Tart Cherry Marketing Order

• The Early Years – 1997 – 2006
• The Years of Change – 2007 – 2012
• Observations/Comments
Tart Cherry Marketing Order History

• Period from 1997 – 2006
  • CIAB regulated volume only
  • Initial regulation viewed as supportive to Industry
  • 2002 crop failure resulted in significant sales reductions
  • Recapturing sales after 2002 was slow
  • Traditional desert products ‘lost’ favor with consumers – LOW CARB Diets
  • Dried and Juice products viewed as ‘secondary ‘ products
  • USDA expanded purchases to include dried products
Tart Cherry Marketing Order History

• Period 2007 – 2012
  • CIAB/CMI instituted National Promotion Program
    • National Promotion focused on Dried and Juice Products
  • CIAB continued to regulate volume
    • Regulation based on ‘Domestic Sales’, Credits issued for new markets/products
    • USDA purchases continued as ‘Purchases from Reserve’
• By 2010 significant Industry distress
  • Total Sales were increasing, crop size was unchanged but regulation was not being reduced
  • The 2010 and 2011 crop was less than total sales yet there was a regulation
  • USDA unhappy with level of regulation
Tart Cherry Marketing Order History

• 2010 CIAB commissioned an Industry Wide ‘Task Force’ to address industry issues – Task Force was not limited to CIAB board members

GOAL – REDUCE THE LEVEL OF RESTRICTION

• Results:
  • CIAB adopted several changes to the regulation process
    • Reduction in Restricted Volume
    • Equalize ‘Value’ of grower and handler diversion credits
    • Increase size of Primary Reserve Pool
2011/2012 Changes to Marketing Order

- Reduced Regulation
  - USDA sales are part of normal sales – no longer from reserve
  - Market expansion activities reduced from 3 yrs. to 1 yr.
    - 1st year of activity is from reserve vs. prior 3 year
  - Planned carryover increased from 0 to 20 million pounds
    - Begins to reflect industry needs for diverse sales activities
    - 10% Market Growth included in initial reserve calculation
- Grower Diversion equal in value to Handler Credits
  - Same value as Export or new product credits (actually increases restriction %)
- Primary Reserve Pool increased to 100 million pounds
Implications of Changes

• In 2013 the calculated regulation was 5%, the CIAB recommended ZERO.

• If the changes were not made in 2012 the calculated regulation would have been 29%!
Current Tart Cherry Marketing Order

• Industry Promotion Activities are most important activity for CIAB
• Current CIAB committed to minimize restriction
  • Example – no 2013 Restriction while ‘formula’ suggested 5%
• Today’s Marketing Order makes more product available for sales immediately after harvest
• CIAB maintains the ability to regulate supply if inventories become burdensome
Observations

• The Industry has not had a national ‘Brand’ emerge to market tart cherries. As a result, the promotion burden has to be undertaken by the industry.

Consider:
‘Corporate’ Promotion Leadership
Fresh Oranges – Sunkist
Cranberries – Ocean Spray
Almonds – Blue Diamond
Grape Juice – Welch’s
Industry Promotion Leadership
Blue Berries – Industry Promotion
Observations

• The CIAB should continue to evolve concentrating on industry promotion and less on supply restriction.

• Regulation should be used only when supply is significantly out of balance with supply.