

PEACH FUZZ



An exclusive membership newsletter published by California Canning Peach Association the cooperative bargaining association in the canning cling peach industry.

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Vol. 46, No. 3
 March 30, 2016

CURRENT CROP CONDITIONS

According to the CCPA's fieldstaff, statewide full bloom this year occurred on February 27 which is 8 days earlier than 2015's full bloom date of March 7th. The February 27 bloom date matches our previous record for earliest full bloom date in history (other years were 1995 & 1986). The Yuba City and Kingsburg areas both reported February 26th as their full bloom date while the Modesto area reported full bloom on February 29th. The bloom this year seemed decent given how early it took place, the Modesto area appeared to be slightly more staggered than the bloom in the Yuba/Sutter area, but the crop is currently looking good in all areas of the state. We experienced a series of heavy rains toward the end of bloom, but most growers were able to keep up with their bloom sprays. As a result of recent rainfall, most irrigation districts are increasing their surface water deliveries to growers this year. Pruning is finally coming to an end with reports in all areas of a tight labor supply already. Fertilizing, mowing and planting new orchards are all taking place at this point. The CCPA will be doing our prethinning crop estimate on May 16.

Chilling hours recorded at UC Davis (Nov 1 – Feb 29) were much improved over last year with 796 hours logged for 2015/16 vs just 537 hours last year.

<u>YEAR</u>	<u>DATE</u>
2016	Feb. 27
1995	Feb. 27
1986	Feb. 27
1988	March 1
2005	March 3
1991	March 5
1980	March 6
1992	March 7
2015	March 7
1983	March 7
1984	March 7
2012	March 7

<u>Area</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Yuba City	Feb. 26	March 6	March 11	March 13	March 8
Modesto	Feb. 29	March 9	March 8	March 13	March 8
Kingsburg	Feb. 26	March 4	March 5	March 8	March 5
Statewide	Feb. 27	March 7	March 9	March 13	March 8

<u>Area</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>
Davis	796	537	957	1,185	1,116	1,239
Modesto	1,045	802	1,255	1,282	1,345	1,217

2016 PRICING UPDATE

Following the CCPA Board's ratification of a 2016 price agreement with Seneca Foods on February 1st, three out of the four remaining processors have also agreed to the \$490/ton base price and terms of sale (Wawona Frozen Foods, Dole Packaged Foods and Del Monte Foods). We expect to reach agreement with Pacific Coast Producers in the near future.

CCPA MEETS WITH USDA OFFICIALS ON BUY AMERICAN PROVISION FOR SCHOOLS

On March 1st, CCPA President Rich Hudgins and Gold Star Foods CEO Sean Leer met with USDA officials to discuss the need for increased monitoring and enforcement of the Buy American provisions for schools in light of repeated purchases of Chinese canned peaches and other imported food items. They added that 50 agricultural organizations and food companies had recently cosigned a letter to Secretary Vilsack noting the lack of transparency regarding school purchases of imported products and the need to ensure compliance with the Buy American provisions contained in the Richard B. Russell National School Lunch Act. Following the meeting with USDA officials, we briefed Congressman John Garamendi and House Ag Committee staff on our discussions and thanked them for their willingness to engage on this issue. Two days after our meeting, Congresswoman Rosa DeLauro raised questions regarding enforcement of Buy American provision at a House Agricultural Appropriations Committee hearing regarding oversight of USDA's Agricultural Marketing Service. She stated that she was specifically concerned about schools which were opting to purchase Chinese poultry, but she also mentioned the Chinese canned peach issue during her remarks. On a related note, the child nutrition reauthorization legislation recently approved by the Senate Ag Committee contains language strengthening the requirement that schools and state agencies include a Buy American provision in any procurement contract used for food purchases under the National School Lunch Act. Obviously we are pleased with the increased attention being given to school purchases of imported products.

RETURN SERVICE REQUESTED

GOVERNOR BROWN UNVEILS \$15/HOUR MINIMUM WAGE PLAN

On Monday, March 28, Governor Brown announced that he had reached a deal with state legislators to raise California's minimum wage to \$15/hour by 2022. The timetable calls for California's minimum wage to increase from the current \$10/hour to \$10.50/hour in 2017, \$11/hour in 2018, and an additional \$1/hour increase each year from 2019 through 2022. The plan will allow the Governor some discretion to block some of the initial wage increases in the event of a recession and it will give small businesses (25 or fewer employees) an extra year to comply. While a labor union backed \$15/hour minimum wage proposal raising the minimum wage to \$15/hour in 2021 has just been qualified as a ballot initiative for the November ballot, it is expected that the state legislature will now act on this issue and the union will withdraw their initiative from the November ballot. If approved, this deal would make California the first to raise the statewide minimum wage to \$15/hour. Obviously peach growers will be faced with significant cost increases due to this measure, labor currently accounts for nearly 70% of the direct costs involved with farming peaches. Higher labor costs will require growers to more aggressively pursue mechanization options for thinning and harvest in order to remain viable in California's peach industry.

PLAN OUTLINED BY STATE REGULATORS FOR BPA WARNING UNDER PROP 65 RULES

Following the listing of BPA as a potential female reproductive toxicant under Proposition 65 last May, the Office of Health Hazard Assessment (OEHHA) recently released a draft emergency regulation dealing with warning of the use of bisphenol-A (BPA) in canned food and beverage products. Without this regulation, food companies using BPA in their packaging would have had to provide a Prop 65 warning with their products effective May 11, 2016. Given the variety of canned and bottled foods/beverages that may utilize BPA in their packaging, OEHHA officials recognized that there was a risk that retailers could simply decide to remove canned and bottled food items from their shelves to avoid potential Prop 65 litigation. Instead OEHHA has drafted language for a single Prop 65 warning sign to be provided at the point of sale (such as cash registers) and created a safe harbor level for dermal exposure to BPA. The signage will be allowed on a temporary basis until further studies from Food & Drug Administration are released in approximately 18 months. OEHHA is expected to draft a safe harbor level for ingestion based on results of the FDA study. Additionally, companies using BPA have this time to study and develop alternatives to using BPA. It is expected that this signage will prevent any potential litigation regarding the use of BPA in food products.

JANUARY EXPORTS DOWN 44%, IMPORTS UNCHANGED

Canned peach export sales for January totaled 43,130 cases, down 44% from last January's exports of 76,995 cases. Canadian sales of 34,842 amounted to 80% of January's export volume. YTD exports (June – January) total 425,096 cases, down 39% from last year's 700,918 cases shipped. Canned peach imports for January amounted to 496,127 cases, nearly unchanged from the 497,045 cases imported last January. YTD imports total 3,963,939 cases, up 18% from last year's 3,359,249 cases imported. Chinese imports total 2,280,996 cases, up 2% over the prior year. Greek canned peach imports total 1,368,233 cases, up 49% over the prior year. Chile and South Africa are also posting significant percentage increases in sales for the 2015/16 marketing year.

OF INTEREST

- The California State Fair has selected Sarb Johl as Agriculturist of the Year. He will be recognized at their Gala dinner event on June 23rd.
- Del Monte Pacific has reported \$590,000 in earnings for the third quarter ended Jan. 31 on sales of \$594.1 million. YTD earnings amount to \$41.9 million on sales of \$1.725 billion.
- The California Cling Peach Board took action at their March 23 meeting to award the Board's 2016/17 management contract to Sacramento based Ag Association Management Services, Inc.
- The Chinese government's Banking Regulatory Commission has announced plans to improve financial support for the modernization of the agricultural industry in China with an emphasis on the agricultural product processing sector. Banks are being urged to increase their credit support to strengthen the Chinese rural economy.