Executive Summary
Economic Analysis of the Tart Cherry Federal Marketing Orders

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Introduction

In March 2008, the Tart Cherry Federal Marketing Order is scheduled for a referendum to authorize continuing operations. The purpose of this study is to examine and analyze historical data from the last 35 years (1972-2006) and to answer the following question: Is the tart cherry industry better off operating pursuant to the marketing order, as measured by the farm gate value of tart cherries at the grower level, than it would be operating without the Order?

Industry Overview

We reviewed farm level statistics and trends for three periods of the last 35 years ending in 2006:

1972-1986, the years of operation of the first FMO, administered by the Cherry Administration Board (CAB);
1987-1996, a period in which no FMO was in operation, and
1997-2006, the years of operation of the current FMO, administered by the Cherry Industry Administrative Board (CIAB).

Some statistical highlights and comparisons of key economic indicators (grower prices, value of US production, and value of production per acre) are shown below in Table 1.

The statistics in Table 1 indicate that these key economic indicators during the first marketing order were higher for each variable than for the years 1987-1996 when the FMO was not in operation. Furthermore, when prices are converted to real value by the Prices Received by Farmers, Fruit and Nuts Index, the real values for price, value of production, and value of production per acre, are higher in the years of the second FMO than for the period when no FMO was in effect. Also, average nominal values of the three variables are higher for 1997 through 2006 period compared to the period of no marketing order. Real values for the three estimates are, however, lower in the 1997-2006 period than for the years of the first FMO.

Summary of Findings

Over the 35-year period of 1972-2006 we believe that the tart cherry industry was better off operating pursuant to the marketing order, as measured by the farm gate value of tart cherries at the grower level, than it would have been if operating without the Order.

Although there are many factors that affect the value of production per acre, we conclude that both FMO's had a positive impact on the value of production as measured by the real value of production

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per acre. These conclusions were drawn from econometric models developed to analyze the tart cherry industry over the years 1972-2006. Detailed descriptions of the analysis and results can be found in White and Kesecker, http://www.cherryboard.org/.

Table 1.Tart Cherry Farm Level Prices, Value of Production, and Value of Production Per Acre, three periods, 1972-2006

Variable (units)	Time Period	Mean value
U.S. Price (processed, cents per pound)	1972-1986	26.2
	1987-1996	16.9
	1997-2006	24.5
Value of U.S. Production (million dollars)	1972-1986	51.1
	1987-1996	42.3
	1997-2006	55.1
Value of U. S. Production per acre (dollars)	1972-1986	1,222
	1987-1996	888
	1997-2006	1,450
Real U.S. Price (processed, cents per pound)*	1972-1986	40.5
	1987-1996	16.7
	1997-2006	21.4
Real Value of U. S. Production (million dollars)*	1972-1986	79.3
	1987-1996	42.1
	1997-2006	47.8
Real Value of U.S. Production per acre (dollars)*	1972-1986	1,901
	1987-1996	882
	1997-2006	1,252

*Nominal prices adjusted for inflation by Prices Received by Farmers, Fruit and Nuts Index, 1990-92=100

Source: NASS, USDA, Noncitrus Fruits and Nuts, Various Statistical Bulletins.

Results in the first model indicated that the existence of the marketing order is associated with a $211.80 increase in the real value of production per acre. This indicates that the marketing orders increased real total value per acre by about 24 percent annually.

Results in the second model indicated that for each million pounds of cherries added to the reserve pool there is an increase in the real value of production per acre by $3.99. Economic theory suggests that a FMO with a similar approach to management of reserves will continue to provide returns in the future that are greater than what the industry returns would be without the FMO.

Our analysis suggested that there has been a reduction in the demand for tart cherries. Continued promotional efforts are necessary by the industry to grow the dried cherry and juice category market and to stop the erosion in the market of the staple products, canned and frozen.

References

White, G. B. and K. Kesecker, Economic Analysis of the Tart Cherry Federal Marketing Orders, Cherry Industry Administrative Board web site, http://www.cherryboard.org/ .

National Agricultural Statistics Service (NASS), USDA, Various Statistical Bulletins.