



## WINTER 2012

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

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### GM'S REPORT IMPLEMENTATION OF STRATEGY

For those present at the annual meeting, Bob Ludwig of the Hale Group outlined how Growers determined its current strategic path and formulated a plan. The 4 points of the plan are:

- 1) Maintain the present capacity for Concord grape juice
- 2) Expand capacity for contract processing of other fruits
- 3) Expand capacity to process co-products
- 4) Maintain retail sales at current levels until a joint venture can be structured with another entity

These strategic initiatives will be implemented in what is expected to be a flat grape market in the next five years. Our profit projections assumed falling prices for concentrate as soon as supplies become sufficient to create more competition between processors. Less acreage and poor crops have minimized most threats of competition in recent years.

Concord Grapes have been and always will be what Growers Co-Op is about. It is just simply not a growth period for our industry. So, to preserve and grow the Co-Op, plans are being implemented to respond to the growing demand for outside fruit processing and production of co-products. Growth and investment in these areas will help preserve revenue and provide increased capacity for when it is more advantageous to pursue core grape growth again in the future.

Retail sales have been an area of focus for Growers in the last few years. Our efforts in this area have

shown our bulk business does not lend itself well to large scale packaged product production, marketing and distribution. As such, we decided to reduce our Concord promotions to core retail products whose production and sales do not rob resources from the core bulk business. Also as part of promoting what our farmers grow, the Co-Op will continue to support the efforts of the Concord Grape Belt Heritage Association in the opening of the Grape Discovery Center in 2013.

As Ron noted in his column, we are encouraged by the participation we saw at this year's annual meeting. The Board of Directors made some difficult decisions this past year in supporting my recommendation to accept an additional 400 acres of unsolicited offers from members who went "all in" to bring 100% of their Concord grapes into Growers. We believe this move is in the best long term interest of the Co-Op and far outweighs any negative impact from cancelation of non-stockholder contracts which were needed to make room for these acres.

These actions were the beginning of the implementation of the strategic plan. I often remind people that anyone can have an idea. Ideas are not subject to inflation. Their value is a dime a dozen, the same as it has always been. Implementation of ideas is where the cost is and where the benefits can be gained.

I look forward to your continued support in this effort and wish all a Blessed Christmas and a Happy New Year!!

*Dave*



### PRESIDENT'S COMMENTARY

The 2012 Stockholder's Annual Meeting of Growers Cooperative Grape Juice Co. was held on Dec 3<sup>rd</sup> at the Westfield Fire Department Hall in Westfield NY. There was a quorum of 71 stockholders of which 56 were in attendance and 15 proxies. The quorum represents a larger than normal number of participants over the last several years. It's encouraging to see the increased interest in the Co-Op's financial status and the future business plans for the company. The sunny weather and 60+ degree temperatures may have also been a factor in the attendance record.

One of the transactions of the business meeting was the election of two Directors of (2) three year terms to the board. Incumbents Toni Naeser & Ed Barger Jr. whose terms were expiring were up for re-election. Toni had decided to step down from the board and not to seek another term. Along with Ed Barger, three other candidates, Phillip Baideme, Kevin Powell and Dave Vercant came forward to offer to serve as directors. Never in the 83 year history of the Co-Op has there ever been such a close vote for the election of directors of the corporation. Due to a tie in the initial voting a re-vote was taken which resulted in Kevin Powell and Dave Vercant as the declared winners. Both of these gentlemen come to the board bringing with them past experience and vast knowledge of our company's business.

Congratulations to Kevin and Dave as the new board members. We look forward to working with them and welcome their valuable input. I would also like to thank Phil Baideme for his offer of service to the board.

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The board would also like to express our sincere gratitude to Toni Naeser & Ed Barger for their time as directors of Growers Co-Op Company. Both of these dedicated individuals served unselfishly for a number of years in helping to make the company prosper. It was a pleasure to have worked with them and we are going to miss them. Thank you for your assistance in making the company a success.

As the holiday season is fast approaching on behalf of the Board of Directors, Management and the Employees of Growers Co-Op, I would like to extend from our family to yours a Joyful and Peaceful holidays. May the year 2013 bring good health, happiness, prosperity and a bountiful season to all.

Sincerely,  
Ron Nutting, President

## FINANCIAL OVERVIEW (thru 1st QTR F13)

Category	YTD	Prev. YTD	Difference
Bulk Sales (gallons 68 Brix eq)	173076	154573	+12%
Retail Sales (no units)	97277	50992	+91%
Other fruit processing (tons)			
Grapes	2927	3925	
Blueberries	897	262	
Cherries	0	0	
Other	0	0	
Distributed Proceeds to date(\$/ton)	115	105	
Projected crop close (\$/ton)	410	478	

YTD Sales are ahead of last year 1st quarter due to earlier start to SS Juice sales from early completion of harvest. Some customers were also short on product in 1st quarter. This however is just a timing issue. Overall sales will be down by year end due to small crop in 2012 leaving less to sell. Retail sales were strong in 1st quarter due to some heavy sales of one and five gallon bulk concentrate packages to several Amish communities who normally buy fresh grapes. Overall Grower earnings are expected to decline due to less outside grape and juice processing in F13 and higher fixed costs and overheads for processing of small crop.



## CHANGES TO RETAIL

Growers' Cooperative Grape Juice, Company, Retail Department is going through some changes as the result of the Board of Directors recent Strategic Plan. Our focus now to be looking for ways to cut back on cost of retail sales both direct and especially indirect, while still promoting concord. This will mean much more time spent at the plant and the Grape Discovery Center. So, I am no longer making those long deliveries to faraway places. We are now only delivering to the stores that are within about 50 miles from the plant so I can focus on working within the plant.

I am now spending time at the Grape Discovery Center to help get it open and the shelves stocked with our product and other local vendors. I have spent time with Ray Wigle, manager of the Grape Discovery Center, in committee work to gather as many items from local artists and food vendors as possible. The Retail Committee for the Grape Discovery will begin meeting after the first of the year. Also the Grape Discovery Center had a good response to our participation in the Holly Tour when we opened our doors to allow folks to see the progress we have made. The Wine Tasting area and the Gift Shop center counter area are completed. We are awaiting the delivery of shelving units and coolers for the Gift Shop and the Exhibition room is being designed to be ready for the opening in early spring 2013. This is an exciting time for the Westfield area.

With more of my time being spent in the plant I am bottling juice, arranging shipping of our retail orders, packing internet orders, and continuing to keep our present customers satisfied. We are not as focused on searching out new retail outlets for our products but more concentrating on the customers we have. I have secured a distributor for the Central Pennsylvania customers. Greenwood Foods will be delivering to our customers there and have bought a large amount of our juice to have on hand in their retail store and the wholesale warehouse. I have given them a list of our present customers and am sending any new one that calls us to them. This has proven to be very lucrative for us so far.

The customers in the Finger Lakes and the Ohio area are receiving their products by UPS and this seems to be working fine for them. Moses Erb our distributor for many Amish stores across the Nation has seen a huge growth in his business. This being said, sales for our first quarter are up 91% and use of plant resources are down. At this time I have not seen much of a decline in sales quite the opposite. Sales and my time are very busy. Changes happen often in our lives and this one has been very good for me and I believe it will be a good change for Growers' Retail Department.

*Merry Christmas and Happy New Year*  
Patty Hathaway, Retail Sales Representative



## “A SMALL CROP AND IT’S POST SEASON”

When you look back at how a smaller than average crop affects not only the grower but the Co-op in general it is amazing to realize how much power Mother Nature has. This year’s crop has been processed and completed in a very efficient and timely manner. The winter months are usually filled with contract processing of some sort whether it be concentrating, filtering and or processing of other’s fruit or juice. The Co-op prides ourselves providing this service to our customers and dedicates the winter months performing these tasks, which are well equipped to handle with idle equipment and skilled laborers.

The challenge this year with the absence of heavy contract processing for the upcoming months is where to utilize our skilled work force to be not only productive but remain profitable. With this unusual slow time at the Co-op we have decided that there are several areas where the internal use of our people and their skills will be beneficial to accomplish some major and minor capital projects.

These upcoming projects will include the following:

- Filter Press relocation
- Lump breaker installation
- New Decanter Installation
- New Lab relocation and installation
- New epoxy flooring system
- Refrigeration upgrade and chiller relocation
- Install new fill pack on cooling tower
- Process piping upgrades and insulation
- Installation of VFDs on several pieces of process equipment



These are a just few of the major projects that will be taking place at the Co-op during the off season to better serve our members and provide a better service to our customers while staying productive during the winter months. On behalf of the employees at the Co-op I would like to thank the membership for their dedication and faith in its employees and wish all *A Merry Christmas and A Happy New Year.*

*Todd Donato, Plant Manager*

## DRUMMING AUTOMATION & FILTER PRESS KETTLE RELOCATION

From the farmers’ grape bin to a Growers Coop customer, there are many steps in between to ensure a quality product is produced. If a customer requests product in 55 gallon drums, these drums are batched and filled in our batch room. Since the batch room is essentially the last place the product see’s before being shipped, this room must be in pristine condition at all times. With the installation of the filter press, batch room kettles were shared to provide filter press feed kettles. Filtering requires the use of filter aides, diatomaceous earth (D.E.) being the most common. D.E. is a soft powdery substance that easily becomes airborne. While D.E. is food grade, it is not something we want in our final product. Our guys do a great job of cleaning between filter press and batching runs, but it is time to return the batch room to its originally intended purpose. The filter press kettle relocation project will take 3 batching kettles and relocate them not only closer to the filter press, but also dedicate them to the filter press. This eliminates all D.E. usage in the batch room.

Filling drums can be a very cumbersome and repetitive process. Not repetitive in the sense of filling drum after drum, but doing the same step multiple times. From the time a drum enters our facility, it can be handled upwards of 15 times (by multiple people) before it gets shipped. This translates to a lot of wasted time and possible sanitation issues. The drumming automation project will not only reduce handling time (from 15 steps down to 5), it will speed up the process by using powered conveyors and programmable logic controllers. This is a big project and will help keep our employees busy during a slower than usual start to 2013.

*Have a great holiday!*

*Joe Schuster, Plant Engineer*

## SQF AUDIT PREPARATIONS, TAKE THREE OR FOUR

As I look back at recent articles in this newsletter, it would seem that all I think about is food safety systems. Well, that is becoming more and more of my role at Growers. Our customers and regulators are also demanding that we think more and more about food safety. Six customers have done full day audits in the past 6 months (we insisted on grape harvest “off”, at least for everyone but NYS Ag & Markets). Add to the face to face audits the almost weekly food safety questionnaires that customers ask us to fill out to demonstrate our competence as a food processor. These can be 500+ questions, all expecting supporting documentation.

So what have we learned about our facility through the eyes of an auditor? We are an old facility, but well maintained. Or only fairly well maintained. That difference in auditor’s perspective determines how well we do. So our floors don’t drain in spots. Too bad those farmers way back when thought level was good; now we know to slope to drain is better. Is that just something accepted in an old facility, or an indication that a bunch of money will have to be spent to get the plant in line with modern food safety standards?

Our Board of Directors created a mission statement back in 2004, and has been reaffirmed since then, which says, “Dedicated to the continuance of a reliable, secure and profitable market for our growers, a stable and growing work environment for our employees, and delivery of safe products at the highest quality that will meet our customer’s expectations.” Focus on the word reliable. If we want to be reliable processor for our farmer-owners, we need to be a reliable supplier, so we need to reliably pass modern tests. From that perspective, we need to continually invest in our facility and systems.

The Food Safety Modernization Act asks all food manufacturers to prove that their vendors provide them with safe foods. So, to all the grape farmers reading this, you are our primary suppliers. Can you prove that your farm produces safe foods?

*Steve Cockram, Technical Director*

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## FIELD REPORT

The 2012 growing season is already in the distant past and will definitely be one that many growers would love to forget about but yet it will be one that will always be remembered. Fortunately farmers are some of the most optimistic people that are placed on this great earth. The saying I have heard so many times this year was “hope next year is better” and that is what keeps this company so strong. As many of you know and have heard we have made some changes in the past few months to eliminate non stock holding growers, this was done to continue to strengthen the company going forward.

Many of you have been hearing us talk about the rolling brix average. So, what does that mean for the grower and what are our steps going forward? The bottom line is we are looking for a better way or a statistical way to control our incoming fruit quality. The method of sampling each individual load to determine quality is time consuming and inefficient. Essentially Mother Nature is the biggest controlling factor of the individual year sugar accumulation and crop load obviously plays a roll into that. What we want to do with this is put your yearend weighted average up against your neighbor and make sure that an individual grower hasn't gotten too aggressive with their crop load. If it is a poor sugar year, everyone's sugar will be low and the opposite in a high sugar solids year. The only drastic effect would be if every grower suddenly got markedly more aggressive with crop load then we would see an overall decrease in fruit quality, but we firmly believe if all growers continue to use the same cultural practices as they do now that there will be no adverse effects on the grower or the company.

With this come many benefits for all involved, we hope to ease the pressure of getting started in the beginning of the season, reducing or eliminating down time on rainy days, and eliminating a growers need to blend. The concept is well liked by management and Board and the next step is to get a group of growers together to get the grower perspective on this and then write the procedure and put this into effect for the 2013 harvest season. I asked at the annual meeting for volunteers to be on the committee to review this and so far I have not received any interest. I sincerely hope that a few growers would make the effort to give your input into your Co-Op's procedures.

Starting in January Dave and I will be out on Fridays again conducting farm visits. We will try to see as many growers as possible as this is a great time to ask questions one on one and many good conversations come from these visits. I encourage anyone that would like to see us to give me a call or send over an e mail and we will be sure to stop by. And as always if any questions come up please get in touch with me at anytime. You can reach me on the cell at (716) 753-6843 or you can email at [andy@concordgrapejuice.com](mailto:andy@concordgrapejuice.com).

*I wish you and your families a Safe and Happy Holidays!!*

Andrew Knight, Field Rep.

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