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Price Agreement Reached on Ruinous 2004 Prune Crop

Yuba City, CA, September 15, 2004—Officials of the Prune Bargaining Association (PBA) have reached a price agreement with packers on what may be the shortest dried plum crop in California history. While the price agreement will return the highest average field price ever, because of the extreme low crop yields, it falls significantly short of covering farmers' costs. Millions of dollars in economic losses from the crop disaster will negatively impact farmers, processors, workers, and surrounding communities.

Unusual hot, dry, and windy weather during bloom resulted in a statewide prune crop failure. All producing regions of the state were negatively impacted. Many farmers experienced total crop loss and did not harvest their orchards at all. While the state forecast a crop of 70,000 dry tons in June, the crop is now expected to fall below 50,000 tons, less than 30% of last year's 175,000 tons. The crop may even fall below the lowest crop in the state's recorded production history—45,000 tons in 1918.

Grower losses alone may run as high as \$100 million in lost revenue and higher expenses due to the very limited crop volume. Processors will also experience losses for the same reasons. 'The economic loss to the industry and surrounding communities is huge,' says PBA President, Keith Larrabee. "With average yields of little more than one-half ton per acre, grower and packer costs of production, processing, and fixed overhead are spread across a very small tonnage base. This means that nearly all industry members will experience large economic losses in spite of the PBA negotiating a new record field price for dried plums."

So far, packers representing 80% of the cash contracted tonnage have ratified this year's price agreement with the PBA. The negotiated price schedule tops out at \$1,600 per ton for fruit larger than 52 prunes per pound (count) with smaller fruit bringing a lower price. A 66-count prune is \$1,550 per ton, for example, and a 96-count prune is \$1,250 (a higher count is a smaller prune).

“Early samples show that fruit size and quality are excellent this year,” says PBA manager Greg Thompson. “Based on what we have seen so far of the crop, we expect that the average net price (net of undersize, off grade, hand sorting, and assessments) will easily exceed \$1,400 per delivered ton for cash contract growers. That’s about twice the average price they have received in recent years.” According to the PBA, the net price per delivered ton averaged only \$720 for the five-year period of 1999 through 2003.

“\$1,400 per ton is a figure we aimed for to establish a new benchmark for the future,” explains Larrabee. “There is no relief in sight from increasing costs of energy, labor, and overhead. \$1,400 is an average price that is needed to keep growers interested in growing prunes in California. Otherwise, many more acres of prunes will come out as growers switch to more profitable tree crops such as almonds and walnuts.”

“The higher prices may shock customers, but neither growers nor processors are going to make any money on such a small tonnage,” says Thompson. “The market had become accustomed to depressed prices because of a world-wide oversupply that has now suddenly ended, yet the higher prices don’t come close to covering growers’ costs this year. On average, it would take a price of nearly \$2,300 per ton for growers just to break even on their cash costs this year. Most growers would rather see a strong price that is sustainable for next year, rather than raising prices to an extreme level to cover costs on basically zero tonnage this year.”

Nor are higher prices enough to prevent some growers from pushing out more prune orchards. The loss from this catastrophically short crop year will only add to the prior years’ losses due to depressed prices in the past. “Prune farmers have had negative returns since 1996,” explains Thompson. “And we are not out of the woods—we face unfair tariffs and subsidized production in Europe while foreign competitors with cheap labor costs have gained free market access to our largest export market. Even with the sharply higher prices and a better outlook for next year, many growers are fed up, and are pushing out their prune orchards in favor of other tree crops. They have lost money for too many years in a row and are not willing to take any more chances with prunes.”

The Prune Bargaining Association was formed in 1968 as a grower-owned cooperative to improve the economy of the California prune industry, encourage the production of a quality product, and provide a forum for growers to exchange ideas regarding the industry. The PBA establishes the industry’s raw product price for dried plums.