

February 12, 1997

TO: ALL PRUNE GROWERS

FROM: RICHARD PETERSON

As we reported in the January Annual Report, the International Prune Association has projected world prune production to increase by 95,000 short tons from 292,000 tons to 387,000 tons by the year 2001. Over 1/3 of this growth will be attributed to new plantings in California alone, with France, Argentina, and Chile also expecting dramatic prune production increases. In addition, Eastern European prune producers are likely to increase production although no projections are available for them.

Worldwide prune demand in recent years has been steady at about 260,000 tons. Therefore, a production surplus of over 30,000 tons already exists and may grow to over 125,000 tons annually unless supply is greatly reduced and/or demand can be significantly increased.

The Prune Marketing Committee met On December 10, 1996 and discussed the various options available to our industry in rebalancing supply and demand. While the Federal Marketing Order provides the industry with the authority for reserve pools, green diversion programs and increasing the minimum marketable prune size these measures would likely offer only short term benefits to our industry at best. Furthermore, the amount of prunes we might eliminate would be more than compensated for by the increased production of France, Argentina and Chile with whom we compete directly in the world market. Thus, California - initiated supply control programs could help our foreign competitors more than our own industry.

An Ad Hoc Market Development Subcommittee formed by the Chairmen of the PMC and CPB met on January 21, 1997 to review market development opportunities. This subcommittee concluded that the worldwide prune oversupply situation is a complex, long-term problem for which there are no simple solutions. There was strong support for marketing programs that will expand California prune Sales with the following priorities:

1. Protect the domestic market and identify growth opportunities for prunes, prune juice/concentrate and dried plums within the retail, industrial and foodservice markets.
2. Protect the industry's core prune export markets of Japan, Germany, Italy and the United Kingdom, which account for more than 60% of total exports.
3. Identify new prune export markets in areas like the Middle East, Asia, and Eastern Europe, and develop prune consumption through educational and promotional programs.

These marketing priorities will be reflected in the 1997/98 CPB Marketing Plan. The subcommittee believes that California prune shipments can be increased to record levels above 200,000 tons annually through aggressive generic advertising and promotion by the CPB and branded efforts by the California prune packers. However, this will still not be enough to sell the prune surplus that will likely exist, and it is clear that the prune supply must be significantly reduced. This is not a temporary problem, and the recent trend of declining grower prices will continue until enough prune trees have been removed to reach equilibrium between supply and demand.

Therefore, the PMC has recommended that all prune growers be advised of the seriousness of this worldwide oversupply situation so that they can take voluntary corrective action. It is recommended that growers consider the following voluntary measures to help stabilize this threatening situation:

1. Stop planting prune trees. The Current bearing acreage has already created a surplus of over 30,000 tons and the impact of the 20,000 non-bearing acres has yet to be felt.
2. Remove old orchards and those that consistently produce significantly less than the industry average yield of 2.2 dry tons to the acre.
3. Utilize pruning and thinning to improve prune size and reduce the amount of undersized and D Screen fruit delivered. Most of the Current oversupply is in the smaller sizes, leaving the greatest potential returns for prunes larger than 60 Count which are sold as higher value pitted prunes and prunes in consumer packages.
4. Employ field sizing at harvest time to eliminate the smaller prunes whose returns will not even cover their hauling and drying costs.
5. Consider selling prunes fresh for domestic or export consumption or for fresh juice production which all seem to offer growth potential.

We wish you well during this challenging time for the California Prune Industry. If you have any questions or would like additional information, please contact me.

Sincerely,
Richard L. Peterson
Executive Director