

CIAB News

Information from the Cherry Industry Administrative Board

Volume 9, Issue 3

December 2005

Seasons Greetings to All

USDA Announces Intent to purchase tart cherries

Great news - the USDA will buy tart cherries!

The Commodity Procurement Branch of the USDA announced its intent to purchase up to 15,000,000 pounds of finished cherry products for distribution to the national feeding programs. This announcement will lead to releases from the reserves for handlers and more “free tonnage” for the industry.

Release from Reserves

USDA purchases are part of the reserve process. Please recall that the industry releases products from the reserves to allow handlers to have enough product to bid the USDA business. The release is done on the RPE value of the purchases and not on the finished pounds as cited by the USDA.

It is not yet possible to calculate how much product will be released from the reserves for this purchase. The USDA did not announce what types of products or what quantities of each type it will accept bids. It is anticipated that the USDA will soon announce the information and accept bids for tart cherry products.

The CIAB will release reserves to the handlers as soon as the total of the invitations is available.

Breaking News - USDA Invitation for Dried Cherries

On December 21, 2005 the USDA published its Invitation for 92,400 cases of dried cherries packed with 8 bags of 2 pounds each. Deliveries are from March through June 2006.

This invitation equals 1,478,000 pounds of dried cherries and converts to 7,392,000 pounds of 5+1 stock.

It is anticipated that additional invitations will be announced during the next few weeks.

Market Growth Releases

The CIAB has released to handlers their Market Growth Release volumes. These were made available the first week of December.

The total amount of the releases was 17,000,000 RPE. It was shared by handlers in proportion to their restricted handle.

No Demand Release at this Time

The CIAB held a telephone conference on November 18, 2005 to discuss the need for a demand release of product from the inventory reserves. The board did not recommend a release from the reserves since there was enough “free” tonnage to account for projected sales and to carry-in for next season.

Reasons for the Release - Projected Sales

The CIAB undertook a survey of handlers to determine if there was a need for more “free” inventory.

Sales Volumes by Category

Handlers predicted that their sales would be 219 million pounds. This was higher than last year’s sales and last year’s prediction of sales.

Projected Sales Activity
(Millions of Pounds)

Type	Product	Predicted Sales	% of Estimate
Frozen	5+1	74.4	34.0%
	Drying Stock	32.1	14.7%
	IQF 40	<u>30.5</u>	<u>13.9%</u>
<i>St:</i>		<i>137</i>	<i>62.5%</i>
Piefill	12 / 2	32.3	14.7%
	6 / 10	<u>6.2</u>	<u>2.8%</u>
<i>St:</i>		<i>38.5</i>	<i>17.5%</i>
Waterpack	6 / 10	10.7	4.9%
Juice (68)		22.8	10.4%
Other		<u>10.1</u>	<u>4.6%</u>
Total:		219.1	100.0%

The projected sales activity was a combination of their delivered sales to date, their “booked” business for the balance of the year and their “anticipated”

sales in the event that business was not “booked”.

“Free” Inventory

The CIAB has also calculated the volume of “free” inventory that has been available to the handlers this year. This totals 202 million pounds as shown in the following chart.

Free Inventory (Millions of Pounds)	
Source	Amount
Free carry-in	29.0
Non-restricted production	3.0
Free portion of restricted	137.0
Market Growth Factor	17.0
Economic Adjustment	<u>16.0</u>
Total:	202.0

Demand by Type

In reporting for the survey, handlers also reported the types of sales that they would have.

Handlers predicted quite a bit of “secondary” sales, Exports and New Markets, this year. It is certainly very positive to see the increase in the sales in these markets.

The sales, by type, were:

Type	Volume
Free	186
Export	10
New Market	<u>23</u>
Total	219

Interestingly enough, the volume of “free” sales is quite consistent with the sales volumes seen in the past few years. The increase in sales volume is due largely to the increased export and new market activities.

A Demand Release is not Appropriate Now

It is projected that the industry will have this amount of “free” carry-over into next season if the situation does not change. Since the amount of “free” inventory is more than the projected “free” sales by 15.7 million pounds, it was concluded that a demand release was not appropriate at this time.

Reported Reserves at Year’s end

The Survey of Booked Business also asked handlers to report what their inventory would be at the conclusion

of the year. They reported the inventory as follows:

Projected Inventory Reserves (Millions of Pounds)			
Type	Product	Inven- tory	% of Reserves
Frozen	5+1	35.9	51.3%
	Dry	2.7	<u>3.9%</u>
	St:	38.6	55.2%
	IQF 40	12.5	17.9%
Piefill	12 / 2	4.5	6.4%
	6 / 10	<u>2.0</u>	<u>2.9%</u>
	St:	6.5	9.3%
Waterpack	6 / 10	2.4	3.4%
Juice (68)		2.9	4.1%
Other		<u>7.1</u>	<u>10.1%</u>
Total:		70.0	100.0%

The CIAB’s calculated reserves are 74.9 million pounds. This difference is not terribly large. It is due in part by the difference in calculation methods.

Inventory Reserves

With all of this activity, it is important to put it in perspective compared to the inventory reserves. The current situation is:

(Millions of Pounds)	
Source	Amount
Free Inventory	
Free carry-in	29.0
Non-restricted production	3.0
Free portion of restricted	137.0
Market Growth Factor	17.0
Economic Adjustment	16.0
USDA purchase (min.)	15.0
Total:	217.0
Restricted Inventory	
Crop Year 2005 - 06	127.0
Market Growth Factor	(17.0)
Economic Adjustment	(16.0)
USDA purchase (min)	<u>(15.0)</u>
Subtotal	<u>(48.0)</u>
	79.0
Projected secondary sales	
Exports	(9.9)
New Markets	<u>(22.9)</u>
Subtotal	<u>(32.8)</u>
Projected Restricted Inventory EOY	<u>46.2</u>

The end of year balance is not a fixed figure. The balance of the restricted inventory will change between now and the end of the year. The USDA figure used in the table above will undoubtedly be larger since the actual figure will be the RPE values of the USDA's announcement. This will lessen the year end balance.

Similarly, the year end number will change based upon handlers' restricted sales. The secondary sales figures noted in the table are from the handlers' Surveys of Booked Business. If handlers exceed the projected amount, the year end figure will be smaller. If the handlers do not sell the projected volume of fruit, the end of year number will be larger.

Industry Research and Promotion Plan

At its telephone conference call the CIAB further discussed the National Cherry Research and Promotion project being championed by the CMI. The members of the CIAB are very supportive of this effort.

The initiative is new and exciting for the industry. It will establish a partnership between the growers, the CMI and the CIAB to promote tart cherry consumption to targeted customers. The effort will concentrate on paid advertising, primarily print advertising, and stress the healthful attributes of tart cherries. There will be other supporting efforts, as well, such as editorial endorsements, an expanded web presence for tart cherries, an internet marketing program and educational campaigns for interested parties.

Under the Initiative, if endorsed by growers through a straw vote, the CIAB will collect \$10 per ton (one-half of a cent per pound) from all processors in all producing states around the country. The funds will be dedicated to implementing the Initiative.

The Initiative is to continue for a fixed period. It is planned that the Initiative would begin in the Fall of 2006 and continue for five years. After the five years, it will end.

All growers and handlers are urged to learn more about this initiative in the coming weeks and months. You will have numerous opportunities to learn the details of the plan this Winter. There will be presentations on this topic in the various industry meetings. There will be presentations in the various production areas to share the details of the Initiative with growers and handlers. There will be various mailings about the topic, too.

Please attend one of the meetings if you are able to do so to learn more. If you cannot attend a meeting, please do not hesitate to call to discuss the matter.

Later this Winter, after all of the meetings are done, there will be a straw vote of the growers to determine their support of the Initiative. If the growers are

supportive of the proposal, it is planned that the CIAB will implement and collect the assessment in time for the Fall 2006.

Please take advantage of the opportunities to learn more about this exciting and important project.

CIAB ELECTIONS

CIAB Seats for Nomination

The CIAB will begin this year's nomination and election process for Members and Alternates very soon. The terms for the following Members and Alternates will end in June 2006:

District 1 - Jeff Send, Grower Member
 District 1 - Stuart Whittaker, Grower Alternate
 District 2 - Earl Peterson, Handler Member
 District 2 - Lorraine Chase, Handler Alternate
 District 3 - Steve Packer, Handler Member
 District 3 - Mike Schrom, Handler Alternate
 District 4 - Jim Bittner, Handler Member
 District 4 - Dan Sievert, Handler Alternate
 District 7 - Ray Rowley, Handler Member
 District 7 - Thad Rowley, Handler Alternate

The situation this year for New York is rather unique. The average production level for New York has fallen below 10 million pounds, the level at which a district gets a second seat on the CIAB. Thus, there will not be a nomination process conducted in New York to replace the current Member and Alternate.

Calendar of Events

January - April

Jan 17 - 18 Orchard Show, Traverse City, MI

Late Jan and Early February

Meetings in other states to present and discuss the Research and Promotion Initiative

Mar 10 Form #3 Sales and Inventory Report
(December through February 28)

Apr 15 Grower Diversion Application and Maps



Cherry Industry Admin. Board

P.O. Box 388

DeWitt, MI 48820