

August 2013

Volume 45, Issue 2



PBA Prune News

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PBA's 45th Annual Meeting

With 2013 serving as a milestone year for the Prune Bargaining Association, we hosted our 45th Annual Meeting in February in conjunction with a Regional Tree Crop meeting on marketing opportunities, strategies, and outlook for tree crop producers.

The meeting and conference welcomed approximately 75 specialty crop producers and agricultural business professionals, with a dynamic line-up of speakers keeping the crowd engaged and informed on issues impacting our region's agricultural producers.

Following the PBA business meeting, PBA launched into the general conference portion of the event, hosting Karen Halliburton Barber, Senior Agricultural Analyst, Rabobank, N.A.; Mike Evans, Evans Appraisal Service, Inc.; John W. 'Skip' Leach, Consumer Package Goods Executive; Buzz Minson, Director



International Business, California Bank & Trust; Sharon Shoemaker, Founding Executive Director, California Institute of Food and Ag Research; and keynote speaker Martina Newell-McGloughlin, Director International Biotechnology Program, UC Davis. Presentations of the speakers are available on the PBA website.

Next year's meeting and conference is scheduled for March 4, 2014. Make sure to save the date to attend.



2012-2013 Board of Directors

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Strategies to Address Risk

PBA members and invited guests showed keen interest in PBA's efforts to reduce risks and improve returns at grower meetings held in Yuba City and Orland in June and July. The meetings are part of a Cooperative Partnership with USDA-Risk Management Agency to provide useful strategies to growers to manage market risk.

Growers were particularly interested in the Association's marketing efforts to expand sales in China, and in strategies to improve returns. PBA's 2012 marketing program included 14 PBA members and 2,000 tons with gross sales of about \$3.2 million, mainly to the China market. With a focus on smaller prunes, members gained \$325 per ton over net packer prices.

Strategies to Address Risk (continued)



PBA Manager Greg Thompson pointed out that while California bearing prune acreage continues to shrink as growers question the economic viability of prune production in the face of increasing costs and rapidly escalating land values, not all the data is bleak for the industry. In addition to positive nutrition research and increasing marketing opportunities in Asia, Central Europe and Russia, growers are putting a number of PBA recommendations in play, helping to bring about a more dynamic industry.

Importantly, Thompson reported that an increasing number of growers have taken to heart the PBA message to replace multi-year, evergreen contracts with one-year contracts especially as acreage continues to shrink and supply decreases.

In order to restore profitability and reduce risks, growers were encouraged to continue to remove low yielding orchards and diversify their acreage with fewer but better producing prune plantings and promising crops. Nursery sales of prune trees indicate that growers continue to maintain orchards and hedge their bets against other tree crops that have been heavily planted recently.

Marketing consultant, Terry Barton, reported that PBA's participation in trade missions continues to pay dividends as the China market for California prunes grows by double digits and demand increases. PBA is helping to improve trade by increasing communication, working to reduce trade barriers such as the 42% effective tariff on California prunes, and building a network of contacts with buyers, government officials, and trade offices.

Members were also briefed on the world outlook for prune supply and demand, U.S. prune exports, field pricing, the latest acreage and crop estimates, and a situation update on competing producers in Europe and South America. Details are available in the Members section on the PBA web site.

Price Negotiations

The PBA Board of Directors has not established a recommended price or price offer for the 2013 crop as of the end of August. PBA representatives met with a number of individual packers prior to harvest to discuss market, crop conditions, and field pricing options. The PBA remains in contact with industry members and most are waiting to get a clearer picture of the actual crop.

Prior to harvest, packers expressed that grower prices would be stronger this year given the reduced world supply and increasing trade prices. During the summer, growers started to receive some firm price offers mainly from one packer looking to purchase about 3,000 dry tons of additional fruit. Initially, growers indicated the offer was about \$100 per ton, or 7% higher than 2012. The packer increased the offer several times with the last verified offer at \$1,850 per ton at July 31.

While growers welcomed the news of a nearly 30% increase on large fruit, with harvest it became clear the crop was falling shorter and shorter and the increase would not offset the crop loss. With the looming shortage, more packers made calls on growers, but most have been resisting offering firm prices. A few packers have indicated they would match their competitor's price when asked by growers. Reports from industry members at the end of August indicate that growers and even some packers are thinking that at least a few growers may get prices of \$2,000 per ton. Growers facing higher costs and many with average production at less than 2 tons per acre say they want to see where the dust settles before committing to any price offers. Packers are also hoping to get a better handle on actual production by mid-September before making any further decisions.

Crop Insurance Plays Important Role

Federal Crop insurance is readily available through a number of crop insurance companies and provides an important safety net for farmers, as most prune growers can attest to, especially this year with extremely low production in many orchards.

The USDA Risk Management Agency in its just released report, *The Risk Management Safety Net: Portfolio Analysis-Market Penetration and Potential*, shows that 94% of prune acres were covered by crop insurance in 2011. Contrasted to Walnuts (53%), Almonds (84%), peaches (75%), and other fruit and nut crops, prunes rank number one in terms of the highest percentage of acreage covered by crop insurance. Prunes rank high in

terms of buy-up of level of protection as well. 86% of insured prune acres are covered by buy-up levels of 70% coverage or better. Only processing peaches (87%) and cherries (100%) had higher buy-up percentage in the stone fruit category. Citrus and Macadamias also had higher buy-up percentage in the overall fruit and nut category.

Price selection for prunes for the 2014 crop year is expected to be announced in October. Sales closing date for prunes, walnuts, and peaches is January 31. Closing date for almonds is December 31. Be sure to contact your crop insurance agent regarding deadlines, policies, and any important changes.

Harvest Falls Very Short of Expectations

Prune harvest came to an early beginning and quick end for most growers this season. The old adage that a heavy crop is often under-estimated and a light crop is more often that not over-estimated certainly held true this year. Growers blame unfavorable weather conditions and stress from the prior year's heavy crop as contributing factors.

Many growers expected lower yields after last year's strong crop with expectations of per acre yields in the 1.5 to 2 ton range in typical orchards. Many found in reality that crops fell well short of 1.5 or even 1 dry ton per acre.

In the Yuba-Sutter region, growers reported finding that orchards they thought had a reduced or a light crop, had almost no crop at all—taking 60 or more trees to fill one harvest bin. Some growers did not pick some blocks because harvesting was not economical.

On the bright side, fruit size is outstanding with dry samples averaging around 50 prunes per pound. Overall

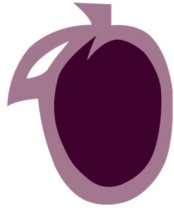


quality looks excellent with high sugars reported in both inside and outside fruit. Dry away ratios are expected to be quite favorable, perhaps averaging under 3 to 1, compared to the historical average of 3.1 to 1. A 2.9 dry-away would improve the total crop by about 5,000 dry tons compared to a 3.1 dry-away on 240,000 green tons.

Materials Available to PBA Members

Presentations pertaining to prune marketing and risk management educational materials are available on the PBA web site. If you missed one of our recent meetings, you will find our district meeting materials on the members section, including market outlook and price comparisons, China trade presentation, and PBA marketing program. Other informative materials are available on the Members section of our website.

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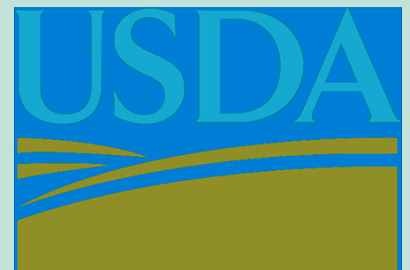
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VISIT OUR WEBSITE AT:
PRUNEBARGAINING.COM

Feedback

If you have received our newsletters, participated in any of our meetings or programs this year, or had a field visit, we would like to hear from you. Please send your comments to greg@prunebargaining.com, or give us a call at 530-674-5636.

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.



Produced in
Cooperative
Partnership with
USDA-RMA