FORM 10-K

CADIZ INC - CDZI

Filed: March 29, 2000 (period: December 31, 1999)

Annual report with a comprehensive overview of the company

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

For the Fiscal Year Ended December 31, 1999

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)

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

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 29, 2000, the registrant had 35,302,911 shares of Common Stock outstanding. The aggregate market value of the Common Stock held by nonaffiliates as of March 29, 2000 was approximately $300,345,000 based on the closing price on this date.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of Registrant's proxy statement for the annual meeting to be held on May 15, 2000, 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.

PART I

ITEM 1. BUSINESS

Water is one of the world's most precious resources. Considerable population increases are placing great demands on water supplies and related infrastructure both in California and worldwide. Compounding the issue in California, population centers are not generally located where significant precipitation occurs. Management therefore believes that a competitive advantage exists for those companies that possess or can provide a high quality, reliable and affordable water supply especially within California's multi-billion dollar agricultural industry, one of the largest users of water in the state. Accordingly, water resource management and agricultural operations, two inter-dependent efforts, form the long-term business strategy of Cadiz Inc. (the "Company"). The Company has created an integrated and complementary portfolio of assets encompassing landholdings with high-quality groundwater resources and/or storage potential, prime agricultural properties located throughout central and southern California with secure and reliable water rights, other contractual water rights, and may include technologies for water conservation, reclamation, production and conveyance. Management believes that the Company's access to water will provide it with a competitive edge both as a major agricultural concern and as a supplier of water, leading to continued appreciation in the value of the Company's portfolio.

The Company's wholly-owned subsidiary, Sun World International, Inc. and its subsidiaries (collectively "Sun World"), is one of the largest developers, growers, packers and marketers of proprietary fruits and vegetables in California, specializing in high-value permanent crops. Sun World's highly regarded brand name, product innovation from its fruit breeding programs, international licensing programs and global marketing reach have provided Sun World with a strong position in the ongoing consolidation in the retail grocery industry. Sun World also adds valuable water rights to the Company's existing water resource management 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 approximately 37,700 acres of land in eastern San Bernardino County that 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, transfer, exchange, and conservation programs with public agencies and other 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 during the 50-year term of the agreement.

In 1999, the Company and Metropolitan completed several significant milestones in the environmental review process. This process must be completed before construction and operation of the Program can commence. A draft Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") was issued in November 1999 for public review and comment. The public comment period closed in March 2000. The draft EIR/EIS incorporated a wide array of technical, environmental and engineering analyses and studies completed during 1999, including the operation of a pilot spreading basin project that serves as a prototype for the full-scale program and optimization studies for the design of the capital facilites. Also, see "Narrative Description of Business - Water Resources Development - Cadiz Groundwater Storage and Dry-Year Supply Program."

Based upon the Company's expertise in water and agricultural resources, in June 1999, Sun World was appointed by Kingdom Agricultural Development Company (KADCO), a company currently 100% controlled by His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud, to develop and manage up to 100,000 acres of agricultural land in southern Egypt, called the Tushka Project. The Tushka Project is the cornerstone in the Egyptian government's multi-billion dollar South Valley Project, an immense infrastructure plan designed to irrigate more than 500,000 acres of desert land to foster urban and agricultural development. The South Valley Project involves the construction of one of the world's largest pumping stations and a 43-mile (70 km) canal that diverts water from Egypt's Lake Nasser, the reservoir formed on the Nile River by the Aswan High Dam, to four separate parcels of land - the first being the Tushka site. Construction is well underway with approximately 20 miles of canal completed and the pumping station expected to be operational in 2001. The initial commercial plantings for the Tushka Project will follow completion of the canal construction which is anticipated to occur in 2002. In addition to Sun World's role in Tushka, Cadiz and KADCO also agreed to form an entity to pursue the development and management of water resources in the region.

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.

Sun World, which was acquired by the Company in September 1996, owns approximately 19,200 acres of prime agricultural land primarily in the San Joaquin and Coachella Valleys, giving the Company total landholdings of approximately 56,900 acres. See Item 2, "Properties."

(b) Financial Information About Industry Segments

During the year ended December 31, 1999, 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 Sun World) 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, exchanges and transfers.

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. Rain and snowfall within a catchment area of nearly 1,300 square miles recharge the basin. See Item 2, "Properties - The Cadiz/Fenner Property."

In July 1998, the Company and Metropolitan entered into the Principles for an Agreement (the "Principles") for the Cadiz Groundwater Storage and Dry-Year Supply Program, one of the largest public/private partnerships in California's water history. The Principles provide that Metropolitan will, during wet years or periods of excess supply, store surplus water from its Colorado River Aqueduct in the groundwater basin underlying the Company's property. 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. The Program will have the capacity to convey, either for storage or transfer, up to 150,000 acre-feet in any given year during the 50-year term of the Program.

Pursuant to the Principles, during storage operations, Metropolitan will pay a $50 fee per acre-foot for put of water into storage, a $40 fee per acre-foot for return of water from storage, and a storage fee of $5 per acre-foot for every year that water is stored in the groundwater basin for the first 5 million acre-feet of stored water. On the transfer of indigenous 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. Additionally, Metropolitan has committed to minimum levels of utilization of the Program for both storage of Colorado River aqueduct water and transfer of indigenous groundwater.

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 was constructed to model and to analyze the storage and extraction of water. All operational costs of the Program, including annual operations, maintenance and energy costs, will be an obligation of Metropolitan.

The Principles call for the establishment of a comprehensive groundwater monitoring and management plan to ensure long-term protection of the groundwater basin. The final agreement may reflect adjustments to these Principles in order to reflect information identified during the ongoing environmental review process and will be subject to approval by the respective Boards of both parties.

Before construction and operation of the Program can commence, the environmental review process must be completed including the certification and approval of a final EIR/EIS by the appropriate regulatory agencies, Metropolitan for state law purposes and the United States Bureau of Land Management ("BLM") for federal law purposes. The process for obtaining these approvals is often difficult and time-consuming as the process can be highly political and often draws opposition from third parties. During 1999, the Company and Metropolitan completed several significant milestones in the environmental review process, entering its final stages with the publication of a draft EIR/EIS in November 1999 for public review and comment. The public comment period closed in March 2000. All of the comments received will be considered and addressed by Metropolitan and BLM as part of the environmental review process. The draft EIR/EIS incorporated a wide array of technical, environmental and engineering analyses and studies completed during 1999, including the operation of a pilot spreading basin project that serves as a prototype for the full-scale program, and optimization studies for the design of the capital facilities. The Program is anticipated to be operational by the year 2001.

PIUTE. The Company's water development operations at its 6,000 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 and additional technical and environmental investigations are ongoing regarding the development of the property for a variety of uses. See Item 2, "Properties - The Piute Property."

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. The Company's initial hydrological studies confirm that this property has excellent storage and supply capabilities.

SUN WORLD WATER RESOURCES. Sun World has valuable water rights in various parts of central and southern California. The Company believes that 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. By way of example, the Company has identified more than 10,000 acre-feet of excess water that the Company plans to either transfer to other Company properties or exchange or transfer to other water users without affecting current agricultural production.

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, 1999, Sun World recorded revenues of $115.2 million.

PRODUCT LINE. Sun World ships approximately 75 different varieties of fresh fruits and vegetables to all 50 states and to more than 25 foreign countries. Sun World is a leading grower and marketer of table grapes, seedless watermelons, colored sweet peppers, citrus (oranges and lemons) and stonefruit (plums, peaches, nectarines and apricots). 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(R) table grapes, Midnight Beauty(R) table grapes, Black Diamond(R) plums, Honeycot(R) apricots, and Amber Crest(R) peaches. 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 8 million units of fruits and vegetables during the year ended December 31, 1999. 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 1,800 acres are currently utilized for developing crops (e.g., vines and trees that have not yet reached a commercial maturity). The Company has 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 stonefruit 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 9 million units of produce during the year ended December 31, 1999. These facilities provide harvesting, packing, cooling and shipping services for Sun World production, as well as for other commercial clients. Currently, Sun World owns three facilities, two 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 1999, the Company sold approximately 11 million units with wholesale value of approximately $118 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 throughout California. 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 25 countries. Domestic customers include national retailers such as Safeway Stores and Albertson's; club stores, including Costco and Sam's; and food service distributors, including Sysco and Alliant. Approximately 10% of Sun World's products were marketed outside of the United States in Canada, Europe, Australia, Japan, Hong Kong, Singapore, Malaysia and Taiwan in 1999. Only one national retailer, Safeway Stores, (representing approximately 13%) accounted for more than 10% of Sun World's revenues in 1999. 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(R) seedless black table grape, Black Diamond(R) plum, the Amber Crest(R) peach and the Honeycot(R) apricot. Management believes that there are several other promising grape and stonefruit varieties for commercial planting and production in the near future both domestically and internationally.

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 totaled $1,450,000 for the year ended December 31, 1999, $1,249,000 for the year ended December 31, 1998 and $809,000 for the year ended December 31, 1997.

As a result of over 20 years of research and development, Sun World holds rights to approximately 450 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 2024; 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 with key strategic partners to introduce, trial and produce Sun World's proprietary products in major production areas that do not have appropriate plant protection rights to 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 over the lives of the licensed trees or vines approximating 25 to 40 years. Currently, Sun World has licensing agreements in place in the United States, South Africa, Australia, Israel, Spain and Morocco and expects additional licensing agreements to be signed in 2000. An example of Sun World's licensing success is the definitive agreement entered into 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 provided 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.

The combination of the Company's innovative proprietary products and expertise in desert farming and water resources management led to Sun World's appointment by Kingdom Agricultural Development Company (KADCO), a company currently 100% controlled by His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud, to develop and manage up to 100,000 acres of agricultural land in southern Egypt, called the Tushka Project. The Tushka Project is the cornerstone in the Egyptian government's multi-billion dollar South Valley Project, an immense infrastructure plan designed to irrigate more than 500,000 acres of desert land to foster urban and agricultural development. The South Valley Project involves the construction of one of the world's largest pumping stations and a 43-mile (70 km) canal that diverts water from Egypt's Lake Nasser, the reservoir formed on the Nile River by the Aswan High Dam, to four separate parcels of land - the first being the Tushka site. Construction is well underway with approximately 20 miles of the canal completed and the pumping station expected to be operational in 2001. The initial commercial plantings will follow completion of the canal construction to the Tushka site, which is expected to occur in 2002. In addition to Sun World's role in Tushka, Cadiz and KADCO also agreed to form an entity to pursue the development and management of water resources in the region.

As compensation for project development and management of the Tushka Project, Sun World will earn annually an equity interest in KADCO and has been granted an option to purchase additional shares. The combined equity interest will equate to approximately 10% ownership of KADCO. In addition, Sun World will receive annual marketing and licensing fees equal to the greater of 1.5% of gross revenues or 5% of EBITDA from the project. No capital investment is required by Sun World, and KADCO will reimburse Sun World for all expenses incurred. The first term of the management agreement will be for four years with an option to extend for multiple further terms. The Company and KADCO signed the final contract in October 1999.

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 stonefruit 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.

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, 1999, the Company employed a total of 965 full-time employees. Sun World, throughout the year, engages various part-time and seasonal employees, with a seasonal high of approximately 2,100 part-time employees. Additionally, the Company contracts with outside labor contractors for personnel used in the farming operations with a seasonal high of approximately 6,000 people. Approximately 220 of the Company's employees are represented by a labor union pursuant to contracts renewed in 1999 that expire in 2002. 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 2000.

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, is 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 two 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 groundwater basin underlying the Company's property.

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 six distinct geographic regions: Madera, Bakersfield, Tulare 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 three packing and handling facilities: one facility located in the San Joaquin Valley at Kimberlina near Bakersfield, a facility in the Coachella Valley, and a third facility also in the Coachella Valley that is leased to a third party.

The Kimberlina facility, located on an 83 acre parcel owned by Sun World, consists of two highly automated production lines for packing stonefruit 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 and row crops. The third building is used primarily for packing watermelons and lemons and for storage.

THE PIUTE PROPERTY

The Piute property consists of approximately 6,000 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 Company identified the Piute property for acquisition 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. All of the acreage is held in fee directly by the Company.

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, 1999, $119.1 million represents loans secured by substantially all of Sun World's properties and $23.7 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 9 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 property owned by the Company in Cadiz, California. The action 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 arising 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 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 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").

In the Federal Court Action, appeals are pending with the Ninth Circuit Court of Appeals of the trial court's dismissal of the Company's claims which are not being pursued in the State Court Action including the Company's claims for stock manipulation pursuant to Section 10(b) of the Exchange Act. In the State Court Action, the Company filed its Second Amended Complaint on or about February 22, 2000. The Company intends to continue to vigorously prosecute its claims against WMI.

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 activities in connection with the Rail-Cycle Project. As a result thereof, 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. Subsequently, during 1998, an indictment was handed down by a San Bernardino Special Criminal Grand Jury, which charged WMI, certain affiliates and employees with multiple 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 or about February 1999, a First Amended Indictment was filed. The prosecution of WMI and the other remaining defendants was set to commence on January 10, 2000, but the trial date was continued. A new trial date has not yet been selected.

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 10, 1999 were reported in the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999.

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
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
1999:		
March 31	$ 9.125	$ 7.000
June 30	$11.625	$ 7.250
September 30	$11.125	$ 8.688
December 31	$ 9.750	$ 7.875

On March 20, 2000, the high, low and last sales prices for the shares, as reported by Nasdaq, were $8.50, $8.00, and $8.125, respectively.

Options in the Company's stock trade 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.

On May 10, 1999 the Company adopted a Stockholders' Rights Plan. In connection with the Rights Plan, and as further described in the Rights Plan, the Company declared a dividend of one preferred share purchase right for each outstanding share of the Company's common stock outstanding at the close of business on June 1, 1999.

The estimated number of beneficial owners of the Company's Common Stock is approximately 2,817, and the number of stockholders of record on March 20, 2000 was 211.

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, 1999, the Company issued 150,000 warrants to its primary lender to purchase common stock at an exercise price of $6.50 per share in connection with extending the senior term loan facility. The issuance of the warrants was not registered under the Securities Act of 1933, as amended (the "Securities Act"). The Company believes that the transaction described is exempt from the registration requirements of the Securities Act by virtue of Section 4(2), thereof as transactions not involving any public offerings. All other securities sold by the Company during the year ended December 31, 1999, 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, 1999, 1998, and 1997, the nine months ended December 31, 1996, and to the year ended March 31, 1996 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 each of the three years in the period ended December 31, 1999 included elsewhere herein. See also Item 7, "Management's Discussion and Analysis".

($ in thousands, except for per share data)

	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Nine Months Ended December 31, 1996(1)	Year Ended March 31, 1996
Statement of Operations Data:					
Total revenues	$ 115,229	$ 106,544	$ 100,157	$ 23,780	$ 1,441
Net loss	(8,594)	(7,470)	(8,538)	(5,997)	(8,487)
Less: Preferred stock dividends	-	-	(1,213)	(674)	-
Imputed dividend on preferred stock	-	-	-	(2,451)	-

Net loss applicable to common stock	$ (8,594)	$ (7,470)	$ (9,751)	$ (9,122)	$ (8,487)
Per share:					
Net loss	$ (.25)	$ (.23)	$ (.33)	$ (.44)	$ (.48)
Weighted-average common shares outstanding	34,678	33,173	29,485	20,500	17,700

	December 31,				March 31,
	1999	1998	1997	1996	1996
Balance Sheet Data:					
Total assets	$ 214,102	$ 214,359	$ 203,049	$ 230,790	$ 38,663
Long-term debt	$ 142,089	$ 142,317	$ 131,689	$ 149,111	$ 68
Redeemable preferred stock	$ -	$ -	$ -	$ 27,431	$ -
Preferred stock, common stock and additional paid-in capital	$ 136,552	$ 127,998	$ 121,199	$ 88,808	$ 73,149
Accumulated deficit	$ (86,882)	$ (78,288)	$ (70,818)	$ (61,067)	$(54,396)
Stockholders' equity	$ 49,670	$ 49,710	$ 50,381	$ 27,741	$ 18,753

(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

RESULTS OF OPERATIONS

The consolidated financial statements set forth herein for each of the three years in the period ended December 31, 1999, reflect the results of operations of the Company and its wholly-owned subsidiaries including Sun World.

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 within California 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. Packing and marketing revenues from third-party growers currently represent less than ten percent of total Company revenues. 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, 1999 COMPARED TO THE YEAR ENDED DECEMBER 31, 1998

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 stonefruit 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 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, 1999	Year Ended December 31, 1998
Divisional net income		
Farming	$ 14,542	$ 7,547
Packing	7,656	7,320
Marketing	4,573	3,245
Proprietary product development	3,187	12,441
	29,958	30,553
General and administrative	10,913	10,487
Special litigation	937	1,308
Depreciation and amortization	8,891	8,688
Interest expense, net	17,811	17,540
Net loss	$ (8,594)	$ (7,470)

FARMING OPERATIONS. Net income from farming operations totaled $14.5 million for 1999 compared to $7.5 million in 1998. Farming revenues were $94.9 million and farming expenses were $80.4 million for 1999. For 1998, the Company had farming revenues of $78.1 million and farming expenses of $70.6 million. Farming profits for the San Joaquin Valley increased by $5.5 million over 1998 profits while profits from the southern operations, which include Coachella, Cadiz and Blythe, increased $0.5 million. The increased profits were primarily attributable to increased yields and higher F.O.B. prices for table grapes. Overall, F.O.B. prices for table grapes were up 10% compared to 1998 while yields increased by 29% as a result of improved weather conditions coupled with increased acreage as certain developing crops turned commercial in 1999. These improvements were partially offset by soft market conditions for watermelons due to excess supplies and reduced stonefruit yields on certain plum varieties due to the freezing temperatures experienced during bloom.

PACKING OPERATIONS. During 1999, Sun World's packing and handling facilities contributed $20.5 million in revenues offset by $12.8 million in expenses resulting in $7.7 million in net income. In 1998, Sun World generated revenues of $20.5 million and expenses of $13.2 million resulting in net income of $7.3 million. The increase in net income from packing operations is primarily attributable to the impact of (a) increased handling income resulting from increased table grape yields noted above; (b) a 14% increase in third-party citrus units packed resulting from stronger demand due to reduced supplies from Florida and Texas offset by; (c) reduced packing and handling income from stonefruit due to reduced yields. During the year, Sun World packed 3.2 million units and moved an additional 5.4 million units through the cold storage facilities for a total of 8.6 million units processed through the packing operations. In 1998, 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. Products packed or handled during the year primarily consisted of Sun World-grown table grapes, stonefruit, 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 1999, approximately 11.1 million units were sold primarily consisting of Sun World-grown table grapes, stonefruit, 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 $9.4 million while marketing expenses totaled $4.8 million for 1999 resulting in a net income from marketing operations of $4.6 million. During 1998, Sun World marketed 9.9 million units and generated revenues of $7.7 million offset by expenses of $4.5 million resulting in net income of $3.2 million. The increase in units sold, revenues and net income primarily resulted from increased table grape and pepper production, and improved F.O.B. pricing for table grapes offset by decreased stonefruit production.

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. During the year ended December 31, 1999, net income from proprietary product development was $3.2 million consisting of revenues of $4.6 million offset by expenses of $1.4 million. For 1998, net income from Proprietary Product Development was $12.4 million consisting of revenues of $13.6 million offset by expenses of $1.2 million. The reduced revenues and net income in 1999 resulted from the sale in 1998 of substantially all of the assets of ASC/SWB Partnership formerly named American SunMelon (the Partnership). Sun World has a 50% interest in the partnership which contributed $0.3 million in net income during 1999 compared to $10.7 million in 1998.

GENERAL AND ADMINISTRATIVE. General and administrative expenses for 1999 totaled $10.9 million compared to $10.5 million in 1998. The increase primarily resulted from additional administrative costs incurred due to activity associated with the implementation of the Program.

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 $0.9 million as compared to $1.3 million during the year ended December 31, 1998.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses for the year ended December 31, 1999 totaled $8.9 million compared to $8.7 million for the year ended December 31, 1998. The increase is primarily attributable to depreciation related to property, plant and equipment additions made during the year.

INTEREST EXPENSE. Net interest expense totaled $17.8 million during the year ended December 31, 1999 compared to $17.5 million during the year ended December 31, 1998. The following table summarizes the components of net interest expense for the two periods (in thousands):

	Year Ended December 31, 1999	Year Ended December 31, 1998
Interest on outstanding debt - Sun World	$ 14,204	$ 14,394
Interest on outstanding debt - Cadiz	1,785	1,511
Amortization of financing costs	2,176	1,914
Interest income	(354)	(279)
	$ 17,811	$ 17,540

The increase in interest on outstanding debt during 1999 is primarily due to (a) increased average outstanding balance on the $15.0 million Cadiz Revolver (as defined below) compared to 1998 and (b) amortization of warrants issued for the Cadiz Revolver and the Cadiz term loan facility described below. Financing costs, which include legal fees, loan fees and warrants, are amortized over the life of the debt agreements.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO THE YEAR ENDED DECEMBER 31, 1997

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	$ 7,547	$ 7,596
Packing	7,320	8,017
Marketing	3,245	4,126
Proprietary product development	12,441	2,615
	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 $7.5 million for 1998 compared to $7.6 million in 1997. Farming revenues were $78.1 million and farming expenses were $70.6 million for 1998. For 1997, the Company had farming revenues of $77.9 million and farming expenses of $70.3 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, stonefruit, 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, stonefruit, 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 $12.4 million consisting of revenues of $13.6 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 $2.6 million for the year ended December 31, 1997 related primarily to the operations of American SunMelon and intercompany licensing royalties.

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.

LIQUIDITY AND CAPITAL RESOURCES

General Discussion of Liquidity and Capital Resources

Based on the cash on hand at December 31, 1999 and the revolving credit facility in place for Sun World and anticipated payments under the Program, 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 $30 million revolving credit agreement (the "Sun World Revolver"). See "Current Financing Arrangements - Sun World's obligations" below.

Current Financing Arrangements

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, 1999, Cadiz was obligated for approximately $10.3 million under a senior term loan facility. During 1999, the Company entered into two extensions of the loan which extended the maturity date of the obligation to January 31, 2001; and reduced the interest rate from LIBOR plus 400 basis points to LIBOR plus 200 basis points, payable semi-annually. In connection with obtaining the extensions, the Company issued certain warrants to purchase shares of the Company's common stock and also repriced certain warrants previously issued. Currently, the term lender holds a senior deed of trust on substantially all of Cadiz' non-Sun World related property.

Cadiz entered into a three year $15 million revolving credit facility (the "Cadiz Revolver") in November 1997. The Cadiz Revolver is secured by a second lien on substantially all of the non-Sun World assets of the Company. Principal was originally due on December 31, 2000. In December 1999, the Company extended the loan maturity to January 31, 2001. In connection with the extension, the interest rate was changed from a fixed 8% to LIBOR plus 200 basis points. The Company had $15 million outstanding under the Cadiz Revolver at December 31, 1999.

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; (b) utilization of monies to be received from Metropolitan for its initial purchase of 400,000 acre-feet of indigenous groundwater; and (c) financing through Metropolitan by offsetting Cadiz' costs for capital facilities financing against payments due to Cadiz for stored or transferred water. 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

Sun World has outstanding $115 million of First Mortgage Notes (the "Sun World Notes") which will mature on April 15, 2004 and are publicly traded and are registered under the Securities Act of 1933. The Sun World Notes are 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.

In April 1998, Sun World entered into the Sun World Revolver which is guaranteed by Cadiz. In order to meet its working capital needs, Sun World increased the Revolver from $25 to $30 million in 1999. Sun World obtained a one year extension of the revolver in February 2000. As of December 31, 1999, no amount was outstanding under the Sun World Revolver. 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, 1999.

CASH USED FOR OPERATING ACTIVITIES. Cash used for operating activities totaled $2.6 million for the year ended December 31, 1999, as compared to cash used for operating activities of $7.9 million for the year ended December 31, 1998. The reduction in cash used for operating activities is primarily due to improved farming results from Sun World offset by increases in accounts receivable and inventory primarily resulting from the increased farming operations at December 31, 1999 associated with Sun World's two new citrus ranches which were acquired during the fourth quarter of 1998.

CASH USED FOR INVESTING ACTIVITIES. Cash used for investing activities totaled $12.6 million for the year ended December 31, 1999, as compared to cash provided by investing activities of $2.7 million for the same period in 1998. 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 1999, the Company invested $3.5 million in developing crops, $3.2 million in water programs, and $4.9 million for the purchase of property, plant and equipment including $2.6 million spent by the Company to exercise its option to purchase certain land in Piute, California.

CASH PROVIDED BY FINANCING ACTIVITIES. Cash provided by financing activities totaled $6.1 million for the year ended December 31, 1999, consisting primarily of $6.8 million generated from the exercise of stock options offset by $0.7 million of repayments on long-term debt. Cash provided by financing activities totaled $13.6 million for the year ended December 31, 1998 resulting from $12.0 million of additional borrowings on the Cadiz Revolver, $2.2 million from the exercise of stock options offset by $0.6 million of principal payments on long-term debt.

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 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 groundwater basin underlying the Company's property. 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.

Based upon negotiations with Metropolitan, the terms of the agreement are anticipated to be as follows:

* Over the 50 year term of the agreement, Metropolitan will store a minimum of 700,000 acre-feet of Colorado River Aqueduct water in the Company's groundwater basin and purchase up to a minimum of 1,500,000 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 approximately 150,000 acre-feet in any given year.

* During storage operations, Metropolitan will pay a $50 fee per acre-foot for put of water into storage and a $40 fee per acre-foot for return of water from storage, and a storage fee of $5 per acre-foot every year that water is stored in the groundwater basin for the first 5 million acre-feet of stored water. 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.

* Metropolitan will purchase the first 400,000 acre-feet in two installments -- $44 million payable upon environmental certification and the balance of $48 million, subject to adjustment for the water price index, payable upon completion of construction. Finally, Metropolitan will commit to purchase the additional 1,100,000 acre-feet at the earlier of delivery or in annual 40,000 acre-feet increments commencing at the start of operations.

* 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 the obligation of Metropolitan.

The principles and terms for agreement call for the establishment of a comprehensive groundwater monitoring and management plan to ensure long-term protection of the groundwater basin. The final agreement may reflect adjustments to these principles and terms in order to reflect information identified during the ongoing environmental review process and will be subject to the approval of the respective Boards of both parties. Also, see "Narrative Description of Business - Water Resource Development - Cadiz Groundwater Storage and Dry-Year Supply Program."

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.

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, payments under the Program, 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.

YEAR 2000

To date, the Company has not experienced any problems related to year 2000 ("Y2K") within its own operations or with any significant customers or vendors. As such, management does not anticipate any significant Y2K issues will occur in the future.

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 risks associated with receiving all necessary regulatory approvals and permits with respect to the Company's water development projects, the Company may also encounter unforeseen technical difficulties, which could result in construction delays, and cost increases or determination that a project is not feasible. 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 these 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, 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 1999.

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 Maturities	Average Interest Rate	Variable Rate Maturities	Average Interest Rate
2000	$ 439	7.7%	$ 286	8.8%
2001	452	7.7%	25,631	8.2%
2002	374	7.7%	286	8.8%
2003	292	7.8%	286	8.8%
2004	115,313	11.2%	286	8.8%
Thereafter	570	7.8%	284	8.8%
Total	$ 117,440	11.2%	$ 27,059	8.2%
Fair Value at 12/31/99	$ 120,315		$ 27,059	

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, 1999.

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, 1999.

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, 1999.

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, 1999.

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(12)

3.4 Amended and Restated Certificate of Incorporation of Sun World, Inc.(9)

3.5 Certificate of Merger of Sun World International, Inc. into Sun World, Inc.(9)

3.6 Agreement and Plan of Merger of Sun World, Inc. and Sun World International, Inc.(9)

3.7 Amended and Restated Bylaws of Sun World International, Inc.(9)

3.8 Bylaws of the Company, as amended (13)

4.1 Specimen Form of Stock Certificate for the Company's registered stock(12)

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(4)

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)(7)

4.6 Form of Amendment to Indenture dated as of October 9, 1997(10)

4.7 Form of Amendment to Indenture dated as of January 23, 1998(11)

10.1 The Company's 1996 Stock Option Plan(5)

10.2 Form of Employment Agreement dated September 13, 1996 between Sun World, the Company and Timothy J. Shaheen(6)

10.3 Form of Employment Agreement dated September 13, 1996 between Sun World, the Company and Stanley E. Speer(6)

10.4 Form of Sun World Executive Officer Employment Agreement(8)

10.5 Credit Agreement between the Company and ING Baring (U.S.) Capital Corporation dated November 25, 1997(11)

10.6 Revolving Credit Note between the Company and ING Baring (U.S.) Capital Corporation dated November 25, 1997(11)

10.7 Employment Agreement between the Company and Keith Brackpool dated February 1, 1998(11)

10.8 Principles for an Agreement between the Metropolitan Water District of Southern California and the Company dated August 14, 1998(12)

10.9 Amendment to the Company's 1996 Stock Option Plan(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

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(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 Annual Report on Form 10-K for the fiscal year ended March 31, 1996

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

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

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

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

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

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

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

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

(13) Previously filed as Exhibit to the Company's Report on Form 10-Q for the quarter ended June 30, 1999

(b) Reports on Form 8-K

Not applicable.

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 28, 2000	Date: March 28, 2000

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 28, 2000
/s/ Keith Brackpool Keith Brackpool, Chief Executive Officer and Director (Principal Executive Officer)	March 28, 2000
/s/ Stanley E. Speer Stanley E. Speer, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 28, 2000
/s/ Murray H. Hutchison Murray H. Hutchison, Director	March 28, 2000
/s/ Mitt Parker Mitt Parker, Director	March 28, 2000
/s/ Timothy J. Shaheen Timothy J. Shaheen, Director	March 28, 2000
/s/ Anthony L. Coelho Anthony L. Coelho, Director	March 28, 2000

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, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, 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 15, 2000

CADIZ INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands except per share data)	Year Ended December 31, 1999	1998	1997
Revenues	$ 114,901	$ 95,845	$ 98,769
Income from partnership	328	10,699	1,388
Total revenues	115,229	106,544	100,157

Costs and expenses:			
Cost of sales	83,821	74,742	76,566
General and administrative	12,363	11,736	11,873
Special litigation	937	1,308	683
Litigation benefit	-	-	(3,780)
Depreciation and amortization	8,891	8,688	7,745
Total costs and expenses	106,012	96,474	93,087
Operating profit	9,217	10,070	7,070
Interest expense, net	17,811	17,540	15,608
Net loss	(8,594)	(7,470)	(8,538)
Less: Preferred stock dividends	-	-	(1,213)
Net loss applicable to common stock	$ (8,594)	$ (7,470)	$ (9,751)
Net loss per common share	$ (.25)	$ (.23)	$ (.33)
Weighted average shares outstanding	34,678	33,173	29,485

See accompanying notes to the consolidated financial statements.

CADIZ INC.

CONSOLIDATED BALANCE SHEET

($ in thousands)	December 31, 1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,537	$ 13,635
Accounts receivable, net	8,436	6,295
Inventories	18,423	15,019
Prepaid expenses and other	917	992
Total current assets	32,313	35,941
Investment in partnership	1,497	1,169
Property, plant, equipment and water programs, net	169,009	166,022
Other assets	11,283	11,227
	$ 214,102	$ 214,359
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,110	$ 8,753
Accrued liabilities	7,686	6,846
Long-term debt, current portion	725	613

Total current liabilities	16,521	16,212
Long-term debt	142,089	142,317
Deferred income taxes	5,447	5,447
Other liabilities	375	673
Commitments and contingencies		
Stockholders' equity:		
Common stock - $.01 par value; 45,000,000 shares authorized; shares issued and outstanding 35,166,661 at December 31, 1999 and 33,592,261 at December 31, 1998	352	336
Additional paid-in capital	136,200	127,662
Accumulated deficit	(86,882)	(78,288)
Total stockholders' equity	49,670	49,710
	$ 214,102	$ 214,359

See accompanying notes to the consolidated financial statements.

CADIZ INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

($ in thousands)	Year Ended December 31, 1999	1998	1997
Cash flows from operating activities:			
Net loss	$ (8,594)	$ (7,470)	$ (8,538)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:			
Depreciation and amortization	11,060	10,601	9,227
Litigation benefit	-	-	(3,780)
Issuance of stock for services	28	374	470
Interest converted to principal	-	-	315
(Gain) loss on disposal of assets	(104)	(207)	99
Share of partnership operations	(328)	(10,699)	(1,388)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(2,141)	(414)	1,652
(Increase) decrease in inventories	(3,318)	(1,559)	570
Decrease in prepaid expenses and other	75	307	64
(Decrease) increase in accounts payable	(643)	236	672
Increase in accrued liabilities	1,668	916	1,332
Decrease in other current liabilities	-	-	(591)
(Decrease) increase in other liabilities	(298)	18	54

Net cash (used for) provided by operating activities	(2,595)	(7,897)	158
Cash flows from investing activities:			
Additions to property, plant and equipment	(4,835)	(7,308)	(2,114)
Additions to water programs	(3,177)	(856)	(400)
Additions to developing crops	(3,531)	(3,396)	(4,725)
Proceeds from disposal of property, plant and equipment	233	388	2,817
Partnership distributions	-	15,859	1,165
(Increase) decrease in other assets	(1,311)	(2,020)	358
Net cash (used for) provided by investing activities	(12,621)	2,667	(2,899)
Cash flows from financing activities:			
Net proceeds from issuance of stock	6,803	2,154	1,690
Proceeds from issuance of long-term debt	-	12,000	120,089
Principal payments on long-term debt	(685)	(587)	(141,248)
Debt issuance costs	-	-	(5,799)
Net cash provided by (used for) financing activities	6,118	13,567	(25,268)
Net (decrease) increase in cash and cash equivalents	(9,098)	8,337	(28,009)
Cash and cash equivalents, beginning of period	13,635	5,298	33,307
Cash and cash equivalents, end of period	$ 4,537	$ 13,635	$ 5,298

See accompanying notes to the consolidated financial statements.

CADIZ INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1999, 1998 and 1997
($ in thousands)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stock-holders' Equity
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

See accompanying notes to the consolidated financial statements.

CADIZ INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Continued)

For the Years Ended December 31, 1999, 1998 and 1997
($ In thousands)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stock-holders' Equity
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
Exercise of stock options	-	-	1,513,150	15	6,788	-	6,803
Issuance of warrants to lender	-	-	-	-	1,335	-	1,335
Stock issued for services	-	-	61,250	1	415	-	416
Net loss	-	-	-	-	-	(8,594)	(8,594)
Balance as of December 31, 1999	-	$ -	35,166,661	$ 352	$136,200	$ (86,882)	$ 49,670

See accompanying notes to the consolidated financial statements.

CADIZ INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS

The Company currently has agricultural operations through its wholly-owned subsidiary, Sun World International, Inc. and its subsidiaries collectively referred to as "Sun World" 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.

Sun World is a large vertically integrated agricultural company and 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, stonefruit, citrus, peppers and watermelons, is marketed and shipped to food wholesalers and retailers throughout the United States and to more than 25 foreign countries. Sun World owns three cold storage and/or packing facilities in California, of which two are operated and one is leased to a third party.

Sun World provides the Company with valuable water rights throughout central and southern California. The Company's landholdings, which now total approximately 56,900 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. The Company and Metropolitan are currently in the final stages of the environmental review process.

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and Sun World. All material intercompany balances and activity have been eliminated from the consolidated financial statements.

RECLASSIFICATIONS

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 $1,450,000 for the year ended December 31, 1999, $1,249,000 for the year ended December 31, 1998, and $809,000 for the year ended December 31, 1997.

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. Options and warrants to purchase certain shares of the Company's common stock, as described in Note 13, were not considered in the computation of diluted EPS because their inclusion would have been antidilutive.

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 PARTNERSHIP

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.

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 estimated 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 $2,726,000 and $2,493,000 at December 31, 1999 and December 31, 1998, 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, 1999, the majority of capitalized loan fees relate to the issuance of the First Mortgage Notes described in Note 9.

Trademark development costs represent legal costs incurred to obtain and defend patents and trademarks related to the Company's proprietary products throughout the world. Such costs are capitalized and amortized over their estimated useful life, which range from 10 to 20 years.

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, 1999, 1998 and 1997 was $15,988,000, $15,348,000, and $12,452,000, respectively.

NOTE 3 - ACCOUNTS RECEIVABLE

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

	December 31, 1999	1998
Trade receivables	$ 4,742	$ 4,092
Due from unaffiliated growers	582	231
Other	3,336	2,257
	8,660	6,580
Less allowance for doubtful accounts	(224)	(285)
	$ 8,436	$ 6,295

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 and raisin sales, proceeds due from third party marketers and other miscellaneous receivables.

Revenues attributable to one national retailer totaled $14.4 million in 1999, $11.9 million 1998, and $13.6 million in 1997. Export sales accounted for approximately 10.3%, 8.5% and 11.4% of the Company's revenues for the years ended December 31, 1999, 1998 and 1997, respectively.

NOTE 4 - INVENTORIES

Inventories consist of the following (dollars in thousands):

	December 31, 1999	1998
Growing crops	$ 14,297	$ 11,208
Pepper seed	1,028	1,344
Harvested product	98	360
Materials and supplies	3,000	2,107
	$ 18,423	$ 15,019

NOTE 5 - PROPERTY, PLANT, EQUIPMENT AND WATER PROGRAMS

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

	December 31, 1999	1998
Land	$ 69,377	$ 66,536
Permanent crops	66,546	67,286
Developing crops	8,862	5,192
Water programs	11,814	8,482
Buildings	21,832	21,397
Machinery and equipment	19,623	18,186

	198,054	187,079
Less accumulated depreciation	(29,045)	(21,057)
	$ 169,009	$ 166,022

Depreciation expense during the years ended December 31, 1999, 1998 and 1997 was $8,460,000, $8,256,000 and $7,430,000, respectively.

NOTE 6 - OTHER ASSETS

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

	December 31, 1999	December 31, 1998
Excess of purchase price over asset acquired, net	$ 4,280	$ 4,514
Capitalized loan fees, net	3,331	4,159
Other receivables	1,849	1,498
Capitalized trademark development, net	1,323	989
Other	500	67
	$ 11,283	$ 11,227

NOTE 7 - ACCRUED LIABILITIES

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

	December 31, 1999	December 31, 1998
Interest	$ 3,129	$ 3,548
Payroll and benefits	3,031	2,049
Other	1,526	1,249
	$ 7,686	$ 6,846

NOTE 8 - REVOLVING CREDIT FACILITY

In February 2000, Sun World obtained a one year renewal of its $30 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, 1999 and 1998.

NOTE 9 - 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 $117.9 million based on quoted market prices as of December 31, 1999. At December 31, 1999 and December 31, 1998, the carrying amount of the Company's outstanding debt is summarized as follows (dollars in thousands):

	December 31, 1999	December 31, 1998
Cadiz obligations:		
Senior term bank loan, interest payable semi-annually, variable interest rate based upon LIBOR plus 2% (8.16% at December 31, 1999) and LIBOR plus 4% (9.97% at December 31, 1998), due January 31, 2001.	$ 10,345	$ 9,752
$15 million revolving line of credit, interest payable semi-annually, variable interest rate based upon LIBOR plus 2% (8.16% at December 31, 1999), due January 31, 2001.	15,000	15,000
Other	21	30
Debt discount	(1,685)	(1,628)
	23,681	23,154
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 (8.75% at December 31, 1999 and 7.75% at December 31, 1998)	1,714	2,000
Note payable to insurance company, quarterly installments of $93 (including interest), due September 13, 2006, interest at 7.75%	1,896	2,110
Note payable to finance company, monthly installments of $18 (including interest) due July 1, 2002, interest at 7.50%	492	666
Other	31	-
	119,133	119,776
	142,814	142,930
Less current portion	(725)	(613)
	$ 142,089	$ 142,317

Annual maturities of long-term debt outstanding, excluding

$1,685 representing the unamortized portion of warrants, on December 31, 1999 are as follows: 2000 - $725; 2001 - $26,083; 2002 - $660; 2003 - $578; 2004 - $115,599 and thereafter - $854.

CADIZ OBLIGATIONS

The senior term bank loan is secured by substantially all of the Company's non-Sun World related property. During 1999, the Company entered into two extensions of the loan which extended the maturity date of the obligation to January 31, 2001, and reduced the interest rate from LIBOR plus 400 basis points to LIBOR plus 200 basis points, payable semi-annually. In connection with obtaining the extensions, the Company issued certain warrants to purchase shares of the Company's common stock and also repriced certain warrants previously issued. The fair value of the warrants was recorded as a debt discount and is being amortized over the remaining term of the loan.

In November 1997, the Company entered into a three year $15 million revolving credit facility. In December 1999, the Company extended the maturity date of the obligation to January 31, 2001. With the extension, the interest rate was changed from 8% to LIBOR plus 200 basis points. The facility is secured by a second lien on substantially all of the non-Sun World assets of the Company. The Company had $15 million outstanding under the facility at December 31, 1999.

SUN WORLD OBLIGATIONS

In April 1997, Sun World issued $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 are publicly traded. 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 10 - INCOME TAXES

Deferred taxes are recorded based upon differences between the financial statement and tax bases 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, 1999 and 1998 are as follows (in thousands):

	December 31, 1999	December 31, 1998
Deferred tax liabilities:		
Fixed asset basis difference	$ 7,515	$ 5,618
Other	77	-
Total deferred tax liabilities	7,592	5,618
Deferred tax assets:		
Net operating losses	31,421	25,813

Reserve for notes receivable	1,178	1,178
Fixed asset basis difference	6,300	6,300
State taxes	1,884	1,649
Other	-	550
Total deferred tax assets	40,783	35,490
Valuation allowance for deferred tax assets	(38,638)	(35,319)
Net deferred tax assets	2,145	171
Net deferred tax liability	$ 5,447	$ 5,447

As of December 31, 1999, the Company had net operating loss (NOL) carryforwards of approximately $88.5 million for federal income tax purposes. Such carryforwards expire in varying amounts through the year 2019. At December 31, 1999, the Company has state NOL carryforwards of $15.0 million. These NOL carryforwards expire in varying amounts through the year 2004.

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

	Year Ended December 31,		
	1999	1998	1997
Expected federal income tax benefit at 34%	$ (2,922)	$ (2,540)	$ (2,903)
Loss with no tax benefit provided	2,718	2,414	2,981
State income tax	-	451	-
Amortization	79	79	79
Utilization of net operating losses	-	(601)	-
Other non-deductible expenses	125	197	(157)
Income tax benefit	$ -	$ -	$ -

NOTE 11 - EMPLOYEE BENEFIT PLANS

The Company 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 $1,600 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.

NOTE 12 - PREFERRED AND COMMON STOCK

The Company has an authorized class of 100,000 shares of preferred stock. All preferred stock issued 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 13 - 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 4,000,000 shares. At December 31, 1999, the Company has 626,000 options remaining 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 five to seven years and are issued to directors, officers, consultants and employees of the Company. During the year ended December 31, 1999, the Company granted options to purchase 800,000 shares of the Company's common stock at a weighted average exercise price of $7.58 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, 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, 1999	1998	1997
Net loss applicable to common stock:	As reported	$ (8,594)	$ (7,470)	$ (9,751)
	Pro forma	$ (12,134)	$ (8,833)	$ (11,416)
Net loss per common share:	As reported	$ (.25)	$ (.23)	$ (.33)
	Pro forma	$ (.35)	$ (.27)	$ (.39)

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 based on the weighted-average assumptions of: risk-free interest rate of 6.67% for 1999, 4.87% for 1998 and 5.43% for 1997; expected volatility of 46.9% for 1999, 61.6% for 1998 and 44.4% for 1997; expected life of 5 years for 1999 and 1998, and 4.8 years for 1997; and an expected dividend yield of zero for all three years.

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

	Amount	Weighted-Average Exercise Price
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	$ 5.26
Granted	800,000	$ 7.58
Expired or canceled	(66,000)	$ 7.20
Exercised	(1,513,150)	$ 4.50
Outstanding at December 31, 1999	3,112,750(a)	$ 6.21
Options exercisable at December 31, 1997	2,297,500	$ 4.40
Options exercisable at December 31, 1998	2,472,900	$ 4.50
Options exercisable at December 31, 1999	2,306,500	$ 5.64
Weighted-average remaining contractual life of options outstanding at December 31, 1999	2.68	

(a) Exercise prices vary from $4.50 to $9.375 and expiration dates vary from September 2001 to November 2004.

The weighted-average fair value of options granted during the years 1999, 1998 and 1997 were $3.71, $3.60 and $2.55, respectively.

During the years ended December 31, 1999, 1998 and 1997, the Company issued 250,000, 225,000, and 275,000 warrants with weighted-average exercise prices of $6.50, $7.00 and $6.45, respectively. During the year ended December 31, 1997, 240,000 warrants with a weighted-average exercise price of $0.05 were exercised. No warrants expired or were canceled during any of the three periods discussed. At December 31, 1999 there were 750,000 warrants outstanding at a weighted-average exercise price of $6.59 per share, which expire through 2004. See Note 9 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. The Company issued 25,000, 25,000 and 75,000 of these shares during the years ended December 31, 1999, 1998 and 1997, respectively. Compensation expense was recognized as earned over the period of service.

NOTE 14 - CONTINGENCIES

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 and 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 to the Company at this point in time. The Company has appealed this decision.

Also pending are suits filed by the Company in the United States District Court, Central District of California (the "Federal Court Action") and in Los Angeles Superior Court (West Division) ("the State Court Action") against Waste Management, Inc. ("WMI"), certain key executives and consultants of WMI, and certain other parties in interest as to the Rail-Cycle Project, which suits assert claims arising from activities of defendants adverse to the Company in connection with the Rail-Cycle Project. In the Federal Court Action, appeals are currently pending concerning the dismissal by the trial court of those of the Company's claims which are not being pursued by the Company in the State Court Action. These civil actions are based in part upon evidence made available to the Company on account of a pending criminal investigation into WMI's activities concerning the Rail-Cycle Project, which has resulted in criminal indictments against WMI and others. In the State Court Action, the Company filed its Second Amended Complaint in February 2000. The Company intends to continue to vigorously prosecute its claims against WMI.

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.

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 15 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(In thousands except per share data)

	Quarter Ended			
	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999
Revenues	$ 6,560	$ 26,193	$ 60,644	$ 21,832
Gross profit	911	7,628	15,976	6,893
Net income (loss)	(7,421)	(1,908)	2,993	(2,258)
Net income (loss) per common share	$ (.22)	$ (.06)	$ .09	$ (.06)

	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 income (loss)	(7,190)	(3,065)	(4,894)	7,679
Net income (loss) per common share	$ (.22)	$ (.09)	$ (.15)	$ .23

CADIZ INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Balance Sheet ($ in thousands):	December 31, 1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,145	$ 7,493
Accounts receivable, net	16	77
Due from subsidiary	-	71
Prepaid expenses and other	386	253
Total current assets	4,547	7,894
Investment in subsidiary	30,167	30,738
Property, plant, equipment and water programs, net	36,710	32,174
Other assets	4,372	4,585
	$ 75,796	$ 75,391
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 705	$ 701
Accrued liabilities	1,536	1,826
Due to subsidiary	203	-
Long-term debt, current portion	21	9
Total current liabilities	2,465	2,536
Long-term debt	23,661	23,145
Commitments and contingencies		
Stockholders' equity:		
Common stock - $.01 par value; 45,000,000 shares authorized; shares issued and outstanding 35,166,661 at December 31, 1999 and 33,592,261 at December 31, 1998	352	336
Additional paid-in capital	136,200	127,662
Accumulated deficit	(86,882)	(78,288)
Total stockholders' equity	49,670	49,710

	$ 75,796	$ 75,391

CADIZ INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Statement of Operations ($ in thousands except per share data)	Year Ended December 31, 1999	1998	1997
Revenues	$1,829	$2,003	$ 1,968
Costs and expenses:			
Cost of sales	132	144	270
General and administrative	4,672	4,631	4,042
Special litigation	937	1,308	683
Depreciation and amortization	1,179	1,182	994
Total costs and expenses	6,920	7,265	5,989
Operating loss	(5,091)	(5,262)	(4,021)
Profit (loss) from subsidiaries	(571)	195	(2,817)
Interest expense, net	2,932	2,403	1,700
Net loss	(8,594)	(7,470)	(8,538)
Less: Preferred stock dividends	-	-	(1,213)
Net loss applicable to common stock	$(8,594)	$(7,470)	$(9,751)
Net loss per common share	$ (.25)	$ (.23)	$ (.33)
Weighted-average shares outstanding	34,678	33,173	29,485

CADIZ INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Statement of Cash Flows ($ in thousands)	Year Ended December 31, 1999	1998	1997
Cash flows from operating activities:			
Net loss	$ (8,594)	$ (7,470)	$ (8,538)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation and amortization	2,498	2,230	1,462
Issuance of stock for services	28	374	470
Loss (profit) from subsidiaries	571	(195)	2,817
Interest converted to principal	-	-	315
(Gain) loss on disposal of assets	6	(17)	138
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	61	(59)	192
Decrease in inventories	-	-	7

Decrease (increase) in due from subsidiary	274	(107)	131
Increase in prepaid expenses and other	(133)	(123)	(56)
Increase (decrease) in accounts payable	4	(9)	(667)
Increase in accrued liabilities	539	1,007	506
Decrease in other liabilities	-	(47)	(1,006)
Net cash used for operating activities	(4,746)	(4,416)	(4,229)
Cash flows from investing activities:			
Additions to property, plant and equipment	(3,645)	(2,910)	(638)
Additions to water programs	(3,177)	(856)	(466)
Proceeds from disposal of property, plant and equipment	1,490	27	33
(Increase) decrease in other assets	(64)	(71)	153
Net cash used for investing activities	(5,396)	(3,810)	(918)
Cash flows from financing activities:			
Net proceeds from issuance of stock	6,803	2,150	1,690
Proceeds from issuance of long-term debt	-	10,000	5,084
Principal payments on long-term debt	(9)	(21)	(9,231)
Debt issuance costs	-	-	(38)
Return of capital from subsidiary	-	-	9,100
Net cash provided by financing activities	6,794	12,129	6,605
Net (decrease) increase in cash and cash equivalents	(3,348)	3,903	1,458
Cash and cash equivalents, beginning of period	7,493	3,590	2,132
Cash and cash equivalents, end of period	$ 4,145	$ 7,493	$ 3,590

CADIZ INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 1999, 1998 and 1997 ($ in thousands)

		Additions charged to			
Year ended December 31, 1999	Balance at Beginning of Period	Costs and Expenses	Other Accounts	Deductions	Balance at End of period
Allowance for doubtful accounts	$ 285	$ -	$ -	$ 61	$ 224
Tax valuation allowance	$ 35,319	$ -	$ 3,319	$ -	$ 38,638
Year ended December 31, 1998					
Allowance for doubtful accounts	$ 287	$ 130	$ -	$ 132	$ 285

Tax valuation allowance	$ 25,321	$ -	$ 9,998	$ -	$ 35,319
Year ended December 31, 1997					
Allowance for doubtful accounts	$ 480	$ -	$ -	$ 193	$ 287
Tax valuation allowance	$ 20,935	$ -	$ 4,386	$ -	$ 25,321

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, 333-41367, 333-74699 and 333-81805) and on Form S-3 (No. 333-53069) of Cadiz Inc. of our report dated February 15, 2000 relating to the financial statements and financial statement schedules, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers LLP

Los Angeles, California
March 27, 2000

EXHIBIT 21.1

CADIZ INC.

SUBSIDIARIES OF THE COMPANY

Rancho Cadiz Mutual Water Company
Sun World International, Inc.

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<OTHER-SE>	49,318
<TOTAL-LIABILITY-AND-EQUITY>	214,102
<SALES>	114,901
<TOTAL-REVENUES>	115,229
<CGS>	83,821
<TOTAL-COSTS>	106,012
<OTHER-EXPENSES>	22,191
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	17,811
<INCOME-PRETAX>	(8,594)
<INCOME-TAX>	0
<INCOME-CONTINUING>	(8,594)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(8,594)
<EPS-BASIC>	(.25)
<EPS-DILUTED>	0