

beyond *the* branch

PARTNER NEWSLETTER

New York
APPLE SALES, INC.

Wishing You Well

Well, never a dull moment for the apple industry!

Firstly, I hope that you and your family are healthy. The apple industry has much to be grateful for during this crisis. We are considered essential and will continue to sell this past season's crop while beginning to earnestly work on the upcoming season.

The last three weeks of March brought swift apple sales on core varieties like Gala, Fuji, Red Delicious and Honeycrisp, as panic and fear gripped consumers. Our organization showed its strength during this difficult time. All segments of our business went to work to supply fruit to our collective customers. It was amazing to witness.

As I type this column, we are now in a lull period as retailers are now fully stocked, as are consumers' refrigerators. I believe we will settle back into normal rhythms within a couple weeks. Our produce is safe, healthy, and exactly what is needed to be in consumers' homes during this period. Schools, in my opinion, will remain closed, leading to more groceries needed for snacking.

Club and low volume varieties did get lost in this last wave of orders as retailers scaled back the number of items (varieties) due to limited staff and high demand throughout their stores. We should see more interest in adding back items once we get more clarity on the curve of this virus.

We should finalize the vast majority of our packing by June 1st. We will cele-

brate and thank you all this summer for your support and partnership. We are stronger together, and this strength and size will be imperative, moving forward.

I wish all of you a successful growing period!

Kaori

Grocery March Madness!



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Industry Leader Passes

George Frederick Lamont, 83, Saranac Lake, NY, passed peacefully on Friday March 13, 2020 at the Adirondack Medical Center, In Saranac Lake. A memorial service will be held in Albion, NY, George's summer home area. George has a daughter Rebecca, that resides in Cold Brook, NY, and a son Stephen that lives in Colorado.

Keeping up With George Lamont

By : Jim Allen, Past president of the New York Apple Association, Inc.

The apple industry lost George Lamont, a leading advocate and dear friend, on Saturday March 14th. Although George was a true New Yorker, he worked diligently for the good of the entire U.S. Apple industry, ignoring state borders and different growing regions. He believed that there were very few apple issues that were solely regional, and if it benefited Washington State or Michigan, then NY also would benefit. His message over the years was backed by his actions and his dedication as an apple grower, association leader, and organizer that could bring people together for a common cause.

I first met George Lamont in the 70's from the processing side of the industry, when he was a vegetable and fruit grower for processing. He grew snap beans, cherries, and apples. My Dad also grew beans for canning and worked with George on the New York State Vegetable Growers Association. George eventually



transitioned away from vegetables to concentrate on tree fruits. His transition certainly was a victory for the fruit growing industry, and little did anyone know how valuable George would be for the future of the NYS apple industry.

It's not possible, nor is there enough space to accurately list and describe all of George's qualities and accomplishments, but suffice it to say that trying to keep up with George was a daunting task.

After many years as a successful fruit grower, a founding member of a large grower packing cooperative, and serving term after term on both state and national agricultural organizations, George decided to step back from the day to day farming operations and change direction. It sounded like a retirement at the time and to honor him in 1998, the New York Apple Association established the Lamont Leadership Award for outstanding industry service. Little did we know that his leadership would not only continue but would become even more important. It may be easier to explain now by saying that George stepped into a new set of starting blocks, ready for a new race.

That race became a marathon of hard work and long hours, attacking issues that plagued N.Y. and U.S. apple growers daily. George assumed the leadership role of a fledgling New York State Horticultural Society and gave it new life and new strength. He tackled issues, such as NAFTA, immigration, labor laws and Chinese AJC imports. Because of his tireless work ethic and his unyielding persistence, NYS became a leading voice in



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both Washington, DC, and Albany, NY. Trying to keep up with George Lamont was not just a saying, it was a goal. George was not happy unless he could fill every half hour with Congressional appointments when the apple guys went to DC. Lunch was not an option, and chasing George through the halls and tunnels of the House offices was exhausting for us younger folks!

But of all George's accomplishments, perhaps his greatest legacy will be his dedication to IMPROVING the HEALTH of the apple industry. He explored the strengths and weaknesses of how business happens and has happened for decades. He dared to suggest change and restructuring, and most important of all, collaboration within the industry. In the late 90's and early 2000's, many believed that this was a radical approach. After over a year of almost monthly strategic planning meetings within NY, George led a group of traditionally independent thinkers from all walks of the industry, to grasp the concept of collectively working together to change and improve the future of NY's apple industry.

We New Yorkers can often be "set in our ways" and tend to follow our predecessors rather than choose to change, but George had the talent to identify weaknesses and offer a path to improvement. The industry started to react and changes were seen. Getting New Yorkers to agree is one thing, but taking this direction across state lines,

for the betterment of the domestic industry, was yet another difficult task, but not insurmountable for George.

As a result, Premier Apple Cooperative was formed, covering the Eastern apple producing states. The simple objective was to remove the fragmentation of the industry by uniting growers to develop an open dialog and willingness to work together, to accomplish mutually agreed upon goals. This concept was adapted in the East, South East, Mid-West and Western Apple growing regions.

George Lamont was a humble person that did not seek out or ask for attention or credit for his work. He never flaunted his successes, instead letting the results speak for him. George, a good friend, used to say, "If it is necessary to remind others of what you have done, then that memory was not worth having".





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Advertising Spotlight

Last July we announced our new consumer brand for New York Apple Sales apples, Yes! Apples. We have slowly but systematically moved forward to transition away from the older brand to Yes!. Also referred to as a “soft release” or simply entering the market on a limited budget to test the waters, without jumping in headfirst. Just the opposite of the Wonderful Companies launch of Halo’s, or the rebranding of Clementine’s as Cuties by Sun Pacific. Both have been two of the most successful branded fruit launches ever, costing millions of dollars. And you may have noticed, they use the overarching brand and do not sell their citrus as a variety.

Obviously, we have all been taught you cannot compare Apples to Oranges, and we have an abundance of different varieties. By law, each variety must be identified and labeled accordingly. We cannot change that, but we can have one consumer brand that represents the category.

The reasoning and explanation behind Yes! Apples has been thoroughly vetted and researched, based on consumer preferences and buying habits across the consumer base. Our task now is to continue to increase the awareness and the presence of Yes! Apples in the marketplace. By the way we are fully registered and trademarked.

We are increasing the trade awareness by transitioning to using all Yes! cartons and introducing more Yes! bags. At the same time, we launched a



trade advertising campaign through the trade media to introduce the

brand. The PMA booth last October was the official soft launch to the trade.

Our consumers efforts to expand the Yes! Brand has been very constant and deliberate through our online presence. Facebook and Instagram feature regular images and impressions, highlighting recipes, snack ideas, holiday apple suggestions, and hints on how to incorporate apples into your everyday buying habits and daily uses. Recently, increased posts to target at home moms and children all about apples, as a result of COVID -19 taking place.

Additionally, our development of the Yes! Apples website continues. We are adding all new images to showcase the brand, highlight our apples and to showoff our orchards, packing facilities and growers.

Finally, we continue to find new ways to get the name out there. We have recently concluded updating our marketer signature to include Yes! Apples, exclusively distributed by New York Apple Sales, on most of our private brand poly bags. Our largest bag customers by volume are Aldi and Walmart. We are looking into greater use of a tag Kwik-loc that would offer us the space to have a printed Yes! Apples tag and a space to print “1% For the Planet” and “How to Recycle” logo. You will hear more about this in the future.

NYAS will continue to promote Yes! Apples and in the Fall you will see a greater presence of Yes! Apples in the market.

Jim

Yes!
Apples™

Available exclusively from:

New York
APPLE SALES, INC.

LOCALLY OWNED
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We Can Compete!

Have you ever looked at another business and thought to yourself: “this doesn’t add up.” In 2015, as part of the C.C.E. Lake Ontario Fruit Team I travelled to Washington with 14 “young” growers on a study trip. We spent 3.5 days travelling to all of the major apple growing regions, visiting orchards, pack-sheds, research blocks and other industry related businesses. I walked away from that trip in awe of what I saw and also a nagging notion that things “just didn’t add up.” Most notably, the massive expansion in orchards and the costs associated with doing so.

I’m sure you have all read articles and seen data on Washington’s growth in recent years. It’s common information that WA is spending north of \$50K per acre to establish an orchard. Less land costs of \$15K per acre would equal \$35K in establishment costs. Orchardist in NY are spending on the very high end \$20K per acre, but likely closer to \$15K per acre. **A \$15-20K per acre establishment cost advantage for NY**, not including the land cost advantage.

At the annual Washington tree fruit meeting this past December, industry leaders shared some financial analysis that gave insight into the industries production costs. Their cash operating costs were \$11K per acre and tack on another \$8K to cover capital expenditures and owners pay. Approximately \$20K per acre, where the C.C.E. Lake Ontario Farm Business Summary calculates an average of \$11K per acre. **A \$9K per acre operating cost advantage for NY.**

The Washington industry likes to look at

“break-evens” on a FOB 40# case basis. Another words the dollars per case that a 40# cases needs to be sold at the pack-shed dock to break even. They published for Gala and Fuji a \$35/box FOB break even and \$56/box for HC. *(Note average FOB’s in WA for most varieties are in the high teens to low 20’s this season!! They are not even covering their variable costs.)* By my estimates, NY farms need a FOB in the low to mid \$20’s to break even. (See table on next page.) **A \$10+ per case advantage for NY.**

I’d be remiss if I didn’t mention some of the advantages WA has over NY. Organics, year-round supply, crop yields, size and scale. While these are legitimate advantages, the financial advantage that NY growers has is a notable differentiator. The state of business in Washington doesn’t add up. Many farms must be suffering financially and in a big way. If you are losing money, you don’t stay in business – no matter the “other” market advantages you might have.

There remains a wild card in the financial equation and that is the “outside” money that has placed bets on the Washington apple industry. Time will tell whether these outside investors act rationally and cut their losses soon or take the losses as part of a longer-term strategy or simply because they have the deep pockets to do so. I can’t help but think this potential recession/depression that the economy is going into might change how the “outside” money makes decisions in the short-term.

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Bottom line: I do believe we can compete with the “800-pound gorilla”. We have the production cost advantage, the apple quality advantage and the proximity to customer advantage. I’ll take those advantages any day.

Matt

NY Break-Even FOB Table:

This table is an estimation of the break-even FOB needed based on production costs and yield per acre. This is a general guide as break-even is different for every business and every orchard.

Assumptions:

- 80% pack-out
- \$10/bu. packing, storage and sales charges

Cash Operating Range per Acre

Long-Term Cost per Acre (w/ Depreciation and Owner Pay)

Yield	Cash Operating Range per Acre			Long-Term Cost per Acre (w/ Depreciation and Owner Pay)		
	\$ 7,000	\$ 8,000	\$ 9,000	\$ 10,000	\$ 11,000	\$ 12,000
700	\$ 22.25	\$ 24.04	\$ 25.82	\$ 27.61	\$ 29.39	\$ 31.18
800	\$ 20.69	\$ 22.25	\$ 23.81	\$ 25.38	\$ 26.94	\$ 28.50
900	\$ 19.47	\$ 20.86	\$ 22.25	\$ 23.64	\$ 25.03	\$ 26.42
1,000	\$ 18.50	\$ 19.75	\$ 21.00	\$ 22.25	\$ 23.50	\$ 24.75
1,100	\$ 17.70	\$ 18.84	\$ 19.98	\$ 21.11	\$ 22.25	\$ 23.39
1,200	\$ 17.04	\$ 18.08	\$ 19.13	\$ 20.17	\$ 21.21	\$ 22.25
1,300	\$ 16.48	\$ 17.44	\$ 18.40	\$ 19.37	\$ 20.33	\$ 21.29
1,400	\$ 16.00	\$ 16.89	\$ 17.79	\$ 18.68	\$ 19.57	\$ 20.46
1,500	\$ 15.58	\$ 16.42	\$ 17.25	\$ 18.08	\$ 18.92	\$ 19.75

Appreciation Dinner

In lieu of our Annual Meeting, this summer we will be hosting an appreciation dinner. A formal invitation and details will follow. The tentative date is **July 22nd**. We hope all of our partners and their spouses will join!



“Guerilla Marketing”

Jim Allen offers apples and reusable produce bags to his walking neighbors during the Covid-19 crisis. He even made the news: <https://www.whec.com/rochester-new-york->





A Fresh Start

With varietal changes being the most popular topic of the winter months, we have decided to share our insights on the needs of the future. Although you may be sick of our answer to “what should I plant?”, it is still HONEYCRISP, GALA and FUJI. Now more than ever, we are trying to provide a full profile to our customers as long as possible. It is our goal to ship to June 1st. Although many of you might say, we already pack into June now; unfortunately we are not carrying a good compliment of apples, which is what all retailers request– FULL truck loads. That means we need more Honeycrisp, Gala, Fuji and even Pink Lady. How much? Well we are going to be determining that late this spring, early summer, starting with Honeycrisp.



In June, the field team will be traveling around to access Honeycrisp acreage. This will serve two purposes. First, understand potential volume for both the Premier and regular strains. Second, develop a plan for storage. As some of you might know, we are at a point where the amount of Honeycrisp ex-

ceeds what regular storage can handle in good condition; therefore, we will be looking to store more of the variety going forward, but also understand that some blocks will not be suitable for CA or even a long-term regular storage. In preparation for this exercise, please be prepared to share information on acreage, rootstock, year of planting, etc. Our goal is to maximize the grower returns in a market that has definitely changed.

Chelsea

Continue to reduce by at least 20% each season:

- Empire
- Acey Mac

Reduce by 10% each season:

- Red Delicious

Last season NYAS will market:

- 2020- Jonagold (All Regions)
- 2021- Macoun (WNY)
- 2022- Gingergold (WNY)
- 2023- Cortland (WNY)
- 2024- Macoun and Cortland (ENY)
- 2025- Gingergold (ENY)

Variety Profile Targets:

10% Traditionals: McIntosh, Reds, Golds, Empire

70% Core 3: Gala, Honeycrisp, Fuji

20% New and Managed: Clubs, Pink Lady

