



CALIFORNIA CANNING PEACH ASSOCIATION

CLING PEACH REVIEW

Winter/Spring 2012





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ON THE COVER:
Photography: Ron Boone

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Rick Zolezzi, Linden

Ann Schmidt-Fogarty, Editor
www.schmidt-fogarty.com
(707) 451-3084

T-Dogg Studios,
Design & Printing
www.tdoggstudios.com
(916) 635-7242

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California Canning Peach Association

90th Annual Meeting • February 22, 2012

STATE OF THE ASSOCIATION SPEECH

Since 1922, we have served as the voice of California's cling peach growers and we are proud to hold the distinction of being the oldest and most successful farmer marketing and bargaining cooperative in the country.

As we meet today to assess our current position and to examine the industry outlook for 2012, I am optimistic that better days lie ahead. Simply put, we have weathered the storm of back-to-back near record yields in 2009 and 2010. Now, the clouds of industry oversupply are beginning to part with canner inventories looking very manageable as we head into the 2012/13 marketing year and the first rays of improved canner selling prices are beginning to shine.

We must always keep in mind that our industry conditions can change quickly – just like the weather, or in some cases, because of the weather! However, today I am confident that the fundamental balance between supply and demand is much improved over the past year and that it should remain this way over the next few years since our bearing acreage is expected to remain relatively unchanged and new plantings have slowed considerably. More importantly, it also appears that the improved supply/demand situation is occurring on a worldwide basis, not just in California. In addition, we are also seeing reduced Chinese canned peach import volume entering the U.S. domestic market along with reports of increased peach consumption in China.

Before we get much further down the path toward unbridled optimism, I must add that we still face plenty of challenges ahead and industry profitability is not yet at levels that growers and processors would desire. However,

we can see that the arrows are now pointing in the right direction. Our focus for 2012 must be on achieving improved profitability for both growers and processors. Simply put, growers cannot absorb production cost increases out of current margins and growers cannot afford to subsidize any increase in processor costs for 2012. We both must be in a position to recover lost margins and offset rising production costs from the marketplace this year. Granted, this is an easy thing to say and much harder to do, but the Association's Board of Directors stands ready to work with our processor customers to reach this goal.

While I remain skeptical of any proposed solution which consists of a single sentence beginning with the words "all you have to do is...", I do believe that our efforts should be focused on expanding market opportunities instead of solely focusing on a further ratcheting down of acreage and production.

As we engage in this conversation over the coming months, I would preface the discussion with the following famous quote from H. L. Mencken – "For every complex problem, there is a solution that is clear, simple, and wrong." As we tackle the challenge of improving industry profitability some ideas won't pan out and some of our new initiatives may fail. However, that doesn't mean we need to quit trying new approaches and lose our focus on moving forward.

Let me give you a recent example of the Association's effort to move the marketing of our products in new directions. We have recently submitted a Specialty Crop Block Grant proposal to CDFR which, if approved, would provide funding for us to survey the ten largest school districts in the country regarding their desired optimum packaging format for use in serving our peaches in their school feeding programs. Given the advances in aseptic processing technology and the growing acceptance of re-sealable pouches for a wide array of food products, it may be possible



Rich Hudgins
President and CEO

As we meet today to assess our current position and to examine the industry outlook for 2012, I am optimistic that better days lie ahead.

Chairman's 2012 Address



Gary Darpinian
Chairman of the Board

California Canning Peach Association 90th Annual Meeting • February 22, 2012 CHAIRMAN'S ADDRESS

For those of you who are veteran attendees of Peach Association Annual Meetings today's program will seem both familiar and different all at the same time. We have made some changes to our meeting format which reflect the changing nature of our industry and our membership. We have eliminated the day long program involving Directors, Delegates and Committeemen in favor of a more condensed schedule which still includes our usual Annual Meeting program followed by our Peach Family Dinner. The reason for the change is twofold.

First, it has become clear over the last few years that fewer members are willing or able to take a full day out of their busy schedules to attend the traditional Annual Meeting format. Attendance has been slowly declining each year. I believe that part of the reason for this is that most of our members are now diversified into many different crops. Years ago peaches were the main crop grown by many of us but that is often no longer the case today. Today's peach growers are often reducing their cling peach acreage, either by choice or out of necessity due to a lack of contract availability. They are now also growing, or would like to grow, almonds, walnuts or other crops that are less labor intensive, often produce a higher return on investment, and provide a way to manage the inherent risks of farming through crop diversification.

Secondly, your Association has been impacted financially both by shrinking industry tonnage volume over the last several years and historically low market interest rates. Lower delivered tonnage has reduced the amount of service fee income the Association receives from processors for member deliveries. Low market interest rates have significantly decreased the revenue the Association earns on its investment of members' assets. Now fortunately for us, I am certain that in the future, interest rates will return to a higher, more historically normal level but I doubt the same can be said for cling peach tonnage volume. In any case, today these two factors have combined to reduce total revenue for the Association and that has prompted us to redouble our efforts to budget your membership dollars in the most effective way possible. The Association's President Rich Hudgins, and Tim Melchiori, our Manager of Administrative Services, have both done an excellent job in this regard. Our budget is balanced. We are financially strong and will remain that way. That strength allows us to represent our members' interests in all phases of the business: Raw product pricing, contracting, government lobbying, import/export trade issues, research into mechanization, and making sure that the image of canned peaches as a healthy, nutritious food is not tarnished in the marketplace. This is a big job, but I am proud to say we are still up to the task. Today's meeting format allows us to reduce costs but still gives all of our members a chance to gather and share their thoughts on how we can improve this industry. This is just one of many actions we have taken to control costs without reducing our level of service to the membership. Our Board of Directors has been actively participating with management in this cost cutting effort, including voting to eliminate the per diem compensation that Directors have traditionally received for attending Board meetings. These types

of changes allow us to continue to serve our membership effectively and, taken together, they allow us to stay within budget and protect our strong grower equity position in this Association.

Now let's turn our attention to current industry issues. After several years of dealing with excessive inventories in processor warehouses, our supply/demand position is now back in balance. Indications are clear that canned peach pricing is firming in the marketplace and that import pressure from China is slowing down. These are certainly welcome developments but they have come at a very high cost. Many of our members have had to pull productive orchards because their contracts were not renewed upon expiration. We have had to form unsold pools for the last two years and the return on those pools has been less than stellar. We still have members with unsold acreage as we enter the 2012 crop year, but I am hopeful the prospects for these growers will be better than in the last few years. In my opinion, the current bearing acreage of cling peaches is right where we need it to be in order to serve the marketplace and provide some cushion in the case of a short crop. I hope our processor customers see it the same way.

This leads me to an issue which I touched on last year. How can we build a framework of planting and contracting that will ensure stability for both growers and processors going forward? Over the last few years we have seen a haphazard realignment of raw product supply in our industry. Cling peach acreage in the Modesto area is shrinking and, because that acreage is older than the state average as a whole, that trend is going to accelerate in the short term. In percentage terms, production is shifting to the Yuba City and Kingsburg areas. When you consider that the two largest peach canneries are located in Modesto, this change in peach orchard geography means we're going to be faced with transporting more tons over longer distances which, in turn, will surely impact both cannery costs and case yields.

Furthermore, many growers have been unable or unwilling to invest in replacement peach orchards due to the contracting woes of the last few years. Once a grower makes the decision to pull a peach orchard and transition to a different crop, it is very unlikely that he or she

will return to growing peaches again on that parcel. Growers, like processors, need balanced harvest production curves in their businesses. They must be able to maintain a good spread of varieties in their orchard inventory so they can make the best use of an ever shrinking labor supply. They must be able to pull and plant based on sound business reasons. Our industry must work together to address this issue or our processors will experience increasing difficulty in acquiring raw product in a way that enables them to operate their plants in the most efficient manner. Processors consider a balanced supply of peaches in terms of location, age and variety mix to be a critical part of their business model. It only makes sense from a risk management viewpoint to maintain a diversified footprint in the business.

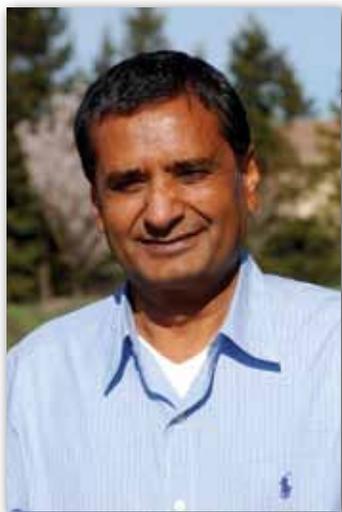
As growers, we know this all too well. That is why so many of us have turned to growing other crops. As I have said before, investing in a new peach orchard with only a 10-year contract commitment in-hand no longer looks like a smart decision in light of the events of the last few years. A peach orchard is a 20-year asset which doesn't really begin producing until year four. So with a 10-year contract in-hand, a grower is only guaranteed a home for 7 years of production from an asset that will produce for 17 years. Not very attractive in today's tough business environment. Almonds and walnuts look like a much more secure investment. Why?..... Less reliance on labor, growing demand, energetic marketing campaigns, multiple buyers, and very often, better returns earned with far less production expense. These fundamental issues must be addressed if we wish to maintain industry stability over the long term. So we will continue to engage with our processor customers on building a sustainable framework to deal with this issue going forward.

Of course, the other major factor influencing growers' planting decisions is price. In today's environment of increasing production cost pressures, a raw product price below \$300 a ton does not generate much enthusiasm in the grower community. As market fundamentals continue to improve, we will seek increases in raw product pricing. Without that, contracting issues will be moot because interest in planting will continue to wane. Of course, the key to what I just said is that market fundamentals

How can we build a framework of planting and contracting that will ensure stability for both growers and processors going forward?

So with a 10-year contract in-hand, a grower is only guaranteed a home for 7 years of production from an asset that will produce for 17 years.

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Kulwant Johl

Kulwant's grandfather first immigrated to Canada from the Punjab region in India 106 years ago.



Kulwant and Jaspal with their daughter Pam.

A Gift from a Grandfather

20 Acres and an Immigrant's Dream Lead to Johl Family's Prosperity

Ann Schmidt-Fogarty

If you want to understand what shaped Kulwant Johl's life, you would have to go back in time to 1906. Or, you could more easily venture a quarter mile from his office.

The Beginning in America

Kulwant's grandfather first immigrated to Canada from the Punjab region in India 106 years ago. He traveled by ship and it took many rugged months to arrive at his destination. "I can't imagine what he must have gone through," Kulwant said, shaking his head—obviously amazed by the thought.

He was never to see his wife or child again. "When he immigrated to America, he sent money home but he never went back. Asians were not encouraged to bring their families here back then and trying for a good living in Punjab was out of the question. He had to stay. My grandmother waited for him all her life—and my father, who was two years old when grandfather left, never saw him."

Once he got started working (as so many immigrants did), on the railroad coming from Seattle, he stayed put in the Yuba-Sutter area. "My uncle once told me that, during the railroad work, many Punjabi workers would rest in an orchard. Soon the owner asked if they wanted regular jobs there, and that's how the Punjabi community started here back in the 1800's."

After more than 20 years in Yuba City, Kulwant's grandfather purchased 20 hard-earned acres of orchards. It is hard not to see the muted wonder in Kulwant's face as he surveyed his grandfather's modest investment recently. While nothing of the orchards remain and the land has long been sold, a large house now roosts on the property. Some things will never change, however: This spot

still carries invisible marks of discipline, hope and sacrifice that were cultivated into the soil and it indelibly defines the Johl family's first steps toward prosperity.

Kulwant's Reluctant American Arrival

At the age of 20, Kulwant was also urged to leave the Punjab. It was 1970. "It was so different in America from where I have lived. And I was very unhappy at the time, to leave my friends and all the customs I was familiar with. But my parents told me I had to go and find my future."

So Harbhajan Johl, Kulwant's uncle, sponsored his journey to America. With his continued help and support, Kulwant attended Yuba College, Chico and got a degree in agriculture. Following completion of his education, his uncle Harbhajan once again helped him secure a job as an agricultural pest control advisor for John Taylor Fertilizer, a position he has held for 20 years. "America is the best country in the world," Kulwant says. "But my uncle helped me so much that, without his help, my life would have been very different here."

"Land is in our Blood"

"My brothers and I decided that we were ready to purchase some orchards to begin to farm. The first purchase was back in the 80's and it was an existing orchard. We started with 90 acres. Right now, we have close to 900. At the current time, we have 200 acres of peaches, 100 acres of walnuts and the rest is all prunes."

It is an efficiently-run family business. Three Johl brothers have outside jobs and one runs the ranch. All pitch in to help with the orchards when they're needed. Kulwant explains that farming and the love of the land is very much a Punjabi obsession.

"The one thing about us that we share is that we all want to farm for some reason. It's in our blood. I have friends from Punjab who are very successful doctors, but all they want

to talk about is land and farming. Somehow it gives us a lot of satisfaction that is hard to explain. Anywhere a Punjabi lives, he just has to have land and he has to grow something on it.”

You Never Know What Will Happen

Kulwant says he is very pleased with the diversification of crops the family grows. “At one time, we had all prunes—which were planted in the original orchard we purchased. We took out quite a few of those trees because at a certain point, everyone was growing prunes. There became an oversupply. Countries which never grew prunes before like Chile and Argentina started to do so. We then planted peaches and almonds and walnuts.

Here is what is true with any crop: nothing stays good for ever. If peaches are good right now, in a few years, you just don’t know what will happen. We are hopeful that the California Canning Peach Association can continue their efforts to get our peaches in places such as India but it is hard for them to switch from their current suppliers in South Africa and Australia.”

Kulwant says if anyone can persuade other countries to accept California peaches, it is the California Canning Peach Association’s President, Rich Hudgins. “He is tireless! I think he probably talks in his sleep about peaches. It isn’t just a job for him—it’s a passion. We are very lucky to have him.”

The Importance of Community Support and Culture

Today, Kulwant lives in Yuba City with his wife, Jaspal. He is very involved in his community. He has been a president of the Yuba-Sutter Farm Bureau and is director of the Yuba-Sutter Fair. He also supports his local Temple, serves on various agricultural boards and strives to ensure that the Yuba-Sutter area realizes the richness of the Punjabi culture. To that end, he has supported the opening of the Punjabi Museum that will be featured in Sutter County’s museum. “My grandfather’s picture will be there along with other artifacts and photos. There will be a lot to see and I am happy that there is now a way for everyone to know about our contributions to this area.”

Yes, They Will Farm

Kulwant has three children. Right now, eldest son Paul is beginning to become interested in all aspects of the family business. Daughter Pam lives in El Dorado Hills with her family and is focused on life there. The youngest, Robbie, is still in college. When asked if he is confident that his sons continue the business, Kulwant laughs with confidence. “Sometimes I have to encourage Robbie to come out to the orchards, and I know he will join his brother in the business. There is no question,” he said. “They will farm.”

Good Job

It’s a pleasure walking in the Johl family’s orchards. Kulwant points to the prune trees—his first orchard-- that he still nurtures decades after purchasing them from a farmer’s widow. Across the way are his peach trees in brilliant bloom. With Paul by his side, he shares one more thing about the man who started it all: his grandfather.

“I was in an airport, waiting for Paul to pick me up to go home. All of a sudden, I thought of my grandfather and it made me emotional. Nobody was there to greet him when he arrived. He wasn’t sure where he was going to go and how he was going to get anywhere. He had a very hard life, yet, his sacrifices left us with all this and such wonderful lives. I have tried to write down my feelings about this but it’s hard.

When asked what his grandfather would say to him if he saw all the bounty created from his mere 20 acres, Kulwant thinks for a moment.

“I think he would say: ‘Good job.’ Yes, that is what he would say.... ‘Good job.’”



*Back row: Paul Johl, Kulwant Johl, Robby Johl
Seated: Jasbir Johl, Mason Johl, Madison Johl, Jaspal Johl*

My grandfather had a very hard life, yet, his sacrifices left us with all this and such wonderful lives.



Kulwant and son Paul in the orchard.

Annual Meeting Presentation



Chuck Conner

We have a big challenge involved in the fact that more and more of our representatives in Congress have no idea what modern agriculture is about today. Many of them have images of things being like they were in the 50's, a kind of "Leave it to Beaver" idea of what agriculture is all about.

California Canning Peach Association 90th Annual Meeting • February 22, 2012 KEYNOTE ADDRESS

American agriculture is incredible. Even after all the years I have been working on agricultural public policy in both Congress and the Executive Branch, I have learned something extremely valuable about each particular sector of our industry. It's so important in terms of advocating on your behalf. And it is essential to have your participation in this advocacy as we go forward.

Today, I'd like to share with you a little about what goes on in Washington and about what NCFC does for you as one organization in Washington that speaks on behalf of farmer-owned cooperatives.

Our job is to make sure that you have a right as individual farmers and growers to come together and form a cooperative to market your products. That right is protected for you and that right is protected for you under what we call the Capper-Volstead Act.

We have a big challenge involved in the fact that more and more of our representatives in Congress have no idea what modern agriculture is about today. Many of them have images of things being like they were in the 50's, a kind of "Leave it to Beaver" idea of what agriculture is all about. They want our laws to reflect those outdated images. Flawed perceptions abound regarding agricultural systems and the society we have today and that, unfortunately, has an enormous impact on you.

We are your voice in Washington, there's no question about it. It's actually fun to be the voice of the farmer-owned co-ops. That's because we have such a good story to tell.

Frankly, if I were to point out one of our biggest problems, it would be that we don't do a good enough job telling our story. You're busy and it's hard to get you off your farms, but we have to think about it for the future. We have to take on the challenge of being storytellers. It will make a fundamental difference in our success. We've got to tell it,

folks. We've got to encourage Washington to "leave" those outdated "Leave it to Beaver" concepts.

I often show a map to demonstrate how diverse we are. Just adding dots for all those co-ops who are involved in agriculture is amazingly thought-provoking. We use this map very effectively in our advocacy. We show it to members of Congress and the Administration. We say 'look, here's what's going on in your state,' and it helps them understand the jobs generated and the economic impacts farmers have.

Typically, when you go into some of these regions and visit small towns, the co-op job is the best job in town. This is a very effective story for us. It's also effective when representatives see how diverse we are. It's everything from co-ops like you to bargain with processors, to dairy co-ops, marketing co-ops, and supply and purchasing co-ops. You name it and it's represented in that farmer-owned spectrum involved in our map. And that diversity coming together as one voice through the NCFC gives you a very, very powerful voice. When you think about this, you must realize that a powerful voice enables us to fight for you. We're going to need that more and more going into the future.

In terms of your business, there is no question that Washington is having bigger and bigger impacts on the day-to-day decisions farmers are making in this country. Immigration and labor issues are of tremendous importance to so many agricultural sectors. We are in a very challenging regulatory environment right now. We have so many politicians who think they know what's best on your farm. They have no clue how agriculture operates in this country. They think they know and that translates into a lot of regulations that do not make sense.

Let's talk about federal nutrition programs and what we call the "All Forms" programs. There are a lot of people who think they know better about what kind and what form fruits and vegetables in this country ought to be

consumed. They are so wrong it would be almost silly if it wasn't so serious. But their beliefs and influences as well as their aggressive actions impact your business.

I have heard it said that there's going to be 9.3 billion consumers on this planet by the year 2050. That's a 50% increase from where we currently are. So what role does the peach industry and other California fruit, vegetable and nut crops play in the future? There will clearly be an immense rush to stave off (and this is not hyperbole) a tremendous calamity for the world.

In terms of immigration, I know many of you, if not all of you, have this as the number one issue you face. It's getting much more difficult to find the labor to help grow and harvest your crops. If I stood up and told you that we are going to get this problem solved this year, you would never believe anything else I would have to say to you. You know this is a presidential election year and the chances of this highly-partisan Congress taking up any kind of immigration issue and successfully passing it is very slim—it simply is not going to happen in 2012. That doesn't mean you are not going to hear a lot of rhetoric coming out of Washington. We'll hear what we refer to as "legislative noise."

Right now, we are in a defensive posture. We're trying to do things that will prevent the ball from moving backward instead of forward. E-verify is certainly one of those. Rich has played a tremendous role in helping us identify some members of Congress who understand this issue well enough to know that the current rules that Congress is considering will require the verification of every laborer in your orchards. I do not believe this is going to happen despite the fact that there's going to be a lot of noise. I think that we have successfully made the case that E-verification is not going to pass. I can honestly say that had agriculture not stood up, we would have already had E-verification in place and it would be a requirement.

There are other labor issues out there. Like many of you, there were jobs on the farm that my dad required us to do. You hate those chores at the time, and swear and cuss when you're a young person, but later you realize that the work you did defined a level of maturity that will last all your life. Our US Department

of Labor believes that this is a bad thing. As crazy it sounds, they are proposing rules that would mean that if you're 16 years old or younger, the only agricultural work that you can do your farm would be on your family's own farm, provided your father or mother who owns the farm has a sole proprietorship. That's until you pass the age of 16. By the time I was 16, I had logged in a lot of hours washing down steers and doing all the things that some would consider dangerous. We are by no means suggesting that we put young kids in harm's way—I don't think any father or mother would do that—but it clearly demonstrates the absurdity of people who think they know our business and know how to raise children better than we do. I would probably not have been able to get my college degree if I had not worked on the farm long enough to earn the money for my tuition to Purdue University.

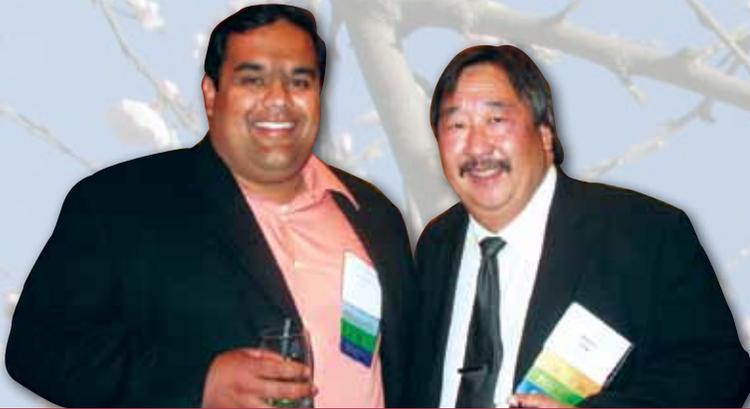
If that's not enough, Department of Labor issues about immigration and our kids working the farm are not the only ones we have to contend with. (Shows Slide) This is a list of issues and regulations that show just how out of control some of our regulatory agencies have become. Some don't have a huge impact but others can change the face of American agriculture. Because of that, we finally had enough of it. The tipping point was when the Department of Labor put out the child labor laws. That was it. We called for an absolute moratorium to be put in place in Congress and on regulatory agencies. The moratorium means that for some period of time, there needs to be a "timeout" on regulations and anything more that adds any significant costs to our doing business. I would have preferred to say 'not now, not ever.' That probably would not have been as prudent as I need to be sometimes. But, enough is enough.

Additional regulations would increase our costs substantially. We need to get the chance to go over these proposed laws and regulations and study them so that there's not a huge amount of damage by the extent of their impacts. We have a lot of strong support from a lot of different sectors of Congress for this idea. They're working on some more moratorium issues as well as some kind of regulatory relief.

I have heard it said that there's going to be 9.3 billion consumers on this planet by the year 2050. That's a 50% increase from where we currently are.

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Spotlight Album Annual Meeting



Simon Sihota and Blaine Yagi



Rajinder Chohan receiving the Oberthier Award
from Marjorie Bishop



Surena Thiara and Sonny Kalkat



Kewal Singh, Kuldeep Atwal, Harbhajan Sandhu,
Nachhattar Chohan, Surjit Bains and Sunny Dale



Rich Hudgins, Rajeev & Chitra Davit, Bedo Dhaddey and Gina Dhaddey



Seb Cipponeri, Dena Cipponeri and Tony Rodin



Rick Zolezzi, Norm Kline and Greg Machado



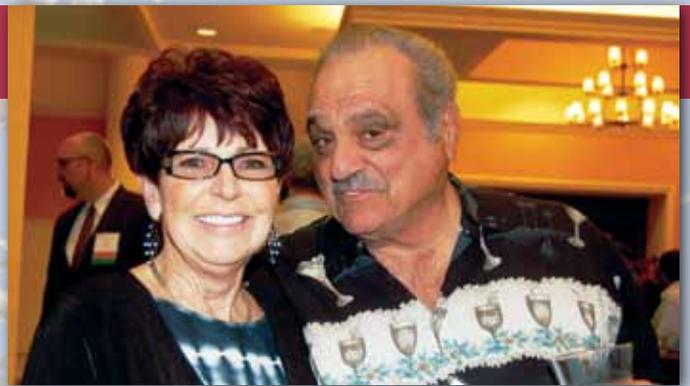
Bill Bryan and Linda Jacobs with his 30 year plaque



Jim Jackson with his son Lance Jackson



Sukhvinder Thiara, Jasjit Thiara, Kuldip Thiara, Shindi Thiara and Harbans Pamma



DeeDee and Art Dagemjian



Paul Bavaro, Peter Martini, Tyke Mederios and Frank Bavaro



Gary Darpinian, Chuck Conner, and Rich Hudgins



Brien Smith, Michelle Barker and Ranjit Davit

**Kraig Kayser,
Ken Bettencourt,
and Jay Fiorini**



President's Report - 90th Annual Meeting

Continued from page 3



to provide our products to school kitchens in a packaging format which will allow us to overcome the common negative perceptions regarding canned fruit while giving schools a bulk packaging option best suited for use in large scale feeding operations. Once

we have obtained this information from school foodservice directors, the second element of our grant proposal calls for an evaluation of state-of-the-art aseptic processing technology to determine the best processing equipment available to produce the package size and style desired by the schools.

If we are successful in following this approach, I believe that increased bulk aseptic processing capability in our industry could also open the door to new export sales and additional remanufacturing opportunities for California cling peaches. We expect to hear something further on this grant request within the next 30 days and are hopeful that we will be invited to participate in the second round of grant evaluations by CDFA officials which will culminate with the final grant awards being announced in June. Stay tuned for more on this subject...

In my Annual Meeting remarks last year I discussed our ongoing effort to introduce California canned peaches to consumers in India. I'm sorry to report that this remains an unfinished mission as we have been so far unable to overcome the hurdles of getting an initial shipment of canned peaches into India. During the 2010 season we had great cooperation by Seneca Foods in producing several containers of a finished product which

matched the South African quality currently being sold in India, we followed up with a commitment from the California Cling Peach Advisory Board to provide MAP funds to support the retail rollout of California canned peaches once they reached a store shelf in India, and the Association's Board even committed additional funding to help bridge price differences; yet that initial sale didn't materialize. This represents a disappointment for me as we couldn't even give one container a trial run in the Indian marketplace. However, it would be a mistake to equate a short-term failure in India with our inability to generate additional export sales elsewhere in the world.

In the words of John Wooden, one of the most successful college basketball coaches of all-time, "Failure is not fatal, but failure to change might be."

Despite the current setback in India, the California peach industry has been successful in generating additional export sales into Mexico during the past year and the Association remains very committed to exploring opportunities to reach out to more potential peach consumers in other parts of the world. In fact, the recently signed Free Trade agreements with Korea, Columbia, and Panama may open up new export sales opportunities for our industry in the coming months. Who knows, over time, maybe China will move from being the largest importer of canned peaches into the U.S. to becoming one of our largest export markets. They certainly have the population and a great deal of purchasing power for a wide range of food products imported from U.S. suppliers. It's clear that emerging middle class consumers globally represent a great opportunity to increase the world's consumption of canned fruit. Today we export fewer cases than any other major peach producing country with the exception of Australia. The challenge for California's peach industry is finding the right path forward to increased sales.

As strange as it may seem after dealing with two years of oversupply and depressed selling

In my Annual Meeting remarks last year I discussed our ongoing effort to introduce California canned peaches to consumers in India. I'm sorry to report that this remains an unfinished mission as we have been so far unable to overcome the hurdles of getting an initial shipment of canned peaches into India.

prices, we must now begin to develop a long-term plan to replace the nearly 3,000 acres of trees which are 16 years old and older while maintaining a balanced supply/demand position in the coming years. In his remarks this afternoon, Gary has already touched on the importance of longer term contract commitments for these new plantings so I won't re-plow this ground, but I would like to share some of my family's history with you which is relevant to this discussion. When the Peach Association was founded in 1922, my great grandfather and grandfather were farming peaches, prunes, and almonds on their ranch just outside of Chico, California. They dried both clings and freestones on the ranch and sold their almonds to California Almond Growers Exchange (now known as Blue Diamond).

They were able to generate a small profit on their dried peach and prune sales after paying the going rate for farm labor costs of 45¢/hour. However, their 1922 Nonpareil almond crop returned 20¢/pound so it wasn't long until all the peaches and prunes were removed and more almonds were planted in their place. After several generations, the ranch continues to exclusively produce tree nuts. Ninety years later, the same industry dynamics are still taking place with walnuts added to the discussion. My point is that, with tree crops, once a grower decides to exit from peaches and plant almonds or walnuts, it represents a permanent change. We need to be mindful that there are a limited number of growers in California with the ability, skills, and desire to efficiently produce high quality cling peaches and we must continue to attract these producers if we are going to maintain long-term industry stability.

As we seek to replace older orchards, I am pleased that our canner customers have not shown any willingness to reward speculative plantings of orchards without contracts during the last several years, but instead have maintained a clear focus on working with their existing grower base and existing contracted orchards.

This disciplined approach should lessen the chance that our industry will swing back into an oversupply position due to unwarranted additional acres coming into production.

Another challenge we face for 2012 is the threat to our industry as a result of several competing proprietary nutrition ranking systems being used by a number of food retailers to "help" their customers make better food buying decisions for their families. Unfortunately, some of these retailers are presenting information regarding our products in a way which is more likely to confuse consumers than to help them. There is a clear disconnect taking place when the USDA's own 2010 Dietary Guidelines call for increased fruit consumption in all forms since they recognize that canned, frozen, dried, and fresh are nutritionally equivalent while, at the same time, a private ranking system scores canned peaches lower than some cookies, candies, Doritos, and even Diet Coke!

At their January 27 meeting, the California Peach Advisory Board approved funding to pursue a resolution of this issue with the appropriate Federal agencies responsible for nutrition labeling issues. The California Pear Advisory Board has also joined with us in this fight, and I look forward to spending more time on this issue in Washington, D.C. during the coming months. We can't afford not to be involved while we continue working to overcome the widely held "fresh is better" misperception regarding peaches and other canned fruit items.

On this note, I would be remiss if I didn't acknowledge the leadership of Chuck Conner and his staff at the National Council of Farmer Cooperatives in seeking to ensure that all forms of fruits, vegetables, and tree nuts are eligible to participate in USDA's \$150 million/year School Snack Program. We aren't there yet, but clearly having a voice larger than just 500 peach growers is what it will take to get the job done as the next Farm Bill takes shape. One other point that I must mention is the outstanding job that NCFC has done in protecting the Capper-Volstead Act's limited antitrust immunity for farmers and their cooperatives – without Capper-Volstead, we could not bargain collectively with processors on pricing for your peaches – and growers would be even worse off than they were in 1922 when the Association was first formed. Think about it for a minute - today there are fewer canneries to sell to, the

Another challenge we face for 2012 is the threat to our industry as a result of several competing proprietary nutrition ranking systems being used by a number of food retailers to "help" their customers make better food buying decisions for their families.

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Annual Meeting Presentation



The CCPB has joined the Let's Move! movement by sending "Peach Nutrition Kits" to Let's Move Salad Bars to Schools grant recipients across the nation.



California Cling Peach Board:

Let's Move Salad Bar to Schools and "Target" Target Campaign Update

By Adrienne Hegarty, Echo Communications

We updated you on the full 2011-2012 California Cling Peach Board's Domestic Promotions program in the fall/ winter issue of *The Cling Peach Review*, but we wanted to fill you in on a couple of exciting highlights from the past few months. With peach harvest just three months away, the CCPB is looking forward to another strong year of promotions.

Let's Move Salad Bars to Schools with Canned Peaches!

The CCPB has joined the Let's Move! movement by sending "Peach Nutrition Kits" to Let's Move Salad Bars to Schools grant recipients across the nation.

The Let's Move Salad Bars to Schools grant program is a public health effort to support salad bars in schools launched by the *Food Family Farming Foundation*, *National Fruit and Vegetable Alliance*, *United Fresh Produce Association Foundation* and *Whole Foods Market* to support First Lady, Michelle Obama's Let's Move! initiative. The goal of the Let's Move Salad Bars to Schools program is to fund and award 6,000 salad bars over the course of three years, with a little over 1,200 salad bars currently granted. Salad Bars are an important tool to increase fruit and vegetable consumption in schools. Research shows that school children significantly increase their consumption of fruits and vegetables when given a variety of choices in a school salad bar.

In order to position canned peaches as a welcome addition to the mainly fresh offerings on salad bars, the CCPB partnered with processors to deliver 60 cases of California canned peaches along with a "Peach Nutrition Kit" to participating schools across the nation. Each kit included school foodservice recipes, peach nutrition facts, grower profiles and more! The Agency followed up with each School Foodservice Director recipient and found the kits to be well received – and even had requests for additional kits!

Diane Deshler, Director of Food and Custodial Services for Acalanes Union High School

District in Northern California serves about 550 students per day at lunch, including healthy, scratch-cooked complete meals and nutritious à la carte items. Las Lomas High School, which has approximately 1,450 students, is where Deshler currently features a salad bar procured using grant funds. A proponent of "All Forms" of fruits and vegetables, Deshler proudly serves California Cling Peaches on her salad bar along with fresh and seasonal offerings. According to Deshler, "the students at Las Lomas are increasingly concerned with health issues. They are actively requesting healthy options in the school cafeteria to sustain a healthy lifestyle and help combat the obesity epidemic in the United States. Serving California-grown canned peaches, along with a wide variety of local vegetables, is an excellent way to increase their access to delicious and nutritious school food."

Director Billy Reid of the Salida School District in Central California keeps five salad bars running while he serves 4,500 meals in his district and another 2,200 in a neighboring district. A winner of the prestigious Golden Carrot Award, Reid serves California Cling Peaches daily for one simple reason: his student customers who tell him, "those are just yummy!"

Reid, too is a proponent of all forms and loves to talk about it. "It is important to give children choices and to support it with nutrition education so they have information about why they are making certain choices. What will this fruit taste like, why should I choose that veggie? I can imagine students pondering these questions as they go through the line. They don't spend time pondering the peaches though; 'It does not matter, those are just yummy,' a 1st grader told me today when I tried to explain the nutrient value," notes Reid. "That's why I use CA Cling Peaches every day at every site because 'those are just yummy.' On the salad bar today were broccoli, carrots, celery, bean salad, oranges, bananas and of course CA Cling Peaches. In one photo you see the salad bar before any children went through, then you will see a photo after approximately 100 kinder

students have been through. The other items have some usage, but the peaches are almost empty and in need of refilling. Why is this you may ask yourself? Well, as a food service director, I can tell you about the incredible nutrient content, but in the immortal words of my expert 1st grader “those are just yummy.”

Seneca Foods, Pacific Coast Producers and Del Monte were hugely instrumental in our efforts by supplying and shipping 20 cases each to schools nationwide. Thank you, processors, for your tremendous support.

“Target” Target Campaign

The CCPB and our Agency have also continued to partner with the CCPA on a “Target” Target campaign to educate consumers about imported Chinese product being used for Target’s private label (Market Pantry) canned peaches. The Agency has added a link to the CCPB homepage with a pre-written letter that consumers can instantly send to Target asking them to stop purchasing peaches from China and to instead, purchase peaches from US growers in order to support the US economy, community and family growers. This letter is sent directly to Target’s Senior Vice President of Merchandising and Grocery, Annette Miller and Private Label Buyer, Tanya Carlson.

Consumers from California and 18 additional states have signed the petition to date and we hope to continue growing these numbers. Tell your family, friends and fellow grower colleagues to send Target an email asking them to buy CA peaches! Visit www.calclingpeach.com and click on the “Tell Target to Buy American!” logo. Every letter counts. Thanks for your support

Want More Information?

Please call Ginny Hair, Echo Communications, with any questions or comments: 510-654-5400. 🍑



Diane Deshler (left), Director of Food & Custodial Services, Acalanes High School District and Mary Summers (right), Las Lomas High School Cafeteria Manager



Salida School District Foodservice Director Billy Reid and his peach peach bar customers.





Ajayab Dhaddey



Brian Sowden

We encourage all growers with unsold acres to follow the Tree Top pesticide restrictions in case Unsold Pool fruit is sold for juice this year.

Northern District

Lack of rain has been the main topic next to unsold fruit in the Northern District this winter. As of March 11, we have had 8.3 inches of rain with normal being 17.64 inches according to USDA- California Crop and Weather report. The dry weather has forced many growers to irrigate their orchards in February.

We had plenty of chilling hours early to satisfy the chilling requirement for cling peaches. UC Davis recorded 1118 hours compared to 1239 hours last winter.

Final pullouts totaled 535 acres for the north out of a total of 908 acres for the state. This represents 4% of the industry's 22,314 bearing acres in 2011. We are not expecting too many new plantings in 2012 due to a lack of canner contracts.

Full bloom was called for March 8 this year compared to March 14 last year. Due to the warm temperatures in February the bloom came early and it looks like a good and strong bloom.

As of this writing, the Association has a little over 615 acres remaining unsold for this year. All the processors have had the complete list of CCPA's unsold growers since last November but no processor has made a move to pick up any additional tonnage. We will keep looking to place our member's fruit with canners but at this point the options are very limited. We encourage all growers with unsold acres to follow the Tree Top pesticide restrictions in case Unsold Pool fruit is sold for juice this year. There are also 140 acres of bearing and 200 acres of non-bearing unsold acres that are not in the Association. (These are the acres planted without a contract in the last three years. The CCPA membership remains closed to orchards planted without a contract.)

Finally we look forward to seeing all the growers and look forward to a good 2012 season. 🍑

Central District

Our winter season was very cold and very dry. Peach growers were able to get all their winter work done on a timely manner. Rain or the lack of rain was the major topic for growers throughout the San Joaquin valley. At this point in March we have received a year-to-date total of just 4.39 inches of rain, this compares to 10.63 inches of rain last year. In March of 2011 our rainfall total for the month was 3.17 inches alone.

The central valley is expecting a series of winter storms to come through the area beginning in mid-March. The final number of chilling hours received in the Modesto area was 1,349 total hours, the highest number of hours received in recent memory.

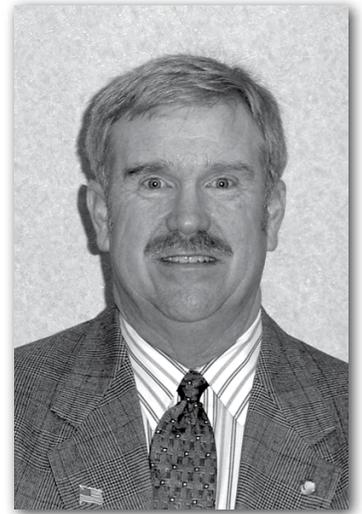
The cling peach bloom came on very strong because of the strong winter dormant season. Fullbloom for 2012 was March 8, this compares to a March 11 full bloom date last year. At this point the bloom looks good, frost protection will be very important this year.

Pullouts for the Modesto and Linden areas have reached 305 acres. This total is 3.60% of the total bearing acreage in the districts. The overall total statewide pullouts amount to 908 acres which is 4% of the total statewide bearing acreage. New cling peach plantings in 2012 will be at a very minimal level in the Modesto area with many growers opting to plant more almonds instead of peaches.

The California Canning Peach Association was able to demonstrate the hand-held Infaco Electronic Peach Bloom thinner this spring. Growers who attended seemed very interested and have begun to test this thinner in their own orchards. I would like to say thank you

to Chuck Voss for letting me use his Bowen block for our demonstration.

In conclusion, growers are hopeful that 2012 will be a good year for peaches. The overriding concern continues to be the cost and availability of labor in the future. 🍑



William F. Bryan

The industry's canned peach inventory level is much lower than in recent years past resulting in a brighter outlook for 2012 and raising grower hopes for improved prices this year.

Southern District

For the Southern District, this winter can be characterized by a great anticipation by Kingsburg growers who are very concerned about receiving contract extensions for orchards on the last year of their Del Monte contract. The industry's canned peach inventory level is much lower than in recent years past resulting in a brighter outlook for 2012 and raising grower hopes for improved prices this year. This has also resulted in a much lower than normal amount of acreage being taken out of production while growers await more information regarding long-term commitments for any 2013 plantings.

Also of note this off-season is the dramatic lack of rainfall and the concerns this generates by the possibility of more grower

costs associated with running pumps for irrigation. As of mid-March, only 4" of rain has accumulated for the year in the greater Kingsburg area. On a brighter note, due to some warmer than average temperatures this winter, growers are reporting full to heavy blooms this spring with just a few minor concerns with the amount of bloom on lower parts of a few blocks. Full bloom this year was March 5 compared to March 9 last year. Frost protection will continue to be a priority for growers until late April.

I am looking forward to our upcoming season with great anticipation and thanks to all the great people in our Southern District who continue to make the peach industry an enjoyable place to work. 🍑

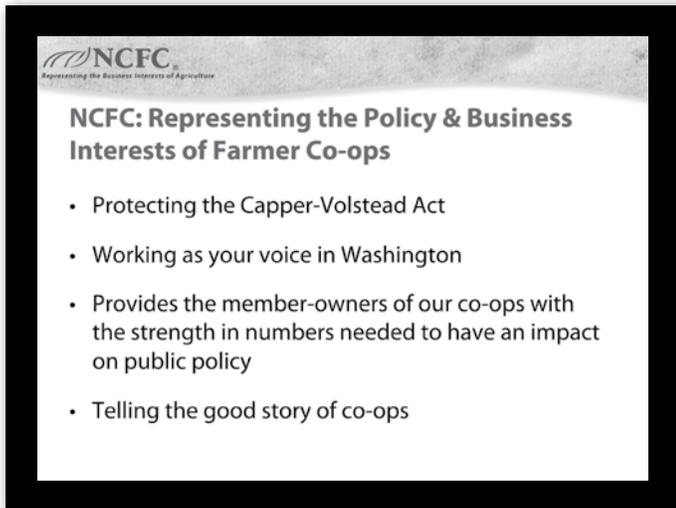


Steve Mobley

Keynote Speaker

Chuck Conner

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Our Farm Bill framework should include a certain amount of spending for agricultural programs. And they need to be maintained in this country.

full compliance of every prevailing labor law of the government of the United States. In effect, in order to sell peaches to the school lunch program, Rich would have to provide that certification. And then, of course, he would have to come around and get certification from all of you. That was very very close to becoming the law of the land. When we found out about it, we were very pleased that Rich was instrumental in helping us to get it pulled back. That doesn't mean it's killed. But at least cooler heads, I believe, are taking a look at this thing and get the full information.

The number one question right now involves the Farm Bill. Can it be passed right now in 2012 given the current state of play in Washington DC? And, if it is, how will those Farm Bill programs address issues that are of concern in your industry?

For us, representing California's fruit and vegetable industry, in addition to fruit and vegetable and nut sectors in other parts of the country, there is no question that in the Farm Bill debate, that this issue of "All Forms" is going to be a fundamental one. The "dogooders" in Washington believe they know what form fruits and vegetables ought to be consumed by our school-age children. They are trying to push that down in the system to dictate who gets assistance in the form of your product. Scientifically, they are simply

I think our efforts are driving this regulatory freeze and played a big role in this administration's recent decision to prevent people like Rich, as a co-op manager, from going to each grower in his membership and requiring you to certify that you are in

fundamentally wrong in their assessment. But that does not stop them. They're going to continue to press this agenda.

I know some of you are involved in processing your products in different forms such as fresh, canned, frozen, etc. As an organization, we are not disparaging any form. We think they're all fabulous. Our policy is that they be consumed as much as possible in every form. That, however, is not the environment we are in. It's going to come to a head in the Farm Bill. That's one of our top priorities that Rich is been pushing. He is chairman of our Fruit, Vegetable and Nut Committee. He is very active in that and we appreciate it so greatly. He brings his perspective to us on your behalf and, frankly, on the part of the broader sector out there.

Our Farm Bill framework should include a certain amount of spending for agricultural programs. And they need to be maintained in this country. Agriculture and agricultural products are not the cause of our country deficit problems. USDA's budget for agricultural programs, for the most part, has declined substantially. That's been happening during the entire time I have been involved in my work in the agricultural field. My first Farm Bill was in 1981. So when you hear people talk about farm programs and the Farm Bill needing to be cut in order to reduce the budget, just remind them that our funding has been declining for a long time. If other federal spending followed the same path as the Farm Bill programs, believe me, we would not have a \$1.5 trillion annual debt.

Let's talk about the Market Access Program. We had some success on this front. When Secretary Vilsack took office, one of his early statements was that he would get rid of a substantial part of the program. A lot of co-ops need the program to help promote their product overseas. He said no. They proposed a substantial reduction in funding for the Market Access Program. But in the recent proposed budget for fiscal year 2013, Secretary Vilsack and the Administration came out in

support of full funding for the program. That took a lot of work on our part, the part of our allies in Washington, and the part of members around the country. It doesn't mean we're out of the woods but we certainly convinced the administration to do a 180° reversal on their support for this very important international marketing effort.

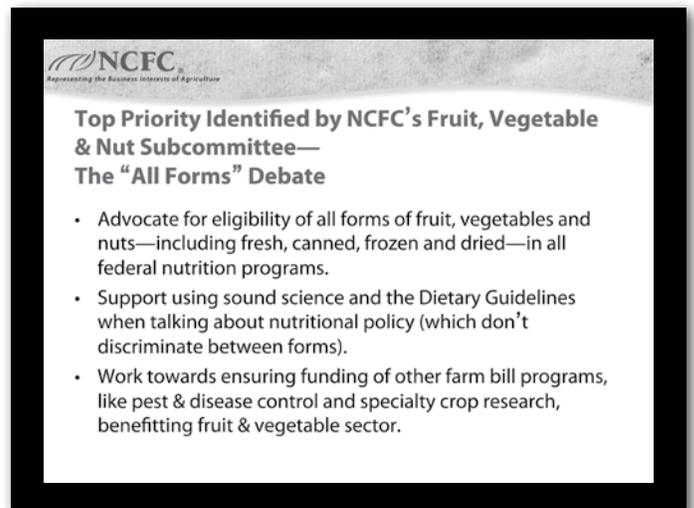
I see four big challenges to get the Farm Bill done:

1. The deficit is consuming everything that Washington is doing and any bill, whether it's a Farm Bill or anything that spends money is blocked right now.
2. I have been in Washington for many years and I have never seen gridlock as there is now. Certainly, there is no communication between Congress and the White House and none between Democrats and Republicans.
3. During a presidential election year, almost nothing gets done. There are primaries going on and the conventions to host. There are simply too many things going on for the proper focus to be placed on matters that should be dealt with. And, typically, after May, Congress just shuts down. The elections are over and there is a waiting period until they get back to business. That's always been the case in Washington.

4. And, finally, we in agriculture need to get our act together. We are "all over the place" in what we are asking Congress for in this Farm Bill. Members of Congress have to deal with corn farmers, soybean growers and specialty crop farmers who are all asking for different things—sometimes opposite things. That makes Congress members' heads spin. We are coming at this bill from all different angles. We have to find a way to work in a together and unify. It is the only way we will achieve our goals.

These are pretty tough obstacles to deal with in passing a Farm Bill any time soon. The current one expires at the end of this year, folks, so the time is upon us.

A lot of critical issues must happen before we can get a Farm Bill passed. Obviously, we have a lot on our plate. We look forward to continuing to represent your interests in Washington, D.C. 🍌



Excerpts of Chairman's Address

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must continue to improve. We know that for our growers to succeed, our processors must succeed.....and the other side of that coin is that, for our processors to succeed their growers must succeed. This Association remains committed to doing all we can, in constant cooperation and coordination with our processor customers, to improve the marketing environment in the canned peach industry.

In closing today, I want to thank each of you for your continued support of our Association. It is the key to our ability to work on your behalf. I encourage all of you

to participate in the affairs of your association and I especially want to invite our younger members to become active in the workings of our organization. We are committed to staying engaged with our membership, not just because that is our job but because it helps us make the best business decisions possible on your behalf. And let me also say that, as members, we are very fortunate to have such a dedicated and experienced group of employees working for us every day. They are the real reason for this Association's continued success. I thank them for their efforts and I thank you again for your support. 🍌

We are committed to staying engaged with our membership, not just because that is our job but because it helps us make the best business decisions possible on your behalf.



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President's Report - 90th Annual Meeting

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remaining players are much larger, and they have the ability to source canned peaches from anywhere around the world.

As we talk about what it takes for our organization to succeed in our mission to serve peach growers, I would like to recognize members of the team who serve as the staff of the California Canning Peach Association. I am very proud of their accomplishments and their ability to work together to meet the needs of our grower members.

As I conclude my remarks this afternoon, I would like to share with you some of the actions taken to form this Association 90 years ago; it really is an amazing story. After a series of organizing meetings, a small group of peach

growers with a vision traveled to San Francisco in January of 1922 where they rented office space for \$100/month. Next, they persuaded a banker by the name of A. P. Giannini (who you may recognize as the founder of Bank of America) to immediately loan the newly formed organization \$10,000 so it could begin operations. With loan in hand, they proceeded to buy some office furniture and hired the first Association manager. The rest, as they say, is history... Ninety years later, we are still going strong. As you reflect on our beginnings, ask yourself what do we need to do today so that our actions will still be remembered 90 years from now?

When you stop and think about it, what was true 90 years ago remains true today. Peach growers built this organization. They've carried it through tough times by not focusing on individual differences but by focusing on their common goals. These achievements are a testament to the selflessness and teamwork of growers working together. Today, we have the responsibility of continuing this legacy of working together to ensure that our members have both a home and a fair price for their fruit. With your continued support, I will look forward to an Annual Meeting 10 years from now where we can all celebrate the Association's 100th-year Anniversary. There is no doubt in my mind that we will continue our long tradition of industry leadership as our journey continues. Let me wish all of you a successful 2012. Thank you.

CCPA Board of Directors



Seated: Leonard Perez, Rich Hudgins, Gary Darpinian, Ranjit Davit, Jasbir Bains. **2nd Row:** Sarb Thiara, Jim Tavernas, Rajinder Chohan, Karmdeep Bains, Ken Bettencourt, Robert Parks, Jay Fiorini, Kulwant Johl, Harry Berberian. **3rd Row:** Norm Kline, Kuldip Atwal, Ravi Thiara, Matt Little, Sonny Kalkat, Gurnam Pamma, Balbir Sohal, Kevin Voss, Rick Zolezzi, Sunny Dale, Blaine Yagi, Steve Zovickian. **Not pictured:** Eric Spycher.