

From the Orchard

News from the Oregon Sweet Cherry Commission

Spring 2018

2018 Brings An Earlier Start and Cloud of Tariffs Over China

B.J. Thurlby

WSFC - NW Cherries, President

The 5-State Cherry Meeting is scheduled for Wednesday, May 16, 2018 in Richland, WA. This is the annual meeting of grower representatives from Oregon, Washington, Idaho, Utah and Montana where crop estimates are made and the NW Cherries promotional plan is presented. B.J. Thurlby, Washington State Fruit Commission and NW Cherries, sent the following information describing his view of the 2018 season.

As we roll into the second week in May it appears that we will have a nice NW Cherry crop to pick in 2018. We are seeing a slow start out of California with many insiders down there thinking their crop will be less than half of the 9.5 million 18 lb. boxes they shipped last year. Retail expectations will be very high after last year's record crop and a short

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Administrative Rule Changes

Dana Branson

OSCC Administrator

The Commissioners appointed a committee to review assessments collected on processed cherries (Brine, Canned & Frozen) compared to Washington. The subject came up for discussion after the assessment rate for Brine cherries was reduced in the 2017 season from \$12.25 to \$6.75 per ton. The \$5.50 per ton reduction was made because the promotion program for Maraschino cherries was discontinued. When the analysis of assessment rates for Oregon and Washington was complete it showed that Oregon was not collecting as much on processed cherries as Washington. Additionally, Fresh market cherries contribute \$9.00 per ton toward Research and Administration. It was suggested that all cherries, regardless of their final usage, should contribute equally to these endeavors.

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Oregon Crop History

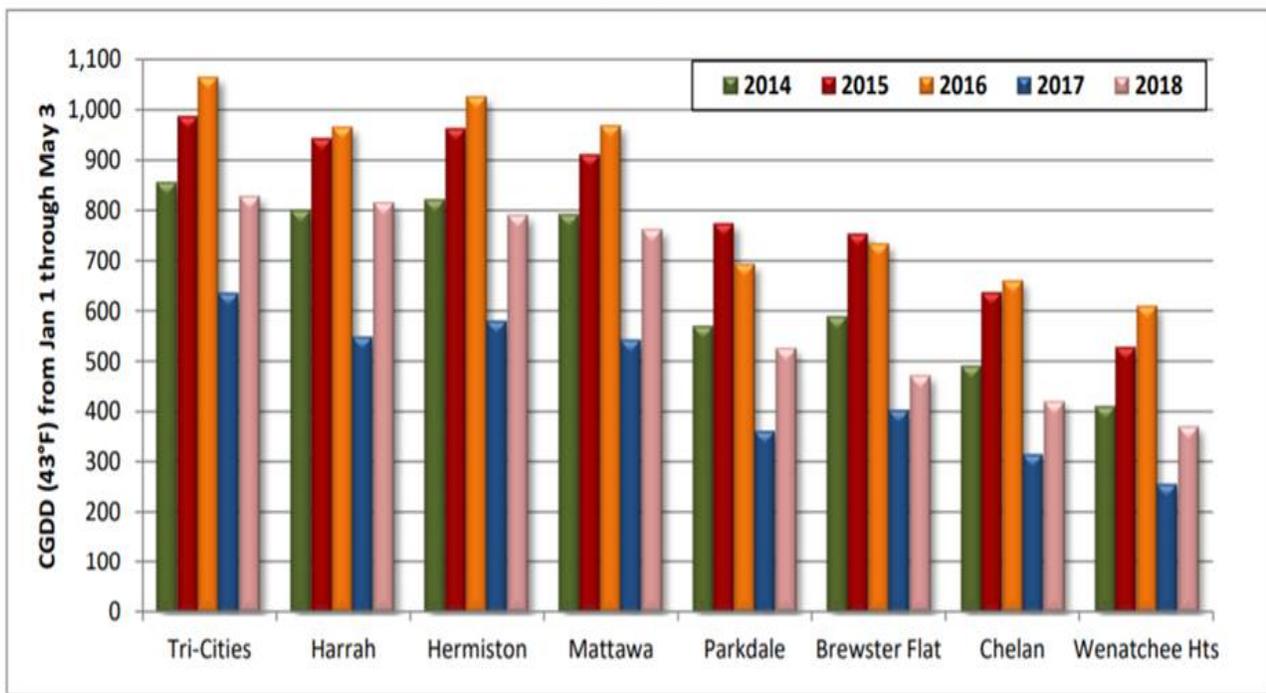
	Actual	Actual	Actual
Type	<u>2017</u>	<u>2016</u>	<u>2015</u>
Fresh	37,402	41,162	21,784
Brine	10,015	9,046	8,460
Canned	705	1,250	793
Frozen	<u>3,507</u>	<u>2,680</u>	<u>1,775</u>
TOTAL	51,629	54,138	32,812

This reflects the number of tons reported & assessments were collected on, not total production.

California crop will help keep retail focused on promoting our cherries throughout the summer.

The warm weather over the past few weeks has been a boon for our trees and gives us some needed warmth that didn't come in May last year. Growers across the Northwest are reporting fewer cherries per bud on average which has all of hoping that we have size, firmness and sugar in our fruit this year. Further good news can be seen in the fact that our degree day build up is much further along this year than it was last year. Earliest growers are thinking they will begin harvest close to June 6th. Last year, we saw a wet March and April and a very cool May. As a result, the industry didn't ship its first cherries until June 10th. The late start didn't help the large crop of 2017 as much of our volume missed the 4th of July holiday and fell along with prices into a record 15 million 20 lb. box July.

This year we have had a much quicker accumulation of degree days on our orchards and are seeing some interesting "potential" harvest scenarios on the horizon. For starters, the growing degree day accumulation is looking very similar to 2014. The good news is that we shipped our first cherries on May 31 in 2014. The other trend I am seeing relative to the GDD accumulation chart below is that the Yakima Valley and Tri-Cities districts are very similar in degree days. We have a long way to go before harvest but this is the first time I've seen the Yakima Valley exhibiting the same GDD's as the Tri-Cities during the month of April. Certainly, this gives me hope that we will get an early June start and have plenty of cherries to ship out prior to the 4th of July holiday. The other nuance I am seeing is that our late districts are very late. At this point, that is a positive trend for the industry as we always hope to get a full 90 days to ship a Northwest Cherry crop. We have a new year with new opportunities and millions of cherry loving consumers who are patiently waiting for our summer time delicacies to hit the market.



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Should We be Concerned with the Tariff Situation Coming out of China?

The world media has been very focused on the developing trade war between the United States and China. As an industry we cannot help but be concerned as fresh apples, pears and sweet cherries have been hit with a 15% tariff. In the Northwest Cherry business, China has become our single largest export market surpassing Canada in 2017 by absorbing almost 3.3 million 20 lb. equivalent boxes. I've advised growers all winter that setting the bar high on fruit quality is the quickest path to Asia which has continued to be a profitable market for the industry. China is a market that we need and finding a home for millions of boxes beyond China will be challenge for the entire industry.

Here at the Northwest Cherry Growers we have worked hard over the past decade to develop a niche of consumers across China. Prior to the tariffs handed down by the Chinese government earlier this month, Northwest cherries already charged a 10 percent import duty and a 13 percent value added tax before the new tariffs were levied. The 15 percent tariff raises our total entry taxes to 38 percent. In recent years, cherries have sold in China for between \$7 and \$10 a pound, so a 15 percent tariff would add between \$1 and \$1.50.

Despite the new tariff our promotion dollars going into China may be more important than they have ever have been. Our plan for this year is target traditional key markets of Guangzhou, Shanghai and Beijing. Likewise, in 2018 we will expand promotions to third tier cities; we believe there is great opportunity to grow the region of China known as "the middle kingdom" where there are several 10 million population base cities located in Central China. The Chinese market for cherries is made up of primarily consumers who are middle income and above and are willing to pay a bit more for the Northwest's higher quality product.

The tariff situation has led to media calls from groups like CNN, USA Today and the China Daily Times to name a few. Certainly, we hope that the trade issues are resolved before we begin our cherry harvest. The key is what does this mean for our growers in 2018? Here is what we are hearing from Chinese importers and retailers – and as you might guess it's not all good nor is it all bad:

Thoughts from Chinese Importers:

1. Domestic Chinese cherry production is increasing, and quality is improving. Likewise, the Turkish cherry industry is making big push into the Chinese market. We could see a volume reduction of USA/NW cherries if the cost is too high as a result of the unstable political conditions.
2. The current situation could evolve into an even more complicated issue for USA cherries in the unpredictability of the Chinese customs. A trade war might go on for a awhile, but the Chinese government could retaliate with inspection and clearance delays of the fruits. In short, this could have a bigger impact than the tariff. Note: The first shipment of California sweet cherries were held for 5 days prior to being released.
3. The cost of USA grown fruit is high already. Any tariff will have a big impact on the selling prices during the month of July at the wholesale markets.

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4. If the wholesale price is high and the end users (retailers) don't absorb the cost increase, there could be large amounts of cherries stored in the coolers which results in a stagnant market – which could pose challenges all along the trade cold chain.
5. The best result will be if the quality of the cherries is good and they are reasonably priced – then movement should be stable.

While our export program funding has been allocated heavily to China, we do have various market options. Certainly, our bread and butter for stone fruit sales is the North American market and programs and media focus will be strong here on our home turf. From an export perspective, the Northwest Cherry Growers will run promotion programs in 18 countries/markets this summer including the U.S., Canada, Mexico, the United Kingdom, Belgium, Australia, Brazil, China/Hong Kong, Taiwan, Japan, South Korea, Malaysia, Thailand, Philippines, Myanmar, Cambodia, Vietnam and Singapore. Again this year we have applied for and received USDA Farm Bill funding for our 5 state production region of just over 1.7 million dollars. Matched with grower dollars, we will spend 60% of our promotion budget in the export markets in 2018.

All Northwest Cherry seasons are different and all play out in their own unique way. Certainly, we need to export at least 30% of our fruit and the domestic market will need to absorb its normal 70% of our volume. For today, the industry is doing everything it can to “set the table” for a successful season from start to finish!

Continued from Admin Rule Changes, page 1

The vote to file and Administrative Rule change to increase the assessment rate on Brine, Canned and Frozen cherries was unanimous. A public hearing was held March 23, 2018 in Portland. There were no written comments and no one came to testify in person. The Commission approved filing the permanent rule change and the new rates are effective for the 2018 season.

A second Administrative Rule change was initiated to reduce the total number of Commission positions from 12 to 11 and to change the geographic representation. In the past several years it's been difficult to get applications to represent the Western Oregon (Willamette Valley) growers and positions have remained open for months. Additionally, the number of growers in Eastern Oregon has been reduced with many acres coming out of production. This doesn't reduce the number of people needed to make a quorum to conduct business. The number needed was still seven Commissioners. By reducing the total members to 11 only six will be needed to make a quorum. The geographic changes are as follows: one Eastern producer position, one Columbia Gorge producer position and one Western Oregon producer position was eliminated. Then two at-large positions were added so that producers from any area are able to apply. That leaves four Columbia Gorge producer positions, two Western Oregon producer positions, one fresh handler position, one processed handler position and one Public Member. A public hearing was held April 24, 2018 in Hood River. There were no written comments and no one came to testify in person. The Commission approved filing the permanent rule change and the changes are effective as of June 30, 2018.

*Commissioners Dan Crouse, Jim Markman and Andrea Galloway will have completed their second 3-year terms at the end of June. Those three are not eligible for re-appointment at this time because OSCC set up term limits.

Sincere thanks to:

**DAN CROUSE
JIM MARKMAN
ANDREA GALLOWAY**

for their dedication in serving on the Sweet Cherry Commission.

Wade Root was appointed to a partial term and is eligible for re-appointment. There is another open Producer position representing the Columbia Gorge vacated by Leonard Aubert.

The application form is available by contacting the OSCC office or online in fillable form at:

<http://www.oregon.gov/ODA/shared/Documents/Publications/MarketAccess/CommodityCommissionApplication.pdf>

Those interested in serving as a commissioner can fill out the new form on their computers, print it out, sign it, attach a letter about their agricultural background, and send it to one of the addresses below by May 18. Applications received by that date will be the first processed.

The applications can be emailed to kanderson@oda.state.or.us, faxed to 503-872-6601, or mailed to the Commodity Commission Oversight Program Office at 1207 NW Naito Parkway, Suite 104, Portland, OR 97209

Commissioners thru June 30, 2018

***Dan Crouse, Chairperson**

Producer, The Dalles, OR
541-920-7208, jdcrouse@gorge.net

Stacey Cooper, Vice-Chairperson

Producer, The Dalles, OR
541-288-6773,
coopercherryorchards@gmail.com

Secretary/Treasurer - open

Brad Pickering,
Processed Handler, The Dalles Fruit Co.
541-806-1688, bradp@maocorp.com

*Andrea Galloway
Producer, Cove, OR
541-568-4541, yabal8881@gmail.com

Steve Sandau
Producer, Dallas, OR
503-991-0202, sandau@wildblue.net

*Jim Markman
Public Member, The Dalles, OR
541-99-1626, jim.markman15@gmail.com

Les Stephens
Producer, Dayton, OR
503-860-1334, Shad-O-Hill@comcast.net

Megan Thompson
Fresh Handler, Oregon Cherry Growers,
Mid-Columbia area
541-288-6753, mthompson@orcherry.com

Ryan Bond
Producer, The Dalles, OR
541-993-0463, bonrya@yahoo.com

Kris Brunner
Producer, Dayton, OR
503-437-0672, shadohillbrunner@gmail.com

Wade Root
Producer, Mosier, OR
541-490-8095, RootOrchards@aol.com

MEETING CALENDAR

5 STATE CHERRY MEETING
WEDNESDAY, MAY 16, 2018
10:00 A.M.
RED LION HANFORD HOUSE HOTEL
RICHLAND, WA

KATHY@WASTATEFRUIT.COM
IF YOU HAVE QUESTIONS

PRE-HARVEST CHERRY TOUR

TUESDAY, JUNE 5, 2018
8:00 A.M. TO NOON

FOR DETAILS GO TO:

[HTTP://EXTENSION.OREGONSTATE.EDU/WASCO/HORTICULTURE](http://extension.oregonstate.edu/wasco/horticulture)

OR CONTACT THE OSCC
OFFICE:

OSWEETCHERRY@GMAIL.COM

**BUDGET HEARING AND REGULAR
SWEET CHERRY COMMISSION
MEETING**

TUESDAY, JUNE 5, 2018

COLUMBIA GORGE COMMUNITY
COLLEGE

ROOM 1.162 OFF THE CAFETERIA
BUILDING 1, 400 E SCENIC DR.

THE DALLES, OR 97058

2:00 P.M. MEETING STARTS
FOLLOWING THE PRE-HARVEST
ORCHARD TOUR.

BUDGET HEARING OPEN 2:15

MEETING LOCATION IS ACCESSIBLE
TO PERSONS WITH DISABILITIES. IF
YOU NEED SPECIAL
ACCOMMODATIONS PLEASE
CONTACT THE OSCC OFFICE AT
LEAST 48 HOURS BEFORE THE
MEETING.

OSCC Administrator

Dana Branson

Tel: 541-386-5761

2667 Reed Rd.

Hood River, OR. 97031

Email: osweetcherry@gmail.com

If you know of anyone who wants to receive this newsletter, meeting notices or ODA Administrative Rules, or if you have an address change please contact us at the one of the addresses above. This publication will be made available in alternate formats upon request. This newsletter, previous issues and meeting minutes are available on the OSCC website. www.osweetcherry.org.

Oregon Sweet Cherry Commission meetings are open to the public. In general they are held bi-monthly in August, October, December, February, April and June. There is not a set schedule because meeting dates are set around the Commissioners time frames.

Commissioners serve voluntary three-year terms. The Director of the Oregon Department of Agriculture makes the appointments. If you're interested you can contact the OSCC office or go to <http://www.oregon.gov/ODA/programs/MarketAccess/Pages/OregonCommodityCommissions.aspx> online to print a form.

Agendas are posted two weeks before the meeting date on the OSCC web site <http://www.osweetcherry.org> or on the Oregon.gov website <http://www.oregon.gov/transparency/Pages/PublicMeetingNotices.aspx#2015%C2%A0PublicMeetings:MonthlyCalendarViews>. You can also call or email the OSCC office if you'd like to know when and where the next meeting is.

Oregon Sweet Cherry Commission
July 1, 2018 - June 30, 2019

	ACTUAL 2016-2017	APPROVED 2017-2018	ESTIMATED 2017-2018	PROPOSED 2018-2019
Beginning Cash Balance	798,185	796,291	796,291	796,291
REVENUE				
Producer Assessments	1,248,730	1,525,250	1,276,250	1,503,000
Other Income	2,870	20,000	549	20,000
Interest Income	1,965	10,000	1,835	10,000
TOTAL REVENUE	1,253,565	1,555,250	1,278,634	1,533,000
Available for Fiscal Year	2,051,750	2,351,541	2,074,925	2,329,291
Expenditures	2,051,750	2,351,541	2,074,925	2,329,291
Ending Cash Balance	0	0	0	0
SUMMARY OF EXPENDITURES				
Personnel Services	0	0	0	0
Materials and Services	77,541	88,875	71,423	114,500
Special Payments	1,865,523	2,162,666	1,912,759	2,103,791
Capital Outlay	0	0	0	0
Commission Program/ODA	33,686	25,000	15,742	36,000
Emergency Fund	75,000	75,000	75,000	75,000
TOTAL BUDGETED EXPENSES	2,051,750	2,351,541	2,074,925	2,329,291
Expenditure Detail				
Personnel Services				
Wages and Salaries	0	0	0	0
Commission Per Diem	0	0	0	0
Total Personnel Services	0	0	0	0
Materials and Services				
Public Relations	10,347	12,000	8,194	12,000
Memberships	150	500	150	500
Materials & Supplies	0	250	0	250
Grower Communications	729	3,000	1,145	3,000
In-State Travel, Meals & Lodging	3,988	8,000	4,735	10,000
Out-State Travel, Meals & Lodging	9,441	12,000	10,090	10,000
Insurance and Fidelity Bonds	709	850	99	750
Office Supplies & Expenses	1,212	3,000	1,395	3,000
Audit and Legal	6,691	5,000	1,340	5,000
Administrative Service Contract	44,275	44,275	44,275	70,000
Total Materials and Services	77,541	88,875	71,423	114,500
Special Payments				
Fresh Fruit Promotion	740,942	900,000	673,233	810,000
Processed Fruit Promotion	50,131	60,500	0	0
Production Research	352,318	400,000	334,440	400,000
Reserve Fund	722,132	787,166	905,086	878,791
Other	0	15,000	0	15,000
Total Special Payments	1,865,523	2,162,666	1,912,759	2,103,791
Capital Outlay	0	0	0	0
Commission Program/ODA	33,686	25,000	15,742	36,000
Emergency Fund	75,000	75,000	75,000	75,000

Budget Note on Producer Assessments

Fresh 50,000 @ \$27.00/ton	1,350,000
Brined 11,000 @ \$9.00/ton	99,000
Frozen 4,000 @ \$9.00/ton	36,000
Canned 2,000 @ \$9.00/ton	18,000
Total Assessments	<u>1,503,000</u>

Oregon Sweet Cherry Commission
2667 Reed Road
Hood River, OR 97031
CHANGE SERVICE REQUESTED