

# Foreword

Earlier this year, several persons who are deeply concerned about conditions in the prune industry, including me, solicited his views on industry problems from Robert Couchman, now retired, who has written extensively about the industry over many years. Mr. Couchman's judgment was that too many members of the industry, particularly growers, have lost sight of basic industry facts. He gave his further opinion that if the basic facts were more widely understood, members of the industry would act positively to put the industry on a sounder basis.

We of Sunsweet Growers proposed that he prepare a booklet discussing basic facts, and we offered to take care of the costs involved. He agreed to do this on the condition he would have a free hand in doing so. To this we agreed. In preparing this booklet, he has talked to us, to proprietary packers, to growers, and to other informed industry people. The opinions and conclusions given herein are his own, and we have not asked that he change them in any way. We hope that each reader will find them provocative, enlightening, helpful, and conducive to a better understanding of the industry and to useful discussion and action.

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# Introduction

*Not only has modern man inherited the physical characteristics of his distant ancestors, he has persisted in many of the thought patterns and emotional responses of his early progenitors. There was a time in man's past when the troubles afflicting persons, clans, and tribes were attributed to a wicked king or ruler, a monster, an evil witch or demon, or a temperamental or vengeful god. That tendency still persists when our plans go awry or our endeavors prove unprofitable. We are inclined to attribute the blame to greedy or ruthless persons or powerful cliques or factions that hope to profit from our misfortunes. On sober thought, however, we are obliged to admit to ourselves that the facts of life are not that simple.*

*What is said hereafter is not simple, either. To be fully understood, this presentation will have to be read with an open mind, thoughtfully, and with determination. Only then will it serve a useful purpose.*

The California prune industry is again in the midst of a crisis. This actually is not a wholly new experience. The industry has suffered through crises many times during the more than a century it has endured. Doubtless it will overcome this one and face other crises again in years to come.

The present crisis is somewhat similar to some others the industry has surmounted, but it is also unique in some ways. It is compounded of grower overreaction to an anticipation of continuing favorable economic conditions for prunes, the availability of good land for prune plantings and investment or speculative funds to finance them, and of expected market demands that have not materialized. It is largely man-made.

The symptoms have been developing for more than a decade, like the onset of coronary trouble in a patient who is overweight, smokes too much, eats too much, does not exercise enough, and avoids seeing his doctor as long as possible so he won't have to admit to himself what his trouble is.

To demonstrate that the prune industry has critical problems, one needs only to mention (1) that field prices for the 1969 prune crop were not established until August 1970, (2) there was a 37 percent set-aside of the 1970 crop, and (3) there will be a 40 percent set-aside of the 1971 crop.

It is pertinent to ask How can growers expect to make financial ends meet if they are able to market only 61.5 percent of two years' prune

production? Must the industry hope for below-normal crops in order to obtain returns growers consider to be acceptable? Why can't the industry increase its production of salable fruit and reduce its production of less salable fruit? Why don't consumers eat more prunes? Can consumers be induced to eat more prunes?

One can go on and on. Each prune grower has his own set of questions. Unfortunately many growers are not seeking answers. Their one main concern is expressed in the often-heard grower remark, "Money (namely grower returns) is the main consideration." Many growers, perhaps too many, earnestly believe that their major (or only) responsibility is to produce prunes and that the responsibility for selling prunes, of developing new uses and markets, and of securing for growers a return they can live with belongs to someone else. The easily demonstrable fact is that such attitudes have brought about the crisis afflicting the industry today.

To understand the nature of the crisis it is necessary to get a clear picture of what has been happening, and is happening, to production, pricing, prune quality and sizes, product promotion and marketing, and the industry's inability to achieve an effective consensus on constructive courses of action and on industry objectives.

To get at the roots of the industry's problems, one has to understand the composition of the industry and its disparate elements. There are many groups of growers with divergent viewpoints and ideas. The proprietary packers are, in some ways, quite similar to the big industry cooperative, Sunsweet Growers Inc., but in other ways quite dissimilar. And the bargaining association has its own unique purposes and practices. Whereas many in the industry look upon each successive season as separate and distinct from all others, the fact is that each seasonal marketing operation directly affects, for good or bad, subsequent seasonal marketing operations. A fact that is traditionally difficult to grasp is that no seasonal marketing operation is complete until that season's crop is moved into consumption.

The first and most vital step toward resolving the industry's crisis is a clear recognition by industry members of the facts that bear on the problem. When such an understanding has been achieved, industry members will readily see what needs to be done to return the industry to good economic health. And they will understand that though the necessary measures may be painful, the benefits will more than offset the pain. Just as an alcoholic must accept the facts of his addiction, prune industry members must see and understand what has brought

about their present predicament before they can move effectively to end their predicament. No outside agency is going to bail them out.

This discussion of the industry is intended to

help bring about a better understanding of the conditions that brought about the industry's plight. That surely is the first requirement to begin charting a better course hereafter.

## Prune Production

It is axiomatic that farmers expand or reduce the production of their principal crops in response to their expectations that the market will be good or bad. A good market, in this context, means that it will provide both a satisfactory price for the crop and a demand that will permit all or a preponderance of the crop to be sold. A bad market, in the same context, means one that offers an unsatisfactory price and a demand insufficient to dispose of the supplies available for marketing.

The record shows that prune growers respond much the same way to their expectations as do growers of annual crops, except that prune growers are obliged to be concerned with a longer time span. They act quickly to expand their production of prunes if their expectations are favorable, but less quickly to curtail production when their expectations are unfavorable. The reason for this delay, of course, is the relatively large investment required to bring a prune orchard into production. The grower wants to get his money back.

Although these economic principles are familiar to most knowledgeable prune growers, they are frequently disregarded, especially if they temporarily seem not to apply or if growers base their expectations mainly on hopes, desires, or needs rather than a careful assembling and evaluation of the facts.

It is a demonstrable fact that in the long run growers will not continue to produce prunes if they cannot recover their costs of production. It

### I. PRUNE ACREAGE

Year	Santa Clara, Napa, Sonoma	Remainder of State	Total
1959	66,680	41,342	108,022
1960	64,917	42,684	107,601
1961	64,255	45,634	109,889
1962	61,654	49,144	110,798
1963	60,798	50,967	111,765
1964	59,809	54,507	114,316
1965	56,985	60,686	116,071
1966	54,770	62,440	117,210
1967	52,150	64,860	117,010
1968	49,980	66,130	116,110
1969	43,620	70,640	114,260
1970	38,222	72,028	110,250
Decrease	28,458		
Increase		30,686	2,228

is axiomatic that price is the most effective regulator of the volume of production in a free market.

With these basic principles in mind, it is pertinent to examine what has happened to prune acreage since 1959. You will note in Table I that the data are given on total prune acreage for the combined Santa Clara and Napa-Sonoma Districts, for the remainder of the State, and the State total. This table shows that statewide acreage has increased only 2,228 acres from 1959 to 1970, inclusive, an increase of but 2 percent. It also shows that whereas the acreage in the low-yield Santa Clara and Sonoma Districts decreased by 28,458 acres, the acreage in the high-yield Sacramento and San Joaquin Districts increased by 30,686 acres. The steady shift in production to high-yield districts is further shown by the fact that of the 14,000 acres of non-bearing prunes in 1970, 13,162 acres were in the Sacramento and San Joaquin Districts.

Let us see what that increase in acreage, as well as shift in producing areas, has done to production. This is not so clear cut as is the growth in acreage because prune crops are affected by weather conditions during the growing season. Nonetheless, over a period of years the effect of both the increase of and shift in acre-

### II. PRUNE PRODUCTION

Crop Year	Tons	Tons
Average 1953-1957	161,300	
1958	95,600	
1959	137,900	
1960	139,000	
1961	138,600	
1962	147,500	
Average 1958-1962	131,720	
1963	133,000	
1964	179,800	
1965	167,320	
1966	131,757	
1967	164,158	
Average 1963-1967	155,207	
1968	151,377	
1969	129,269	
1970	192,511	
1971 Est.	185,000	

age becomes unmistakable. Table II shows this graphically.

In the five years, 1958-1962, inclusive, average annual prune production was 131,720 tons, with the largest crop in 1962 reaching 147,500 tons. In the next five years, 1963-1967 inclusive, average annual production was 155,207 tons, with the largest crop in 1964 rising to 179,800 tons. In the three years, 1968-1970, inclusive, we have had crops successively of 151,377 tons, 129,269 tons, and 192,511 tons. The 1971 crop is forecast at 185,000 tons.

It is now evident that with the present prune acreage and favorable growing seasons the state could produce prune crops of 200,000 tons.

### III. PRUNE FIELD PRICES

All varieties, sizes and qualities.

Crop Year	Per Ton	Per Ton
1953-1957 Average		\$222
1957	\$201	
1958	390	
1959	361	
1960	391	
1961	333	
1962	283	
1958-1962 Average		352
1963	305	
1964	230	
1965	240	
1966	325	
1967	276	
1963-1967 Average		275
1968	301	
1969	287*	
1970	216*	

\*Estimated for total delivered tonnage.

Why has this increase occurred? The causes are easy to find. Field prices for prunes were exceedingly favorable in 1958, 1959, 1960, and 1961. Highly productive soils were available for prune plantings, especially in the interior valleys. Because of the acreages already planted to cling peaches, almonds, and walnuts and the production outlook for these crops, they did not then appear especially attractive as an investment for the immediate future. Also, many growers crowded out of the Santa Clara Valley by urbanization were able to double or triple the size of their prune operations in the Sacramento Valley with the money obtained from the sale of their orchards.

The general subject of pricing will be dealt with in a subsequent chapter. At this point, in considering production we need to take a close look at the composition of the crops during this period. Unfortunately and to the injury of everyone growing and marketing prunes, the industry has had to deal with a large tonnage of prunes that should not have been harvested and dried. Every ton of the unsalable fruit harvested has reduced the returns for every ton of salable fruit.

The fruit we are talking about here is not of marketable sizes, qualities, and varieties. Its cost of harvesting, drying, and handling have to be met out of the returns for salable fruit. Every dollar spent on harvesting, drying, and handling this unsalable fruit is money out of pocket that cannot possibly be regained. It is simply good money thrown after bad.

The volume of such fruit being produced is startling. It is almost equal over the last decade to the proposed set-aside for the 1971 crop. Had growers let this fruit go unharvested in these 10 years and disposed of the salable exactly as it has, the industry would likely have no excess production in the 1971 season.

## Field Prices: What Grower Returns Reveal

Average prices per ton for prunes do not mean anything.

Occasionally you hear someone in the prune industry make this assertion and, if you have a curiosity about such matters, you wonder what information such an opinion is based on. This is especially true if you are accustomed to comparing your own returns with the statewide average field price per ton.

Mathematically, of course, it is very easy to strike an average of prune returns if you have the basic information such as that collected by the Federal-State Market News Service. If you are content simply to compare the average with your own returns, such a comparison really has

very little significance. If, however, you can relate grower returns per ton to the composition of the grower's deliveries, then unquestionably you have some exceedingly important information. And this information can be of great value in making your own management decisions.

Each different lot of prunes delivered by a grower yields a different return per ton. This results because the price per ton for each lot is determined by a complex price schedule applied to the grower's grade sheet, whether it is arrived at by door test or over-the-grader results.

The field price schedule came to the California industry a long time ago from France. It is designed to pay a premium for large-size

fruit and for more marketable qualities and to penalize small-size fruit and less marketable qualities. This customary practice simply reflects the willingness of consumers to pay more for large prunes and those having better quality.

Up to this point this discussion is quite elementary. From this point on it will deal with what the grade sheet and price-per-ton reveal to a grower about his own farming operation. These two vital bits of information can show him what he needs to do to maximize his per-ton returns. They can reveal to the grower wherein he needs to sharpen his management skills to get the largest possible returns for his crop.

No grower has an unlimited field of operation. Only over a period of years can a grower modify the character of his orchard to his advantage. He can modify weather only slightly if at all. Irrigation and frost protection are the two most familiar areas of weather modification. But in the management of his crop, he does have a great leeway. Very often the effectiveness of a grower's management shows up graphically on his grade sheets and in his returns per ton.

Grade sheets show that growers differ greatly in the manner in which they handle their crops. These differences show up clearly in the per-ton returns they receive. So let us look at some actual grade sheets of the total deliveries made to handlers by 42 different growers in the principal prune-producing districts of the State. These 42 growers delivered 5,418 tons of 1970 crop French prunes, their deliveries ranging from six tons to 574 tons. Their returns ranged from \$146.11 a ton to \$315.32 a ton. The following table segregates these growers even farther:

- 15 growers received over \$275 a ton
- 3 growers received from \$250 to \$275 a ton
- 4 growers received from \$225 to \$250 a ton
- 9 growers received from \$200 to \$225 a ton
- 11 growers received less than \$200 a ton
- 3 growers received less than \$175 a ton

Everyone of these 42 deliveries was checked to determine the percent of undersize fruit, based on Prune Administrative Committee regulations; the door test, excluding undersize fruit; and the percent of defective fruit over tolerance. The following six examples are given to show the variations in these categories of large lots, medium-size lots, and low-value deliveries:

#### Two Large Deliveries

Tons	Undersize Percent	Door Test Excluding Undersize	Over-Tolerance Percent	Average Return Per Ton
574	1.5-28.1	78-109	0 -31.8	\$212.89
309	0.1-2.6	62-74	0 -5.2	285.19

#### Two Medium-size Deliveries

139	7.9-47.2	84-116	0 -5.7	203.81
53	0.2-1.2	50-60	6.0-12.8	315.32

#### Two Lowest-value Deliveries

19	14.0-21.0	103-108	6.1-14.4	146.11
90	3.6-16.0	92-102	18.2-32.2	170.00

You cannot determine from the examples given here or from the 42 grade sheets which deliveries were grown in low-yield or high-yield areas. Deliveries from both low-yield and high-yield areas had low and excessively high proportions of undersize fruit, fruit of large average size and small average size, and low and high percentages of over-tolerance defects. So it is clear that good fruit and poor fruit can be produced in all districts. These data lead to the conclusion, after excluding orchards that obviously should not be in production, that grower management practices determine to a great extent whether a particular delivery will bring relatively low returns or high returns per ton.

Describing what good management practices are is not the province of this discussion, although pointing out the financial results of such practices is pertinent and appropriate.

What is especially relevant at this point is the fact that low-value and valueless deliveries place an intolerable burden on the industry and they significantly reduce the returns received by all growers, including those with the largest per-ton returns. The low-value fruit does not return even the out-of-pocket costs of production to growers.

So it becomes obvious that for the economic welfare of the industry and of all prune growers, every grower, but particularly those receiving low per-ton returns, must make an all-out effort to produce as little as possible of undersize fruit and to avoid harvesting undersize and defective fruit, thus saving the costs of harvesting, hauling, and drying and also relieving the industry of the necessity of handling and disposing of such fruit.

What are the practicalities involved? These are best determined by each grower, who should seek out the best counsel available. The required measures may not be easy to find or apply. The point is that the 42 grade sheets show that some growers are succeeding in maximizing their per-ton returns. Meanwhile other growers are getting into serious economic trouble by not doing so.

Every California grower who delivered prunes last year has in his hands—his grade sheets—the means of finding out the areas where he should exert the greatest effort to increase the value of future deliveries.

The sharp variations in returns per ton suggest the advisability of examining another aspect of producer economics—the potential profitability of each grower's prune production enterprise. To do this, we need to look at particular grower operations. Since space limitations do not permit a general sampling, we have selected just four examples that will illustrate the value of this kind of inquiry.

Grower A: 23 acres of bearing French, 1970 production—38.5 tons dry, yield per acre—1.67 tons dry, salable weight—48,548 pounds, estimated gross value per salable ton—\$218.

and estimated gross returns per acre—\$231.  
Grower B: 85 bearing acres of French, 1970 production—152 tons dry, yield per acre—1.79 tons dry, salable weight—191,417 pounds, estimated gross value per salable ton—\$192, and estimated gross returns per acre—\$217.

Grower C: 147 acres of bearing French, 1970 production—482 tons dry, yield per acre—3.28 tons dry, salable weight—607,144 pounds, estimated gross value per salable ton—\$301, and estimated gross returns per acre—\$623.

Grower D: 20 acres of bearing French, 1970 production—58 tons dry, yield per acre—2.90 tons dry, salable weight—73,162 pounds, estimated gross value per salable ton—\$295, and estimated gross return per acre—\$540.

Now let us examine the cost of producing these crops. Agricultural Extension Service representative cost studies in the districts in which Growers A and B operate show cultural costs per acre of \$170 and harvesting costs per acre, at a yield of two tons per acre, of \$200. The small operator doing his own work puts in an estimated 45 hours per acre, which would reduce his out-of-pocket cost by \$90, to leave a total out-of-pocket cash cost of \$280. This does not take account of the cost of interest or depreciation or the value of his management services, neither does it take account of taxes, which run about \$300 an acre in these districts.

In the case of Grower A, he had in 1970 a gross return per acre of \$231 and an estimated out-of-pocket cost of \$280, plus the value of his work contribution, interest, depreciation, and taxes.

In the case of Grower B, he had in 1970 an estimated gross return of \$217 per acre and an estimated out-of-pocket cost of \$280, plus the

value of his work contribution, interest, depreciation, and taxes.

In the districts in which Growers C and D operate, the Extension Service cost studies show pre-harvest costs, including \$30 per acre in taxes, of \$253 per acre and harvest costs of \$424 at a yield of three dry tons per acre, a total of \$677 per acre.

To the extent that the operator does some of his own work and forgoes charging interest on his investment and depreciation on his orchard and equipment, he can reduce his out-of-pocket cash costs by an estimated \$120 to \$150 an acre. Thus Grower C's returns of \$623 an acre more than met his costs estimated at \$527.

Grower D, however, with a return of \$540 an acre had practically nothing to show for his work and management with an out-of-pocket cash cost of \$527 an acre.

It must be pointed out that the production and returns data of these four sample operations are true and accurate figures. The cost data are estimates considered to be fairly representative. These simplified summaries clearly illustrate the likelihood that few growers will make a profit on their 1970 prune crops. These summaries do more than that, however, they prompt the question as to how much effort the industry should put forth to continue in production those growers whose yields are so low and whose values per ton are so low they would barely break even if field prices were 50 percent or more higher.

If the industry is to take steps to reduce total production so as to be more nearly in line with market requirements, it appears logical that some inducement will have to be provided to encourage the speedy removal of the low-yield orchards producing low-value crops. That is, of course, if the low returns of 1969 and 1970 do not do so.

## Marketing Prunes

The marketing of prunes — the process by which prunes move from the grower to the ultimate consumer — is a matter that growers should know about. For it is in this process that the returns to growers for their crops are determined. This determination may not always be made season by season, but it is made in subsequent seasons if a misjudgment is made in any one season. Whether a seasonal price is too high or too low, based on the idea that the right price is the highest price that will bring about the disposal of the season's supply, will inevitably become evident in either the current season or a subsequent season. This is why it is essential for growers to know what happens

each season and to fully understand the significance of what does happen.

In late 1970, a marketing research agency reported to the prune industry that seasonal increases in the prices of consumer packs resulted in a loss in sales so that the dollar volume was less than in an earlier similar period when prices were lower. Hence, it was surprising that a leading grower spokesman should assert at the same time that "The argument that consumers will refuse to pay any higher price is just not borne out by the record." What record, he did not specify, but surely not the record he had in hand from the marketing research agency. The agency's

statement clearly stated that consumers bought a greater dollar volume of prunes in retail stores at lower prices earlier than they bought in the latter part of the 1970 season at higher retail prices. Information of this nature may be distasteful, but unquestionably it is of vital importance and should be understood by growers. It vividly shows the need for grower understanding of the marketing process.

What is the process? Very simply it encompasses the acquisition of prunes by handlers, the sale of processed prunes by handlers through brokers or directly to domestic food manufacturers and retailers and the subsequent sale of them to consumers. It includes as well the sale of prunes to export buyers, who market the prunes similarly to overseas distributors, who in turn sell to consumers.

Now a key element in this entire process is that at each successive step, the buyer must make an estimate, based on experience, of what volume of prunes he judges can be sold that season at various price levels. So he must take account of the seasonal supply and of likely consumer response to various price levels. Obviously, he has not the slightest interest in what grower's production costs may be, for this information has no bearing on what consumer response will be. What grower wastes a moment wondering what it costs suppliers to produce what he buys? Grower production costs are of significance only as, over the long run, they affect the volume of production. If growers lose money growing prunes they are certain to curtail production.

At every step in the marketing process you are faced with the simple and incontrovertible fact that consumers do not have to buy prunes. Consumers do buy prunes because they like them, feel they need them, consider them to be priced right, or in response to special displays, packs, or promotions that induce particular consumers to try prunes. The late and able Charles W. Griffin, Sr., one of the founders of the Del Monte Corporation, used to tell his associates, "The capacity of the American people to do without our product is practically unlimited."

The handler or packer is the first link in the marketing chain, after the grower. The packer is the first entity that has to guess at the price that the trade and consumers will pay for prunes and back his guess with his money. On the basis of that carefully calculated guess, usually based on broad experience, the packer borrows from bankers the money to buy his seasonal supply. The packer has to demonstrate to the banker the soundness of his marketing judgment as well as to prove the effectiveness of his management.

Persons who lack familiarity with the marketing process often assert that increases in the markup of prunes, from the packer to the consumer, simply represent mostly increased

profits that the grower should be getting. This is nonsense. These different agencies have had to accept sharp increases in costs.

California dried fruit packers report that wage increases negotiated by packinghouse workers in recent years have been significantly greater than increases in productivity. Hence, labor costs per unit of product marketed actually have increased at an even greater rate than the rate of wage increases. In addition, the cost to packers of packing materials, other supplies, transportation, interest on borrowed money, and taxes have risen. In meeting these higher costs, packers have had to accept lower margins in order to sell prunes. Shrinking profits and often unreasonable grower demands may well bring about unwelcome changes in the packer segment of the industry.

Brokers serve in a different way. Since they are primarily sales agents in their particular markets, and they are paid only a small commission on their sales, their only interest in pricing is to the extent that prices facilitate or deter sales.

Direct buyers, such as the purchasing officers of large retail food chains, are exceedingly price conscious. Their computers tell them precisely how consumers react to prices, displays, promotions, and advertising. Further, few large retailing chains buy all their supplies from one packer. A chain may feature Large prunes in one-pound cartons from one packer and Medium prunes in a visipack from another packer. When that occurs, there must be the customary price relationship between these two items from different sources. And, as an aside, if the first packer is short of one-pound Large cartons, the retailer might possibly refuse to buy any other item in that packer's line.

Purchasing officers are not interested in prices as such. They are greatly interested in how particular prices affect sales. Hence, packers are acutely alert to warnings by purchasing officers that prices are too high. Similarly, when large-volume buyers step up their purchases of prunes, packers may see in this action a clue to the possibility that prices might be advanced without curtailing trade or consumer purchases.

Converters of prunes such as juice manufacturers must be similarly alert to consumer response to prices. They must also take account of the prices of competitive products such as, in the case of the juice manufacturer, orange, grapefruit, pineapple, and other juices.

Often the same persons who imagine that packers are profiting greatly from their prune processing and marketing operations assert that food distributors are gouging the grower. This, too, is nonsense. The distributing agencies have had to accept increases in the cost of labor, transportation, interest on borrowed money, pilferage, materials, supplies, and retail market rentals. Further, and this is sig-

nificant, there is sharp competition between agencies in the food distribution chain, all the way to the retailer. Many big food chains have become discount houses, which means that they hold their markups to the lowest possible point. Marketing agencies that seek to make unwarranted profits simply drive their customers to competitors who manage to keep prices down.

Every prune grower ought to realize why his wife shops for groceries the way she does. Convenience may be important to her, as well as cleanliness, but the chances are that prices exert a preponderant influence on the choices she makes. Very few persons today can afford to disregard the prices of the food they buy.

Export marketing is a separate operation in itself. Export buyers customarily buy in large volume early in the new-crop season to take care of the heavy late fall and early winter demand. Export prices usually are about a third lower than domestic prices. Despite their less favorable prices, these markets are advantageous to the industry because they absorb substantial tonnages that otherwise might have to be sold in the domestic market. Such additional tonnages would certainly depress domestic prices. It is vitally important to export sales that seasonal prices be set early to facilitate

early, active selling. The delay in establishing field prices in the 1969 season cost the industry a loss in sales from which it has not yet recovered. Currently the industry is suffering from the disruption of its export business by the dock workers strike. Hundreds of tons of prunes hauled to the docks in response to firm sales are not only not moving to overseas markets but may be deteriorating in quality because of unsatisfactory storage. Such delays inevitably result in sales losses as well as losses in the value of the stored fruit.

Various agencies employ advertising and promotions to induce large sales. Some packers mainly advertise their own brands. Others make allowances for private-label buyers to promote their brands and permit slightly lower retail prices. Under the California Prune Advisory Board, the industry advertises and promotes prunes as a tasty, nutritious fruit food with special health values. All of these measures are used to persuade consumers to buy prunes.

This simple description of prune marketing is necessarily brief, but it does make clear the reasons that producers must know and understand market organization, functions, and operations as they directly affect prune pricing and movement.

## The Complexity of the Prune Market

Although growers deliver simply prunes to packers, in packer hands the product is transformed into an increasingly complex offering of distinctive items. This complexity is suggested, of course, by grade sheets. But even far greater is the complexity reflected by packer price sheet listings or postings.

A major prune packer currently lists 87 different prune pack items on its price sheets. These items differ from each other in the style of pack, such as cartons, visible packs, or bulk packs; in qualities of fruit; and in fruit sizes or counts. Packs for the domestic market include 44 items and for the export trade 43 items. To illustrate: domestic carton packs, in both one-pound and two-pound cartons, include Extra Large, Large, Medium, and Breakfast prunes in each carton size. Domestic visible packs include 12-ounce, one-pound, one-and-a-half pound, and two-pound bags of Extra Large, Large, Medium, and Breakfast, plus 12-ounce and one-pound bags of Jumbo. Pitted prunes are offered in 12-ounce carton, 12-ounce visipak, and one-and-a-half pound visipak.

Domestic bulk packs in 25-pound and 30-

pound cases are offered in Three District quality in sizes 15/20, 15/22, 18/24, 20/30, 30/40, 40/50, 50/60, and 60/70. Outside quality is offered in sizes 20/30, 30/40, 40/50, 50/60, and 60/70. Pitted prunes also are supplied in bulk packs.

The practice of grading prunes into a variety of quality and size categories came to the California industry very early in its history from France. Its further elaboration has been continued to enable the trade to select from a great variety of packs and prices.

There is, however, much evidence to show that this great variety of packs often works to the industry's disadvantage. An example of such a disadvantage is that the composition of the supply varies from year to year. The fact that a particular size and quality of fruit may be abundant one season and less abundant the next may simply deter a food distributor, who favors that size and quality of pack, from stocking prunes at all. Or the distributor may eliminate that item from its offerings. Thus for example, a food chain that promotes Breakfast prunes one year, when they are in ample supply from a large crop, isn't happy the next

year when Breakfast prunes are scarce and the price jumps from \$4.75 for a case of 24 one-pound cartons to \$7.20. The first year's bargain may not be a bargain the next year.

Another example is of the food chain that regularly stocks only two prune items, one-pound Extra Large cartons from one packer and one-pound Medium in visible pack from another packer. If either packer runs out of the supply of the preferred item, it and the industry lose the sale of that item through that chain. Chain buyers point out that retail chains stock approximately 10,000 items and that switching from one supplier to another or from one item to another only further complicates

an already complex purchasing, warehousing, and store stocking operation.

Contrast such a situation with that of the raisin industry. Its stock of Standard Thompson seedless raisins consists of only midget and regular sizes. Consumer packs and most bulk packs are of regular size and Standard quality, all from the same supply. The midgets customarily go into bulk packs for the bakery trade.

How to simplify the prune industry's numerous offerings may be a difficult problem to solve, but simplification of the prune product line appears to offer substantial advantages in these times. To be effective, simplification will require unified industry action.

## Small Crop Versus Large Crop

One aspect of the prune industry's marketing experience that always seems to puzzle growers is the noticeably different way in which the market responds to a short crop than to a large crop. Some astute observers view the reaction as overreaction.

Both packers and the trade appear eager in a short-crop season to bid actively for supplies. So prices rise sharply, to the delight of growers. Their only disappointment is that supplies are not larger. But when production rises sharply, both packers and the trade buy diffidently, revealing their uncertainty as to how low prices might go. This uncertainty arises from the knowledge that in some previous large-crop seasons, packers have not bought all available grower lots at prevailing prices. When the pressure becomes great enough the unfortunate growers still seeking buyers often have sold at almost any price to recover at least part of their costs of production. The trade, also, understandably becomes uncertain as to the prices that must prevail if consumers are to be persuaded to buy most of the overlarge supply. Such uncertainty causes market instability and instability always depresses sales.

Hence, it is evident that most of the dynamic economic forces tend to press prices downward when supplies are overlarge, quite in contrast to what happens when the crop is short.

It is to relieve the downward pressures on price of an overlarge supply that the industry has used controls over the volume of a crop that can be marketed without restriction, other than minimum quality standards. This season's reserve pool was established to prevent the season's oversupply, this year's crop and the very large carryin, from forcing prices to rock bottom.

Much as we might wish otherwise, the braking effect on declining prices or, to put it another way, the strengthening effect on low prices is rarely fully effective. This limited effect is one that growers find difficult to understand. On the other hand, who racks his brain to figure out precisely why fortune smiles so sweetly when the crop is short?

Actually the reasons for softness in prune prices when a reserve pool is in operation are easier to find than to justify. These reasons are not conclusions based on careful analyses and soundly-backed estimates, they are grounded in uncertainty and fear. The segments of the trade that make large purchases find it difficult to accept the idea that the prune industry, if it manages to establish a credible supply-price relationship for its free tonnage, will not somehow permit a part of its reserve tonnage to get into the market. Of course, everyone knows that if prune movement during the marketing seasons exceeds expectations, reserve tonnage will be used to augment the free tonnage. But when that is done, the industry's purpose is not to weaken prices. That is an important reason for maintaining reserve tonnage—to take care of any unexpected demand. An investor in prunes, however, wants to be absolutely certain that nothing can happen to lower the value of what he has bought and he sees the reserve tonnage in growers' hands—in his opinion—setting in the warehouse ready to be marketed when it is to the growers' advantage to do so.

So psychological considerations loom large in influencing price when prune supplies are overlarge.

Very large crops burden the industry in other ways. More money and effort are required to stimulate consumer purchases of prunes.

The costs of harvesting, dehydrating, and receiving usually tax labor, handling, and warehousing facilities so that efficiency drops and unit costs rise.

Another aspect of the large-crop problem is the quick, alarmed reaction of the trade when an official forecast is for crops as large as 185,000 to 200,000 tons. Members of the trade do not readily realize that a forecast of 200,000 tons production does not necessarily mean a 200,000-ton supply. Usually crops of that size have an unusually large proportion of small sizes as well as fruit with low soluble solids content. The actual production of the most desirable sizes and quality may not be excessive at all. If this fact is not quickly demonstrated to the trade, it reacts as if, in fact, the industry has a new crop of 200,000 tons to dispose of.

Such a situation makes evident the need of the industry to take early steps toward getting the facts as widely disseminated as possible, toward getting rid of the unsalable and least salable fruit, and to make known to the trade the expected supply of marketable fruit.

During the many years this observer has been close to the industry, he has heard its most able leaders suggest measures growers could employ to prevent the industry from being overwhelmed by overlarge supplies. One of these is the elimination of least marketable qualities and sizes of prunes at the earliest possible stage in the growing-drying-packing process. Green dropping disposes of undesirable fruit at the point at which out-of-pocket costs are the lowest. Blocks of trees that regu-

larly produce small crops of undersize, low soluble-solids-content fruit may likely fail to return the cost of production. Simple cost estimates and fruit evaluation could provide the basis for determining what is best to do with such trees and such fruit.

When investigations are completed of the dried fruit yield of green fruit sizes close to the undersize screening point, taking account of screen size and soluble solids content, it may well be found advisable to discard such fruit ahead of dehydration and thus save dehydration costs. It is possible that eventually the elimination may be made in the orchard and thus save binning and transportation costs as well.

When heterogeneous lots are dried and delivered to the packinghouse, there must be added to the harvesting and dehydration costs the additional costs of sorting, warehousing, and disposal of unsalable fruit. These costs cut into the returns growers receive for their salable fruit. A major packer estimates that deliveries of such fruit by growers last year (1970) cost packers about \$2 million. The \$2 million reduced returns to growers for salable fruit by that amount. And further, this \$2 million does not include growers' costs of harvesting, dehydration, and trucking of unsalable fruit.

All evidence points to the necessity, in overlarge prune supply situations, for the industry to get rid of as much of its reserve tonnage as possible as early as possible, retaining in the reserve only the most marketable qualities and sizes of fruit.

## Who Eats Prunes?

What kinds of persons are the regular consumers of prunes?

Although no one to our knowledge has polled a large number of buyers of prunes in retail stores to get a reasonably accurate picture of who prune buyers are, we do have credible opinions from retailers who believe they know who their prune customers are and are not. Retailers roughly group prune buyers into four categories:

1. Those from particular ethnic groups, as for example Jewish people, who customarily include dried fruits in their diets, either regularly or on holidays,

2. Those persons, mostly in the northern and northeastern states and Canada whose physical activity is curtailed by severe winter weather and who regularly consume prunes or prune juice for their mild laxative quality. Also other persons whose doctors have advised the

regular use of prunes.

3. Other persons who continue to follow customary diet patterns in which prunes have been included for several generations.

4. Finally, there are those irregular consumers who, from time to time, are persuaded to buy prunes by advertising, special displays, food page or magazine articles and recipes, or by special price offers.

For a long time, those managing prune sales have held the opinion that the first three categories constitute the so-called hard core of prune consumers. They regularly buy about 100,000 tons year in and year out, whether prices are high or low. Members of their households consume above-average quantities of prunes just as other families consume above-average quantities of bread, meat, or potatoes. For these above-average consumers, the prune industry should be very grateful.

The fourth group includes the infrequent consumers whom the industry would like to induce to become more frequent buyers. These are prospective customers at whom a great part of prune advertising, sales promotion, and

special displays are directed. These are the ones for whom recipes are developed also information about the nutritive and health values of prunes as well as information about the convenience of pitted and ready-to-serve prunes.

## Marketing Order Programs

Although the California prune industry has operated under a Federal marketing order program for 22 years and under a State marketing order program for 19 years, many persons in the industry still do not know the basic purposes and limitations of these programs.

An amazing example of the complete lack of understanding of marketing order purposes and limitations by some growers is found in an attack by several growers of the management of the Prune Administrative Committee recently. A newspaper quoted a grower as saying that "they (the management of PAC) had better start providing growers with a profit 'or else'." Similarly, a spokesman for a grower group was quoted at a public meeting "that he felt that PAC had done a lousy job of management for the growers." He was also quoted as saying about PAC officials, "If you growers hired someone to manage your farms, you'd tell him to make a profit or else."

Actually, there is no way that PAC management can guarantee a profit to prune growers.

What such persons do not understand is that producers are not (and cannot be) regulated under a Federal marketing order program, but only handlers. Whatever related activities producers engage in is wholly on a voluntary basis.

Here are other limitations that apply to a Federal marketing order program:

1. Neither retailers nor producers can be regulated.
2. No action can be taken that has for its purpose the maintenance of prices above parity.
3. It cannot establish a contractual relationship between a producer and a handler.
4. It cannot conduct sales promotion and advertising.
5. It cannot limit production.
6. It cannot serve as a cure-all for overproduction.

Here, in contrast, is what can be done with a Federal marketing order program:

1. It can regulate handlers.

2. It can regulate product quality by means of grade and size controls, with mandatory inspection of all shipments.

3. It can regulate the quantity of product to be marketed.

4. It can establish Reserve pools.

5. It can establish surplus controls.

6. It can levy assessments on handlers.

7. It can conduct marketing research.

8. It can develop production and marketing information, including statistical reports.

9. The order can be suspended by the Secretary of Agriculture.

10. The order can be terminated at any time by the Secretary of Agriculture, and the Secretary is required to terminate the order whenever a majority of the growers who produce at least one-half of the production so request.

The authorizations and limitations of State marketing orders are somewhat different. The main limitation is that a State marketing order cannot preempt any regulative activity covered by a Federal marketing order. The principal authorizations follow:

1. It can regulate both producers and handlers.

2. It can regulate product quality by means of grade and size regulations with mandatory inspection.

3. It can regulate the quantity of a product marketed.

4. It can establish surplus, stabilization or diversion, or substandard pools.

5. It can conduct advertising and trade promotion programs.

6. It can conduct research in production, processing, and marketing.

7. It can levy assessments on producers and handlers.

8. Such an order can be suspended or terminated by the State Director of Agriculture. (The prune order requires that a referendum be held among producers every five years. If a majority voting favor termination, the Director must hold a public hearing on the issue of the termination of the order.)

## Prune Bargaining Association

*Many years ago, this writer asked his long-time friend E. N. "Cy" Thayer, then sales manager of Sunsweet Growers Inc., why he had never acquired a prune orchard.*

*"Because," Thayer explained, "I know that every time I have to sell prunes, I would unquestionably find myself thinking about what it cost me to grow prunes. If you have to market a prune crop, you have to sell when buyers are ready and willing to buy, expecting over the course of the season that selling prices will average out high enough to yield growers a reasonably fair return."*

A new element has been injected into the prune field-price setting operation in the last three marketing seasons. It is the Prune Bargaining Association.

Before attempting to appraise its activities and strategies, it is necessary to accept without reservation the right of its members to organize together for their economic advantage and to pursue their economic objectives. There is no question that producers of any crop have the right to join together to seek a higher price for what they have to sell.

What is open to careful scrutiny, however, are the policies adopted and the tactics used in pursuit of the objectives. What can fairly be judged is the effectiveness of the tactics used and the consequence of their use. It is fair to conclude that if the bargaining association's efforts result in benefit to its members and to the industry, then these efforts must be assumed to be constructive. If the opposite is true, then the efforts must be assumed to be less than constructive. Of course one may conclude that three years of operation are too short a period to permit a fair appraisal.

So let us look at the record. The bargaining association actively tried to establish field prices in 1968, 1969, and 1970. In no instance did it succeed in securing packer acceptance of its offering prices. This is true of the 1968 and 1969 seasons when, after packer rejection of the association price offers, it resorted to arbitration. Packers readily accepted the arbitration panel's decision on price in 1968, but 1969 was a wholly different matter.

Although the arbitration panel in 1969 sustained the association contention that its price was "fair," which obviously does not mean that it was economically warranted or wise, packers generally refused to pay the arbitrated prices to all their growers. A major packer paid the arbitrated price, but did not accept fruit from all of its regular suppliers. Some growers eventually agreed to accept less than the arbitrated price. In the packer judgment, the crop could

not have been marketed at price levels required to pay growers the arbitrated price.

The industry went into the 1969 crop season with a carryin of 60,344 processed tons. Production proved to be 129,511 tons. Demand was estimated at 145,000 tons. The field pricing season began with the bargaining association making a first offer to packers for its pool of about 25,000 tons of 4 cents a pound over 1968 prices. Packer rejection of the offer resulted in a resort to arbitration and the arbitrated prices were 3 3/8 cents over 1968 field prices. Most packers simply refused to pay the arbitrated prices. The bargaining association did not reach an understanding with packers until August 1970 and that settlement covered both the 1969 and 1970 crops. The price agreed to for the 1969 crop was 2 1/4 cents above 1968-crop prices, and that for the 1970 crop was 2 cents over 1968-crop prices. Even this latter settlement was not fully sustained, because some growers had not yet received final returns for their 1970 crops by the end of the 1970-crop season.

To better understand the effect of these prolonged price negotiations on the 1969 prune marketing season, let us look back on what happened in 1967 and 1968. In 1967, Sunsweet Growers, largest factor in the industry, first announced its opening prices to the trade for consumer packs on August 7 and followed on September 22 with opening prices on bulk packs. Proprietary packers came out with their opening prices immediately thereafter. In 1968, Sunsweet delayed until September 9 in announcing opening prices on both consumer and bulk packs because field prices had not yet been established. The bargaining association's price offer to packers was rejected and the association called for price arbitration. Packers accepted the arbitrated price. In 1969 again because of packer rejection of the bargaining association price offer, and taking account of the higher prices that seemed certain to prevail, Sunsweet adopted a wholly new opening price procedure. It announced higher prices on both consumer and bulk packs on August 5, but with the new prices to become effective September 2. Hence, it took the risk of entering the market without knowing what prunes would be worth. Later, when the price arbitration resulted in approval of a schedule 3 3/8 cents over 1968 prices, Sunsweet increased its prices, effective December 30.

Proprietary packers, however, hesitated to commence active selling, particularly in export, until they knew what the new crop was going to cost them. Hence, they sacrificed a substantial amount of their customary early

# Facts Versus Fantasies

season export sales.

Sunsweet's early entry into the export market swiftly brought the accusation from the bargaining association that Sunsweet was undercutting its field price negotiations. Bargaining association leaders seemed wholly unfamiliar with customary export marketing practices that have prevailed for many years. The industry's practice has been to open export prices early to test the trade's response to the new crop. These prices customarily are below the average expected for the season. Packers customarily advance their prices as selling proceeds and thus achieve the higher seasonal average price they anticipate. Because of the larger supply available in 1969, Sunsweet had planned to reduce export prices dramatically at the start of the season, stimulate active buying, and then advance prices. But because of the prolonged bargaining association field price negotiations, as well as because of the possibility that growers would not understand the reasons for reduced export prices, Sunsweet delayed announcing its opening prices for 10 days. Sunsweet management decided, when packers rejected the bargaining association offer, that it should delay no longer in issuing opening prices in order to take whatever business could be developed.

The fact seemingly lost sight of by growers is that overseas buyers customarily buy early in the new crop season to secure shipments that can be marketed early in the winter holiday season. That is when foreign customers most desire prunes. The loss of customary early sales means loss of consumption that cannot later be recouped. It is axiomatic that consumers who don't buy a pound of prunes this week will not buy two pounds next week.

Fred Onstott, chairman of the PAC and CPAB, in his talk on Prune Day spoke of the

## DISPOSITION OF PRUNES AFTER DIVERSION Processed Tons

Year Crop	Domestic, Inc. Canada	Export	Carryover
1958	96,100	24,100	6,487
1959	109,516	31,947	9,305
1960	104,837	31,481	18,068
1961	104,993	36,872	20,262
1962	110,625	37,034	27,990
1963	112,768	34,750	21,385
1964	126,310	42,329	36,713
1965	122,763	53,208	34,414
1966	100,774	35,170	35,974
1967	109,054	36,695	60,112
1968	122,290	34,327	60,344
1969	133,744	33,969	43,809
1970	118,126*	33,500*	63,912*

\*Estimated.

effects of the delay in field pricing. He said, "Another knotty problem was the lack of field prices until late December. Those prices, established by arbitration were never firmed up, and a compromise was not reached before the crop year was over. To what extent these problems affected the marketing of the 1969 supply, I cannot say. I know only that the movement in 1969 was off nearly 19,000 tons from 1968. As a result, handlers were unwilling to purchase the uncommitted tonnage in the 1969 reserve pool liquidation as they had in the 1968 liquidation, and 11,000 tons of the 1969 reserve had to be disposed of for animal feed at a very low price."

The unfortunate developments of the 1969 crop marketing season proved once again the wise judgment of the late T. O. Kluge, former executive vice-president of Sunsweet, that "you can easily make a long crop out of a short crop." The shadow of the 129,269-ton 1969 crop still darkens the prospects for a successful 1971 crop marketing season.

Whether the bargaining association was wise in its judgment as to what the price of the 1969 crop should be is fairly open to question. Certainly all important prune handlers—those experienced in marketing the pack—considered these prices to be so high, if accepted, as to make it impossible for the 1969 salable supply to be marketed. Had the packers disposed of less than the 167,713 tons they marketed in the 1969 season, the industry would have entered the 1970 season with an even larger carryin than the 43,809 tons it had. That would have meant an even more drastic pooling program in 1970 and very likely in this season also.

While the right of the bargaining association to do what it did cannot be questioned, its judgment surely can be. Unfortunately in reaching their decision on asking prices, the leaders of the association evidently considered only one element in price determination—the price their limited membership wanted for prunes. It appeared that no consideration was given at all to the detrimental effect such a price might have on the marketing of the crop, or even the possibility that packers might simply have declined to acquire more than a token amount of the crop at such a price. Neither did they consider the real likelihood that a disastrous marketing season might persuade or force some packers to curtail or discontinue their operations.

Raw product pricing that takes no account of the economic realities of the marketplace is simply economic self-destruction. Growers have the right to opt for insolvency if they want to, but this is no way to solve difficult economic problems.

Since the prune industry and its operations are complex matters, it is understandable that not all growers have accurate knowledge of either industry operations or industry facts. To get the facts and grasp their significance takes initiative, effort, and an understanding of what is relevant and significant. Too few growers make an effort to learn the facts and, regrettably, some who skim the surface jump to conclusions that obviously are ridiculous.

Take for example statements made recently by a grower who publicly demanded to know what had become of \$35 million he said growers are entitled to but have not received. The supportive information he offered indicated he was talking about the 1970-crop season.

Let us, therefore, look carefully at the widely publicized tale straight from fantasyland.

The A. C. Nielsen Company regularly conducts market research for the California Prune Advisory Board (CPAB). Periodically it supplies CPAB with a confidential report covering general market conditions, with special emphasis on food stores and current developments in the retail marketing of prunes and prune juice. The grower in question got hold of such a Nielsen report and noted in it that the average retail price of prunes was then reported as 48 cents a pound, whereas in 1958-59 the price was 39 cents. This is a difference of 9 cents a pound or \$180 a ton. He estimated also that in 1958-59-60 growers received an average of \$394 a ton for prunes, whereas he estimated returns for the 1970 crop at \$324, a difference of \$70. The actual average returns for the earlier three years was \$381 a ton and the estimated average returns per ton for the entire 1970 crop are about \$216. Apparently he combined the \$180 and \$70 figures to make \$250 a ton and multiplied it by 140,000 tons to arrive at \$35 million.

This grower evidently does not know that the industry has never sold 140,000 tons in the domestic market in consumer packs or for prune juice, so that is as fictitious a figure as is the \$250. Prune exports are usually priced about one-third less than domestic prices for bulk packs, so obviously they were not taken account of.

Actually, the 9-cent differential he cited has been largely absorbed by the increased costs paid by distributors for labor, transportation, interest on borrowed money, pilferage, materials, supplies, and retail market rentals.

After hearing such a statement and taking account of the relevant facts, one is bound to ask what possible purpose could be served by publicizing such wholly groundless assertions. This incident, it seems to this writer, is charac-

teristic of a great deal of similarly groundless, often mindless, gossip, accusations, and charges that circulate among growers. They may be of innocent origin, but often they seem intended to create disunity, distrust, disaffection, and disarray in the industry. In sharp contrast, what the industry greatly needs is a reconciliation of philosophies, a de-emphasis of purely personal interests, and a muffling of the constant din of the strident, dissident minority. If the prune industry is ever to provide a satisfactory living for a considerable number of growers, it must achieve an effective consensus by persons of good will in the industry, persons who will familiarize themselves with industry facts and who are determined to act constructively on the basis of those facts.

The longer the industry delays in coming to grips with its critical problems of overproduction, overplanting, complex and costly surplus elimination procedures, and product promotion, the greater is the likelihood the prune industry will fall under the control of conglomerates. Such conglomerates can plant like mad if it suits their tax purposes, buy bankrupt orchards at bargain prices, and write off losses with ease in unfavorable seasons.

It is fairly simple to put one's finger on one source of the problem. It is connected directly to the inherently speculative nature of prune growing. Contributing to the problem are several variabilities, including the variations in the rate of production from area to area, the often sharp variation in crops from year to year, the high prices that prevail in low-supply seasons, the disproportionately low prices that prevail in large-supply seasons, the tendency of growers and speculators to plant prunes heavily after several low-supply, high-price seasons, and the reluctance of growers to eliminate orchards when overproduction impends or exists.

Hence the key problem is how to keep production relatively in balance with market demand, either by controlling production or supply or by expanding consumption.

Unfortunately, the industry for several decades has resorted to crash programs, such as it has now, to get rid of excess supplies. The reserve pooling concept, however, was never designed to cope satisfactorily with such surpluses as exist today. Reserve pools, which have been operated several seasons beginning with 1965, are intended to set aside a surplus for later disposal. Originally, they were considered to be a useful means of "skimming off the peaks" of production in large-crop seasons for later "filling the valleys" in short-crop seasons. Recently, they have been used somewhat differently because of circumstances. All small



prunes have gone into the reserve pool, with the remainder of each grower's obligation consisting of the average content of his marketable tonnage. The reserve pools were never intended to handle surpluses of the magnitude of those now burdening the industry.

Supplementary measures are being considered to make the reserve pool effective. Those such as green drop or grading out and dumping small fruit ahead of dehydration are possibly useful measures, but the costs of administering them, as well as carrying them out, are simply too great for the industry to bear season after season. Cost data on these measures will be gathered this year.

As long ago as 1967, foresighted industry leaders, particularly Sunsweet's management, pointed out that the volume of prunes necessary to be withheld from the market to achieve orderly marketing would soon be far greater than was ever contemplated through use of the reserve procedure, even with use of a voluntary green diversion provision. At that time, Sunsweet's management proposed a novel application of the allotment concept under a Federal marketing order. It actively solicited support of the proposal by the Sunsweet growers and non-members. A majority of the proprietary packers strongly opposed the proposal and, unfortunately, growers withheld their active support. Had the program then been adopted, the industry could have restricted new plantings. Also the industry would have been able this year to apply allotment restrictions to the tonnages of prunes that packers could handle. This might well have obviated the costly green diversion program in the effort to sequester the huge supplies the industry faces. It is possible, also, that the undersize prune regulations would not have been necessary this year, thus avoiding that burdensome complication.

Some growers and packers are now clamoring for an allotment program. Some of them are critical of the Prune Administrative Committee, PAC management, and the U.S. Department of Agriculture for not being able to put such a program into operation this year. What they overlook is the fact that whereas the USDA was receptive to the idea of an allotment program in 1967—the concept of a "closed club" membership—today it insists upon the free entry of any and all comers into the industry. Current USDA guidelines require that any allotment program (1) provide new producers an opportunity to obtain a production base and to market their crops, (2) provide old and new producers equal rights of entry or expansion, (3) provide for periodic updating of bases, and (4) assure that bases, although transferrable, will not take on an unreasonable market value and thus add excessively to production costs.

Similarly, California legislators look with disfavor upon any restrictive measure to enable

producers of a particular commodity to prevent the destruction of their industry. This was evidenced in the defeat by the Assembly of A.B. 522.

Under the circumstances, it is very questionable that an allotment program, whether under Federal or State authority, would alleviate the plight of prune growers, as long as "free entry" is the principal criterion for government acceptance of a program.

It has not been demonstrated that mandatory green drop, strongly advocated by many prune growers engaged in or familiar with cling peach production, is a satisfactory final answer. The cost of administering such a State program would be just as great as, probably much greater than, a voluntary green diversion program under Federal authority. Elimination of a commodity by mandatory green drop that, like cling peaches, ranges from 13 to 25 tons per acre in production is far different from a commodity, like prunes, that ranges in production from 2 to 24 green tons an acre. The concentration of the area of peach production is in decided contrast to the wide dispersion of prune production, a matter of significance, also.

Tree-pull may offer some possibilities of incentive to the desperate prune producer, when the program is integrated with mandatory green drop provisions. The experience of the cling peach industry, which has used these devices, shows that it has not yet achieved any great success in disposing of its surplus. The application of an incentive such as tree-pull in the cling peach program could further aggravate the prune surplus situation, rather than reduce it, because of the large variation in prune production per acre.

Advertising is looked upon by many in the prune industry as a panacea to cure its ills. They note that the cling peach industry has been successful in increasing domestic consumption of cling peaches through merchandising. The prune industry has spent millions of dollars in advertising and promoting prunes and prune products, yet consumption has continued to decline. Some growers argue that the industry's approach has been wrong. There are indications that prunes are damned by a very unfavorable product image. Sunsweet Growers has proved, at a considerable cost, that pitted prunes have gained relatively good acceptance. This is a new product with a different image. But has it really created greater consumption of prunes? How many new consumers has the industry acquired? Industry data suggest that former consumers of regular prunes have simply switched to pitted prunes. Prune juice also created a lot of "switch hitters" when it was put on the market, but marketing data do not show that it increased total consumption of prunes. Both of these products may have been important in sustaining prune consumption,

however.

Could the industry have increased consumption if it had doubled or tripled its advertising and promotional expenditures? Or would such expenditures simply have been "money down the drain" as some growers so readily claim about the money spent to date?

The Advertising Subcommittee of the CPAB, responsive to these piercing questions about industry promotional efforts, seeks to find a genius to give the answers to the prune promotional questions and to direct the industry efforts toward the goal of greater sales. Under

present circumstances, the industry cannot possibly curtail or discontinue these efforts unless it is willing to throw in the towel and allow economic forces to shrink production to easily manageable volume by bankrupting a great many growers.

The obvious approach, in our opinion, is to gather all the facts, evaluate them fairly, and proceed in the directions advocated by the best informed and most public-spirited men in the industry. If any less than this is done, the industry has little chance of making its way back to reasonable stability.