



SPRING 2012

GROWERS' CO-OPERATIVE GRAPE JUICE CO., INC. • A PUBLICATION FOR OUR PRODUCERS

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GM'S REPORT

You may note the President's column is conspicuously absent from this season's newsletter. Steve Baran has been struggling with some health problems in recent months so I will try and pinch hit for him and present an upbeat report. Despite his challenges, Steve has stayed involved and maintains an optimistic outlook. In that light I will keep the tone of my report the same.

When I refer back to our Board meeting minutes throughout the winter I find the Field Report, provided each month by Ron Nutting, stating the same thing over and over again. Unusually mild winter weather, Lake Erie not frozen, trimming progressing, and Growers getting chances to do trellis work and other Spring work much earlier than normal. This trend continues on to today where we have experienced the warmest March ever on record. Buds have pushed and swelled and begun to open almost 6 weeks ahead of schedule. The weather is certainly unprecedented and the best we can do now is roll with it.

Let's hope Lake Erie now at 40 degrees helps temper any cold snaps we may experience during the early bud break period and protect our early developing crop. I had been concerned about slowing demand for our product recently and was working to sell projected carryover. For now however, I think we will hold onto any carryover until the danger of frost is past and the resultant crop size is clear. I can report several positive events from winter.

- Our damaged decanter was rebuilt in-house and put back on line for a full schedule of Blueberry processing this Spring. My hats off to Mike Clute, Todd and Gene for finding a short term fix to this issue to allow

time for us to evaluate our options on purchasing a new machine for F12.

- Todd and I went to the Yakima, WA area a couple of weeks ago to see a new Decanter in action and we are test running a trailer mounted unit from another manufacturer this week and a third in June to evaluate all other options.
- I can report the long awaited adoption of a Korean Free Trade agreement. This went into effect on March 15th. This action removes a 45% tariff on our concentrate. Our Korean broker anticipates sales to triple as a result, adding even more diversity to our customer base.
- Cash Flow has picked up with good sales volume and favorable pricing, boosted further by an early start Spring time processing of outside fruit. This has allowed redemption of large 99 crop certificate to occur a couple of months earlier than projected.
- A consultant, The Hale Group, has been hired to help us review and update our strategic plan. Preliminary meetings are ongoing and an initial review and planning session is scheduled off site w/Board and management on May 21st. The plan will be refined and finalized and communicated to members at our annual picnic/outing in August!
- Our demand for SS juice has been strong again this year and many wineries have won gold and double gold awards for the wine made from our juice this year.

Well, I am out of space. Drop our President a line when you can and wish him well.

Think warm thoughts and have faith! Happy Easter!

Dave

T - Together
E - Everyone
A - Achieves
M - More

Teamwork is one of the oldest things known to man. Mankind has worked in teams and groups since the primitive days of civilization. Hunting and wandering groups is an example of team-work during those days. Man studied nature such as wolf packs and realized the rewards would be greater as a TEAM.

The importance of working in a TEAM is many. It involves the joint efforts of a number of people to achieve a common goal. This in other words means teamwork promotes an overall growth of the company.

You tend to learn things at a faster rate, if you are working as a TEAM. The experience and knowledge of the older team members help you to learn new things quickly. This

will mean you will avoid mistakes being made at work.

Working in a TEAM means the workload is being distributed among all the TEAM members. Work properly distributed lets you concentrate on a single job until you gain expertise in it and you do not feel stressed out due to work.

Interaction time with your TEAM members, working with them, having lunch with them, sharing your feelings helps in building a strong TEAM bond with each other. This even could create lifetime friendships.

Working as a TEAM means you are never alone you will always have someone suggest good ideas to you or you to them. Suggestions and advice can help you generate new ideas and make every ones work easier.

Teamwork is one of the most important reasons for your job satisfaction. This is because a TEAM improves your

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FINANCIAL OVERVIEW (THRU 2ND QTR F13)

Category	YTD	Prev. YTD	Difference
Bulk Sales (gallons 68 Brix eq)	320785	345251	- 7%
Retail Sales (no units)	95057	65895	+ 44%
Other fruit processing (tons)			
Grapes	3925	3722	
Blueberries	0	262	
Cherries	0	0	
Other			
Juice (bottoms)	1,220,000	898,000	
Distributed Proceeds to date(\$/ton)	173	209	
Projected crop close (\$/ton)	480 est.	454	



YTD Sales are down by 24,466 gallons. This is primarily a timing issue, but we are seeing a softening of demand from persistent high pricing. Market diversity and lack of supply is keeping product flowing and freeze potential from early Spring has everyone hedging their bets for awhile. No outside fruit processing in Fall or Winter due to processing demands from large crop, but 3rd quarter has started out very active for outside fruit. Additionally, outside grape juice processing occurred at accelerated pace in 2nd quarter this year due to better plant throughput and need to finish work for other 3rd quarter fruit. Distributed proceeds lagging due to expenditures for large crop and reserving of cash for 3rd quarter certificate redemption. Earnings projection is showing benefit of high pricing, heavy contract processing plans and lower fixed costs per ton from large crop.

WHAT DO WE DO????

Spring is a time of new birth on the earth, fruit and flowers bud, birds are back from the South, bugs come alive, and the grasses begin to grow. But what happened this year, winter hadn't even come and gone and then spring was here. Some of the birds never went south we had several geese in our area all winter long. I spoke with some of the more seasoned farmers and they said after looking at their records they had never seen a winter like this one and to have Spring so early was an all time record for them. So what does this mean???

Spring came too soon this year and many of the farmers haven't even trimmed all their grapes; some have not gotten the tying done that needed to be; weed spraying has already begun in March; we have never put a spray on apples this soon; our peaches and pears are in full bloom; cherries are way ahead of schedule; don't even know how the apples will be. Now it may frost tonight, or again next week or maybe again in April. What does it all mean??

What do we do? Many say nothing just wait and see what we get for sure. Did the folks in Michigan ask the Gods to send the bad weather to us this year? I don't think so, and they are probably just as worried as we are. What Do We Do?

Well for me I know our Growers' will all pull together and make it work, and we will work with what we get. At Growers' last summer we tasted some great Concord Fruit Stix and we are very close to getting them to the markets. The box and label are complete and will soon go to print. We will send the product to the processor and hopefully have it back soon so I can have them ready to sell for the busy summer season. Also new on the horizon is a Single Strength puree that may be used for a smoothie or in a sorbet or milkshakes. I look forward to working with this new product developed by our employees.

All our thoughts are on the doom and gloom of the weather but I hope that our grapes survive and we can have another good year at Growers' Co-op.

Patty Hathaway, Retail Sales Representative

CAPITAL 2012

This year's capital planning has started and is on track to help improve both the Coop's performance but infrastructure as well. The approved projects have been categorized and listed below.

- 1) Items which had to be repaired or replaced in order to run.
 - Rebuild of B concentrator cooling tower.
 - Replacement of obsolete pumps.
 - Repair of our CA 505 Decanter.
- 2) Items which had to be done to satisfy an upcoming audit.
 - Spill containment and C.I.P equipment upgrade.
 - Tank lid modifications in press room.
 - Purchase of new overhead doors.
 - Air filtration upgrades.
 - Piping insulation upgrades
 - Room 1 tank lining repairs.
- 3) Items which will improve Productivity, Safety and Quality.
 - C Concentrator controls for improved productivity and reliability.
 - New Tow motor and roll head for safety and reliability.
 - Purchase of new tank bottoms pump to replace obsolete style.
 - Purchase of new pomace conveying system with future design for contract processing and potential drying of pomace and grape seeds.
 - Refrigeration upgrade Phase II moving and re-piping of current system set up.
 - Filter Press upgrade and PM program development.
 - In-line basket strainer installation.
 - Installation and repairs to process piping.
- 4) Items needed to upgrade facility.
 - Will focus on paving phase V back road and tanker loading platform with new drainage.
 - Potential boiler upgrade.
 - Will design and install new testing lab on main floor.

Some of these projects are on their way to being started and will be completed by early summer. We would like to thank the B.O.D and the other members of The Coop. for their continued support.

Todd Donato, Plant Manager

GLOBAL FOOD SAFETY INITIATIVE (GFSI) AUDIT

A year ago I wrote about getting ready for an AIB food safety audit. The AIB food safety best practices standard has long been used in the US food industry to demonstrate that a facility really is doing the best practices in the industry. We scored an 885 out of 1000 on that audit. For a first time audit, scoring an "Accomplishment" is pretty good, and there were no glaring faults in our operation or its documentation. Places to improve on, for sure, but something we have been proudly forwarding to our customers.

But there is a new sheriff in town. The GFSI, or Global Food Safety Initiative, is being driven by Wal Mart, Coke, and several European grocery behemoths. They, with their international supply chains, want to get away from regional standards (like AIB) and have developed a "Once certified, accepted everywhere" model. This is how our customers want us to demonstrate our proficiency. As we sell more internationally, it will help us as well. (Aside: Korean Free Trade agreement went into effect on March 15 – with no 45% tariff, our Concord will be able to compete much better against Chilean reds.) We are aiming to do a GFSI audit in the spring of 2013.

Preparation for an initial GFSI audit really will take a year. Although there is one GFSI goal, numerous companies have developed standards to implement it. After reviewing them, we have decided to use the SQF (Safe Quality Food) standard, which is more popular here in the US. A year ago, "the book" of best practices was 115 pages. SQF's runs to 168 pages. The standard requires that at least one person have formal training in food safety, so I am doing Practitioner training in April, and then will take a test to prove that I know the 168 pages. After that is a "gap analysis". We compare what we do with the standard, and see where there are gaps in best practices. For example, does our process of approving new farmers into the Co-op meet element 2.4.5.3 which states, "The responsibility for selecting, evaluating, approving and monitoring an approved supplier shall be documented and implemented."? Then, as needed, we write policies, procedures, and work instructions to address those issues, train people, and implement them. GFSI wants 4+ months of documentation of any new practice before the audit. At some point we need to decide on an auditing firm. A year from now will be a documentation audit, and then 30 days later a plant audit, and we then are on a time line to address any areas that don't meet up to "best practices". Then, one of the GFSI best practices is to repeat the process on an annual basis. Our brave new world.

Steve Cockram, Technical Director

C CONCENTRATOR EVOLUTION

As the updated operational and maintenance manual for the "C" concentrator is in the sign-off phase, it is interesting to reflect on what I've learned about not only how the machine operates, but the machines' history at Growers. Looking through folders with original design specifications also yielded peoples thoughts about the machine during time of installation and the years thereafter. Recently I found original hand written notes from the late John Ellis (whose hand writing is a lot better than mine) dated April 1987. These notes were about a meeting with Mr. John Westcott from J Westcott Associate Ltd. Mr. Westcott was hired by Growers as the design and project engineer for the C Concentrator installation. The meeting clearly stated Growers goals as a company, how to achieve them and if financially feasible. One main goal was capacity expansion with the #1 statement (direct quote) "We will not be getting so big as to lose Grower identity – our success has been through communication with our growers – this is the life of our business". The #2 statement was having the ability to shorten grape season by processing incoming fruit faster and have on-site tank storage capability (turning single strength into concentrate creates this storage capacity).

In 1987 the turn key cost of the "C" was \$1,200,000 with the goal of having the capability to concentrate not only grape juice, but other products (puree was in mind at the time). This is why a tubular style heat exchanger was selected instead of a plate and frame heat exchanger. In the early 1990's it became apparent that the mechanical and electronic control system (state of the art at the time) was difficult and expensive to maintain. Many of the controls were removed and it was left up to the operators

to manually operate the machine. Over time and change of personnel, many people who held this operational knowledge are no longer employed at Growers. Training of new operators became word of mouth with no written documentation. Over the past few years this machine has received capital improvements to take the "art" out of running the machine and make it a controlled operation. Digital controllers, along with transducers, measure and control steam pressures which regulate evaporation. A new water cooling tower was installed to provide adequate and consistent cooling to alleviate evaporation back pressure on the machine. A product booster kettle and pump was installed to de-couple the machine from head pressures created by plate coolers/storage tanks. The most recent capital improvement (2012) was a level sensor control in the last stages of the machine. All of these projects have made for a consistent and predictable operation of the C Concentrator. Now is the time to apply what we have learned and retrain operators on the science of running an evaporator and avoid the art.

A new contact was made with an engineer from API Schmidt who builds tubular style heat exchange evaporators. He is currently in California for a project startup, but has expressed to me that a machine evaluation and operator training can be done by their company. With the procedures and data that have been documented over the past few months, it creates a great starting point for them to learn about our machine. This also satisfies the demand for a 3rd party expert to help educate not only myself, but our operators. I expect this to be done within the next few months.

Stay cool.

Joseph Schuster, Plant Engineer

FIELD REPORT

March of 2012 will be a month that will be talked about for years to come, we seen temperature records broke several days in a row, the earliest recorded 80 degree day in a calendar year for Buffalo, on track to be the warmest March on record, and a lake temperature higher than ever seen at this point in the calendar. So where does that leave us grape growers at? It leaves us with the earliest bud swell ever by 3-4 weeks, has put us most all behind on our work and constantly monitoring them low forecasted temperatures.

Tuesday morning 3/27 we received some very low temperatures, ranging from as low as 19 in some regions on up to 28 on some locations closest to the lake, and in the mid 20's along route 20. This obviously had us all very concerned and I am sure most of you all have spent some time out assessing the damage. It appears to me from my travels with my predecessor that the damage is far less than we would have originally thought. My guess would be less than 10% in most locations and even less on farms closer to the lake. I would like to hear from farmers although if you are seeing damage outside these parameters as it is impossible for me to cover all the acreage and individual blocks.

As I am writing this letter there is another cold snap predicted for tonight but it appears the low temperature should stay above 28 in most locations. When it comes to the spring work I remind everyone to not let your weed control get ahead of you, I know there are a million things to be tending to at this point but if you get behind on this it is virtually impossible to catch back up. Also you may want to really

consider your timing of your Nitrogen application, waiting until the possibility of a spring frost has been reduced, obviously you can't wait forever but if we do get a frost/freeze it would be a big savings to eliminate or significantly reduce your nitrogen application for the year.

As always if you have any questions or concerns you can reach me anytime on the cell at (716) 753-6843 or you can email at andy@concordgrapejuice.com.

Have a Safe Productive Spring!!

Andrew Knight, Field Rep.

TEAM...continued from page 1

job performance as well as making the job enjoyable and also promotes motivation.

With a TEAM doing a single job together and doing the work properly means your work speed increases and your TEAM can complete the job within a certain time frame.

These are some of the important aspects of being a TEAM player whether it be the men and women working in the fields for the grower's or up to the board members we have one goal and that is to provide a safe work place and to sell a safe and great product to our customers. The Grower's TEAM has proven this year after year.

Go TEAM!!!!!!

Jim Gillespie

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