

SUPPLY & DEMAND

Critical News for Growers & Packers

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2001 Crop Falling Short

With the exception of a few areas, most growers report that their crops are not picking out as expected. Some growers speculate that the state crop could fall as low as 75,000 or 85,000 tons, although most talk of a crop in the 100,000 to 120,000 ton range. This compares to a PMC crop estimate of 150,000 tons in June. Sugar levels are reported high, but bin weights are lower than normal. Dry-away ratios are favorable. Some areas report higher than normal offgrade.

The crop is heaviest in parts of the San Joaquin Valley and in parts of the north Sacramento Valley. The crop is reported very light in the south Sacramento Valley region. One crop insurance adjuster reports that 75% of their clients are not harvesting at least one of their blocks in the region. Growers report that in some orchards it is taking 100 trees to fill one bin.

Industry Shipments Up 6%

Industry shipments finished out the market year up 10,000 tons from last year. Increases came from government purchases, an increase in domestic pitted prune shipments, and a 7% gain in exports. The largest gains were made in Germany, Italy, United Kingdom, and China. Total industry shipments amounted to 164,700 natural condition tons.

Orchard Renewal Program Underway

PBA and Sunsweet have teamed up to form a joint program to reduce prune acreage, and this year's crop, by encouraging growers to remove non-economic orchards without harvesting. The program is named orchard renewal because it reflects the fact that over 20,000 acres were planted more than 30 years ago and many growers would be removing

those orchards and replanting in the next few years if they could afford it.

The program provides an incentive of \$4.50 per qualifying tree to growers who are willing to move up their orchard renewal plans by a few years. It is hoped that many growers will choose to replant to other crops, since a good balance for the industry would be around 80,000 total acres (70,000 bearing and 10,000 non-bearing), compared to the current total of about 100,000 acres. About 3,500 acres will be pulled by the joint PBA/Sunsweet program deadline of September 30. Orchards participating in the program must remain unharvested.

The PBA intends to finance its share of the joint program from service fees paid by packers. Independent packers have signed a PBA Handler Service Fee Agreement to pay \$20 per salable ton to the PBA on all the tonnage they handle in 2001. While these service fees can be used for any purpose deemed appropriate by the PBA Board, these fees will be placed in a trust account which will be used to fund the Orchard Renewal Program. This trust fund will be administered by a joint committee of PBA and Sunsweet representatives.

We would like to recognize the following independent packers who have agreed to pay the service fee to PBA: Cal Fruit, Cal Prune, Hill View Packing, Mariani Packing, Miki Orchard, National Raisin, Premier Valley Foods, Sacramento Packing, Shoei Foods, Stapleton Spence, Timber Crest Farms, and Valley View Packing. Together with Sunsweet, these companies represent over 93% of the industry tonnage.

USDA Tree-Pull Rule-Making in Progress

The USDA has started rule making procedures to act on the industry's request for \$17 million in matching funds to remove up to a total of 20,000 acres of prunes between the joint PBA/Sunsweet program and a proposed USDA tree-pull program. The joint PBA/Sunsweet program is the source of the industry's \$3 million matching contribution promised to USDA. While there are no guarantees that USDA will award \$17 million, or any amount, to the industry, it is a good sign that they are now expediting rule-making procedures.

Potentially the USDA program will pay more per tree, however, the draft USDA rules include plant-back restrictions, production history, and other requirements not included in the PBA/Sunsweet program. If the USDA program makes it through the rule making procedure, it is anticipated that grower sign-ups would begin in mid-October, and trees must be removed by the end of February.

Advertising Boosts Sales

The California Dried Plum Board tested various combinations of promotion tools in 6 markets this past spring. A combination of radio advertising, sampling, public relations, and shopping cart ads helped boost dried plum sales by 6.1% in selected markets.

Radio advertising by itself boosted sales 3.5%. Sampling and PR together by themselves gave a 1.6% increase. Shopping cart ads by themselves showed no increase in overall sales.

The CDPB will run radio ads in the Denver market this fall, and in the Metropolitan New York market in the Spring. Ads will also run in the

Seattle market in the Spring if crop tonnage generates sufficient funding.

2001 PBA Price Objectives

There has been a good deal of pessimism this year regarding the feasibility of establishing a negotiated price agreement. However, the reduced production and positive steps taken by the industry to address oversupply suggest that establishing a price is possible and will be beneficial to both growers and packers.

The following are PBA pricing objectives that respond to current conditions:

1. Price the 2001 crop to reflect market conditions, but consider the positive effects of a shorter than anticipated crop.
2. Adjust price to reflect supply of large prunes and consider better than expected sales of smaller sizes.
3. Establish a legitimate basis for growers and packers to do business and work towards making it more difficult for the 'bottom feeders' to influence trade prices.
4. Restore stability to field prices so increases can be achieved when supply is balanced.
5. Restore confidence in the industry so the "lower the price" mentality can be changed.

Editorially Speaking

Neill Mitchell, PBA President

The Prune Bargaining Association has made a strong effort over the years to be mindful of points of view that are different from our own. We have been willing to recognize that our packers have to be successful in order for growers to maintain profitability.

I think that even when contentious issues are being debated we have always recognized that those on the opposite side have every right to

protect their perceived self-interest. It is then particularly unfortunate that a couple of the packers opposed to the green diversion program have made it clear that they believe that the PBA, and growers in general, had no right to support anything that they opposed.

On the other hand, some of the packers opposed to the green diversion have stepped up to the plate to make the tree pull, which was the favored alternative to the drop, work. Sal Rubino, of Valley View Packing, who was probably the most vocal opponent of the green drop, was the first to come forward to support the tree pull and put up his money. Jaswant Bains deserves much credit for his work to bring about a compromise and be the reasonable voice during the discussions. We thank them both.

SOME MEMORABLE QUOTES.....

"We got screwed last year, so I don't care what happens to the (prune) growers." This bit of wisdom attributed to a small packer that evidently believes that it is the growers' fault that he has problems.

The fact is, the PBA and prune packers set a price that gives everyone a level playing field. Once that price is set, a packer must compete with other packers, not growers. This same packer has proclaimed that he will never sign another price agreement. I would suggest that those rascally growers that have been selling to him look elsewhere for a buyer in the future unless they are willing to pay for his inability to compete.

"I will probably sign the tree pull agreement if the government program comes through". This from a packer who was supportive of the program when he was arguing against the green diversion plan, but has since invented numerous reasons why he shouldn't pay up.

The PBA and Sunsweet have literally jumped through hoops to satisfy this packer's concerns, but with every move to address a perceived problem come additional demands. We continue to try to work with this guy because when one packer refuses to do his agreed part, it places an additional burden on those who do.

"We're not doing that through the packing companythat's our dryer company". This gem from a packer, who is said to be offering "green prune" contracts for \$60.00, when asked if he realized the damage that would result from a ridiculously low price level. We have no problem with the fresh juice processors offering less than market prices for prunes that will not affect the dried prune supply, but offers of less than half the real value for prunes to be dried are predatory and will ultimately affect market prices which are already artificially low. We hope that growers will reject any offers that are less than reasonable whether they come from a "packing company" or a "dryer".

We will continue to monitor and report the statements of wit and wisdom attributed to those who evidently can't see a future for the prune business. As always, we welcome your comments and will gladly provide this space to anyone with an opposing view as well as anyone that wishes to criticize my ramblings.

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HELP WANTED

Individual needed part time to contact walnut growers and handlers to gather market information. Familiarity with the walnut industry helpful, communication skills required. Pay commensurate with skill. 4 to 8 hours per week. September through November. Contact Greg Thompson at 530-674-5636.

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