliant without any changes or will be with the installation of ROM upgrades. The Company plans to complete the required ROM upgrades by March 31, 1999.

Non-IT Systems

Although no other areas of the business are expected to create Year 2000 issues, the project team is continuing to review all areas of the business to determine Year 2000 compliance. Management believes that given the agricultural nature of the Company's business, the project team will not encounter any major Y2K issues which cannot be corrected or would have a material adverse affect on the Company, although no absolute assurances can be given.

Suppliers and Customers IT and Non-IT Systems

The Company has identified all significant suppliers and customers and has started the process of sending surveys and conducting formal communications to determine the extent to which it may be affected by those third parties' Y2K preparedness plans. In the absence of adequate responses and disclosures from major suppliers and customers, the Company will attempt to make independent assessments. However, a compliance failure by a major supplier or customer, or one of their suppliers or customers, could have a material adverse effect on the Company's business or financial condition. As a result, in some cases the Company will develop contingency plans for suppliers and customers determined to be at risk of noncompliance or business disruption. Such plans could include finding alternative suppliers or manual intervention where necessary.

Costs related to the Y2K issue are funded through operating cash flows. The Company presently believes that the total costs to obtain Y2K compliant systems will not exceed $250,000, which consists mostly of internal labor for programming and testing.

CERTAIN TRENDS AND UNCERTAINTIES

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is hereby filing cautionary statements identifying important risk factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements of the Company made by or on behalf of the Company.

The Company wishes to caution readers that these factors, among others, could cause the Company's actual results to differ materially from those expressed in any projected, estimated or forward-looking statements relating to the Company. The following factors should be considered in conjunction with any discussion of operations or results by the Company or its representatives, including any forward-looking discussion, as well as comments contained in press releases, presentations to securities analysts or investors, or other communications by the Company.

In making these statements, the Company is not undertaking to address or update each factor in future filings or communications regarding the Company's business or results, and is not undertaking to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. In addition, certain of these matters may have affected the Company's past results and may affect future results.

RISKS INHERENT IN AGRICULTURAL OPERATIONS. The Company is subject to risks associated with its agricultural operations. Numerous factors can affect the price, yield and marketability of the crops grown on the Company's properties. Crop prices may vary greatly from year to year as a result of the relationship between production and market demand. For example, the production of a particular crop in excess of demand in any particular year will depress market prices, and inflationary factors and other unforeseeable economic changes may also, at the same time, increase operating costs with respect to such crops. In addition, the agricultural industry in the United States is highly competitive, and domestic growers and produce marketers are facing increased competition from abroad, particularly from Mexico. There are also a number of factors outside of the Company's control that could, alone or in combination, materially adversely affect the Company's agricultural operations, such as adverse weather conditions, insects, blight or other diseases, labor problems such as boycotts or strikes and shortages of competent laborers. The Company's operations may also be adversely affected by changes in governmental policies, social and economic conditions, and industry production levels.

RISKS OF WATER DEVELOPMENT PROJECTS. The Company anticipates that it will continue to incur operating losses from its non-Sun World operations until such time as it is able to receive significant revenues from the development of its water development projects, including the Cadiz Groundwater Storage and Dry-Year Supply Program. In addition to the risk of delays associated with receiving all necessary regulatory approvals and permits, the Company may also encounter unforeseen technical difficulties, which could result in construction delays, and cost increases with respect to the Company's water development projects. The Company is continuing to negotiate the terms and conditions of water storage and supply programs with various California water agencies (including Metropolitan with respect to preparing the final agreement for the Cadiz Groundwater Storage and Dry-Year Supply Program). However, the outcome of other negotiations cannot be predicted with any degree of certainty. The circumstances under which transfers or storage of water can be made and the profitability of any transfers or storage are subject to significant uncertainties, including hydrologic risks of variable water supplies, risks presented by allocations of water under existing and prospective priorities, and risks of adverse changes to or interpretations of U.S. federal, state and local laws, regulations and policies.

Other important risk factors that could cause the Company's actual results to differ materially from those expressed or implied by the Company or on behalf of the Company are discussed elsewhere within this Form 10-K in the sections entitled: Seasonality, Regulation, Competition, Year 2000, and Liquidity and Capital Resources.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on long-term debt obligations that impact the fair value of these obligations. The Company's policy is to manage interest rates through the use of a combination of fixed and variable rate debt. The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. Other instruments, such as interest rate swaps, options, floors, caps or collars may also be used depending upon market conditions. No such instruments were used in 1998.

The table below presents the principal amounts, weighted average interests rates, and fair values by year of scheduled maturities to evaluate the expected cash flows and sensitivity to interest rate changes (in thousands of dollars). Circumstances could arise which may cause interest rates and the timing and amount of actual cash flows to differ materially from the schedule below:

	Long-Term Debt			
Expected Maturity	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate
1999	$ 327	7.7%	$ 286	7.8%
2000	15,432	9.9%	10,038	9.9%
2001	445	7.6%	286	7.8%
2002	385	7.7%	286	7.8%
2003	285	7.8%	856	7.8%
Thereafter	115,932	11.2%	-0-	-
Total	$ 132,806	11.0%	$ 11,752	9.6%
Fair Value at 12/31/98	$ 139,206		$ 11,752	

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is submitted in response to Part IV hereof. See the Index to Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by this item is incorporated herein by reference to the definitive proxy statement involving the election of directors which the Company intends to file with the Commission pursuant to Regulation 14A under the Securities and Exchange Act of 1934 not later than

120 days after December 31, 1998.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to the definitive proxy statement involving the election of directors which the Company intends to file with the Commission pursuant to Regulation 14A under the Securities and Exchange Act of 1934 not later than 120 days after December 31, 1998.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by this item is incorporated herein by reference to the definitive proxy statement involving the election of directors which the Company intends to file with the Commission pursuant to Regulation 14A under the Securities and Exchange Act of 1934 not later than 120 days after December 31, 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by this item is incorporated herein by reference to the definitive proxy statement involving the election of directors which the Company intends to file with the Commission pursuant to Regulation 14A under the Securities and Exchange Act of 1934 not later than 120 days after December 31, 1998.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements. See Index to Consolidated Financial Statements.

2. Financial Statement Schedules. See Index to Consolidated Financial Statements.

3. Exhibits.

The following exhibits are filed or incorporated by reference as part of this Annual Report.

3.1 Certificate of Incorporation of the Company, as amended(2)

3.2 Amendment to Certificate of Incorporation dated November 12, 1996(3)

3.3 Amendment to Certificate of Incorporation dated September 1, 1998(13)

3.4 Bylaws of the Company, as amended to date(4)

3.5 Amended and Restated Certificate of Incorporation of Sun World, Inc.(10)

3.6 Certificate of Merger of Sun World International, Inc. into Sun World, Inc.(10)

3.7 Agreement and Plan of Merger of Sun World, Inc. and Sun World International, Inc.(10)

3.8 Amended and Restated Bylaws of Sun World International, Inc.(10)

4.1 Specimen Form of Stock Certificate for the Company's registered stock(13)

4.2 Certificate of Designations of 6% Convertible Series A Preferred Stock(1)

4.3 Certificate of Designations of 6% Convertible Series B Preferred Stock(5)

4.4 Certificate of Designations of 6% Convertible Series C Preferred Stock(1)

4.5 Indenture dated as of April 16, 1997 among Sun World as issuer, Sun World and certain subsidiaries of Sun World as guarantors, and IBJ Whitehall Bank & Trust Company as trustee, for the benefit of holders of 11-1/4% First Mortgage Notes due 2004 (including as Exhibit A to the Indenture, the form of the Global Note and the form of each Guarantee)(8)

4.6 Form of Amendment to Indenture dated as of October 9, 1997(11)

4.7 Form of Amendment to Indenture dated as of January 23, 1998(12)

10.1 The Company's 1996 Stock Option Plan(6)

10.2 Form of Employment Agreement dated September 13, 1996 between Sun World, the Company and Timothy J. Shaheen(7)

10.3 Form of Employment Agreement dated September 13, 1996 between Sun World, the Company and Stanley E. Speer(7)

10.4 Form of Sun World Executive Officer Employment Agreement(9)

10.5 Credit Agreement between the Company and ING Baring (U.S.) Capital Corporation dated November 25, 1997(12)

10.6 Revolving Credit Note between the Company and ING Baring (U.S.) Capital Corporation dated November 25, 1997(12)

10.7 Employment Agreement between the Company and Keith Brackpool dated February 1, 1998(12)

10.8 Principles for an Agreement between the Metropolitan Water District of Southern California and the Company dated August 14, 1998(13)

21.1 Subsidiaries of the Registrant

23.1 Consent of Independent Accountants (included in Part IV of the Form 10-K)

27.1 Financial Data Schedule

(1) Previously filed as Exhibit to the Company's Report on Form 8-K dated September 13, 1996

(2) Previously filed as Exhibit to the Company's Registration Statement of Form S-1 (Registration No. 33-75642) declared effective May 16, 1994

(3) Previously filed as Exhibit to the Company's Report on Form 10-Q for the quarter ended September 30, 1996

(4) Previously filed as Exhibit to the Company's Report on Form 8-K dated May 6, 1992

(5) Previously filed as Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1996

(6) Previously filed as Exhibit A to the Company's Proxy Statement relating to the Annual Meeting of Stockholders held on November 8, 1996

(7) Previously filed as Exhibit to the Company's Transition Report on Form 10-K for the nine months ended December 31, 1996

(8) Previously filed as Exhibit to Amendment No. 1 to the Company's Form S-1 Registration Statement No. 333-19109

(9) Previously filed as Exhibit to the Company's Report on Form 10-Q for the quarter ended March 31, 1997

(10) Previously filed as Exhibit to Sun World's Form S-4 Registration Statement No. 333-31103

(11) Previously filed as Exhibit to Amendment No. 2 to Sun World's Form S-4 Registration Statement No. 333-31103

(12) Previously filed as Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997

(13) Previously filed as Exhibit to the Company's Report on Form 10-Q for the quarter ended September 30, 1998

(b) Reports on Form 8-K

1. Report on Form 8-K dated December 7, 1998, describing the expiration of an offer made by the Company's Sun World subsidiary to purchase Series B First Mortgage Notes using proceeds received from the October 1998 sale of substantially all of the assets of ASC/SWB Partnership (formerly American SunMelon), a watermelon seed company in which Sun World holds a 50% interest.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

CADIZ INC.

By: /s/ Keith Brackpool	By: /s/ Stanley E. Speer
Keith Brackpool, Chief Executive Officer and Director	Stanley E. Speer, Chief Financial Officer and Secretary
Date: March 19, 1999	Date: March 19, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Name and Position	Date
/s/ Dwight W. Makins Dwight Makins, Chairman of the Board and Director	March 19, 1999
/s/ Keith Brackpool Keith Brackpool, Chief Executive Officer and Director (Principal Executive Officer)	March 19, 1999
/s/ Stanley E. Speer	March 19, 1999

- ----------------------------
Stanley E. Speer,
Chief Financial Officer
and Secretary
(Principal Financial and
Accounting Officer)

/s/ Murray H. Hutchison March 19, 1999
- ----------------------------
Murray H. Hutchison, Director

/s/ Mitt Parker March 19, 1999
- ----------------------------
Mitt Parker, Director

/s/ Timothy J. Shaheen March 19, 1999
- ----------------------------
Timothy J. Shaheen, Director

/s/ Anthony L. Coelho March 19, 1999
- -----------------------------
Anthony L. Coelho, Director

CADIZ INC.
INDEX TO FINANCIAL STATEMENTS

(Schedules other than those listed above have been omitted since they are either not required, inapplicable, or the required information is included on the financial statements or notes thereto.)

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Cadiz Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Cadiz Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for the years ended December 31, 1998 and 1997, and the nine months ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers LLP

Los Angeles, California
February 19, 1999

CADIZ INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands except per share data)	Year Ended December 31, 1998	Year Ended December 31, 1997	Nine Months Ended December 31, 1996
Revenues	$95,845	$98,769	$22,942
Income from partnerships	10,699	1,388	838
Total revenues	106,544	100,157	23,780
Costs and expenses:			
Cost of sales	74,742	76,566	17,725
General and administrative	11,736	11,873	6,057
Special litigation	1,308	683	394
Litigation benefit	-	(3,780)	-
Depreciation and amortization	8,688	7,745	1,039
Total costs and expenses	96,474	93,087	25,215
Operating profit (loss)	10,070	7,070	(1,435)
Interest expense, net	17,540	15,608	5,203
Loss before income taxes	(7,470)	(8,538)	(6,638)
Income tax benefit	-	-	(641)
Net loss	(7,470)	(8,538)	(5,997)
Less: Preferred stock dividends	-	(1,213)	(674)

Imputed dividend on preferred stock	-	-	(2,451)
Net loss applicable to common stock	$(7,470)	$(9,751)	$(9,122)
Net loss per common share	$ (.23)	$ (.33)	$ (.44)
Weighted average shares outstanding	33,173	29,485	20,500

See accompanying notes to the consolidated financial statements.

CADIZ INC.

CONSOLIDATED BALANCE SHEET

($ in thousands)	December 31, 1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,635	$ 5,298
Accounts receivable, net	6,295	5,881
Inventories	15,019	13,838
Prepaid expenses and other	992	1,161
Total current assets	35,941	26,178
Investment in partnerships	1,169	6,327
Property, plant, equipment and water programs, net	166,022	160,042
Other assets	11,227	10,502
	$ 214,359	$ 203,049
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$8,753	$ 8,517
Accrued liabilities	6,846	6,114
Long-term debt, current portion	613	519
Total current liabilities	16,212	15,150
Long-term debt	142,317	131,689
Deferred income taxes	5,447	5,447
Other liabilities	673	382
Commitments and contingencies		
Stockholders' equity:		
Common stock - $.01 par value; 45,000,000 shares authorized; shares issued and outstanding 33,592,261 at December 31, 1998 and 32,646,661 at December 31, 1997	336	326
Additional paid-in capital	127,662	120,873
Accumulated deficit	(78,288)	(70,818)

Total stockholders' equity	49,710	50,381
	$ 214,359	$ 203,049

See accompanying notes to the consolidated financial statements.

CADIZ INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

($ in thousands)	Year Ended December 31, 1998	Year Ended December 31, 1997	Nine Months Ended December 31, 1996
Cash flows from operating activities:			
Net loss	$(7,470)	$(8,538)	$(5,997)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:			
Depreciation and amortization	10,601	9,227	1,654
Litigation benefit	-	(3,780)	-
Issuance of stock for services	374	470	-
Interest capitalized to debt	-	315	481
(Gain) loss on disposal of assets	(207)	99	-
Share of partnership operations	(10,699)	(1,388)	(838)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(414)	1,652	11,367
(Increase) decrease in inventories	(1,559)	570	1,000
Decrease (increase) in prepaid expenses and other	307	64	(428)
Increase (decrease) in accounts payable	236	672	(6,798)
Increase in accrued liabilities	916	1,332	68
Decrease in other current liabilities	-	(591)	-
Increase (decrease) in other liabilities	18	54	(674)
Net cash (used for) provided by operating activities	(7,897)	158	(165)
Cash flows from investing activities:			
Additions to property, plant and equipment	(7,308)	(2,114)	(895)
Additions to water programs	(856)	(400)	(343)
Additions to developing crops	(3,396)	(4,725)	(187)
Proceeds from disposal of property, plant and equipment	388	2,817	12,415
Partnership distributions	15,859	1,165	140
Acquisition of Sun World, net of cash acquired	-	-	(4,474)
(Increase) decrease in other assets	(2,020)	358	-
Net cash provided by (used for) investing activities	2,667	(2,899)	6,656
Cash flows from financing activities:			
Net proceeds from issuance of stock	2,154	1,690	37,761
Proceeds from issuance of long-term debt	12,000	120,089	-
Principal payments on long-term debt	(587)	(141,248)	(16,428)
Proceeds from short-term borrowings, net	-	-	330
Debt issuance costs	-	(5,799)	-

Net cash provided by (used for) financing activities	13,567	(25,268)	21,663
Net increase (decrease) in cash and cash equivalents	8,337	(28,009)	28,154
Cash and cash equivalents, beginning of period	5,298	33,307	5,153
Cash and cash equivalents, end of period	$ 13,635	$ 5,298	$ 33,307

See accompanying notes to the consolidated financial statements.

CADIZ INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1998 and 1997, and the Nine Months Ended December 31, 1996
($ in thousands)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance as of March 31, 1996	-	$ -	19,247,611	$ 192	$ 72,957	$(54,396)	$ 18,753
Exercise of stock options and warrants	-	-	335,000	3	939	-	942
Common stock issued for acquisition of of Sun World	-	-	1,153,908	12	3,576	-	3,588
Net proceeds from private placements of preferred stock	1,300	-	-	-	10,688	-	10,688
Cash dividends paid on conversion of preferred stock	-	-	-	-	-	(99)	(99)
Dividends paid on conversion of preferred stock	-	-	28,777	-	127	(127)	-
Accrued dividends on preferred stock	-	-	-	-	-	(448)	(448)
Conversion of redeemable preferred stock to common stock	-	-	53,332	1	199	-	200
Conversion of preferred stock to common stock	(960)	-	2,627,240	26	(26)	-	-
Issuance of stock warrants for services	-	-	-	-	114	-	114

Net loss	-	-	-	-	-	(5,997)	(5,997)
Balance as of December 31, 1996	340	$ -	23,445,868	$234	$ 88,574	$(61,067)	$ 27,741
Conversion of redeemable preferred stock to common stock	-	-	7,314,917	73	27,358	-	27,431
Exercise of stock options and warrants	-	-	588,500	7	1,358	-	1,365
Common stock issued to satisfy Sun World purchase liability	-	-	65,000	1	324	-	325
Preferred dividends paid with common stock	-	-	361,251	3	1,714	-	1,717
Issuance of warrants to a lender	-	-	-	-	1,083	-	1,083
Stock issued for services	-	-	75,000	1	329	-	330
Issuance of stock for refinancing	-	-	30,000	-	140	-	140
Conversion of preferred stock to common stock	(340)	-	766,125	7	(7)	-	-
Accrued dividends on preferred stock	-	-	-	-	-	(1,213)	(1,213)
Net loss	-	-	-	-	-	(8,538)	(8,538)
Balance as of December 31, 1997	-	$ -	32,646,661	$ 326	$120,873	$(70,818)	$ 50,381
Exercise of stock options	-	-	515,600	6	2,148	-	2,154
Issuance of warrants to lender	-	-	-	-	1,643	-	1,643
Stock issued for services	-	-	55,000	-	374	-	374
Acquisition of hydrological research company	-	-	375,000	4	2,624	-	2,628
Net loss	-	-	-	-	-	(7,470)	(7,470)
Balance as of December							

31, 1998	-	$ -	33,592,261	$336	$127,662	$(78,288)	$ 49,710
	======	=======	==========	====	========	========	========

See accompanying notes to the consolidated financial statements.

CADIZ INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS

Effective September 1, 1998, Cadiz Land Company, Inc. changed its name to Cadiz Inc. (the "Company"). The Company currently has agricultural operations and is developing the water resource segment of its business. The primary business of the Company is to acquire and develop water and agricultural resources. The Company has created an integrated and complementary portfolio of assets encompassing undeveloped land with high-quality groundwater resources and/or storage potential, prime agricultural properties located throughout central and southern California with secure and reliable water rights, and other contractual water rights. Management believes that, with both the increasing scarcity of water supplies in California and an increasing population, the Company's access to water will provide it with a competitive advantage both as a major agricultural concern and as a supplier of water, which will lead to continued appreciation in the value of the Company's portfolio.

On September 13, 1996, the Company significantly enhanced this portfolio through its acquisition of Sun World International, Inc. and its wholly-owned subsidiaries, collectively referred to as "Sun World," and became a vertically integrated agricultural company. Today, Sun World farms more than 21,000 acres, primarily located in two major growing areas of California: the San Joaquin Valley and the Coachella Valley. Fresh produce, including table grapes, treefruit, peppers and watermelons, is marketed and shipped to food wholesalers and retailers throughout the United States and to more than 30 foreign countries. As of December 31, 1998, Sun World owned four cold storage and/or packing facilities in California, of which three are operated and one is leased to a third party.

In addition, the acquisition of Sun World provided the Company with valuable water rights throughout central and southern California. The Company's landholdings, which now total approximately 58,300 acres, are located adjacent to the Colorado River and the major aqueduct systems of central and southern California. The Company expects to utilize its resources to participate in a broad variety of water storage and supply projects, including the storage and supply of surplus water for public agencies that require supplemental sources of water for exchanges or transfers to third parties.

In 1998, the Company and the Metropolitan Water District of Southern California ("Metropolitan") verified the feasibility of and approved principles and terms for a water storage and supply program at its Cadiz, California property. The Cadiz Groundwater Storage and Dry-Year Supply Program (the "Program") will enhance southern California water supply reliability in two ways, providing a new dry-year water supply and much-needed storage. During wet years or periods of excess supply, Metropolitan will store surplus Colorado River water in the aquifer system underlying the Company's Cadiz property. During dry years, the previously imported water, together with additional existing groundwater, will be extracted and delivered, via a 35-mile conveyance pipeline, to Metropolitan's service area. During the 50-year term of the agreement, Metropolitan will store a minimum of 500,000 acre-feet of Colorado River water and purchase a minimum of 1,100,000 acre-feet of existing groundwater for transfer. The Program will have the capacity to convey up to 150,000 acre-feet of water per year. The Company and Metropolitan have commenced the environmental review process required by state and federal environmental laws for the Program and construction of pilot spreading basins, which will model and further analyze the storage and extraction of water. Additionally, engineering and optimization studies are currently being finalized for the design of the Program's capital facilities.

Although the development and management activities of the Company are currently focused on agricultural operations (primarily through its wholly-owned subsidiary, Sun World) and water resource development, the Company will continue to develop and manage its land, water and agricultural resources for their highest and best uses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Sun World (since September 14, 1996), and Southwest Fruit Growers Limited Partnership, a limited partnership ("SWFG") in which the Company was the general partner and had an approximate 66.3 percent partnership interest. Allocable loses incurred through the year ended March 31, 1991 served to eliminate the minority interest in SWFG for accounting purposes. On November 5, 1998, the Company purchased the assets of SWFG and the partnership dissolved. All material intercompany balances and activity have been eliminated from the consolidated financial statements.

CHANGE IN YEAR END AND RECLASSIFICATIONS

In 1996, the Company changed its fiscal year end from March 31 to December 31 in order to align the Company's year end with that of Sun World. These financial statements reflect certain reclassifications made to the prior period balances to conform with the current year presentation.

USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes crop sale revenue, packing revenue and marketing commissions upon shipment to customers.

RESEARCH AND DEVELOPMENT

Sun World incurs costs to research and develop new varieties of proprietary products. Research and development costs are expensed as incurred. Such costs were approximately $1,249,000 for the year ended December 31, 1998, $809,000 for the year ended December 31, 1997, and $120,000 for the period from September 14, 1996 to December 31, 1996.

NET LOSS PER COMMON SHARE

Basic Earnings Per Share (EPS) is computed by dividing the net loss, after deduction for preferred dividends either accrued or imputed, if any, by the weighted average common shares outstanding. Because the Company had a net loss for all periods presented, basic EPS equals diluted EPS. As described in Note 13, the terms for conversion of the Series B and C preferred stock issued during the nine months ended December 31, 1996 afforded the holders a conversion price lower than the market price of the common stock at the time of issuance in order to recognize the sales and other market restrictions of the unregistered common stock to be issued upon conversion. The difference between the conversion price and market price has been reported as an imputed dividend for purposes of calculating basic EPS, although no assets of the Company will ever be expended. The imputed dividend of $2,451,000 had the effect of increasing the loss per share for the nine months ended December 31, 1996 by $0.11. It should be noted that the imputed dividend has been given no other accounting recognition in the financial statements of the Company for that period and any subsequent period. All shares for all series of preferred stock had been converted to common stock as of December 31, 1997.

CASH AND CASH EQUIVALENTS

The Company considers all short-term deposits with an original maturity of three months or less to be cash equivalents. The Company invests its excess cash in deposits with major international banks and short-term commercial paper and, therefore, bears minimal risk. Such investments are stated at cost, which approximates fair value, and are considered cash equivalents for purposes of reporting cash flows.

INVENTORIES

Growing crops, pepper seed, and materials and supplies are stated at the lower of cost or market, on a first-in, first-out (FIFO) basis. Growing crops inventory includes direct costs and an allocation of indirect costs.

INVESTMENT IN PARTNERSHIPS

Sun World, through a wholly-owned subsidiary, owns a 50% interest in ASC/SWB Partnership, formerly named American Sunmelon (the "Partnership"). In October 1998, the Partnership sold substantially all of its assets to a third party for $35 million in cash. In conjunction with the sale, Sun World received an initial distribution of $15.2 million from the Partnership. The Partnership was engaged in proprietary development, production, and marketing of seedless watermelon seed. Sun World accounts for its investment in the Partnership using the equity method. During 1997, Sun World sold its 50% interest in the Sun Date partnership.

PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS

Property, plant, equipment and water programs are stated at cost.

The Company capitalizes direct and certain indirect costs of planting and developing orchards and vineyards during the development period, which varies by crop and generally ranges from three to seven years. Depreciation commences in the year commercial production is achieved.

Permanent land development costs, such as acquisition costs, clearing, initial leveling and other costs required to bring the land into a suitable condition for general agricultural use, are capitalized and not depreciated since these costs have an indeterminate useful life.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ten to forty-five years for land improvements and buildings, three to twenty-five years for machinery and equipment, and five to thirty years for permanent crops.

Water rights and water storage and supply programs are stated at cost. All costs directly attributable to the development of such programs are being capitalized by the Company. These costs, which are expected to be recovered through future revenues, consist of direct labor, drilling costs, consulting fees for various engineering, hydrological, environmental and feasibility studies, and other professional and legal fees.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company annually evaluates its long-lived assets, including intangibles, for potential impairment. When circumstances indicate that the carrying amount of the asset may not be recoverable, as demonstrated by estimated future cash flows, an impairment loss would be recorded based on fair value.

OTHER ASSETS

As a result of a merger in May 1988 between two companies, which eventually became known as Cadiz Inc., an excess of purchase price over net assets acquired in the amount of $7,006,000 was recorded. This amount is being amortized on a straight-line basis over thirty years. Accumulated amortization was $2,493,000 and $2,259,000 at December 31, 1998 and December 31, 1997, respectively.

Capitalized loan fees represent costs incurred to obtain debt financing. Such costs are amortized over the life of the related loan. At December 31, 1998, the majority of capitalized loan fees relate to the issuance of the First Mortgage Notes described in Note 10.

INCOME TAXES

Income taxes are provided for using an asset and liability approach which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities at the applicable enacted tax rates. A valuation allowance is provided when it is uncertain that some portion or all of the deferred tax assets will be realized.

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest during the years ended December 31, 1998 and 1997 and the nine months ended December 31, 1996 was $15,348,000, $12,452,000 and $3,892,000, respectively.

NOTE 3 - ACQUISITIONS
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On September 13, 1996, the Company acquired all of the stock of a reorganized Sun World for approximately $179 million. Sun World and certain subsidiaries had filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on October 3, 1994. The acquisition of Sun World was accounted for under the purchase method of accounting. Accordingly, the results of operations of Sun World have been included in the consolidated financial statements since the date of acquisition.

In January 1998, the Company issued 375,000 shares of common stock to a hydrological research company in order to acquire title to substantially all of its assets.

In 1998, the Company purchased two citrus ranches in the San Joaquin Valley totaling approximately 2,000 acres for $3.8 million.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following (dollars in thousands):

	December 31, 1998	December 31, 1997
Trade receivables	$ 4,092	$ 4,131
Due from unaffiliated growers	231	535
Other	2,257	1,502
	6,580	6,168
Less allowance for doubtful accounts	(285)	(287)
	$ 6,295	$ 5,881

Substantially all domestic receivables are from large national and regional supermarket chain stores and produce brokers and are unsecured. Amounts due from unaffiliated growers represent receivables for harvest advances and for services (harvest, haul and pack) provided on behalf of growers under agreement with Sun World and are recovered from proceeds of product sales. Other receivables primarily include wine grape sales and other miscellaneous receivables.

Revenues attributable to one national retailer totaled $11.9 million in 1998, $13.6 million in 1997 and $3.8 million for the period September 14, 1996 to December 31, 1996. Export sales accounted for approximately 8.5%, 11.4% and 20.6% of the Company's revenues for the years ended December 31, 1998 and 1997, and for the period September 14, 1996 to December 31, 1996, respectively.

NOTE 5 - INVENTORIES

Inventories consist of the following (dollars in thousands):

	December 31, 1998	December 31, 1997
Growing crops	$11,208	$ 9,955
Pepper seed	1,344	1,648
Harvested product	360	169
Materials and supplies	2,107	2,066
	$ 15,019	$ 13,838

NOTE 6 - PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS

Property, plant, equipment and water programs consist of the following (dollars in thousands):

	December 31, 1998	December 31, 1997
Land	$ 66,536	$ 64,005
Permanent crops	67,286	62,660
Developing crops	5,192	6,422
Water programs	8,482	5,284
Buildings	21,397	20,667
Machinery and equipment	18,186	14,262

	187,079	173,300
Less accumulated depreciation	(21,057)	(13,258)
	$ 166,022	$ 160,042

NOTE 7 - OTHER ASSETS

Other assets consist of the following (dollars in thousands):

	December 31, 1998	1997
Capitalized loan fees, net	$4,159	$ 4,785
Excess of purchase price over asset acquired, net	4,514	4,747
Capitalized trademark development, net	989	732
Other	1,565	238
	$11,227	10,502

NOTE 8 - ACCRUED LIABILITIES

Accrued liabilities consist of the following (dollars in thousands):

	December 31, 1998	1997
Interest	$3,548	$ 2,989
Payroll and benefits	2,049	2,433
Other	1,249	692
	$6,846	$ 6,114

NOTE 9 - REVOLVING CREDIT FACILITY

In April 1998, Sun World entered into a one year $25 million Revolving Credit Facility. The Revolving Credit Facility is secured by eligible accounts receivable and inventory, and is guaranteed by the Company. Amounts borrowed under the facility will accrue interest at either prime plus 1.0% or LIBOR plus 2.50% at the Company's election. No amounts were outstanding under the Revolving Credit Facility at December 31, 1998. In February 1999, Sun World increased the Revolving Credit Facility to $30 million in conjunction with a one year renewal.

NOTE 10 - LONG-TERM DEBT

Management estimates that the fair value of the Company's long-term debt approximates the carrying value for all debt instruments except for the Series B First Mortgage Notes ("First Mortgage Notes"). The fair value of the First Mortgage Notes is estimated to be approximately $121.4 million based on quoted market prices as of December 31, 1998. At December 31, 1998 and December 31, 1997, the carrying amount of the Company's outstanding debt is summarized as follows (dollars in thousands):

December 31, 1998	1997

Cadiz obligations:		
Senior term bank loan, interest payable semi-annually, variable interest rate based upon LIBOR plus 4% (9.97% at December 31, 1998 and 7.78% at December 31, 1997)	$9,752	$ 9,752
$15 million revolving line of credit, interest payable semi-annually at 8%	15,000	5,000
Other	30	49
Debt discount	(1,628)	(935)
	23,154	13,866
Sun World obligations:		
Series B First Mortgage Notes, interest payable semi-annually with principal due in April 2004, interest at 11.25%	115,000	115,000
Note payable to bank, quarterly principal installments of $72 plus interest payable monthly, due December 31, 2003, interest at prime (7.75% at December 31, 1998)	2,000	-
Note payable to insurance company, quarterly installments of $93 (including interest), due September 13, 2006, interest at 7.75%	2,110	2,306
Note payable to supplier, monthly installments of $104 (including interest) due March 1, 1998, interest at 10.00%	-	205
Note payable to finance company, monthly installments of $18 (including interest) due July 1, 2002, interest at 7.50%	666	831
	119,776	118,342
	142,930	132,208
Less current portion	(613)	(519)
	$ 142,317	$ 131,689

Annual maturities of long-term debt outstanding,excluding $1,628,000 representing the unamortized portion of warrants, on December 31, 1998 are as follows: 1999 - $613,000; 2000 - $25,470,000; 2001 - $731,000; 2002 - $671,000; 2003 - $1,141,000 and thereafter - $115,932,000.

CADIZ OBLIGATIONS

The senior term bank loan is secured by substantially all of the Company's non-Sun World related property. With Cadiz' election to extend the loan in April 1998, the maturity date of the obligation is April 30, 1999, with interest at a rate of LIBOR plus 400 basis points, payable at LIBOR semi-annually, with the remaining accrued interest deferred until maturity. In connection with obtaining the one-year extension, the Company issued warrants to purchase 75,000 shares of the Company's common stock at $11.81, the market price at issuance. The fair value of the warrants totaled $394,000 and is being amortized over one year. The Company has the right to obtain an additional one-year extension. If the Company elects to exercise the option to extend the note for an additional year, the interest rate will be further adjusted and the Company will be required to issue additional warrants to the lender.

In November 1997, the Company entered into a three-year $15 million revolving credit facility. The facility is secured by a second lien on substantially all of the non-Sun World assets of the Company. Principal is due in 2000. The Company had $15 million outstanding under the facility at December 31, 1998. The Company issued 200,000 warrants in connection with the initial borrowings at $7.00, the market price at issuance. The total fair value of the warrants was $920,000 and has been recorded as a debt discount and is being amortized over the three-year term of the facility. The Company issued warrants to purchase 150,000 shares of the Company's common stock at $7.00 during 1998 in connection with additional draws on the facility. The fair value of the warrants of $1,249,000 has been recorded as a debt discount and is being amortized over the remaining life of the facility.

SUN WORLD OBLIGATIONS

In April 1997, Sun World restructured its long-term debt by issuing $115 million of Series A First Mortgage Notes through a private placement. The notes have subsequently been exchanged for Series B First Mortgage Notes which are registered under the Securities Act of 1933 and publicly traded. Sun World utilized the proceeds from the debt offering and existing cash on hand to repay debt totaling approximately $130 million.

The First Mortgage Notes are secured by a first lien (subject to certain permitted liens) on substantially all of the assets of Sun World and its subsidiaries other than growing crops, crop inventories and accounts receivable and proceeds thereof, which secure the Revolving Credit Facility. The First Mortgage Notes are also guaranteed by certain subsidiaries and the Company pledged all of the stock of Sun World. The First Mortgage Notes mature April 15, 2004, but are redeemable at the option of Sun World, in whole or in part, at any time on or after April 15, 2001. The First Mortgage Notes include covenants which restrict the Company's ability to receive distributions from Sun World.

NOTE 11 - INCOME TAXES

Deferred taxes are recorded based upon differences between the financial statement and tax basis of assets and liabilities and available carryforwards. Temporary differences and carryforwards which gave rise to a significant portion of deferred tax assets and liabilities as of December 31, 1998 and 1997 are as follows (in thousands):

	December 31, 1998	December 31, 1997
Deferred tax liabilities:		
Net fixed asset basis difference	$ 5,618	$ 4,841
Net basis difference in partnership investments	-	3,886
Other	-	1,268
Total deferred tax liabilities	5,618	9,995
Deferred tax assets:		
Net operating losses	25,813	25,815

Reserve for notes receivable	1,178	1,178
State taxes	1,649	1,779
Other	550	1,097
Total deferred tax assets	29,190	29,869
Valuation allowance for deferred tax assets	(29,019)	(25,321)
Net deferred tax assets	171	4,548
Net deferred tax liability	$ 5,447	$ 5,447

As of December 31, 1998, the Company had net operating loss (NOL) carryforwards of approximately $73.2 million for federal income tax purposes. Such carryforwards expire in varying amounts through the year 2012. In accordance with the Tax Reform Act of 1986, NOL utilization may be subject to an annual limitation. When there is a change of ownership of more than 50% (as defined) of a corporation, the use of any NOL is limited annually to an amount defined by law. As of December 31, 1998, $21.7 million of NOL carryforwards are limited to utilization of $4.5 million per year. The remaining NOLS are not limited on an annual basis.

As of December 31, 1998, the Company has state NOL carryforwards of $10.6 million. These NOL carryforwards expire in varying amounts through the year 2002.

A reconciliation of the income tax benefit to the statutory federal income tax rate is as follows (dollars in thousands):

	Year Ended December 31, 1998	1997	Nine Months Ended December 31, 1996
Expected federal income tax benefit at 34%	$ (2,540)	$ (2,903)	$ (2,257)
Loss with no tax benefit	2,414	2,981	1,790
State income tax	451	-	-
Amortization	79	79	60
Utilization of net operating losses	(601)	-	(696)
Other non-deductible expenses	197	(157)	462
Income tax benefit	$ -	-	$ (641)

NOTE 12 - EMPLOYEE BENEFIT PLANS

The Company has a 401(k) Plan for all employees of Cadiz. This plan contains no eligibility requirements and contributions by the Company are discretionary. To date, no contributions to this plan have been made by the Company.

Sun World has a 401(k) Plan for its salaried employees. Employees must work 1,000 hours and have completed one year of service to be eligible to participate in this plan. Sun World matches 75% of the first four percent deferred by an employee up to $1,500 per year. In addition, Sun World maintains a defined contribution pension plan covering substantially all of its employees who (i) are not covered by a collective bargaining agreement, (ii) have at least one year of service and (iii) have worked at least 1,000 hours.

Contributions are 2% of each covered employee's salary. For those hourly employees covered under a collective bargaining agreement, contributions are made to a multi-employer pension plan in accordance with negotiated labor contracts and are generally based on the number of hours worked. Effective January 1, 1999, the Cadiz 401(k) plan is being merged into the Sun World 401(k) plan and renamed the Cadiz Inc. 401(k) plan.

NOTE 13 - PREFERRED AND COMMON STOCK

During the nine months ended December 31, 1996, the Company issued (i) 27,431 shares totaling $27.6 million of newly authorized Convertible Series A Redeemable Preferred Stock; (ii) $10.0 million of newly authorized 6% Convertible Series B Preferred Stock and (iii) $3.0 million of newly authorized 6% Convertible Series C Preferred Stock. All preferred stock was converted to common stock as of December 31, 1997. During 1997, the Company paid $1,717,000 of preferred stock dividends with common stock.

NOTE 14 - STOCK-BASED COMPENSATION PLANS AND WARRANTS

STOCK OPTIONS AND WARRANTS

The Company issues options pursuant to its 1996 Stock Option Plan (the "1996 Plan") and the 1998 Non-Qualified Stock Option Plan (the "1998 Plan") approved by the Board of Directors in February 1998. The plans provide for the granting of up to 3,000,000 shares. At December 31, 1998, the Company has 360,000 remaining options that can be granted under the plans. All options are granted at a price approximating fair market value at the date of grant, have vesting periods ranging from issuance date to five years, have maximum terms ranging from three to seven years and are issued to directors, officers, consultants and employees of the Company. During the year ended December 31, 1998, the Company granted options to purchase 525,000 shares of the Company's common stock at a weighted average exercise price of $9.12 per share.

Compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Had compensation cost for these plans been determined using fair value, as explained below, rather than the quoted market price, the Company's net loss and net loss per common share would have increased to the following pro forma amounts (dollars in thousands):

		Year Ended December 31, 1998	Year Ended December 31, 1997	Nine Months Ended December 31, 1996
Net loss:	As reported	$ (7,470)	$ (8,538)	$ (5,997)
	Pro forma	$ (8,833)	$(10,203)	$ (6,655)
Net loss per common share				
	As reported	$ (.23)	$ (.33)(a)	$ (.44)(a)
	Pro forma	$ (.27)	$ (.35)(a)	$ (.48)(a)

(a) After adjustment for preferred dividends during the year ended December 31, 1997 and the nine months ended December 31, 1996 of $1,213 and $3,125, respectively.

The fair value of each option granted during the periods reported was estimated on the date of grant using the Black-Scholes option pricing model.

The following table summarizes stock option activity for the periods noted. All options listed below were issued to officers, directors, employees and consultants.

	Options Outstanding Number	Weighted-Average Exercise Price
Outstanding at March 31, 1996	2,791,000	$ 4.29
Granted	1,800,000	$ 4.62
Expired or canceled	(400,000)	$ 5.50
Exercised	(325,000)	$ 2.79
Outstanding at December 31, 1996	3,866,000	$ 4.44
Granted	527,500	$ 5.61
Expired or canceled	(120,000)	$ 4.80
Exercised	(348,500)	$ 4.17
Outstanding at December 31, 1997	3,925,000	$ 4.61
Granted	525,000	$ 9.12
Expired or canceled	(42,500)	$ 6.44
Exercised	(515,600)	$ 4.18
Outstanding at December 31, 1998	3,891,900(a)	$ 5.26
Options exercisable at December 31, 1996	1,966,000	$ 4.30
Options exercisable at December 31, 1997	2,297,500	$ 4.40
Options exercisable at December 31, 1998	2,472,900	$ 4.50
Weighted-average fair value of options granted during the year ended December 31, 1998	$ 3.60	
Weighted-average remaining contractual life of options outstanding at December 31, 1998	2.11	

(a) Exercise prices vary from $4.25 to $9.375 and expiration dates vary from May 1999 to November 2003.

During the years ended December 31, 1998 and 1997, and the nine months ended December 31, 1996, the Company issued 225,000, 275,000 and 30,000 warrants with weighted-average exercise prices of $8.60, $6.45 and $3.55, respectively. During the year ended December 31, 1997 and the nine months ended December 31, 1996, 240,000 warrants with a weighted-average exercise price of $0.05 and 10,000 warrants with a weighted-average exercise price of $3.55 were exercised, respectively. No warrants expired or were canceled during any of the three periods discussed. At December 31, 1998, there were 500,000 warrants outstanding at a weighted-average exercise price of $7.43 per share, which expire through 2004. See Note 10 for further discussion of these warrants.

RESTRICTED STOCK AWARD

Following the acquisition of Sun World in 1996, the Company's Chief Executive Officer was awarded a stock bonus of 125,000 shares of restricted common stock at no cost. 25,000 and 75,000 of these shares were issued during the year ended December 31, 1998 and 1997, respectively. The remaining 25,000 shares will be issuable in September 1999. Compensation expense is being recognized as earned over the period of service.

NOTE 15 - CONTINGENCIES
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In December 1995 the Company filed an action relative to the proposed construction and operation of a landfill (the "Rail-Cycle Project") which was to be located adjacent to the Company's Cadiz property with the Superior Court in San Bernardino County, California. The action challenges the various decisions by the County of San Bernardino relative to the proposed Rail-Cycle Project. Named in this action in addition to the County of San Bernardino, were the Board of Supervisors for the County of San Bernardino, three individual members of the Board of Supervisors, an employee of the County and Rail-Cycle, L.P. ("Rail-Cycle") whose general partner is controlled by Waste Management, Inc. ("WMI").

The Company continues to believe the proposed Rail-Cycle Project, if constructed and operated as currently designed, poses environmental risks both to the Company's agricultural operations at Cadiz and to the groundwater basin underlying the Cadiz property. Accordingly, the Company intends to pursue a claim for damages against the County of San Bernardino and Rail-Cycle and the action seeks compensatory damages. On or about September 30, 1998, the court granted defendants' motions for summary judgement finding that the Company's procedural due process claim is not ripe due to the fact that, as the Rail-Cycle Project cannot proceed without voter approval of a business license tax, there is no actual concrete injury at this point in time. The Company has appealed this decision.

On October 24, 1997, the Company filed suit in the United States District Court, for the Central District of California, against WMI and certain key executives and consultants of WMI, and certain other parties in interest as to the proposed Rail-Cycle Project (the "Federal Court Action"). The Complaint as originally filed asserted claims arising under both federal and state law arising from activities of defendants adverse to the Company in connection with the Rail-Cycle Project. In December 1997, the federal district judge, on his own motion, severed the state law claims from the complaint and dismissed them without prejudice. Those claims were reasserted in a state proceeding filed on January 8, 1998 in Los Angeles Superior Court (West Division) (the "State Court Action").

On or about April 27, 1998, in response to motions to dismiss filed by various defendants in the Federal Court Action, an order was entered granting the Company leave to amend its complaint. In addition, pursuant to that order, the Company's claims for stock manipulation pursuant to Section 10(b) of the Exchange Act against the WMI defendants and its RICO claims against San Bernardino County officials Marsha Turoci and Michael Dombrowski were dismissed without leave to amend. Judgements were subsequently entered in favor of defendants with respect to these claims. Based upon the criminal indictments against certain defendants described below and other evidence made available to the Company on account of the pending criminal investigation, the Company has filed appeals with the Ninth Circuit Court of Appeals seeking the reversal of the trial court's dismissal of these claims, and these appeals are currently pending. Upon the Company's motion, the remainder of the Company's claims in the Federal Court Action, which will be pursued in the State Court Action, have been dismissed without prejudice.

In response to the State Court Action, the WMI defendants on or about April 15, 1998 sought and obtained a stay of the action, which expired by its own terms in December 1998. The Company intends to file a Second Amended Complaint and will continue to vigorously prosecute its claims against the WMI defendants.

During 1998, felony complaints were filed by the San Bernardino District Attorney charging a Waste Management employee and a consultant with multiple felony counts based upon their criminal activities in connection with the Rail-Cycle Project, and, also during 1998, an indictment was handed down by a San Bernardino Special Criminal Grand Jury which charges WMI, certain affiliates and employees with 23 felony counts, all arising from WMI's scheme to sabotage the Company in retaliation for the Company's opposition to the Rail-Cycle Project. In addition, indictments were handed down for certain County employees for criminal activities in connection with the Rail-Cycle Project. The WMI consultant pleaded nolo contendere to four felony counts, including stock fraud and conspiracy to commit stock fraud, and was sentenced on December 3, 1998 for felonies, which include perjury in the Federal Court Action and the receipt of bribes.

Prior to the acquisition of Sun World, the Internal Revenue Service (IRS) had filed claims against Sun World and certain of its subsidiaries (collectively "the Sun World Claimants"), for taxes refunded for workers that the IRS claims were employees. The Sun World Claimants contend that the workers are excluded from the definition of employment under the Internal Revenue Code. On January 21, 1998, the District Court ruled in favor of one of the Sun World Claimants. The IRS has appealed this decision. Accordingly, the Company released $3,780,000 of reserves related to this matter at December 31, 1997 which are reported on the Consolidated Statement of Operations as Litigation Benefit. Management believes that the likelihood of an unfavorable future outcome with regard to this matter is remote.

In the normal course of its agricultural operations, the Company handles, stores, transports and dispenses products identified as hazardous materials. Regulatory agencies periodically conduct inspections and, currently, there are no pending claims with respect to hazardous materials.

The Company is involved in other legal and administrative proceedings and claims. In the opinion of management, the ultimate outcome of each proceeding or all such proceedings combined will not have a material adverse impact on the Company's financial statements.

NOTE 16 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Quarter Ended			
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998
Revenues	$ 5,484	$ 22,619	$ 45,596	$ 32,845
Gross profit	471	5,664	8,008	17,659
Net (loss) income	(7,190)	(3,065)	(4,894)	7,679
Net (loss) income per common share	(.22)	(.09)	(.15)	.23

	Quarter Ended			
	March 31, 1997	June 30, 1997	September 30, 1997	December 31, 1997
Revenues	$ 4,805	$ 25,656	$ 52,949	$ 16,747
Gross (loss) profit	(213)	5,503	14,633	3,668
Net (loss) income	(7,396)	(3,569)	3,618	(1,191)
Preferred stock dividends	(438)	(766)	(9)	-
Net (loss) income per common share	(.33)	(.15)	.11	(.04)

CADIZ INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEET ($ in thousands):	December 31, 1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$7,493	$ 3,590
Accounts receivable, net	77	18
Due from subsidiary	71	86
Prepaid expenses and other	253	130
Total current assets	7,894	3,824
Investment in subsidiary	30,738	30,543
Property, plant, equipment and water programs, net	32,174	26,769
Other assets	4,585	4,740
	$75,391	$65,876
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 701	$ 710
Accrued liabilities	1,826	870
Long-term debt, current portion	9	20
Total current liabilities	2,536	1,600
Long-term debt	23,145	13,846
Other liabilities	-	49
Commitments and contingencies		
Stockholders' equity:		
Common stock - $.01 par value; 45,000,000 shares authorized; shares issued and outstanding 33,592,261 at December 31, 1998 and 32,646,661 at December 31, 1997	336	326
Additional paid-in capital	127,662	120,873
Accumulated deficit	(78,288)	(70,818)
Total stockholders' equity	$49,710	$50,381
	$75,391	$65,876

CADIZ INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Year Ended   Nine Months Ended

Statement of Operations ($ in thousands except per share data)	December 31, 1998	1997	December 31, 1996
Revenues	$ 2,003	$ 1,968	$ 1,278
Costs and expenses:			
Cost of sales	49	270	1,329
General and administrative	4,726	4,042	3,206
Special litigation	1,308	683	394
Depreciation and amortization	1,182	994	773
Total costs and expenses	7,265	5,989	5,702
Operating loss	(5,262)	(4,021)	(4,424)
Profit (loss) from subsidiaries	195	(2,817)	(823)
Interest expense, net	2,403	1,700	1,391
Loss before income taxes	(7,470)	(8,538)	(6,638)
Income tax benefit	-	-	641
Net loss	(7,470)	(8,538)	(5,997)
Less: Preferred stock dividends	-	(1,213)	(674)
Imputed dividend on preferred stock	-	-	(2,451)
Net loss applicable to common stock	$(7,470)	$(9,751)	$(9,122)
Net loss per common share	$ (.23)	$ (.33)	$ (.44)
Weighted average shares outstanding	33,173	29,485	20,500

CADIZ INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Statement of Cash Flows ($ in thousands)	Year Ended December 31, 1998	1997	Nine Months Ended December 31, 1996
Cash flows from operating activities:			
Net loss	$ (7,470)	$ (8,538)	$ (5,997)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation and amortization	2,230	1,462	1,388
Issuance of stock for services	374	470	-
(Gain) loss from subsidiaries	(195)	2,817	823
Interest capitalized to debt	-	315	481
(Gain) loss on disposal of assets	(17)	138	-
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(59)	192	411
Decrease in inventories	-	7	259
(Increase) decrease in due from subsidiary	(107)	131	(923)
Increase in prepaid expenses and other	(123)	(56)	(317)

Decrease in accounts payable	(9)	(667)	(441)
Increase in accrued liabilities	1,007	506	219
Increase in deferred liabilities	-	-	375
Decrease in other liabilities	(47)	(1,006)	-
Net cash used for operating activities	(4,416)	(4,229)	(3,722)
Cash flows from investing activities:			
Additions to property, plant and equipment	(2,910)	(638)	(27)
Additions to water programs	(856)	(466)	(490)
Proceeds from disposal of property, plant and equipment	27	33	(187)
Acquisition of Sun World	-	-	(36,587)
Decrease (increase) in other assets	(71)	153	-
Net cash used for investing activities	(3,810)	(918)	(37,291)
Cash flows from financing activities:			
Net proceeds from issuance of stock	2,150	1,690	37,761
Proceeds from short-term debt, net	-	-	330
Proceeds from issuance of long-term debt	10,000	5,084	-
Principal payments on long-term debt	(21)	(9,231)	-
Debt issuance costs	-	(38)	-
Dividends paid on conversion of preferred stock	-	-	(99)
Return of capital from subsidiary	-	9,100	-
Net cash provided by financing activities	12,129	6,605	37,992
Net increase (decrease) in cash and cash equivalents	3,903	1,458	(3,021)
Cash and cash equivalents, beginning of period	3,590	2,132	5,153
Cash and cash equivalents, end of period	$ 7,493	$ 3,590	$ 2,132

CADIZ INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 1998 and 1997 and the nine months ended December 31, 1996 ($ in thousands)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts	Deductions	Balance at End Period
Year ended December 31, 1998					
Allowance for doubtful accounts	$ 287	$ 130	$ -	$ 132	$ 285
Year ended December 31, 1997					
Allowance for doubtful accounts	$ 480	$ -	$ -	$ 193	$ 287
Nine months ended					

December 31, 1996

Allowance for doubtful accounts	$ -	$ 107	$ 373	$ -	$ 480
	=====	=====	=====	=====	=====

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-83360, 33-63065, 333-35491 and 333-41367) and on Form S-3 (No. 333-53069) of Cadiz Inc. of our report dated February 19, 1999, appearing on page 36 of this Form 10-K.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers LLP

Los Angeles, California
March 19, 1999

EXHIBIT 21.1

CADIZ INC.

SUBSIDIARIES OF THE COMPANY

Rancho Cadiz Mutual Water Company
Sun World International, Inc.

EXHIBIT 27.1

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