Prune Bargaining Association

SUPPLY & DEMAND

Critical News for Growers & Packers

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2001 Price Agreement

In early September, the PBA pricing committee met to determine whether to proceed in price negotiations. The majority voted to proceed with negotiations in order to establish a price earlier rather than later. It was a difficult decision because the crop was falling extremely short in some areas.

At that time the best indications suggested that that the crop would not fall below 100,000 tons and would likely exceed 120,000 tons. At this point 94,000 tons have been received and current projections put the crop at around 130,000 tons.

The committee recognized that the crop shortfall was blunted by a carry-in that was projected at 110,000 tons. Even with a crop of only 120,000 tons, total supply would be nearly 230,000 tons or 15 to 20,000 tons in excess of desirable carryout for the 2002 year. And a crop of 100,000 salable tons, even with an increase in shipments to 170,000 tons, would provide a 'desirable' carryout of 40,000 tons—not a shortage.

Ultimately, the PBA board members and grower members agreed with the committee that the crop was not going to fall so short as to create the kind of shortage that would cause a rapid turn around in the market. The short crop would certainly help shore up the market, but other factors were weighing heavily against the industry.

In their deliberations, the committee weighed the following points in making a decision to negotiate rather than wait:

1. The prune business is experiencing financial problems that few of us have seen before. Regardless of how we wish otherwise, or even if we had sat out negotiations, this year's pricing would ultimately reflect both the realities of the market and the turmoil in the industry. The price agreement gave packers a jump start on taking advantage of the more balanced supply by eliminating the price uncertainty.

2. If action was not taken, it was possible that cheap sellers would begin to set trade price trends. Getting an acceptable price agreement stabilized trade prices and prevented any further erosion.

3. The price agreement put an end to the ridiculously low prices being offered in the field by a few packers. One of the members of the pricing committee termed these offers "insulting" to the PBA and any grower that they were offered to. The price agreement exposed those offers for what they were—low-ball, opportunistic prices with no relation to market value.

2001 Crop Short of Mark; Not as Short as Some Expected

Early in the harvest season some growers feared the crop might fall as short as 75,000 tons. With 94,000 tons received as of October 24th, the chances are good that the total crop will hit the 130,000 ton mark that several packers have been projecting since August. The Prune Marketing Committee had adopted a June crop estimate of 150,000 tons.

One reason that growers may have been fooled into thinking the crop would be much less than those estimates is that sugar levels turned out to be exceptional. The average dry-away ratio for the state is expected to be in the 2.8 to 1 range, vying for a record low level.

Offgrade is also generally low, although some areas suffered from suture cracks along the stem end of the fruit. Overall offgrade levels over tolerance are now expected to be in the 1 to 2% range for the state as a whole.

The crop was heaviest in parts of the San Joaquin Valley and in parts of the north Sacramento Valley. The crop was reported very light in the south Sacramento Valley region.

Value of Green Prunes

Based on this year's PBA price agreement, and projected size mix, the average value of dried prunes will be $759 per standard salable ton, or $697 per ton of total delivered weight after handsorting. Using this last figure, the PBA estimates that the value of green prunes on the tree was $121.79 per green ton. This value is based on a $20 per dry ton CDPB assessment, a 2.8 dry away, and harvest, haul, and drying cost of $120 per green ton.

District Nomination Meetings December 10 – 14

PBA district meetings are scheduled for the week of December 10th – 14th. Locations and times will be announced at a later date.

Besides nominating members for the board of directors, members will have an opportunity to discuss current industry topics and receive an update from Greg Thompson on world prune production and industry efforts to restore profitability.

PBA members are encouraged to contact the PBA office if they have an interest in serving on the board of directors. Terms of office are for 2 years.

Shipments Finish Up 6%; Market Off to Good Start

As reported earlier, industry shipments finished out the market year up 10,000 tons from the

1999/2000 market year when shipments hit a recent low of 155,000 tons. 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 for the 2000/01 market year amounted to 164,700 natural condition tons. So far, the new market year is off to a healthy start. Shipments for August and September amounted to 30,000 tons, up from 24,000 tons for the same period last year. The largerst gain was made in the juice and concentrate category.

Renewal Program Reduces Acreage

The cooperative effort of the Prune Bargaining Association and Sunsweet Growers has had a positive impact on reducing acreage and tonnage this year. The program, designed to encouraged growers to remove non-economic orchards without harvesting, garnered about 3,500 acres in participation. Growers in the program will start to receive payment checks in November. Payment priority will be based on the date the orchard was verified pulled and by funds available.

USDA Tree-Pull Rule-Making Ongoing

The USDA is still in the process of rule making 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. If approved, the Prune Marketing Committee will administer the USDA program. The PMC continues to make preparations to manage the program and recently sent a letter to packers requesting personnel to help with tree counting in the field.

Editorially Speaking

Greg Thompson, General Manager

Most growers have seen very little good news in the recent years but we believe that the early price settlement for the 2001 crop improves the outlook. Expected declines in the value of the dollar will make foreign sales easier and more profitable for our packers. The PBA/Sunsweet sponsored orchard renewal when combined with a USDA funded tree-pull will further help bring supplies into balance and help start the process of restoring profitability.

Key to farmers' recovery will be a major reduction in acreage as soon as possible to restore grower profitability as quickly as possible. Also key will be the ability to achieve higher grower prices in the coming years to offset the increased and increasing costs of doing business in California.

All of these things will require restoration of industry order and discipline along with increased cooperation among all industry participants to meet the challenges.

Dried plum farmers and packers have a great deal at stake in the outcome of the proposed USDA tree pull program. As a group, farmers and packers have worked through a very divisive season and hit upon a common course to encourage a 20% reduction in acreage in order to manage supply. Grower participation is critical and industry profitability won't be restored until acreage and production matches demand.

Packers are also trying to do their part to return the industry to profitability. They have formed an export trading committee and are working to stabilize export pricing. Many recognize the importance of communication and cooperation in order to maximize market potential.

These packer efforts are laudable, but unless coupled with adjustment to processing capacity, the industry will not recover. Both acreage and processing capacity need to match trade demand, or there will be inefficiency and continued packer turmoil. Excess processing capacity tends to drive acreage skyward at the first sign of good times as packers try to optimize their profits by increasing volume through their plants.

In much the same way, work needs to be done to restore industry leadership and discipline. The industry still faces the thorny question of regulating supply because the USDA tree pull program is not yet in place and grower response is uncertain. Going forward to address these issues may again result in industry division, uncertainty, and tragic consequences for farmers and packers alike.

What is needed is farmers and packers who are willing to take action. Farmers are

needed who will do their part to push out the 20%. Packers will need to consolidate and reduce processing capacity by a corresponding amount to match trade demand.

While this adjustment to production and processing will take place one way or another, either voluntarily or by the natural consequences of supply imbalance, restoring industry discipline and leadership is a far more difficult task because it involves human relationships and requires honesty and risk taking.

Independent growers may be forced to take action against packers that don't live up to contract and payment terms or requirements under the State ag code in order to maintain industry discipline. Co-op members will need to become better informed and play an active role in selecting grower leadership. The industry has made a start to rebuild unity and more needs to be done.

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