

# CIAB News

Information from the Cherry Industry Administrative Board

Volume 7, Issue 2

September 2003

## CIAB Convenes to Recommend Final Percentages

### The CIAB's September Meeting

The board met in Rochester, NY on September 12, 2003 for its September meeting. At the meeting the board reviews the crop year, the production and the OSF resulting from the harvest.

### Actual Production for Crop Year 2003 - 04

The crop started later than usual this season and continued for a very long time. There were a total of eight weeks of harvest from beginning to end.

Overall the actual production was very close to the estimated production for the United States. Each production area varied from the estimate with Oregon being the lowest percent of estimate and West Central being the highest percent of estimate. (Please recall that the MASS estimated a state production of 150 million pounds. The breakdown of this estimate was provided by the CIAB members at the June meeting.)

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

District	Actual	Estimate	% of Estimate
NW MI	96.9	103	94.1%
WC MI	36.0	27	133.3%
SW MI	18.6	20	93.0%
NY	7.0	7	100.0%
OR	1.3	1.9	66.3%
PA	3.8	3.6	105.6%
UT	25.4	24	105.8%
WA	20.1	20	100.5%
WI	<u>13.1</u>	<u>11</u>	<u>119.1%</u>
	<b><u>222</u></b>	<b><u>218</u></b>	<b><u>102.1%</u></b>

The states of Oregon and Pennsylvania are not subject to the restriction percentages. This year New York's production fell below 50% of its 5 year average. Therefore, New York's production was exempt from restriction this year. The production from these states totaled 12 million pounds and all of this production is considered "free" tonnage. The rest of the production, 210 million pounds, is subject to restriction under the marketing order.

## The OSF with Actual Production

With the actual production being so close to the estimated production, the Optimum Supply Formula was not expected to change much. There was, however, more production in restricted districts and less from the unrestricted districts than had been estimated in June.

### Demand - 3 Year Average

To determine the restriction, if any, the production is compared to the calculated demand for tart cherries. This is the demand in the “free” market, the US domestic market. The average of domestic sales over the past three seasons is used for “demand”.

### Sales in 2002 - 03

At the June meeting the Board adopted the formulas that defined sales. Total sales for crop year 2002 - 03 were 161 million pounds. Of this total, 138 million were sales into the “free” markets. The following charts show these calculations:

#### Total Sales, Crop Year 2002 - 03

	Inventory Beginning of Year	111
+	Pack	60
-	<u>Inventory, End of Year</u>	<u>10</u>
=	Sales	161

#### “Free” Sales, Crop Year 2002 - 03

	Sales	161
-	Exports	5.2
-	<u>USDA sales, net</u>	<u>17.9</u>
=	“Free” Sales	138

### 3 Year Average Sales

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

2000	195
2001	208
<u>2002</u>	<u>138</u>
Average	180

## 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 OSF resulted in a gross restricted percentage of 25% and a “free” percentage of 75%.

Net of the Market Growth Factor the effective restriction percentage is 16% and an effective “free” component of 84%.

A synopsis of the final and the preliminary calculations are:

**Final Percentages  
Crop Year 2003 - 04  
Using Actual Production**

(1,000,000's of Pounds)

<b>Supply</b>	Restricted crop	<b>210</b>
	Unrestricted	<b>12</b>
	? Carry-in	<b><u>10</u></b>
	<b>ST:</b>	<b><u>232</u></b>
<b>Demand</b>	<u>3-Year Avg. Sales</u>	<b><u>180</u></b>
	<b>Surplus</b>	<b><u>52</u></b>
	<u>Gross Restriction</u>	<b><u>25%</u></b>
	<b>Market Growth Factor</b>	<b><u>(18)</u></b>
	<b>Adjusted Surplus</b>	<b><u>34</u></b>
<b>Free %</b>		<b>84%</b>
	<b>Restricted %</b>	<b><u>16%</u></b>

**Preliminary Percentages  
Crop Year 2003 - 04  
Using Industry Crop Estimates**

(1,000,000's of Pounds)

<b>Supply</b>	Restricted crop	<b>205</b>
	Unrestricted	<b>13</b>
	? Carry-in	<b><u>10</u></b>
	<b>ST:</b>	<b><u>228</u></b>
<b>Demand</b>	<u>3-Year Avg. Sales</u>	<b><u>180</u></b>
	<b>Surplus</b>	<b><u>48</u></b>
	<u>Gross Restriction</u>	<b><u>23%</u></b>
	<b>Market Growth Factor</b>	<b><u>(18)</u></b>
	<b>Adjusted Surplus</b>	<b><u>30</u></b>
<b>Free %</b>		<b>85%</b>
	<b>Restricted %</b>	<b><u>15%</u></b>

### Compliance Activities

A survey of the handlers suggests that compliance with the restriction will be as follows:

Restricted production	52
Export	19
Market Expansion (est)	6
Growth Factor	18
At-plant	<u>1</u>
	<u>44</u>
Reserves or other	<u>8</u>

These are estimates of compliance, but it is felt that they are fairly close approximations of what the industry will experience over the year. These estimates could, of course, change.

## **Demand Releases - how they are to be determined**

There has been discussion within the industry that the demand for cherry products is greater than the three year average of 180 million pounds. Some suggest that demand is even greater than the total free tonnage of 198 million pounds. (This is the sum of the calculated free tonnage and the market growth factor release.) If the demand is greater than 198 million pounds, there is concern about how the industry could access inventory reserves to satisfy demand.

The Inventory and Reserves Committee of the CIAB had convened during the Summer to discuss this issue. It presented to the CIAB a plan for determining when and if a “demand release” should be made by the CIAB.

This plan uses objective measures for determining when a release will be appropriate. It will compare available supplies to the demand for our products. Sales will be compared to the historical pattern of sales to determine when and if a release of products from the reserves is appropriate.

The analysis cannot be done until the CIAB receives various reports from processors. These reports are due in the Fall and Winter so a demand release, if one is needed, will probably not occur until late in the calendar year.

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

A number of board Members and Alternates’ terms began with the September 2003 meeting. They are:

Stuart Whittaker, Alternate, District 1 (NW MI),  
Earl Peterson, Member, District 2 (WC MI),  
Roy Hackert, Alternate, District 2 (WC MI),  
Steve Packer, Member, District 3 (SW MI),  
Jim Bittner, Member, District 4, (NY),  
Dan Sievert, Alternate, District 4, (NY)  
Ray Rowley, Member, District 7, (Utah),  
Thad Rowley, Alternate, District 7, (Utah), and  
George Lamont, Alternate, Public Member

## **Executive Committee Elected and Seated**

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

Tom Facer, New York, 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](http://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](http://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 - September - December**

- Sept 10     Form #3 Sales and Inventory Report  
(July through August)
- Oct 1        Assessments due
- Nov 1        Grower diversion certificates expire  
Form 4 due  
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
- Dec 10      Form #3 Sales and Inventory Report  
(September through November 30)
- Jan 1        Penalty imposed if assessments not received
- Jan 22      CIAB Quarterly meeting, Traverse City, MI