

CIAB SUMMER/FALL CALENDAR:

July

July 10- Sales/Inventory Report due (Form 3)

July 13, 20, 27- Weekly raw product reports due

August

August 3,10,17,24- Weekly raw product reports due

September

September 1- Cherries acquired from producers due (Form 2)

September 10- CIAB meeting, via Zoom Webinar

October

October 1- Handler Reserve Plan & Final Pack Report due (Form 4)

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CROP ESTIMATES

At the Cherry Industry Administrative Board Zoom meeting on June 25, 2020 members discussed the crop size and market conditions for the upcoming year. The board voted unanimously to use the CIAB members' crop estimates compared to the USDA estimate. For reference, the average crop size is approx. 250 million pounds, this year the Board has estimated just over 50% of a normal crop due to weather and pollination conditions.

Crop Estimates (in million lbs):

| <u>District</u> | <u>USDA</u> | <u>CIAB</u> |
|---------------------------|--------------|--------------|
| NW Michigan | | 33 |
| WC Michigan | | 15 |
| SW Michigan | | 5 |
| <i>SUBTOTAL MI</i> | 123.0 | 53 |
| New York | 8.1 | 9 |
| Pennsylvania | | 1.5 |
| Oregon | | 3 |
| Utah | 31.8 | 32 |
| Washington | 24.2 | 22 |
| Wisconsin | 9.9 | 7 |
| TOTAL | 197.0 | 127.5 |

TART CHERRY INVENTORIES

Free and restricted inventories are used, along with crop estimate and average sales, in the calculation of the OSF. The ending inventory numbers are presented below in millions of pounds RPE. Compliance activities include at-plant and in-orchard diversions, exports, market expansion sales, charitable donations, and experimental uses to develop new products. Last year the industry sold around 55 million pounds RPE in new markets and exported around 15 million pounds. The remaining 27 million pounds was either donated to charities or diverted either at the plant or in the orchards.

Table 1. Beginning and Ending Inventories of Tart Cherries

| <u>(MM LBS RPE)</u> | <u>ALL</u> | <u>FREE</u> | <u>RESTRICTED</u> |
|---|--------------|--------------|-------------------|
| Beginning year inventory (May 31, 2019) | 203.9 | 175.0 | 28.9 |
| + Pack (Crop Year 2019/20) | 239.3 | 163.2 | 76.1 |
| TOTAL INVENTORY | 443.2 | 338.2 | 105.0 |
| Total of compliance activities | | | 96.6 |
| ENDING INVENTORY (MAY 31, 2020) | 187.1 | 178.7 | 8.4 |

AVERAGE SALES

To calculate industry sales, exports and sales to USDA for section 32 purchases are subtracted from gross sales. The following table shows gross and net industry sales of tart cherries and is used to calculate demand in the OSF formula. The three-year average is 253.3 mm lbs. Gross RPE (Raw Product Equivalent) and 224.5 mm lbs. Net RPE.

Table 2. Gross and Net Sales of Tart Cherries

| Year | Gross Sales | Exports | USDA | Net Sales |
|-----------------|--------------|---------|------|--------------|
| 2017 | 262 | 27 | 0 | 235 |
| 2018 | 241.9 | 12.5 | 16 | 213.4 |
| 2019 | 256.1 | 14.9 | 16.2 | 225 |
| 3 Yr Avg | 253.3 | | | 224.5 |

Production

The estimated production for all three districts in Michigan falls below 50% of their five-year average of processed production. The five-year average for processed production for NW MI is 55.1 million, WC MI is 23.1 million and SW MI is 13.7 million pounds. Anytime a district's production (in this case estimated production) falls below 50% of its 5-year average of processed production, the district is exempt from regulation. Therefore, based on the estimate processed production and the 5-year average all of Michigan would be unrestricted.

OSF (Optimum Supply Formula) Calculation – Preliminary Restriction Set at 0%

The following table lays out the preliminary OSF calculation as approved by the CIAB on June 25, 2020. The preliminary restriction for this year is 0%. The adjusted surplus amount is divided by the amount of regulated tonnage available to calculate the preliminary restricted percentage amount. The CIAB will revisit the preliminary restriction again at their September meeting, where they will review crop size and any other factor relevant to the OSF discussion.

Table 3. Preliminary OSF Calculation

| | |
|----------------------------------|--------------------|
| U.S. Crop | 127.5 |
| + Carry-In at 6/1 | 178.7 |
| +TOTAL SUPPLY | 306.2 |
| 3-year sales average | 224.5 |
| +Target Carry-Out | 85 |
| +OPTIMUM SUPPLY | 309.8 |
| SURPLUS (Total – Optimum) | -3.6 |
| -Market Growth Factor | -22.5 |
| -Economic Adjustment | 0 |
| = Adjusted Surplus | -26 million |
| Regulated Tonnage (70 m) | |
| /Adjusted Surplus (-26 m) | |
| =Regulation | -37% |

Reserve Inventory Release

In anticipation of the small crop size this year, the Board voted to release all reserve inventory to supplement the available production. The release was approved by the USDA on June 29, 2020 therefore, all current inventory is free market.

Final Restriction to be set in September

At the June meeting the Board sets a 'preliminary' restriction rate and it is at the meeting in September that the final rate is set, once all actual production figures can be considered. In consideration of the pandemic and current budgetary concerns/restrictions, it is currently anticipated that this September meeting will also take place via Zoom webinar on September 10, 2020.

USDA Purchase

On June 17, 2020, the USDA announced a solicitation for Dried Cherries for Section 32 of approximately 24 million pounds (RPE). Acceptable crop years for dried cherries will be 2018 and 2019. Deliveries will be made from August 16, 2020 through December 31, 2020.

2020 Weekly Production Postcard Change – will no longer be mailed

If you are interested in receiving CIAB's industry information and updates – including this crop year's weekly production updates (formerly the green postcards), newsletters, and any other information published by the CIAB, please send an email to info@cherryboard.org or contact our office (517-669-1070) with your email address. This is a way to release information that will be more efficient, faster and more cost-effective than using the postal service. If you would prefer to not receive these email updates, the production information will be available on the CIAB website at www.cherryboard.org under the "News & Updates" tab.