

January 2013

Volume 45, Issue 1



Inside this issue:

| | |
|--|---|
| <i>2012 in Review</i> | 1 |
| <i>Market Info Gathered Abroad</i> | 1 |
| <i>USDA Partnership Supports Education</i> | 2 |
| <i>Be Proactive - Review Contracts & Farming Practices</i> | 3 |
| <i>Hazelnut Approach to Pricing</i> | 3 |
| <i>Save the Date!</i> | 4 |

2012 in Review

In 2012 the Prune Bargaining Association worked to strengthen grower pricing, provide marketing services to our members, and expand markets and reduce trade barriers. In part, these efforts included developing and publishing the 2012 PBA Price and communicating with growers and packers, acting as a marketing agent for members, providing risk management workshops and information for producers, and participating in several trade missions and trade shows.

packers don't pay for and it is being exported to help build the market in China.

The PBA has also been proactive in working to reduce tariffs on prunes exported to Europe and China, and improving the trade of California prunes in the world market. As part of this effort, the PBA has met with grower representatives in France, worked with the American Chamber of Commerce in Shanghai, and became a member of the California Institute for Food and Agricultural Research at the University of California, Davis, which provides access to a world wide network of food companies and research institutions involved in cutting edge nutrition and food technology development.

As marketing agent, the PBA sold 800 tons of our members' prunes from the 2011 crop, and is currently marketing about 2,300 tons from the 2012 crop. Much of this volume consists of excess tonnage that



Market Info Gathered Abroad

In October representatives of Prune Bargaining Association traveled to the SIAL food show in France, joining 140,000 visitors and almost 6,000 food manufacturers to gain first hand, current market information on the global prune industry.

The visit allowed PBA to meet with buyers from around the world and have candid discussions about market conditions and prune production in key countries, including France, Chile, and Argentina.

Chile was well represented at the show with more than ten booths from different prune companies and we had the opportunity to



gain insight into the Chilean prune industry. The largest prune company in Chile, told us

2012-2013 Board of Directors

- Mike Bolen
- Richard Conte
- Jim Edwards
- Piara Gosal
- Paul Hundal
- Jagpal Johl
- Khan Khan
- Ken Lindauer
- Neill Mitchell
- Ranvir Singh
- Mike Vereschagin
- Karmdeep Bains
- Dan Bozzo
- Ronnie Castro
- David Wohletz

Market Info Gathered Abroad (continued)

that their growers have pulled approximately 7% of their prune acreage this past year, with supply in the country starting to moderate. Although original in-country projections were estimated at 80,000 tons of prunes this year, Chile only produced about 70,000 tons of prunes, with the result that the Chilean industry is sold out of prunes and off the global market. Prices for Chilean prunes were lower, due to early over-selling and the larger than actual crop forecast. Growers in Chile are bearing the brunt and as a consequence are considering more profitable options for their land. Returns to Chilean prune growers have fallen to the lowest level in years and many are suffering the same poor treatment we often see here when the market is oversupplied—no price, no pay, no news—and they are starting to pull prune acreage as a consequence.

In addition to discussions with Chile, PBA also had the chance to meet with companies based in Argentina, learning that prune production there is also falling. Argentina produced only about 12,000 tons of prunes this past year, though an oversupplied market, economic turmoil, and unsustainable prices have caused Argentine growers to abandon their prune orchards. No new prune orchards are being planted.

Our presence in France also afforded us the opportunity to meet with French prune growers, who have seen prices drop 30% over the past four years. Although French growers are strongly represented in their domestic market, domestic packers are battling over



domestic market share, due to loss of export market to cheaper, smaller prunes from Chile. One of the most encouraging aspects of our discussions with French growers is that there is some agreement on reducing the tariff on US prunes in the European Union. PBA has begun the efforts of building the bridges on these discussions and will continue to encourage ongoing conversations on this matter.

The information gained through our experience at SIAL was invaluable and shined a bright spot on the opportunities for California prune growers. We know that we have the opportunity to increase prices, based on global supply, and have discovered new market opportunities for our growers. PBA is committed to gaining crucial and current market information to better increase our growers' profitability, and meetings with global food industry leaders contribute to this mission.

USDA Partnership Supports Education

With The USDA Risk Management Agency continues to support PBA in its efforts to provide educational opportunities for our growers in the areas of market strategies and good farming practices.

Since 2005, PBA has secured 16 cooperating agreements with RMA to fund workshops and activities that motivate participation in bargaining organizations and mitigate risk through market strategies, such as marketing contracts education.

In 2013, RMA funding will be used to support direct field visits to producers to discuss risk management strategies, contribute to our 45th annual meeting and grower seminar, support workshops focused on marketing contracts information, and strengthen our ties with other specialty crop bargaining organizations within the agriculture industry.

Watch for our workshop announcements and other educational opportunities during the upcoming months.

Be Proactive - Review Contracts & Farming Practices

With harvest completed and spring bloom a few months away, there are key steps growers can take for greater profitability in 2013.

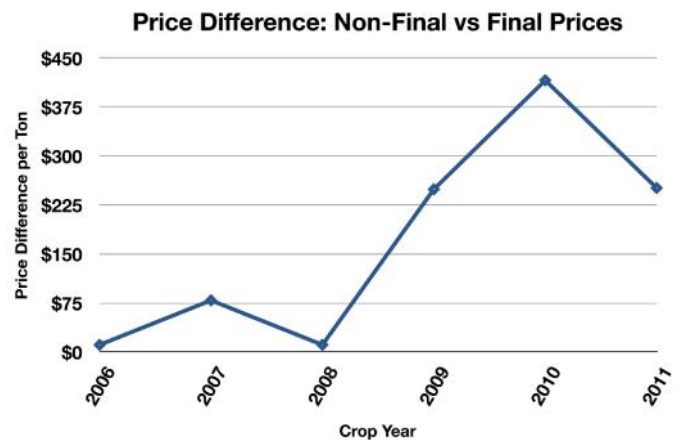
Regarding contracts, growers should be aware that prune acreage is shrinking around the world and growers are in a better position to negotiate better prices and terms if they are not bound to open price contracts that give wide latitude to the packer in regards to price and payment terms. Grower action is necessary because many packers handle other crops and may use prunes as a 'loss leader,' so to speak, especially if they think prune growers won't take action against low prices.

In addition, independent packers are simply not providing competitive returns and co-op growers are seeing their returns diminished because of the lack of competition from independent packers. USDA-NASS data shows that 'finalized prices' (independent packers) averaged \$305 per ton below 'non-final prices' (cooperative returns) over the past 3 years. Most existing grower-packer contracts are one-sided and keep growers locked into returns that are not sustainable as shown by the fact that California prune acreage has declined by 10,000 acres in just the past 4 years.

The PBA Board has recommended that growers cancel evergreen contracts that have one-sided rather than mutual price setting mechanisms, and negotiate shorter-term agreements that allow competitive factors to work. Packers are in need of good quality growers. If you have a

track record of producing quality fruit, you are likely to be in a good position to negotiate a better contract that will result in better prices.

In addition to preparing for 2013, growers should also use this time to review 2012's P-1 grade reports on their prune crops. Reviewing P-1's can help growers determine what farming practices were successful this past year as well as identify areas to improve upon for 2013. Harvest timing played a big role in negative returns for some growers this past season. Commercial harvesters often pressure growers to pick too early, causing losses of \$100's per acre. Now is a good time to review dry away and fruit size information. PBA field representative, Andy Featherston, has information that can help determine how harvest timing factored in net returns. Please contact Andy through the PBA office for more information.



Hazelnut Approach to Pricing

One symptom that the crisis in the prune world is being borne largely on the backs of growers is the way field pricing is being brought to bear. With oversupply, packers opt for a system in which the handler "decides" the "market price" to be used. Should a grower develop a suspicion that the numbers somehow favor the handler, he has no recourse.

In principal, it's pretty easy to imagine a more equitable approach. And in fact, Hazelnut growers in Oregon already have such a system in place, and it's been working for years. It's pretty simple: Both sides work together to agree upon a Field Price, based on

prevailing market conditions. Then, if at the end of the season either side disagrees that the final number accurately reflects the market, they can demand an audit. A neutral third party is brought in to evaluate all relevant documents in secrecy, and a revised Field Price is determined. Adjustments in payments are then made accordingly.

Does it work? Well, guess how many times the audit clause has been invoked? Only once. This is just one example of the kind of transparent, equitable terms growers should be contemplating in a time of change. If hazelnuts, why not prunes?

Prune Bargaining Association
335 Teegarden Ave Suite B
Yuba City CA 95991



Phone: 530-674-5636
FAX: 530-674-3804
info@PruneBargaining.com

VISIT OUR WEBSITE AT:
PRUNEBARGAINING.COM

Save the Date!

January 17, 2013 - Mark your calendar for the PBA Member Update & Discussion prior to the PBA Board Retreat at the Peach Tree Country Club in Marysville from 9 a.m. to 10:30 a.m.

February 28th, 2013 - All prune growers are invited to attend PBA's 45th Annual Meeting and Regional Specialty Crop Grower Seminar to be held at the Chico Elks Lodge from 9 a.m. to 2 p.m. The meeting cost is \$20 per person and will include a buffet lunch.

Please RSVP for these events by contacting Sherry or Greg at info@prunebargaining.com, or 530-674-5636.



*Produced in Cooperative
Partnership with USDA-RMA*

The Prune Bargaining Association is a voluntary grower organization that represents its members' interests through communication, price negotiations and industry leadership to ensure a viable prune industry. The PBA was formed in 1968 as a grower-owned cooperative to improve the economy of the California prune industry, encourage production of a quality product and provide a forum for growers to exchange ideas regarding the industry.