

PEACH FUZZ



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

2300 River Plaza Drive / Suite 110 / Sacramento, CA 95833
Sacramento: 916/925-9131 – Yuba City: 530/673-8526 – Modesto: 209/537-0715
Website: <http://www.calpeach.com>

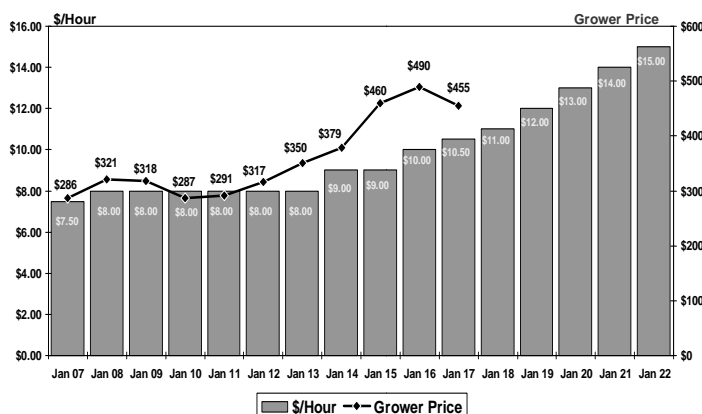
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E-mail: ccpa@calpeach.com

PEACH INDUSTRY REALIGNMENT UNDERWAY

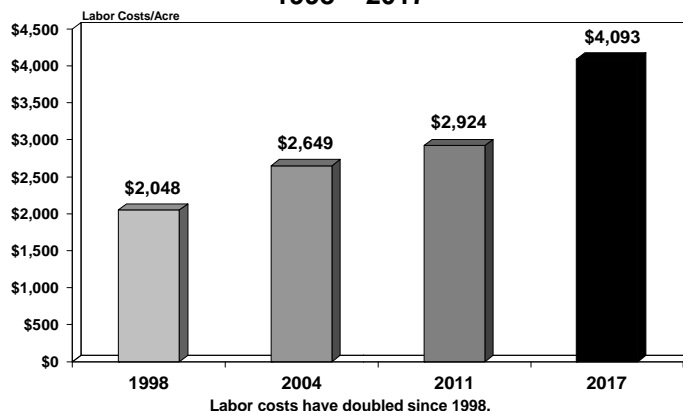
Following Seneca Foods' decision in mid-February to exit the canned peach business due to significant losses in their canned fruit business in recent years, the two remaining canners (Pacific Coast Producers and Del Monte Foods) are currently making efforts to adjust to these rapidly changing industry conditions. PCP has assumed all existing Seneca Foods grower contracts and is now focused on aligning their production capabilities with their projected raw product volume for 2018. As part of this realignment process, PCP is paying participating peach growers \$3,000/acre to remove contracted orchards to eliminate tonnage that PCP does not have the processing capacity to handle during the 2018 peach harvest. In addition, PCP has entered into a co-pack agreement with Del Monte Foods whereby Del Monte will process a portion of PCP's peach tonnage and return the finished product to PCP. To assist with this industry realignment effort, the Peach Association has recently requested that USDA officials approve a \$30 Million Bonus Buy purchase of canned peaches and canned mixed fruit for the 2018 season. The canned peach industry's future in California will likely be determined by raw product pricing over the next two years as growers continue to face higher labor costs while canners face their own cost pressures as well as competition from low-priced imports. It is critically important to achieve and maintain a balanced supply/demand position in order to restore industry profitability.

California Minimum Wage Trends vs. Raw Product Pricing



The peach industry must find a way to offset increased labor costs of \$2,000/acre from 2016 to 2022 despite taking a step backwards in 2017.

Comparison of Labor Costs/Acre Growing & Harvesting Cling Peaches 1998 – 2017



Labor costs have doubled since 1998.

Source: 1998, 2004, 2011 & 2017 UC Cooperative Extension Cost of Production Study

CURRENT CROP CONDITIONS

According to the CCPA's fieldstaff, Statewide full bloom this year occurred on March 14 which is 4 days later than last year's March 10 full bloom date. While many peach growers reported that they were happy with this year's peach bloom, colder than normal temperatures this spring appear to have impacted our 2018 fruit set. The Yuba/Sutter area reports that the peach crop seems to be lighter than normal with the main concerns being the Klamath variety and many of the Extra Lates. While it is still too early to determine which fruit sizes will remain and which fruit sizes will slough later, only moderate thinning is expected to be necessary in most orchards. The Modesto area also reports that the fruit set ranges from less than average to average with uneven fruit sizing. Crop development appears to be about a week behind last year in both Modesto and Kingsburg. Although some hail damage was reported in the Modesto area on April 16th, overall crop impact appears to be very slight. The CCPA will be doing our 2018 prethinning crop estimate on Friday, May 18th. We encourage all Delegates and Committeemen to participate.

SENATORS SULLIVAN & CANTWELL INTRODUCE "BUY AMERICAN" BILL

On April 10th, Senators Dan Sullivan (R-Alaska) and Maria Cantwell (D-Washington) introduced S. 2641 "The American Food for American Schools Act" as a companion bill to H.R. 1241 which was introduced in the House last February. The proposed legislation would strengthen the monitoring and enforcement of the "Buy American" provisions of the National School Lunch and School Breakfast Programs. The Peach Association salutes Senators Sullivan and Cantwell for introducing this legislation. We proudly join with the National Council of Farmer Cooperatives, the American Farm Bureau, the California Farm Bureau Federation, the U.S. Apple Association, and the Agricultural Council of California along with food companies and growers from coast to coast participating in this "Buy American" coalition as we seek to bring back common sense and correct a terrible wrong regarding the use of taxpayer dollars to purchase foreign produced food products for school feeding programs. In the coming weeks, we look forward to working with members of the Senate Ag Committee to resolve this issue as part of the next Farm Bill.

RETURN SERVICE REQUESTED

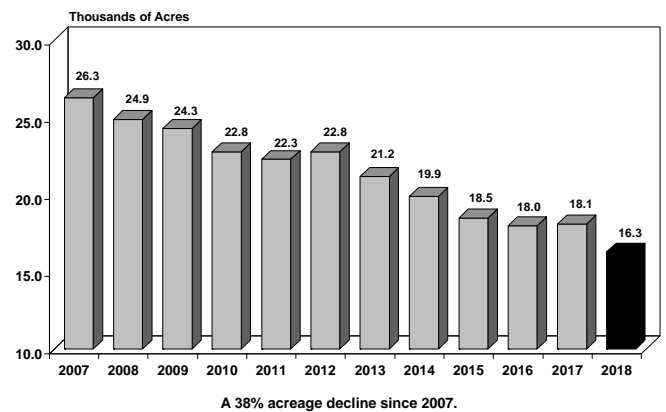
PULLOUTS TO DATE APPROACHING 3,000 ACRES

The Association’s fieldstaff reports that nonpaid pullouts to date following the 2017 harvest now total 2,052 acres. This figure amounts to 11% of our 2017 bearing acreage and matches the 11% pullout figure achieved following the 2013 peach harvest. While results of PCP’s paid tree pull program are still being finalized, it appears that close to 900 additional acres will be removed prior to the 2018 harvest which will bring total pullouts to approximately 2,950 acres. There are a total of 1,186 acres of 2015 plantings which will move into the bearing acreage category for 2018, so it is projected that the industry will have 16,339 bearing acres in 2018 (down 10% from last year’s 18,105 bearing acres). Given a repeat of last year’s 16.3 ton/acre yield, this would generate a crop of 266,300 tons in 2018 compared to deliveries of 295,100 tons last year.

**Cling Peach Pullouts (Nonpaid)
 As of April 2, 2018**

Area	EE Acres	E Acres	L Acres	EL Acres	Total Acres	% of Bearing
Yuba/Sutter	522	140	354	175	1,191	11.2%
Modesto	213	132	311	83	739	12.3%
Kingsburg	38	31	19	34	122	6.9%
TOTAL	773	303	684	292	2,052	11.1%

**California Cling Peach
 Bearing Acreage Trends**



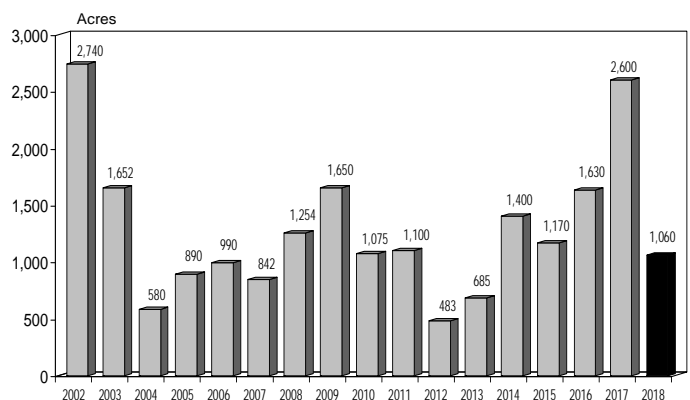
PEACH TREE SALES DOWN 57% IN 2018

According to the Peach Association’s annual survey of nurseries selling cling peach trees to California growers, a total of 200,036 trees have been sold for 2018 plantings. This represents a 57% decrease over 2017 sales of 461,018 trees. The top four varieties in sales volume (Klamath, Ross, Late Ross, and Stanislaus) accounted for 55% of total plantings. It continues to be important for both growers and processors that we continue to reduce the volume of Ross and Late Ross deliveries in order to achieve a more balanced delivery curve in future years.

**Cling Peach Tree Sales
 2018 Nursery Survey Results – Top Varieties**

Variety	2016 Sales	2017 Sales	2018 Sales
Klamath	32,205	65,580	32,723
Ross	32,283	81,363	30,165
Late Ross	52,178	70,726	26,941
Stanislaus	31,104	49,348	20,201
Lilleland	40,676	50,469	15,948
Starn	35,218	38,017	15,269
Kingsburg Kling	0	19,518	8,479
Bowen	765	1,676	7,879
Monaco	389	656	7,399
Kader	17,697	15,460	6,053
Loadel	13,311	11,773	4,127
Carson	12,513	18,207	0
Early #5	11,249	8,199	0
All Other	19,715	30,026	24,852
TOTALS	299,303	461,018	200,036

**Cling Peach Acres Planted
 2002 - 2018**



OF INTEREST

- In light of rapidly changing industry conditions, the Association is once again conducting a survey of our members to determine their future plans. If you have not already returned the survey form, please contact your local Association field office for another copy. All completed surveys returned by April 30 will automatically be entered into a drawing for three \$100 gift certificates.
- Aaron Smith, Del Monte’s Manager of Ag Operations – Fruit, will be departing the company on April 20th. We wish Aaron the best in the future.