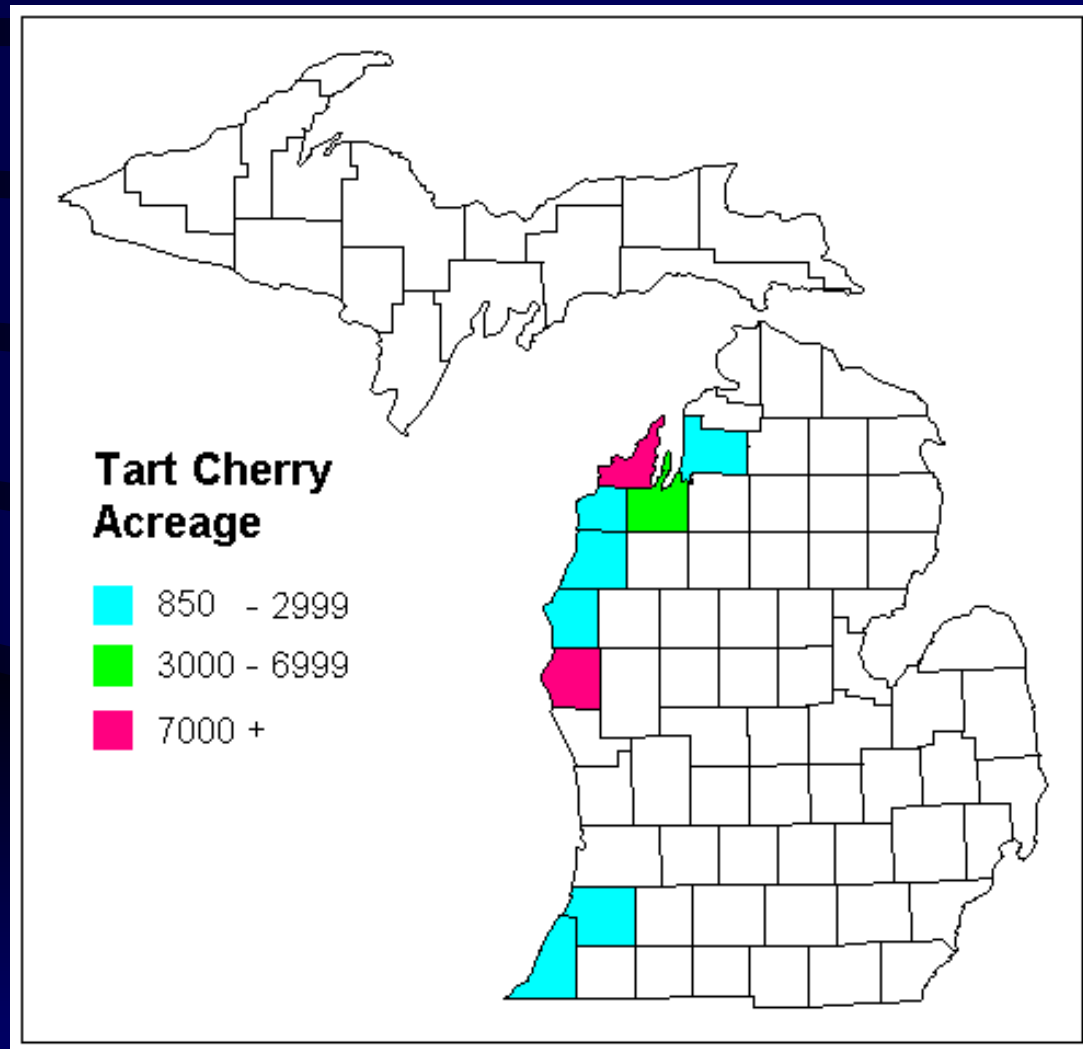


Tart Cherry Economics and Niche Marketing

By James E. Nugent

Michigan State University Extension

Michigan Tart Cherry Acreage

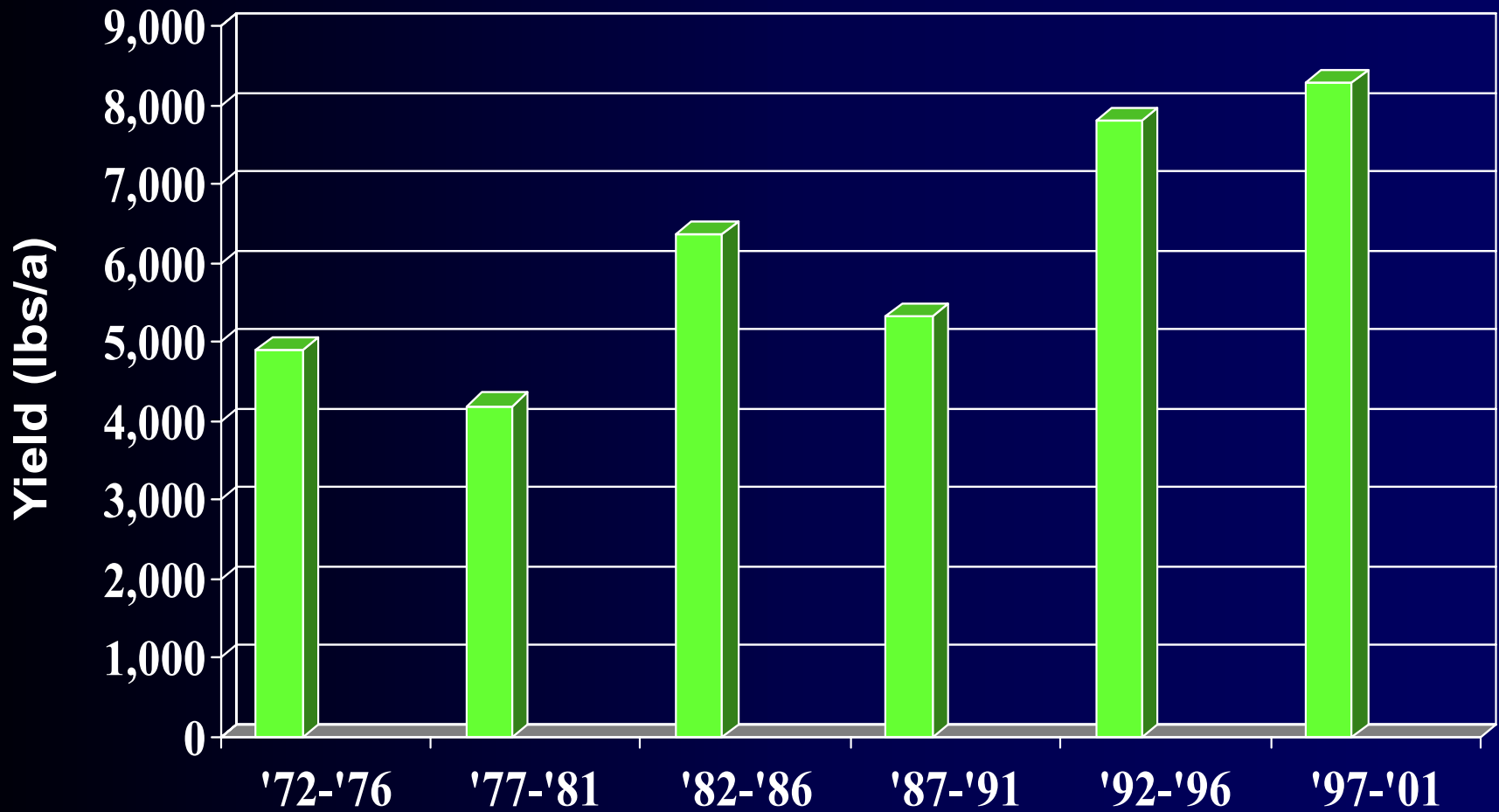


Source:
Michigan
Fruit
Inventory
2000-2001

Michigan Tart Cherries

Year	Acreage	No. of Farms
1978	41,028	1,677
1982	46,719	1,383
1986	44,000	1,183
1991	38,190	933
1994	36,000	846
1997	33,500	705
2000	30,800	615

Tart Cherry Yield Trends - Michigan



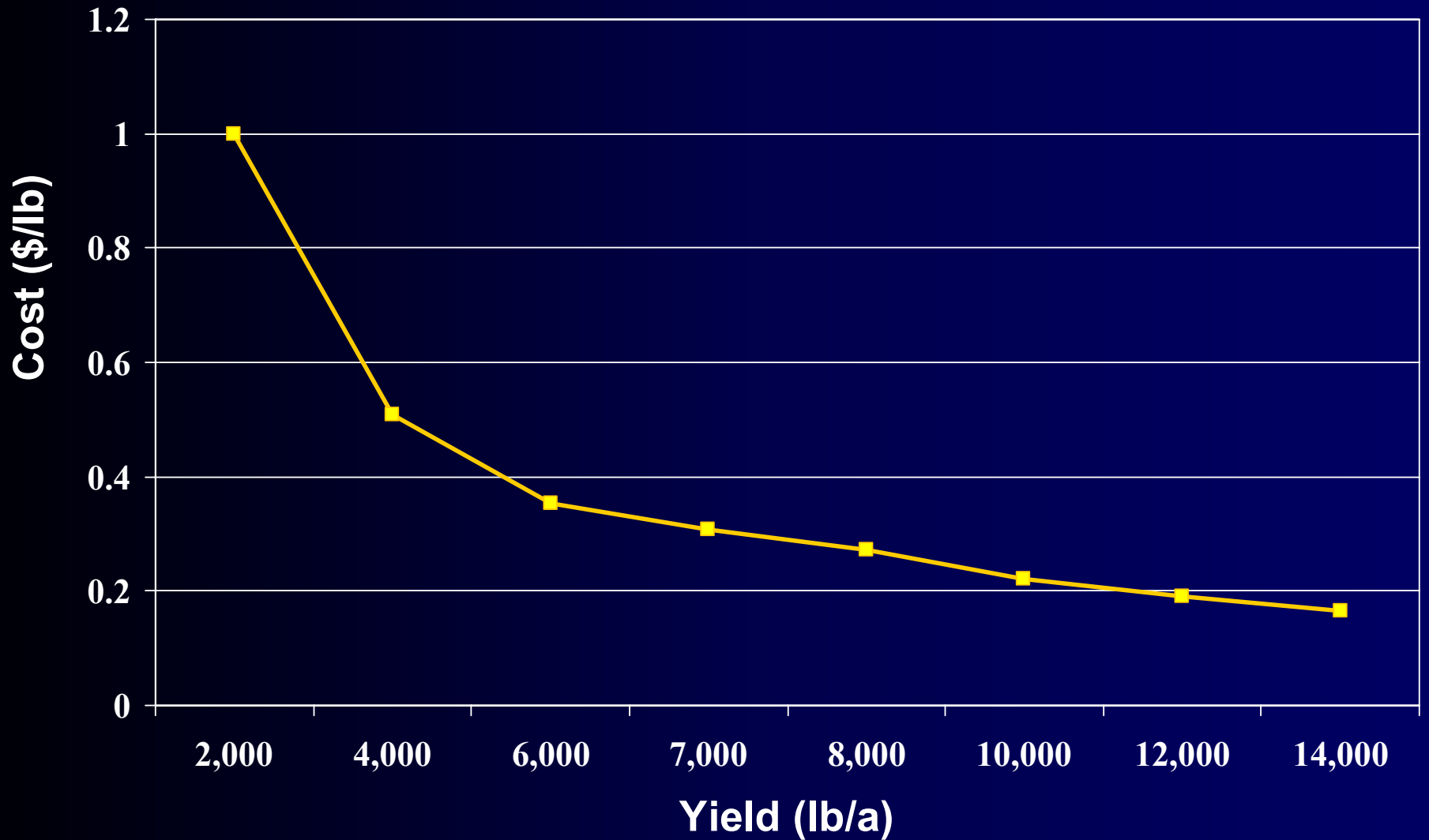
For the past century the trend in agriculture has been to increase production efficiency through:

- Increased yields
- Increased mechanization

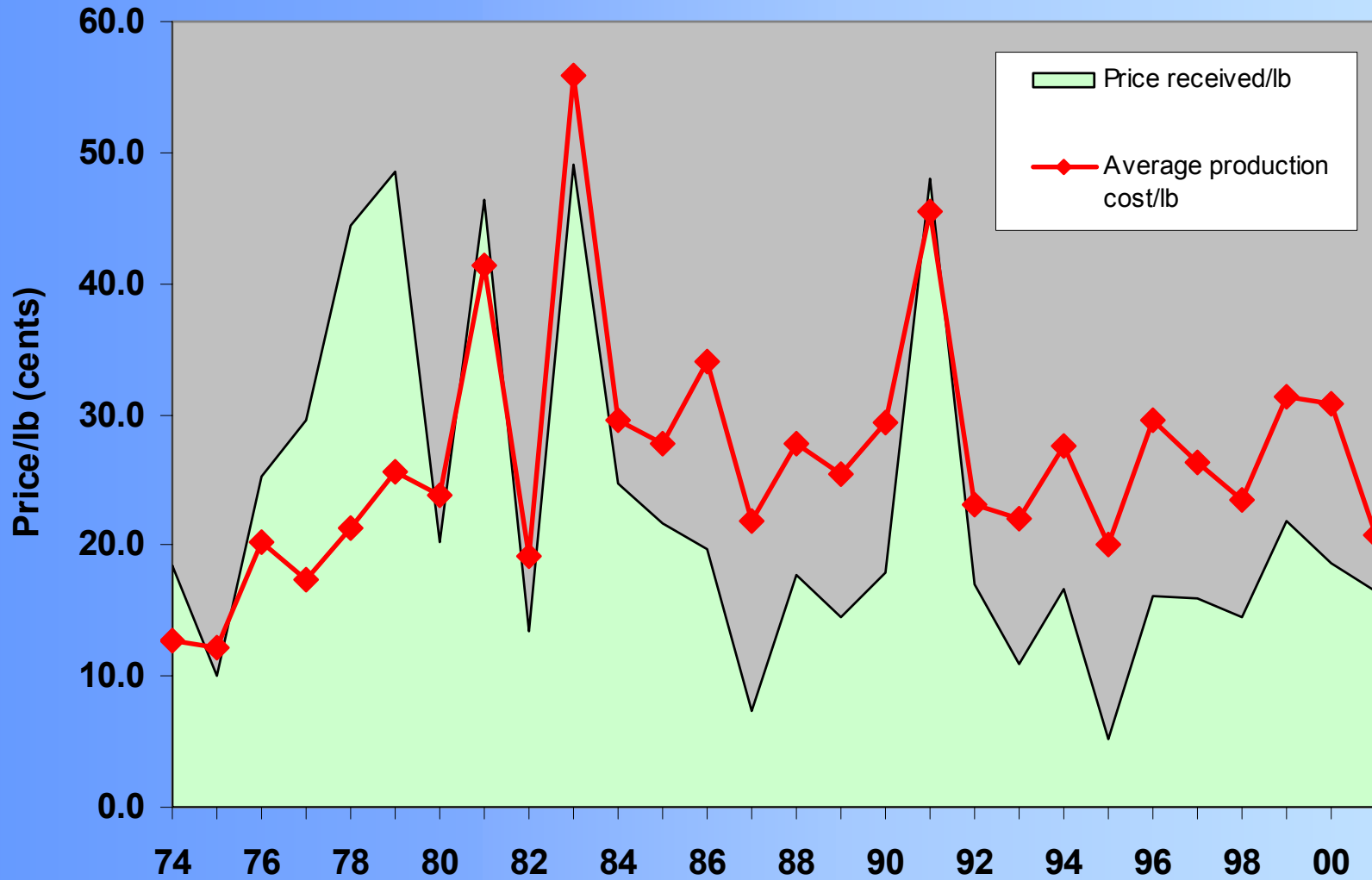
Total Cost for 10 Acres

	1996@ 7,000 lb/a	2002@ 7,000 lb/a	2002 @ 8000 lb/a
Growing	\$7,123	\$6,512	\$6,512
Harvest, handling & promotion	5,623	5,780	5,980
Overhead	7,173	9,264	9,271
Total	19,918	21,556	21,763
Cost/lb	.285	.308	.272
Change -- \$/lb	--	+.023	-.013

Effect of yield on cost/lb.



Average Tart Cherry Income & Cost of Production in Michigan



Avenues to Success

- Low cost producer in a global commodity market
- Market at higher value

Where will future cost savings come from?

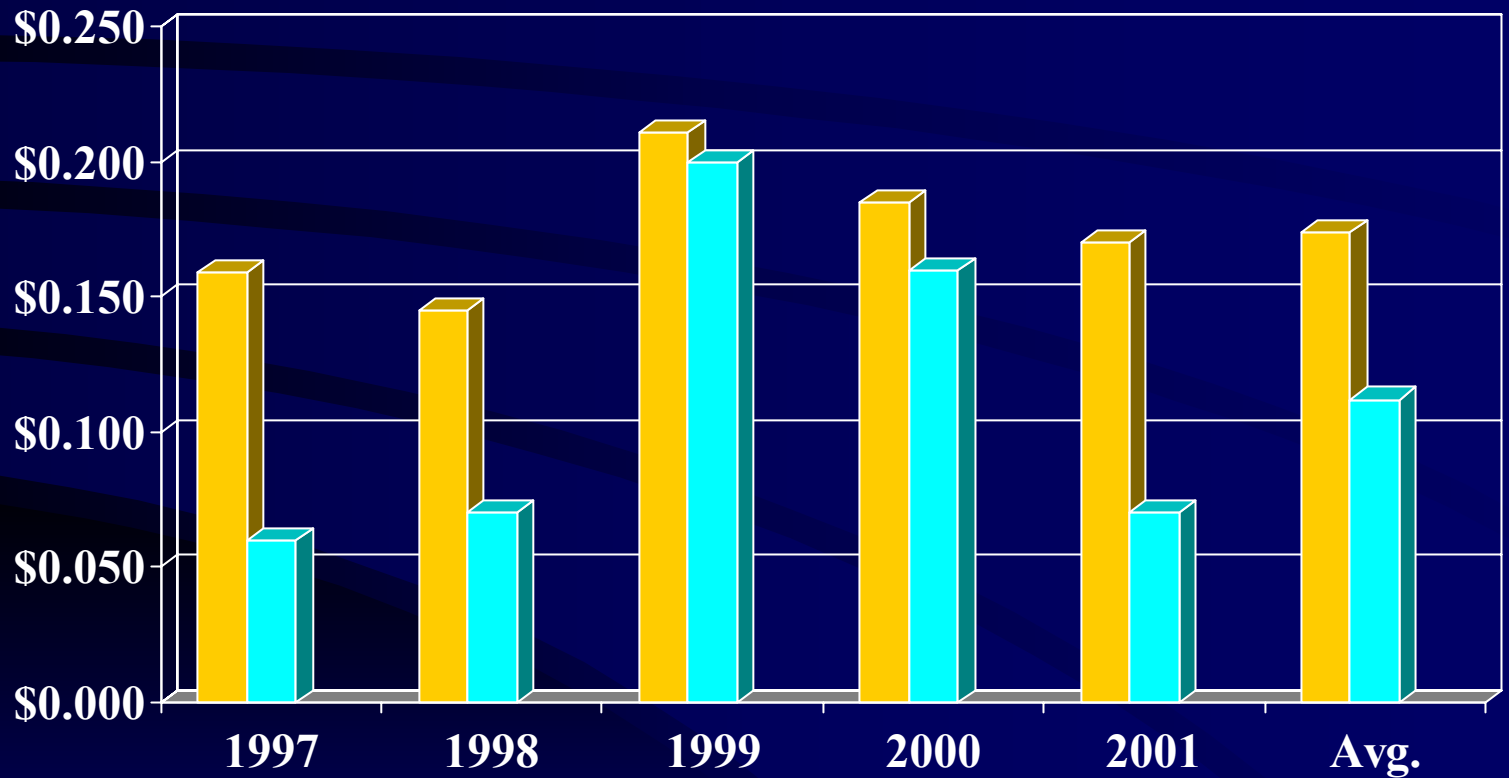
- Increasing yields
- Increasing equipment and labor efficiency
- Decreasing \$\$ for external inputs

Marketing at a higher value

- 1. Collective (industry) efforts:
 - CIAB
 - CherrCo
 - Promotion – CMI
 - Research aimed at improving markets:
 - Health benefits
 - Specialty product opportunities

Growers' Returns with and w/o FMO

Study by Dr. Donald Ricks, Ag Econ, MSU



Marketing at a higher value, cont.

- 2. Individual firm efforts
 - Develop products &/or niche markets at higher value
 - Unique and different appeal in segments of today's market

Montmorency growth markets

- Dried
- Juice
- School lunch
- Future nutraceuticals?

BALATON

What is the future?

Balaton -- background

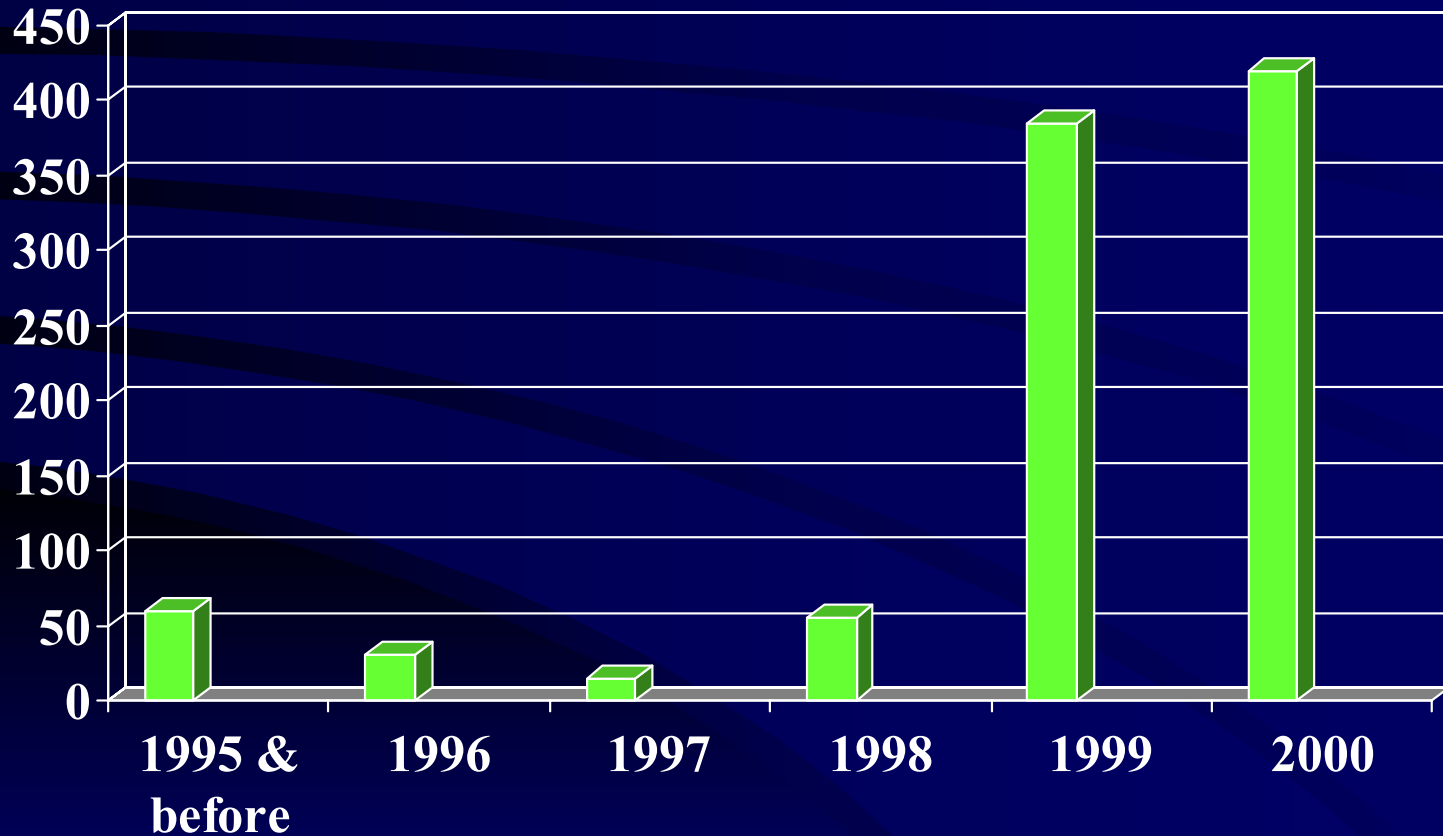
Ujfehertoi Furtos

- 30% of Hungarian market
 - Fresh, preserves, juice & export
- Introduced to U.S. in 1984 by Dr. Amy Iezzoni
- Commercial plantings in '90's

Balaton characteristics

- Red juice
- Higher soluble solids
- Ripens one week after Montmorency
- Dry stem scar
- Cracks in water when immature

Michigan Balaton acreage by year planted



Growers and processors met April 2000

Formed Balaton Marketing Committee

No \$\$\$

Work through existing organizations

Marketing and R&D alliance

Balaton Marketing Committee

Processors/Marketers - 3

Grower/Processors - 2

Growers - 4

MSU Extension - 3

Suttons Bay Rotary - 1

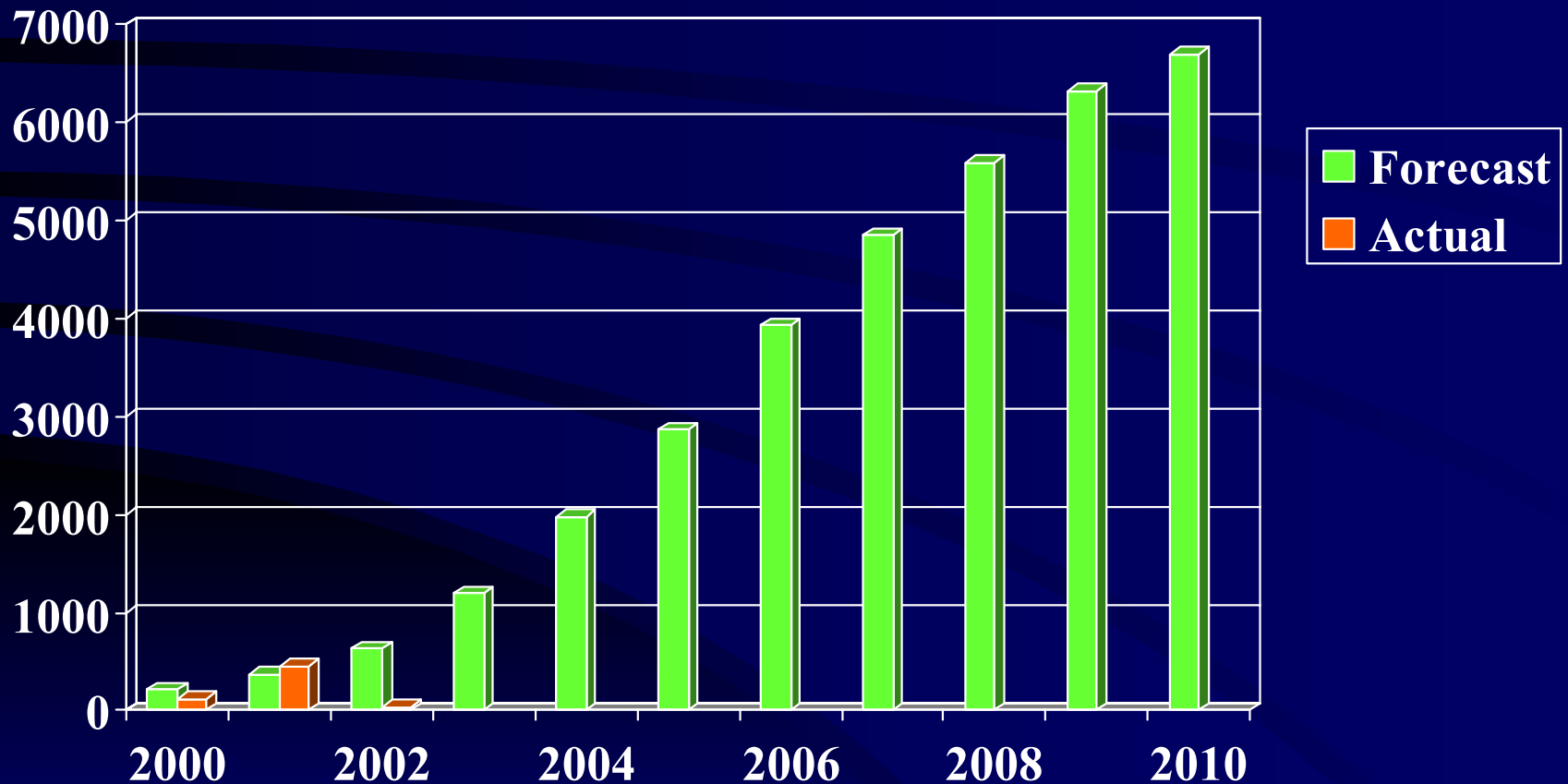
Cherry Marketing Institute - 1

MSU Horticulture Dept. faculty - 1

Balaton Marketing Committee Objectives

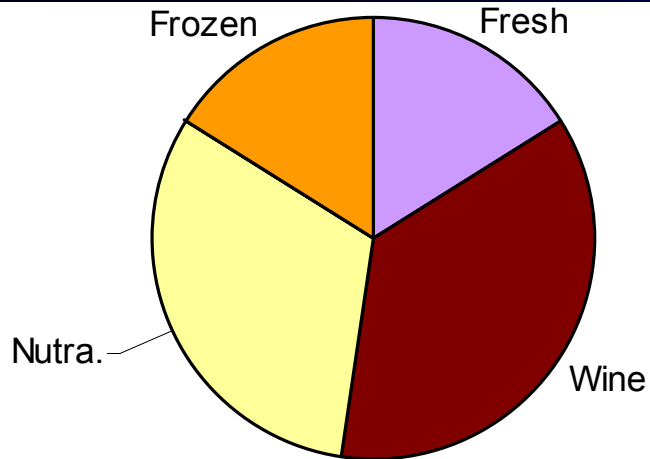
- Develop production projections
- Identify market segments
- Foster new product development
- Differentiate from Montmorency
- Achieve premium pricing

Balaton Production Forecast (thousands of pounds)

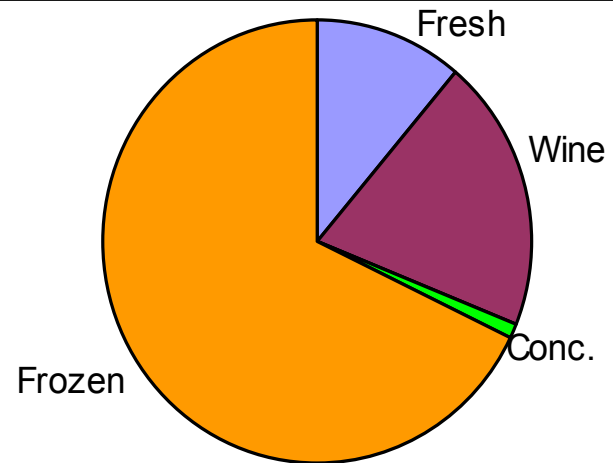


Balaton market segments

2000



2001



Research

- Identification & positioning strategies for high value-added niche markets
- Funding sources:
 - USDA, MDA, MDA/MSU Project GREEN,
 - MI Cherry Committee, MI Hort Society

Focus of Balaton research

- Glass pack (growth market)
- Fresh retail
- Other consumer products

Cherry Market Research

Bridget Behe, Greg Lang, and
Amy Iezzoni

Dept. of Horticulture

Michigan State University





Market Research Strategy

- Our initial strategy focused on market segmentation, a fundamental marketing principle to develop knowledge about product expectations and potential competition
- Our secondary strategy will focus on consumer characteristics in one or more targeted market segments

Market Segmentation

- 1) Large chain retailers (>500 stores) with national presence and large footprint (sq. ft. of store >50,000 sq.ft.). N1, N2
- 2) Medium chain retailers (<500 stores) with regional presence and medium foot print. R1, R2
- 3) Local retailers, independent or part of a small chain, often with a small footprint. L1, L2
- 4) Specialty retailers, such as health food stores, often upscale. S1, S2
- 5) Farmer's markets. F1, F2



Fresh cherry price per pound (Lansing)



Week of July 2



Pilot Study

- We selected two "S" type retailers in the Ann Arbor area to test market fresh Balaton cherries
- Stores were supplied with 20-30 clam shell containers of washed Balaton cherries on two weekends in August
- A consumer survey with business reply envelope was included in each container





Balaton

AMERICA'S SWEET TART CHERRY

Introducing a new deep burgundy tart cherry that has the tangy taste of tart cherries combined with the rich, smooth flavor of sweet cherries.

Try Balatons for great taste and good health.

CALIFORNIA GROWN

Champagne Grapes
 (Zinfandel Carrots)

ORGANICALLY GROWN

\$3.49 ^E/_A

Grown in Michigan!

Raspberries & Blackberries

CONVENTIONAL Grown in Michigan

Balaton Cherries
 America's Sweet Tart Cherry!

\$4.49 _{pkg.}

Balaton
 AMERICA'S SWEET TART CHERRY

The Balaton is great taste and good health!

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 AMERICA'S SWEET TART CHERRY

The Balaton is great taste and good health!



Heating Dry \$7.99

Pilot Study

In Week 1 (8/2 to 8/5)

- Store A sold 70% of the containers
- Store B sold all containers

In Week 2 (8/16 to 8/19)

- Store A sold 60% of the containers
- Store B sold 89% of the containers



Pilot Study

Consumer responses

- Received 25% completed surveys
- All ate Balaton cherries fresh
- Only 2 reported buying fresh cherries for baking or other uses
- More than half reported sweetness as "just right" between "too tart" and "too sweet."



Preliminary Implications of the Fresh Market Study

Fresh Michigan 'Balaton' cherries will be competing with late fresh sweet cherries from the Pacific Northwest, a time when retail cherry prices are relatively high

When priced similarly to PNW sweet cherries in specialty markets, fresh 'Balaton' sales were encouraging



Future Research

For 2003, a full-time market research position is currently being advertised

- Refine market segmentation studies
- Expand consumer trait studies
- Large-scale Balaton fresh market study
- Develop Balaton market reputation as a foundation for future sweet cherry, Danube, etc. high value strategies



Balaton Marketing Summary

- Foster profitable new products
- Make available commercial quantities
- Aim for premium markets with highest value
- Support product & market development for future larger volume market
- Differentiate from Montmorency

Conclusion: Successful high value niche marketing

- Market VALUE, not PRICE
- Serve well defined needs and wants with good profit growth potential
- Cater to customers
- Develop a clear, innovative, well reasoned marketing strategy