



CROP REPORT

October 19th, 2020

Valued Customers:

We hope this finds you and yours healthy & well. After a very difficult season for operators, retailers, growers, distributors & food processors, we officially concluded our tomato pack in California this week. We continue to pack Pacific Northwest Fruit and would look to wrap that up the first week of November.

Both The San Joaquin Valley and Northwest markets were dramatically impacted by Covid related labor shortages over the past 15 weeks. These shortages resulted in significant overtime and safety costs for the food processing industry. The California Covid Supplemental Sick Leave Program (CCSSP) alone cost the industry millions of dollars in sick leave for the 2020 pack season.



California Tomatoes:

The month of September brought wildfires and rolling blackouts throughout the state, and placed a blanket of smoke about 200 feet above the valley floor. This blanket cast a shadow over the fields for nearly 3 weeks, creating severe breathing problems and slowing maturation of fruit on the vines by blocking UV ripening rays.

NJFCO.COM

PO BOX 30 | 1701 W. 16TH STREET | VANCOUVER, WA 98666 | P 360.696.4356 | ACCT. F 360.6960050 | SALES F 360.696.3411



CROP REPORT

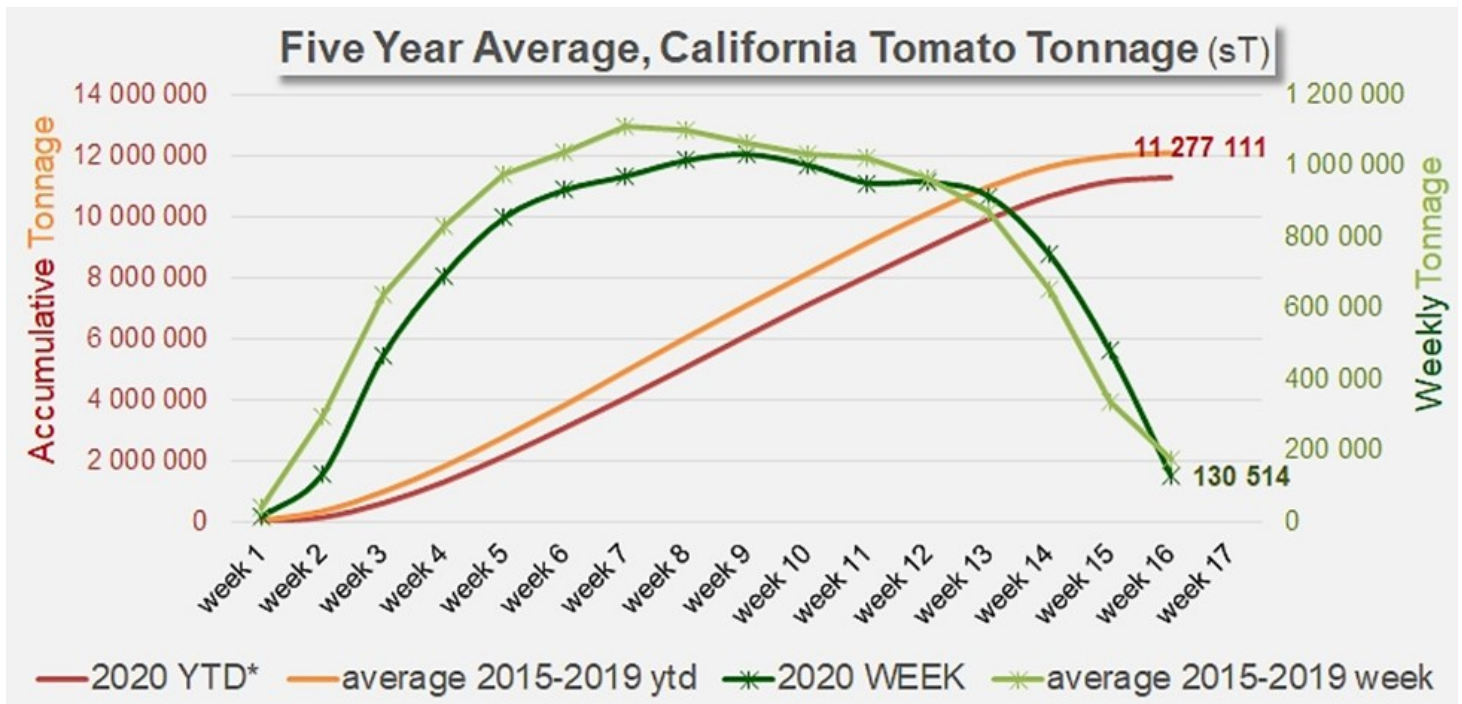
October 19th, 2020

California Tomatoes (con'd):

Following the 16th week of harvest we expect the crop to finish at about 11.3MM short tons. The original CTGA estimate was for about 12MM tons and the USDA estimate was about 11.4MM. All in all, Growers and Processors powered through a tough year to likely hit 11.3-11.4 when all the numbers are in.

Total organic tons came in at about 526K short tons. While this was up from previous year, carryover inventories were scant and demand will likely exceed supply through July 2021, driving pricing higher.

Overall fruit quality was good, but not great, largely due to the fires and mixed bag of early spring/summer weather. Negotiations with the CTGA for price per ton continue for a few processors, including ourselves, but will likely be higher than last year's \$75 price.



Source: PTAB



CROP REPORT

October 19th, 2020



Pacific Northwest Bartlett Pears:

We still expect the total processing ton number to finish in the 85-90K ton range in the Hood River and Yakima valleys. The fruit sizing seems to be tailing off in recent weeks, perhaps due to the area fires which, like those in California, prevented full UV ripening by blanketing the orchards with a thick layer of smoke for about 20 days in September.

The photo at left shows hill overlooking pear/cherry orchards in The Dalles Oregon in July and underneath, the same view from last week. The photo below is our office. The Portland/ Vancouver metro area did not see sun for about 14 days.

We expect the processing pear harvest to conclude by mid-November this year.

Grower's price per ton has increased by 13%+, from \$300 a ton to \$340 for this year's harvest.



NJFCO.COM



CROP REPORT

October 19th, 2020



Northwest Sweet Cherries:

Harvest has concluded for this year and overall, the fresh crop is down over 20% from 2017 numbers, leaving far fewer processing tons for canneries this year.

Challenges with this year's crop included an early Spring frost, untimely rain and the "little cherry" disease that reduced crop by an estimated 40 million pounds.

Northwest cherry growers have cut down infected trees to limit losses and contagion. This infection had devastating effects in California and Canada as well.

Northwest Packing was not able to complete our pack objectives, but with the Cruise Industry stalled, we should have enough inventory to sustain most of our customers.

Pacific Northwest Purple Plums:

Sweet and nutritious, we have 2020 fruit available in Extra Light Syrup or Juice pack, whole or halves, retail 24/15 oz. or foodservice 6/10 (100 oz cans). Crop was exceptional this year and we've got 6/10 cases ready to ship!



Northwest Cranberries & Berries:



The Oregon harvest is proceeding as planned, however the fruit is not sizing up as well as 2019 and total harvest will likely be down about 10% as a result.

We're also hearing that Wisconsin's crop is down as they are experiencing some cold weather and areas of hail that are delaying harvest. The Massachusetts harvest also appears to be down about 10%

NW Blackberries, Raspberries, and Marion berries are down about 40% due to early rains and not sizing up well. However, Northwest blueberries are looking very good, with continued increased investment given demand.

NJFCO.COM

PO BOX 30 | 1701 W. 16TH STREET | VANCOUVER, WA 98666 | P 360.696.4356 | ACCT. F 360.6960050 | SALES F 360.696.3411



CROP REPORT

October 19th, 2020

Juice Concentrates and Purees:

NJFC produces a wide variety of concentrates, purees, essences and pomaces, all derived from Northwest fruit. These include apple, blueberry, raspberry, Marion berry, elderberry, and of course, cranberry, high PAC cranberry, pear, plum and cherry. We are a leading supplier for several nationally recognized branded juices, ice creams, confectionaries, and nutraceuticals. We also proudly supply to cider, seltzer, and craft beer producers and routinely engage in custom formulation work.



NJFC.COM

PO BOX 30 | 1701 W. 16TH STREET | VANCOUVER, WA 98666 | P 360.696.4356 | ACCT. F 360.6960050 | SALES F 360.696.3411



CROP REPORT

October 19th, 2020

COSTS:

Labor:

The food processing industry is experiencing significant increased labor costs. These are driven largely by reduced available labor, increased overtime, and other state laws like the California Covid Supplemental Sick Leave Program (CCSSP) and having to quarantine according to state guidelines. This program alone added millions of dollars in industry labor cost.

Additionally, Covid Related Costs (CRCs) are new, incremental costs, we've never had to include before. These include: PPE (face masks; Plexiglas dividers; air filtration systems; disinfectant chemicals; etc); slowed production; additional disinfecting/cleaning personnel; Temperature/Symptoms checking stations and staffing; and disinfecting foggers to name a few. Healthcare and insurance benefits have also increased by 4-5%.

Transportation/Warehousing:

Transportation and warehousing costs are also higher this year as these businesses also must cover the same CRC costs. We are currently experiencing an increase in warehousing costs of 2-3% depending on market. Our rail transport costs have increased 3-5% depending on lane.

Truck transportation has been a challenge this year for most food manufacturers. With a tightened national fleet and excess demand, both last minute cancellations and prices have increased. The attached article from The Wall Street Journal (page 7) points out some of the current supply chain challenges with a seasonal crop.

Finally, we wanted to let you know we're currently experiencing a shortage of available carriers out of the Valley causing delays of a week or more due to Covid, testing backlog, and the general California agriculture season. As such, we're optimizing rail and intermodal options where possible to insure we're keeping product moving nationally and forward warehouses stocked.

We continue to monitor highway diesel rates, which have been relatively flat. However, the election results could affect this in first quarter of 2021.

Ingredients:

We're seeing an increase of between 3-7% on spices and many oil varieties.

Utilities:

Natural gas and electricity are both trending upward, and forecasted at 4-8% higher thru March of 2021



CROP REPORT

October 19th, 2020

Packaging:

We're seeing increases in linerboard by about \$50 per ton which will in turn, bump our fiber cost up 2-4%. Retail cans are in short supply and can manufacturers indicate higher prices and don't see full supply chain replenishment until spring 2021, based on current projections.

NJFC continues to focus on costs we **can** control. We continue to invest in automation and are making productivity gains through strategic planning efforts. That said, we wanted to get this explanation out to our customers in front of pricing advances. We understand that our distributors face similar questions and wanted to insure that we have prepared you appropriately.

Shortages of Canned Corn Show Impact of Pandemic on Supply Chains

Del Monte, Green Giant race to catch up with consumer demand for the staple as the canning season starts

PROBLEM #1

Sweet corn supply is seasonal

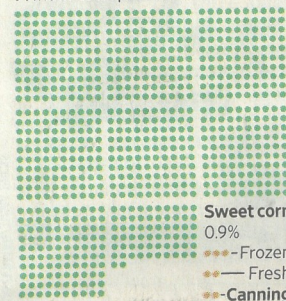
Corn for canning makes up the second-smallest portion of the U.S. crop. Fresh corn is canned right after the harvest in late summer, and that yield is the entire supply for the year.

Pounds of corn by type (2019)*

● = 1 billion pounds

Field corn

(Includes animal feed, seed and industrial use)
99.1% of total production



PROBLEM #2

Land is limited

In the spring, the two biggest vegetable-canning companies, Green Giant and Del Monte, pressed farmers to plant more corn for this season due to Covid-19. But the relatively small number of farmers who specialize in growing sweet corn had largely set planting plans for the year already.



BRUCE KLUCKHOHN/AP IMAGES FOR GREEN GIANT

PROBLEM #5

Corn is harvested once a year

Canned corn sales are up nearly 50% since the pandemic began. Retailers quickly blew through inventories. The next corn harvest was months away, making it hard to restock.

PROBLEM #6

Hoard mentality

Sparse shelves begot empty shelves, as people hoarded, fearing shortages. Many products haven't returned to prepandemic inventory levels. Canned-corn brands expect to increase production 25% over last year. But they don't know if it'll be enough.

—Annie Gasparro and Stephanie Stamm

PROBLEM #3

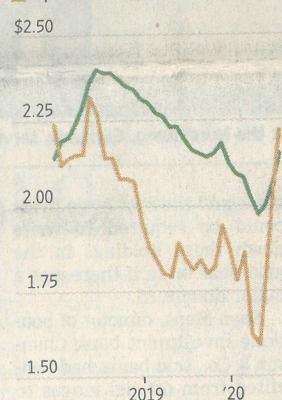
Truckers are rejecting contracts

The decrease in trucking capacity drove up prices, prompting some transportation companies to reject existing contracts in favor of last-minute orders at higher prices. Some deliveries were delayed.

Trucking companies shrank their fleets last year to improve profitability. The fleet that remained was too small to handle the March surge in demand. Though demand has moderated, food haulers remain busy.

U.S. commercial van shipping costs per mile, monthly average†

■ Spot rate ■ Contract rate



PROBLEM #4

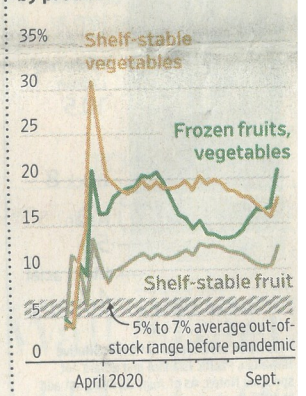
Corn is irreplaceable

Food makers can substitute ingredients in some products, like soup or boxed dinners, when an ingredient is scarce.

That's not an option for the main ingredient in foods that are canned individually, like peas or corn. Importing from new suppliers, which worked for toilet paper and pasta, proved too expensive for canned corn.

Note: Reporting based on interviews with canning companies, trucking companies, retailers and the U.S. Department of Agriculture
*Field corn data are marketing year (Sept.-Aug.) and sweet corn are calendar year.
†Includes fuel surcharge
**Data for the 23-week period ended Aug. 8
Sources: USDA (production); DAT Freight & Analytics (shipping rates); IRI (stock)

Weekly stock unavailability by product**



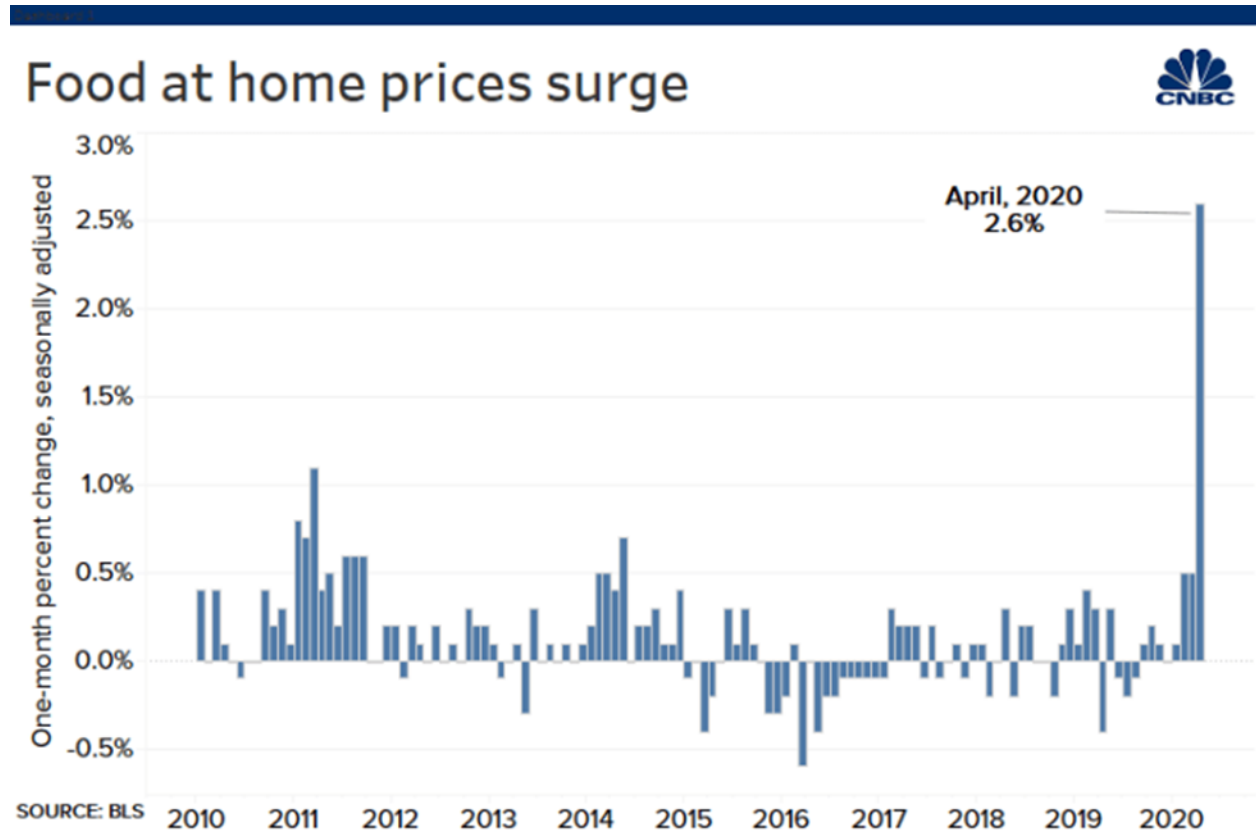


CROP REPORT

US Food Prices:

The ERS' Consumer Price Index, measuring food inflation, reports a 4.1% increase in food prices from July 2019 through August 2020. Food away from home was up 3.5% and food at home up 4.6% .

The Labor Department produced the graph below in April indicating the unprecedented retail food increases, that remain lofty. April was the largest single month increase in food inflation since 1974. We attribute this to a perfect storm of supply and demand and the aforementioned Covid related costs.



Other Relevant Articles & Data Points:

<https://www.wsj.com/articles/food-companies-adjust-to-operating-with-coronavirus-costs-11591534800>

<https://abc7.com/coronavirus-covid-19-surcharges-business/6239451/>

<https://www.ccdigital.com/cdl-test-backlog-truck-driver-shortage/>

<https://www.washingtonpost.com/business/2020/07/09/coronavirus-washington-yakima-fruit-farm/>



**Hopworks Urban Brewery in Portland Oregon
Great brews, great pizza!**