

beyond *the* branch

PARTNER NEWSLETTER

New York
APPLE SALES, INC.

“Missed Opportunity”

As I type this column, it is hard for me to believe we are already past mid-December and close to four months into the 2018 marketing year! Unfortunately, the start of this season will likely be remembered as a missed opportunity for the apple industry.

Before I discuss this season, it's important to discuss last season and how it set the stage for this marketing year. From a retailer's perspective, the apple category for the 2017/18 crop year was a complete failure. Recall that last season, Washington State had a large crop and overall fruit size was down three sizes, peaking on 2-7/8" diameter fruit and smaller for all varieties (excluding Honeycrisp). The smaller fruit affected the sale of the bulk category. Retail volumes and sales across all retailers were negative for comparative store sales. As soon as citrus, berries and grapes became plentiful, retailers began promoting those items in hopes of improving overall produce sales throughout the Spring and Summer months. The summer sales period for apples was one of the most challenging and frustrating seasons in recent memory. Consequently, moving into this Fall we were coming off a stagnant and uncertain apple category.

The 2018 crop forecast was relatively large. Yet, all apple growing states came up short versus estimates other than New York State which met/beat estimates due to Western New York's large crop. Washington State's final crop was down 20% from

last year and down 14% from the 3-year average. On an encouraging note, WA's fruit size is back to normal, peaking around a 3" or greater diameter. From a pricing perspective, with national volumes down from the previous year and the 5-year averages, one would have expected a stronger fall pricing period.

Several factors affected the market: first, Washington State got it terribly wrong for overall volume, having anticipated a much larger crop; second, we were in multiple trade wars and export markets were expected to be closed off (which did not materialize); finally, the previous year's poor retail results left many Washington marketers fearful of raising prices. Hind sight being 20/20, the industry missed the opportunity to price higher. (See price table on page 3)

We are just now beginning to see the first signs of price increases on Gala and Fuji for 3" or larger fruit. The overall small fruit/bag market is being held back by the very small size of fruit out of Michigan. We do have to be mindful of other categories also vying for consumer dollars: citrus, grapes and pears to name a few. All have very good crops which will begin to hit markets in full force at the beginning of this year. However, we remain optimistic for the remainder of this year and expect to see prices improve.

I would very much like to hear from all of you and review any returns you receive from us. We can

(Continued on page 2)



December 2018

(Continued from page 1)

discuss market pricing and outlook as well as pack out percentages that may be impacting returns. In addition, it has been brought to my attention that a winter meeting should be brought back to supplement our July summer meeting. While it would be difficult to put together a large forum meeting this winter, we can certainly plan for a winter meeting in 2020. We'd love to hear your thoughts on this.

Thank you for partnering with us. We greatly appreciate all your hard work and care in bringing orchard run to our family of facilities.

Have a wonderful holiday season!

Kaari

Sales Team Attends PMA

In October, the NYAS sales and marketing team had new “digs” at the annual Produce Marketing show, the largest and most attend show of the season, held in Orlando, FL. The new booth was built by Apogee Exhibits in Macedon, NY and designed by Mason Marketing in Fairport, NY. The booth sat on a 20x20 island and was designed to provide open space with clear visibility of different NYAS assets and creative messaging. The open center area had a seating area to meet with buyers and guests. The booth also included a phone charging station, that attracted many folks for a quick charge. We highlighted our NY Legacy Varieties as well as our different “Club” flavors. Of course, New York’s SnapDragon, RubyFrost, as well as New York grown KORU, Sweetango, and Evercrisp were featured.

The focal point of the booth, was a 65 inch flat screen monitor that showed a new 14 minute video, all about apples. The continuous loop video was a huge draw and you can access the entire video on youtube at <https://www.youtube.com/watch?v=uH1iB74SFQ>. There were many drone shots of orchards, harvesting, handling, storing, sorting packing and shipping. The video was shot this past Fall in Ontario and Wayne Counties on the one clear sunny day we had!





December 2018

Market Price Comparisons:

2018 vs. 2017 Year to Date and Forecasted Price Movements Through Spring 2019

[Bag / Tray in 40lb. Box]

Variety	2018 vs. 2017 (bag/tray)	Forward Forecast (bag/tray)	Comments
Gala	(\$5) / (\$2)	+\$1 / +\$4	Modest price movement began in November. Movement strong. NYAS heavy to bags.
Honeycrisp	(\$5) / (\$1)	+\$5 / +\$8	The only variety that WA has more than year ago. NYAS volume will be depleted by February.
Red Delicious	(\$2) / (Flat)	Flat	WA crop is down but is exporting less versus last year. MI has large volume of small apples.
Empire	(\$1) / (\$3)	Flat	Large crop of small fruit. Domestic retail demand is weak. Slicer and export markets are best option.
McIntosh	(\$0.50) / (\$0.50)	Flat / +\$1.5	Similar crop to year ago. Good movement for crop we have.
Fuji	(\$2) / (Flat)	+\$1 / +\$2	Like Gala, seeing modest improvements and good demand due to smaller WA crop.
Cortland	(\$2) / (\$2)	+\$2 / +\$2	Supply/demand in good balance. Seeing price improvements.
SnapDragon	(\$9) / (\$9)	Flat	CTAG set lower prices this season to reflect market and crop size.
RubyFrost	(\$2) / (\$4)	Flat	See SnapDragon



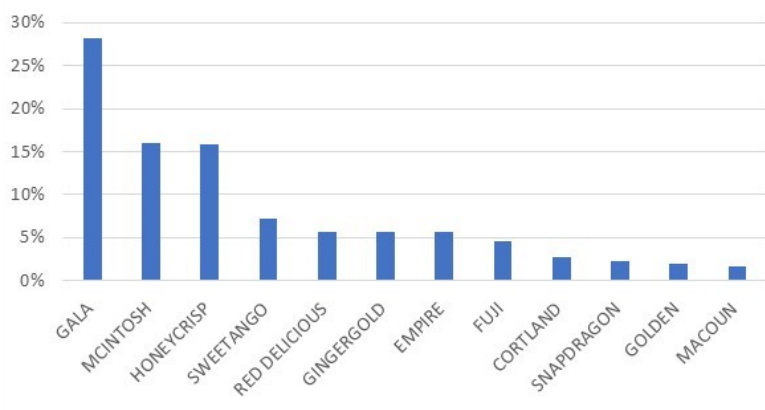
December 2018

Season to Date Sales Stats:

Variety	2017		2018		'18 vs '17	
	Bag	Bulk	Bag	Bulk	Bag	Bulk
CORTLAND	54%	46%	61%	39%	7%	-7%
EMPIRE	51%	49%	68%	32%	17%	-17%
FUJI	60%	40%	60%	40%	0%	0%
GALA	77%	23%	78%	22%	1%	-1%
GOLDEN	67%	33%	69%	31%	2%	-2%
HONEY CRISP	22%	78%	31%	69%	9%	-9%
MCINTOSH	64%	36%	65%	35%	2%	-2%
RED DELICIOUS	83%	17%	82%	18%	-1%	1%

- Bag/Bulk Sales Aug. — Dec. of 2018 vs. 2017.
- NOTE: The 100 count size can be sold to bulk and bags depending on season and customer. This season Walmart purchased more 100 count "bulk" than in the past.
- The drought in Western NY reduced count size, particularly in early season varieties.

Varieties Packed by Percentage (Aug-Dec. 1)



- Cases Sold/Packed by percentage
- Strong demand for Gala, Honeycrisp and Macs

- Orchard Run (apples in storage) remaining to pack on December 1.
- Sales mix changes going into new year to accommodate Reds and Empire.

Variety	To Pack
RED DELICIOUS	20%
EMPIRE	19%
GALA	15%
FUJI	9%
MCINTOSH	7%
ACEY MAC	7%
CORTLAND	3%
HONEY CRISP	3%
PINK LADY	3%
RUBYFROST	3%
GOLDEN DELICIOUS	2%
JONAGOLD	2%
SNAPDRAGON	2%
EVERCRISP	1%
GRANNY SMITH	1%
KORU	1%
MACOUN	1%
ROME	1%



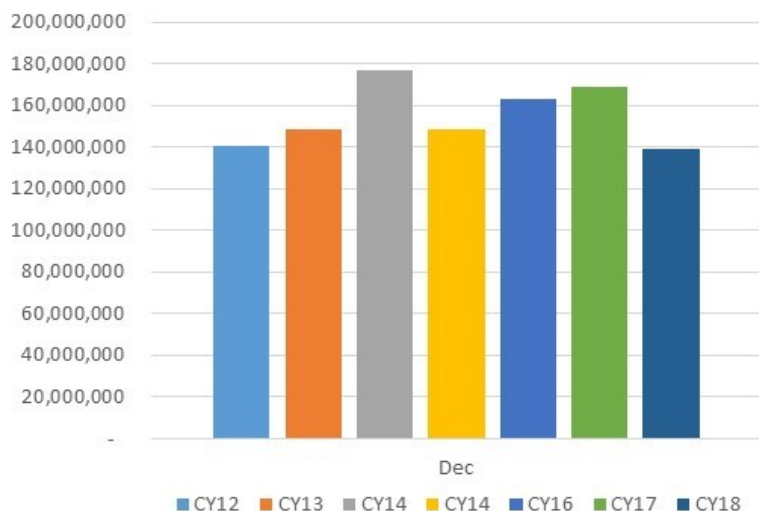
December 2018

USApple Market News

December 1st Storage Report

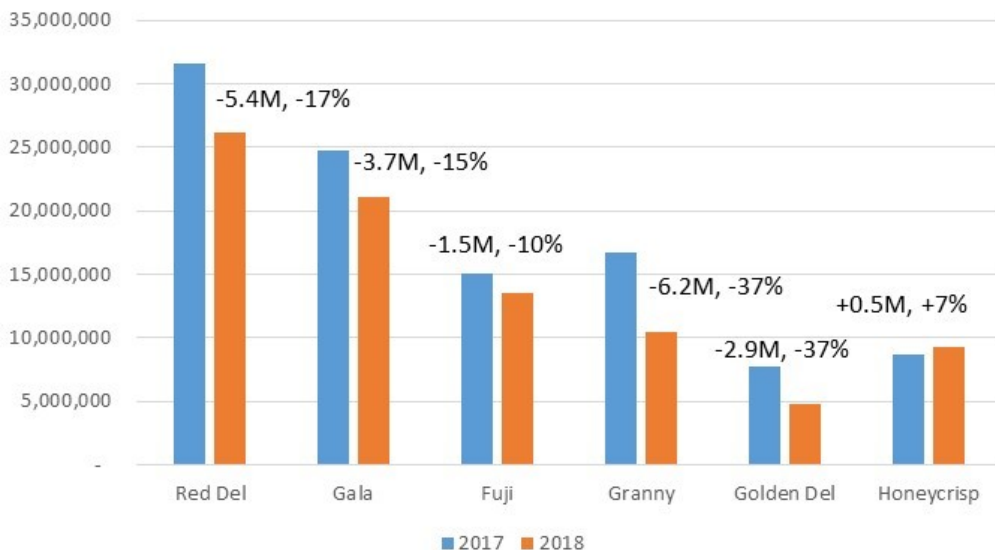
Beginning November 1st of each season, the USApple Association reports monthly storage inventories in all apple producing states by variety and storage type. This information is very useful for observing trends and as a guide to develop post harvest marketing plans.

U.S. Total Storage Holdings - Dec 1



- * Total holdings on Dec. 1 were 139M bushels; down 17% vs. year ago and down 14% vs. the five year average.
- * Fresh holdings were 103.1M and down 16% vs. year ago.
- * Process holdings were 36.1M and down 21% vs. year ago.

Dec. 1 Fresh Holdings - Top 6 Varieties, Crop Year '18 vs. '17



- * Top 6 Fresh Varieties
- * Honeycrisp, the only variety above last year by 7%
- * The other majors all down double digit.



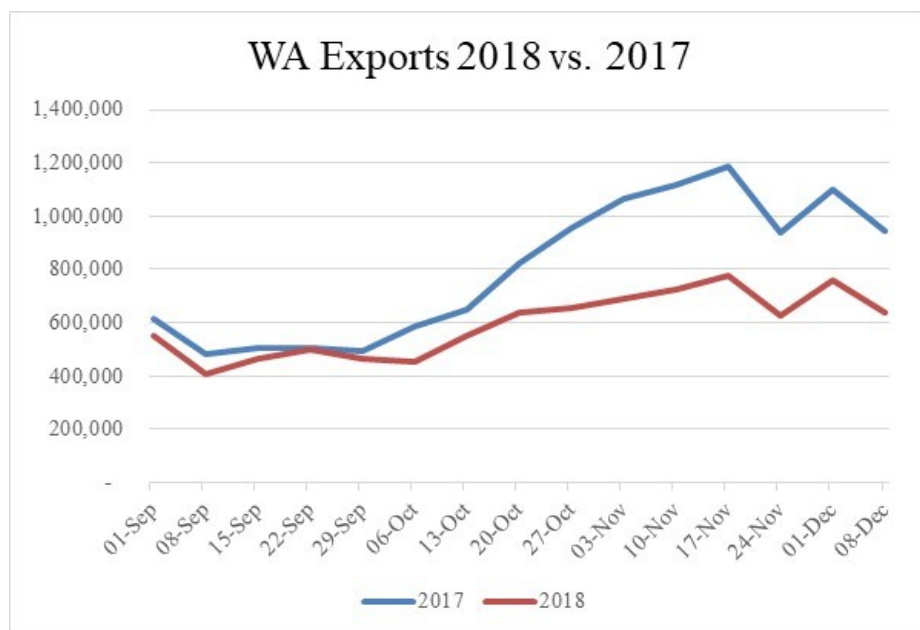


USDA Movement Reports:



- The weekly movement as reported by the USDA has been below last season in all but one week.
- Season to date down 9%

- Washington exports have been well below prior years as reported by the USDA.
- Season to date down 3M packed boxes vs. year ago.
- Top export markets are Mexico followed by Canada





December 2018

Advertising Spotlight

NYAS Promotional Efforts

It has been a hectic harvest and fall marketing season. We all are happy to put behind us the poor weather during harvest, and of course the problems that were caused. But as the late Hymie Grapple (a Hunts Point legend) use to say GWWP, (God Willing and Weather Permitting) we will get the crop in. It happened.

At the same time, your sales and marketing team have been working hard to move the fall crop, meet and fulfill orders, find trucks, find packing time and promote your apples. We have been sponsoring numerous in store Demos, on NY apples this fall. In addition, we continue to utilize on-line coupons. Working closely with Crunch Time Apple Growers, the HEB chain in Texas identified the SnapDragon as the December flavor of the month. End cap displays, produce managers contests, store demos, on-line coupons and social media posts are all part of the month-long promotion. In addition, SnapDragon apples were offered in as sliced apples in a 28 oz HEB special container. The Snap replaced the Autumn Glory from Washington. Always nice to move a WA apple off the shelf with a NY apple!



Additionally, NYAS has launched a social media campaign that features different varieties and offers apple information to viewers. We have partnered with a few other non-apple private brands to help leverage our impressions along with established food bloggers.



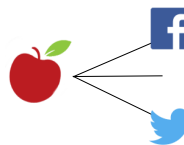
Emily Kyle, a well known food blogger and nutritionist, from Rochester, has visited WNY orchards and has been writing about our NY apples. She also has a weekly segment on FOX Rochester, that she featured our apples, with recipes and demonstrations. On December 10, Tops Friendly Markets, Buffalo will launch chain wide, NY grown KORU apples. In store signs, demos and coupons will support the program. December 13-15 the NYAS sales and marketing teams exhibited at the Annual New York Produce Expo at the Javits center in NYC, after that in March will be the South East Produce Council Southern Exposures Show in Orlando. Until next time, good luck, Happy Holidays and New Year.

Jim



December 2018

Consumer Connections



"I just want to say thank you from Southern California. I have been waiting for McIntosh and I went to my local Sprouts today, and surprise they were just waiting for me. I just want to say thank you for getting McIntosh out "- Jennifer (formerly from Skaneateles)

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

"There appears to be coloring or dye used on the apple skin as there is a good shade of red in the apple. Is it safe to eat?" - Elizabeth from South Carolina.

[NOTE: we received two emails on this subject (red flesh/internal red).]



Check out our Website

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

IFTA Comes to NY

The International Fruit Tree Association will be holding it's annual conference in Rochester NY, February 24-28th. Many from the NYAS group will be featured speakers and farm hosts. Rod Farrow, Matt Wells and Kaari Staand will be speakers during the conference setting. Kast Farms, Sandy Knoll Farm, Lamont Fruit Farm, Orchard Dale Farms, Excelsior Farms, Zingler Farms, and Wafler Farms will be featured during the two days of farm tours. Be sure to attend as it's a great opportunity to learn from leading researchers and successful orchardists. It's expected to be a well attended event from people around the globe. <https://www.ifruittree.org/>

ANNUAL CONFERENCE
IFTA
INTERNATIONAL FRUIT TREE ASSOCIATION

FEBRUARY 24 - 28, 2019 HOLIDAY INN
ROCHESTER, NEW YORK





December 2018

You may have heard about SugarBee but may not have seen it in the marketplace. Like many newer club varieties, production is increasing and these new varieties are starting to hit the supermarket shelves. SugarBee has been recently seen in Walmart stores, so check out their eye catching displays.

SugarBee Facts:

Breeder: Chuck Nystrom, Minnesota (no affiliation)

Parentage: Open pollinated Honeycrisp

Commercialization Partner: Regal Fruit International

Planting Plan: Estimated 1–2K acres at this time

Who Can Grow: Chelan Fresh and their affiliates

Royalty: \$1/tree plus undisclosed per box fee



Club Corner

The "Club Corner" features a club variety and up-to-date Nielsen data on how clubs are performing at retail

Nielsen: 2018 Crop - Club Sales and Pricing

The table below ranks club varieties by volume as reported by Nielsen from August 2018 thru December 2018 sales period.

Note: Nielsen does not collect data from all U.S. retailers. Volume and Price change are from the prior 12 month period or the 2017 crop.

Rank	Variety	% of Total	Vol Chg	Average Retail	Price Change
1	Jazz	35%	25%	\$ 1.67	\$ (0.50)
2	Ambrosia	35%	60%	\$ 1.95	\$ (0.19)
3	SweeTango	9%	-10%	\$ 2.33	\$ 0.07
4	Envy	6%	86%	\$ 2.14	\$ (1.65)
5	Opal	4%	71%	\$ 2.34	\$ 0.12
6	SnapDragon	1%	142%	\$ 1.99	\$ (0.45)
7	Pinata	1%	134%	\$ 1.21	\$ 0.28
8	Ambrosia, Org.	1%	79%	\$ 2.54	\$ (0.40)
9	Lady Alice	1%	-55%	\$ 1.59	\$ 0.01
10	Rockit	0%	43%	\$ 2.18	\$ (2.60)
11	Pinata, Org.	0%	74%	\$ 2.26	\$ (0.00)
12	Kiku	0%	-43%	\$ 2.45	\$ 0.15
13	SugarBee	0%	99%	\$ 2.21	\$ (0.68)
14	Jazz, Org.	0%	-80%	\$ 3.59	\$ 1.59



December 2018

Nielsen: Sales, Volume and Unit Price Change

Crop Year to Date 2018 vs. 2017

Rank	Variety	% Sales Change	% Volume Change	17 \$/lb.	18 \$/lb.	Unit Price Change
1	HONEYCRISP	18%	20%	\$ 2.45	\$ 2.41	\$ (0.03)
2	GALA	-7%	-4%	\$ 1.29	\$ 1.24	\$ (0.05)
3	GRANNY SMITH	-8%	8%	\$ 1.71	\$ 1.46	\$ (0.25)
4	FUJI	-8%	-3%	\$ 1.50	\$ 1.43	\$ (0.08)
5	RED DELICIOUS	-12%	-17%	\$ 1.24	\$ 1.32	\$ 0.08
6	OTHER	-6%	-8%	\$ 1.74	\$ 1.77	\$ 0.03
7	PINK LADY	-16%	-11%	\$ 1.96	\$ 1.85	\$ (0.11)
8	ORGANIC GALA	0%	2%	\$ 2.02	\$ 1.99	\$ (0.04)
9	GOLDEN DELICIOUS	-5%	-7%	\$ 1.44	\$ 1.47	\$ 0.03
10	MCINTOSH	-11%	-11%	\$ 1.29	\$ 1.28	\$ (0.00)
11	ORGANIC HONEYCRISP	22%	23%	\$ 3.26	\$ 3.24	\$ (0.02)
12	AMBROSIA	40%	54%	\$ 2.14	\$ 1.95	\$ (0.20)
13	ORGANIC FUJI	0%	1%	\$ 2.26	\$ 2.24	\$ (0.02)
14	JAZZ	-6%	22%	\$ 2.15	\$ 1.66	\$ (0.49)
15	ORGANIC GRANNY	32%	34%	\$ 2.11	\$ 2.06	\$ (0.04)
16	BRAEBURN	-12%	-10%	\$ 1.59	\$ 1.55	\$ (0.04)
17	CORTLAND	-3%	0%	\$ 1.23	\$ 1.19	\$ (0.04)
18	GINGER GOLD	-5%	3%	\$ 1.33	\$ 1.24	\$ (0.09)
19	SWEET TANGO	-6%	-9%	\$ 2.26	\$ 2.34	\$ 0.07
20	LIL SNAPPERS	23%	24%	\$ 1.60	\$ 1.58	\$ (0.02)
	Total (All Varieties)	-2%	-1%	\$ 1.63	\$ 1.61	\$ (0.02)

TOP 20 Varieties by Sales

- Sales and Volume down slightly vs. 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	ORGANIC Variety	% Sales Change	% Volume Change	17 \$/lb.	18 \$/lb.	Unit Price Change
1	GALA	0%	2%	\$ 2.02	\$ 1.99	\$ (0.04)
2	HONEYCRISP	22%	23%	\$ 3.26	\$ 3.24	\$ (0.02)
3	FUJI APPLES	0%	1%	\$ 2.26	\$ 2.24	\$ (0.02)
4	GRANNY SMITH	32%	34%	\$ 2.11	\$ 2.06	\$ (0.04)
5	PINK LADY APPLES	4%	-7%	\$ 2.80	\$ 3.13	\$ 0.33
6	OTHER	135%	104%	\$ 2.29	\$ 2.63	\$ 0.34
7	RED DELICIOUS	-41%	-38%	\$ 1.82	\$ 1.74	\$ (0.08)
8	GOLDEN DELICIOUS	-13%	-11%	\$ 2.27	\$ 2.21	\$ (0.06)
9	AMBROSIA	48%	72%	\$ 2.98	\$ 2.55	\$ (0.42)
10	BRAEBURN	-52%	-54%	\$ 2.69	\$ 2.76	\$ 0.07
	Grand Total	7%	6%	\$ 2.29	\$ 2.31	\$ 0.03

TOP 10 Organics by Sales

- Organic category was positive in sales and volume.
- Top 5 varieties account for 90% of the volume.
- Gala accounts for 40% of the volume and Honeycrisp at 17%.



December 2018

Change and Risk Management

Many businesses fail or languish in mediocrity because they don't adapt to change. Changes like: consumer preferences, direct competition, innovation to name a few. What about the environment? I'm not talking a business environment but the "outside" environment.

I have never been a person to get caught up in the climate change debate and have been skeptical of the apocalyptic forecasts. That being said I'm a pragmatist and do believe human activity could influence our climate and I also believe that I have witnessed the effects of climate change first hand or with my own two eyes. Like yourself, my life revolves around the weather and I believe that the weather has become more inconsistent and "events" regularly exceed what was considered "normal". Think of the weather events that have affected your farm over the last decade. Can anyone argue that the weather hasn't been more detrimental to your operations than the "good ole' days"?

So, how can we continue to be prosperous in a business that is highly weather dependent when the weather will arguably be more challenging for our operations. Today you all conduct risk management in your businesses. There's crop insurance, orchard site locations, variety mix, crop diversification, to name a few. The question is.... what **more** should we be doing from a risk management standpoint to protect our businesses?

I'm going to throw out some thoughts for you to consider. Admittedly, some are a bit radical but

the point is to get you thinking.

Insurance: The crop insurance program has been very favorable to apple growers and is the best risk management tool we have today – hands down. That being said, this program has been under evaluation by the Federal Risk Management Agency and in my opinion will be less "favorable" in the future. If this happens, it becomes more important to investigate other risk management options in your business.

Saving: Farming is capital intensive and when you have a good year, any extra cash goes right back into the business. However, should you be carrying a cash reserve for the bad years – a form of self-insurance? Possible, but what if you have two poor crops in a row?

Cultural Practices: We need to get serious about using practices that we have been able to get by without in most years. Irrigation, orchard coverings for shading and hail, cooling, frost protection. I don't expect NY to become a sunshine-filled desert but we may need to employ more tactics that Washington state growers use.

Site Location: Most farms operations are centered around one farm location. Some have orchards that are spread by a few miles. It may be time to consider orchard locations that are 100's of miles apart and even in different states or countries. (I warned you - radical). Also, no more marginal sites: only the best sites with good soil, elevation, drainage and water source can be considered.

Variety Selection: It's already very difficult to choose a variety – now consider choosing a varie-

(Continued on page 12)



December 2018

(Continued from page 11)

ty that will grow better in a future climate that can't be truly predicted. Think mid-Atlantic climate?

Diversification: Typically, we think in "crops" and many growers have transitioned to nearly 100% apples over the last two decades. What else could be grown to spread the risk or should you also invest in a non-ag business that are not as weather dependent? In the past, a spouse's income would help ease the financial burdens of the vagaries of farming. Today, many operations are too big for spousal income to bail out the farm.

Labor: In the future, mechanical harvesters will be on a farm near you. Start preparing your orchards now. In the meantime, H2A is a must. I don't need to tell you the risk to the business if you don't have reliable-skilled labor.

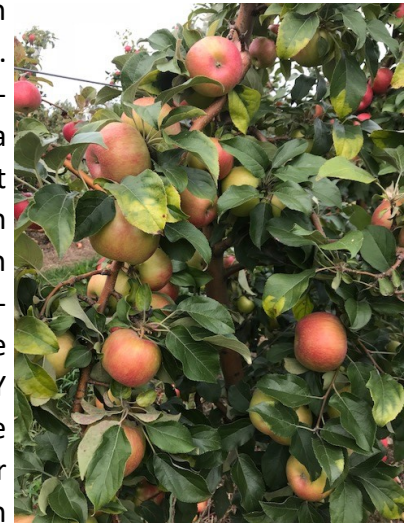
As I mentioned earlier, I wanted to get you thinking. Hopefully, not to consider quitting but to think ahead and anticipate change. And remember the big picture: the global population is growing, people have to eat and ag crops could be less reliable in the future. Think about the financial potential if you can mitigate the increased weather related risks we will see in the future. Oh, I forgot to suggest that you grow apples "in-side."

Matt

From the Field

With every season comes challenges, some of the same and of course some new. Many wise people have told me, the constant change and challenges are the reason most of us love this profession. As year end approaches, we wanted to take the time

to look back at this past growing season. Although there were many similarities between the Hudson Valley and Western NY, there were also many differences. In 2017, the Valley had one of their biggest crops ever and WNY was hit with devastating hail repeatability. Approaching 2018, we hoped for a large, healthy crop in WNY to offset the previous season and in the Valley a healthy returning crop. The Valley did not disappoint to return a nice crop and WNY had a healthy crop. Overall, much to be thankful for. However, we wouldn't be good business owners, if we didn't discuss any issues that occurred. In the Valley, there was a tremendous amount of rain right before harvest causing lower flavor profiles and the heat prevented the fruit from coloring. In WNY, there was no rain to speak of causing smaller than average fruit size until October, when the rain never stopped. Along with the Valley, color was a struggle throughout the season, again due to heat and then cloudy days. Another dilemma was the lack of bins in WNY which proved to be problematic for more growers than ever before. Overall, we have yet to see what New York State is capable of producing for an apple crop. With all that in mind, make sure you have your orders in for new bins, there is storage for all of your fruit, you are considering the profitability of each block and variety and maybe consider irrigation in that new block one more time.



Chelsea