

MARKET SNAPSHOT

Cherries

March 31, 2023

Executive summary

AgWest Farm Credit's 12-month outlook sees cherry growers as slightly profitable.

Drivers include uncertainty around demand and the 2023 crop, challenges with labor costs and availability, rising cherry imports and supply chain issues.

Industry drivers

Uncertain demand outlook

Economic headwinds may limit demand in 2023. In 2022, many worried consumers would reduce spending on cherries in response to rising inflation and high fruit prices. Instead, demand held relatively constant. Persistently high inflation may cause consumers to become more cost-conscious in their spending habits in 2023. As a luxury food item, it's difficult to know if cherry demand will be resilient in this environment.

Industry uncertain about 2023 crop

It remains too early for reliable cherry crop estimates. Northwest growers are experiencing high levels of bud set, and this suggests a potentially large 2023 crop. Currently, there are several concerns:

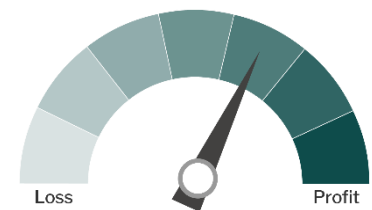
1. Total yields will depend on weather and access to labor during harvest.
2. Frost and heat damage in 2022 could lead to quality issues in 2023.
3. A relatively high proportion of trees retained leaves during winter. This may increase pruning and thinning costs.

The size and quality of California's cherry crop are also uncertain. Growers face cool and wet conditions. This may reduce pollination, limit bud set and delay harvest by one to two weeks (increasing the potential for overlap with Northwest supplies).

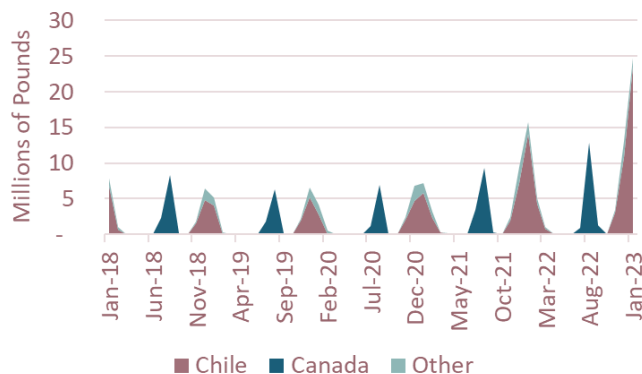
Cherry imports increasing

Cherry imports are increasing but the impact to Northwest growers should be small. Imports increased 49% year over year in 2022 to 53 million pounds, nearly double the five-year average and about 22% of West Coast production. While both Chile and Canada contributed to the increase, only Canadian cherries overlapped with Northwest production (see chart on next page). Chile is expanding production rapidly and exports to the U.S. will likely grow; however, their products generally hit markets six months apart from Northwest supplies.

12-Month Profitability Outlook



Fresh Cherry Imports by Country



Canadian imports helped to offset low Northwest production in 2022.

Source: Census Bureau.

Labor availability and cost are increasing concerns

Growing regions located near large population centers are facing increasing labor costs and availability pressures, particularly for orchards. Anecdotal reports suggest domestic labor is harder to come by than foreign labor. The presence of H-2A labor continues to increase across the West Coast, particularly in Washington and California; however, it does not appear to be keeping pace with demand. Please see the [Crop Inputs Snapshot](#) for further analysis of labor conditions.

Supply chain challenges persist

Packers may need to adopt alternative packaging methods and materials. Anecdotal reports suggest packers face increasing logistical challenges in procuring goods, particularly plastic bags, from China and this represents a new challenge to the industry and retailers. For a deeper analysis of supply chain and crop input conditions, see our [Crop Inputs Snapshot](#).

Profitability

Cherry growers will likely see slightly profitable conditions in 2023. The 2023 crop has the potential to be large, but it is too early for reliable estimates. Demand is uncertain as persistently high inflation may impact consumer spending patterns. While rising imports from Canada and Chile are increasing domestic supplies, most fruit is arriving during the offseason for West Coast growers.

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www.AgWestFC.com/Industry-Insights

[USDA Agricultural Marketing Service](#)

www.ams.usda.gov

[Washington State Tree Fruit Association](#)

www.wstfa.org

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