

CIAB News

Information from the Cherry Industry Administrative Board

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USDA to Purchase Cherries and Industry Sales

The USDA Announces Intent to Buy Tart Cherries

The industry received some very good news recently. Following a trip by industry representatives to the USDA to request a purchase, the USDA announced its intent to purchase tart cherries for the national feeding program.

The USDA indicated that it will spend up to \$40 million and purchase up to 43.6 million pounds (RPE) to tart cherries. The makeup of the intended purchases has not yet been announced since this takes time for the USDA to determine.

Deliveries of these purchases will extend from May through November. This provides handlers and, most particularly, driers adequate opportunity to utilize their drying capacity to meet the deliveries and to provide the best pricing to the USDA.

For further information you can go to the following website and find the announcement for tart cherries in the "What's New" section on the resulting page.

<http://www.ams.usda.gov/commoditypurchasing>

Historical Sales Activities for the Industry

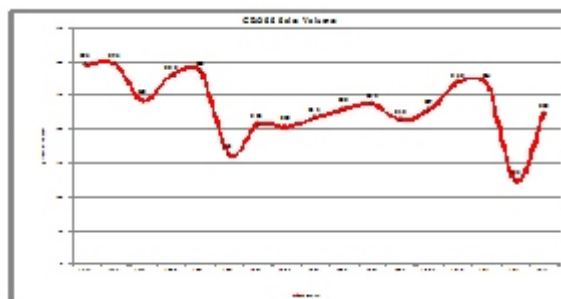
The tart cherry industry has done an excellent job in recapturing the sales volumes it had prior to the crop failure of 2012. The rebound in sales in 2013 from 2012 was very good and it was markedly better than the one seen in 2003 following 2002.

In crop years 2010 and 2011, the industry sold 268 and 264 million pounds of tart cherry products. Then, due to the crop failure of 2012, the industry sold only 123 million pounds of products. This represented less than one-half of the sales in each of the previous two years.

In 2013, through the strong efforts of the marketers and sales forces, the industry sold 222 million pounds. This is a year-over-year sales increase of 99 million pounds and more than an 80% increase in the sales volume. As importantly, the 2013 sales were 83% of the 2010 and 2011 sales volumes. This was a tremendous rebound from the lost sales following the crop failure of 2012.

If the USDA purchases in 2013 are factored out of total sales, the increase in sales in regular, commercial outlets is about 74 million pounds. This represents a 60% increase in sales over 2012 in these outlets which is still an excellent outcome for the industry.

Tart Cherry Sales – RPE in Millions of Pounds



2013 compared to 2003

The 2013 sales response should be viewed in context and by comparison. 2013 had a much more robust sales response than the one in 2003 following the 2002 crop failure. In 2002 the industry sold 161 million pounds of tart cherry products or 56% of the sales from the prior year. The sales volumes the following year, 2003, reached 206 million pounds. This was a year-over-year increase of only 45 million pounds, or 30%, as compared to the 80% increase seen in 2013. Needless to say, the 2013 sales activities are much preferred to those of 2003.

There are some major differences between the two periods. One is the promotion efforts of the industry. The conjoined CMI and CIAB promotion program was not in place post 2002. It began in 2006 well after the 2002 crop failure. The program emphasizes frozen, dried and juice / concentrate, and it has had very good results and excellent responses over the years of its operation. This program undoubtedly contributed to the quicker responses to the crop failure of 2012.

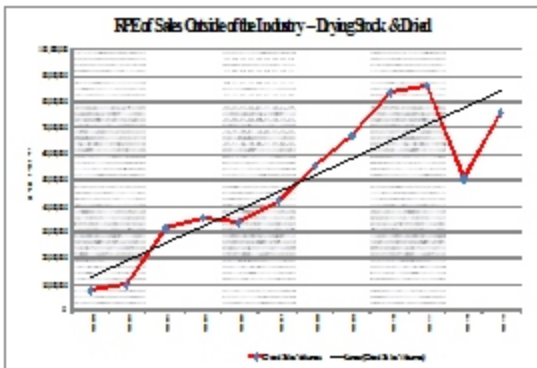
Another difference is in the Optimum Supply Formula. After 2002 the OSF was applied with more restraint than it is now and there was less "free" tonnage available for sale in the market place. A number of changes were made to the OSF since 2002 so that more "free" tonnage was available for sale following the 2012 crop year than there was following 2002. This, too, accelerated the rapid and better response of sales after 2012.

What are the sales trends?

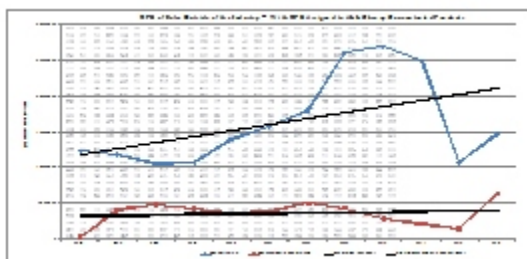
There are two principal categories driving the sales activities in the tart cherry industry today. These are the dried and juice segments. This is consistent with the consumer’s interest in healthier eating and the focus of the industry’s promotional messaging. What is more, they are important “value added” segments from which the industry retains more of the overall value of the finished goods.

Dried Cherries Dried cherry sales have grown from less than 10 million pounds RPE in 2002 to more than 80 million pounds in 2010 and 2011. This upward trend has been both consistent and quite steady throughout this period. In 2013 dried product sales were approximately 75 million pounds which was a very good rebound from their decline in 2012.

While the retail and industrial segments for dried cherry sales are growing significantly, it must be recognized that not all dried sales are made to normal commercial outlets. The USDA purchases dried cherries for surplus removal. In 2013 the USDA purchased about 25 million pounds most of which were dried cherries. This was the major driver of the 2013 rebound.



Juice Juice and concentrate sales have also shown a very positive growth curve since 2002. In 2002 juice and concentrate sales represented about 12 million pounds RPE. In 2009 and 2010 the sales volumes were in the range of 30 million pounds RPE. For 2013 total juice and concentrate sales were about 22 million pounds which equals about 79.4% of 2011 sales and 72.5% of 2010 sales. Again, this is a very positive rebound in sales especially compared to 2003.



It is fortunate that the efforts of the industry to develop the dried and juice categories have been as successful as they have been since these provide the much needed offset some of the losses of sales being experienced in other segments of the industry.

Frozen Sales in the frozen category have shown a very positive recovery from 2012 to 2013. Sales in 2012 were only 33.3 million pounds while sales in 2013 increased to 93.5 million pounds. This is a year-over-year increase and 280.5%. This volume of sales was 94.5% of the sales volume in 2011. This was a very nice rebound from the 2012 crop failure.

There are important changes happening in the frozen segment. Healthier eating trends certainly have had an impact in the markets for some of the traditional tart cherry products. Consumers are eating fewer desserts and sweets in general. Needless to say, this impacts the frozen segment. The industry and its promotional efforts are doing their utmost to be at the forefront of the healthier eating trend by offering products and formulations to the food manufacturers and to consumers that are “on trend” with the changing dietary patterns.

Canned– Hot packed and Piefill These two categories have seen a rather significant decline in their sales volumes in recent years. Consumer purchasing patterns have changed and they are buying fewer of these products. Some handlers have moved their cherries from the canned products to the frozen, dried and/or juice categories in response to shifting consumer demand. (These two situations are flip sides of the same coin.) The changing trends have dramatically affected these two segments of the tart cherry industry.

Sales in 2014 So far in crop year 2014 the CIAB has had reports for only one sales period. The results of this sales period were quite encouraging showing year-over-year increases in the dried, frozen and juice segments of the industry. This suggests that the growth trends seen in these categories in 2013 is continuing in 2014.

Promotion activities - 2013 and 2014

Mr. Michael Wehman, VP, Weber Shandwick was at the Orchard and Vineyard Show in Traverse City, MI to present information about the industry’s promotional activities both for 2013/14 and for 2014/15.

The results from the promotional program for 2013/14 were excellent. There were a total of 6,339 placements in various media outlets and 462 million impressions. The impressions, which is the number of times that the placements are viewed, was 123% of the targeted goal for the year.

The messages contained in the various placements reflected the foci of the public relations campaign. The

primary messages in the various placements, broken down by percent, were: Sleep - 30%; Recovery - 22%; Taste - 28% and General - 20%. The pickup in the media of the industry's messaging is very positive.

Mr. Wehman also spoke of the industry's efforts for 2014/15. These efforts will be "occasion based". By this it is meant that the program will focus upon showing consumers ways in which tart cherries can be consumed in various settings throughout the day - breakfast, meals, snacking, pre- and post-exercising, bedtime, etc. It will employ the science supporting the positive attributes of tart cherries and the "trendy" taste to show customers the value of eating tart cherries. Mr. Wehman showed many different events during the year in which tart cherries would be featured.

Another interesting and new effort in the promotion program this year is a consumer advertising program targeted at the endurance athlete and demonstrating to them the significant value of tart cherries as part of their training regimen. The advertisements will be included in five different publications over the course of six months. There will also be added features in some of the advertisement insertions.

Even through endurance athletes might seem to be a limited group, the ripple effects from this campaign to health oriented consumers will be very beneficial.

Yet another component of the 2014 promotion program will be efforts to stimulate the commercial / industrial side of the tart cherry business. A new series of business to business trade advertisements have been created and will appear in six trade publications over the course of the year. These placements should continue the discussions within the industrial user segment of the value of having tart cherries as part of their ingredient portfolio.

The new logo for the industry

As part of the progression of the promotion efforts and the education of the users and consumers of tart cherries, the Promotion Task Force has changed the logo that will be used for the industry's efforts. The new logo will include reference to "Montmorency" Tart cherries.

Until now it had been felt that consumers probably did not really know the difference between tart and sweet cherries except by taste. An education program such as we have been undertaking was needed to get consumers to recognize tart cherries. The new logo and promotional efforts will now focus upon letting them know that Montmorency tart cherries are the tart cherries for which they should be asking.

Here is the new logo:



Calendar: March through June 2015

March 10	Form 3 reports due
March 2	Exports and market expansion documentation - Oct. 1 through Dec. 31
April 1	CIAB Meeting, Grand Rapids, MI
April 15	Orchard maps due
June 10	Form 3 - sales through May 31 with June estimates
June 1	Exports and market expansion documentation - Jan. 1 to March 31
June 15	Exports and market expansion documentation - April 1 to May 31
June 24	MFFPA Guestimate, Amway, Grand Rapids
June 25	CIAB Meeting, Amway, Grand Rapids.

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