
CIAB News

Information from the Cherry Industry Administrative Board

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Amendment Hearings Scheduled for April 2011

Grower Bottom Line Credits set for Amendment Hearings

The Secretary has announced that hearings to amend the order to allow for grower “bottom line” diversion credits will be held April 20 - 21 in Grand Rapids, MI and April 26 - 27, 2011 in Provo, UT.

The proposal for amendment has to do with grower in-orchard diversion credits and how they are accounted for by handlers. Up to now grower’s credits operated differently than handlers’ post harvest diversion credits. Post harvest credits are taken pound-for-pound against the handlers’ restriction obligations. By comparison, for grower credits, handlers have had to treat them just like cherries delivered for processing. The handlers must apply the restriction percentage against them just like it does to processed cherries. Handlers can use only what is left over after the restriction percentage is applied for their other restriction obligations.

An illustration may help show this. Assume the following:

Diversions	Restriction	Restricted Pounds	Net Available
Grower in-orchard in-orchard certificates			
10,000	25%	2,500	7,500
10,000	50%	5,000	5,000
Post Harvest certificates (e.g. export, new market, etc.)			
10,000	25%		10,000
10,000	50%		10,000

In this scenario, the grower diversion credits become less worthwhile to the handler as a compliance tool as the restriction percentage increases. Post-harvest credits remain the same in both situations.

Because of the unknown factor and potential risk for grower diversions, handlers might be less interested in them as an effective compliance option. If handlers buy these credits, they might pay less for them than they would for other credits since there is less risk of change to the other credits.

Bottom line diversion credits

The proposal up for amendment would make growers’ in-orchard diversion credits just like post-harvest credits. Growers’ credits could be used by handlers as pound-for-pound compliance tools. Growers’ credits would not change in worth as compliance tools as the restriction percent changes. Handlers would not face risk when purchasing growers’ diversion credits, and, therefore, they might be willing to pay for them accordingly.

Participation in the Amendment Process

Growers and handlers are encouraged to participate in the amendment hearings on this matter. The purpose of the hearings is to hear from industry members about the proposals and to learn what industry members think about the idea. The USDA wants to hear from as many industry members as they can.

If you would like to participate in the hearings, you may contact the CIAB to get more details about doing so.

Additional Topics for Amendment

The CIAB’s Amendment Committee met in December 2010 to review and discuss the marketing order and to consider additional changes, if any, to it.

Fixed restriction percentages

The principal idea to come from the committee’s discussions is the proposal that the restriction percentage be fixed in June of each year and not changed after that. This proposal would eliminate the adjustment of the restriction percentage in September based upon the actual, finished harvest figures.

Many growers and handlers have had significant difficulty with the current arrangement of the OSF and process by which the restriction percents are set. One figure is calculated in June based upon the estimates of production. A different restriction percentage is established in September based upon actual production. (In 2009 there was almost a third restriction percentage imposed by the Secretary who felt the final restriction was too high.) This variability wreaks havoc with growers and handlers alike in dealing with the crop.

A change to the OSF to set the restriction percent in June and to leave it fixed at that point would solve a number of problems for both handlers and growers. Growers would know what the handlers face for restriction and could plan accordingly. Likewise, handlers could establish their processing, sales and marketing plans knowing that these will not be disrupted later in the season with a new set of restriction percentages. These outcomes would be beneficial to all.

Moving forward with fixed restriction proposal

The members of the Amendment Committee were of the opinion that the fixed percentage proposal and the bottom line credit proposal would address many concerns for the industry. It suggested that the CIAB adopt the concept and try to incorporate it into the current amendment process so that both changes could be accomplished as soon as possible.

On January 4, 2011 the CIAB met via a telephone conference call to consider the recommendation of the Amendment Committee. After considerable discussion on the substance of the proposal and on the impact it would have on the current amendment process, the CIAB concluded that further deliberation was needed before moving to amendment on the matter.

There were a number of reasons for this position by the board. First, there were details about the proposal and its impacts that need to be more fully discussed. Second, the interplay between the fixed percentage and the bottom line credit proposal needed to be better understood. Third, representatives of the USDA felt quite strongly that a change to the substance of the current amendment process would most likely delay the amendment, and the CIAB felt that the change to the grower bottom line credit process was too important to delay.

The CIAB will reconsider the fixed percentage proposal in more detail at its meeting on March 24, 2011. It will determine at that time whether or not to move forward with it to amendment.

Industry Sales - Significant increases

The Form 3 report for the first period of the year shows some very positive signs for the industry. Sales of products in the primary categories are up significantly in 2010 over the same period in 2009.

Here is information on some items and their increase over 2009:

Item	Volume Increase	Percent Increase
Frozen		
5+1	142,948	18.8%
IQF	107,895	26.3%
Drying Stock, 5+1	237,861	50.6%

Item	Volume Increase	Percent Increase
Concentrate		
Juice (68) RPE	47,016	34.2%
Juice (68) No RPE	16,734	179.0%

The unit increases translate to about 21.5 million pounds of increased sales the first period this year over last year.

There were some categories that declined for the period, as well. The hot pack and piefill segments declined as has been the trend over the past few years.

Sales and the Tart Cherry Promotion Program

The increase in the sales in the frozen, dried and juice categories matches very closely the focus of the industry's promotion activities. This suggests very strongly that the promotion program, focusing, as it does, on the nutritional benefits of tart cherries, has gotten a considerable traction both at the consumer level and at the food manufacturer level.

At both the Great Lakes Expo in Grand Rapids, MI in December 2010 and the Orchard & Vineyard show in Traverse City, MI in January 2011, Mr. Michael Wehman, VP, Weber Shandwick, shared with industry members both the results of last year's public relations campaign and the focus of the upcoming year's efforts. His reports were very interesting and the outcome of the PR program were very positive.

The "Powered by Red" theme has been a very strong one. It has effectively conveyed the underlying idea that red tart cherries are a powerful and beneficial fruit to eat. It has also been a very good way to stress to the consumers the beneficial impacts of eating red tart cherries.

Mr. Wehman emphasized the importance that scientific research plays in the industry's promotional efforts. The research that has been done to date and that continues to be done provides the tart cherry industry with important information from which to spread the story about the nutritional benefits of tart cherries. Consumers, food manufacturers, food writers, nutritionists and others are using this information to make decisions about what they eat, and greater tart cherry sales are the result of these decisions.

Focus on Food Manufacturing

Mr. Wehman also described the results of proprietary research regarding food manufacturers' product decision making process. This process is described as a "stage gate" review in which a series of reviews are made, and any new project must to pass through the "gate" to the next level. If a project fails to make it through a "gate", it will fail and will not become a food item.

The information derived from the study indicates very strongly that red tart cherries meet the criteria of the various stages through which projects must pass. Thus, the industry's promotion program will expand its efforts to convey this information to the product decision makers in the food manufacturing process.

With this in mind, Mr. Wehman shared with attendees that this year's promotion program will include trade advertising placements in the professional publications read by this audience. The advertisements will demonstrate to these decision makers both the nutritional benefits of tart cherries and consumers' strong interest in them. The actual publications in which to place the ads and the schedule for them have not been finalized.

It is important to note that the decision to include trade advertising in the promotion program is the logical progression of the industry's promotion efforts. The success of the promotional efforts in increasing consumer awareness of tart cherries has brought the tart cherry industry to the point where it can successfully work with the food manufacturers trade to make more products that have tart cherries in them. The decision makers at food manufacturers will be far more confident that their decisions were sound knowing that consumers are interested in and will buy these products.

CIAB Membership and Voting

The USDA has announced the appointment of representatives to the CIAB. Mrs. Lorraine Chase has been seated as the Handler Alternate to Rich DeRuiter in WC MI. Dr. Nikki Rothwell, District Horticulturalist and Station Coordinator, NWMHRS, MSU, of Traverse City, MI has been seated as the Alternate Public Member.

Also, various districts are in the midst of elections for representatives to the CIAB. Nomination and election materials have been mailed out, so please keep your eyes open for these materials.

NASS Preliminary Prices Published

In January of each year the National Agricultural Statistics Service (NASS) announces the preliminary prices for cherries. The preliminary price of processed tart cherries is \$0.211 for crop year 2010. The preliminary national price for processed sweet cherries is \$478 / ton or \$0.239 / pound.

USDA Purchases

The USDA continues to be a strong customer for the industry. For the current crop year the USDA has purchased 13 million pounds of cherries for distribution through the school lunch or needy family programs.

We are continuing to work with the USDA to ensure that they stay current with the needs of the industry and to purchase more cherries when appropriate.

Grower Diversions 2011 & Orchard Mapping

If growers want to do anything other than tank diversions next season, they must have maps on file with the CIAB, and these maps need to be current. If maps are not on file prior to the harvest, growers will only be able to do tank diversions. If the maps on file are inaccurate, growers could lose out on diversion certificates.

The CIAB has forward information to all growers telling them what maps are on file for them. Please review these maps and make sure that they are correct and reflect your orchards. If you have corrections to make, please do so now. If you want to add some orchards to your record, please do so now. If you want to delete some orchard maps, please do so now. If you have taken over operation of some orchards, please let us know about this so that we can make sure that your operations are covered. If someone else will be operating your orchards for you, let us know this so that new operator can make sure that he has information about the orchards.

If the CIAB does not hear back from you about your maps, it will assume that the information we have on file is correct and is accurate.

Your application and maps are due no later than April 15, 2011.

Calendar of Events: January to June

Date	Event
Mar 1	Oct. - Dec. Post harvest diversion paperwork due
Mar 10	Sales Inventory through Feb. 28
Mar 24	CIAB Meeting, Crowne Plaza, Grand Rapids, MI
Apr 15	Grower Application and Maps due
Apr 20-21	Amendment hearing, US Bankruptcy Court, Grand Rapids, MI
Apr 26-27	Amendment hearing, Utah County Admin. Bldg., Provo, UT
June 24	CIAB Meeting, DeVos Place, Grand Rapids, MI