



CROP REPORT

10.15.21

Valued Customers:

Welcome to the Fall season and we hope this finds you and yours well and continuing to adapt with us to this year's many "opportunities".

California Tomatoes:

The January USDA forecast was 12.1MM tons and subsequently revised down to 11.6MM tons in late May. However, the early extreme heat and the ensuing uneven weather and fallowed acres- due to water restrictions, conspired to drive that number down even further. We estimate the final number revealed in the next few weeks to be approximately 10.6MM tons. 2021 will make the top 3 list of shortest crops in 15 years. With the late harvest, many of those tons were sold at the "Late Season Premium" price per ton, adding to the additional and mounting component cost increases for processors. The standard pricing for conventional tons was agreed at 84.50 per ton. Given the weather, late season premiums will necessarily comprise a larger portion of all processor's pack this year as we try to cover contracts. That premium price per ton was set at \$100.50 per ton for most of the month of October. Organic tons price was agreed at \$136 a ton. Overall fruit quality/yield were average, given the mixed conditions throughout the year. With the increasing scarcity of water, competition for growing acreage will likely be very high in 2022. We expect this to further increase pricing per ton to compete with alternative crops.



As we've done for decades, we encouraged our foodservice customers to contract with us in the Spring and those that took advantage of doing so, with very few exceptions, should be covered through to the 2022 pack season. For those of you that chose not to contract or book with us, we may not have inventory of exactly what you need, but will work with you as best we are able.

	<u>Weekly</u>	<u>YTD</u>
PTAB Projections for W/E Oct 9	521,060	10,298,535
Field Department Projections for W/E Oct 16	265,513	10,564,048

<https://www.ctga.org/Statistics>

<https://www.theatlantic.com/politics/archive/2021/08/well-fixers-story-california-drought/619753/>

<https://fruitgrowersnews.com/article/water-woes-challenge-western-ag/>

<https://www.sfgate.com/bayarea/article/water-California-cuts-Bureau-of-Reclamation-16205911.php>



Photo above: October Harvest; note the arid conditions

Northwest Fruit:

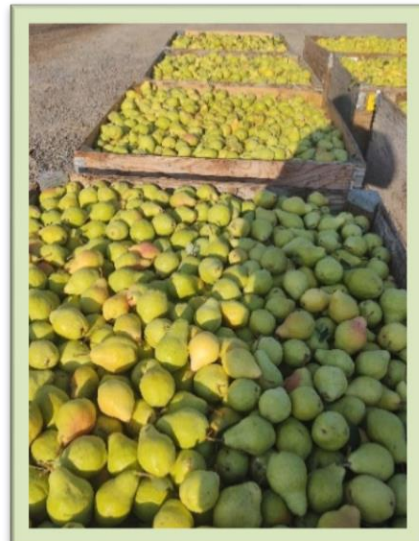
Following the early extreme heat event that reached 117F+ in June, followed by another stretch in July. August and Sept were more in keeping with historical patterns, with the exception of precipitation. However, significant damage had already been done to NW Cherry and berry crops reducing crops by 30%+. Drought conditions remained in many growing regions for the duration of the harvest.

<https://www.npr.org/2021/08/11/1026672403/oregon-washington-climate-change-heat-wave>



Pears:

We expect NW Processing Pears to conclude in the next few weeks with final tons estimated at approximately 77K tons, down from just over 90K tons for 2020. The shorter crop, mixed with some smaller sized fruit will both contribute to higher cost of production this year for processors. The negotiated price per ton was \$355, up from \$340 in 2020. Though there was some early heatwave damage, the overall crop was excellent, resulting in fewer tons available for processors and over 16 million fresh pear cartons shipped to retail channels and non-commercial channels.



Cranberries

We are sold out for the balance of 2021 and booking up fast for 2022 shipping season. We've entered the harvest and are on track for our contracted needs for 2022. Our fruit comes largely from the Bandon, Oregon region which has been growing cranberries since the 1890's. This growing region is recognized globally for producing dark crimson color, superior nutritional value berries with amazing flavor and the quality looks not to disappoint this year. The drought in the Northwest did have some impact and tons are projected slightly less than last two years.

We understand both the Quebec and the Wisconsin crop may be short 15-20% this year given July/August heavy rains and humidity and that Cape Cod hasn't fared much better.



Costs:

Without exception, every component comprising our cost of goods has increased over the last 12 months, some two or three times! We continue to get news of further increases in the year ahead from our suppliers for cans, film, fiber, glue, raw tons...

As supply chains resolve, we want to provide you with some level of justification for price increases. The food business is a pennies business and increased costs have affected all of our bottom lines. There are several links at conclusion of this report worthy of a look, if you're not already aware of current events in our industry. It would be tough to miss the daily, hourly inflation reports from our media. Having said that, below are some of the most significant ones affecting our business and partnership during this unsettled period.

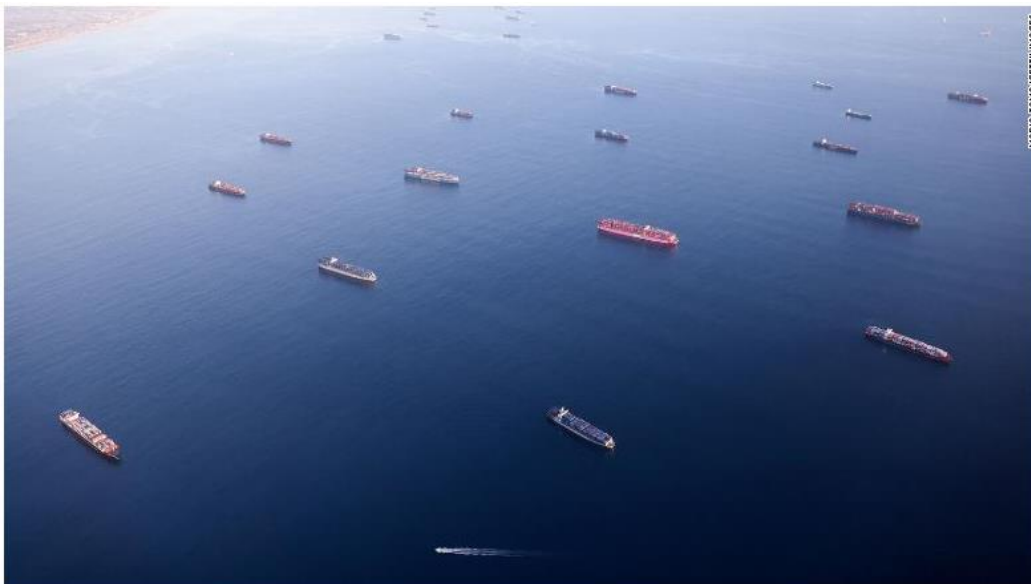
<https://www.foodbusinessnews.net/articles/18624-food-price-inflation-is-on-the-horizon>

Supply Chain

With continued governmental funding and restrictions, the supply chain challenges grow as drivers, distributors, restaurant operators and manufacturers are stretched thin. Labor continues to be the #1 challenge according to recent food industry polls.

As we're sure you've read, between 50-75 cargo ships are stalled ongoing in our nation's busiest ports with minimal labor to offload and few available truck drivers or railcars to move the slowly offloaded product out of the port and cross country. Much of this cargo has been waiting weeks for a berth and then additional weeks or months for overland transport.

<https://www.bbc.com/news/business-58643717>



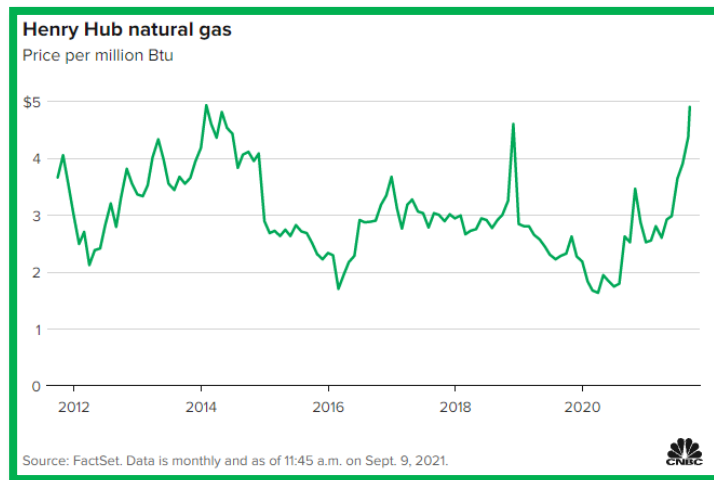
Container ships anchored by the ports of Long Beach and Los Angeles as they wait to offload on September 20, 2021.

Energy:

With drought conditions, the amount of energy derived from hydropower in CA will fall to only 4% for 2021, down from an average of closer to 14%. This excess demand falls to the more expensive alternatives of natural gas and electricity to fill. Unfortunately, California hosts the highest rates in the country with increases in 2021 of over 99% year to date!

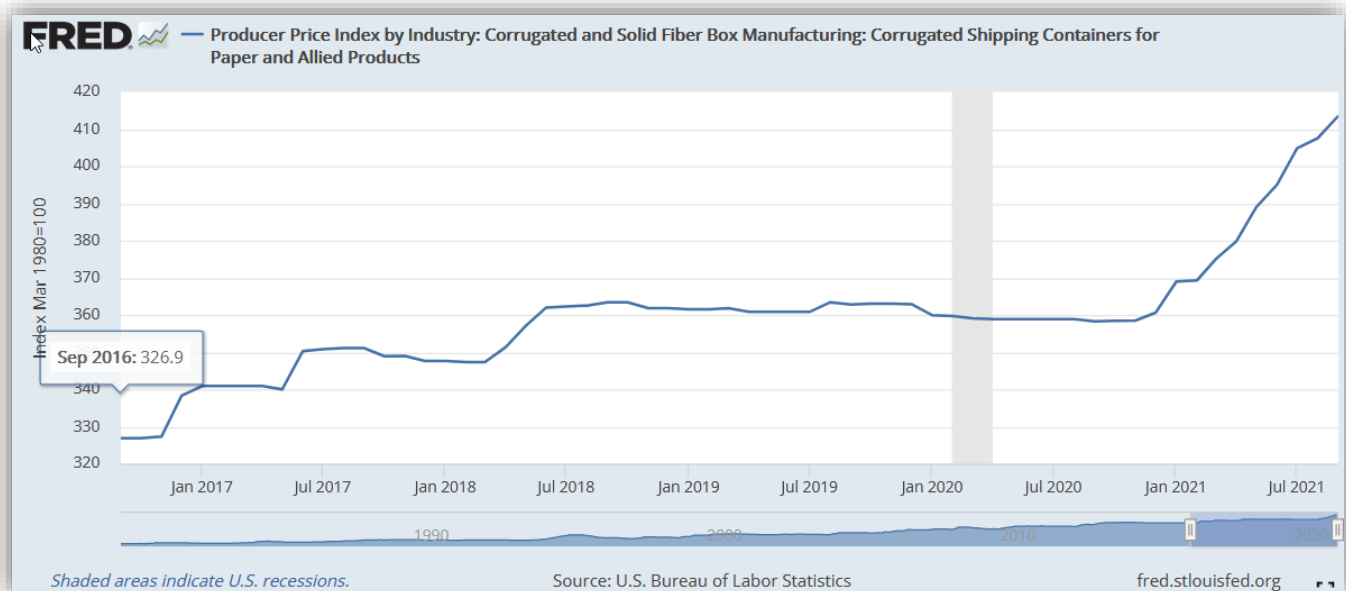
<https://www.reuters.com/business/energy/global-natgas-price-surge-looms-united-states-this-winter-2021-10-04/>

<https://www.cnbc.com/2021/09/09/natural-gas-prices-are-rising-and-could-be-the-most-expensive-in-13-years-this-winter.html>



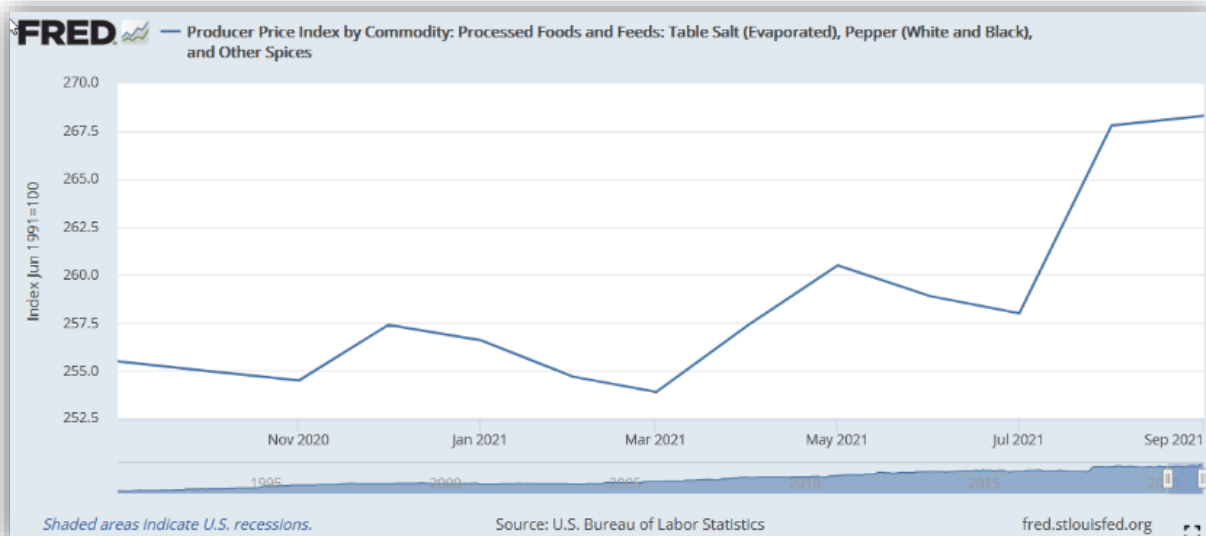
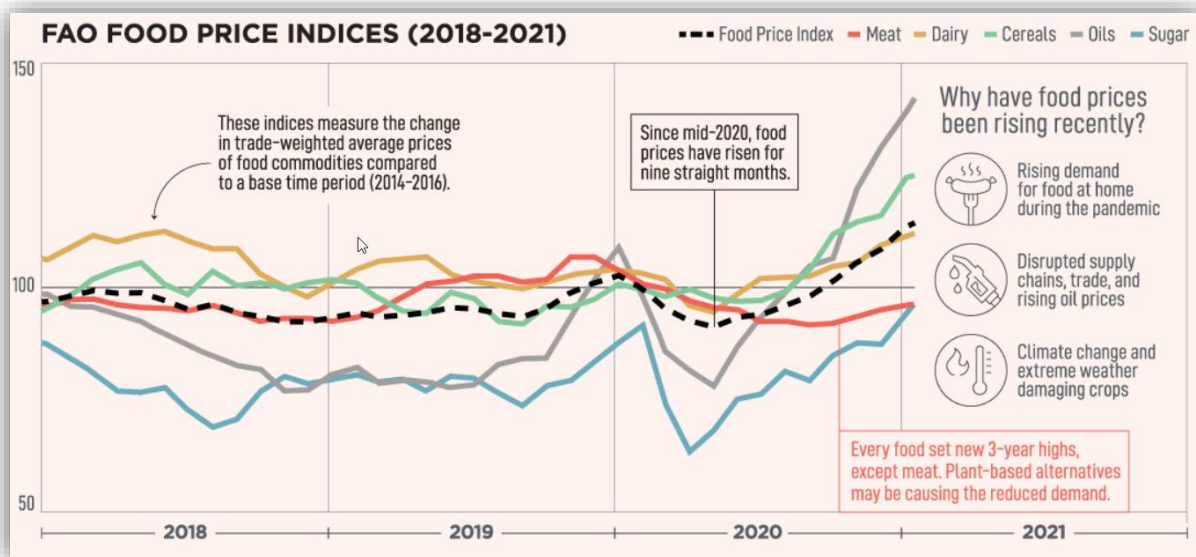
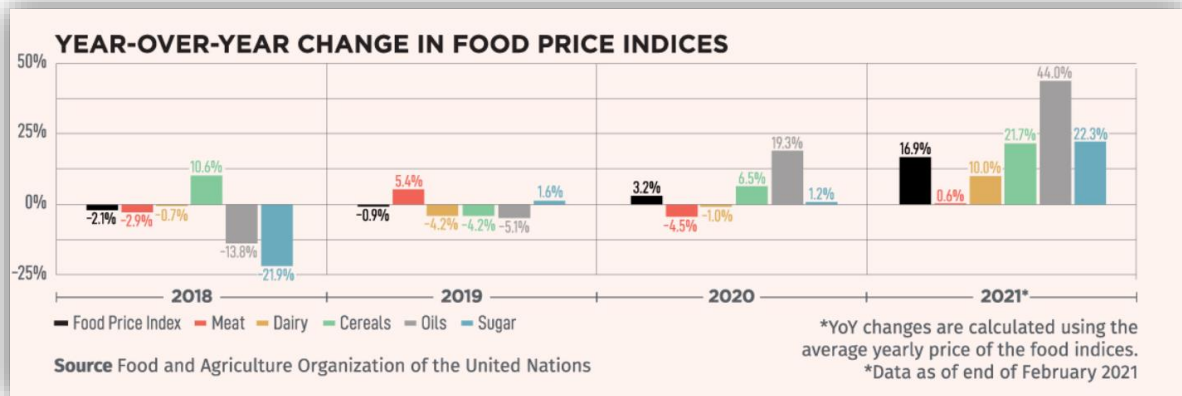
Packaging:

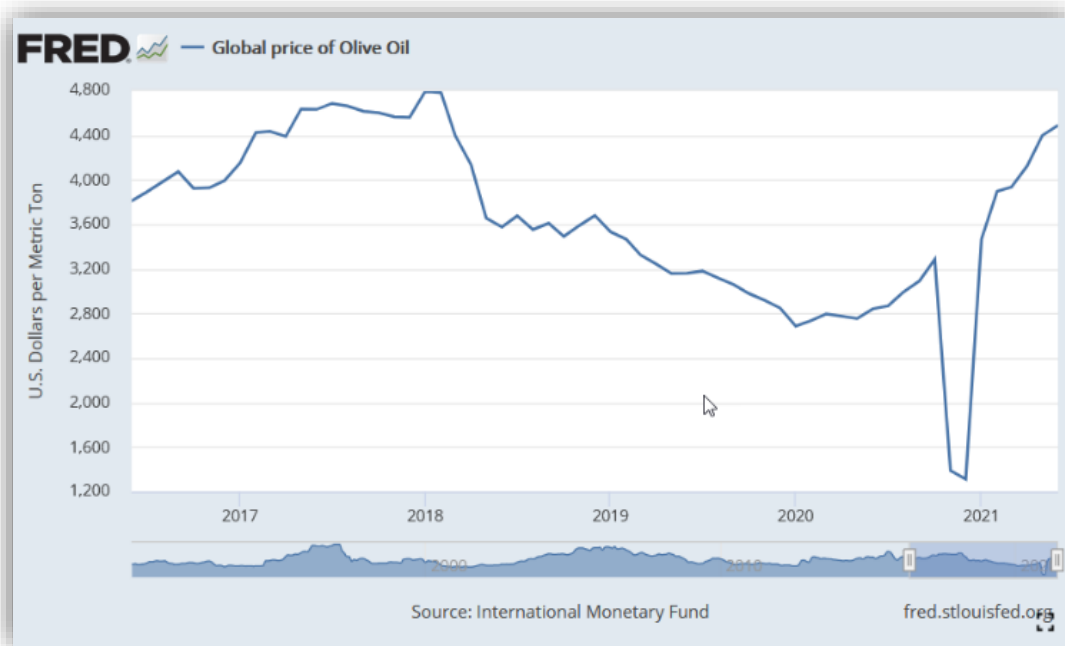
As you can see by the PPI's below, all of our primary components of packaging have risen in excess of 20% in less than 12 months and continue to rise with most orders. Resins (used for our pouches), corrugate and linerboard (for our cases) and steel/tinplate (for our cans) have all risen at least 25% so far this year and we're receiving notices of even more severe increases in the year ahead.



Ingredients:

Some notable food pricing indices affected by supply availability, increased transportation, demand spikes, labor and others:





<https://www.washingtonpost.com/business/2021/09/15/food-inflation-faq/>

<https://elements.visualcapitalist.com/shrinking-portions-visualizing-rising-food-prices/>

We apologize for the number of pricing adjustments recently. We are trying to only adjust where and when we need to accommodate our higher costs, and no more. We felt our partners would appreciate an easing into this inflationary period only as our new costs presented themselves. We are optimistic always about the future and that things will settle down in the year ahead. However, we do not anticipate any significant supply chain relief in the next 2 quarters.

With the holiday shipping period approaching, government subsidies continuing and labor union strike threats, getting workers back to work and replenishing the anemic trucking industry workforce will take several months and likely years to resolve. Our economy has proven adaptable in the past and the increased freight, labor, energy, packaging, ingredients and warehousing costs will be absorbed by the consumer through inflation.

We appreciate your partnership!

Jon K. Holt
The Neil Jones Food Company