



beyond *the* branch

PARTNER NEWSLETTER

New York
APPLE SALES, INC.

“Club Varieties, Getting you down?”

Too many of you reading this column would say “YES” and for potentially many different reasons. However, instead of getting frustrated, let’s understand the new reality, temper expectations and focus efforts on the positive.

The reality is that we are no longer in the time period when only a handful of club varieties were vying for retail consideration. The days of just SweeTango® , Ambrosia® , Kiku® , Jazz™ and Pinata® are gone and they are now joined with 16 others. These 21 varieties each reflect 100,000 to 1.2 million bushels marketed during this current crop season. There were four that entered the market this season that will exceed 100,000 bushels in the 2019 season. To top it off, the 21 varieties do not include those that are about to become commercially viable or currently in testing phases.

Retail linear footage dedicated to apples is exactly what it was 15 years ago. In addition, our produce competitors are not lying still; citrus, berries and grapes have also invested heavily into new innovation and variety development. In the early days of new variety commercialization our industry had the upper hand on retail. Newness was exciting and retailers were begging the industry for supply. Retail chains wanted consumers to view them as the one-stop for new items and excitement on the shelf. Newness has now become the norm and we have given our hand directly back to the retailers who now suffer from “new variety fatigue”.

Retailers are no longer afraid of missing out and are no longer amenable to margin losses. Years of losses due to shrink and less margin has driven retailers to focus and enlarge shelf space on known consumer varieties such as Gala, Fuji and Honeycrisp. In order to compete and get on the shelf in this crowded field, high marketing dollars on the front end are required to fund instore demonstrations, trade advertisement, consumer social media campaigns and promotions.

Even with this “new reality” I still maintain that these new varieties will pay a premium over older varieties that no longer are in demand. Many of these new varieties fill a harvest gap and replace varieties that have been removed due to lack of demand and poor return. Both SnapDragon® and RubyFrost® are an example of filling a harvest time period that is being vacated by Empire. It is positive for our industry to invest in future varieties that have proven to perform better horticulturally than existing varieties, that allow for greater yields and returns. It should be cautioned that when deciding on a new variety to plant it is important to do your homework, to understand yields and expected pricing. The old pricing model used for budgeting revenue for new varieties included a FOB of \$50 dollars minimum, the new pricing model needs to reflect a lower, more conservative FOB of \$28- \$ 30 after marketing fees.

In this new environment we (collectively) need to

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really think about our approach going forward as we are at a crossroads. We need new and exciting varieties to replace the “traditional” varieties yet we also have to consider what the retailers desire which is less varieties (SKUs) and these few varieties need to move, provide good margins, and have low shrink. Our industry now has several club varieties in production and a few more going in the ground. We are at a point where we need to get behind the best candidates and put 100% effort into making them successful, otherwise some will fail as we dilute our efforts by dabbling in many. We at NYAS, believe SnapDragon®, RubyFrost®, Sweetango®, Evercrisp® and KORU® are winners and can satisfy retailers needs and can “Wow” the consumer.

Kaari

Welcome to the Team!

In January, Calla Zongol joined our NYAS team to fill the role of sales assistant. Calla graduated from the College of Saint Rose with a B.S. in Business Administration and comes with experience as an account executive at Transfinder. In her free time she volunteers in animal shelters and at the American Foundation of Suicide Prevention. Thus far her favorite part of NYAS is the people, she quotes, “it’s like a small family.”



Sadly, we must say goodbye to Zach O’Keefe at the end of April as he will be pursuing a lifelong dream of hiking the Pacific Crest Trail. We appreciate the work Zach has done and will miss him in the office.



Farewell and Best Wishes!





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FSMA Water- FDA has finalized compliance dates for Agricultural Water, “Larger farms are now required to comply with the agricultural water requirements by January 26, 2022, while small farms have until January 26, 2023 and very small farms until January 26, 2024.” Although these regulations are several years out, please continue sampling your water and working with an accredited lab. As we approach the deadline, we will do our best to provide procedures that will follow the requirements.

https://www.fda.gov/Food/NewsEvents/ConstituentUpdates/ucm633483.htm?utm_campaign=Agricultural%20Water%20Provisions_3_15_2019%20Email&utm_medium=email&utm_source=Eloqua

Growers- As a reminder, Global Gap IFA had a version change, please be sure to look at the new checklist and guidelines prior to your audit. **NEW!** this season, we will also accept Global Gap HPSS. The HPSS version is a simplified version of Global Gap and has reduced costs. There is no MRL testing required for HPSS; however, it is still a requirement for testing as NYAS ships product outside the USA. If you have not already done so, email Chelsea whether you would like to continue with IFA or convert to HPSS to ensure your application is complete and audit can be scheduled at the most convenient time. Further Global Gap information can be found at: https://www.globalgap.org/uk_en/

Packers- With the majority of NYAS packers completing or converting to Primus GFS. Here are a few points to look out for with the *3.0 version change*, required now.

1.07.01- Auditor will ask you to perform a traceback and trace forward during audit

1.07.03- At least one mock recall should be for packaging

5.02.07- Frequency of pest control device checks have changed

5.03.08- Code for FIFO, easily recognized by all employees

5.05.04- Hair nets should contain all hair

5.05.11- Fresh drinking water readily accessible to workers

5.05.13- Workers issued non-reproducible identification

5.13.01- inspection records for incoming goods

5.16.01-.09- Microbial testing

During your preparation, the guidelines are extremely helpful to demonstrate what is requested and the points at stake. Refer to the webpage listed below or contact Chelsea with any questions.

<http://www.primusgfs.com/documents.aspx>





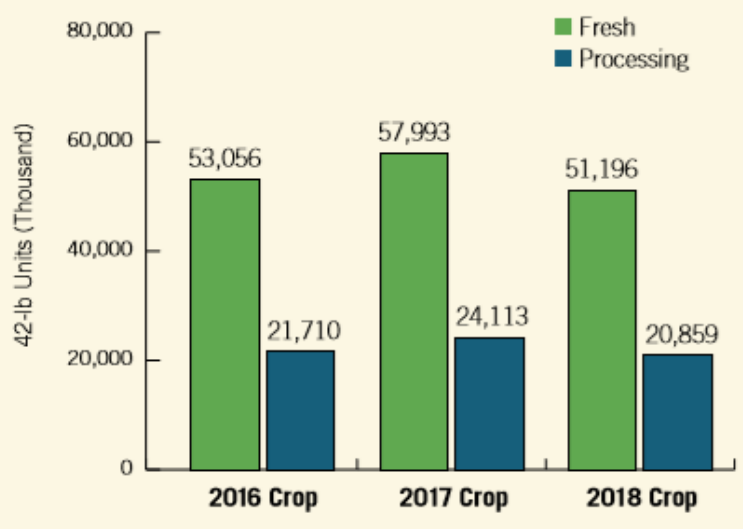
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USApple Market News

April 1st Storage Report

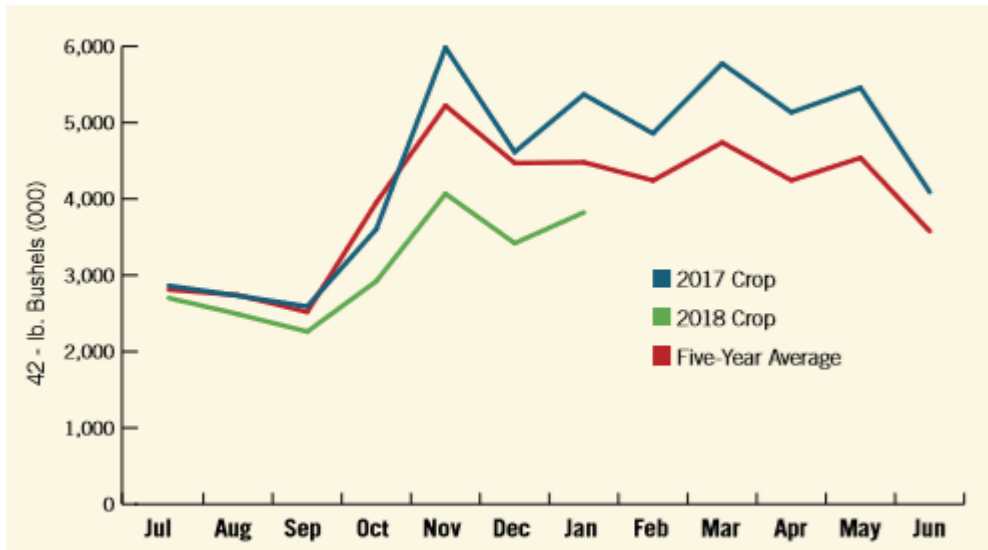
Beginning November 1st of each season, the USApple Association reports monthly storage inventories in all apple producing states by variety and storage type. This information is very useful for observing trends and as a guide to develop post harvest marketing plans.

Total U.S. Fresh and Processing Holdings on April 1



* Fresh holdings on April 1 were 52M bushels; down 12% vs. year ago and down 4% vs. the five year average of 53.4M bushels.
 * Process holdings are 20.9M; down 13% vs. year ago and down 5% vs. the 5 year average.

U.S. Apple Exports by Month for Various Crop Years



There has been significantly less volume exported compared to a year ago and the five year average; another indication of a small crop in Washington.

Source: USDA Global Agricultural Trade System (GATS)





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Advertising spotlight

Mystery Shopper

Last month I hit the road to assume the role of “Mystery Shopper and Apple Critic” to check up on how our apples look at retail as well as how retailers are executing. I visited stores in Tampa, Charlotte, St. Louis, Columbia MO, and Boston. In all, I toured 103 stores to include the following retailers: Walmart, Food Lion, Schnucks, Hannaford, Market Basket, Shaw’s, Stop n Shop, Whole Foods, Sprouts, Fresh Market, Star Markets, and Aldi.

One of the objectives was to follow up on two major promotions taking place at Walmart and Food Lion with NY grown KORU® apples. Quality of KORU® across the board was very good. They had the acceptable amount of color, excellent shine, defects were at a bare minimum and size was consistent in the packs. Unfortunately, retailer execution with displays, signage, and variety identification was inconsistent and we will be sharing our findings with the retailers.

With respect to other NYAS varieties, I have a mixed bag of reviews to share, but honestly the reviews on NYAS fruit are quite good. No one knows as well as I do that so many of the sins of apple quality at the point of sale are committed after the fruit leaves our docks. But as they say there are no virgins in the apple packing industry, it would not be appropriate to call out or identify who was responsible for some of the not so good apples I saw. In most cases I would take a picture of the



**KORU® and RubyFrost®
Schnucks**



**Pink Lady
Sprouts**

questionable fruit and send them on to the packer. This only happened a few times. To cut to the chase, NYAS packers are doing a very good job at packing, sizing, and sorting out defects. In MOST cases our color was very good but I did see some Macs (of course), Pink Ladies, and the occasional Red Delicious, where the color was less than desired. The one thing that stood out as being inconsistent was the wax job or the shine on some of our fruit. This was a huge issue at Sprouts on Reds, Ruby’s, and Macs. BUT I saw this in all Sprouts, so perhaps it is the way they handle the fruit. Ruby Frost® at another retailer, looked very sharp. I saw the worse Pink Lady ever, at Sprouts, both from NY and Washington.



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Retailer performance was certainly up and down. Some chains are better than others across the board while all chains had varying degrees within individual stores. I will give praise where it is due. I was very impressed with Market Basket, Schnucks and Food Lion. This was my first visit to Schnucks and they are a great chain. Every department looked very well managed, very clean and very sharp. All our fruit stood out. Market Basket in Boston impressed me with the volume that they turn over. They are big with displays, affordable pricing and when they feature an item, they do a great job. (See Picture of Empire promotion, the display was an endcap and ¼ of the rack display). Finally, Food Lion. The last time I was in a Food Lion was years ago in the deep south. To me the stores were, dirty, cookie cutter design and quality was terrible. Not today! They are not huge stores, but very well managed. Our fruit was presented neatly and in rows. Goldens, Macs, Reds and Rome's all looked very good. They had finished featuring KORU® and the stores were pleased with the sales. Many of the stores had a separate refrigerated produce room off the main floor that customers entered to purchase produce. Since Food Lion is a Southern chain, this is a great way to merchandise and protect their produce in the hot times of the year.



Empire
Market Basket

In summary, my visits were a great learning experience. I see that retailers are faced with similar problems that we are. In my mind I would say number one is labor. No one has enough good help to properly manage their stores, and often those that I spoke to were just passing the time at "work". I visited both rural and urban stores and saw the same issues. And finally, one of my favorite quotes continues to be true: "Stores are not in the business to sell apples, they are in the business to make money!" *Jim*

**Thank
You!**

Although we are only a small part of the food chain, it takes an army to run the apple industry. Without the support of volunteers, we would not be where we are today. Just listing a few, we wanted to thank some of our NYAS family for their time and support in many organizations, as well as, a thank you to our past members and chairs. If at any time, you as a grower or packer, have any questions regarding an organization or industry concern, these are all great people to reach out to.



Kaari Stannard
Mark Nicholson
Jason Woodworth

**Apples
FROM
NEW YORK**
Jay Toohill
David Jones
Frank Teeple
Robert Brown III
Jason Woodworth
Peter Russell
Richard Endres
Todd Furber
Danielle Fleckenstein



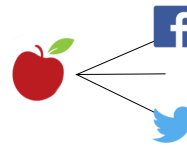
Joel Crist
John Teeple
Bob Norris
Mark Russell
Brett Kast





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Consumer Connections



"These apples (SnapDragon®) are browning from the inside out. I'm concerned about the safety of these hybrids" —James M.

We receive feedback directly from consumers via the NYAS website and Facebook page. Some good and some not so good comments....

"I purchased McIntosh from Pennsylvania and was very disappointed. Recently, I found McIntosh apples from New York and I'm so happy that I did. They are the real McIntosh. They are berry crisp and the aroma is unbelievable. Thank you and keep growing the best McIntosh I've ever had" —Darleen H.



Check out our Website

<http://www.newyorkapplesales.com/>

SAVE THE DATE! **July 25th**

We are excited to announce that this season the New York Apple Sales Annual Meeting will be held at Greek Peak Mountain Resort in Cortland, NY on July 25th, time TBA. Please contact Lynda to reserve your spot. If you choose to stay, contact the resort at (888) 353-5707 to reserve your room.



Send your R.S.V.P. to Lynda@newyorkapplesales.com





April 2019

Variety Feature

*This month
we feature the
work-horse.*

As many of you know, Gala has become #1 in apple production for the USA in 2018, just squeaking by the reigning 1st place Red Delicious which held its rein for more than half a century. Although we have been growing Gala for quite sometime, we continue to learn how to grow and store it in our dynamic climate.

Gala Facts:

Breeder: New Zealand orchardist

Parentage: Golden Delicious x Kidd's Orange Red (Cox's Orange Pippin x Red Delicious)

Strains: Over 20 strains from blush to stripe

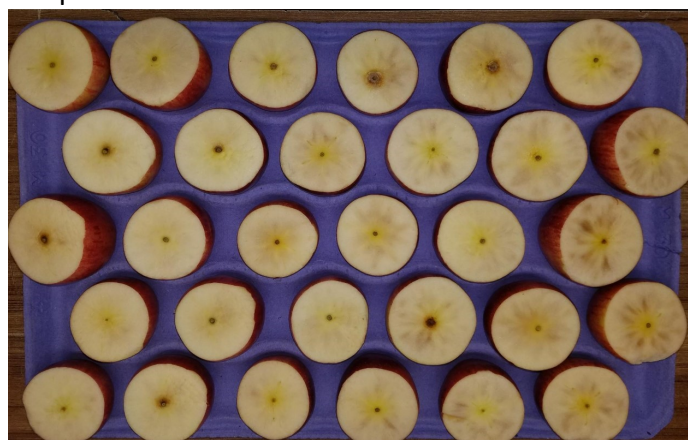
Descendants: Jazz and Envy

It is no secret that what was thought of as an "easy variety" has proven to challenge growers across the country. Obtaining size, harvesting and storage are the major challenges. Here are a few thoughts on striving towards better galas:

- **Thin EARLY and HARD:** If you ever want to peak on tray sizing, the fruit load needs to be limited from the start. This variety does not thin easily; therefore, start with precision pruning and follow-up with aggressive thinning.
- **PGRs:** Work with your field team to decipher which blocks need PGRs and at what rate. Often times we notice strong rates and/or early applications which delay the entire harvest and most important COLOR on all blocks. It's important to determine which blocks are for short-term and long-term storage and then plan your harvest accordingly. Keep in mind there are a lot of Honeycrisp and Macs to pick as well, starting galas in mid-late September will not ease your harvest, as well as, PGRs are affected by weather. Excessive heat can cause a

false allusion on maturity of the crop.

- **Harvest Timing:** Remember we need 50% color to pack; therefore, anything less is juice. HOWEVER, blocks that may struggle to color and become over-mature in the process will not be optimal for long-term storage.
- **Browning:** This is the #1 reason we have not successfully stored galas until this time or later in the year. Caused by numerous factors, producers from across the country find this in all mid-late stored rooms. As we grow more galas and demand continues to increase, we will need to find a solutions to this problem.



NYAS Gala Facts as of April 1st:

- ⇒ Gala has been our #1 variety this season
- ⇒ 29% of the shipped crop has been Gala
- ⇒ Shipped product each week has been 17% to 48% Gala
- ⇒ With each week selling more than predicted, we will be out sooner than anticipated



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Nielsen: Sales, Volume and Unit Price Change

Crop Year to Date 2018 vs. 2017

Rank	Variety	% \$ Sales Change	% Volume Change	18 \$/lb.	17 \$/lb.	Unit Price Change
1	HONEYCRISP	14%	16%	\$ 2.47	\$ 2.52	\$ (0.05)
2	GALA	6%	10%	\$ 1.24	\$ 1.29	\$ (0.05)
3	GRANNY SMITH	-3%	4%	\$ 1.50	\$ 1.61	\$ (0.10)
4	FUJI	-4%	-1%	\$ 1.45	\$ 1.49	\$ (0.03)
5	RED DELICIOUS	-6%	-12%	\$ 1.32	\$ 1.24	\$ 0.08
6	OTHER	-20%	-25%	\$ 1.84	\$ 1.72	\$ 0.13
7	PINK LADY	-12%	-12%	\$ 1.80	\$ 1.81	\$ (0.00)
8	ORGANIC GALA	5%	7%	\$ 1.94	\$ 1.99	\$ (0.05)
9	GOLDEN DELICIOUS	-7%	-11%	\$ 1.53	\$ 1.46	\$ 0.07
10	ORGANIC HONEYCRISP	9%	5%	\$ 3.31	\$ 3.17	\$ 0.15
11	MCINTOSH	-11%	-10%	\$ 1.30	\$ 1.31	\$ (0.01)
12	ORGANIC FUJI	-2%	0%	\$ 2.14	\$ 2.18	\$ (0.04)
13	AMBROSIA®	-1%	4%	\$ 1.90	\$ 2.00	\$ (0.11)
14	JAZZ™	-9%	6%	\$ 1.67	\$ 1.95	\$ (0.28)
15	ORGANIC GRANNY	17%	17%	\$ 2.06	\$ 2.07	\$ (0.01)
16	BRAEBURN	-16%	-13%	\$ 1.47	\$ 1.52	\$ (0.05)
17	ORGANIC PINK LADY	6%	8%	\$ 2.50	\$ 2.54	\$ (0.04)
18	CORTLAND	0%	4%	\$ 1.21	\$ 1.26	\$ (0.04)
19	JONAGOLD	-9%	-2%	\$ 1.23	\$ 1.33	\$ (0.10)
20	OPAL APPLES	4%	4%	\$ 2.22	\$ 2.21	\$ 0.01
	TOTAL (All Varieties)	-0.2%	0.1%	\$1.64	\$1.65	\$ (0.01)

TOP 20 Varieties by Sales

- Sales and Volume flat to 2017.
- (2017 was down 10+ % in sales and volume vs. 2016)
- Top 5 Varieties account for 70% of the volume.
- Honeycrisp moved to top spot by sales.

Rank	Variety	% \$ Sales Change	% Volume Change	18 \$/lb.	17 \$/lb.	Unit Price Change
1	AMBROSIA®	-1%	4%	\$ 1.90	\$ 2.00	\$ (0.11)
2	JAZZ™	-9%	6%	\$ 1.67	\$ 1.95	\$ (0.28)
3	OPAL APPLES	4%	4%	\$ 2.22	\$ 2.21	\$ 0.01
4	ENVY APPLES	-15%	19%	\$ 2.30	\$ 3.23	\$ (0.29)
5	SWEETANGO®	-6%	-9%	\$ 2.35	\$ 2.28	\$ 0.03
6	AUTUMN GLORY	-2%	5%	\$ 2.35	\$ 2.52	\$ (0.07)
7	ORGANIC AMBROSIA®	3%	-5%	\$ 2.81	\$ 2.57	\$ 0.09
8	SNAPDRAGON®	125%	169%	\$ 1.97	\$ 2.37	\$ (0.17)
9	ROKIT	166%	212%	\$ 2.16	\$ 2.54	\$ (0.15)
10	KANZI	64%	56%	\$ 2.14	\$ 2.04	\$ 0.05

TOP 10 Clubs by Sales

- Total Club volume up 6.1% vs. 2017.
- Total Club sales down 3.6% due to price declines.
- Top 2 varieties account for 68% of the volume.



April 2019

Ground Hog Day Year

Have you seen the movie Ground Hog Day with the lead role played by Bill Murray? Bill gets stuck reliving the same day over and over again; going to bed each night and waking up to the exact prior day. I reference this as we in the apple industry are waking up to a new growing season and will go through all of the same motions and stages as prior years. Or maybe a better metaphor is being stuck in a rut. The problem with being stuck in a rut (not changing) is that you quickly get left behind.

This winter I had the opportunity to attend the IFTA in Rochester and the Cornell In-Depth Fruit School in Syracuse. Both were great events with a lot of information that could be applied to any apple business willing to make positive change. It's incredible really, how complex apple growing is and the tremendous number of variables and factors that affect the final outcome (return per acre). To be successful though, we have to continue to improve our horticultural practices, experiment and take risk.

One of the key takeaways for me was the importance of thinning on the financial success of an orchard. This is not new information, yet we as an industry tend to tread cautiously when chemical thinning for fear of over-thinning a crop. Yet what is the cost of consistently under thinning year after year? Under-thinning will reduce fruit size, total yield, returns and potential crop set. Additionally, under-thinning requires expensive follow up hand thinning.

Many of the varieties we grow are difficult to achieve tray size fruit. Gala being the most notable due to its inherent genetics and because it's on its way to becoming our #1 variety by volume. On page 11 we show the \$ spread between trays and bags on this season's packed product. The spread on Gala's

has averaged \$7.50/bin this season.

If you have attended Cornell events, you have likely seen the "Net Present Value (NPV) Payback" curves for orchard systems. These NPV curves help an orchardist estimate when a system and variety will "payback" the investment. The NPV analysis is a good tool to model different systems and factor the many variables that impact profitability.

To demonstrate the opportunity cost of under-thinning Gala, I have modeled two scenarios. See charts on next page.

Chart 1: Successful Thinning for Large Fruit Size

I compared the payback on a Gala system using large fruit (70/30 tray-bag ratio) and small fruit (30/70 tray-bag ratio). I assumed similar yields through the life of the system and an average large fruit return of \$258/bin and a small fruit return of \$211/bin.

Chart 2: Exaggerated Negative Impact of Aggressive Thinning

Same assumptions as Chart 1 but I addressed the arguments against aggressive thinning that include: risk of thinning off a crop and a crop of small apples may yield higher and return more money. I zeroed out 3 out of 20 years (no crop) in the large fruit scenario and I raised the average yield of small apples by 20%. [To be fair I added \$300/acre more in labor cost due to additional hand-thinning costs.]

Bottom Line:

Bigger fruit pays especially with a large tray-bag price spread. Even stacking the deck against the aggressive thinning scenario by assuming three crop failures and 20% lower yield the "large" fruit scenario wins.

Thin early, thin hard, thin often!



CHART 1: Successful Thinning: Large Gala vs. Small Gala

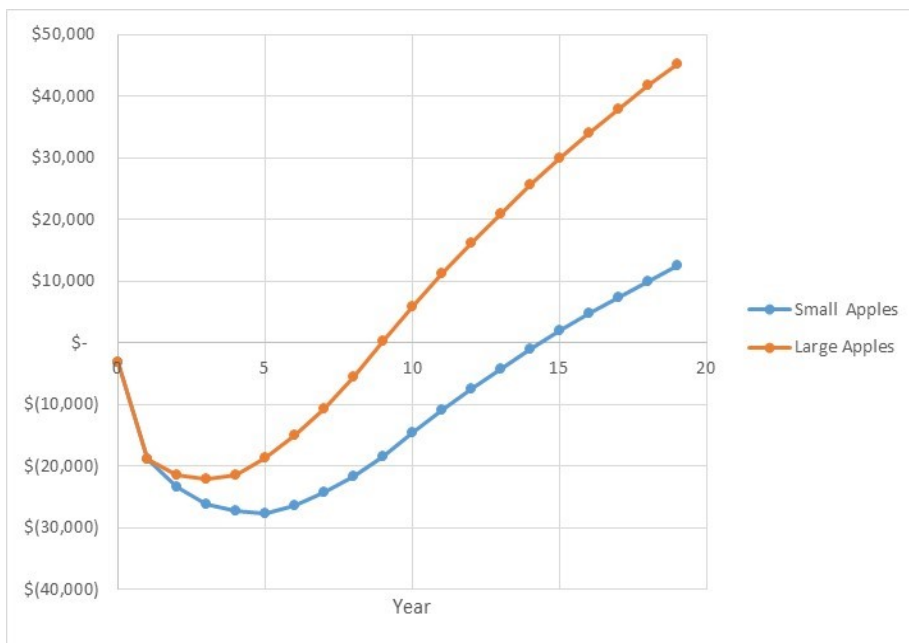


CHART 1

- All assumptions equal except the average return per bin.
- Large fruit scenario pays back investment in year 8
- Small fruit scenario pays back investment in year 14.
- Difference of \$32,856/acre over the 20 year investment

CHART 2: Exaggerated Negative Impact of Over-Thinning

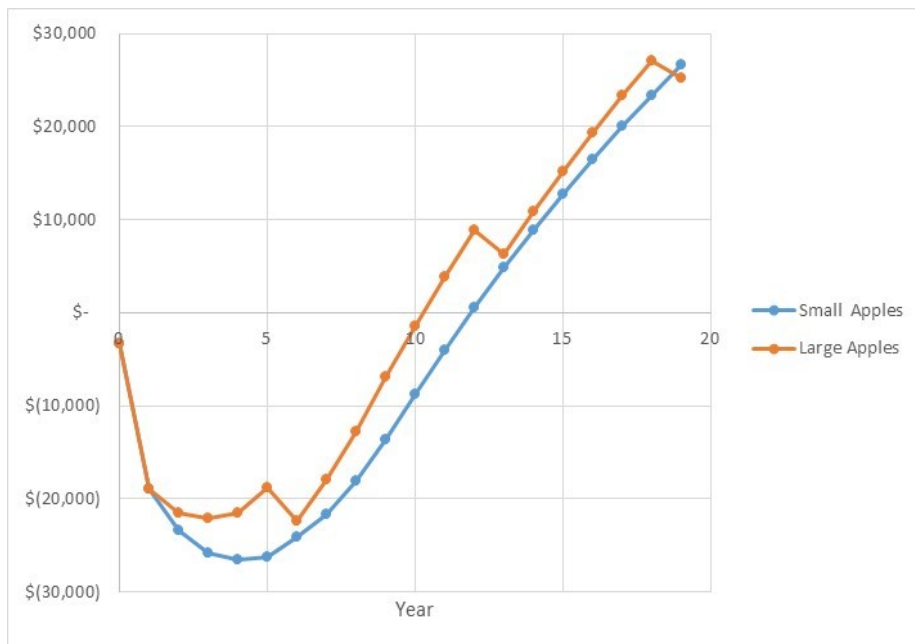


CHART 2

- For large apples, three years were zeroed out to simulate dropping the entire crop due to aggressive chemical thinning.
- Small fruit given a 20% greater yield each year simulating more fruit on the tree.
- Large fruit scenario pays back investment in year 11
- Small fruit scenario pays back investment in year 12.
- Nearly equal total return on investment





April 2019

SPRING HAS SPRUNG!

Although this saying may have a different meaning for our different NY growing regions, we all know what this means, it's time to be back in the orchard full-time! After spending the winter in both field and classroom meetings, there has never been more conversation surrounding precision pruning and thinning and how to obtain the perfect crop. At NYAS, we are excited to hear and be a part of this discussion. We hope you have properly pruned your blocks, but now it is important to aggressively thin. By now you should have seen returns for the various varieties and made note that trays will bring more money than bags, as well as, customer requirements have been increasing, meaning higher color and less defects are in demand. Having an accurate canopy will not only help achieve optimal size, but also better color and quality. Remember if you have any questions, reach out to the field team, we are here to help.

Chelsea

Variety	Spread
HONEY CRISP	\$ 15.16
SWEETANGO®	\$ 14.29
EVERCRISP®	\$ 21.74
RUBYFROST®	\$ 24.00
SNAPDRAGON®	\$ 16.96
KORU®	\$ 12.32
FUJI	\$ 7.43
GRANNY SMITH	\$ 4.53
PINK LADY	\$ 7.78
GALA	\$ 7.54
GOLDEN DELICIOUS	\$ 0.12
ACEY MAC	\$ 1.67
MCINTOSH	\$ 2.29
CORTLAND	\$ 1.93
MACOUN	\$ 5.55
RED DELICIOUS	\$ 2.77
GINGERGOLD	\$ 6.03
EMPIRE	\$ 4.26
JONAGOLD	\$ (0.79)

- Variety list is ranked by highest to lowest FOB price season to date.
- Spread is between tray and bag price demonstrating the value of large fruit.
- 100 ct. (just under 3 in. apple) can be a bag or tray. Generally, many 100's go to bags as retailers want 88's and larger for bulk displays.





Relative Return by Size

Count	48	56	64	72	80	88	100	113	125	138	150	163
Diameter (in.)	3.64	3.52	3.4	3.29	3.19	3.05	2.93	2.84	2.74	2.68	2.62	2.54
Aceymac							Slicer					
Cortland												
Empire						Slicer and Export						
Fuji												
Gala												
Gingergold												
G. Delicious												
Honeycrisp												
Jonagold												
KORU®												
Macoun												
McIntosh												
Pink Lady												
Red Delicious												
RubyFrost®												
SnapDragon®												
Sweetango®												



Consider taking out varieties that could be costing you more than they return.

Jonagold,
Acey Mac, Gingergold,
Empire, Macoun

