

Shire Capital Management

Cherry Industry Overview

2024





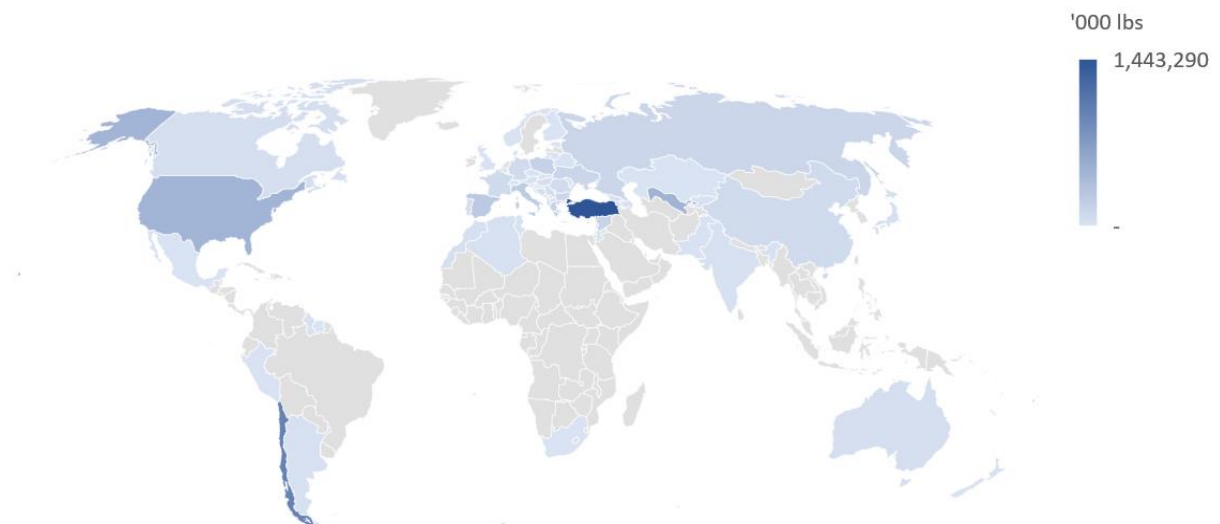
Executive Summary

- Türkiye is the largest cherry-producing nation (1.4M lbs/year)
- Rapid growth of Chilean production over the past 8 years, now the second largest national producer
- North America is among the top four largest producers
- The Pacific Northwest accounts for over 80% of North American production
- Since 2010 production has consolidated in British Columbia (over 80% of total Canadian acreage)
- Since 2010 British Columbia acreage has doubled to over 4,000 acres
- Further consolidation is expected as smaller growers recover from recent production volatility

Global Production

Global cherry consumption has seen consistent growth, exceeding 6 billion pounds in 2021. The majority of cherries produced are ‘sweet’ (*Prunus avium*), and the remaining 20% are ‘sour’ (*Prunus cerasus*) mostly produced in Europe and Russia for use in processed products such as pies and tarts. A major trend in the industry has been the rapid growth of Chilean production this decade. Given the seasonal nature of fresh cherry production – with limited cold storage capacity – Chilean production fills in the production gap during the northern summer but has a limited impact on the North American market.

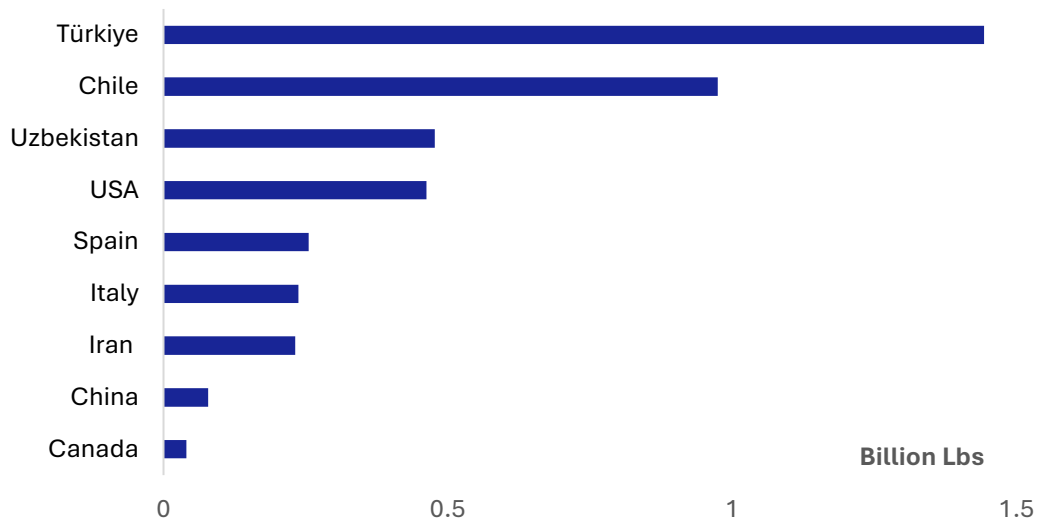
FIGURE 1. > SIX BILLION POUNDS PRODUCED GLOBALLY
2022



FAO Stat

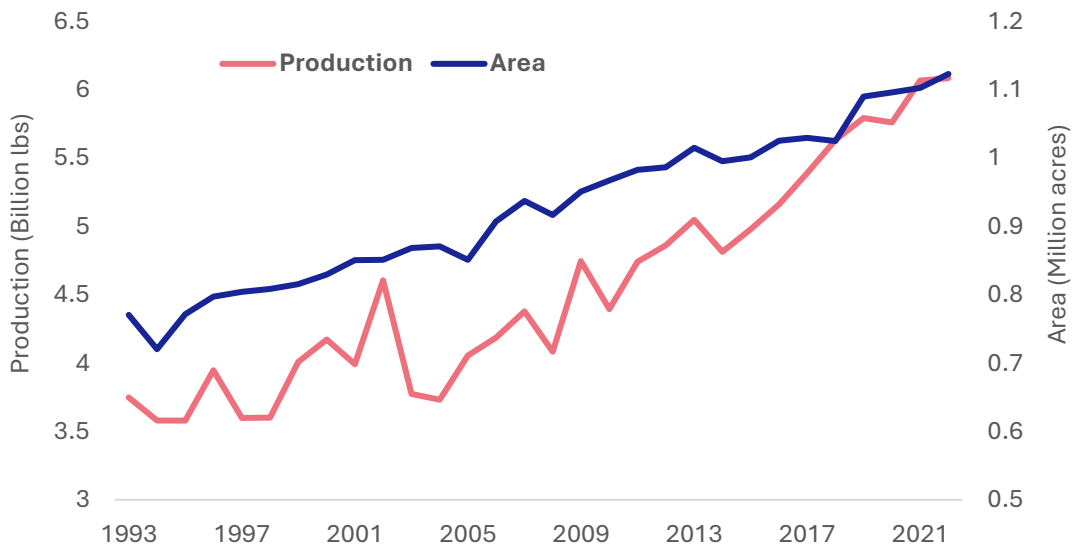


FIGURE 2. GLOBAL CHERRY PRODUCERS
2022



FAO Stat

FIGURE 3. GLOBAL PRODUCTION AND PLANTED ACREAGE
1993-2022

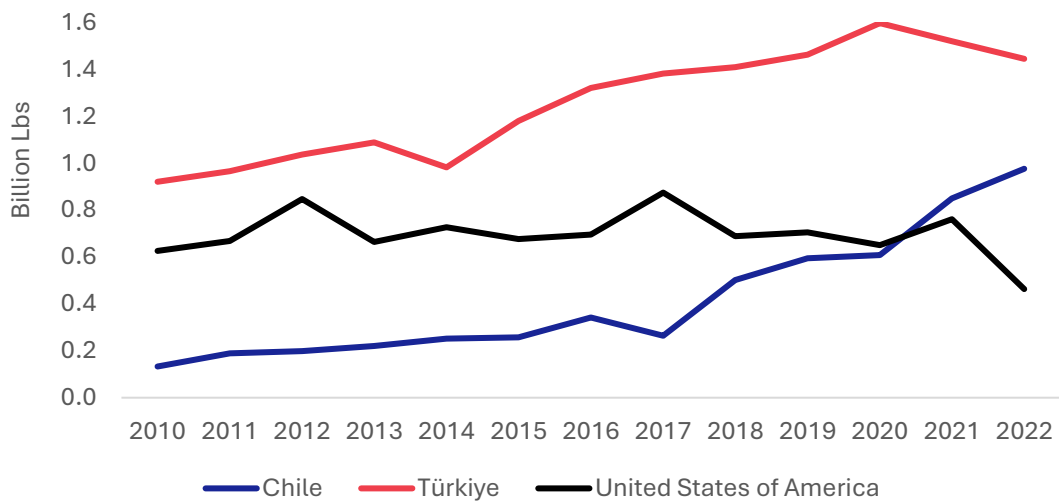


FAO Stat

Regions in central and southern Chile have good conditions for cherry production. Sufficient chill hours, ample water for irrigation, and absence of frost during the spring. Chilean producers in other regions often use tarpaulin to protect fruit from heavy rainfall during the harvest window. Growth is expected to persist as new plantings mature. Over 75% of Chilean production is exported, 90% of which to China. The Asian export market is growing rapidly, with large fresh cherries in high demand and holding cultural significance.

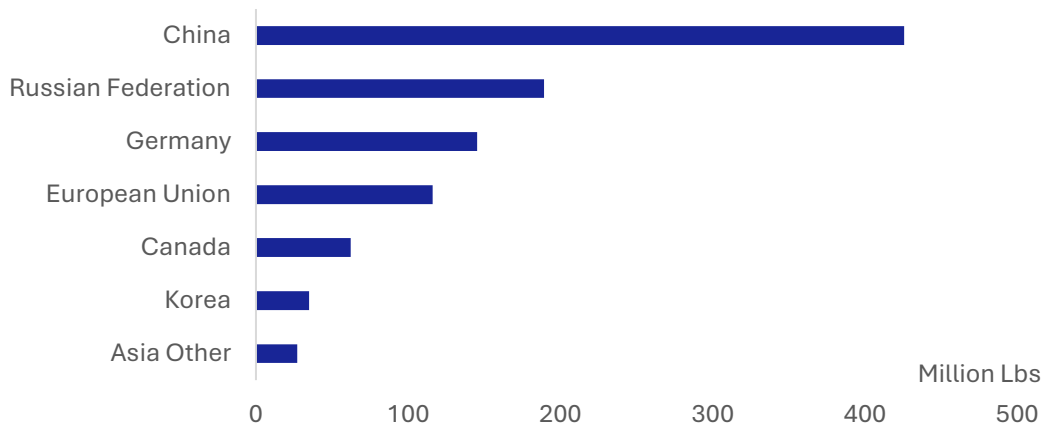


FIGURE 4. CHILEAN PRODUCTION
2010-2022



FAO Stat

FIGURE 5. IMPORTING NATIONS
2022



USDA

The cherry production season in the Northern Hemisphere ranges from April to September while the production season in the Southern Hemisphere is between October and February.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Türkiye				■	■	■	■	■				
United States				■	■	■	■	■				
Canada					■	■	■	■	■			
Chile	■	■								■	■	■
Australia	■	■								■	■	■
New Zealand	■	■										■



North American Production

The Pacific Northwest accounts for over 80% of North American Production. Cherries require over 800 chill hours during winter, a mild spring for optimal pollination and a warm dry harvest season to limit fruit damage and maximise grading. US production was down in 2022 due to cold winter snaps and a heatwave during pollination. However, lower production improved domestic pricing. Consumption has remained resilient in the face of rapid price rises since 2020. While North American cherry consumption is rising, household penetration has remained steady at around 30%, far lower than strawberries at over 70%. From 2014-2016, an average of 75% of sweet cherries produced were destined for the fresh market, with the remaining 25% used for processing.

US Production 2021 ('000 lbs)	
Washington	407,000
California	116,600
Oregon	81,400
Total	605,000

Canadian Production 2022 ('000 lbs)	
British Columbia	38,000
Ontario	2,000
Total	40,000

Pricing

Farmgate cherry pricing is determined by three main factors:

Timing

Fresh cherries have a storage life of up to 3 weeks under ideal controlled conditions. This limits long term supply gluts and increases price volatility around harvest. Early and late season production commands a premium while supply is low.

Grade

Fresh product is differentiated by grade, with larger, firmer fruit commanding higher farmgate prices from packhouses.

Market

Retail prices differ significantly by market. Korean and Chinese consumers are far less price sensitive for the highest-quality fruit than Canadian consumers.

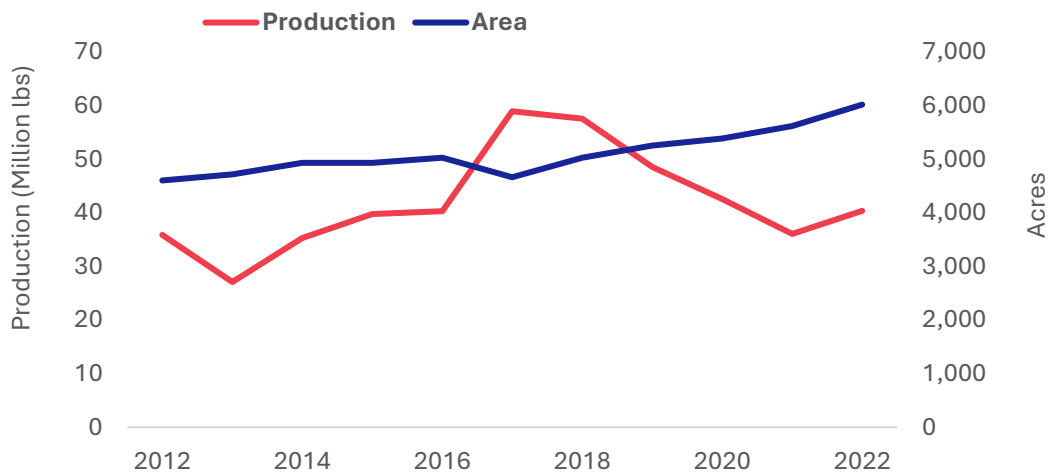
Cherry production, processing, and distribution is very localised. Cherries are delicate and susceptible to damage during transportation before processing. This creates strong incentives for vertical integration to limit the time between picking, packing and sale.



Canadian Cherry Production

Over the past decade cherry production has consolidated in British Columbia, which now accounts for over 80% of Canadian production. Sweet cherries are Canada’s second largest exported fruit crop behind blueberries. However, Canada still imports more cherries than it produces. The majority of imports are Washington Bing cherries, harvested in June and July, providing Canadian growers a good opportunity to market higher-quality varieties later in the season.

FIGURE 6. CANADIAN PRODUCTION AND ACERAGE
2012-2023



Statistics Canada

Exports to East Asia present a significant opportunity for large vertically integrated Canadian Growers. The Canadian government has long been improving trade relationships with the Asian Pacific. The Transpacific Partnership streamlines free trade with ten Indo-Pacific countries, and has cherry-specific pilot programmes for export to Korea, China and Thailand.

FIGURE 7. CANADIAN IMPORTS AND EXPORTS
2011-2020

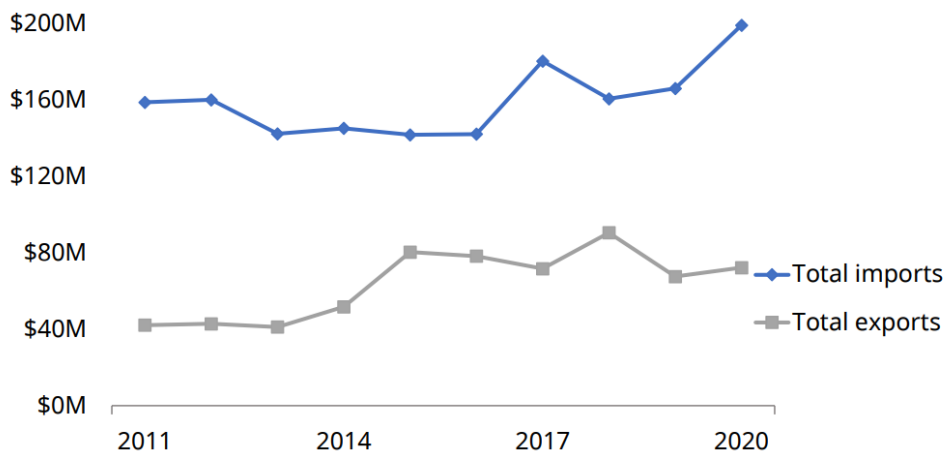


Chart from '2020 B.C. Cherry and Apple Acreage Report' British Columbia Ministry of Agriculture, Food and Fisheries



British Columbia

British Columbia cherry acreage has almost doubled since 2010, to over 4,000 acres. Since 2015, a total of 676 cherry acres have been planted through the government-funded tree fruit replant program.

FIGURE 8. BRITISH COLUMBIA ACREAGE BY VARIETY
2011-2020

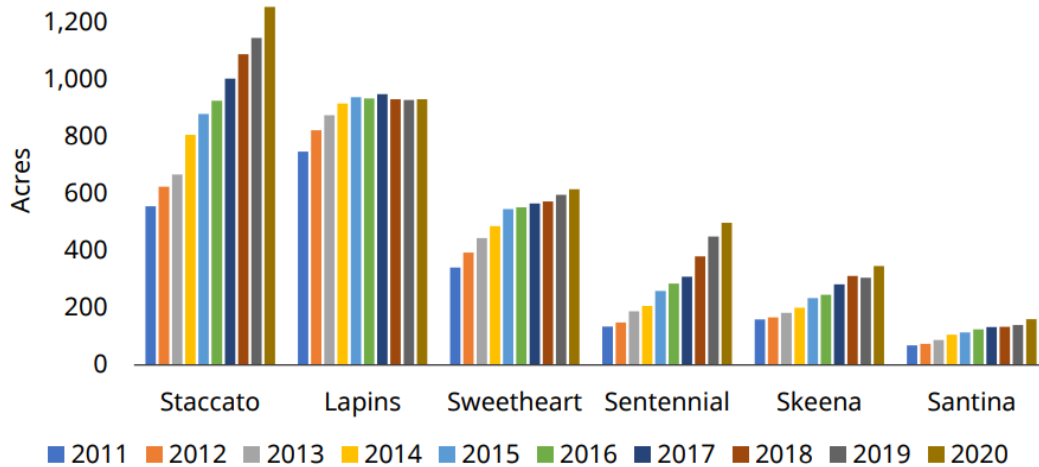
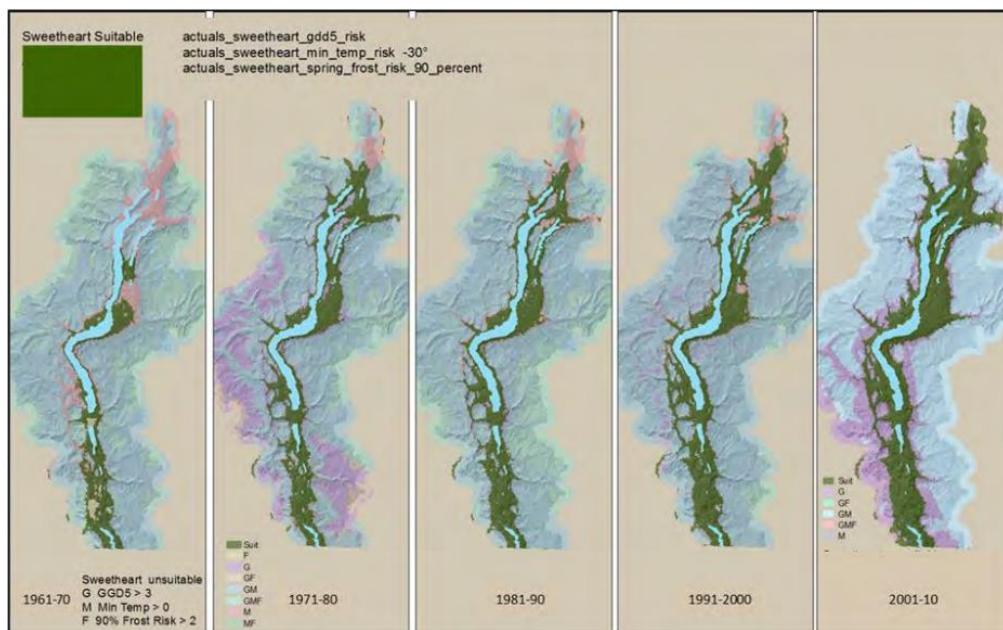


Chart from '2020 B.C. Cherry and Apple Acreage Report' British Columbia Ministry of Agriculture, Food and Fisheries

Long-term climate trends and short-term weather volatility have shaped the British Columbia sweet cherry industry over the past decade. Innovative growers are starting to plant orchards at higher altitudes and more northerly latitudes to extend the growing season and hedge against localised climate anomalies.

FIGURE 9. CLIMATE CHANGE AND CHERRY SUITABILITY
1961-2010



Graphic from 'Expanding Cherry Production in British Columbia under Climate Change', Louise Nelson, 2018



2023 Industry Review

- <https://www.freshplaza.com/north-america/article/9530560/global-market-overview-cherries/>

Cherry Growing Overview

- <https://www.agmrc.org/commodities-products/fruits/cherries>

USDA Chile Brief

- https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Stone%20Fruit%20Annual_Santiago_Chile_CI2023-0018.pdf

USDA PNW Cherry Report

- https://www.nass.usda.gov/Statistics_by_State/Oregon/Publications/Current_News_Release/2022/CH06_1.pdf

USDA Cherry Report

- <https://www.ers.usda.gov/webdocs/outlooks/85287/fts-365sa.pdf?v=1572>

Canada Government Sweet Cherry Report

- https://publications.gc.ca/collections/collection_2009/agr/A118-10-12-2006E.pdf

British Columbia Government Cherry Acreage Report

- https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/agriculture-and-seafood/animal-and-crops/crop-production/2020_bc_cherry_apple_acreage_report.pdf

Expanding British Columbia Cherry Production Under Climate Change

- <https://www.climateagriculturebc.ca/app/uploads/FI12-Expanding-Cherry-Production-BC-Climate-Change-2018-report.pdf>