



Yes! Apples®
POWERED BY NEW YORK APPLE SALES

Beyond the Branch

A Return to Normal



As I write this, my sales team is attending and exhibiting at the first in-person produce show since the beginning of the Covid pandemic over a year ago. It is a welcome and encouraging sign that these shows are beginning. While certainly tough on the feet and backs of those exhibiting, these shows are important to jump start interaction with both current and potential buyers. My team and I are looking forward to ditching (most!) Zoom calls and getting back to the all-important face to face meetings. Hopefully, this points to a loosening of other restrictions in other vital facets of our business, like in-store product demos and fully attended marketing events like our participation in the Chicago Pop Up Grocer this month.

While reviewing Nielson shopping data, it shows the Northeast and Southeast performed very well in the most recent quarter of December through February, 2021. Northeast produce sales were up 12% and moved 1% more volume, while the Southeast was up 8% versus the same period a year ago. These two regions performed the best nationally and represent a lot of our wheelhouse.

Although our apple sizing was smaller this year, fruit ate exceptionally well, as the numbers show in sales growth. Honeycrisp and Gala, our two industry workhorses, continue to be the top two selling apples for NY-AS. As an organization, we continue to be short in Honeycrisp and Gala supply, causing us to scale back our expansion or support of a wider group of customers on our list. We are ending this domestic fruit marketing season with Fuji, McIntosh/Acey Mac, Pink Lady and Red Delicious, as well as a few remaining Empire and Cortland.

The 2021 crop is just beginning. There's a long way to go and we won't know exactly what we have to market, but there is room for plenty of optimism about the upcoming year. Washington State is coming off a short year and imported fruit, especially gala, is in shorter supply for a variety of reasons. We should see strong sales movement out of the gate on the 2021 crop. Our Yes! Apples brand is showing successful results leading to increased retail and consumer engagement. The pandemic has helped alter the national narrative from "Food Security" to "Nutritional Security". Numerous health organizations argue that today's health and equity challenges call for the U.S. to better focus policies on widespread access to healthy, nourishing food. OUR APPLES FIT THAT NEED. We should be proud and optimistic that we have the best product on the market.

NYAS is continuing our marketing and media blitz throughout the Spring and Summer to get ahead of the Fall season. We are already hashing through ideas and events that will allow us to take advantage of the country's re-opening. With your continued help and partnership, we are ready to tackle 2021.

What's In a Name-Millennial?



Consumer behavior is always evolving. Whether influenced by psychological, social, cultural, personal, or economic factors, how consumers procure, decide on, and purchase goods changes invariably.

What's more, consumers' evolution varies greatly depending on your target demographic or segment. Successful marketing requires knowing what group of consumers you are seeking, their specific needs and buying patterns, and how you can shape your business tentpoles to connect to your target audience.

Today, several emerging segments have specific defining qualities that require differentiation to reach them. You're likely familiar with Boomers, Gen X, and Millennials. At Yes! Apples, we are strategically targeting Millennials, but more specifically, segmented Millennials like the Health-Curious Millennial, the Cross-Cultural Millennial, and Millennial Parents.

Before I provide a quick overview of these groups, it's important to highlight a few key reasons why Millennials are so desirable and why they have so much buying power.

- **At about 73 million people, millennials account for a quarter of the United States population, making them the largest living generation.**

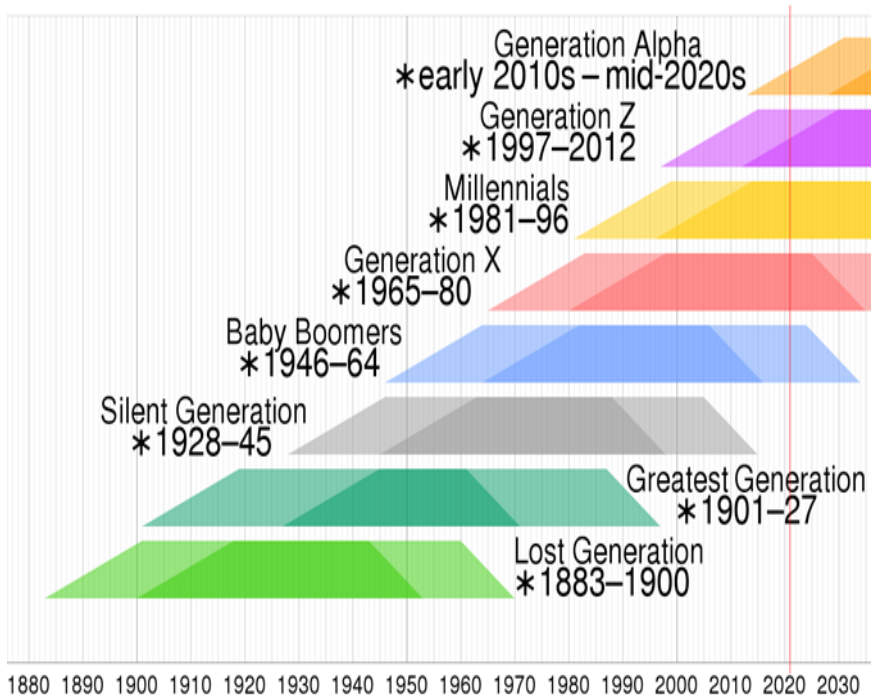
- 91% of millennials prefer to shop online, with only 9 percent choosing to shop in-store only.
- 52% percent of millennials prefer to shop at retailers that align with their values.
- 44% of millennial parents say they will only shop with brands with the same social or political views.
- Millennials spend an average of 211 minutes on apps or the internet per day.

Within the Millennials are three sub-segments that I want to expand on and how they pertain to Yes! Apples.

Health-Curious Millennial

Millennials have always focused on healthy lifestyles, but as they continue to age, the priority of health continues to increase. They focus on whole foods and ingredients and are willing to pay a premium for CPG products that are natural and authentic.

Yes! Apples Opportunity: Apples are naturally healthy and can be easily implemented into all kinds of health-



forward recipes. We are working with and will continue to work with influencers that promote healthy lifestyles and inspire consumers to use apples in outside-the-box ways for breakfast, lunch, snacks, dinner, and dessert.

Cross-Cultural Millennial

This group identifies as both American and with the ethnic roots of the heritage of their parents or grandparents, who immigrated to the U.S. They have a unique understanding of brands that transcend international borders, and they require respect and inclusivity.

Yes! Apples Opportunity: Yes! Apples has showcased diversity in our marketing materials to establish that all consumers are invited to the Yes! Apples table and that our product is a perfect eating option for everyone. We have received several compliments on our marketing ranging from the LGBTQ community and BIPOC, calling out the natural way that we have displayed our embrace of diversity.

Millennial Parents:

New to the world of parenting, Millennial parents are putting their kids first while embracing that there isn't one right way to live, work, or raise their kids. They favor brands that teach philanthropy and work to do good in the world, so they can teach their children about the value of helping others.

Yes! Apples Opportunity: More and more we are looking to connect with new parents through the content that we put out on social, email, and other marketing channels. In the past year, parents have been less of a focus for Yes! Apples, but we have partnered with parent influencers and will continue to develop this segment further.

Transcending Millennial segmentation, **52% of Millennials prefer to buy brands and shop at retailers that align with their values.** One of the key values of today is sustainability, which as we've mentioned, now encompasses:

- Climate change, pollution, depletion of natural resources
- Income inequality, fair working conditions, human rights
- Racial injustice, gender inequality



The alignment of these values come at a premium. 66% of consumers are willing to spend more on a product if it comes from a sustainable brand and 73% of millennials indicated a similar preference. Additionally, 81% of millennials even expect their favorite companies to make public declarations of their corporate citizenship.

As these diverse groups of Millennials continue to evolve, Yes! Apples marketing strategy and tactics will evolve alongside them while maintaining the integrity of our brand pillars and foundation. On the horizon: making way for Gen Z and Gen Alpha to enter the market.

Walmart Launches Sustainability Requirements



On Tuesday April 13th, Walmart held a virtual meeting for all of it's produce and floral suppliers, in which we attended. At this webinar, Walmart's senior leadership announced their goals and requirements of it's suppliers to address restoring pollinator habitats as part of a larger goal to become a regenerative company. Some of you may have read about this initiative as it has been widely reported in most produce publications.

The most notable requirements that relate to apple suppliers include:

- By 2025, Walmart will source 100% of it's fresh produce from suppliers who adopt integrated pest management practices as verified by a third party. Walmart will also encourage suppliers to phase out chlorpyrifos and neonicotinoids.
- By 2025, Walmart will encourage fresh produce suppliers to protect, restore, or establish pollinator habitats on at least 3% of the land.



"At Walmart, we believe protecting pollinators and restoring their habitats, are key to feeding the future" -Charles Redfield, Executive Vice President, Food

As you digest this information for the first time, note the time-line. We have time to discuss and plan how we meet these requirements. We expect there will be more information and guidance from Walmart in the coming months. I'd also point out that you are practicing IPM now and all farms that we work with have natural pollinator habitat. The hurdle is not high, we just have to demonstrate what's being done today.

If you have read Tenley's article you may be thinking this is a coordinated effort in regards to sustainability. I can assure it wasn't planned. Walmart's announcement was not expected and at NYAS we have been discussing for some time how we could demonstrate or quantify what we are doing in the name of sustainability. As Tenley discussed, consumers more than ever want to know the food they consume is grown in a sustainable way.



I'll leave you with one more related item to think about. One of the top threats to our business is the growth and demand for organics. As you know, it's not an option for us in the East. One legitimate way to counter organics is to provide an alternative and that alternative can be a IPM. Walmart's initiative is helpful in that it will reinvigorate the IPM approach to food production and consumer awareness.

We will certainly keep you posted as we gather more information and we will begin to work with you on a plan to meet these new requirements.

Global Gap Update



Apple Leaf is currently changing certifying bodies (CB) for their Global Gap audits to hopefully ease the process for their auditees. Rob Koch and I discussed this change in April and more information will be available shortly; however, there are a few asks from you. Because there is a CB change, to aid in a smooth transition, Apple Leaf is requesting applications for your 2021 audit be filled out promptly. Within the next few weeks, you will receive an email from me with further instructions. If you do not receive an email from me by May 15th, please reach out. Additionally, to continue to keep the travel cost at a minimum, Apple Leaf will be setting the audit schedule earlier this season with the help of New York Apple Sales. This was negotiated this winter to avoid a large increase to that cost.

Unfortunately, you will also continue to receive audit notifications to FoodChain ID on a regular basis, please disregard. This will not be “turned off” until the 2021 audit has occurred. Lastly, because of the recent Wal-Mart announcement, we encourage each of you to stay with your 2020 audit scheme. If you audited under HPSS, please remain the same, or if you audited under IFA, continue that. As we navigate the new requirements, we may need to shift audit gears and would hate to ask that of you two years in a row. At this time, it is our understand the Global IFA will meet Wal-Mart’s IPM requirement, but will have more information this winter on our direction. As always, please contact me if you have any additional questions.

New CB: Ceres Certification (CCI) [Ceres Certifications GFSI Level Audits \(ceresci.com\)](https://www.cerescertification.com/)

2021 Pricing:

HPSS: \$1,600

IFA: \$1,775

IFA w/PH: \$2,200

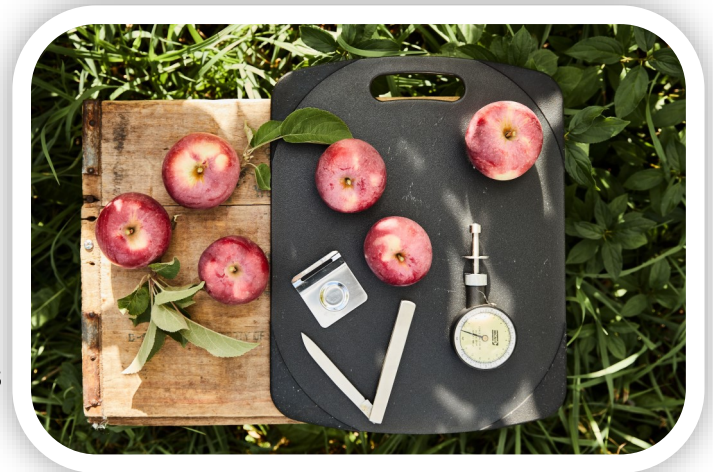
Application/administration fee: \$150

GlobalGAP certification fee: \$37.50

GlobalGAP fee: \$50

GlobalGAP acreage fee: varies per site, based on acres

Travel Cost: \$200 unless stand alone audit \$750



Change Collaborate or Die



One of my favorite business quotes is “change or die”. It’s a simple, yet frank slogan that says a lot. Very few businesses are successful unless they are changing (adapting) and improving how they conduct business. There will always be competing businesses “out to eat your lunch” and you have to be better than them. You get it. So, I don’t need to spend time convincing you what is common business sense.

What I do want to do, is convince you that “we” need to collaborate much more than we are today to be successful in the future. Not collaborating more, well.....it could be the death of our businesses.

We are competing against hundreds of apple businesses across the nation and most concerning are the handful of very large and powerful Washington state entities. I’ve discussed in the past that I strongly feel we can compete, as we have advantages, most notably our significant production cost advantages at the farm level and our freight advantage due to proximity to population.



One of our greatest disadvantages is our size and scale. While going to market under the New York Apple Sales umbrella leverages our collective volumes, the size and scale of our farms and packing sheds are too small to compete in the long-term, without collaboration.

The most basic definition of economies of scale is the financial benefits companies achieve with increased production. Fixed costs are spread over more units, thereby reducing per unit costs. Another benefit to larger— “scaled” businesses is their ability to employ people that specialize in roles. Think of our businesses and the many hats we all wear. The old saying “jack of all trades—master of none” applies.

So how can we collaborate to achieve the “scale” benefits that larger businesses have? I know some of you are thinking that you collaborate with your neighbors now. You share ideas over coffee, you lend your equipment, you send some employees over to help finish planting trees before the rain, etc., etc. While that is great and the neighborly thing to do, I’m thinking bigger.

You might say: “Matt, what about our cooperative packing facility? If that’s not collaboration, I don’t know what is.” Or, “what about our club variety cooperative venture?” I hear you, but we’ve got to take it a step further.

What I feel needs to happen is more sharing of human capital that would address the lack of specialists or experts in a particular area. A couple of examples at packing sheds could be addressing the lack of people with engineering/technical skills or the lack of staff to focus on human resources. At the farm level there are voids in staffing with science or horticultural training and certainly no staff that have time to do applied research projects on the farm. These are just a few obvious examples from my perspective and I’m sure you could list more.

So why not consider sharing staff functions where multiple businesses contribute to a salary? You could ad-

dress specific skills your business is lacking and share the cost. Easier said than done, I know but how else can you achieve the scale that larger entities benefit from without a higher level of collaboration? If it's not collaboration, its consolidation—and I don't believe consolidation has to happen for us to be competitive.

Realizing this shared-resource approach is not something that happens over night, I would suggest that we could all work more closely with each other. Our group is comprised of smart, dedicated, hard working people with vast skills and knowledge to offer. Sharing skills and knowledge with a neighbor will in turn help the whole. Without each other, we won't be able to compete and continue what we all love doing...growing, packing and selling apples for consumers to enjoy.

Washington State Agriculture Producers Lose Overtime Exemption

It was only a matter of time after the Washington State Supreme Court ruled last November that the over-time exemption was unconstitutional in a case associated with dairy workers. This month, both WA state legislatures passed bills that removes the ag exemption in agriculture. The proposed overtime thresholds begin in 2022 at 55 hours, followed by 48 hours in 2023 and 40 hours in 2024.

Like NY, Washington state employers also face a labor shortage and will not have the ability to mitigate costs by increasing staff. While misery loves company, and NY may benefit from an "even" playing field, this change in WA will not be lost on labor advocates in NY. There will be pressure on the NY labor board to revisit NY's 60 hour threshold.



The Cosmic Challenge

There has been no shortage of discussion and speculation as to how successful Cosmic Crisp® will be. In its second season, movement has been slower than required to move the crop and there have been various efforts to engage consumers through pricing and marketing. Most notable is the current **1 Million Cosmic apple give-away**, where consumers that order online at Walmart receive a free Cosmic Crisp Sample!

