



Yes! Apples®
POWERED BY NEW YORK APPLE SALES

Beyond the Branch



Happy New Year!

It was wonderful to see so many of you at our summer meeting last August. The meeting brings us together and allows my team to share insights and trends affecting the apple industry but, even more importantly, allows us to connect in person. I thank those who attended and hope to see an even bigger turnout for 2023. Save the date for August 3, 2023, at the Tailwater Lodge.

Every season brings unique challenges, some of which can be predicted and others that require a reaction. As predicted, the Washington State crop is short. The December storage report indicated that overall volumes were down 12% from 2021 and down 17% off the 3-year average. Reporting indicates they are also suffering from lower pack-outs and poor quality.

As the industry consolidates, specifically the recent announcement of a Kroger and Albertson's merger, retailers continue to do more with fewer people. We have heard steady whispers over the past five years that are becoming increasingly louder and more frequent. Retailers continue to ask us to keep them in stock for a longer timeframe, with the goal of operational simplicity and surety of supply. Looking at our variety mix, while we are way ahead of most of our NY competition, it is apparent that we require more galas. I acknowledge that supplying Gala until August 1st can be a scary proposition, but if Michigan can do it, we can too. The Nielsen data below is the current crop year-to-date volume sold as a percentage.

To remain relevant and a chosen partner with Walmart and our entire customer list, we must attempt and

Variety	% Volume Sold of Total		
	Total	Bags	Bulk
GALA	21%	27%	16%
HONEYCRISP	19%	13%	24%
GRANNY SMITH	11%	10%	11%
FUJI	9%	10%	8%
RED DELICIOUS	8%	8%	8%
PINK LADY	3%	3%	3%
COSMIC CRISP	3%	1%	5%
MCINTOSH	2%	3%	2%

plan to meet the demand of Gala, Honeycrisp, Fuji, Pink Lady, and Red Delicious through August 1st. These five varieties as key drivers make it possible to continue to ship slower moving varieties and create freight efficiencies.

Movement remains strong and pricing is higher in all cases over the previous year. We will continue to push for higher pricing while keeping movement at the necessary levels. In addition, there is a much greater collaboration between sales desks, which is encouraging and helpful for the health of our industry and product movement.

I hope everyone had a wonderful holiday and time off with family and friends. Enjoy! Kaari



Forward Momentum

One of the WA State apple luminaries we deal with is a very well respected gentleman, not only for his business acumen, but also in the areas of finance and philanthropy. He always signs his emails with the same closing salutation..."Onward". I always thought it a positive, hopeful philosophy to embrace. In the spirit of the coming new year and the continuation of this season, let's all adhere to this positive concept for continued success.

While this season, like all others, has had its pitfalls, the positive sales atmosphere predicted in our April newsletter has overwhelmingly come to fruition. The well documented volume and quality difficulties with the WA crop have propped our retail partners' doors open for a longer period, while also kicking in a few others from our target list. We've continually pushed pricing upward across all customers and varieties, and will continue to do so in 2023.

August had us in Boston for the New England Produce Council show, where we teamed with Stemilt to feature the Rave® apple with resounding success. We were able to get the season discussion jumpstarted with much of our New England and New York retailer base.

October saw the return of the PMA, the industry's premier event, after a two-year hiatus. We showcased our updated booth, which highlighted all our varieties and put the spotlight on our Yes! Apples brand. The show was extremely well attended and afforded us the opportunity to meet with the vast majority of our customer base.

December brought back the NY Produce show, where we displayed our new "small show" backdrop, again highlighting our Yes! Apples brand, in addition to SnapDragon®, RubyFrost® and Evercrisp®, among other varieties. This show also saw our own Tenley Fitzgerald awarded with the "40 under 40" Award from Produce Business, in recognition of her amazing marketing work. I may have hooted when they announced her name! Congrats Tenley.



The sales and marketing didn't stop at the shows. In addition to getting on the road for customer visits, we had a few come our way. Walmart, Sprouts and Costco all made the trek to our corner of the world, with other customers such as HEB, Shaws and Hannaford planning for Q1 visits. Additionally, with the help of the NY Apple Association, we were able to set up bin displays in over 90 Sprouts stores serviced from the FL and GA warehouses, highlighting our NY grown apples.

Sales, like sports, relies on momentum. We have worked hard to gain that momentum and carry it into the new year.

Onward.

SPROUTS FARMERS MARKET

Sprouts displays
New York Yes! Ap-
ples



Putting the Car in Drive

I've spent the last three-plus years building Yes! Apples. I started this journey because I knew we needed to create a vehicle that enabled us to connect with consumers, offer value and marketing opportunities to retailers, and differentiate ourselves in a crowded category. With the help of brand consultants, our social media agency, a food innovation think tank, a media agency, consumer research, and more, we've built the Yes! Apples car equipped with a frame, engine, and exterior, and we have filled up the tank; we took her for several

Checklist:

Frame / Brand Guidelines:



Engine / Mission, Vision:



Exterior / Brand Palette:



Power / Consumer Insights:



test drives, and now we are gearing up to drive off the lot and into the exciting world of **growth marketing**.

Growth marketing is a data-driven approach that designs and conducts experiments to optimize and improve the results of your target. The overarching goals of growth marketing are to **retain existing customers, acquire new customers, and increase profits**. In 2023, we will run several

tests addressing all three growth marketing areas, beginning with customer acquisition testing in Q1 in a high-performing, concentrated geography. If this test performs well, we will emulate efforts in other key regional areas during Q3 and Q4.

Shaw's Test – January and February 2023

To kick off these efforts in 2023, we are performing a customer acquisition and market test with Shaw's in the greater Boston area. The business objective of this test is to prove the volume lift opportunity for Yes! Apples and participating Shaw's via geo-targeted marketing and strong in-store activation for Yes! Apples. First, we will drive consumers to Shaw's to purchase apples through billboard placements. Then, once in-store, we will increase consumer awareness of and interest in Yes! Apples through in-store sampling and branding.

(Continued on page 4)



Yes! Apples Billboard, Greater Boston Area, January 2023

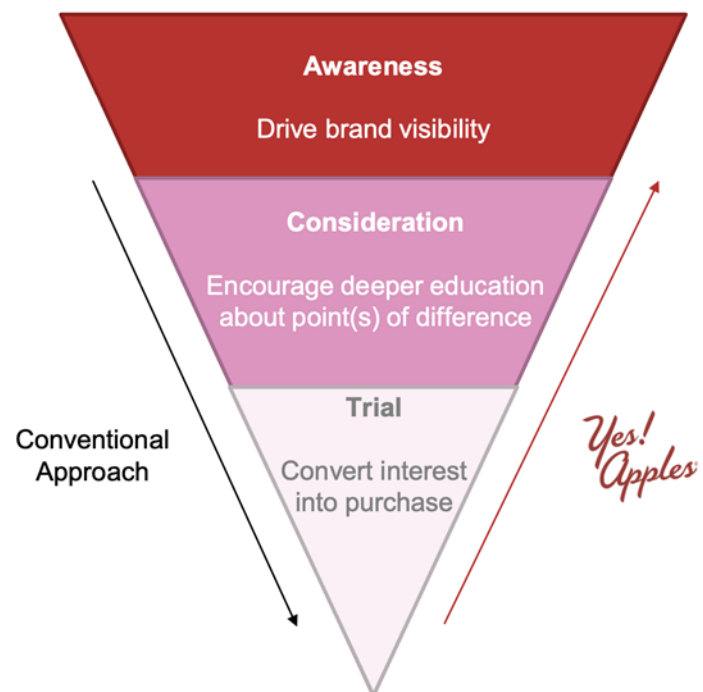
Throughout January and February, we will run paid social ads geo-targeting the region and activate influencer content keeping two foundational marketing elements on throughout the campaign. On January 2nd, we start our four-week out-of-home billboard campaign, strategically placed in high-traffic areas near Shaw's, highlighting 1) delicious-looking apples and 2) Shaw's. The billboards aim to correlate high-quality apples with Shaw's and drive consumer traffic to the retailer. Then in February, we will start sampling efforts at four different Shaw's locations during two separate weekends (sampling during peak hours on Saturday and Sunday).

Campaign Approach

When considering the standard marketing funnel, moving consumers from Awareness to conversion follows the conventional assumption that consumers need to be aware of the brand before convincing them to try the product. However, for Yes! Apples, consumer research has shown that people buying apples choose product qualities (flavor, quality, etc.) at the top of their considerations. As a result, Yes! Apples must focus on moving upwards from the bottom of the funnel, associating the flavor and quality of Yes! Apples with the brand itself.

Trial

For apples, there's an element to shoppers being in the store that is critical to begin the journey, whether apples are a planned or an impulse buy. Starting with the Trial step, Yes! Ap-



apples can lean into the fact that shoppers are stopping at their preferred retailer and already purchasing apples – even if they aren't aware of the brand. In this instance, the branding should be prominently displayed next to the product. When in-store signage is unavailable, encouraging Trial through sampling and prominent branding reaches shoppers who don't already have Yes! Apples in their cart, directly associating the high-quality product with the brand name.

Consideration

After consumers trial the product, we need to move our efforts into Consideration by bringing apples to the top of mind and encouraging other shoppers to purchase at Yes! Apples retailers with timely reminders—both pre-shop and at the store. As consumers associate a better consistent apple experience with certain retailers (Yes! Apples-supplied retailers), they'll gravitate towards adding apples to their list at those stores or as an impulse buy at the shelf. While the Yes! Apple branding may begin to be associated with the products; the goal of increasing sales and quantity of apples purchased by an individual should remain focused on associating a positive, consistent purchase experience with the product.



Awareness

Then we will transition into working on long-term Awareness. With consistent, prominent branding on the shelf and communications driving purchases at specific retailers, consumers will start associating the brand with the product. The goal will be to move from the narrative that "Shaw's apples always taste better than (other retailers)" towards "I know Shaw's sells Yes! Apples, which I prefer." Once baseline brand awareness rises, then high-awareness media channels (TV, Radio, Online Video) will begin to impact bottom-line sales.

We will create several tests over the next few years, constantly layering in different marketing activations to see what drives customer retention, acquisition, and increased profits the most effectively for Yes! Apples. We will test print, mailers, out-of-home, podcast, radio, digital ads, and more. This is an exciting chapter for Yes! Apples, all in the name of sharing and selling the best apples on the planet!

The Market of Last Resort



The apple industry has many markets to sell their apples. There are two main categories: "fresh" and "process" with several sub-categories among these two. Within these categories there is an economic hierarchy based on the value of the product. It's well known that in most seasons, fresh apples sold to retail have the highest value, while juice apples have the lowest value.

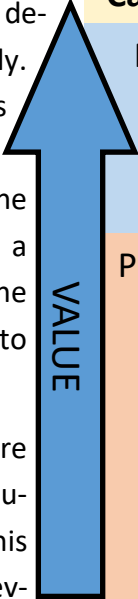
One of the (many) challenges we have as an industry is that we grow a perishable crop with fairly significant yield fluctuations year to year, yet demand for apples is generally static or certainly less variable than supply. Hence, supply and demand rarely align in any given year. How does this affect the many apple market categories? In large crop years, there are enough apples for every category and if there are too many apples for the higher value categories, the extra apples flow to a lower category. In a short crop year, the higher value categories will get satisfied first at the expense of the lower value categories. Hang with me, there is a point to all of this!

We all know larger national and NY crops are inevitable based on more than a decade of growers across the country planting new acres and rejuvenating old. The “Big-One” that we are all expecting did not happen this year on a national level as Washington state had it’s smallest crop in several years (thank goodness). However, Michigan and New York had very large

crops. In New York, it was most apparent in Western NY; by mid-season bins were short, storage space was nearing capacity and the process market was backed up. By the end of the season there were many farms that left fruit in the orchards and thousands of bins were put away in the hopes there would be a buyer post-harvest.

Something came to light this marketing season that may not have been apparent to many in the industry but was felt by all. The market of last resort was missing. The Mott’s Williamson plant did not make apple juice concentrate. The Mott’s plant for decades had the largest concentrate making capacity outside of Washington and the plant had been a valuable processing market participant. Most notable were the years when crops were very large and the plant would utilize the “extra” apples in the marketplace. For some context, in large crop years, the plant would turn 5—7,000 bins per week from September to December. While apple growers weren’t always pleased with the price paid for the low value apples, the facility put a bottom to the market and kept the extra apples from entering the apple categories higher up the value chain. The plant turned bins, utilized lower quality apples, and reduced the need for storage space.

New York and other eastern apple producing states have been fortunate to have a healthy processing sector. While many of you reading this grow apples strictly for the fresh trade, a healthy processing market benefits everyone. For reasons I won’t go into, it’s not likely Mott’s will resume concentrate production, nor would there be a new market participant in that space. It’s more important than ever to ensure the remaining processors are supported and the industry collaborates with them. Not just the buyer/seller relationships, but ensuring the state and national associations are advocating for their interests, universities are providing expertise and research, and finally communities and politicians are educated on the value these enterprises bring to the entire apple category. With more “Big-Ones” coming, it’s more important than ever to have a vibrant processing sector.



Category	Sub Category
Fresh	⇒ Retail Grocer and Farm Markets
	⇒ Wholesale Markets
Process	⇒ “Fresh” Slice
	⇒ Applesauce
	⇒ Frozen Slice
	⇒ “Fresh Pressed” Juice
	⇒ Juice for Concentrate