

# PEACH FUZZ



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

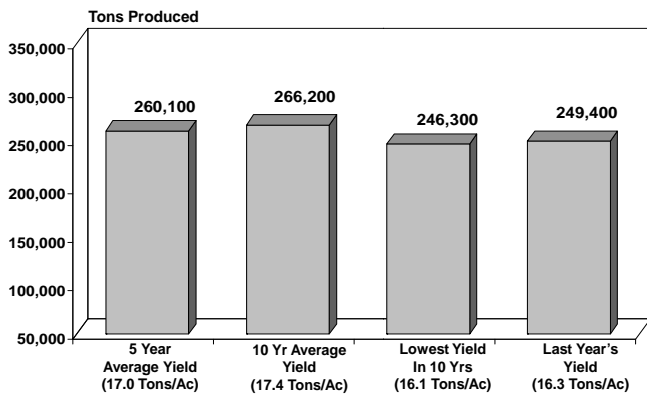
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Vol. 48, No. 6  
 December 19, 2018

## 2018 DISTRICT MEETING HIGHLIGHTS

Many Association members attended our 2018 District Meetings in late November to get an update on California's cling peach industry. President Hudgins reviewed the 2018 season results noting that this year's crop amounted to the smallest in modern history. He noted that despite a 13% decrease in volume, the industry's sales volume continues to shrink due to imports and rising costs for both growers and processors. He noted that both Del Monte Foods and PCP had elected not to renew any of their grower contracts which expired following the 2018 season and that Del Monte was also not contracting for any new 2019 plantings. He added that the Association currently had 436 acres unsold for the 2019 season with little to no chance of selling this fruit. He encouraged any grower with unsold acreage not to assume that a processor will need additional tonnage next year and strongly urged that these acres be removed before spending money to prune and spray the orchard. He added that it was also unlikely that any orchard with a contract expiring in 2019 would be renewed by Del Monte or PCP. President Hudgins noted that the projected 2019 peach crop based on average yields would amount to 260,000 tons, up from 256,200 tons in 2018. He added that there is no doubt that higher labor costs coupled with the decreasing availability of labor represents the biggest challenge faced by California peach growers in the coming years.

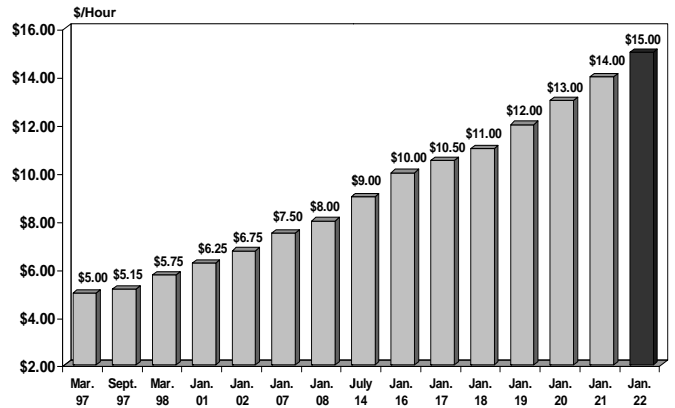
### Possible 2019 Peach Crop Scenarios\*



2018 Deliveries Totaled 256,200 Tons

\* Based on 15,300 Acres in 2019

### California Minimum Wage Trends



The latest minimum wage increase amounted to a 5% increase on January 1, 2018. By January 1, 2022, it will have increased by 50% over the \$10/Hr rate in 2016.

## PULLOUTS TO DATE TOTAL 1,255 ACRES

The Association's fieldstaff reports that pullouts following the 2018 harvest currently total 1,255 acres which amounts to 8% of the industry's bearing acres in 2018. Nearly 40% of the acreage removed this fall still had a contract in place, 45% of the acreage had a contract which expired in 2018, and the balance were older PCP Coop orchards at the end of their useful life. The highest percentage of acres being removed is in the Kingsburg area with 14% of their acres pulled. Interestingly, the Modesto area which has the largest percentage of older orchards has pulled just 4% of their bearing acreage. The Association projects that the industry will have 15,300 bearing acres in 2019, down 2% from our 15,697 bearing acres in 2018. Last year's pullouts totaled 1,719 acres as of December 8<sup>th</sup>.

### Cling Peach Pullouts As of December 4, 2018

|                        | EE           | E            | L            | EL           | Total        | % of Bearing      |
|------------------------|--------------|--------------|--------------|--------------|--------------|-------------------|
| <u>1. By Area</u>      | <u>Acres</u> | <u>Acres</u> | <u>Acres</u> | <u>Acres</u> | <u>Acres</u> |                   |
| Yuba/Sutter            | 220          | 109          | 304          | 190          | 823          | 8.8%              |
| Modesto                | 84           | 14           | 62           | 31           | 191          | 4.1%              |
| Kingsburg              | 120          | 40           | 56           | 25           | 241          | 14.2%             |
| <b>TOTAL</b>           | <b>424</b>   | <b>163</b>   | <b>422</b>   | <b>246</b>   | <b>1,255</b> | <b>8.0%</b>       |
| <u>2. By Processor</u> | <u>Acres</u> | <u>Acres</u> | <u>Acres</u> | <u>Acres</u> | <u>Acres</u> | <u>% of Total</u> |
| DMF                    | 273          | 58           | 172          | 131          | 634          | 51%               |
| PCP                    | 151          | 89           | 232          | 106          | 578          | 46%               |
| All Others             | 0            | 16           | 18           | 25           | 43           | 3%                |
| <b>TOTAL</b>           | <b>424</b>   | <b>163</b>   | <b>422</b>   | <b>246</b>   | <b>1,255</b> | <b>100%</b>       |

## 2019 ANNUAL MEETING PLANS

The Association's 2019 Annual Meeting will be held on Tuesday, January 22<sup>nd</sup> at the Sacramento Hilton Hotel (2200 Harvard Street). The meeting program will start at 4:00 p.m. Immediately following the Annual Meeting, our Peach Family Dinner will take place with cocktails at 5:30 p.m. followed by dinner at 6:30 p.m. (Advance reservations are required for dinner – please return RSVP forms no later than January 11<sup>th</sup>.) All CCPA members and invited industry guests are encouraged to join us for the Peach Association's 97<sup>th</sup> Annual Meeting.

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**BUY AMERICAN PROVISION FOR SCHOOL FOOD PURCHASES IN 2018 FARM BILL**

The 2018 Farm Bill passed by Congress last week (and expected to be signed by President Trump this week) contains language calling for the Secretary of Agriculture to ensure full compliance with the Buy American provisions set forth in the Richard B. Russell National School Lunch Act (ensuring that taxpayer money is being used for school food purchases in the manner that Congress originally intended). The Peach Association was proud to join with over 60 organizations from all across the country in our Buy American Coalition to express our support for strengthening the Buy American provisions as part of the new Farm Bill. We also extend a special “thank you” to the staff of the National Council of Farmer Cooperatives who worked tirelessly to shepherd this language into the Farm Bill.

**UPDATE ON WORLD CANNED DECIDUOUS FRUIT CONFERENCE**

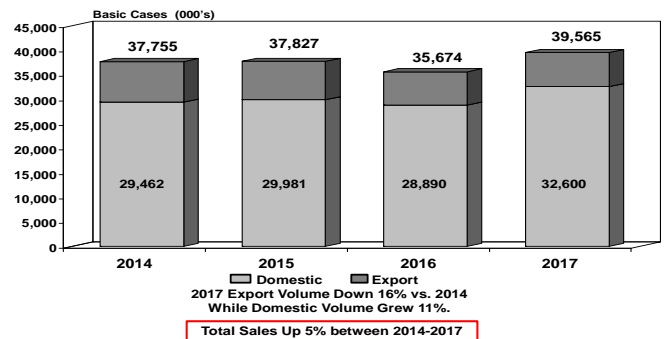
Representatives of eight peach producing countries – Argentina, Brazil, Chile, China, Greece, South Africa, Spain, and the U.S. attended the 14<sup>th</sup> World Canned Deciduous Fruit Conference in Murcia, Spain on October 16-19<sup>th</sup>. Each country presented reports on current peach, pear, and apricot production, acreage trends, and prices paid to farmers. The Northern Hemisphere countries reported that total peach deliveries for processing use amounted to 1,296,495 metric tons which represented a 13% decline from 2017 delivery volumes. Southern Hemisphere countries reported that peach harvest volumes last winter amounted to 343,995 metric tons, up 7% from the prior year’s volume. Most participants reported flat to declining sales volumes for canned fruit and continued weakness in the pulp fruit market as well. Reports from the Chinese delegation indicate that canned peach production in China is continuing to increase with a 2017 peach pack in excess of 39 million cases. Over 80% of the Chinese volume is consumed domestically with the remainder going into export sales channels (the U.S. is the largest export market for China).

**Peach Production for Canning Use (Metric Tons)\*  
 2017 vs. 2018**

| 1. Northern Hemisphere |                  |                  |              |
|------------------------|------------------|------------------|--------------|
| Country                | 2017             | 2018             | % Change     |
| China                  | 840,179          | 714,152          | - 15%        |
| Greece                 | 291,000          | 268,000          | - 8%         |
| USA                    | 268,000          | 232,000          | - 13%        |
| Spain                  | 90,845           | 82,343           | - 9%         |
| <b>Totals</b>          | <b>1,490,024</b> | <b>1,296,495</b> | <b>- 13%</b> |
| 2. Southern Hemisphere |                  |                  |              |
| Country                | 2016/17          | 2017/18          | % Change     |
| South Africa           | 96,003           | 80,545           | - 16%        |
| Chile                  | 107,600          | 113,500          | + 5%         |
| Argentina              | 63,788           | 100,000          | +57%         |
| Brazil                 | 55,250           | 49,950           | - 10%        |
| <b>Totals</b>          | <b>322,641</b>   | <b>343,995</b>   | <b>+ 7%</b>  |
| <b>GRAND TOTALS</b>    | <b>1,812,665</b> | <b>1,640,490</b> | <b>- 10%</b> |

\*Source: Cancan14 Industry Reports

**Chinese Canned Peach Sales Trends  
 2014 – 2017**



\*Source: CANCON14 Industry Report

**YTD CANNED PEACH IMPORTS UP 11%, EXPORTS DOWN 24%**

Canned peach imports for October amounted to 578,167 cases, up 41% from last October’s import volume. Chinese canned peach imports for October totaled 401,737 cases which represents a 60% increase in shipments from China. (It appears that importers were trying to accelerate shipments to avoid the potential tariff increase to 25% originally slated to occur on January 1, 2019.) Canned peach imports for June-October (5 mos.) amount to 2,019,796 cases, up 11% from last year’s import volume through October. The Peach Association is now investigating reports that frozen Chinese diced peaches are being shipped to a processor in Peru who apparently is remanufacturing this volume into 4 oz. shelf stable cups labeled as “Product of Peru” before shipping it into the U.S. market and improperly benefitting from more favorable tariff treatment. U.S. canned peach exports total just 128,186 cases for June-October, down 24% from last year’s export volume. Shipments to Mexico total just 11,704 cases, down 85% from year-ago export volume.

**OF INTEREST**

- The Sacramento Valley Cling Peach Day will be held on Thursday, January 10<sup>th</sup> at the Ag Commissioner’s office in Yuba City. The program will include an update on the activities of the Cling Peach Board for 2018.
- Recent reports from Argentina indicate that their 2019 peach crop will be down over 20% below last year due to late frosts and scattered hailstorms.