

SUPPLY & DEMAND

Critical News for Growers & Packers

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PBA Board Supports Pool/Diversion

The PBA Board of Directors voted unanimously on April 25th to support a green diversion under a reserve pool and to send letters to USDA in support of the diversion. Board members agreed that the only sure tool available to stabilize the current supply situation and establish a field price is the pool/diversion provision of the marketing order.

In response to some industry members who suggested that PBA collect funds for a tree-pull without a field price, the Board re-emphasized the position of the PBA Executive Committee that a tree-pull without a price agreement is not possible or supportable by growers.

Following the meeting, PBA manager, Greg Thompson, said that much more is at stake than price stability. "The integrity of grower contracts and grower-packer relations is in serious jeopardy," he stated. "Growers are not getting paid on time and packers are back-pedaling from commitments to growers. Things will only get worse if action is not taken to control supply."

Growers Expect Short Prune Crops

Grower reports indicate a light to moderate prune crop overall with a great deal of variability throughout the state. Some growers report crops down 50% from last year, while others report crops down 20 to 25%. Crops are reported spotty and difficult to estimate.

In most areas, growers say the bloom was good, but crop set is below average. Recent north winds caused some fruit to fall but impact may not be known for some time if fruit stems were damaged.

Crop insurance agents are receiving many loss notices from growers and some growers are reporting orchard blocks with little to no crop that won't be worth harvesting. Industry members speculate that crop tonnage will be down by 25% and some feel the crop could end up as much as 50% off of last year.

A short crop could reduce the reserve pool percentage from the current 48% based on a 220,000-ton crop to the 20 to 30% range if the crop is in the 135,000 to 155,000 ton range.

Tree Pull Application Deadline Extended

The application deadline for the PBA tree pull program has been extended to June 15th to allow additional time for growers to sign-up. Uncertainty about compatibility with crop insurance and false expectations of a short crop solving industry problems may have caused some growers to delay signing up for the program.

So far about 30 growers have applied to pull approximately 1,300 acres. As originally designed, up to 2,500 acres could be funded under the PBA program (Sunsweet has said they would match independent acreage pulled so that a total of 5,000 to 6,000 acres was envisioned as an overall goal for the industry).

Currently, a number of industry members are suggesting that the program be expanded to allow additional acreage either by increasing the per ton assessment on this year's crop from the proposed \$20 per salable ton, or by finding other sources of funding.

Applications for the tree pull were mailed to PBA members on April 14th. Other interested growers should contact the PBA office for an

application form and membership agreement. Since funding is limited, applications will be accepted on a first-come, first-serve basis. Growers are encouraged to sign up as soon as possible so that supply relief from the tree pull can be gauged.

Packer support and funding must be secured in order for the program to proceed. No grower who wishes to participate in this program should remove any trees until he has received written notification from the Association that his application has been accepted and that funds are available.

To be eligible for the program, orchards must be current on cultural practices. Abandoned orchards will not qualify. Orchards must be capable of producing at least 1.5 dry tons per acre of trees. Minimum block size is 500 trees and all trees in a block must be removed prior to harvest to qualify. Growers will be paid \$4.50 per qualifying tree up to a maximum of \$50,000. Minimum tree age is 5 years (6th leaf). Growers are responsible to notify their packer and lending institutions of their intentions.

Tree Pull Works with Crop Insurance & Disaster Programs

Some growers may have received incorrect information that tree-pull or green drop programs would exclude them from crop insurance and disaster programs. According to officials at Risk Management Agency and the Farm Services Agency, both the tree-pull and green diversion programs should not interfere with crop insurance or disaster programs.

In order for growers to receive an adjustment for crop loss, they should file notices of loss with their insurance agent as soon as possible

and have their crops evaluated before removing trees or shaking the crop for green diversion.

The earliest that these crop appraisals are normally done is late July. It is likely that the tree-pull program would be finalized around that same time and assurance of tree-pull funding would not be available before that time. Green diversion takes place at harvest time.

Acreage that is removed or green-diverted after a crop appraisal is made would still qualify for crop insurance and any disaster program in 2001.

Editorially Speaking

Neill Mitchell, PBA President

So, What's the Story on the Green Drop?

Emotions run high when supply control measures are discussed. The possibility that the industry might implement supply controls has caused some to express moral outrage before all the facts have been considered. In light of the misinformation floating around, I thought it might be good to explain the green diversion plan and separate fact from fiction.

FICTION: A reserve pool requires packers to buy twice as much fruit to cover their orders and twice as many bins to store the reserve fruit.

FACT: The reserve provision is only implemented to be able to use the green diversion rule. No one would expect growers to pay historically high drying costs only to put the fruit in a reserve that may have no value. We would expect growers to green drop rather than risk harvest and drying costs. A green drop could have the effect of requiring a packer to either find diversion certificates to cover his grower's deliveries or purchase non-contracted tonnage to cover sales.

FICTION: Under a pool, it is the packer who pays for the certificates to release pool tonnage.

FACT: In the past, any money paid for certificates to cover a grower's reserve obligation was deducted from the grower's account.

FICTION: Grower-packers would be forced to destroy crop that they have markets for.

FACT: Green diversion is a voluntary program. Grower-packers have the option of receiving all of their own fruit and using the exchange privilege of the pool to have complete access to all of their own fruit.

FICTION: The reserve pool/green diversion is unfair to grower-packers.

FACT: As a grower, a grower-packer is subject to the same rules as any other grower. All growers are treated the same under the marketing order rules.

FICTION: Large independent packers are bluffing when they claim they will not negotiate a price if a green diversion is not in place.

FACT: There is no reason to doubt the large independent packer's reluctance to negotiate price with up to 20,000 tons of non-contracted fruit floating around. The reasons to believe them far outweigh the reasons not to.

FICTION: Green diversions and tree pulls will only serve to give our foreign competitors a clear field to raise more fruit. For every tree we pull, they will plant one.

FACT: All of our foreign competitors are impacted by our low prices. Prices for land and all inputs in Chile are at historic highs and most observers that have been there within the last year do not believe that returning our California industry back to profitability will encourage additional plantings. French growers are still heavily subsidized and in fact have just gone through their own tree pull plan. Argentina is able to impact some of our lowest price sellers, but it is doubtful with their production problems that they will be a major competitive force any time soon.

FICTION: Most growers oppose a reserve pool, so the PBA board should not support this plan.

FACT: The PBA board has always and will continue to oppose reserve pools. The board, however, can see no benefit in asking growers to harvest and dry fruit that may have no value. A green diversion can bring the supply into line and save growers the costs of drying fruit that is not needed. **THE GREEN DIVERSION CANNOT BE IMPLEMENTED WITHOUT THE POOL.** When growers learn that the alternative to the diversion is no settled price, they usually opt for the diversion plan.

FICTION: The diversion plan and tree pull program will prevent a grower from receiving crop insurance or disaster program benefits.

FACT: If you have a crop loss you can still collect crop insurance and any disaster payments that are approved. You **MUST** notify your insurance agent of your loss and you will have to have an evaluation and an offer from an adjuster before you can pull the orchard. If you follow the rules, there is no reason that you can't be paid for the crop loss and be paid for the tree pull. You would be able to use a diverted orchard in the tree pull program provided again, that the rules are followed.

None of us in the industry like doing any of the suggested programs but our current oversupply situation coupled with a very uncertain energy situation leave us few options. Letting the "cards" fall where they may is simply not acceptable to those of us that have worked very hard to achieve the level of cooperation that we have in the prune business. Our raisin producing friends tell us that failure to establish a field price is the worst possible outcome of not being willing to work together. Their current disaster situation would lead a rational person to believe that they know of what they speak.