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2012 Prune Harvest

The 2012 California prune crop was forecast in June to be 120,000 tons, down 12% from the 137,000 tons reported by USDA-NASS for the 2011 crop. While PBA members reported varied results at harvest, there is little to indicate any major change in the overall outcome. Most growers report a successful 2012 crop, although fruit size is smaller this year and will hamper grower returns. Of note, 10 members are participating in PBA's marketing program reaching our goal of 2,500 tons.

favorable through harvest and the fruit held up very well this year, even late in the season.

Weather conditions were mostly favorable for prunes this year, with a cool bloom time that benefitted the crop. However, sudden summer heat caused damage to trees and fruit loss and may have played a role in reduced fruit sizing this year. With poor returns and cash flow, some growers cut back on key cultural inputs, which also took a toll on fruit size.

PBA's nascent marketing program continues to generate interest as growers see the benefit of direct participation in the market as the available supply of California prunes shrinks. As harvest ended, PBA staff confirmed 2,500 tons of 2012 crop tonnage committed to PBA. The prunes will be offered to packers as well as domestic and export buyers.



With reduced acreage many dryers reached full capacity only briefly or not at all this year. While dryer capacity was not an issue, increasing demand for harvest machinery for pistachios caused disruption or forced earlier prune harvest for some growers resulting in fruit left on the tree, higher dry away ratios, poorer fruit size, and reduced tonnage. On the plus side, weather was

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Restoring Profitability

During the past year, the PBA has been working to restore profitability to our members and to the prune industry as a whole. Identifying and building profitable markets and matching the supply of California Prunes to those markets is key to the future. Growers have been encouraged to diversify orchard production, and where possible, remove older, less productive blocks of prunes and replace with alternative crops and fewer acres of prunes, but with improved productivity. At the

same time the PBA strongly supports differentiation of California Prunes in the market place to distinguish California safety, quality, and consistency from the competition, and removing trade barriers that put us at a disadvantage.

PBA has gathered real time information about acreage for our members and provided education about economics and risks of prune growing and marketing to growers and the industry. These efforts help

Restoring Profitability (continued)

growers make informed decisions and manage risks more effectively. In that regard we have teamed up with the USDA-RMA to provide risk management education to growers. One project has helped growers better understand the coming economic Tsunami caused by emerging middle class in developing countries, especially in Asia, and the resulting increases in costs and market opportunities for California producers and the options available for growers' acreage.

We've also been able to use the workshops as a venue to encourage growers to manage their financial risks by considering shorter-term contracts and monitoring field buying prices on a green basis to give growers more marketing options. PBA has been able to provide our growers with economic data and analysis to show supply-demand projections, real time market information, PBA's own marketing program results, and encouraged more effective use of contracts to manage risk and improve returns.

PBA has been proactive in fostering a positive and more profitable relationship with our industry's packers. We've gathered crucial information gained from interviews with growers who have left the industry to increase the understanding and appreciation for the depth of the problem of a non-dynamic, non-transparent industry. PBA surveyed its members to gather growers' sentiments on their acreage intentions, and pricing and payment terms from packers, as well working to develop a model contract and model qualities of a packer, and our own research on acreage declines. This persuasive information helps bring about an improved communication and relationship between prune growers and packers and we remain encouraged by our continued efforts.

PBA has been at the forefront of engaging key players in the prune industry on critical issues that affect our

membership. We have provided leadership on key topics of focus that we believe will be the most beneficial use of our industry's resources. One of these key areas is the need to differentiate our California Prunes and California Prune Growers to improve markets for our prune products. To that end, we have explored the use of a protected geographical indication for California Prunes. Furthermore, PBA has taken an active role in governmental and trade issues that impact our growers, most recently taking action to reduce the tariff on prunes going into China.



As we enter our 45th year, PBA remains committed to working on behalf of our members to foster a more stabilized and economically sustainable industry. Preparations are already underway for a regional grower conference in conjunction with our 45th annual meeting, and throughout this next year, PBA will continue to host events and engage in dialogue that informs growers, influences industry leaders, and inspires change for the betterment of the California prune industry.

Diminishing Supply Supports Better Prices

With the mission of returning profitability to its prune grower-members, PBA is actively working to move field prices for our members up by about \$300 per ton over a two-year period. The PBA has announced a recommended field price for 2012 that is 13% higher

than PBA's 2011 prices and about 16% higher than leading independent packer prices last year. The PBA proposes a similar increase in 2013 in order to reach an average field price of \$1,500 per ton. The PBA has provided acreage projections and supply and demand

Diminishing Supply Supports Better Prices (continued)

information along with its recommended prices to the industry in order to establish a target for our members and the packers they deliver to. The information is available to members on the PBA web site.

Since the 2008 crop year, the average price received by independent prune growers has fallen by an average of \$350 per ton. Since 1997, with only a few exceptions, annual independent prune returns for typical orchards in the Sacramento Valley have failed to cover typical cash costs needed for orchard maintenance.

As a result, growers are turning to other crops with lower costs and higher returns; since 2008 there has been a net loss of 10,000 bearing acres of California prune orchards. In a recent survey of prune growers, 89% expect to reduce prune acreage over the next 3 years by an average of 29%. In addition to losses due to orchard removals, independent packers are losing market share as lower independent returns, open pricing, and stretched out payments have blurred the distinction between cooperative membership and selling to an independent packer and growers have opted to leave independent packer and become cooperative growers.

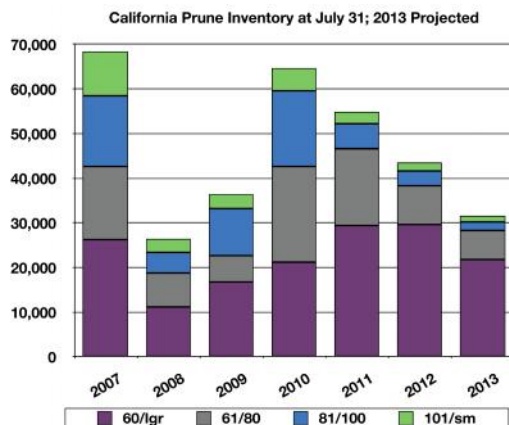
Yet even in these times, there is great opportunity, especially if independent packers can work

collaboratively with PBA to stabilize grower returns to sustainable levels. Improved standard of living in developing countries, growing markets in Asia, and free trade agreements show great promise for marketing California prunes.

Based on these circumstances, the PBA Board developed a recommended field price for 2012 that would provide an average return of \$1,304 per ton to its

members on a typical size mix. By comparison, stronger independent packer price schedules would return an average of around \$1,130 per ton on the same size mix. The 2012 price recommendation is intended to restore profitability, maintain quality, rebuild confidence, and prevent harmful over-correction in production.

Discussions with packers so far have been supportive, but questions remain about crop outcome and market response to tightening supply and increased asking prices. Indications so far suggest that price levels have improved, and packers have been better able to hold firm on price levels.



2012 Recommended Field Price

Size Range	2011 PBA Recommended Price \$/ton	2012 PBA Recommended Price \$/ton	Change
45/lgr	\$1,400	\$1,600	\$200
46/51	\$1,400	\$1,600	\$200
52/56	\$1,360	\$1,600	\$240
57/61	\$1,320	\$1,500	\$180
62/66	\$1,240	\$1,400	\$160
67/71	\$1,180	\$1,300	\$120
72/76	\$1,050	\$1,200	\$150
77/81	\$1,025	\$1,050	\$25
82/86	\$950	\$950	\$0
87/91	\$900	\$900	\$0
92/96	\$750	\$750	\$0
97/101	\$650	\$650	\$0



This newsletter is produced in cooperation with the RMA in order to help prune growers find effective solutions to the risks they face.

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Food Safety Modernization Act and Impact on PBA Members

At the end of 2010 Congress passed the Food Safety Modernization Act which represents the first wide-ranging reform of U.S. food safety laws since the Federal Food, Drug and Cosmetic Act was enacted in 1938. In order to implement this law, FDA is required to make extensive rule making and provide guidance to industry. This process of rule making will apply to higher risk foods first, but is behind schedule and the next phase is not expected until after the upcoming elections. The Act will shift food safety regulation to prevention; a change from the past practice of taking action after a problem is discovered. Food handling facilities will be required to put in place prevention plans such as HACCP (Hazard analysis and critical control points).

The prune industry has been proactive in the food safety arena, both in monitoring for potential hazards and measuring and testing for food borne pathogens and chemical residues. While prunes are generally a low risk food for pathogens, more and more food companies require documentation of safety

practices all the way to the farm level, which is also a consideration of the new Act, although specific rules have yet to be put in place regarding farm practices. Nonetheless, with the increased attention on food safety, we are seeing more prune buyers requiring inspection and certification of drying facilities.

At our August grower workshop, Jon Field with the Walnut Bargaining Association emphasized the need for farmers to be proactive in addressing food safety issues. Field noted that the economic vitality of any industry relies on consumer trust, and the implementation of a few simple procedures can go a long way in protecting growers from having regulators establish plans for them. Increasing food safety awareness of employees and documenting good practices on operations are simple ways to avoid harsher regulations. The Walnut Bargaining Association has food safety templates to help growers with these tasks, as well as implementing their own safety plans. Contact the PBA office for more information about these resources.

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.