

**Les Malcovitch & Associates**

**Management Consultants**

127 Drive A, Strathmont Park Elmira NY 14905-1739

Voice: 607-733-6160 Fax: 607-215-0167 email: [lmalcovi@stny.rr.com](mailto:lmalcovi@stny.rr.com)

**For Twenty Successful Years: "We Sharpen Your Competitive Edge"®**

Date: March 24, 2007

To: Tim Weigle

Subject: Focus Group #6  
Lake Erie Grape Team,  
Portland, N.Y.  
March 15, 2007  
5:00 p.m. – 7: 40 p.m.

Participants: 17

Helen Baran, [barangep@cecomet.net](mailto:barangep@cecomet.net)  
Steve Baran  
Ed Barger,  
Bob Betts, [bdgrapes@fairpoint.net](mailto:bdgrapes@fairpoint.net)  
Dawn Betts  
Don Chess  
Jim Corell  
John Hardenberg, [cjhardenberg@yahoo.com](mailto:cjhardenberg@yahoo.com)  
Eric Huddy, [huddyagricultural@juno.com](mailto:huddyagricultural@juno.com)  
Marc Kapple  
Joanne W Nixon, [jwn@cecomet.net](mailto:jwn@cecomet.net)  
Pete Noble, [Noblewine@cecomet.net](mailto:Noblewine@cecomet.net)  
Bob Patterson, [shinteer@cecomet.net](mailto:shinteer@cecomet.net)  
Howard Ross, [grapesofross@mgm.com](mailto:grapesofross@mgm.com)  
Carl Vilaro III, [CVilaro@cecomet.net](mailto:CVilaro@cecomet.net)  
TimWeigle, [thw4@cornell.edu](mailto:thw4@cornell.edu)  
Barry Shaeffer, [bes9@cornell.edu](mailto:bes9@cornell.edu)

Moderator: Les Malcovitch

**1. Situation Appraisal – What's Going On In Your Industry?**

- a. No money
- b. No prospect of money
- c. We are an undiscovered area for agritourism
- d. We face an increase in competition
  - i. For production of our raw product
    1. Grapes are being grown in other countries
- e. Escalating material costs
- f. Non-expanding markets

- g. Increase in regulations
- h. Increase of taxes
- i. Dwindling labor pool
- j. Increase in total expenses
- k. Aging growers

## **2. SWOT Analysis – Strengths, Weaknesses, Opportunities, Threats**

### **a. Strengths:**

- i. Heritage of this area
- ii. Healthy product
- iii. All the new wineries coming in will be a real benefit
- iv. We're self-employed
  - 1. We won't get fired
    - a. You may not be able to pay your bills, but you won't get fired
- v. Nice to work within the season
- vi. Lifestyle
- vii. We're 50 years behind the rest of the country
  - 1. You can leave your keys in your car
  - 2. The negative to this is we're not keeping up with the growth needed to keep up with costs
- viii. We worry about being able to attract the next generation
  - 1. But half of the crowd in this room is new
    - a. Folks who came out aren't the old timers, who won't change
- ix. A strong Extension program brings benefits and knowledge from Cornell back to Chautauqua
- x. Our proximity to the market
  - 1. We're 5 hours away from 75 percent of the U.S. population
- xi. The people – the way we are to one another
  - 1. Help in sickness
  - 2. Help if equipment breaks down
  - 3. Help with timetable
  - 4. It's the way it is – support one another
- xii. We have good community support on the whole
- xiii. We get to work with the family
  - 1. I work with my Dad
    - a. Most young people don't have that opportunity
- xiv. We have perfect climate and soil conditions (for growing grapes)
  - 1. Except when it's zero
- xv. We have really good land for grapes
- xvi. We have important assets
  - 1. Plenty of water

### **b. Weaknesses:**

- i. Our crop is considered a commodity

1. It's being substituted by foreign juice at a lower price
  - a. And other inferior products
- ii. Cost of production compared to other areas
  1. The West Coast – Washington or California
  2. Chile, Argentina, Brazil, China
- iii. Promotion and marketing are weak
- iv. Regulation – government regulation gives us an uneven playing field, putting us at a competitive disadvantage with other countries
- v. Machinery technology
- vi. Taxes – property taxes
- vii. Farm size for efficiency
  1. Efficient size different (for grapes than other crops)
- viii. Labor
- ix. Organization of farmers as a whole
  1. Perfect example (of good organization)
    - a. Florida Orange Growers
  2. We need to promote juice grapes or wine grapes
    - a. Can't be left to the processors
    - b. It's got to be done by the farmers themselves
      - i. United in the task
  3. Individuality of farmers is both a weakness, and a strength
- x. Decreasing number of banks willing to support agriculture
- xi. We are at the mercy of cash market buyers at times
- xii. In (times of) oversupply, no supply control
- xiii. We get told what we will get paid at the end of the season
  1. The Cash people get to know on August 15<sup>th</sup>
  2. For the Co-op people, it can be years (before they get their final payment)
- xiv. Twenty years ago, (the New York State legislature adopted) the Full Price Bill
  1. The way it was written was different than what was intended
- xv. On price, it can be illegal to collude
- xvi. Not enough options to raise crops for other processing companies
  1. We no longer grow cherries or blueberries
  2. We used to grow tomatoes until paste was brought in from California
    - a. We just got rid of a 40-year-old tomato planter that we bought and never used

c. **Opportunities:**

- i. Marketing and promotion
- ii. Agritourism
- iii. Alternative product
- iv. Keeps you out of trouble
- v. Wineries and juiceries

- vi. Health benefits (promote them, capitalize on them)
- vii. Land here for development
- viii. Water
- ix. Quality of our water
- x. There are hundreds of wineries opening across the country
  - 1. They need juice
    - a. We could form some sort of cooperative to supply them
    - b. You need a supply system
      - i. It's too expensive for the individual to tackle this market
- xi. Educational opportunities
  - 1. In schools, teach kids about what we do
    - a. The population doesn't understand
      - i. They don't want to know
  - 2. In Ontario, kids are shown every aspect of agriculture from kindergarten up
  - 3. We tried for years to get kids to come to our farms
    - a. But the school bureaucrats said no
      - i. If they go to a farm, they are off school premises
        - 1. Have a liability issue
    - b. We donated an area of our farm to local schools for education purposes
      - i. Had to be carefully done
  - 4. In Westfield school, they have 2 soda pop machines
    - a. But no milk
    - b. But no juice
- xii. Foreign markets
  - 1. There is wealth all over the world
  - 2. We have the marketing ability to do that (sell around the world)
    - a. If we can compete with Brazil and China
- xiii. Heritage Museum
  - 1. Showcase the Grape Industry
  - 2. Les M. Question: How long has your farm been in your family? What generation are you on that land?
    - a. My wife's family farmed it for 200 years
    - b. We go back to 1858
    - c. 5<sup>th</sup> generation
    - d. 1864
    - e. 4<sup>th</sup> generation
      - i. My grandfather was too young to help with the planting of the vines
    - f. Bought in 1909, and the same vines are still producing

g. **“And we really want it to go on”**

- xiv. In the last few years, we’ve not been making any money
  - 1. The opportunity in this is it will get rid of some of the poorer farmers (less skilled)
  - 2. It forces you to go to new technologies
- xv. Five major commodities get government subsidies and support
  - 1. We aren’t one of them (grapes)
- xvi. I-90 goes through here
  - 1. Get people off that road
    - a. Over 1 million could come off in a year
    - b. There are 1.5 million a year through the Ripley Toll Booth (on the NY Thruway)
    - c. There are 43,000 cars a day

d. **Threats:**

- i. Lack of public perception of this industry
- ii. Lack of media understanding
- iii. Lack of interest of youth
  - 1. I couldn’t recommend this business because of the swings
  - 2. It’s due to the cost to get in
    - a. The high cost of property and equipment
      - i. Unless a farmer is getting out
    - b. Almost impossible unless getting the family farm at great terms
  - 3. The hours
- iv. Apathy in grape growing

**3. After You, Who Will Take Over Your Farm?**

- a. Someone in My Family (my kids): 1
- b. We don’t know: 7
- c. Definitely not remain in family: 3
  - i. The Farm Credit Bank will get mine
  - ii. If you want the farm to stay in the family, don’t think of getting lots for it to get you through retirement
    - 1. You have to mostly give it away for as little as you can
  - iii. Frontage along road
    - 1. Any development – zero
  - iv. Interest in living a rural lifestyle
    - 1. Does it increase (the appeal of keeping that farm)
      - a. This area is an undiscovered gem
      - b. If the people in Pittsburgh knew what’s here, they’d flock here
        - i. Yeah, but they’d want to build on well-drained gravel soil
          - 1. We’ve got to work to keep this from happening

- 2. Since the land is an Agricultural District, (get relief on taxes)
  - a. Put this into the price you ask
    - i. 4 years' back taxes
- 3. In Pennsylvania, ask for permanent (classification?) in farming
- 4. Go to NYstate.com
  - a. You'll see how much more money is spent in other parts of the state than here
    - i. "New York State stops at Rochester"
  - b. We are extremely close to the Pennsylvania border
    - i. PA doesn't have all the taxes NY has
    - ii. PA buyers buy NY land for ½ price
    - iii. But their taxes will be more
  - ii. Agriculture value assessment helps lower the tax burden
- v. Our soil favors the grapes we grow
  - 1. Washington state grows the same variety
    - a. But they get a different tasting Concord
      - i. Washington state must irrigate

#### **4. What Will This Industry Look Like In 2, then 5, then 10 Years?**

- a. Farms will be larger
- b. Farmers will be older
- c. There will be more wine grapes
- d. There will be more direct marketing
  - i. Specialty farms
- e. More mechanization
  - i. How is that possible?
- f. More foreign markets will be developed
- g. Lower producing farms, or marginal farms, will be abandoned
- h. We'll still have to produce a crop acceptable to the factory
  - i. That may be expensive
- i. There will be people dropping out
- j. 20 percent of us will grow 80 percent of the grapes
  - i. The hobby farmer has another job
    - 1. His second income helps
    - 2. No real need to sell his crop for profit
- k. Increase in organics

**5. What Will My Own Enterprise Look Like in 2-5-10 Years?**

- a. I'll be close to retirement age
- b. More specialized mechanization
- c. Some sort of bio-technology
- d. Different varieties
  - i. But yes, the same crop
  - ii. Today, our acreage is 90 to 95 percent juice grapes
    - 1. Concord is 80 percent plus in this county
    - 2. Next, Niagara
    - 3. Next, Catawba
    - 4. French Hybrid and vinifera – less than 3 percent
  - iii. 95 percent is intended for juice
    - 1. 5 percent for wine
- e. We're not considered part of New York State
  - i. The Interstate still takes people by
- f. I'll machine prune it
  - i. The INS took all the labor away
    - 1. When the INS made the raid, there was no article in the paper - a Mexican told me

**6. What Would Your "Ideal World" Look Like?**

- a. Getting paid our worth
- b. Same story for years (70-80)
- c. Be left alone
- d. Tone back the interference from all of the agencies that burden us
  - i. DEC
  - ii. FICA
  - iii. INS
  - iv. DOT
  - v. OSHA
  - vi. Workmen's Compensation
  - vii. Department of Labor
    - 1. Less restrictive
    - 2. It's like they are punishing us for being in business
- e. The jobs we offer are jobs that Americans will do
  - i. Right now, Americans won't do them
  - ii. If not for immigrant labor, no one would do them
- f. We could pay a competitive wage to get people to work for you
  - i. You need a good price for your product to be able to do this
- g. This area was over-run with tourists
  - i. Eager to get Concord grapes
  - ii. Who consume tons of grape juice
- h. Niagara-on-The-Lake, Ontario, Canada
- i. Young people wanting to do this business
- j. CEO's of world not diluting our product to survive
- k. A Welcome Center, or Centers

- i. Giving our free grape juice samples, like orange juice in Florida
- l. New York State government be Western New York and agriculture friendly
- m. (Senator) Cathy Young idea
  - i. Idea came before her
    - 1. A Welcome Center
    - 2. Visitors able to taste Concord grape juice
- n. 2008 – an Educational Week
  - i. Foods and beverages of Chautauqua County
- o. Concord grapes a service in kitchen ??
- p. People drinking Concord grape juice for health benefits
- q. New York State Wine and Grape foundation gave \$300,000 for promoting Concord
  - i. Joanne: There's no way we can pull up this end of the state by ourselves
- r. We have a business-friendly state

## **7. Talking About the Lake Erie Grape Program**

- a. **What Do They Do Well ? (Positives about the program):**
  - i. They do lots of positive stuff
  - ii. They help in spraying
  - iii. IPM
  - iv. Keep us up to date by being themselves up to date
  - v. We benefit from the research they do
    - 1. We can apply it to our own operations
  - vi. Conduct experiments and projects to save money
    - 1. In fertilizer
    - 2. In mechanization
    - 3. In spraying
  - vii. They are good
    - 1. If not, we'll certainly tell them
  - viii. Bookkeeping
    - 1. Barry's (Shaeffer) work
  - ix. Participate in many activities that the growers and the industry are interested in
    - 1. Lend their expertise
  - x. Publications
  - xi. Travel to bring information back to us
- b. **Negatives: What Do Wrong? What Could They do Better?**
  - i. Some people think there is no research left to be done on Concord
    - 1. There's a lot yet to be done
      - a. Rick: I saw research being done
  - ii. Our acreage is just 3 to 5 percent wine varieties
    - a. There is too much time spent on wine research
  - iii. Information that comes from here and goes to Cornell

- 1. Emphasis on Finger Lakes, and their wine grapes
- iv. Cornell does not want young people to do volunteer work that could be done on their vineyards
  - 1. It's a liability issue
  - 2. Which vineyards? Cornell's vineyards – at the Extension Lab
- v. Cornell doesn't promote vineyards to kids
  - 1. Our son volunteered at the lab
    - a. Cornell said absolutely not
      - i. It's because of liability

c. **What Could the LEGP do to help you get to Ideal World?**

- i. They are doing good with what they are concentrating on now
- ii. Could be changes in the future
  - 1. Way to manage the media
    - a. If there is going to be a frost, you'd know
- iii. Give advice to individual growers for ideal weed spray
  - 1. They don't like to do that because of liability
    - a. In case of the wrong outcome
      - i. They'd be liable
  - 2. If I have the choice of taking advice from the processor or LEGP, I'd take LEGP any day
- iv. They'd have the resources to look at China, or South America
  - 1. And prepare growers for what is coming
    - a. Change the planning of young farmers
    - b. Help with decision of buying machinery
    - c. Tell us what's coming down the road
      - i. Warn us of threats
  - 2. China is very large in our minds
    - a. Grow as threat
    - b. But also can grow as a market
      - i. Welch's is competitive there
      - ii. Grape juice is on the shelf in China
        - 1. In China, Florida Orange juice sells for 5 remimbi (5 yuan)
          - a. Chinese orange juice is one tenth that
  - c. We cannot have the Walmart mentality
    - i. Cheap
    - ii. Cheap
    - iii. Cheaper
  - d. China is entering the premium wine industry
    - i. Importing wine juice from Argentina
      - 1. And aging barrels from Italy
    - ii. I've read plans of their going into a premium wine

1. Called "Chairman's Reserve"
2. Sell for equivalent of \$80 a bottle

d. **How do You Like to Get Your Information?**

- i. Not e-mail, thank you!
- ii. I don't have time to read e-mail
- iii. I want the information in my hand
- iv. I like e-mail
  1. It's invaluable because it's timely
- v. If it's really necessary, the LEGT will make a visit to my farm
- vi. Newspaper
  1. But now, the only thing we see about our industry is crop losses due to weather

**8. Last Word – Going Around the Table**

- a. Good to have a group like this.
  - i. Area lacks a friendly government atmosphere
  - ii. Area lacks technology that generates high paying jobs
  - iii. It's high paying jobs that support what we've been talking about here
- b. Juice industry has to come up with a fad thing
  - i. Like bottled water
  - ii. Stick to health conscious people
- c. What the industry is going through now is good in that it will weed out less efficient grower
  - i. Looked at the brighter side
    1. One kid
      - a. Other folks got laid off
- d. Industry has to get up and promote lots more of our products.
- e.
  - i. 1. About the Cooperative Extension system:
    1. There's a parallel in the Dairy Industry
      - a. Every year, Extension gave us new ways and tools
      - b. Our production skyrocketed
      - c. But the price per hundredweight same when in as out
      - d. We had no choice but to adopt the new technology
      - e. Consumer benefits from this support
      - f. But NOT us
      - g. Extension benefits the consumer more than the grower
    - ii. 2. About foreign markets
      1. Welch's sees foreign markets as biggest area of growth
        - a. The ability of people in China, India, Latin America to afford
        - b. They see these as only outlet for oversupply

- f. Glad to have opportunity to listen
  - i. The industry will be changing a lot
  - ii. All of us will still be here when it does
    - 1. I'll still be here
- g. More growers my age (young)
  - i. Who share my views
  - ii. Future is kind of scary
- h. It's good to see that the State of New York sees that this end of New York has potential for agritourism
  - i. That will produce a trickle down effect
    - 1. New businesses will provide new tax base
- i. As farmers, we need to spend more on promoting what we do
  - i. There are over 300 new wineries in the US
  - ii. 85 percent can't grow grapes
  - iii. Most of what we grow here is what they are using
  - iv. Welch's selling grape juice to small wineries could help our business
    - 1. I don't see them doing anything like this
      - a. Those are small wineries, and that means small gallonage
- j. Our industry needs an identity
  - i. We should be selling a premium product
    - 1. Get premium for our product versus California C131
    - 2. We have more antioxidants
    - 3. More resveratrol
- k. to get information from Cornell, the most effective way is
  - i. Small meetings
  - ii. Coffee-pot meetings
  - iii. Small groups
- l. Our individualism is something we cherish, but we must think "industry"
  - i. We are the industry
  - ii. There is strength in numbers and from groups
  - iii. Servicing small wineries
    - 1. Could be done through some sort of cooperative processing industry
      - a. Go after the small market
        - i. Have pooled processing
- m. this will be a bit of an advertisement
  - i. We have formed a Lake Erie Concord Heritage Belt
  - ii. Cornell University has created a book "*Economic Impact of Concord Grape Production in The Lake Erie Region*"
    - 1. It's ready to be published
  - iii. Before the summer starts, there will be kiosks established from Silver Creek to the PA state line
    - 1. Kiosks are three-sided
      - a. Mounted on a pole

