CIAB News

Information from the Cherry Industry Administrative Board

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Seasons Greetings to All

Promotional Activities Under the New Promotion Plan

The promotional program adopted by the industry is well underway. The Cherry Marketing Task Force, as the promotion committee is named, selected Weber-Shandwick, Chicago, IL, to undertake the public relations activities on behalf of the industry. This was after an extensive review of agencies which included face-to-face presentations by the top three candidates.

At its recent meeting with Weber-Shandwick, the task force reviewed the recommendations of the agency and adopted the promotion plan as suggested by Mr. Jeff Manning, Marketing Director, which was developed in coordination with the agency.

The task force is very excited about the PR campaign developed for the tart cherry industry. The plan includes extensive public relations activities directed towards the consumer, industrial and food service sectors.

The details of the public relations campaigns and the contractual agreements between the industry and the agency are being developed right now. A schedule of activities will be released as soon as the details are completed.

Mr. Manning and representatives of the agency are planning to attend the industry meetings on February 7, 2007 being sponsored by CherrCo, Inc. They will be presenting the public relations program at that time and will also be reporting on the kick-off activity of the promotional program which is going to be in New York City, NY on February 6, 2007.

To hear more about the promotion program, please join the industry at the CMI's Annual Meeting, January 17, 2007 at the Grand Traverse Resort where Jeff Manning will be discussing the promotion program.

Status on USDA Purchases

In September industry representatives visited the USDA in Washington, DC to discuss a purchase of cherry products for the national feeding programs. They met with many people including Undersecretary Bruce Night, Dr. Ken Clayton, Bob Keeney and others. The discussions went well and the request was well received.

So far we have not heard from the USDA regarding their intention to purchase cherries. If and when we hear from them we will forward the information to the industry.

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 18 million pounds RPE . It was shared by handlers in proportion to their restricted handle.

Crop Year 2006 Compared with Prior Years

The current year's crop and processed units were quite different from last year. To understand this better the harvest and production can be reviewed from several different perspectives.

Yields

Due to the nature of the cherries this past season, yields were down. Therefore, it required more cherries to produce finished goods this season. The average yields for all processors across the country are:

Yields in Crop Year 2006
(Millions of Pounds)

	RPE Factor		
Product	**2006**	**2005**	**Prior 3 Yr. Avg.**
Frozen			
5+1 & Drying Stock	33.02	30.77	31.33
IQF 40	52.40	50.01	51.92
Piefilling			
12 / 2	9.84	9.09	9.79
6 / 10	25.01	24.38	24.48
Waterpack			
6 / 10	47.48	45.88	47.30

Units Produced and Average Sales

In reviewing the volumes of finished goods that were produced, a couple items should be noted. Handlers processed more IQF products and more 6/10 piefill than the three year average. Processors produced close to the average for 5+1 / Drying stock. There was a noticeable reduction in the amount of 12/2 cherry piefill and in 6/10 water packed cherries.

The production, supply and sales figures for the principal products are set out below. These products represent, on average, 85% of the industry's processed products. This year, however, they represented 78.6 % of the processed products.

Units Processed
(Millions of Pounds)

Units Produced			
Product	**2006**	**Prior 3 Yr. Avg.**	**% of Average**
Frozen			
5+1 & Drying stock	3,504,742	3,660,650	95.7%
IQF 40	751,216	714,651	105.1%
Piefilling			
12 / 2	2,370,165	3,035,173	78.1%
6 / 10	228,262	179,253	127.3%
Waterpack			
6 / 10	86,248	211,911	40.7%

Total Supply
(Millions of Pounds)

Product	Carry-In	2006	Total
Frozen			
5+1 & Drying stock	1,195,734	3,504,742	4,700,476
IQF 40	211,484	751,216	962,700
Piefilling			
12 / 2	708,758	2,370,165	3,078,923
6 / 10	82,750	228,262	311,012
Waterpack			
6 / 10	111,601	86,248	197,849

Average Movement Compared with Supply
(Millions of Pounds)

Product	Prior 3 Yr. Avg.	Total Supply	Excess or (Shortfall)
Frozen			
5+1 & Drying Stock	3,277,584	4,700,476	1,422,892
IQF 40	645,992	962,700	316,708
Piefilling			
12 / 2	3,410,481	3,078,923	(331,558)
6 / 10	262,122	311,012	48,890
Waterpack			
6 / 10	174,989	197,849	22,860

There is adequate supply to cover the average number of units sold by the industry. In the case of piefilling, products will be re-manufactured by processors to supply the calculated shortfall.

Please recall that the total number of units represent both the free and restricted crops. These products will also be used to satisfy handler's restriction obligations.

Pounds of Sales

The previous discussion was based upon units of finished goods. However, it should be noted that the Optimum Supply Formula deals with pounds and that there is an important interaction between the unit sales, the yields and the Optimum Supply Formula. Given that the yields were less favorable this season than on average, the pounds sold will be greater for any given unit sales volume. Thus, if the industry sells the average volume of units, the tonnage of these will be greater for purposes of the OSF.

Inventory Reserves

Handlers recently reported their compliance plans for dealing with this year's restrictions. This is summarized in the following table.

Reserve Obligations
(Millions of Pounds)

Restricted Inventory		
Crop Year 2005 - 06		113.5
Market Growth Factor		(18.0)
		95.5
Compliance activities		
Exports (estimated)	(13.7)	
New markets (estimated)	(25.6)	
Diversion (actual)		
In-orchard	(16.3)	
At-plant	(6.5)	
Subtotal:		(62.1)
Excess over compliance activities:		33.4
Reserve Capacity	50.0	
2005 reserves	43.0	
2006 capacity		(7.0)
Projected secondary reserves:		26.4

It is important to look to the export and new market categories, in particular. The projected exports are close to what the industry had last year.

The projected new market component is quite a bit larger than last year's figure, and it indicates the handlers' increased interest in and utilization of new market opportunities for cherry products. The greater volume of projected sales are consistent with the increased requests for new market and market expansion efforts being received by the CIAB.

The end of year balance is certainly not a fixed figure. The balance of the restricted inventory will change between now and the end of the year. Changes in the amounts of exports and new market areas will alter the bottom line. A USDA purchase will cause a release from reserves and change the bottom line, as well.

CIAB Elections - 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 2007:

District 1 - Patrick McGuire, Grower Member
District 1 - Bern Kroupa, Grower Alternate
District 1 - Tim Brian, Handler Member
District 1 - Bob Sherman, Handler Alternate
District 2 - Doug Fuehring, Grower Member
District 2 - Fred Tubbs, Grower Alternate
District 4 - Pat O'Malley, At-large Member
District 4 - Tom Facer, At-large Alternate
District 8 - Terry Dorsing, Handler Member
District 8 - Kevin Dorsing, Handler Alternate

In District 1, NW MI, there are both a handler and a grower seat up for nomination. According to procedures adopted by the CIAB, the Grower seat will be determined first followed by nominations for the handler seat.

In District 8, WA, both the member and the alternate are term limited and cannot run again for the same seat they currently hold.

Amendment Hearings

The USDA is preparing for hearings for amendment of the marketing order. Budget and time constraints at the USDA require that the hearing schedule be shorter than they have been in the past. The USDA has set hearing dates for February 21 & 22, 2007 in Grand Rapids, MI and March 1, 2007 in Provo, UT.

The locations and times for the hearings will be announced at a later date.

Referenda

The referendum for the Michigan Cherry Committee (MCC) will be held in February 2007.

The referendum for the CIAB occurs in March 2008.

You will be hearing more about these important votes in the near future.

Calendar of Events

January - April

Jan 16-17	Orchard Show, Grand Traverse Resort, Traverse City, MI
Feb 7	North American Tart Cherry Symposium, Sponsored by CherrCo, Inc., Crowne Plaza, Grand Rapids, MI
Feb 8	CIAB Board Meeting, Crowne Plaza, Grand Rapids, MI
Feb 21-22	Amendment hearings, Grand Rapids, MI, location to be determined
Feb 28	Export documentation for October through December
Mar 1	Amendment hearing, Provo Utah, location to be determined
Mar 10	Form #3 Sales and Inventory Report (December through February 28)
Apr 15	Grower Diversion Application and Maps

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