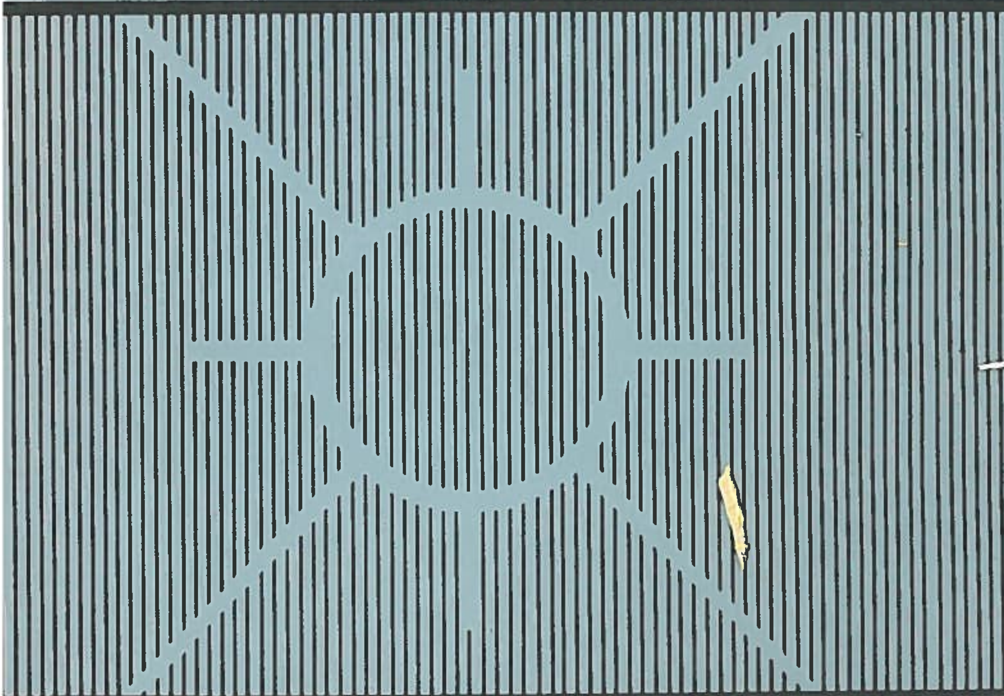
Studies of the Organization and Control of the U.S. Food System



N. C. Project 117
Monograph 12

July 1982

# THE TART CHERRY SUBSECTOR OF U.S. AGRICULTURE: A REVIEW OF ORGANIZATION AND PERFORMANCE



Agricultural Experiment Stations of Alaska, California, Cornell, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Ohio, South Dakota and Wisconsin.

Published by the Research Division, College of Agricultural and Life Sciences, University of Wisconsin – Madison.

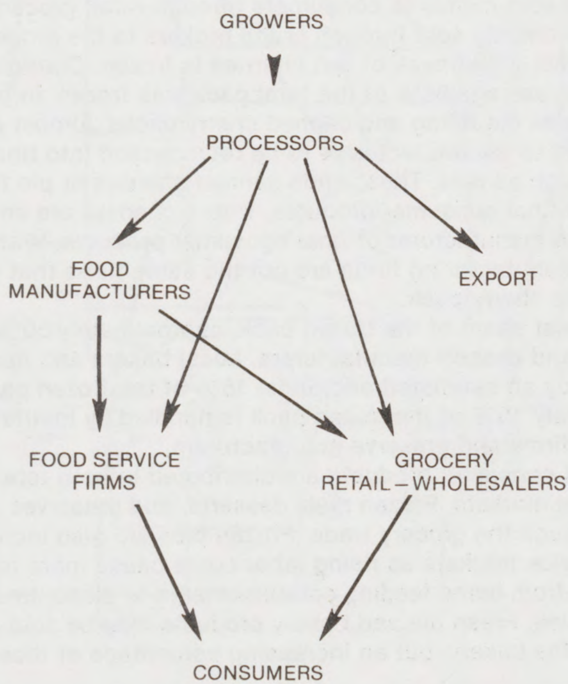
# Chapter 2

# MARKETING CHANNELS FOR TART CHERRIES

The relative importance of different marketing channels taken by cherries from farm to consumer are changing as a result of dynamic changes in the U.S. food system. Specific marketing channels followed depend on the initial pack form, the final product form purchased by the consumer, the needs and practices of the food marketing firms, and changes in marketing methods and vertical integration.

Figure 4 shows an overview of the main marketing channels for tart cherries. Processors handle almost the entire crop. The main processed pack, frozen cherries, is sold primarily to food manufacturing firms to be made into pies or other desserts for distribution to consumers through grocery or food service retailers. The consumer-size pie filling and canned cherries are sold by the initial processors primarily to grocery chains, although brokers may also be involved as intermediaries. The food manufacturers are not involved with the consumer-size canned cherries or with much of the retail pie filling pack. The food service sector is an increasingly important market channel for cherries.

**Figure 4. Tart Cherry Marketing Channels**



Market channels for cherries are shown in greater detail and complexity in Figure 5, illustrating a wide array of alternative market channels for different cherry products. Some alternative channels have become fairly minor, but are included to show the various ways cherries may be marketed.

Canned cherries have comprised an average 17% of the total pack during recent years (Table 1), packed primarily in two distinctly different sized cans. One is the consumer-sized can (No. 303) which has accounted for 6% of the average total pack in recent years. The consumer-sized cans move directly from processor to retail-wholesale grocery firms or to the grocery trade via brokers.

Institutional-sized (No. 10) cans constitute the remainder of the canned pack and are sold to export markets, small bakeries and certain food service establishments. Brokers and institutional wholesalers often handle the sales to bakeries, hotels, and other food service trade. Export sales may go through a U.S. export agent or directly from the processor to an import agent in the receiving country. From the import agent, cherries may go directly to a food manufacturer or perhaps through an importer and then to a specialized bakery wholesaler in certain countries.

Another primary pack is cherry pie filling. Processors who pack pie filling from raw cherries have used an estimated average 15% of the total cherry crop during recent years. However, not all pie filling is processed from raw cherries; some is manufactured from frozen cherries. An estimate of approximately 15-20% of the frozen pack is normally used for pie filling.[1] Taking into account the pie filling pack from both raw cherries and frozen cherries, approximately 20-25% of the total cherry pack is pie filling.

Cherry pie filling is packed primarily in consumer-sized cans (mostly in No. 2 cans) sold mainly to consumers through retail grocery stores. Pie filling is commonly sold through brand brokers to the grocery trade.

The largest initial pack of tart cherries is frozen. During recent years (1975-78), an average 66% of the total pack was frozen. In contrast to consumer-size pie filling and canned cherry packs, almost all frozen cherries are sold to remanufacturers to be reprocessed into final consumer products such as pies. Thus, while canned cherries or pie filling are themselves final consumer products, frozen cherries are an input ingredient for the manufacturer of final consumer products. With few exceptions, the manufacturing firms are not the same firms that produce the initial frozen cherry pack.

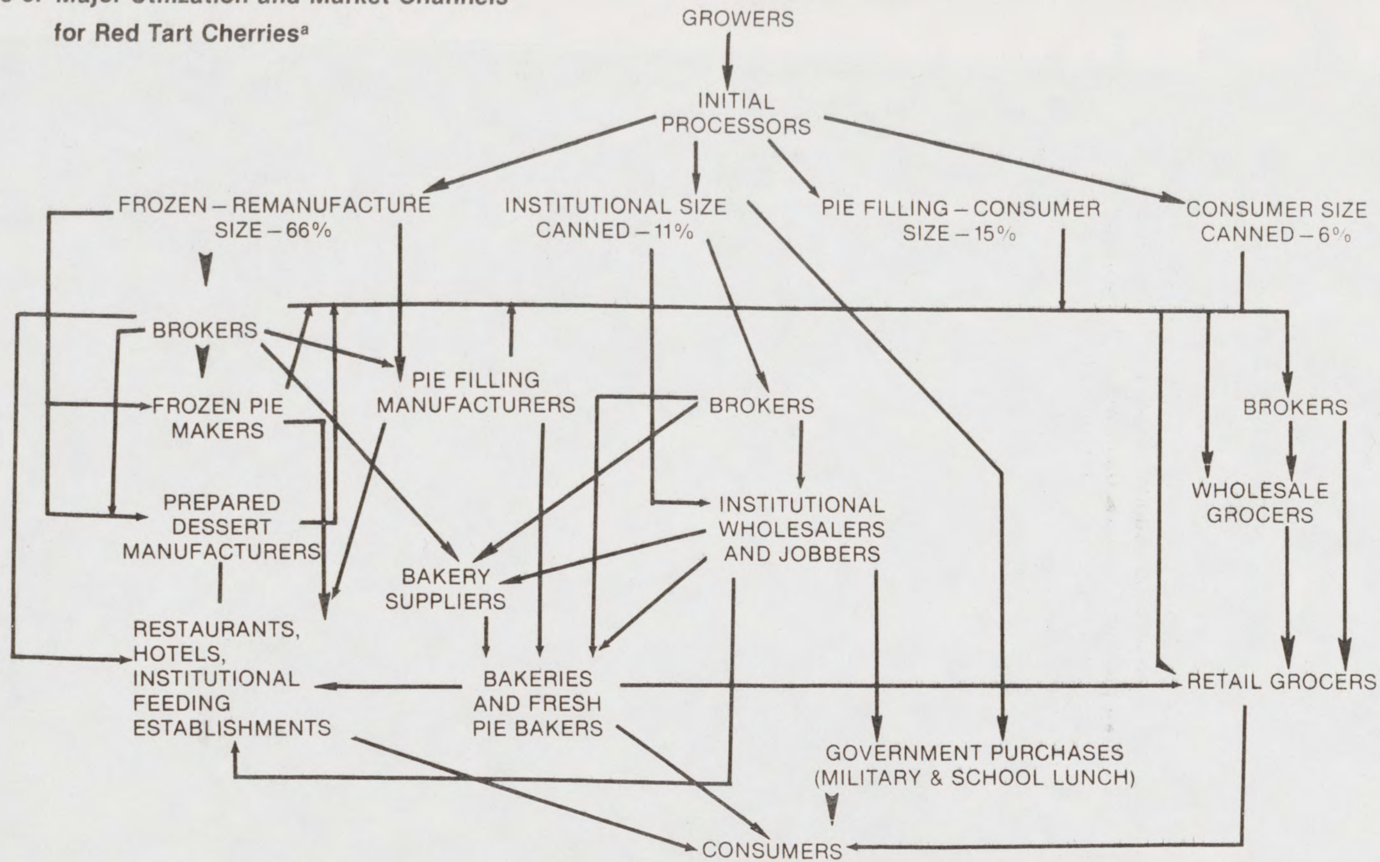
The largest share of the frozen pack, approximately 50%, is sold to frozen pie and dessert manufacturers. Local bakers and fresh pie manufacturers buy an estimated additional 15% of the frozen pack while approximately 15% of the frozen pack is handled by institutional bakery distributor firms and preserve manufacturers.

The final consumer products are distributed in both retail grocery and food service markets. Frozen pies, desserts, and preserves are sold heavily through the grocery trade. Frozen pies are also increasingly sold to food service markets as rising labor costs cause more restaurants and other away-from-home feeding establishments to discontinue making their own pies. Fresh pie and bakery products may be sold direct to consumers by the bakery, but an increasing percentage of these are sold in

---

[1] Actual data on pie filling pack is not readily available.

**Figure 5. Major Utilization and Market Channels for Red Tart Cherries**[a]




[a] Some of the less important channels and initial utilizations are not shown for the sake of simplicity. For example, the institutional pie filling packed by processors and the consumer size frozen cherries, each of which comprise an estimated 1-2% of the pack, are not included.

grocery store bakery sections or are distributed to restaurants, hotels, etc. There has been a long-term trend away from fresh pies with stronger preference for frozen pies.

As a result of the cherry marketing system, the consumer may buy tart cherries in several places and in several forms. Supermarkets offer canned cherries, pie filling, frozen cherry pies, cherry desserts, fresh baked pies, TV dinners and preserves. In restaurants and hotels, a consumer can have cherry pie or desserts such as cobblers, tarts and others.

For analytical purposes of this paper, the four most important tart cherry market segments, i.e., canned pack, pie filling, frozen pack and remanufactured products such as pies, will each be considered in greater detail. Analysis of the structure, conduct and performance of these four segments as well as the grower segment are discussed in the following chapters.