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Staff Paper

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STRATEGIC PLANNING FOR THE NEW YORK APPLE INDUSTRY*

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Strategic Planning for the New York Apple Industry

The author was involved in strategic planning for the New York apple industry, a process that began in the Spring of 2000. The industry was beset by negative economic performance resulting from a series of factors such as a world over-supply of apples in relation to demand; depressed prices for apples utilized for juice due to the effects of China selling apple juice concentrate (AJC) at prices below the cost of production; severe weather events such as hail storms in 1998 and 2000; and increasing concentration in the retailing sector that constrained access to markets in major retail chains. The combination of these events led to four consecutive years of declining prices that had the effect of reducing growers' equity and placing perhaps 20 per cent of the state's approximately 700 apple growers in vulnerable positions for survival. The extreme economic hardship faced by growers signaled clearly to industry leaders that major changes were needed for the industry to survive and prosper in the future.

The idea of conducting the Strategic Planning process was conceived by George Lamont, the General Manager of Lamont Fruit Farm, Inc., Albion NY and Darrel Oakes of LynOaken Farms, Inc., Lyndonville, NY. The idea grew out of a Variety Committee, with the realization that the state's industry needed to address a much broader array of issues than just varieties to deal with the current situation. The strategic planning process was supported by two grower's associations (the New York Apple Association and the New York Horticultural Society), the New York State Department of Agriculture and Markets, and by Cornell University through the Fruit Statewide Program Committee. The expenses for meetings were paid for by an account of \$2,000 established by the Department of Agriculture and Markets, while administrative expenses such as communications were covered by Lamont Fruit Farm, Inc.

A task force comprised of 26 persons was organized. These included representatives of the supporting organizations mentioned above, grower representatives from the major producing regions in the state and apple storage operators/packers/marketers. In addition, representatives from the following organizations were task force members: a major retail chain, an organization that supports the development of agriculture in New York, the state's major apple processing company, Farm Credit, and the Market Order Administrator for the New York State Department of Agriculture and Markets. George Lamont served as Chair of the Task Force. George had recently semi-retired from his duties with Lamont Fruit Farm, Inc. (in part, due to the economic crisis in the industry which forced the operation to down-size its management team). This was an important point since having less responsibility with the home operation gave him the considerable time required to lead the strategic planning process. Nathan Rudgers, the Commissioner of New York State Department of Agriculture and Markets, served as Honorary Chair. For a list of Task Force members, see Appendix 1.

The first meeting of the task force was held on April 20, 2000 in Little Falls, NY. Commissioner Nathan Rudgers of the New York Department of Agriculture and Markets set the stage by discussing the mission and vision of his agency, and by noting the need for the apple industry to strategize to adapt to tremendous changes in the marketing system, new opportunities opening up, and some opportunities closing. Commissioner Rudgers' point line was "Time is of the essence." Dr. Jerry White of the Department of Agricultural, Resource, and Managerial

Economics (ARME) at Cornell University, presented an analysis of Trends in the New York Apple Industry. Emphasis was placed on changes in the retailing sector, increasing competition from Washington state, and the resulting impacts on the profitability of New York growers (see White, 2000). Dr. Bruce Anderson of ARME facilitated an analysis of strengths, weaknesses, opportunities and threats (SWOT analysis) facing the New York industry. Alternatives that would address problems in the industry were discussed. The first drafts of a vision and mission statements and objectives were formulated.

- In May and June, 2000, a series of meetings was held in five regions of the state to involve growers and solicit input from a cross section of the industry. These meetings were important in that they helped to build ownership for the process among various segments of the industry. A meeting for storage operators, packers and marketer was held in June for the same purpose. Building support among participants in the marketing chain “beyond the farm gate” is essential. If marketers do not support the industry plan that ultimately results from the process, it will not be implemented because of their influence that comes from being marketers of the growers’ fruit. Meeting dates, location and attendance are indicated in Table 1.

Table 1. Meeting dates, locations and attendance, regional meetings.

➤ 31 May	Knowlesville	53
➤ 12 June	Wolcott	63
➤ 13 June	Saratoga Springs	13
➤ 13 June	Peru	9
➤ 19 June	Highland	33
➤ Total attendance:		171
➤ 21 June	-Meeting for storage operators and Marketer representatives, Utica NY (Attendance: about 25)	

A second meeting of the task force was held on June 28, 2000 in Little Falls, NY. Dr. Win-fei Uva of the Department of ARME reviewed the five regional meetings that had been held in the previous month. The comments from growers and other attendees at these meeting revolved around four areas: profitability, quality, market structure (including the fragmentation of the NY industry), and marketing alternatives. Dr. Bruce Anderson reported on the meeting of the storage operators and marketers held on June 21. Quality was designated as the top problem, and yet there had been no agreement on solutions; too much inefficiency and too many uncoordinated efforts were hampering the industry. Commissioner Rudgers praised the efforts by the industry to date for its positive approach to the planning process, and promised to support the implementation of the final plan by making the appropriate statutory or regulatory changes that would help the industry move forward. Major emphasis for the remainder of the meeting was placed on developing consensus for alternatives to address the major opportunities and threats. Alternatives coalesced around four issues.

The following committees were formed to formulate recommendations for the next task force meeting:

- Quality - Chair: Bill Gerling
- Market Structure (reducing fragmentation) –Chair: Jim Kankowski
- Technology/varieties – Chair: Darrell Oakes
- New Products and Markets – Chair: Joe Nicholson

At a third meeting of the task force on November 8, 2000 in Little Falls, the four committees reported their recommendations. There were a total of nearly 40 recommendations from the four committees above. Alternatives (“action plans”) were prioritized by committees. Much attention was placed on the report of the Market Structure committee which proposed an Apple Marketing Association (a cooperative of producers/packers/marketers) to improve quality, disseminate market information, improve communication among marketers, and to provide a legal structure for price discovery. The Task Force directed the Market Structure Committee to rethink the recommendation of forming a new organization, as many thought the industry already had enough organizations. Kristin Rowles, Research Support Specialist in ARME, gave a progress report on the Value Added Processing Apple project, in which marketing surveys and focus groups were being conducted. (See Rowles, Henehan, and White, 2001 for a final project report of this research). A draft of the strategic plan incorporating the results of previous meetings was discussed and refined.

A fourth meeting on December 18, 2000 in Little Falls, NY was necessary to complete the process of refining and prioritizing action plans. The Market Structure Committee reported that after more deliberations, it recommended that the New York Apple Association should retain its mission as it existed, and that a new organization should be formed. This organization was called “APCO,” or Apple Cooperative. A revised draft of the strategic plan was approved for the Forum, a meeting at which the industry would review the strategic plan for final approval, in January.

On January 9, 2001, a key meeting of storage operators, packers, and marketers was held in Little Falls, NY to discuss the draft strategic plan, gain input for the final draft, and to develop a consensus for the plan. Much time was spent on two of the committee reports. Chair Jim Kankowski of the Market Structure Committee reported on the proposed structure and functioning of APCO, the cooperative that later was named Premier Apple Cooperative. Bill Gerling, Chair of the Quality Committee, led a discussion of the recommendations of that committee, especially with respect to solving the condition problem, which was seen as the key to improvement of the quality of New York apples.

An industry forum, involving all segments of the apple industry, was held on January 30-31, 2001 in Syracuse, NY to present the final draft plan. Recommendations for four organizations (the Apple Cooperative, the New York Horticultural Society, the New York Apple Association, and Cornell University (and Cornell Cooperative Extension) were presented and approved. By most accounts, the outcome of the meeting was a huge success. Industry representatives at the meeting basically approved the strategic plan that had been developed through the process and gave their consent to the priority tasks (“action plans”) passed along to the four relevant

organizations. Twenty-nine recommendations were approved, and each was assigned to an “action organization” to carry out. Most of the dissent revolved around the point that, although processing accounts for about 55 per cent of the utilization of the state’s apples, some thought that there was too little emphasis given to action plans to deal with processing products. (The Strategic Plan adopted at the forum is in Appendix 2. The action plans for the four organizations may be seen in Appendix 3). The action plan for the Premier Apple Cooperative includes improved communications, collection and dissemination of marketing information, quality improvement, and enhanced grower returns.

A final meeting of the task force was held on June 21 in Little Falls, NY. The four “action organizations” reported on their progress in implementation of the 29 recommendations that had emerged from the industry forum. Almost all of the recommendations had either been carried out or were in progress. A discussion ensued about whether the task force was still needed. It was decided that the task force would need to meet annually in June. An executive committee would meet in the interim as needed to ensure that progress continues on the action plans.

Epilogue

At the time of writing of this report, implementation of the strategic plan is ongoing. The cooperative, Premier Apple Cooperative, Inc., was officially formed on June 19. Building membership and recruiting members for the Board of Directors are now the primary organizational tasks. A membership goal of 100 members at \$100 per member has been established. George Lamont, who is now the Executive Director of the New York Horticultural Society, is preparing a monthly Marketing Newsletter (“to facilitate marketing communication and to collect and disseminate marketing information,” which were important functions of the cooperative’s mission). The Quality Committee continues to meet to develop quality standards. Being considered are minimum pressure test requirements for major varieties as well as brix standards. Almost all of the 29 approved recommendations been carried out, or are in process.

The major longer-term objective is to enhance returns to growers. This ultimate test will be played out over the next few months as the respective organizations put their assigned action plans in place.

The best conceived strategic planning process is not a success until implementation is well advanced. The New York industry is to be commended for the leadership that developed and the timely and effective process that resulted in the development of the plan. History, however, will judge this strategic planning process based upon the industry’s commitment to implementation of the plan, especially its most important components. At the end of the day, was fragmentation reduced in the state’s apple industry? Did the plan increase returns to growers and improve their long run prospects for survival?

The author expresses appreciation to George Lamont for his careful review of this paper. Any remaining errors are the responsibility of the author.

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Appendix 1
New York Apple Industry Strategic Planning
Task Force Members

**NEW YORK APPLE INDUSTRY
STRATEGIC PLANNING TASK FORCE MEMBERS**

George Lamont, Chairman
Lamont Fruit Farm, Inc.
Albion

Nathan L. Rudgers,
Honorary Chair
Commissioner - NYSDAM
Albany

Dr. Bruce Anderson
Cornell University
Ithaca

Jim Allen
NYAA
Fishers, NY

Chuck Andola
United Apple Sales, Inc.
New Paltz

Patrick Bourcy
Wegmans Food Markets
Rochester

Kevin Bowman
Bowman Orchards
Rexford

Jeffrey Crist
Crist Brothers Orchards, Inc.
Walden

Tom DeMarree
DeMarree Fruit Farm
Williamson

Dale Foley
Farm Credit of Western NY
Phelps

Peter Gregg
NYAA
Greenwich

Bill Gerling
Lake Ontario Fruit, Inc.
Albion

Tré Green
Chazy Orchards, Inc.
Chazy

Steve Greenberg
NYS Dept. of Ag & Markets
Albany

Jim Kankoski
H.H. Dobbins, Inc.
Lyndonville

Glenda Neff
NY Farms!
Auburn

Joe Nicholson
Red Jacket Orchards
Geneva, NY 14456

Bob Norris
Mott's
Williamson

Darrel Oakes
LynOaken Farms, Inc.
Lyndonville

Bob Rigdon
Apple Acres
Lafayette

Dr. Terence Robinson
NYS Ag Experiment Station
Geneva

Julie Suarez
New York Farm Bureau
Glenmont

Wen Fei Uva, Ph.D.
Cornell University
Ithaca

Gerry Verbridge
J.H. Verbridge & Son, Inc.
Williamson

Jim Verbridge
K.M. Davies Col, Inc.
Williamson

Dr. Gerald White
Cornell University
Ithaca

Appendix 2
Final Strategic Plan

The
Proposed
Strategic Plan

for the
New York Apple Industry

Presented By
The New York Apple Industry Strategic Planning Task Force

At a
Forum
January 30 – 31, 2001
Syracuse, New York

The Proposed New York Apple Industry Strategic Plan

I. Trends in the Apple Industry

1. Consumption of fresh fruits and vegetables has increased, but apples have not participated in this increase
2. Production of apple sauce has been flat
3. Production of apple slices has dropped in the US – and dramatically in New York
4. Washington has increased its production and the number of varieties
5. Apple juice consumption has increased
6. Imports of apple juice concentrate (AJC) have increased at very low prices
7. Return on grower equity has been negative for the last eight-year period
8. Retailer consolidation has been dramatic
9. Consolidation of apple marketing organizations

II. Analysis of the New York Apple Industry

A. The Strengths of the New York Apple Industry Are:

1. The flavor and variety of New York apples
2. The proximity to the large northeast market
3. The New York Climate – consistency of production
4. A solid political presence
5. Growers with horticultural skills well supported by CCE
6. The industry is strongly supported by NYS Department of Ag. & Markets

B. The Weaknesses of the New York Apple Industry Are:

1. The condition of New York apples is inconsistent
2. New York growers are not market-oriented
3. Marketing information is inadequate
4. Growers lack adequate capital to update orchards
5. Many growers have not adequately updated varieties and planting systems

C. The New York Apple Industry Is Threatened By:

1. The consolidation in retailing and their increasing margins depress grower returns
2. Washington's large increase in production and proliferation of varieties threatens our shelf space
3. Category Management (CM) by others that could reduce our shelf space
4. Global overproduction (i.e. China produces 4 X the US production and will increase)
5. Reduction of processing markets
6. Not having the new, popular varieties
7. Food safety and environmental requirements that will be mandated for the industry
8. Low priced foreign concentrate imported in large volumes
9. Uncertainty of the Washington promotion program

D. The Opportunities for the New York Apple Industry Are To:

1. Become the premier supplier of fresh apples
2. Reduce industry fragmentation and increase strength in marketing
3. Be the “just in time” supplier to eastern markets
4. Increase direct marketing
5. Develop new apple products
6. Provide education on handling apples to supermarkets
7. Provide better quality apples to schools
8. Diversify into other tree fruits

III. Industry Vision and Mission

Vision

The New York Apple Industry of the future will be dynamic, profitable and the premier supplier of high quality apples and apple products to domestic and foreign customers.

Mission

The mission of the New York Apple Industry, a coalition of growers, storage operators, processors, marketers and their related organizations, is to work collaboratively to produce wholesome apples and apple products that meet or exceed the expectations of local, national and international customers. This must be accomplished in a manner that produces a financial return that is competitive with other industries, and in harmony with the environment.

IV. Action Plans

A. Market Structure -

The fragmentation of the New York apple industry has caused a reduction in market power that results in lower prices and reduced grower returns. We propose to develop the Apple Cooperative (APCO) under cooperative law:

1. To facilitate marketing communications
2. To collect and disseminate marketing information
3. To improve the quality of apples delivered to the markets
4. To enhance grower returns

B. Quality –

The inconsistent condition of New York apples is preventing the industry from securing the position of the premier supplier of fresh apples. We propose that the apple industry develop a multifaceted Quality Improvement Program to address the condition problem. We recommend that:

1. APCO establishes and enforces quality standards for the industry including pressure and brix that would be mandatory for the Apple Country label.
2. APCO works with CCE to develop a total quality improvement program for New York apples.
3. CCE develops a program of proper timing of harvest for all regions.
4. CCE develops and implements a statewide training program on apple harvest management for growers.
5. CCE cooperates with storage operators to develop a proper cooling protocol and implement a statewide industry education program on proper cooling.
6. CCE develops a program to assist in MCP implementation.
7. NYSHS develops a plan to obtain timely DEC approval of MCP.
8. NYAA develops and implements a training program for apple handling in supermarkets

C. Demand Development

New York State schools and institutions are a grossly under-served market for New York apples. School children are our future apple consumers and we should do everything possible to encourage them to include apples in their diet. We recommend that:

1. NYAA works to ensure that only high quality apples are served in New York schools.
2. NYAA works to increase the amount of New York apples and apple products served in New York institutions.
3. Encourage the NYAA to promote the health benefits of apples.
4. NYAA promotes new and promising apple products.
5. NYAA actively develops alternative distribution channels for New York apples.

D. Category Management

The supermarkets are demanding more services from suppliers such as category management. The organization that does the category management will have a big advantage over other suppliers. In order to insure the New York industry's place at the table, we recommend that:

1. APCO and NYAA work together with apple organizations in other regions to implement a category management program on a worldwide basis that will maximize New York's apple marketing opportunities.

E. Food Safety and Environmental Responsibility

Environmental stewardship plans will be required by an increasing number of customers. We recommend that:

1. APCO provides leadership in developing plans for the industry and communicating their importance to help New York become the premier supplier.
2. APCO assists the industry in providing third party audits.
3. CCE develops and implements an educational program for the apple industry on food safety.

F. Apple Variety Development Program

The future success of the New York Apple Industry will depend on having a series of high quality new varieties that are adaptable to New York's growing regions. In order to accomplish that, we recommend that:

1. NYSHS develops a permanent committee from all segments of the industry to aid the development and testing of new varieties of apples and to publish a list of recommended varieties.

G. Apple Production

Apple production is becoming much more competitive around the world. In order for New York to compete, growers need to make serious changes in their production practices. In order to accomplish that, we recommend that CCE develops a multifaceted educational program to address the following areas:

1. Yield – growers need to achieve a minimum of 800 bushels per acre by the sixth year in order to compete with other regions.
2. Pest Management – In order to market apples across a broad spectrum of markets in the future the industry will need an Integrated Crop Management Program that takes into consideration the market implications of total management practices.

3. Labor Management – Labor represents over 40% the total costs. The successful apple grower of the future will require better labor management skills in order to maximize benefits from the labor input. This phase should cover:
 - a) Recruiting an adequate labor force
 - b) Training the labor force
 - c) Communication skills
 - d) Sensitivity training

H. Political Action Items

We recommend that:

1. NYSHS maintains its efforts to assure growers have access to an adequate supply of labor.
2. NYSHS studies the idea of a revolving fund established by the State, similar to the agricultural housing program, that would provide low interest loans to growers for re-planting trees and providing support for approved varieties and planting systems. Also consider tying it to orchard removal.
3. NYSHS supports economic development of new and existing processing enterprises.
4. NYSHS encourages the development and improvement of new processed products
5. NYSHS supports the CCE revitalization plan for the New York fruit industry as part of the Agricultural Initiative (AI).

Appendix 3

Action plans for:

**APCO Cooperative
New York Horticultural Society
Cornell University
New York Apple Association**

APCO Mission

- 1.To form the APCO organization
- 2.To facilitate marketing communications and coordination
- 3.To collect and disseminate marketing information
- 4.To improve the quality of apples by working with Cornell to develop a Total Quality Improvement Program for NY apples
- 5.To enhance grower returns
- 6.To assist the industry with Food Safety and Environmental Regulations
- 7.Establish and enforce quality standards including proper labeling

New York State Horticultural Society Assignment

- 1) Develop a plan to obtain timely DEC approval of MCP
- 2) Develop a permanent committee from all segments of the industry to aid the development and testing of new varieties of apples and to publish a list of recommended varieties
- 3) Work with Ag Affiliates and NY Farm Bureau to assure that the apple industry has access to an adequate supply of labor
- 4) Study the idea of a revolving fund established by the state, similar to the agricultural housing fund, that would provide low interest loans to growers for replanting trees, including providing support and fencing, for approved varieties and planting systems and to consider tying it to orchard removal
- 5) Form a permanent Processing Apple Committee which would:
 - a) work with NYSDAM and other groups to support the economic development of new and existing processing enterprises
 - b) encourage the development and improvement of new processed products
- 6) Support the Cornell Cooperative Extension revitalization plan for the fruit industry as part of the Agricultural Initiative (AI)
- 7) Support the NYSDAM proposal for a tax credit for agricultural improvements

Cornell Assignment

- 1) Work with APCO to develop a Total Quality Improvement Program for New York apples
- 2) Develop a program for proper timing of harvest for all regions
- 3) Develop and implement a statewide training program on apple harvest management for growers
- 4) Develop, in cooperation with storage operators, a proper cooling protocol and implement a statewide industry education program on proper cooling
- 5) Develop a program to assist in MCP implementation
- 6) Develop and implement an educational program for the industry on food safety
- 7) Develop an educational program for growers to address yield
- 8) Develop an educational program for the apple industry on ICM
- 9) Develop an educational program for growers on labor management

New York Apple Association Assignment

- 1) Develop and implement a training program for apple handling in super markets
- 2) Work to ensure that only high quality apples are served in New York schools
- 3) Work to increase the amount of New York apples and apple products served in New York institutions
- 4) Promote the health benefits of apples
- 5) Promote new and promising apple products
- 6) Actively develop alternative distribution channels for New York apples
- 7) Work with APCO and apple organizations in other regions to implement a category management program on a world wide basis that will maximize New York's apple marketing opportunities

OTHER A.E.M. STAFF PAPERS

SP No	Title	Fee (if applicable)	Author(s)
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