

April 21st 2011

I represent Cherry Growers, Inc. a handler in District #1, which is structured as a cooperative with tart cherry member growers /owners throughout the state. We support the Federal Market Order and the Cherry Administrative Board's proposed amendment change with regard to in-orchard credits. Having requested our members divert in excess of 19 MM lbs. of production in the last ten crops, I feel cherry growers has good understanding of the mindset of growers and process

The proposed change to allow In-Orchard Diversion credits to be recognized as bottom line credits addresses an inherent, and likely unintended, consequence of their inclusion in handler's annual compliance plans with strategies on meeting restriction obligations. Currently, in-orchard credits are included by the individual handler as part of their tonnage, which grosses up both total volume and the volume subject to restriction accordingly. As such, the net impact to meeting restriction obligations is the reciprocal of the restriction. For instance, if Handler A receives one million lbs. of in-orchard credits, and the restriction is 40%, the net reduction to restricted volume is 600,000 lbs. If the restriction is 60%, the net reduction is only 400,000 lbs. This result is disincentive for both growers to engage in and handlers to support diversion activity at the producer level as crop sizes and corresponding restriction requirements increase, counterproductive to the intention of the in-orchard diversion program as it was originally conceived.

The proposal to make in-orchard diversion "bottom line" credits addresses all these issues. Most importantly, it encourages diversion at the farm level in years of excessive supply, so that growers aren't bootstrapped to involuntary carrying costs of inventories that are packed but cannot be sold in either the primary or secondary markets. While most of us think carrying costs are borne by the handler, make no mistake; all costs associated with packing, storing, and selling the tart cherry crop come from the same revenue stream and are ultimately netted out of final grower returns. Such recognition of in-orchard credits also enhances to overall quality of the pack by encouraging all parties to pack the fruit best suited for its intended end product, and leave poor quality fruit in the orchard instead of trying to force-feed the market into taking it.

Respectfully,

Brian Mitchell

President & General Manager

Cherry Growers, Inc.