

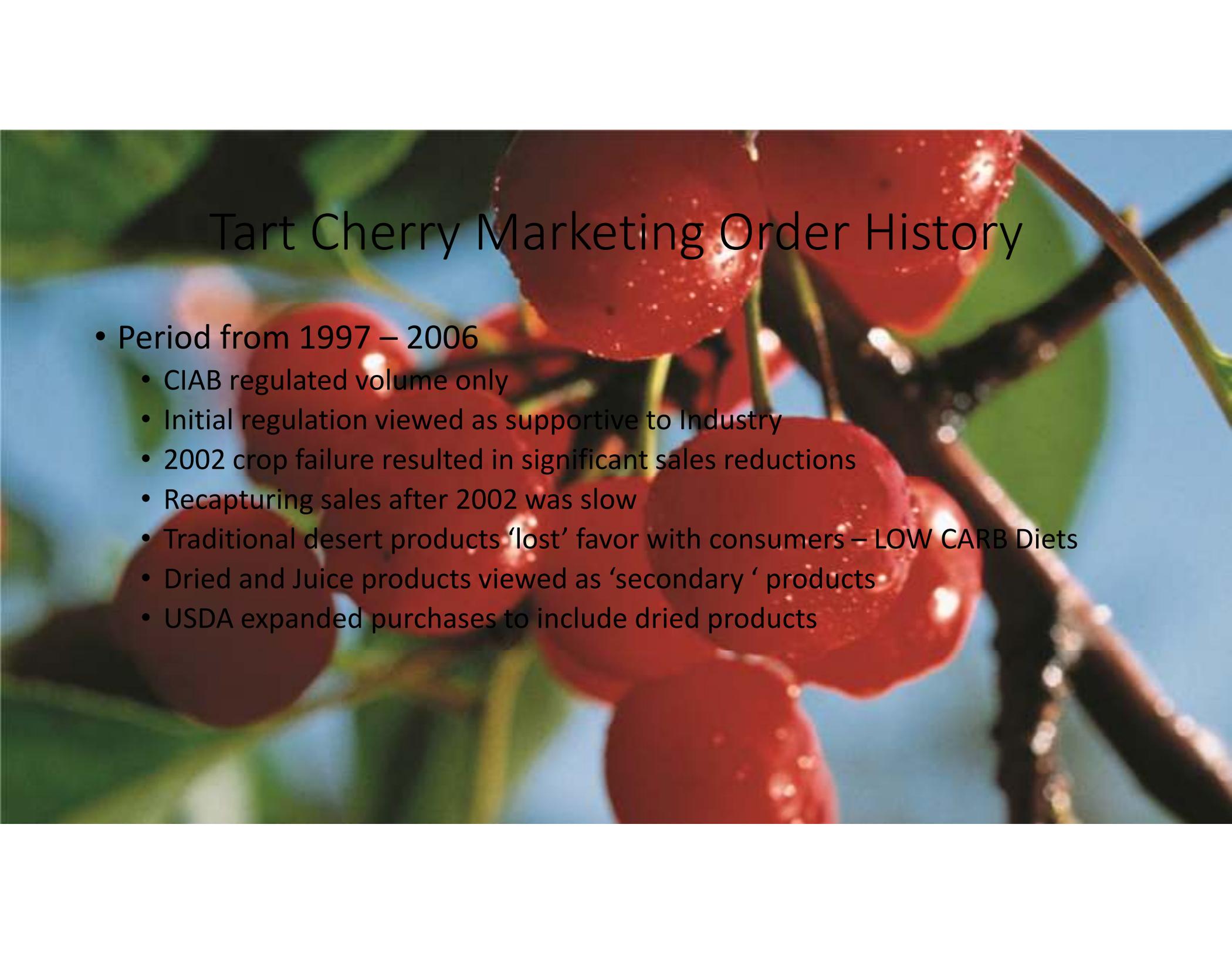
Tart Cherry Marketing Order

January 15, 2013



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

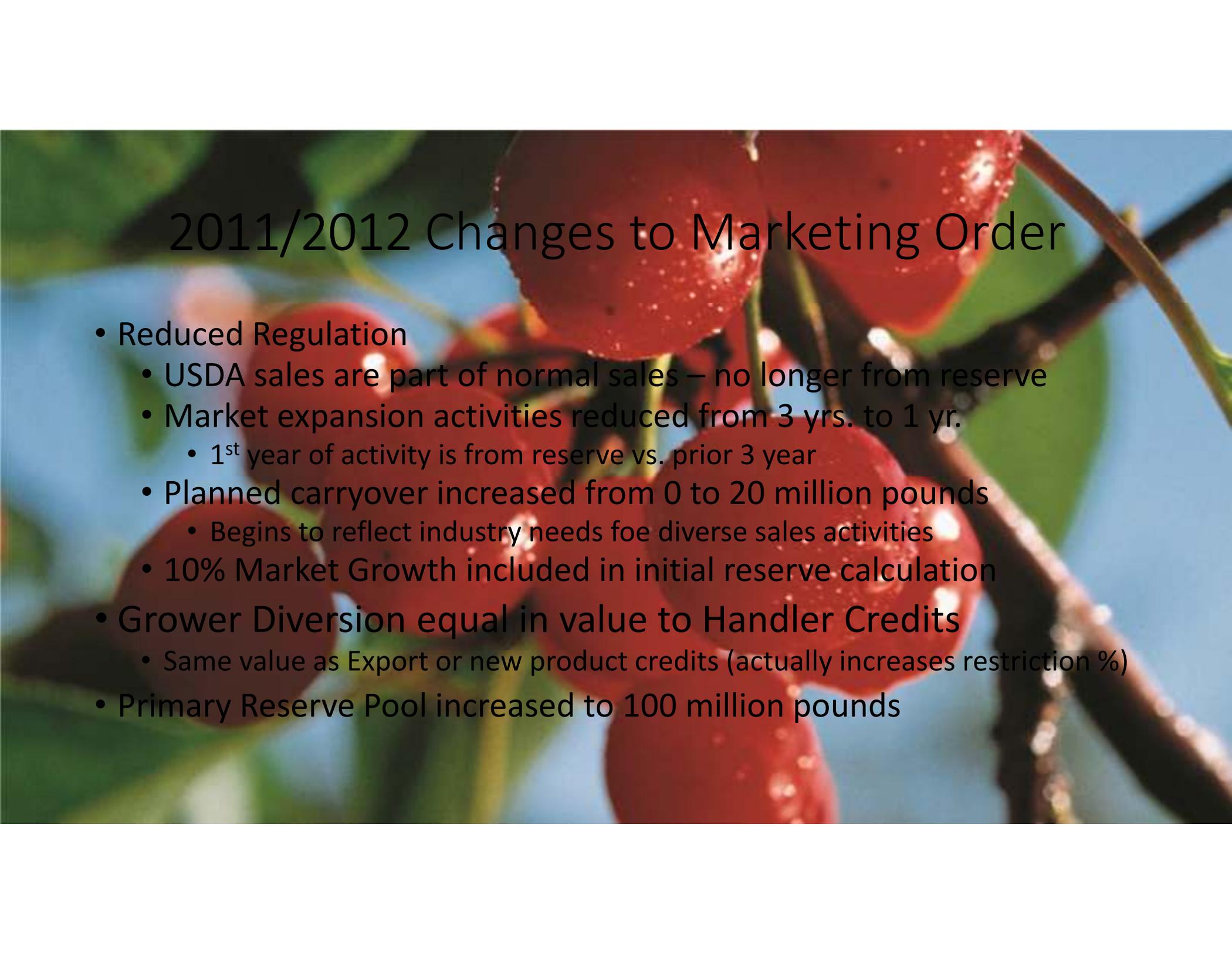


Tart Cherry Marketing Order History

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

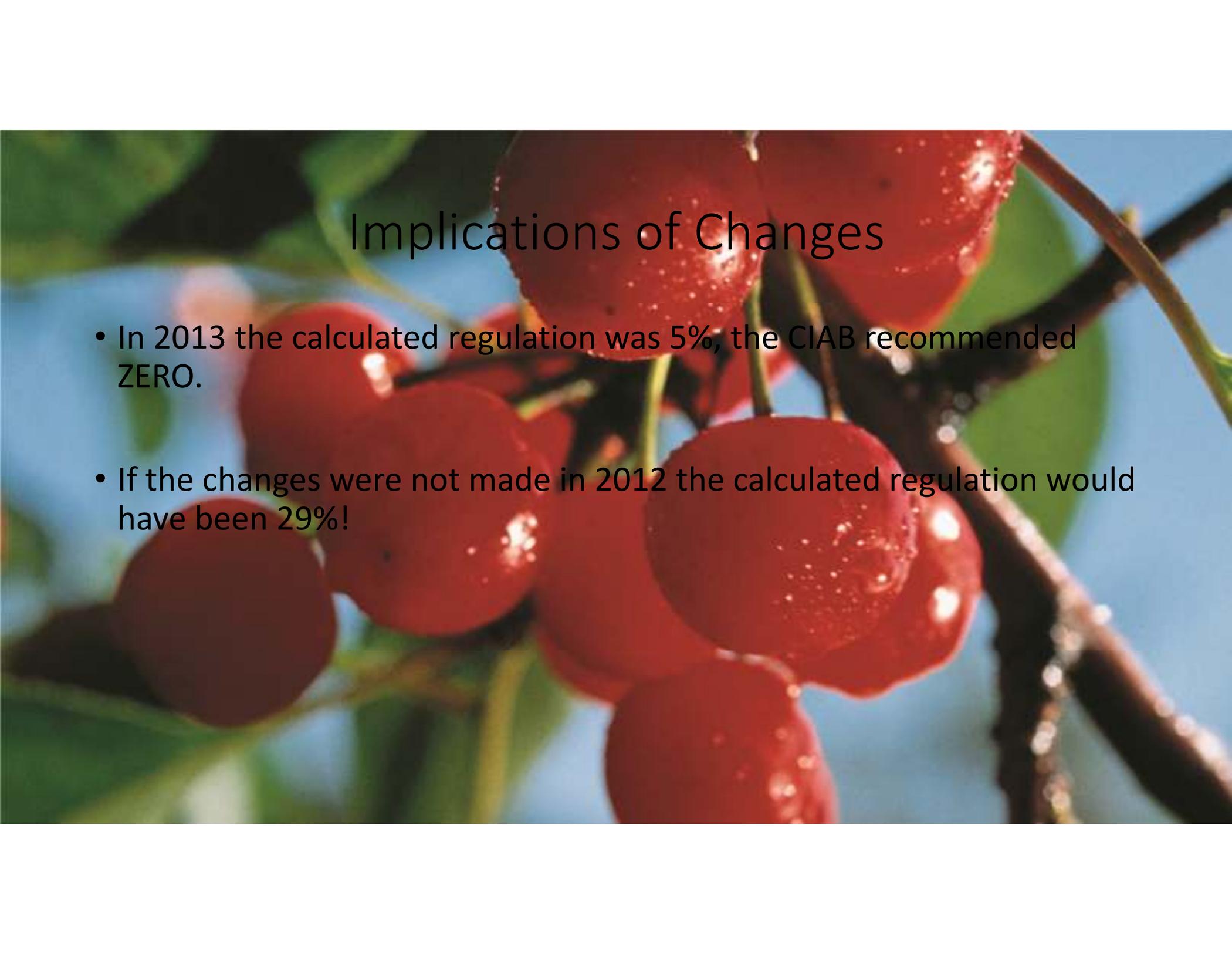
GOAL – REDUCE THE LEVEL OF RESTRICTION

- 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

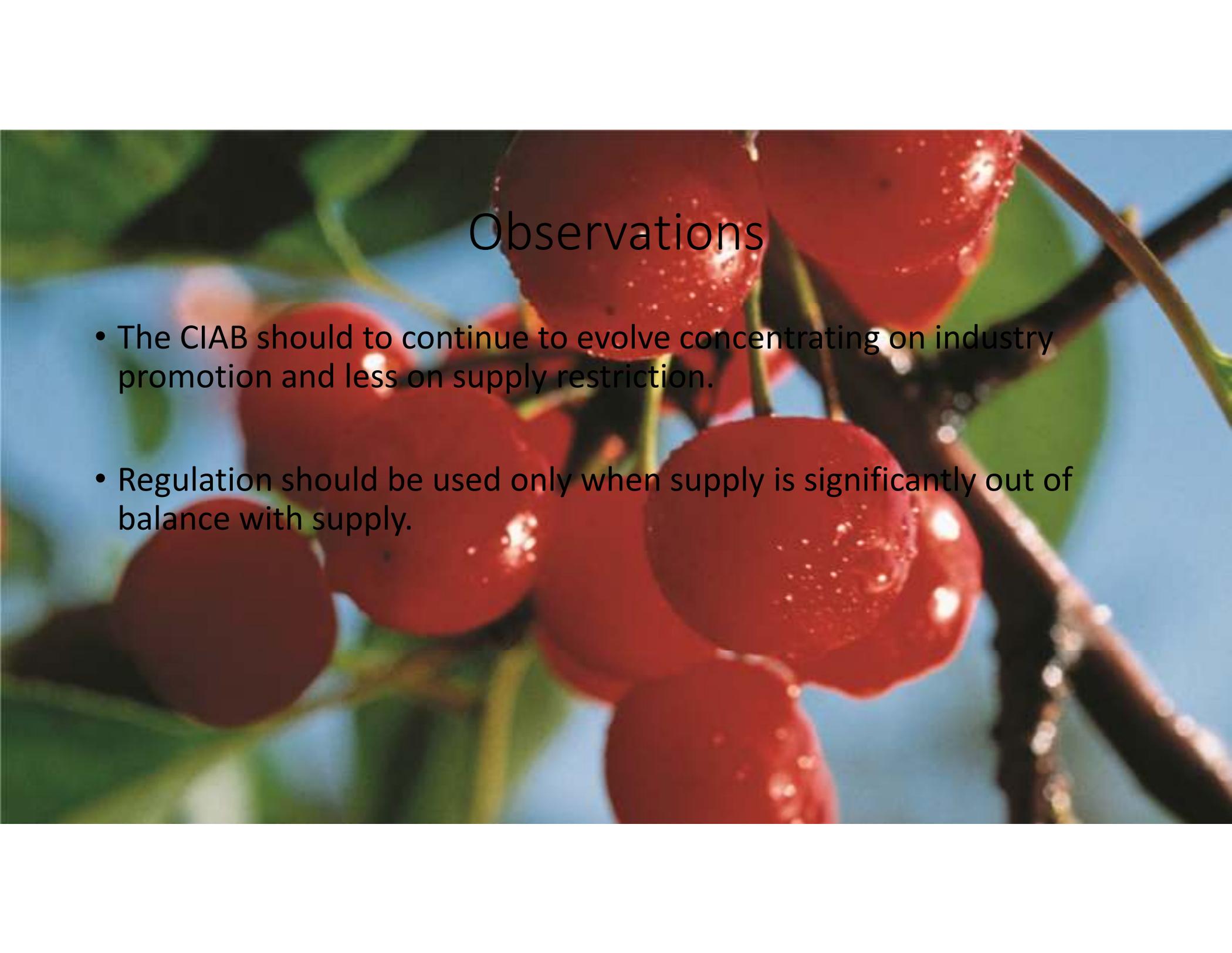
Cranberries – Ocean Spray

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.