



## SPRING 2010

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

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### PRESIDENT'S MESSAGE

Despite the ongoing world economic slowdown, Grower's Cooperative's grape juice sales continue to thrive representing a great opportunity for domestic, regional and national markets in 2010!

Dr. Alan Lines, Ohio University Professor and keynote speaker at Westfield Rotary, says the country is set for more than 10 million new consumers in the next five years.

A handful of years ago Grower's Cooperative produced grape juice concentrate and single strength juice only for bulk markets. Since then we have evolved with whatever twists and turns the market has taken us into having a half a dozen products and new sales strategies.

Even as you are reading this quarterly news report Grower's Cooperative is completing three weeks of processing two million pounds of blueberries--- utilizing a skilled work force and otherwise idle processing equipment.

It seems appropriate at this time in early April to pause and reflect on our company's progress the past few years and all of those who helped make it as successful as it is. Through it all---if it were easy to be a grape grower---everyone would want to be one!!

I know all of us are hoping for good Spring weather and a banner growing season!!

*Steve Baran, President*

### 2010 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) Tank liner replacement for the wooden tanks in room along with lining repairs in our steel tanks in rooms 4 and 5.
- 2) Main building roof replacement. The existing stone roof will be replaced with an insulated rubber roof.
- 3) Boiler auto flame upgrades will be installed to optimize air/gas mixture. We will also install a new ventilation system to allow for proper air circulation.
- 4) Controls upgrades to the pasteurizers and concentrators.
- 5) Vacuum pump replacement.
- 6) Seed collection first phase to include collection conveyor and drying.
- 7) Parking lot phase II. We will be replacing the drive way entrance to the basement and the main plant.
- 8) Basket strainers will be installed on the infeed to the pasteurizers.
- 9) Process tanks will also receive a face lift.

These approved projects will start in upcoming weeks 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*

### FIELD REPORT

As spring is approaching us we all begin to think of our weed sprays and foliar sprays. In a very competitive market it is important to not only use the best product for your needs but also be thinking of how much it will cost. I believe spending some time and getting out a piece of paper to think of what the pressures were last year IE: Downey Mildew and Weeds will go a long way, understanding every year has its individual challenges, but be prepared for outbursts in high pressure blocks.

In the last few years there has been new pre-emergent herbicides put on the market that show some very promising results, and may be a fit for your operation. They control a broad range of grasses and broadleaf's. If you need more information on them you can contact your dealers, myself, or the extension. The new fungicide that seems to be a very good broad range chemical is Revus Top; the problem is it will likely **NOT** be labeled for use in NY for the 2010 growing season.

In the April payment mailing you will be receiving a copy of the 2010 spray report, as always it is easier to fill this out as you go rather than procrastinate and do it in August when we require them to be turned in. This year the form is different than in the past and is a Landscape layout, it requires the same information as before with the exception of an additional item. I hope you find it easier to use and has more room to fill in the required information. You can record the foliar and weed sprays on the same form in chronological order.

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](mailto:andy@concordgrapejuice.com).

Have a Safe Productive Spring!!

*Andrew Knight, Field Rep.*

## FINANCIAL OVERVIEW (THRU 2<sup>ND</sup> QTR F10)

Category	YTD	Previous YTD	Difference
Bulk Sales (gallons 68 Brix eq)	251567	2834040	-31837
Retail Sales (no units)	44504	22761	+96%
Other fruit processing (tons)			
Grapes	4616	2718	+70%
Blueberries	345	261	
Cherries	0	0	
Other			
Juice (bottoms)	842099	734000	
Distributed Proceeds to date (\$/ton)	189	120	
Projected crop close (\$/ton)	323est.	317	



YTD Sales are down by 31,837 gallons. This is due to low carryover and low supplies from the 2009 crop. The current pace of sales is sufficient to move inventories. Retail sales are up dramatically showing favorable year to year comparisons for new business gains. Overall Grower earnings are anticipated to flatten out in F10 due to higher expenses on a cost/ton basis and poor yield for the low brix, small 2009 crop. Higher market prices are not sufficient to significantly increase earnings due to low yield, small crop, and higher expenses/ton.

## A MAGNET FOR YOUR HARVESTER

A while ago I wrote an article entitled "A Buck a Ton", which said for every \$15,000 we can trim in expenses or gain in revenue equates to 1 \$/ton in our return back to our farmers. Spring is a good time for us to do capital projects, because we currently have a processing lull. Some projects don't have a financial return. When the roof is leaking beyond the scope of patching, then you have to spend the money to fix it. In other cases, like our boiler upgrades, there will be a financial return because we will generate our steam more efficiently.

Our biggest maintenance expense is for pump repair parts. Pumping fruit is hard on any pump, and their normal wear parts need to be replaced. We spend about 1-2 \$/ton each year for pump repair parts. We have looked at numerous pump styles, but none are optimal. So can we avoid some of the wear?

As people deliver fruit during harvest, they may see me looking intently at the contents of a red bucket. I am looking at what was captured by our magnet system. Probably 90% of what we catch are staples. There are also nuts and bolts off harvesters (getting larger as the harvest progresses), Chisolm Ryder picker fingers, GDC tensioning washers, bits

of old phone wire that was popular a few years ago, rail road spikes (was that the 60s that they were put in?), tools, and the list goes on. This list is only what the magnets catch. The danger is what the magnet does NOT catch. In-plant magnets can't be 100% efficient, because more efficient ones will plug with sticks/ petioles. Our pumps really will pump downstream any object the magnet does not catch. In the process, the pumps get chewed up and it can sound like gunshots as the object hits each bend in the pipe. Later in the process, there are various screens that will remove the object, but that staple may have been the one that tore up a \$1,800 finisher screen on its way through.

If you don't have a magnet on your harvester, I urge you to have a magnet installed on the final discharge conveyor. A magnet option on a brand new harvester may cost as much as \$1600 from the manufacturer, but there is a company in Erie (ErieZ) that can outfit your harvester with a hinged magnet system for less than \$500. You will deliver a better quality grape, may be more efficient by finding that missing bolt at lunch, rather when the harvester comes to a grinding halt, and get paid in the form of long term higher returns. Don't harvest yourself? Specify in your contract with your custom harvester that they use a magnet. Thanks.

*Steve Cockram, Technical Director*

## GRANT WRITING 101

A few months ago I was given the opportunity to help with a dream. That dream has now become a reality. The Grape Discovery Center is past the paper stage and now is in the actual construction stage. The opportunity given to me was to write a grant to the USDA for a Value Added Producers Grant. This grant is to encourage producers of agricultural commodities to process their raw products into marketable goods, thereby increasing farm income. The Concord Grape Belt Heritage Association is an organization that represents the producers and also must have an emerging market which is the Grape Discovery Center. The funds from this grant are to be used to operate the venture and pay the normal expenses associated with the operation of the Discovery Center.

I have learned a lot about the grant writing process and still have a lot more to learn. I am actually taking an online course through JCC on the basics of grant writing. The first

step is to find funding organizations that provide monies for specific projects. This can be government funds, corporate funds or private funding. Once you feel you have the right match a call to the organization will help you confirm that feeling. The contact person will tell you if you are a good match for their grant. Next is to ask questions about due dates, forms and such so that you can proceed with the application. Do your research to have all the information available as you move along with the process. Dave Momberger and Andy Dufresne have made this step easy as the CGBHA is very organized with this building project. You must be sure the forms are filled out properly, write project narratives, and make sure the figures match from form to form, an explanation how the monies if awarded by them will be used. In other words be sure you dot your I's and cross the T's and check it over again before you submit the application. Now comes the hard part of waiting to

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## EMPLOYEE RECOGNITION

This year Growers is recognizing the service of two employees each celebrating 30 years of full time service at Growers Coop. Dan Sotomayor who was born in Westfield resides in Dunkirk and is planning on marrying his fiancée Elizabeth Martinez this summer; he has two grandchildren and a daughter Hilda who live in Puerto Rico. Jon Casler along with his wife Terri of 26 years resides in Westfield. They have a son Matthew attending SUNY at Brockport and a daughter Laura who was lost in an auto accident in August of 2007.

I took some time during their busy day to catch up to them while processing Blueberries to talk to both Dan and Jon to gather some of their thoughts.

**When you are not at growers what do you most enjoy doing?**

Dan; Hunting and fishing

Jon; Relaxing and working around my yard

**On your first day at Growers, where did you work?**

Dan; I actually worked 4 years part time. The first day set the pace I did many things but the first job I had been working in the Tank Rooms.

Jon; My first job was running the "A" Concentrator it always had sentimental value to me.

**Who was your Mentor at Growers?**

Dan; My father and Everett Smith (both former Growers' employees)

Jon; I can't say I really had one I've always been my own sort of person.

**Looking to the future what are you planning on doing when you retire?**

Dan; I'm going to fish everyday.

Jon; I'm planning on relaxing, traveling and playing some golf.

**What is the biggest change you have seen at Growers?**

Dan; We are a lot "more busy" and the equipment runs harder but better.

Jon; The Decanter System and the changes it made in the total process and operation.

**What is your most favorite juice?**

Dan; Orange

Jon; Labatt Blue

The depth of knowledge and flexibility of employees such as Dan and Jon is invaluable to companies which must adapt to varying workforce requirements. They are very instrumental in training of new employees and filling key positions. I know I speak for all of us associates at Growers that It is a pleasure working with and learning from you and we're looking forward to many more years service.

*Gene Steger*



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

*(Updated and reprinted from Spring 2009 Newsletter)*

This is one of the most often asked questions I encounter. The short answer is, YES, in May of 2010. When the Board approves the redemption of the oldest outstanding certificate Series, all certificate holders from that Series will receive a letter notifying them to endorse their certificate and send it in for redemption. When the certificate is received at the office, it is matched to our records and a check is sent to the holder.

The long answer to this question has to do with how certificate redemptions are financed. 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 1999 Series (97 Crop) valued at \$499,000. The last certificate we issued was in January. This was the 2010

Series (08 Crop) valued at \$522,000. There is a difference of \$23,000 between what was withheld from earnings vs. what is to be paid out during the 2010 fiscal year. This is a good situation because it is a sign of overall Company growth relative to 1997, but large certificates still loom on the horizon where the comparison will not be as favorable.

There are several 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 flow balance projections are shown below:

Crop Year	F10	F11	F12	F13	F14	F15	F16	F17	F18	F19	F20
Certificates Issued	522	380	428	428	428	428	428	428	428	428	428
Depreciation	337	332	329	336	345	281	258	260	300	300	300
<b>Sources of Funds</b>	859	712	757	764	773	709	668	688	728	728	728
Certificates Redeemed	(499)	(612)	(784)	(190)	(317)	(229)	(158)	(225)	0	(253)	(372)
Debt Repayment	(208)	(208)	(208)	(208)	(208)	(2)	0				
Capital Expenditures	(100)	(100)	(100)	(100)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
<b>Uses of Funds</b>	(807)	(920)	(1092)	(498)	(648)	(481)	(408)	(505)	(250)	(503)	(622)
<b>CASH FLOW BALANCE</b>	52	(208)	(335)	266	125	228	260	252	478	450	197

This table forms the basis of the Board's redemption decisions. Today, it looks much more favorable than it has in a long time. If we can maintain our current momentum and get past the large redemptions in F11 and F12, cash flow balance will become steadily positive. When cash flow is positive it opens up more options for the Co-op to finance the business for ongoing operations and growth opportunities.

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## 2010 SPRING NEWSLETTER

Spring will soon be upon us with lots of new life with buds and flowers popping up. This last winter was not as slow in the Retail Department as last year. I have been out and about delivering and contacting new retail outlets.

In the last newsletter I told about my trips to Ohio Amish country. Now I am here to tell you about the fruits of those labors. I have continued monthly trips to Ohio with deliveries and taking the time to contact new stores. One of those stores, Troyer A Country Store, Millersburg, Ohio, started to order from us in early winter. Soon after their Wholesale department tasted our juice, one of their salesmen contacted me to see if they could order for their distribution to many stores in several states. One thing led to another and we began a private label contract for the quart Concord Grape Juice and quart Tart Cherry for them.

In March I traveled to Ohio with Allen (my husband) and Phil and Patty Knight (Grower members) to Troyers Trade Show to take orders and give out samples of our juice. Most of the vendors that attended the Trade Show were Bulk Food grocery stores in areas as far away as Arkansas. Our sales for Troyers Cheese Company are off to a great start. The fellows in the plant have filled the bottles of juice, packed the cases and have it ready for shipment in the next week. So now our juice will be found in many other states. This is a great way to get our product out further to the public and another diverse way to expand our retail sales into new and adventurous avenues.

I did not stay with my Amish friends this time but hope to

again soon. These adventures I take are more than just fun they are exhilarating and we hope they will produce enough sales to give some rewards back to the growers. Who knows where that Little Red Chevy truck will take me next.

*Patty Hathaway, Retail Salesperson*

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*Grant Writing 101 continued...*

know if it is approved or not. Depending on what is asked for the application can be from a few pages to hundreds of pages long.

I have also just completed another USDA Rural Development Grant Application so now it is just a wait and see situation. The funds if awarded will be used on advertising brochures and billboards. Depending on the size of the amount asked for the approval can take a few weeks or up to a year.

When I heard of the Grape Discovery Center dream my thoughts were what a great idea. Well, with the formation of the Concord Grape Belt Heritage Association and their efforts the dream is coming true. I'm proud to be a part of this project and I encourage all of you out there to support the Grape Discovery Center. It is a great way to promote agritourism, western New York and northwestern Pennsylvania and all of the wonderful products from the region. So anyone out there who is presently not a member of the Concord Grape Belt Heritage Association your membership will help support this wonderful idea. So consider being a member of the Concord Grape Belt Heritage Association and be PROUD!!!

*Jim Gillespie*

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