

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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CCPA's 2017 PRETHINNING ESTIMATE TOTALS 334,499 TONS

The Association's 2017 prethinning estimate, which is conducted by our Directors, Delegates and Committeemen in early May each year totals 334,499 tons. The 2017 peach crop estimate represents a 4% increase over last year's 320,721 ton crop. It amounts to an average yield of 18.0 tons/acre which is 1% above last year's yield of 17.8 tons/acre. The Yuba/Sutter area represents 56% of the state's bearing acreage with a projected average yield of 18.8 tons/acre (up 2% from 2016). The Modesto area, accounting for 31% of the state's bearing acreage, is projected to have an average yield of 16.4 tons/acre (down 2% from 2016), while the Kingsburg area which accounts for 10% of the bearing acreage is projected to have an 18.5 ton/acre yield (down 6% from 2016). The largest yield increase is projected to occur with Lates which average 20.7 tons/acre this year, up 4% from last year's 19.9 ton/acre average yield. The largest yield decrease is projected to occur with Extra Lates which average 17.7 tons/acre this year, down 7% from last year's 19.1 ton/acre yield. The estimated 2017 cling peach crop in California is very close to the 335,613 ton peach crop delivered in 2015 and yet appears to be more than current market demand. Last week, the USDA's National Ag Statistics Service released their initial 2017 California cling peach crop estimate of 330,000 tons based on grower telephone surveys. The next 2017 peach crop estimate will be the industry's Block x Block estimate which is expected to be completed during the second week in June.

2017 Prethinning Estimate

Tonnage by Area

<u>Area</u>	<u>Bearing Acres</u>	<u>Prethinning Estimate</u>	<u>2016 Deliveries</u>	<u>% Change vs. Last Year</u>	<u>Yield/Acre</u>
Yuba/Sutter	10,340	194,847	178,922	+8.9%	18.8
Stockton	720	12,946	9,790	+32.2%	18.0
Modesto	5,724	93,643	96,497	-3.0%	16.4
Kingsburg	1,784	33,063	35,512	-6.9%	18.5
TOTALS	18,568	334,499	320,721	+4.3%	18.0

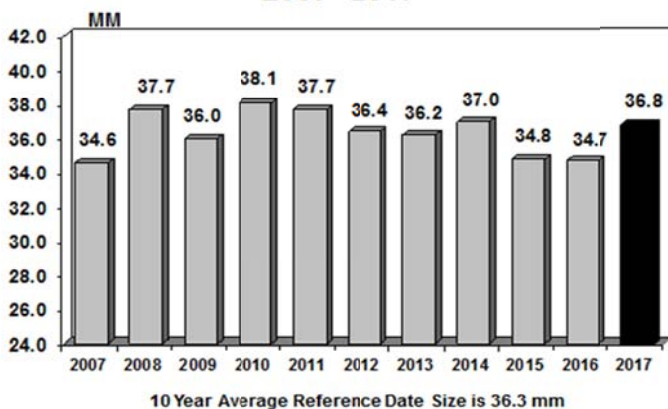
Tonnage by Varietal Group

<u>Varietal Group</u>	<u>Bearing Acres</u>	<u>Prethinning Estimate</u>	<u>2016 Deliveries</u>	<u>% Change vs. Last Year</u>	<u>Yield/Acre</u>
Yuba/Sutter	4,971	71,298	71,555	+0.2%	14.4
Stockton	2,995	51,698	47,383	+9.1%	17.3
Modesto	7,872	162,913	149,419	+9.0%	20.7
Kingsburg	2,730	48,185	52,364	-8.0%	17.7
TOTALS	18,568	334,499	320,721	+4.3%	18.0

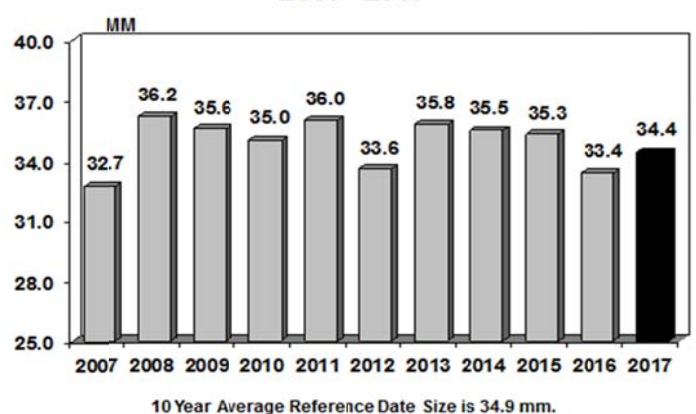
CURRENT CROP CONDITIONS

In the Yuba/Sutter area, growers are continuing to thin their orchards. Labor is reportedly tight and with Extra Early varieties having a heavy fruit set, many growers are reporting a 25% increase in their thinning cost this year. Some growers have reported dying trees in their orchards as a result of heavy rainfall this year. As of now, CCPA field representatives estimate a total of 250 acres of dead trees (largest block is 50 acres) throughout the entire Yuba/Sutter area. In the Modesto area, growers are reportedly more optimistic regarding 2017 crop prospects than they were at bloom. The early fruit sizing along with plenty of water and good growing conditions has led to a more positive outlook for 2017. The Yuba/Sutter area established May 18th as Reference Date this year which is nine days later than last year's May 9th Reference Date. The Modesto area Reference Date was May 12th which is seven days later than 2016 timing while Kingsburg's May 6th Reference Date this year was five days later than 2016 timing. The Statewide Reference Date of May 15th is closest to our timing in 2013 (May 14). The interval between full bloom and reference date was 66 days which is one day less than our previous five-year interval of 7 days. Fruit sizes at Reference Date were 2.1 mm larger than last year in the Modesto area and 1.0 mm larger than last year for the Kingsburg area.

Reference Date Sizes in Modesto
2007 - 2017



Reference Date Sizes in Kingsburg
2007 - 2017



RETURN SERVICE REQUESTED

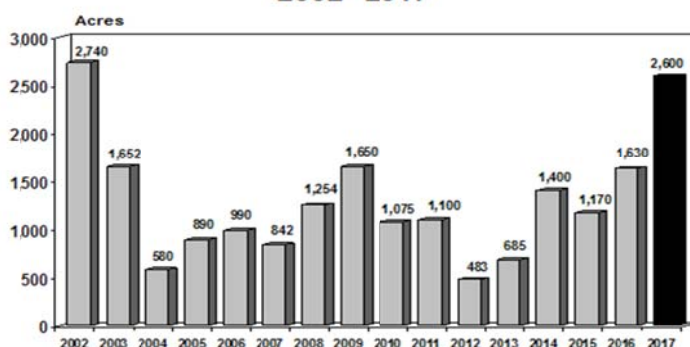
PEACH TREE SALES UP 54% IN 2017, TOO MANY ACRES PLANTED

According to the Peach Association’s annual survey of nurseries selling cling peach trees to California growers, a total of 461,018 trees have been sold for 2017 plantings. This represents a 54% increase over 2016 tree sales and is more than double the industry’s 2015 sales volume. Plantings for 2017 are projected to be 2,600 acres which represents the largest number of acres planted in the last 15 years. Obviously this huge increase in new plantings was the result of processors paying growers \$500/acre to plant new orchards despite declining industry sales volume. If peach growers only removed their historical average of 5% pullouts for each of the next three years, the industry will be faced with more than 21,000 bearing acres in 2020 which is 4,000 acres more than we need to meet current market demand. The Association believes that growers who were planning to plant additional peach acreage in 2018 may want to reconsider their decision to plant peaches (it’s not too late to cancel tree orders) and plant alternative tree crops instead. If you have an older orchard with declining yields this year, plan on removing it this fall. The Association is also calling on canners to give growers timely notice regarding which contracts expiring in 2017 and 2018 they do not plan to renew and to sharply curtail future plantings. The industry’s current acreage imbalance must be corrected quickly so that selling prices can return to profitable levels for both growers and processors.

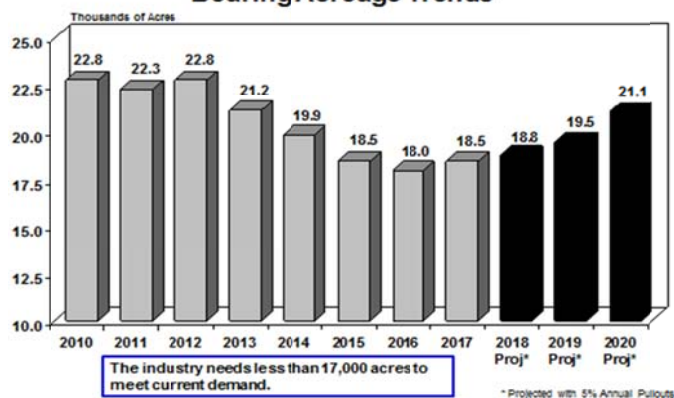
**Cling Peach Tree Sales
 2017 Nursery Survey Results – Top Varieties**

Variety	2015 Sales	2016 Sales	2017 Sales
Ross	35,817	32,283	81,363
Late Ross	43,431	52,178	70,726
Klamath	18,431	32,205	65,580
Lilleland	14,952	40,676	50,469
Stanislaus	43,406	31,104	49,348
Stern	15,897	35,218	38,017
Kingsburg Kling	9,479	0	19,518
Carson	7,397	12,513	18,207
Kader	0	17,697	15,460
Loadel	10,576	13,311	11,773
Early #5	0	11,249	8,199
All Other	7,413	20,869	32,258
	206,799	299,303	461,018

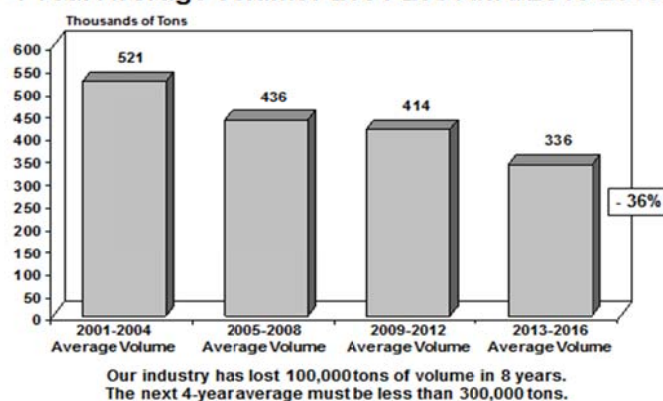
**Cling Peach Acres Planted
 2002 - 2017**



**California Cling Peach
 Bearing Acreage Trends**



**Comparison of Peach Delivery Volumes
 4 Year Average Volume: 2001-2004 thru 2013-2016**



UPDATE ON 2017 PRICE NEGOTIATIONS

Following the Association’s December, 2016 opening price offer for the 2017 crop, negotiations with processors have been progressing slowly. We are currently struggling to find common ground regarding a significant price decrease likely to occur this year. If we are unable to reach agreement on a 2017 peach price prior to harvest, processors will make weekly harvest advances to growers based on 75% of our three-year average price (\$443/ton) and the 2016 terms of sale will be utilized to calculate grower payments. It has been five years since the Association was unable to conclude a price agreement with processors prior to the beginning of harvest. Regardless of the outcome from 2017 price negotiations, the California cling peach industry must find ways to offset increased labor costs amounting to \$2,000/acre from 2016 to 2022 as a result of California’s 50% minimum wage increase despite taking a step backwards in 2017.