

PRESS RELEASE

Cherry Industry Administrative Board
P.O. Box 388
12800 Escanaba Drive, Suite A
DeWitt, MI 48820-0388

FOR MORE INFORMATION CONTACT:
Perry Hedin, Executive Director
Cherry Industry Administrative Board
517-669-1070 Fax: 517-669-1260

FOR IMMEDIATE RELEASE:

Cherry Industry Administrative Board Sets Preliminary Free and Restricted Percentages

Lansing, MI, June 27, 2011 - The Cherry Industry Administrative Board (CIAB), the national marketing order for red tart cherries, held its annual Marketing Policy meeting Thursday, June 23, 2011, in Grand Rapids, MI. At this meeting the Board determines the percentage of the crop that should be considered “free” and that which should be “restricted” under the terms of the marketing order. “Preliminary” percentages are determined at this time. “Final” percentages are calculated in September of each year and then recommended to the Secretary of Agriculture.

The Board, using the Optimum Supply Formula (OSF) set forth in the order, calculated the percent of the current year’s production that is “free” tonnage and that which is “restricted”. “Free” tonnage is production of the current year which can be marketed by handlers of tart cherries without any limitations. “Restricted” tonnage is that which must either be retained by handlers in inventory or diverted by handlers into other market opportunities. The CIAB concluded that the gross preliminary “free” percentage be set at 41% and the gross preliminary “restricted” percentage be set at 59%.

The tart cherry industry adjusts the “restricted” percentage by the volume of cherries that is released back to handlers to satisfy a provision of the order known as the “Market Growth Factor”. This provision requires that ten percent (10%) of the average demand be released to handlers to help build market opportunities for tart cherries. The CIAB also made an adjustment of thirty million (30,000,000) pounds to reflect the anticipated market conditions for the upcoming year. After adjusting the restricted volumes for these two factors, it is projected that there will be an effective “free” percentage of 60% of the crop and an effective “restricted” percentage of 40%.

The Board considered numerous factors concerning the supply of and demand for red tart cherry products for the upcoming season in making the determinations. The CIAB also considered such factors as the average annual volume of sales of tart cherry products, the carry-in of product into the current year and the desirable carry-out of product for the following season.

These percentages are calculated using the USDA’s estimate of harvest as established by the Optimum Supply Formula (OSF) contained in the marketing order. On Thursday, June 23, 2011, the USDA released its official tart cherry crop estimate. It projected a national crop of 266.1 million pounds of red tart cherries. Estimates were also made by the CIAB, the processors of cherries and the participants at the MFFPA Annual Fruit Crop. The CIAB concluded that the USDA’s crop estimate would be used in the preliminary calculations under the OSF. Of the 266.1 million pounds of its estimate, the USDA projected that 210 million pounds of cherries, or 83.2% of the total, will be produced in Michigan and the balance will be produced in the other states subject to the marketing order.

This year’s estimate of production is considerably larger than last year’s actual production of 189 million pounds nationally. The difference between this year’s estimate and last years production figures again underscores the variability of the national tart cherry crop. The CIAB was created, in part, to assist the industry in dealing with this variability by providing the industry with tart cherry products to be carried from one year to the next to offset this variability.

Upon the conclusion of the harvest of red tart cherries, the CIAB will convene to recommend the final “free” and “restricted” percentages. These will be calculated using the actual harvest of red tart cherries rather than the estimate of the cherry harvest. “Final” percentages will be recommended to Mr. Tom Vilsack, Secretary, USDA, in September 2011. The CIAB meeting to determine the final percentages will be held September 15, 2011.

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