

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 BOARD RATIFIES 2024 PRICE AGREEMENT

At their March 25th meeting, the Association's Board of Directors ratified a 2024 crop price agreement reached with Pacific Coast Producers (the largest fruit canner in California). The 2024 Base Price is \$635/ton, unchanged from our 2023 raw product pricing. In addition, we agreed to use last year's Terms of Sale for our 2024 deliveries. Following this action by the CCPA's Board, Wawona Frozen Foods has also agreed to the same price and terms of sale for 2024. The Association promptly notified Del Monte Foods regarding this price agreement and expect to reach an agreement with them on the same price and terms of sale in the coming days. As stated during our Fall grower meetings, we believe that growers and processors will both benefit by reaching an early price agreement for the 2024 crop. (The timing of this agreement is just three days later than our March 22nd price agreement reached with PCP for the 2022 crop.)

SUMMARY OF KEY 2024 TERMS OF SALE

VARIETAL PREMIUMS	\$90/Ton: Loadel, Ceres Carson, Calaveras, American \$75/Ton: Stanislaus \$50/Ton: EE varieties not qualifying for EE Premium										
NO. 2 PEACHES	EE – Up to 5% Paid for at \$200/ton No. 2's over 5% excluded from Schedule of Values offgrade. Canner option to reject loads >15% No. 2's. All Other – Up to 3% Paid for at \$200/ton No. 2's over 3% excluded from Schedule of Values Canner option to reject loads with greater than 15% No. 2's.										
UNDERSIZE	Canner Option to Reject Loads >5% Undersize Fruit. Extra Early & Early Variety Loads with greater than 4% Undersize Fruit and Late and Extra Late Loads with greater 2.5% Undersize Fruit subject to a \$75/ton penalty on Schedule of Values. (Excluding flat rate tons.)										
MATURITY	Minimum pressure 4.2 lbs. Loads with >5% green subject to \$75 /ton penalty (No. 2 Disc) When using the #2 color disc, Ross and Late Ross varieties shall have a 5% green paid-for tolerance and the amount up to 5% shall not count on Schedule of Values offgrade. Loads >6% Bruise/Overripe subject to \$75/ton penalty (No.2 Disc) Canner option to reject loads with greater than 12% Bruise/Overripe.										
CONSTANT TOLERANCE	5% Constant Tolerance on General Defects paid at full price. Excess Counted on Schedule of Values										
SCHEDULE OF VALUES	<table><thead><tr><th><u>Offgrade</u></th><th><u>Price/Ton</u></th></tr></thead><tbody><tr><td>0 – 8%</td><td>Base Price</td></tr><tr><td>8 – 12%</td><td>- \$40/Ton</td></tr><tr><td>12 – 20%</td><td>- \$80/Ton</td></tr><tr><td>> 20%</td><td>\$75/Ton Flat Rate</td></tr></tbody></table>	<u>Offgrade</u>	<u>Price/Ton</u>	0 – 8%	Base Price	8 – 12%	- \$40/Ton	12 – 20%	- \$80/Ton	> 20%	\$75/Ton Flat Rate
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0 – 8%	Base Price										
8 – 12%	- \$40/Ton										
12 – 20%	- \$80/Ton										
> 20%	\$75/Ton Flat Rate										
MACHINE HARVEST	\$40/ton differential for All Varieties No price differential for 2 nd pick once 50% of fruit removed from every tree in block. Processor Approval Required.										
PAYMENT SCHEDULE	75% on Delivery-(\$476.25/ton), Balance on October 1.										

RETURN SERVICE REQUESTED

DEL MONTE REPORTS 3RD QUARTER FINANCIAL RESULTS

On March 15th, Del Monte Pacific officials reported on their 3rd quarter results. Sales for Del Monte Foods, Inc. (DMFI-their US entity) dropped by 6% to \$466.4 million due to a combination of higher trade spend on promotional activities, higher production costs, unfavorable overhead absorption, and higher warehousing costs. DMFI generated a net loss of \$23.1 million for the quarter vs. last year’s 3rd quarter profit of \$5.9 million. For the first nine months of their 2024 fiscal year (May 2023-January 2024) DMFI sales of \$1.3 billion were 1% higher than year-ago levels. However, DMFI’s gross margin declined to 17.6% vs. a 24.5% gross margin last year. DMFI generated a net loss of \$35.9 million vs. last year’s \$1.6 million net profit. DMFI officials have indicated that they plan to reduce current excess inventory levels by reducing their 2024 pack plan across all categories by over 30%. As part of this planned reduction, DMFI announced the closure of two vegetable plants (Markeson, Wisconsin and Toppenish, Washington) along with plans to consolidate their canned green bean volume at their remaining vegetable plant in Plover, Wisconsin. Following the announcement of their 3rd quarter earnings results, it has been reported that DMFI is actively seeking to reduce their 2024 contracted pear volume in California and the Pacific Northwest. Since December, both Moody’s and S & P have issued credit rating downgrades for DMFI.

FTC REPORT HIGHLIGHTS GROCERY PROFITS

The U.S. Federal Trade Commission issued a report last week recommending further inquiry by the Commission and policymakers into rising grocery retailer profits. They specifically cited food and beverage retailer revenues increasing to more than 6% over total costs in 2021. In the first three-quarters of 2023, grocery retailer profits rose even further with sales revenue reaching 7% over total costs. The report notes that this casts doubt on assertions that rising costs at grocery stores are simply moving in lockstep with retailers’ own rising costs. The report noted that examining the cause or nature of rising grocery industry profits is beyond the scope of this initial limited study but would warrant a closer examination. The FTC report findings regarding differences between retail store shelf price increases and food company price increases is consistent with what we’ve observed in the canned peach industry. Last November during our Fall District meeting we noted that Del Monte had publicly announced a 4% price increase on canned fruit last August while shelf pricing for Del Monte brand 15oz canned peaches in Sacramento area Walmart stores increased by 12% to \$2.56/can between March and September.

FULL BLOOM TIMING AND FINAL 2023/24 CHILLING HOURS

According to the CCPA’s fieldstaff, California’s statewide full bloom date for cling peaches occurred on March 12th this year which is 2 days later than last year’s March 14th full bloom date. This year’s March 12th bloom date matches our 2011 timing, other years with similar timing include 2018, 2017 and 2013. As noted in our February Peach Fuzz, chilling hours this year amount to the second lowest in recent history. The recording station at U.C. Davis logged just 622 hours from Nov 1-Feb 29 making this the lowest number of chilling hours since 2015.

Full Bloom Timing 2019-2024							Chilling Hour Totals November 1st - February 29					
Area	2019	2020	2021	2022	2023	2024	Area	2023-24	2022-23	2021-22	2020-21	2019-20
Yuba/Sutter	Mar 19	Mar 3	Mar 8	Mar 4	Mar 13	Mar 12	Verona	781	1,282	1,179	1,143	1,082
Modesto	Mar 18	Mar 3	Mar 6	Mar 9	Mar 15	Mar 14	Davis	622	1,152	921	745	761
Kingsburg	Mar 9	Feb 29	Mar 5	Mar 6	Mar 12	Mar 7	Modesto	898	1,338	1,126	1,064	978
Statewide	Mar 18	Mar 3	Mar 7	Mar 6	Mar 14	Mar 12	Parlier	793	1,260	1,129	1,128	1,035

OF INTEREST

- Canned peach imports for the month of January totaled 453,006 cases, down 34% from January 2023 levels. YTD imports amount to 3,479,517 cases, down 9% from year-ago levels. However, YTD imports are still 51% higher than 2021-22 imports.