

CIAB News

Information from the Cherry Industry Administrative Board

Volume 19, Issue 1

September 2015

CIAB Meets and Recommends Final Percentages

The CIAB's September Meeting

The board met in Sturgeon Bay, WI on September 10, 2015 for the annual meeting at which actual production is reviewed and the final percentages are recommended to the Secretary of the USDA.

Actual Production for Crop Year 2015

The 2015 crop, while larger than was estimated, was not a terribly large crop. The total cherries produced were 249.6 million pounds. The volumes by districts are listed in the table below.

The quality of the cherries was generally considered to be very good throughout the United States. Harvest began quite early in a number of the production districts and it finished quite early, too. The last production report was for the week ending August 22, 2015.

The table below sets out the production by district.

Actual Production - Crop Year 15/16
(1,000,000's of pounds)

Dist.	Processed	Diverted	Total	Est.	% of Est.
NW MI	87.6	0.2	87.8	83.0	105.8%
WC MI	36.2	0.2	36.4	33.0	110.2%
SW MI	32.5	0.1	32.5	30.0	108.5%
NY	10.2	0.0	10.2	10.0	102.4%
OR	1.9	0.0	1.9	1.5	124.0%
PA	6.9	0.0	6.9	3.5	196.9%
UT	39.5	0.8	40.3	38.0	106.0%
WA	25.0	0.0	25.0	25.0	99.9%
WI	8.7	0.0	8.67	9.3	93.7%
Total	248.4	1.2	249.6	233.3	107.0%
"Free"	8.8		8.8	5.0	175.0%
Restricted	239.7	1.2	240.8	228.3	105.5%

The unrestricted states for this year were OR and PA. All other districts were in the "restricted" category. PA had an extremely large crop for that area producing almost twice what had been estimated for the year.

Percentages under the OSF based upon Actual Production

The Optimum Supply Formula determines the amount of the current year's production that is "free" and which can be marketed in any market and the amount that is "restricted" and which must either be held

in inventory reserves or marketed into secondary markets. To determine the percent that is "free" compared to that which is "restricted", a number of factors are considered.

Production - Crop Year 2015

At the June 2015 meeting the CIAB reviewed various factors in determining the OSF and the percentages. At that time the board used estimates of production to determine the preliminary percentages under the OSF. The preliminary percentages were 86% "free" and 14% "restricted".

In September the board reviews and recalculates the OSF using the year's actual production. The CIAB then adjusts the OSF taking into account the difference between the estimate of production and the actual production.

At its June meeting the CIAB used the estimate of production of 233.3 million pounds in the OSF. Actual production exceeded that estimate by 16.3 million pounds. As the previous chart shows, the actual production for the season was 249.6 million pounds with 240.8 million pounds being produced in the districts subject to restriction and 8.8 million being produced in the two districts not subject to the restriction process, OR and PA.

In years where the crop picks longer than estimated, the OSF calculations change, as well. The increased production results in a larger surplus of cherries and more cherries being held in inventory reserves or marketed in secondary outlets. The "free" percentage will decrease while the restricted percent will increase by the same percentage.

Sales - Total, "Free" Sales and Average

Under the OSF, the total demand is compared to the total supply of cherries to determine if there is a surplus of supply. If there is a surplus, the percentages are calculated for this surplus using the formula contained in the OSF.

An important part of determining if there is a surplus are industry sales for both the year and for the past three years. The volume of the annual sales and the three year average sales are determined when the CIAB meets in June to calculate the preliminary percentages. These sales figures do not change between the June analysis and the September analysis. This practice was established by the CIAB to minimize the number of factors that changed between calculating restrictions at the June and September

meetings. The only thing that changes between these two meetings is the size of the crop.

As was noted in the June newsletter, the sales for 2014/15 were:

Total Sales, Crop Year 2014/15		
	Inventory Beginning of Year	81
+	Pack	295
-	<u>Inventory, End of Year</u>	<u>141</u>
=	Sales	235

Of the total carry-in of 141 million pounds, 37 million was dedicated to satisfying USDA contracted purchases. Therefore, the CIAB adjusted the carry-in figure for the OSF to 104 million pounds

The 3 Year average of sales for the OSF were calculated as:

3 Year Sales and Average Sales			
	Gross	Exports	Free Sales
2012	123	0	123
2013	222	0	222
2014	<u>235</u>	<u>14</u>	<u>221</u>
3 Yr Avg.	193	5	188

In 2015, just as it had been in previous seasons, the CIAB was concerned about the industry's ability to recapture sales lost from the 2012 crop failure. Please recall that in the years just prior to the 2012 failure, "free" sales averaged just about 250 million pounds. Returning to these levels of sales is an important goal of the industry. Consequently, at the June meeting the CIAB made an adjustment to sales of 43 million pounds to assist marketers in returning to the pre-2012 level of free sales.

CIAB Recommends the Final Free and Restricted Percentages

The CIAB reviewed all of the information just discussed, applied it to the OSF, calculated the final restriction percentage and made its recommendation to the Secretary of Agriculture.

OSF with Actual Production

Given the crop of 250 million pounds and the adjusted demand for the year, the application of the OSF to the harvest information showed that there was a calculated restriction for 2015/16.

Actual production exceeded the estimate of production by 34 million pounds. By definition this requires adjustment to the OSF compared to the June determination. The calculation from the OSF based on

actual production was as follows:

OSF Crop Year 2015 - 16 **With Actual Production** (1,000,000's of Pounds)

Estimated in-orchard diversions		1.17
SUPPLY		
	Restricted	240
+	Unrestricted	9
	ST, Processed Prod.:	248
+	Carry-in	104
	Orchard Diversions	1
	ST, Supply:	353
DEMAND	3-Year Avg. Sales	188
	MGF	19
	Adj. to sales	43
	Other factors	
	Carry-out	20
	Carry-out adjustment	35
		305
SURPLUS / (SHORTFALL)		48
RESTRICTED and FREE % and Pounds		
	FREE %	80%
	Free Pounds	192
	RESTRICTED %	20%
	Restricted Pounds	48

The final recommendation made to the Secretary by the CIAB was that the final free percentage be set at 80% and the restricted percentage be set at 20%. This represents a 6% decrease to the free percentage and a 6% increase to the restricted percentage compared to the preliminary figures.

The following table compares the preliminary to the final OSF.

Crop Year 2015/16			
Comparison of Preliminary OSF and Actual OSF			
	Preliminary	Difference	Actual
SUPPLY			
Restricted	228.3	11	239.7
+ Unrestricted	<u>5.0</u>	4	<u>8.8</u>
ST, Processed Prod.:	233.3	15	248.0
+ Carry-in	104.0	0	104.0
Orchard Diversions	<u>0.0</u>	<u>1</u>	<u>1.2</u>
ST, Supply:	337.3	16	353.0
DEMAND			
3-Year Avg. Sales	188	0	188
MGF	19	0	19
Adj. to sales	43	0	43
Other factors		0	0
Carry-out	20	0	20
Other	35	0	35
ST, Demand	<u>305</u>	<u>0</u>	<u>305</u>
SURPLUS / (SHORTFALL)	32	16	48
RESTRICTED and FREE % and Pounds			
FREE %	86%	-6%	80%
Free Pounds	196	(4)	192
RESTRICTED %	14%	6%	20%
Restricted Pounds	32	16	48

Cherries for the free market and reserves

The OSF determination provides sufficient free cherries for calculated demand. The available cherries listed by source are:

Available Cherries for Crop Year	
2015/16	
Carry-in	104
Unrestricted	9
“Free” portion of Restricted production	<u>192</u>
Total Cherries Available	305

If the marketers are able to achieve sales in the “free” (domestic) market of 250 million pounds, there would be a carry-over into next year of 55 million pounds. On the other hand, if they attain the same volume of “free” sales as was seen in 2014, the carry-over would be 84 million pounds of tart cherries at the conclusion of the year.

As everyone in the industry is well aware especially following 2012, there can be significant fluctuation in the industry’s production. Inventory reserves are an important offset against shortfalls in production. Under this year’s formulation, there are 48

million pounds of surplus tart cherries. In-orchard and at-plant diversions will account for 4 million of that surplus. The balance, 44 million pounds, will begin as primary inventory reserves to assist the industry with any shortfall that might occur in 2016

Please recall that the restricted cherries can be used in diversion activities such as exports, new product and new market activities or for charitable contributions. The final determination of the amount of the restricted cherries placed into the reserves will not be known until the crop year ends and all diversion activities are tallied.

CIAB recommends restriction for 2015/16

In accordance with the calculation made under the OSF, the consideration of various factors that apply to the industry for 2015/16 and the discussion of the members at the meeting, the CIAB recommended to the Secretary that the free percentage be set at 80% restriction be set at 20%.

Restricted Districts

OR and PA are the only two districts not subject to the restriction process. All others will be subject to it.

Districts and Representation on the CIAB

There have been and will be a number of changes to the representation of the various districts on the CIAB.

With the 2014/15 crop year, WC MI fell below the 40 million pound average production threshold for having three seats. Thus, for the 2015/16 crop year it will have 2 representatives on the board.

WC MI's change of status will, however, be short lived. With the 2015/16 crop year's production, WC MI is once again above the 40 million pounds threshold for having 3 seats. Thus, next year WC MI will again have 3 seats on the CIAB. The new representative will be chosen at the next round of board elections.

NY's production level in 2015/16 brings its average production level above 10 million pounds. This is the threshold for having 2 seats on the CIAB. Thus, next year NY will have 2 seats on the board. The new representative will be chosen during the next cycle of elections.

WI has also attained a 3 year production average of more than 10 million pounds. Thus, like NY, WI will have two representatives on the CIAB. The additional representative will also be selected during the next cycle of elections.

For the current year the CIAB has 16 members and 16 alternates from the production areas and 1 public member and 1 public alternate. Next year with all of the changes noted above, the CIAB will have 19 members and 19 alternates from the production areas plus the public representatives for a total of 20 representatives.

Alternate Public representative - presently Allyn Anthony serves as the Public Member on the CIAB. There is no public alternate presently seated on the CIAB. The CIAB needs nominees for this seat. This is a very good opportunity to have a board members who can increase the CIAB's diversity profile. If you know of a person who would be willing to serve in this position, please forward their name to the CIAB for consideration.

Diversity and Board Representation

The CIAB encourages diversity on the board. Both for the next election cycle and for the alternate public member, the CIAB would very much appreciate the nomination of candidates who may help the CIAB have greater diversity of representation. Such candidates could be women, minorities, and persons with a disability.

Other Actions or Items from the Meeting

Seating of New Board Members & Alternates

The following were seated on the CIAB at the September meeting in accordance with the Secretary's

selection order:

Calvin Lutz,	Grower Mem.	NW MI
Cliff Boomer	Grower Alt.	NW MI
Steve Packer	Handler Mem.	SW MI
Danielle Brien	Handler Alt.	SW MI
Kenyon Farley	Handler Mem.	UT
Thad Rowley	Handler Alt.	UT

Election of Officers

The CIAB elected the following to serve on the executive committee for the next year:

Ray Rowley	Chairman
Jon Veliquette	Vice Chairman
Bryce Dorsing	Secretary
Jim Seaquist	Treasurer
Jay Jollay	At-Large member

Review of Imports

There is significant concern regarding imported cherry products, particularly concentrate. A committee was created to review this issue and to come back to the CIAB with recommendations about how to address the matter.

Calendar of Events: October 2015 through February 2016

Oct. 1	Assessments due Form 4 & Forms 5A and B due
Dec. 1	Exports and market expansion activities for July 1 through Sept. 30 supporting paperwork due
Dec. 7-9	WA State Hort. Assoc. Annual meeting, Yakima, WA
Dec. 8-10	Great Lakes Expo, Grand Rapids, MI
Dec. 10	Form #3 Sales and Inventory Report (July Through November 30)
Jan. 1	Penalties for late payment of assessments
Jan. 12-13	NW MI Orchard & Vineyard Show, Grand Traverse Resort, Acme, MI
Jan. 19-21	Empire St. Producers Expo, Syracuse, NY
Jan. 21-22	UT Horticultural Meetings, UT
Feb. 2-4	Mid-Atlantic Fruit & Vegetable Convention, Hershey PA