# CIAB News

Information from the Cherry Industry Administrative Board

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# CIAB Convenes to Recommend Final Percentages

## The CIAB's September Meeting

The board met in Portland, OR on September 10, 2004 for its September meeting. Each year at this meeting the board reviews the crop year, the production and the OSF resulting from the harvest.

## Actual Production for Crop Year 2004 - 05

The harvest was quite long this year starting in the last week of June in PA and ending in late August in NW MI. There were a total of ten weeks of harvest from beginning to end.

Actual production was pretty close to the estimated production for the United States overall. Each production area varied from the estimate with PA being the lowest percent of estimate and New York being the highest percent of estimate.

Please recall that the MASS estimated Michigan production at 145 million pounds. The breakdown of this estimate noted below was made by the CIAB at the June meeting. Michigan's actual production was 147.1 million pounds.

The district by district breakdown of actual production and the percents of estimate are as follows:

| District | Actual | Est. | % of Estimate |
|---|---|---|---|
| NW MI | 87.2 | 85 | 102.6% |
| WC MI | 36.4 | 40 | 91.0% |
| SW MI | 23.5 | 20 | 117.5% |
| NY | 10.3 | 8 | 128.8% |
| OR | 3.9 | 4.0 | 97.5% |
| PA | 2.8 | 4.0 | 70.0% |
| UT | 21.3 | 23 | 92.6% |
| WA | 17.4 | 23 | 75.7% |
| WI | 6.6 | 8 | 82.5% |
| **Total** | **209** | **215** | **97.2%** |
| Unrestricted | **7** | **8** | **87.5%** |
| Restricted | **202** | **207** | **97.6%** |

The states of Oregon and Pennsylvania are not subject to the restriction percentages. The production from these states totaled 7 million pounds and is "free" tonnage. The rest of the production, 202 million pounds, is subject to restriction under the marketing order.

## The OSF with Actual Production

### Total Movement compared to "Free" Sales

The restriction of the OSF is defined by the domestic portion of the industry's total movement. Total movement, by comparison, includes all sales by the industry whether made in domestic, export or other diversion outlets.

If one looks to the historical record, total movement has tracked the available supply of cherries quite closely. Total movement increases and decreases in close approximation to the available supplies. It follows a cycle of what appears to be 25 to 30 years in its peaks and valleys. (See graph on Page 4.)

The CIAB came into existence at about the peak of the supply and movement cycle. Supply has trended downward during the tenure of the marketing order. Total movement has also trended downward during this period. However, the percent of movement compared to available supply has been higher under the order than for the other periods as the following table shows.

| Period | Move-ment | Supply | % Moved |
|---|---|---|---|
| Past 3 seasons (2001 - 03) | 204.5 | 240.8 | 84.9% |
| CIAB (1997 - 03) | 235.5 | 280.0 | 84.1% |
| Prior decade (1987 - 96) | 255.0 | 313.9 | 81.2% |
| Since 1970 | 227.4 | 272.0 | 83.6% |

(The data from which these figures are taken is from the Tart Cherry Satistical Handbook and CIAB figures.)

While it may go without saying, average movement during the past three years has been dramatically affected by the relatively short crops that the industry had in 2002 and 2003.

### Demand - 3 Year Average of "Free" sales

In calculating a restriction, if any, under the OSF for a particular season, the production in the restricted districts is compared to the domestic demand for tart cherries. The average of the domestic sales over the past three seasons is used as "demand" in the OSF.

### Sales in 2003 - 04

At the June meeting the Board adopted the formulas that defined "free" sales for the OSF. Total sales for crop year 2003 - 04 were 206 million pounds. Of this total, 184 million were sales into the "free" markets.

The following charts show these calculations:

| **Total Sales, Crop Year 2003 - 04** | | |
|---|---|---|
| | Inventory Beginning of Year | 10 |
| + | Pack | 222 |
| - | Inventory, End of Year | 26 |
| = | Sales | 206 |

| **"Free" Sales, Crop Year 2003 - 04** | | |
|---|---|---|
| | Sales | 206 |
| - | Exports | 10.2 |
| - | Market Expansion | 1.8 |
| - | USDA sales, net | 10. |
| = | "Free" Sales | 184 |

### 3 Year Average of "Free" Sales

"Demand" for the OSF is the three year average of "free" sales. The average, in millions of pounds, is calculated as follows:

| | |
|---|---|
| 2001 | 208 |
| 2002 | 138 |
| 2003 | 184 |
| Average | 177 |

This volume, 177 million, is the "free" portion of the average total movement of 204 million pounds noted in the previous table. This indicates that, on average, 27 million pounds of cherry products have been moved in the past three seasons in "secondary" markets (USDA, Export, Market Expansion, etc.).

## CIAB Recommends the Final Free and Restricted Percentages

Putting together all of the information considered by the CIAB, the final restriction percentage was calculated and recommended to the Secretary of Agriculture.

The final OSF calculation resulted in a gross "free" percentage of 72% and a gross restricted percentage of 28%. More importantly, the effective "free" percent is 81% and the restricted percent is 19% after applying the Market Growth Factor (MGF).

Summaries of the final and the preliminary calculations are:

**Final Percentages**
**Crop Year 2004 - 05**
**Using Actual Production**
(1,000,000's of Pounds)

| | | | |
|---|---|---|---|
| **Supply** | | Restricted crop | **202** |
| | | Unrestricted | **7** |
| | + | "Free" Carry-in | **25** |
| | | ST: | **234** |
| **Demand** | | 3-Year Avg. Sales | **177** |
| **Surplus** | | | **57** |
| | Gross Restriction | | 28% |
| **Market Growth Factor** | | | **(18)** |
| **Adjusted Surplus** | | | **39** |
| **Effective Free %** | | | **81%** |
| **Effective Restricted %** | | | **19%** |

**Preliminary Percentages**
**Crop Year 2004 - 05**
**Using Industry Crop Estimates**
(1,000,000's of Pounds)

| | | | |
|---|---|---|---|
| **Supply** | | Restricted crop | **207** |
| | | Unrestricted | **8** |
| | + | "Free" Carry-in | **24** |
| | | ST: | **239** |
| **Demand** | | 3-Year Avg. Sales | **177** |
| **Surplus** | | | **62** |
| | Gross Restriction | | 30% |
| **Market Growth Factor** | | | **(18)** |
| **Adjusted Surplus** | | | **44** |
| **Effective Free %** | | | **79%** |
| **Effective Restricted %** | | | **21%** |

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The total supply of product available to the industry this year is 234 million pounds. The total supply of products available to the industry in 2003 was 232 million pounds. This year saw a larger carry-in, 25 million pounds, compared to 10 million pounds last season. This year had lower production, 209 million pounds, compared to 222 million pounds last season. Nonetheless, total supplies are very similar for the two seasons.

## Meeting the Restriction Requirements

As has been the case in past seasons, handlers have various options with which to deal with the restriction. These include USDA purchases, market expansion activities, exports and demand releases. Each handler will find the combination that best suits its particular situation.

There has already been a purchase of dried cherries by the USDA for the current season. The industry will be working towards additional purchases by the USDA for this year.

It is unclear how the export markets will perform this year. Early indications from handlers suggest that export sales may be about one-half of last year's reported total of 10 million pounds.

The likelihood of a demand release simply cannot be predicted at this time. This determination can be made only after sales reports are submitted and compared to prior years' sales volumes.

Similarly, the volume of market expansion activities and the diversion credits that they generate cannot be predicted this early in the season. For comparative purposes, it should be noted that about 2 million pounds of diversion credits were issued for this category last season.

## Partial Refund of Assessments from Crop Year 2003 - 04

The CIAB refunded to handlers $60,000 of the assessments collected from last year. This decision was made after reviewing the CIAB's year end accounting, the CIAB's reserve position at the conclusion of the last fiscal year and the likely reserve position at the conclusion of the current year.

This refund either may be used by handlers as an offset to the current year's assessments or it will be paid to those handlers that wish to receive reimbursement.

## Revamping the CIAB's Election Procedures

Another action taken by the CIAB at the Portland meeting was the revamping of the member and alternate voting procedures. The changes to the voting procedures were made following the board's request that the voting procedures be reviewed by the Executive Committee and that recommendations be made for change.

In future elections the member nomination and election process will be undertaken, completed and announced first. The nomination and election process for alternates will follow upon completion of the member's election. This will allow the people in each district to know exactly who may qualify to hold a seat and determine potential conflicts concerning the constituency clause.

In districts where more than one seat is up for election in any year the grower member's nomination and election will be done first. The handler member's nomination and election will follow. The election of alternates for both seats will be done last. This sequence will occur only in NW MI and only once in each three years given the current structure of the CIAB.

## Qualifying as a Voting Handler and to Serve on the CIAB

The Amendment Committee presented to the CIAB a proposal to clarify the rules concerning which handlers may serve on or vote for membership on the board.

Currently the language of the order requires that a handler own or lease and operate "bricks and mortar" to qualify as a voting handler or to serve on the CIAB. The definitions of these concepts were never provided when the order was created, and this lack of detail has lead to confusion.

The Amendment Committee's proposal would require that, to qualify to vote for handler members and/or to serve on the board, handlers would have to process a minimum volume of cherries. Those handlers that do not meet the production threshold could and would still qualify as "handlers", but they would not be able to vote for handler representatives.

A number of suggestions for the minimum volume of production were presented and briefly discussed. However, no decision on this was made. Further discussions and research will follow to determine what should be the appropriate processing figure.

The change envisioned by this recommendation would require amendment to the order. Thus, it would take quite a while to complete and implement.

Further discussion of the amendment will follow at upcoming CIAB meetings. Anyone interested in the issue will be able to share their thoughts on the matter at these discussions.

## CIAB Members & Alternates who Were Seated on the CIAB

A number of board Members and Alternates' terms began with the September 2004 meeting. They are:

Tim Brian, Handler Member, District 1
Bob Sherman, Handler Alternate, District 1
Pat McGuire, Grower Member, District 1
Bern Kroupa, Grower Alternate, District 1
Doug Fuehring, Grower Member, District 2
Fred Tubbs, Grower Alternate, District 2
Mike Schrom, Handler Alternate, District 3
Pat O'Malley, Handler Member, District 4
Tom Facer, Handler Alternate, District 4,
Doug Greenhalgh, Grower Alternate, District 7

## Executive Committee Elected and Seated

The CIAB elected new officers for the current year. They are:

Earl Peterson, WC Michigan, Chairman,
Mike Rowley, Washington, Vice Chairman,
Rich DeRuiter, WC Michigan,Treasurer,
Jim Seaquist, Wisconsin, Secretary, and
Jeff Send, NW Michigan, at-large member.

## "www.cherryboard.org"

Just a reminder - the CIAB website is a very informative source for the cherry industry. Upon entering the internet address "www.cherryboard.org", a user will come to the home page which lists all of the information on the site. Simply click on a heading and you will go to the information page.

Please visit our site for up-to-date information on the most recent CIAB activities.

## Calendar of Events - October - December

| | |
|---|---|
| Oct 1 | Assessments due |
| Nov 1 | Grower diversion certificates expire<br>Form 4 due<br>Form 5 A and B due |
| Nov 28 | Exports for July 1 through Sept 30 supporting paperwork due |
| Dec | Request for release of Market Growth Factor due by the end of the first week of the month<br><br>Quarterly meeting, early December in Washington, D.C. |
| Dec 10 | Form #3 Sales and Inventory Report<br>(September through November 30) |
| Jan 1 | Penalty imposed if assessments not received |