



California Prune News

ANNUAL

REPORT

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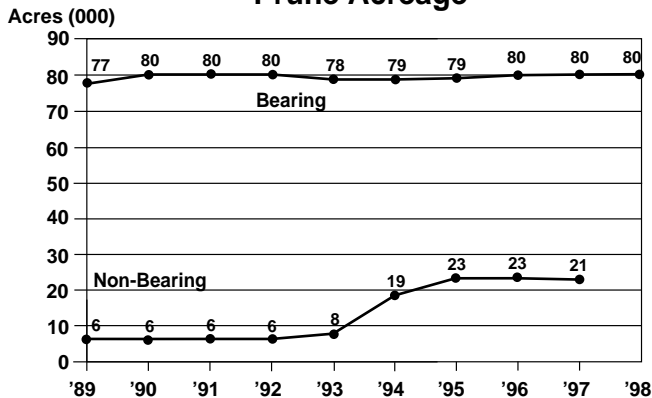
This Annual Report was developed in accordance with the Agricultural Marketing Act of 1937 to provide you with a summary of California Prune Board activities for the 1997/98 marketing year. Special recognition should go to

the members and alternates of the Board and Committee shown on page 6 and their various Subcommittees who have devoted many hours to California prune industry matters during the course of the year.

PRODUCTION AND SUPPLY

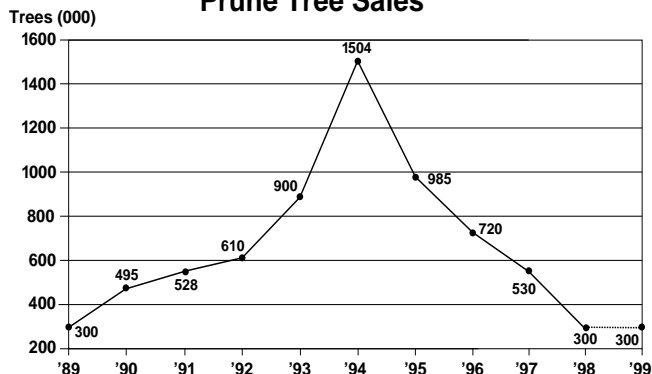
Bearing prune acreage for 1997 was estimated by the California Agricultural Statistics Service (CASS) at 79,500 acres, which was down 1% from 1996's 80,200 acres but 1% below 1998's 80,100 acre forecast. Non-bearing acreage for 1997 was estimated by CASS at 21,300 acres which was 5% below the 1996 estimate of 22,500 acres.

Prune Acreage



Prune tree sales continued their decline with nurseries reporting the sale of only 300,000 trees in 1998 with the same amount projected for 1999. After peaking at 1.5 million trees in 1994, prune trees sales are back to the normal annual replacement level of 250,000 - 300,000 trees.

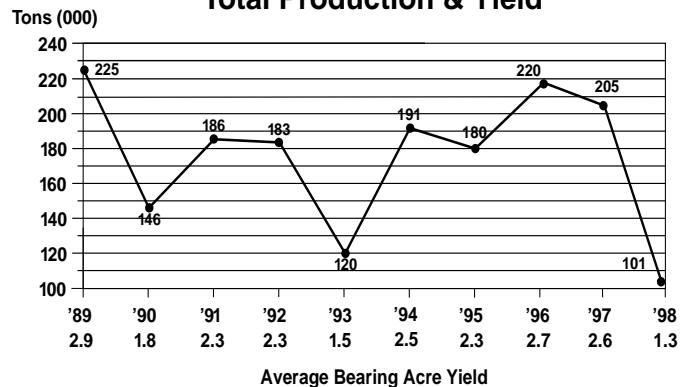
Prune Tree Sales



The 1997 prune harvest of 204,831 natural condition tons was 7% below the 1996 crop but 12% above the five-year average of 183,000 tons and 103% above the 101,000 tons projected for 1998. The 2.6 ton yield per bearing acre was slightly lower than 1996's 2.7 ton yield but still above the five-year average of 2.3 tons per acre. The 23 screen undersize content and trash totaled 5,984 tons or 2.9% of total production.

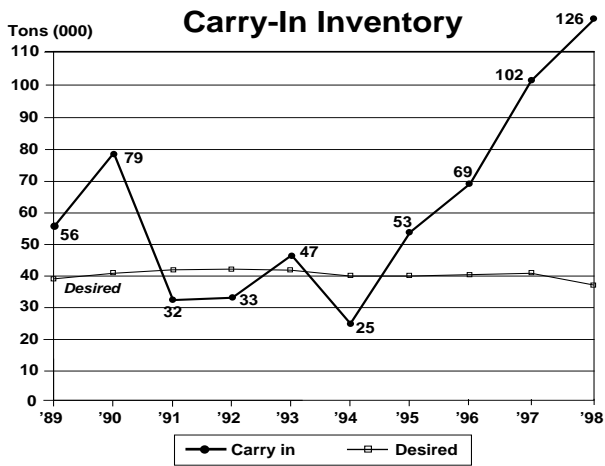
The North Sacramento Valley (Glenn, Tehama, Butte and Shasta Counties) accounted for 37% of total production, virtually unchanged from 38% in 1996. The South Sacramento Valley's contribution decreased slightly to 45% from 47% in 1996. San Joaquin Valley production increased to 18% of the total from last year's 14%.

Total Production & Yield

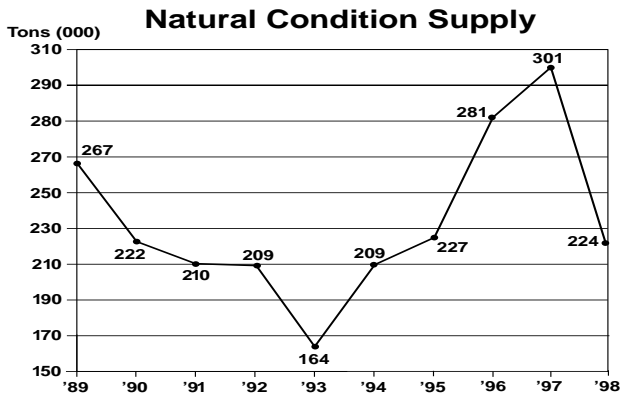


The average size count in 1997 was 68 compared to 72 in 1996 and 65 projected for 1998. Average sizes by region were 72 in the San Joaquin Valley, 68 in the South Sacramento Valley and 67 in both the North Sacramento Valley and the Coastal Region.

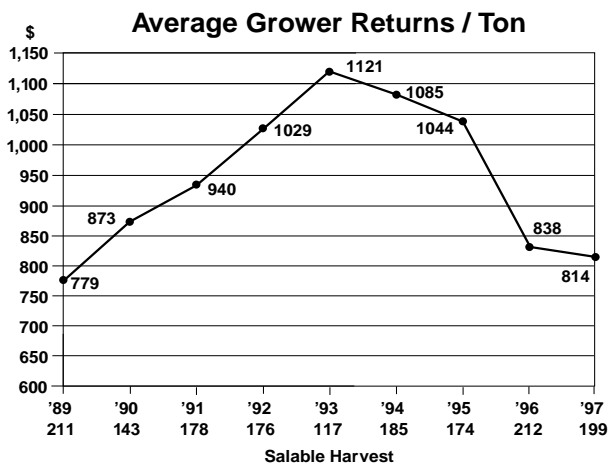
The 1997 carry-in of 102,386 natural condition tons was 62,000 tons above the desired 12-week supply level and 33,000 tons above the 1996 carry-in level but 24,000 tons below 1998's record-breaking 126,485 carry-in.



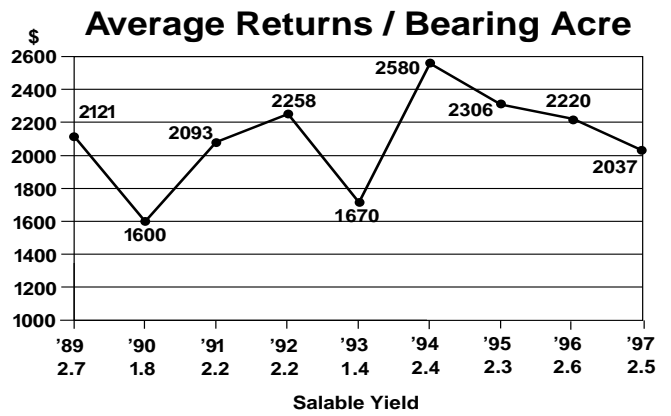
When combined with 1997 marketable production of 198,847 tons, the result was a total supply of 301,233 tons which represented an increase of 7% from the 1996 supply and was 34% above the projected 1998 supply.



The average grower return per ton declined by 3% to \$814/ton according to the 1997 Walnut/Raisin/Prune Report published by the California Agricultural Statistics Service. This was the fourth year of decline following four consecutive annual increases which culminated in a record of \$1,121/ton in 1993.

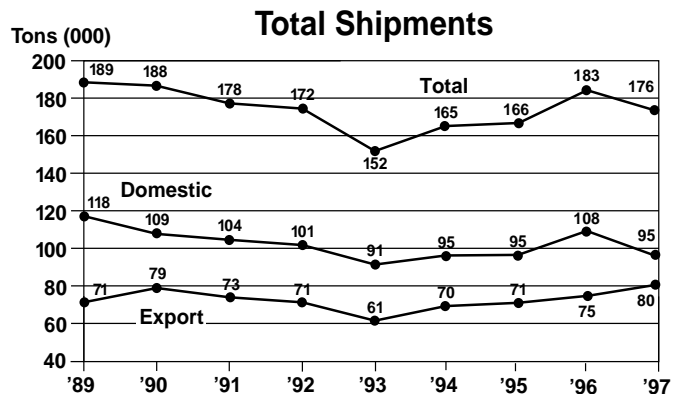


The average return per bearing acre declined by 8% to \$2,037/bearing acre due to the slight reductions in both yield per acre and price per ton.

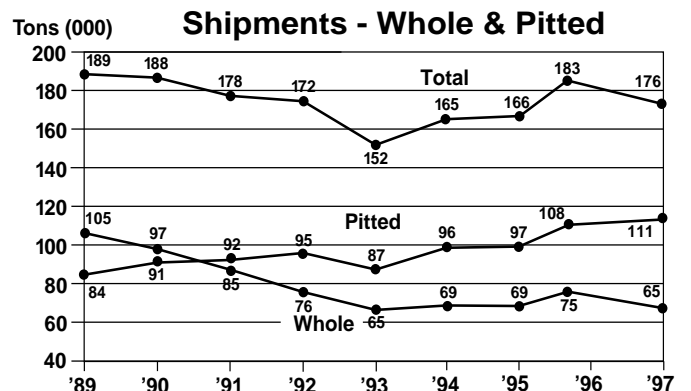


SHIPMENTS

Total 1997 shipments of 175,519 processed condition tons were down 4% from 1996. Domestic shipments declined 12% after increasing by 14% in 1996. We believe that this is a reflection of the diminishing numbers of heavy prune users over 65 and the significantly lower prune usage among younger consumers. Exports increased 7% as most major export markets experienced year-to-year gains. Especially noteworthy were gains by two of the industry's largest export markets, Japan (+27%) and Italy (+24%).



Shipments of pitted prunes increased by 2% from 1996 while whole prunes declined by 14%. Pitted prune shipments equalled 63% of total shipments, up 4 points from 1996. Pitted prune shipments increased to over



74% of export shipments (+3 points) due to continued growth in both consumer pack and bulk exports. Domestic pitted prune shipments declined by 7% but represented over 53% of total domestic shipments (+3 points) in 1997. Whole prunes exported in natural condition jumped to over 53%, up 12 points from 1996. ■

DOMESTIC MARKETING

In 1997/1998, the traditional target market of women 45+ was changed to women, age 35-50. Why change the target market? Two reasons. First, consumers 60+ represent the majority of prune buyers and, the reality is, our current target market is dying off. Second, entire generations are growing up not eating prunes. Bottomline: if our current target market is dying off and is not being replaced by any new consumers, we could be out of business in twenty years.

The 1997/1998 advertising and public relations campaigns focused on reaching this younger target market (women, age 35-50). We not only reach younger women, we also reach a whole new generation – their kids. With the focus on the new target market, the CPB is truly building for the future.

The 1997/1998 advertising campaign focused on



Napoleon TV Commercial

positioning prunes as a “super snack” giving consumers a stronger reason to buy and consume them: prunes are a fruit, consumed as a convenient, good tasting snack, for women 35-50 seeking to improve their own health and nutritional intake as well as their family’s. The tagline for the campaign was “California prunes, the energy packed super snack”. Two :30 second animated spots and two :15 second spots were developed with television celebrity Rosie O’Donnell doing voiceovers for the commercials.



Supermarket Display Poster

At a controlled store test in Portland, Oregon Safeway stores, shelf talkers and cart talkers were tested with a resultant 12-14% increase in sales. A Catalina Coupon test which printed a prune coupon on the reverse of the cash register tape for every purchaser of high fiber cereal was conducted in the Northeast. The resulting 4%

redemption rate was higher than the 1% redemption you could expect from a prune coupon in the Sunday newspaper.

Public relations strategies tied into the energy packed super snack advertising theme. Prunes were positioned as the ideal healthy snack with specific nutrition messages: fat-free, source of potassium, vitamin A, iron, fiber, and antioxidants.

A major investment was made in health/nutrition research in 1997/98 in an attempt to learn more about the nutritional attributes in prunes and their impact on human health. Research was funded at the University of California, the University of Illinois, Harvard University, Oklahoma State University and private laboratories to build an information database on prunes’ nutrient and non-nutrient components that can be related to health or function outcomes.



Consumer Offer

For the first year, the CPB tied in with breast cancer awareness month. Breast cancer is the #1 health issue among women, age 35-50, a group which strongly supports cause-related marketing. Cause-related marketing has many benefits for the California Prune Board. First, it gets prunes away from laxative/bathroom humor. Second, it positively associates prunes with our younger target audience, and third, it provides an opportunity for nutrition messages. This led the CPB to tie-in with the Susan G. Komen Breast Cancer Foundation, the largest private research funder for breast cancer. The “Prune the Risk” campaign was extremely successful resulting in over 237 million impressions and over half a million snack packs sampled.

To support the launch of the Rosie O’Donnell television advertisements in September 1997 and to promote the donation of her voiceover fee to breast cancer research, public relations blitzed national and local television, radio and print media for combined total impressions of 38 million. Ad equivalency reached \$625,000 with national and local placements that included 44 television and radio hits and 77 print features in E! Daily News, The Rosie O’Donnell Show, CNBC, The Los Angeles Times and USA Today.



Rosie O'Donnell

A satellite media tour and audio news release were conducted in February '98 to continue the momentum of the cause-related campaign for breast cancer and to kick off the “Prune the Risk” campaign. Women’s National Basketball Association star and Most Valuable Player Cynthia Cooper joined the CPB to raise awareness about breast



Cynthia Cooper

DOMESTIC MARKETING CONT.

cancer and the benefits of a healthy lifestyle after her mother was diagnosed with the disease in spring 1997. The tour generated 32 placements on television and radio, and the audio news release was picked up by 612 stations for a combined 30.7 million impressions.



Holiday Dried Fruit Tart

For a second year, Mani Niall, "Baker to the Stars," visited four cities demonstrating the versatility of prune puree in his baked products and the healthful benefits of prunes. Mani brought his low-fat creations to 9 local television and radio stations with 422,000 impressions in Dallas, Seattle, Baltimore and Los Angeles.

As part of the Mani Niall local market tour in March and April '98, the CPB partnered with local retailers, radio stations and affiliates of The Susan G. Komen Breast Cancer Foundation to conduct "Take a Taste for the Cure" events supporting the national "Prune the Risk" campaign. Event highlights included on-air radio promotions with giveaways and cash cubes, and "taking a taste" of prunes to contribute to the CPB's \$1,500 donation to each local Komen affiliate.

General nutrition and recipe placements in newspapers and magazines combined for a total of 188.5 million impressions in 1997/98. Highlights include:

- Holiday Dried Fruit Tart recipe: 7 million
- Comparison of prunes to energy bars by Produce for Better Health Foundation release: 3.3 million
- Research about antioxidants found in prunes and Susan G. Komen per-purchase donation releases: 6.5 million

The 1997/1998 Food Technology Program focused on the multi-functional benefits of dried plum puree (i.e. fat reduction, improved humectancy and label simplification). Research and development efforts were funded to explore the use of prunes as an ingredient in meats, condiments and beverages.

Two page advertising inserts were run in Food Product Design, Modern Baking and School Foodservice & Nutrition. Numerous product releases and editorial placements were also secured in these and other industrial/foodservice publications. Newsletters were mailed to school foodservice directors (Plum Good News) and product development managers (PruneTec) with more information on breaking-developments using dried plum puree in meat applications, sauce recipes and pizza toppings.

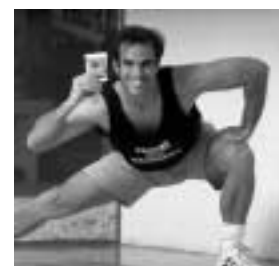
In addition to the advertising and publicity devoted to urging school foodservice personnel to "Prune the Fat" by using prune puree as a fat substitute in baking, the CPB sponsored training seminars to provide assistance to school foodservice personnel in learning how to use prune puree

and meeting USDA's dietary guidelines. New dried plum-enhanced product applications were showcased at several trade shows including Institute of Food Technologists (IFT), American Meat Institute (AMI), American Dietetic Association (ADA), International Foodservice Editorial Council (IFEC), and American School Food Service Association (ASFSA).

INTERNATIONAL MARKETING

California Prune Board support from USDA's Market Access Program (MAP) remained at \$2.6 million in 1997. Support was continued in Italy, Germany, the United Kingdom, Japan and Mexico with Saudi Arabia and China being added as new MAP developmental markets.

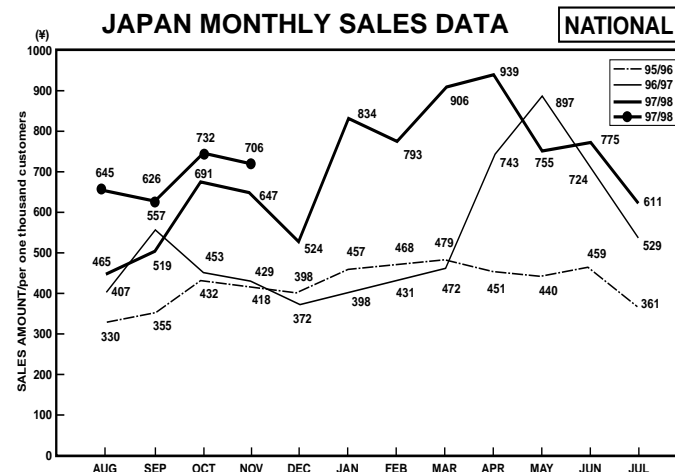
The highlight of the Board's United Kingdom generic public relations program was again National Prune Week. During mid-March 1998, the California Prune Snack Attack Roadshow spread the "Snack on Prunes" message to U.K. cities where regional celebrities greeted their fans and distributed prune snack packs and pamphlets. Supermodel Lili Maltese served as our national media spokesperson. In Germany, the physician for the women's national hockey team used a survey of athletes' diets to emphasize the role prunes can play in providing energy and good health. Brochures and point-of-sale materials emphasized sports health and prunes' nutritional contribution.



Chet Vienne

A trio of health and fitness related spokespersons was employed in Italy: Chet Vienne - fitness instructor and Italian television personality, Dr. Lorenzo Somengini - sports physician to prominent athletes and Francesco Conti - "Mr. Fitness" - owner of fitness centers and marketer of fitness equipment. The campaign emphasized that the eating of healthful foods like prunes is beneficial to athletes and non-athletes alike.

The generic Japan television advertising campaign resumed last year in seven major markets accounting for 76% of Japanese households after a three - year hiatus.



INTL. MARKETING CONT.

This advertising as well as excellent publicity coverage on television helped push prune sales to an all-time high despite the poor economic conditions and weak yen. Public relations activities, POS materials, and school lunch nutritionists' seminars rounded out the generic campaign in Japan.

Generic MAP support for Mexico included trade advertising and educational newsletters for wholesalers and retailers and in-store sampling demonstrations using generic POS materials and recipe pamphlets.

China and Saudi Arabia also received limited generic MAP promotional support as we began the development of new markets where the industry can market part of the increased prune production expected in future years. ■

NEW CPB MARKETING DIRECTOR

Peggy Castaldi was hired in September 1998 as the new CPB Marketing Director replacing Bart Minor who left the CPB after nine years of service to become President of the Mushroom Council. Peggy brought over 12 years of marketing experience to her new position including over six years with Specialty Brands in San Francisco, California where she was most recently Senior Product Manager for Durkee and Tones Spices and all Dry Mix Category brands in North America. Her responsibilities included strategic positioning, profit delivery, new product development and marketing research.



Peggy Castaldi

Prior to her employment with Specialty Brands, Peggy held positions as an assistant product manager at Dreyer's Grand Ice Cream, marketing analyst for Sunshine Biscuits, and marketing coordinator for the Berelson Company and Touche Ross & Company. Peggy holds an undergraduate degree and Masters in Business Administration from Santa Clara University.

Peggy's primary responsibilities are overseeing the CPB's domestic marketing programs including generic public relations, sales promotion and advertising. Peggy's experience and enthusiasm make her well suited for this position, and the fact that she is a member of our target audience will be advantageous in the development of a strategy to motivate female baby boomers to eat prunes.

In addition to her domestic marketing experience, Peggy developed and launched new Specialty Brands products in Australia and Canada which was valuable experience for the international marketing responsibilities of her new position which include coordinating generic marketing programs in Mexico and China. ■

1997/98 BOARD INCOME & EXPENSES

The 1997/98 Board statement of income and expenses is shown below. Note that these represent audited figures verified in the Board's annual audit by Hood & Strong, Certified Public Accountants.

INCOME:	
Carryover Funds	\$ 3,195,074
Production (Assessable tons only)	198,847
Assessment Rate per ton	50
Assessment Income	9,942,350
Misc. Income (Interest, etc.)	420,307
TOTAL INCOME	\$13,557,731
EXPENSES:	
Operating Expenses	\$ 195,201
Consulting Services	112,233
Crop Estimating Services	3,400
Production Research & Coordination	361,736
Public Relations	1,681,918
Advertising	6,268,390
Consumer Research	547,766
Sales Promotion	449,034
International Market Development	1,600,949
Administration	298,874
TOTAL EXPENSES	\$ 11,519,501
Balance Carried Over	\$ 2,038,230

PRODUCTION RESEARCH

The Board funded a variety of production research projects in 1997/98 as well as membership in the Minor Crop Farmer Alliance and California Commodity Committee at a total cost of \$288,100. Donald Vossler served as Chairman of the Production Research Subcommittee, and Gary Obenauf, President of Agricultural Research Consulting, coordinated all research activities. For a report of these prune research projects, contact the Board office. ■

California Prune News

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Chairman, PMC

Richard Peterson
Executive Director
CPB & PMC

Peggy Castaldi
Marketing Director, CPB



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1997/98 CALIFORNIA PRUNE BOARD

District/ Affiliation	Members	Alternates
Producers		
1	Vern Vereschagin (a)(c)	Richard Conte
2	Richard Wilbur	Harlan Howard (h)
3	Joginder Bains	Stan Lester
4	Ken Lindauer (c)	John Minaglia
5	Ron Giovannetti	Walter Stile, Jr.
6	Neill Mitchell	Steve Danna
7	Peter Orlando	Eric Shannon
Co-op	Gregory Correa	Hans Smith
Co-op	Gus Collin (c)(d)	Sarb Basrai (i)
Co-op	Robert Kells	Ken Kaplan
Co-op	Ken Overly	Erick Neilsen
Co-op	Larry Patane	Max Yerxa, Jr.
Co-op	James Edwards	M.R. Burton
Co-op	Donald Vossler (b)	Earl Giacolini (j)

Processors		
Co-op	Ron Sandage	Jack Miller
Co-op	Howard Nager (e)	Jeff Chan (k)
Co-op	Bill Haase (c)(f)	Gerald Clark
Co-op	Mike Pereira (g)	Dane Lance
Independent	Douglas Long (c)	Kent Mannee
Independent	Brad Stapleton	Joe Melehan
Independent	Mark Mariani (c)	George Sousa, Jr.

Public Members		
	Karen Berke	Kim Stumph
(a) Chairman	(f) Replaced Harold Jackson	
(b) Vice Chairman	(g) Replaced Erin Hull	
(c) Member of the Executive Committee	(h) Replaced Mike Takher	
(d) Replaced Earl Giacolini	(i) Replaced Mike Billiou	
(e) Replaced Ron Gerber	(j) Replaced Gus Collin	
	(k) Replaced Gilbert Lomeli	

PRUNE MARKETING COMMITTEE

Members	Alternates
Producers	
Vern Vereschagin (c)	Richard Conte
Mike Takher	Harlan Howard
Joginder Bains	Frank Monasterio
Ken Lindauer (b)(c)	John Minaglia
Ron Giovannetti	Walter Stile, Jr.
Neill Mitchell	Steve Danna
Peter Orlando	Louis Martinez, Jr.
Gregory Correa	Tim Smith
H. Peter Faye	Hans Smith
Gus Collin (c)(d)	Max Yerxa, Jr.
Robert Kells	James Edwards
Larry Patane	M. R. Burton
Ken Overly	Sarb Basrai (h)
Donald Vossler	Ken Kaplan

Processors		
Ron Sandage	Jack Miller	
Jeff Chan (e)	Gilbert Lomeli	
Bill Haase (c)(f)	Gerald Clark	
Mike Pereira (g)	Howard Nager (i)	
Douglas Long (c)	Kent Mannee	
Gavriilo Spaich	Brad Stapleton (c)	
Mark Mariani (c)	George Sousa, Jr.	

Public Members			
	Karen Berke	Kim Stumph	
(a) Chairman	(d) Replaced PMC Chairman		
(b) Vice Chairman	Earl Giacolini		
(c) Member of the Executive Committee	(e) Replaced Ron Gerber		
	(f) Replaced Harold Jackson		
	(g) Replaced Erin Hull		
	(h) Replaced Mike Billiou		
	(i) Replaced Dane Lance		

PRUNE DAY MEETINGS SCHEDULED

The University of California Cooperative Extension Service will hold two Prune Day meetings for growers, handlers and other interested persons. On February 25, 1999, a San Joaquin Valley meeting will be held at the Agricultural Building Auditorium in Visalia. A North Sacramento Valley meeting will be held on March 4, 1999 at the Veteran's Building in Biggs. These meetings will provide reports on research projects and other prune industry activities, and all growers are urged to attend the meeting nearest them. ■