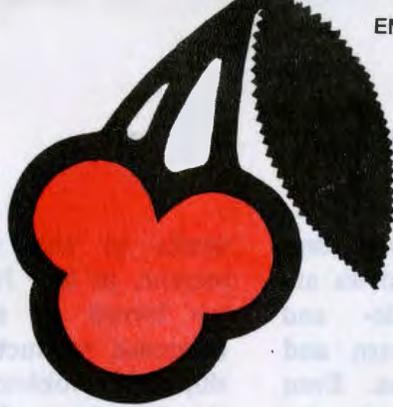


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Marketing Sweet Cherries

THE NEW BALL GAME

Sweet cherry production is likely to reach record levels in the mid-1970's both in Washington State and in the United States. A key question is whether demand for sweet cherries can grow fast enough to absorb increased supplies without disastrously low prices. This publication examines what the Washington sweet cherry industry can do to overcome the problems it now faces.

A Production Explosion

The number of sweet cherry trees of bearing age has been rising steadily in the United States during the last decade. This has resulted in a steady increase in sweet cherry production during the same period (Figure 1). If this trend continues nationwide, sweet cherry production could reach 150,000 tons by the mid-1970's.¹ This is an increase of 20 percent over present production levels.

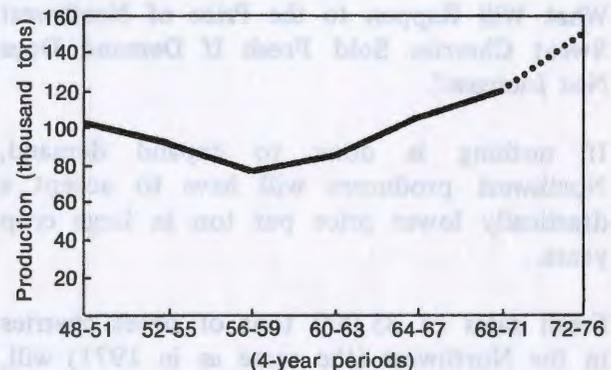
Expected production increases in the four largest producing states indicates the explosion in supplies that may lie ahead for the sweet cherry industry. Washington State is expected to have the sharpest rise in sweet cherry production, followed closely by Oregon and Michigan, while California's sweet cherry production will rise only slightly.

Can Demand Increase Fast Enough?

Given the production explosion that may lie ahead, a key question is whether demand can grow fast enough to absorb increased supplies at a price which yields a reasonable return to the grower. Until the record crop of 1971,

growth in the use of sweet cherries for fresh consumption and for brining was strong enough to handle those increased supplies.

Figure 1. United States average annual production of sweet cherries by 4-year periods, actual 1948-71 and projected 1972-76.



In the past, Washington has been heavily dependent on the fresh market, selling about 70 percent of its production in this market (80 percent in 1971). California has been the second biggest fresh market supplier. Michigan and Oregon have produced largely for the brined market. Since all these areas expect increased production, the salvation for each would seem to require expansion of both the fresh and brined markets.

Two major factors have helped to increase demand for Washington fresh sweet cherries: the marketing order introduced in 1958, and the expansion of sweet cherry promotion in 1966. Further expansion appears to depend

¹For a more detailed discussion, see E. C. Wilcox and A. H. Harrington, *The Increasing Supply of Washington Apples, Pears and Cherries*, Proceedings, Washington State Hort. Assoc., 1971, pp. 196-201.

on reaching more consumers in more areas with fresh sweet cherries. Sweet cherries are still bought primarily by middle- and upper-income families in the northern and western parts of the United States. Even those who buy do not buy often. As the United States population rises and incomes increase, more people can be persuaded to buy fresh sweet cherries. However, demand is unlikely to rise fast enough without increased marketing efforts by the sweet cherry industry.

What Will Happen to the Price of Northwest Sweet Cherries Sold Fresh If Demand Does Not Increase?

If nothing is done to expand demand, Northwest producers will have to accept a drastically lower price per ton in large crop years.

Fresh sales of 35,000 tons of sweet cherries in the Northwest (the same as in 1971) will, in 1975, yield the equivalent of \$430.32 per ton at 1972 prices (Table 1). However, if Northwest fresh sales rise to 45,000 tons by 1975, the price could be expected to drop about \$120.00 to \$309.00 per ton. Fresh sales of 55,000 tons would lead to a disastrously low price of \$182.52 per ton. Fresh sales of at least 45,000 tons are a strong possibility by the mid-1970's.

Table 1. Predicted Northwest Fresh Sweet Cherry Price at Different Levels of Fresh Sales, 1975

Quantity sold fresh (tons)	Predicted price (\$)
35,000	430.32
45,000	309.00
55,000	182.52

Complicating Factors

Efforts to improve the returns to growers of sweet cherries will be hampered by (1) the present pattern of production which leads to very heavy shipments during one or two

weeks in the middle of the season. At present, in late June and early July, shippers are forced to ship sweet cherries unsold. Increased production could intensify this peak shipment problem. (2) The product has to be shipped long distances. Accordingly, both shipper and receiver face risk of quality deterioration or price declines. Increasingly, this risk is being shared by a system of making FOB sales subject to a later negotiated price adjustment. (3) Retail chains have become very large buyers of sweet cherries. Decisions of one or two major chains on quantity to buy, retail price, advertising, merchandising and display, can greatly influence the price and movement of Northwest sweet cherries.

Alternative Strategies for the Mid-1970's

It is clear that even an average size crop of sweet cherries in the United States in the mid-1970's will be as big or bigger than the record crop in 1971. Marketers will face an entirely new ball game. The problems of marketing these large quantities of sweet cherries will require many, very energetic measures if even the efficient growers are to avoid severe losses. In this last section, we will briefly mention some of the measures which our research suggests could be beneficial. These will be discussed in more detail in further publications in this series.

The most obvious starting point is a strengthening of the existing organizations in the industry. The Washington State sweet cherry marketing order was enacted in 1957 when marketing problems were quite different. The industry urgently needs to review the terms of the order so that it will in fact lead to orderly marketing of the record crops expected. Research indicates that the Washington State Fruit Commission, through its expanded merchandising and promotional efforts, has helped boost demand for Northwest sweet cherries. However, the scale of its operations may need to be expanded to tackle the larger marketing problems.

The most serious curb on increased sales appears to be the small number of regular buyers of fresh sweet cherries. Research is urgently needed to identify which households in what areas can be won over as new buyers of fresh sweet cherries. Even without research, it would appear that the industry could learn from the example of other successful marketers in (a) developing new packs (especially consumer packs), (b) emphasizing the potential merits of different varieties, (c) improving quality control at all levels, and (d) exploring the market for different sizes and prices of sweet cherries.

The uneven timing of sweet cherry shipments must be controlled, if market gluts at the time of peak shipments are to be avoided. Already some shippers are using air and truck transportation to ensure speedy delivery to major markets early in the season. As the season progresses, the slower rail mode is used more heavily. Unfortunately, without coordination between shippers, arrivals at distant markets often lead to just the kind of glutted conditions the shippers would wish to avoid. Detailed information can be developed by the industry to avoid such situations in the future through wider and more stable distribution.

There has been much discussion of the possibilities for holding sweet cherries off the

peak market in controlled atmosphere storage. If buyers knew stored cherries would remain off the market for some time, peak period price would rise. However, price would be depressed somewhat when the stored cherries entered the market. Warehousemen and shippers would have to weigh possible net gains in price against costs and risks of storage. In addition, if a large quantity of Washington sweet cherries were released for sale in August, it would require a willingness of the industry and of retailers to extend the promotional season.

Extension of the promotional season for sweet cherries may be necessary in any case if the Northwest is to move record crops at a profit. The key may well lie in the industry's ability to price its product at a level which will get and hold retailer support in the market. Information is now available which will enable the industry to predict the general level of price which it can expect for a given size crop, and to predict during the season what effect a given daily volume will have on price. The industry has the tools to plan its season's marketings in cooperation with its retail customers.

Opportunities for successful marketing are numerous. However, since the production explosion could happen this year or next, time is not on our side.

Prepared by Sergio Sepulveda, Desmond O'Rourke, Kenneth Casavant, and J. Edwin Faris, Agricultural Economics Department, Washington State University, Pullman, Washington 99163.

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