

SUPPLY & DEMAND

Critical News for Growers & Packers

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USDA Tree Removal Program Announced-PBA Plays Key Role

The Prune Bargaining Association is proud to announce that after months of working closely with legislators, the USDA, and industry members, a federally funded tree removal program has been approved for California's prune growers.

The PBA has campaigned aggressively to collect the industry, political, and federal support necessary to put this tree removal program into place, and we know that this is a critical step in returning the state's prune industry to profitability.

This federal effort is a new and separate program from the industry-funded (PBA/Sunsweet) orchard renewal program that was conducted earlier this year. The Prune Marketing Committee office in Sacramento will administer the federal program and funds will be paid out through the Farm Services Agency.

Growers will have 30 days to apply to the program (January 2 - 31) and are encouraged to apply for the one-time program which is first-come, first-served. The program pays \$8.50 per qualifying tree removed by June 30, 2002, and prunes may not be planted back on the same ground until after June 30, 2004. Applications may be obtained by calling PMC office at 916-565-6232 or may be printed out from their website at: www.californiadriedplums.org/growpack/newsletters.asp,

then select "California Prune Board" then "December 2001" to access the 4 page information and application packet.

The PBA played a key role in securing the federal program by organizing and administering the industry orchard renewal program

which provided the necessary industry contribution and demonstrated grower support. At one point in the approval process, it looked like the program might be killed because of concerns about cost effectiveness. PBA was able to point out that the government would save millions in not only commodity surplus purchases, but also in cost savings in crop insurance, disaster and guaranteed loan programs. We are thankful for the strong support of Congressman Doug Ose, and for the intervention of Congressman Wally Herger at a pivotal point in the federal approval process.

Sign-Up Now

The USDA program is a one-time, one-shot offer. All growers are encouraged to participate. Growers should not delay making a decision to apply in the hope that there may be similar offers in future years. The program will be funded on a first come, first served basis, so it is to growers' advantage to apply promptly. There won't be another chance for growers to be paid for orchard removal any time soon. And the industry will not recover unless there is a significant reduction in acreage.

USDA Application Tips

The USDA tree removal program has several additional requirements beyond the PBA/Sunsweet program. Besides the plant back restriction, growers are required to provide production records to verify that the orchard for removal is capable of producing 1.5 gross tons per acre of qualifying trees. On the application form growers are asked to enter the number of eligible trees to be removed. Growers may estimate this number; the tree-pull enumerators will count the actual number of trees.

Growers are required to submit P-1 records for the orchard for both the 1999 and 2000 crop years. If the orchard had crop insurance, crop insurance records are also required. If the block to be pulled is not identifiable by a lot name on the P-1's, all the P-1's for the grower's production in that county should be submitted.

If records are not readily available, send in as much of the required documentation as soon as possible in order to establish application priority. You may be able to get copies of P-1's from your packer. If not, send a written request to the PMC.

If the property was owned by a different owner in 1999 and/or 2000, you will need the cooperation of the prior owner to get copies of the P-1 records. Ask the prior owner to send a letter to the PMC releasing the P-1 records to you.

2001 Crop Hits 139,000 Tons

Total incoming inspections through December 27 amounted to 139,040 gross tons. An industry estimate made in November projects the total crop at 139,000 gross tons and 132,050 salable tons. The DFA of California reports that an unknown quantity of additional tonnage remains to be inspected next month. At this point it is conjectured that remaining tonnage is limited as most packers have received and graded most of the crop in order to obtain smaller sizes that have been in limited supply.

Total supply was projected at 233,000 tons by the PMC in November. Shipments last year amounted to 165,000 tons. Current shipments through November are up 3% over last year.

Looking ahead, carry-out to the next market year is likely to be around 60,000 tons. A 2002 crop of 150,000 salable tons would provide a balanced supply of 210,000 tons for the 2002/03 market year.

On an acreage base of 90,000 acres that is only 1.66 tons per acre. On a 70,000 acre base that works out to 2.14 tons per acre—close to an average crop—and illustrating the importance of reducing acreage to bring supply into line with demand.

Average production over the past 5 years has been 2.2 gross tons per acre. As older orchards are removed this figure will increase. At 2.5 dry tons per acre, 70,000 bearing acres will produce 175,000 gross tons.

Editorially Speaking

Neill Mitchell, PBA President
SPEND LESS, EARN MORE...

The tree pull program is now a reality and every grower should consider it in his or her own self-interest to fill out an application. Restore profitability to your farm by reducing your acreage. It is less than realistic to think that someone else will do your "fair share" as well as their own. Don't be lulled into missing this opportunity by some of the misguided excuses for not participating:

"There is nothing else to plant if I pull out prunes."

Even if you have to leave the tree-pull ground fallow, participating in the program will reduce your exposure to ongoing losses. Why grow a 100 acres of prunes at a loss, when you could show a profit on the 100 acres with only 80 acres planted?

"My packer sells all the prunes that he buys, and needs all the tonnage that he currently contracts; why should I pull trees?"

If your packer were willing and able to pay you a price that would cover your costs, I would agree that there would be no need for you to pull trees. Unfortunately, your packer is currently selling "all that he buys" at

a price that will ultimately put you out of business. For a number of reasons, the industry has lost its ability to maintain reasonable price levels. Only growers can change the tone by limiting supply.

Almost any packer that we talk to has plans to expand his business. Unfortunately this means taking business from another handler rather than expanding sales. A small minority of our packer fraternity (by number) spends money on product development and promotion, which could increase total sales of prunes. The rest simply try to increase the size of their slice of a very static market pie by pricing prunes at a lower level than the competition. Growers must restrict supply to restore market discipline.

"If we get our supply in order, Chile and Argentina will plant more prunes and take any markets that we are unable to supply."

At \$750.00 per ton, I would say let the Chileans and Argentines have the prune business. In reality, South American producers have been severely impacted by our low prices. Asprosa, the Chilean Cooperative, is experiencing some of the same financial difficulties we see here. Our competitors don't like selling cheap any more than we do, but if some of the lowest price markets are lost to them, then so be it. A grower cannot farm in California and deal with the relentless increases in the cost of doing business and continue to stay in business at current prune price levels.

"I have philosophical problems with artificial manipulation of markets and believe that the free market and survival of the fittest should determine business outcomes."

It will be interesting to see if the "philosophers" hold the same view at \$8.50 a tree that they had at \$4.50. The bottom line is that if growers were able to set market prices and control the prune business from the bottom up, then the survival of the

fittest might be appropriate. Unfortunately, growers are most impacted by the actions of others and conditions beyond their control (the entry and exit of Dole and Yorkshire come to mind) to completely accept a purely free market approach. Additionally, the financial failure of a grower of a permanent crop changes very little other than the name on the mailbox.

"I have no doubts that the tree pull will push up field prices, but we need a supply of cheap prunes to break in to the emerging world markets."

Buy 'em from Argentina. Some lessons should be learned from the 2001 season. Growers were actually calculating whether or not to pick with no price established and harvest and drying costs going off the charts. Growers will continue to look at the economics of small size prunes and although there is no law or regulation to limit the "D" screen delivery, there is no regulation requiring growers to deliver prunes that do not return harvest and drying costs. Grower cost and price considerations will determine whether there is an ample supply of prunes for emerging markets.

IN CONCLUSION

Growers have to take charge of their future and the tree pull program is designed to soften the impact of the supply reduction that is inevitable. Even if limiting supply only increases prices on a percentage point to percentage point basis, (15% pull yields 15% price increase) the program will have accomplished all that should be expected. We believe that the yield will be greater than one for one and will also serve to restore market confidence in our packers and their customers. It is much easier for a handler to turn down low priced sales when the warehouse is nearly empty than when it is full. **SPEND LESS, EARN MORE... Restore profitability to your farm by reducing your acreage.**

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