



SPRING 2009

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

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PRESIDENT'S MESSAGE

Contrary to the daily news--not every business is going down the tubes.

During the recent winter months everyone was rightfully concerned about our nation's struggling economy and the implications for agriculture. Agriculture is America's strongest, most successful industry. It is the strongest because it has weathered more economic ups and downs than most other industries. Grape growers know that demand ebbs and flows as economies rise and fall.

The grape industry is resilient because farmers

generally have a long-term vision for their vineyards--not just the next quarter's performance report.

USDA's 2007 census shows overall farm numbers climbed by 4%. Operations that grew in number compared to 2002 include fruit and grape operations. Operations that declined included: beef enterprises, dairy farms, pork operations and tobacco farms.

Food is still America's first priority--- especially locally grown fruit, healthy grape juice, and vegetables!!

No matter whether your glass is half full of grape juice, wine or apple juice--your outlook determines your attitude!!!

Steve Baran, President

2009 CAPITAL BUDGET

The capital budget has been approved and plans are on the way. The following approved projects will start to take shape in early spring.

- 1) Parking lot replacement and drainage. This will be done to prevent the further deterioration of the plant's main entrance and cold room foundation.
- 2) Dock leveler and door replacement. These will be replaced with new dock levelers, insulated doors, and dock bumpers, to address audit deficiencies.
- 3) Moyno pump rebuild Phase 1 and tank lid replacements. There are many reasons for this facility upgrade. Parts for existing pumps are obsolete and we can no longer obtain them and the tank lid rebuild will address an audit deficiency as well.
- 4) Controls upgrade. We will also be upgrading our concentrators control system which has become obsolete. The existing controls will be replaced with an automated controls programmer. This will allow for a more predictable and consistent outcome.
- 5) Wall and roof repairs will be done to prevent further deterioration to exterior walls and damage to existing cold room insulation.
- 6) We will also rebuild the finisher body to repair an internal water baffle that is damaged and replace the bearings. This repair will optimize the performance of the Finisher.

Other topics that will make their way to the top of the list will be grape seed collection and drying for future Concord Grape Seed Oil production and an economizer upgrade for the 400 Hp boiler. These will be justified through energy savings and future retail sales.

Todd Donato, Plant Manager

FIELD REPORT

It seems as if the snow has disappeared as fast as it came and left behind lots of water. The weather has been decent the last few weeks except for some rainy times allowing us to continue the trimming and start the spring work for some. Hopefully everyone is getting through the trimming well and the end is in sight. As Dave and I have been out on the Friday grower visits most all growers seem pleased with their progress.

We have been working hard at adding our 300 additional acres this winter while we have been out visiting growers. At this time we have nearly reached our goal and I believe we will have the 300 acres by late spring. So far all of this acreage has come from our split contract growers. We are presently speaking to 2 small growers that would be new to the Co-op. If there is any grower that would like to add additional acreage please get in touch with Dave or I as soon as possible, once we reach the target 300 acres the opportunity will close. As a side note there has been some growers wanting to plant open land into vineyards and the Co-op is not interested in doing this, the feeling is there is enough grapes in our belt for the demand.

Dave and I are still coming out doing grower visits and will continue to do so as time allows. If you have a question or want to discuss a concern, please let us know so we can get out to see you. And as always if any questions come up please get in touch with me at anytime. 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.

GRAPES IN THE CLASSROOM

Grape belt middle school students are learning about Concord grapes and the weather, thanks to a grant from the Northern Chautauqua Community Foundation to the Concord Grape Belt Heritage Assn. Tom DiVecchio, the weatherman at TV24, Rocket 101 radio and other stations in Erie, teamed with the CGBHA to gain funding of a program to help students learn about the grape industry, weather measurement, how weather affects grape growing, careers in weather/ grapes, health benefits of grapes, and the soon-to-be Grape Discovery Center.



Presentations have been a tag team with Tom DiVecchio and a Grape Belt representative, usually Steve Cockram. Tom leads off, asking what industry is this area's economic driver (answer: agriculture). He does a real hands on demonstration on what weather factors (temperature, humidity, barometric pressure, and air speed) allow a "wimpy student cloud" to grow into a "giant he-man storm cloud". Steve talks about how Lake Erie affects our climate, and how weather affects various stages of the growing season. Health benefits of grape juice and the new Grape Discovery Center are covered as well. What really makes the presentation go over well is the bottle of 100% Concord grape juice that every student gets.

We have given presentations to classes each at four schools, and plan on visiting as many of the grape belt schools as we can throughout the year. One teacher thought the presentation was informative enough that she has scheduled us back for a different class that she teaches. We thank the Northern Chautauqua Community Foundation for their support of helping our youth learn about the weather and the grape industry.

Steve Cockram, Technical Director

FINANCIAL OVERVIEW (2ND QTR F09)

Category	YTD	Previous YTD	Difference
Bulk Sales (gallons 68 Brix eq)	283386	396775	-113389
Retail Sales (no units)	23078	22762	+1.4%
Other fruit processing (tons)			
Grapes	2718	2074	
Blueberries	301	490	
Cherries	0	0	
Other	100	0	
Juice/bottoms (000 gal)	746	847	
Distributed Proceeds to date (\$/ton)	120	124	
Projected crop close (\$/ton)	280 - 300	252	



YTD Sales are down by 113,389 gallons. The pace of sales has picked up dramatically since the end of December, and the crop is currently all committed. The pace of sales is sufficient to move inventories, however overall sales volumes will likely not exceed last year's 12 month total. This is a result of low incoming fruit brix producing less concentrate yield and the need for a higher carryover to insure sufficient supplies for Sept. and Oct. sales. Retail sales are relatively flat, but are expected to pick up as more new customers begin buying for the higher traffic seasons. Overall Grower returns are anticipated to rise in F09 due to the larger crop and higher bulk pricing. Cash flows are rising quickly and should be sufficient for the planned redemption of the 98 series certificate for Spring 09.

THE FUTURE OF NON FARMING MEMBERS

The Board of Directors has been spending considerable time over the past few months on the issue of Non Farming Members. We are seeing more and more vineyards being leased out and less involvement from non farming owners. As time goes on, non farming owners become removed from the vineyard. As an operation changes hands to the owners' heirs the connection to the vineyard becomes even more distant. When a new contract or contract transfer request on leased acreage comes before the Board, they have a choice on who to contract with. The contract can

either go to the non farming owner or the leasee (the person actually running the grapes).

The consensus of the Board is that as NEW contracts and contract transfers are made, the Co-op should be contracting with the persons who are actually running the grapes. New contracts for acreage being run under a lease would be made with the leasee. In the event of a change in the leasee, the contract would temporarily revert back to the owner until a new leasee is presented and approved by the

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Board. This process would insure that the land owner keeps the grapes in the Co-op even if a leasee fails to perform and/or leases are terminated. The contract holder is the one with the responsibility of growing and delivering the grapes to the Co-op and following the rules established by the Board of Directors. As the responsible party, they have the privilege of holding stock, (provided they meet the eligibility criteria) and voting.

This proposed policy has not been adopted yet. The Board is open for questions and comments on the

issue and will consider these before finalizing things within the next month or two. As leases become more prevalent, it is important that the Co-op chooses the proper party when making its contracts and issuing stock. The Co-op was built on the efforts and support of farmers. These are the people actually working the land with knowledge of the crop and markets we compete in. For years, the farmer and owner were one in the same. Leases have changed that connection and we have to change too, in order to stay connected to the farmer.

ASK THE GM - Is there going to be a Certificate Payment this year?

This is one of the most often asked questions I encounter. The short answer is, YES, in the Spring of 09. When the Board approves the redemption, all certificate holders will receive a letter notifying them to endorse their certificate and send it in for redemption. When the certificate is received, it is matched to our records and a check is sent to the holder.

The long answer to this question has to do with what causes the certificate redemption schedule to get out of whack in the first place. The Annual Report presented each year at the Stockholders Meeting in December has a detailed list of certificate amounts and anticipated redemptions. The certificate that is planned for redemption in May is the 1998 series valued at \$703,000. The last certificate we issued

was the 2008 Series valued at \$372,000. This is a difference of \$331,000 between what is withheld vs. what is to be paid out during the fiscal year. Unless you are the federal government, one cannot pay out more than is withheld for very long without running into a big problem.*

There are other remedies available to adjust to varying cash flow levels, these include, restructuring debt, limiting capital expenditures, delaying crop pay outs, and adjusting depreciation expense timing. The Co-Op has tinkered with all of these over the recent years. The result is a financing cash flow mix which is as optimal as it can be for our present situation. The current cash reserve projections are shown below:

	F08	F09	F10	F11	F12	F13	F14	F15	F16	F17	F18	F19
Certificates Issued	372	494	400	400	400	400	400	400	400	400	400	400
Depreciation	341	337	332	329	336	345	281	258	260	300	300	300
Sources of Funds	713	831	732	729	736	745	681	658	660	700	700	700
Certificates Redeemed	(703)	(499)	(612)		(784)	(190)	(317)	(229)	(158)	(225)	0	(253)
Debt Repayment	(208)	(208)	(208)	(208)	(208)	(208)	(208)	0				
Capital Expenditures	(100)	(100)	(100)	(150)	(100)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Uses of Funds	(1,011)	(807)	(920)	(358)	(1,092)	(648)	(775)	(479)	(408)	(475)	(250)	(503)
CASH FLOW BALANCE	(298)	24	(188)	371	(356)	97	(94)	179	252	225	450	197

This table forms the basis of the Board's redemption decisions. It is clear to see that this year's redemption will cause a significant drain on cash reserves the impact of which will be seen in the pay off timing of the 2008 crop (instead of a December pay off for the 2008 Crop, the timing will likely be Feb or March 2010). Issuances and redemptions of certificates remain manageable until F11 when a redemption of the 2001 Series Certificate (1999 crop) will have to skip a year. After this, redemptions will be on an annual basis again for the foreseeable future.

I hope this answers the question, but experience has taught me to be a realist. Since I began

this job over seven years ago, we have missed only one monthly grape payment. That is once in more than 90 tries. Despite the regularity of meeting this monthly obligation, I am still to this day, asked; "Is there going to be a grape payment this month?" If I live another ninety years, and don't skip another certificate redemption, someone will still remember those two or three missed back in the new millennium and ask, "Is there going to be a certificate payment this year?"

*the federal gov't really can't do it either...they only think they can because they are smarter than the rest of us

SPRING NEWSLETTER - RETAIL SALES

Spring is soon upon us, a time for hope and new life, is what it brings to mind, a time for new plans and changes in our lives. Becoming the Retail Sales Representative for Growers' has been a challenging and rewarding change for me at the same time. The first six months were pretty much a time for training and getting to know the existing customers and expanding into new areas.

In the Strategic Initiative the board did a while back was to make concord products readily available in our region. People had lost the nostalgic taste of Concord grape juice. They had reached a plateau and had decided to expand to grow this revenue stream into a profitable contributor to the business. Hence along came the hiring of myself.

My plan to continue the board's initiative includes acquiring new customers by reaching out into an expanded demographic area and to go as far east to Rochester, south to Pittsburgh, west to Cleveland. That big blue lake prohibits too much expansion north. The stores I am visiting are small grocery stores, health food stores, farm markets and specialty food markets.

Another excellent way to introduce our product to people is through the local fairs and festivals. It is my

plan to expand this venue as much as humanly possible along with the help of volunteer growers. Please remember I will be calling upon many of you to assist again this year. There are lots of well established festivals happening in the expanded demographic area mentioned above and we need to be attending as many as we can. If any of you know of an interesting festival you think might be good for us to attend please contact me with the information.

Promoting our product is an ongoing objective which can be achieved with the following plans:

- Involvement with local conferences
- Attending statewide tradeshow
- Advertising
- Cross promotion with Concord Grape Belt Heritage Association
- Involvement with local Farmers Markets
- Production of a new brochure for retail sales

This is just the beginning of my plans for the future of the Retail Sales Department of Growers' Cooperative Grape Juice Company. I am enjoying this exciting position and the challenge to make our concord products readily available in our region. Who knows where this will lead us.

Patty Hathaway, Retail Sales

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