

PEACH FUZZ



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

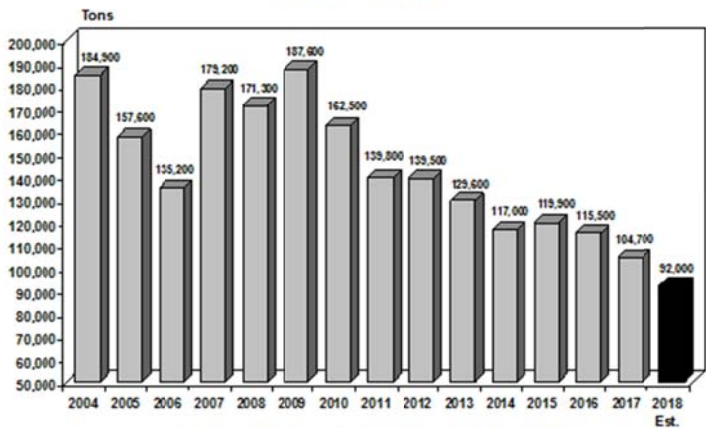
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UPDATE ON 2018 PRICING

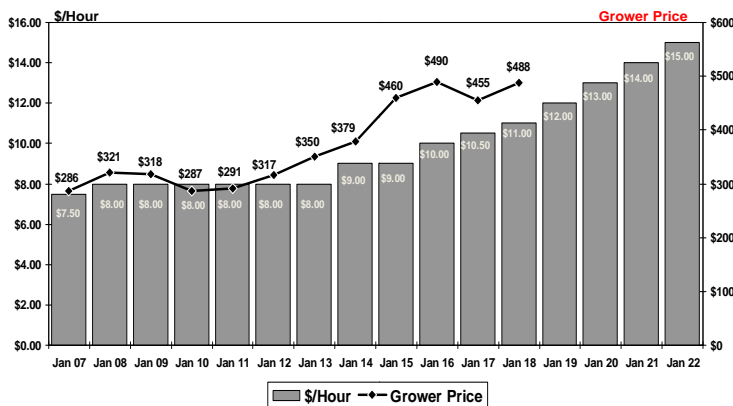
Following the CCPA Board’s ratification of our 2018 price agreement with Pacific Coast Producers on July 3rd, three of our four remaining processor customers (PCP, Wawona Frozen Foods and Dole Packaged Foods) have agreed to the \$488/ton base price and terms of sale. At this point, Del Monte Foods is the only processor which has not agreed on peach pricing for 2018 deliveries. In accordance with our Master Contract provisions, Del Monte growers are receiving a harvest advance of \$351/ton (75% of the three year average price) while all other growers are receiving a harvest advance of \$366/ton. The Association continues to believe that Del Monte will follow their prior course of dealing and agree to the same pricing as our other processor customers. (In reviewing peach pricing during the past eight years – Del Monte led industry pricing four times and Seneca Foods led pricing four times. For all eight years, once an agreement was reached with one major processor, all others soon followed.) The Association’s Master Contract also calls for a “reasonable price” to be paid for deliveries. We believe that any price less than the \$488/ton price agreed to by three of our four processor customers (including the largest canner in the state) clearly would not be a reasonable price for 2018. Obviously the Association believes that it is in Del Monte’s best interest to resolve 2018 pricing in a timely manner as uncertainty regarding the ability to offset labor cost increases may cause growers to reconsider plans for future years. Three Del Monte growers have already removed orchards in the last two weeks.

Del Monte Cling Peach Delivery Volumes 2004 – 2018



A 92,900 ton (50%) decrease in volume since 2004.

California Minimum Wage Trends vs. Raw Product Pricing



In order to remain viable, peach growers must offset increased labor costs of \$2,000/acre from 2016 to 2022 despite taking a step backwards in 2017.

EXTRA EARLY DELIVERIES TO FALL 14% BELOW ESTIMATE

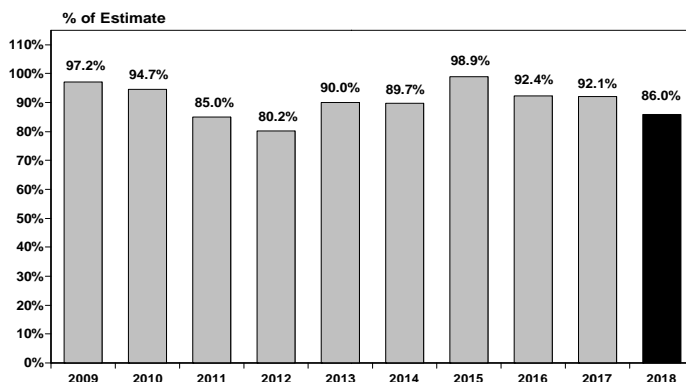
According to the latest cling peach delivery figures (YTD July 21st for industry, 7/22-7/25 projected based on CCPA’s 78% of the industry’s EE volume), Extra Early variety deliveries total 48,292 tons with less than 1,000 tons remaining to be picked later this week. The projected total of 49,292 tons delivered represents a 14% shortfall from the industry’s 57,380 ton Block x Block estimate. This would amount to an average yield of just 12.1 tons/acre, down 8% from last year’s 13.1 ton/acre yield for Extra Earlies. The 2018 Extra Early yield represents the lowest yield per acre since 2006 (11.6 tons/acre). The YTD Statewide total offgrade is currently 6.30% with green offgrade amounting to 0.81% while bruise/overripe offgrade amounts to 0.91%. Offgrades have been fairly stable during the past week as total offgrade on July 18th amounted to 6.05% compared to 6.34% for July 25th. Concerns exist regarding the impact of high temperatures this week on future deliveries. Based on the belief that “short crops tend to keep getting shorter,” it is expected that total peach deliveries this year will be less than 250,000 tons, nearly 50,000 tons less than last year’s 295,120 ton crop.

Extra Early Deliveries Thru July 25th

Area	Blk x Blk Estimate	Tons Delivered	% vs. Estimate	Yield/Acre
Yuba/Sutter	25,072	20,892	-17%	12.1
Stockton *	1,729	850	-51%	7.9
Modesto	19,707	17,051	-13%	12.4
Kingsburg	10,872	9,499	-13%	12.8
TOTALS	57,380	48,292	-16%	11.8

(* Still picking)

Comparison of Deliveries vs. Estimates Extra Early Varieties 2009 – 2018



RETURN SERVICE REQUESTED

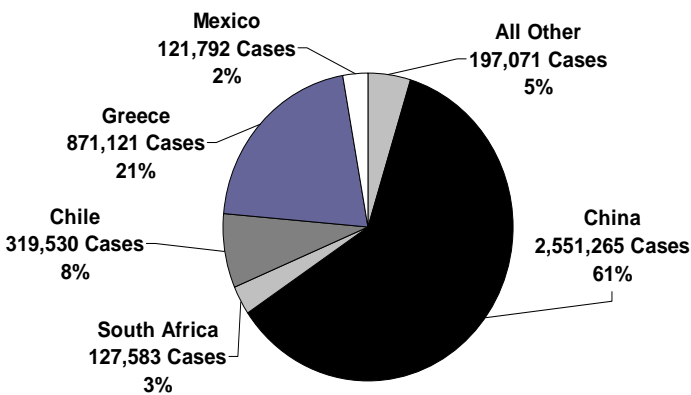
USDA BONUS BUY AWARDS ANNOUNCED

On July 11th, USDA officials announced the results of their canned peach and canned mixed fruit Bonus Buy for 2018. PCP was awarded the entire \$17.8 million purchase as Del Monte did not submit a bid for any of the volume purchased (current year and prior year pack was eligible for delivery). The items and quantities included in this buy were 327,400 cases of 24/300 canned peaches, 324,000 cases of 24/300 mixed fruit, 65,664 cases of 6/10 diced peaches, and 62,928 cases of 6/10 mixed fruit. Pricing for the 24/300 canned peaches delivered to California destinations amounted to \$17.77/case, up \$4.91/case from Del Monte’s 2017 USDA pricing for 24/300 canned peaches. We thank USDA officials for awarding this Bonus Buy ahead of our requested deadline, this purchase will greatly assist the industry’s realignment following Seneca Foods’ exit from the canned peach industry.

2017/18 IMPORTS DOWN 10%, EXPORTS UP 13%

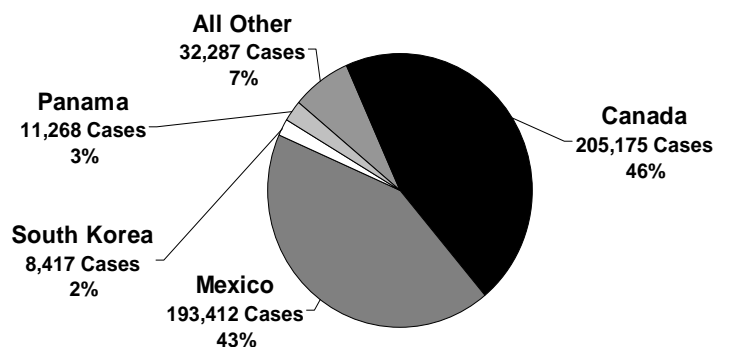
Canned peach imports for the 2017/18 marketing year amount to 4,118,362 cases, down 10% from last year’s 4,651,843 cases imported. China continues to be the leading importer with 2,551,265 cases shipped (62% of total imports) into the U.S. market. On July 10th, President Trump instructed USTR to begin the process of identifying Chinese imports representing an additional \$200 billion in value in preparation for the Administration’s plan to impose 10% tariffs on these items. Among the many products on this list for additional 10% tariffs are Chinese canned peaches, canned mixed fruit, and frozen peaches. The total 2017/18 canned peach import volume represents the equivalent of nearly 80,000 tons of raw product which amounts to almost 30% of our domestic production. U.S. canned peach export volume grew by 13% to 450,559 cases. However, these totals are distorted due to the canned peach volume that Del Monte is initially processing in California before shipping it to one of their facilities in Mexico for further processing into value added fruit cups before shipping the finished product back into the U.S. for retail distribution. Total U.S. canned peach exports excluding shipments to Mexico declined by 17% for the 2017/18 marketing year. Canadian sales volume amounted to 205,175 cases, up 7% from year-ago levels but still 36% less than sales for the 2015/16 marketing year.

**U. S. Canned Peach Imports
 2017/18 Marketing Year**



Marketing Year Total: 4,188,362 Cases (-10%)

**U. S. Canned Peach Exports
 2017/18 Marketing Year**



Marketing Year Total: 450,559 Cases (+13%)

2018 GREEK PEACH CROP SUFFERS WEATHER DAMAGE

FoodNews reports that the 2018 cling peach crop in Greece has been impacted by rainfall followed by high heat which resulted in high humidity as harvest began. These conditions resulted in brown rot for several of the early peach varieties. The Greek Canners Association (EKE) indicates that total 2018 peach production will be significantly lower than last year’s 375,000 MT crop. It is expected that raw product pricing in Greece will increase this year due to decreased production.