



CROP REPORT

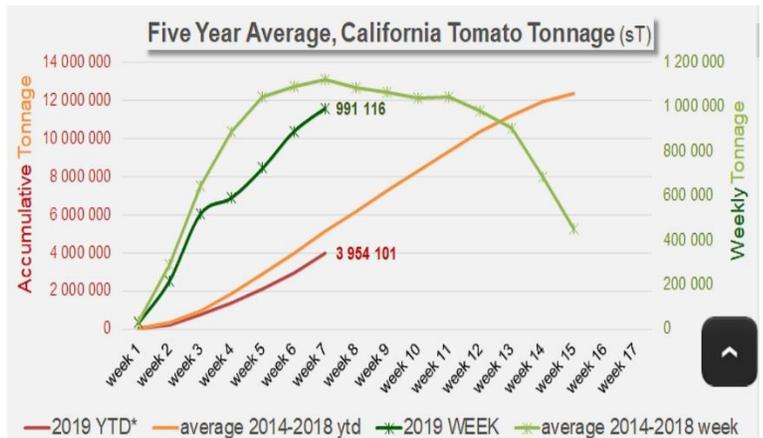
8.27.19

Valued Customers:

Things have heated up in The Valley and the Pacific NW and are progressing quickly. Currently 103F at Tomatek and 100F in Hood River (NW Pears).

California Tomatoes:

The late Spring and May hailstorm caused considerable crop damage in some regions, particularly in the Northern San Joaquin Valley. The regionally variable weather and an additional transplanting are also creating some uneven sets with some tougher fruit characteristics including brix and bostwick. Some of the late season's planting in the north has yet to prove fruitful, but should show results in next four weeks' dependent on the weather. As of August 19, PTAB reports current processing loads received at 3.9MM tons. This compared to 5.3MM tons for the same period last year, or down about 26%. With about 6 weeks of primary processing harvest left, there is definitely industry concern about hitting target pack numbers. Couple this with the fact that Indiana/Illinois farms have also had some tough weather this year and are currently experiencing additional hail, wind and rain this week, it is likely National tonnage will be 15-25% short of last year. The original PTAB forecast for CA was estimated at 12.1MM tons. Many industry veterans are now estimating that total to be more in the 10.3-10.6MM ton range, absent any additional weather issues. When Processors run fewer tons, processing overhead per ton/case increases driving costs and advancing pricing. Our plants continue to focus on





CROP REPORT

getting the right tomato characteristics (color, brix, bostwick, flavor) in the right products to insure quality and consistency. This has caused some delays this year in a few key items while the specific fruit varieties with required attributes ripen and become available.

If you haven't contracted or placed bookings by now, we strongly encourage you to get with your salesperson ASAP to insure you're covered! We'll always do our best to accommodate, but conditions are getting tougher.

Northwest Sweet Cherries: We concluded our cherry pack mid-July and were able to hit about 85% of our pack targets. Some of the fruit available did not meet our stringent specs, so we held off vs. packing an inferior product. At this point most of our product is booked or contracted for the 19/20 season, but check with your salesperson and we'll always take a second look.

Northwest Cranberries: We have completed our pack of both conventional and **organic** Northwest cranberries and are still taking bookings for the 2019 Holiday season. If you haven't already provided your forecast needs to your salesperson, please contact them soon as quantities are limited and going fast! *Photo bottom right, Bandon, OR-8.10.19.*

Northwest Bartlett Pears: We still expect a crop of about 85-90,000 tons out of The Northwest this year and fruit is sizing up well. About 65,000 tons out of Washington and another 20,000 tons from Oregon. Harvest began about 10 days ago and processing fruit is moving to final ripening storage to insure the sweetest, juiciest canned product. Harvest is about 2 weeks behind this year from most years due to the late spring and cooler start.



Northwest Italian Plums: We expect total NW tonnage to be in the 600-700 tons range and harvest will begin in mid-September. Plums continue to be the most cost effective canned fruit in terms of health benefits to price per ounce nationally. We're in a strong inventory position and continue to bid both Retail and Foodservice truckloads at very competitive pricing. We also have a full line of industrial plum juices, concentrates and essences.

If you haven't booked your NW Pears, Cranberries, Cherries, Plums or Industrial juices, please get with your Regional Sales Manager quickly. Beware of cheap, low quality imports! Purchase only, safe, USDA assured, Quality Pacific Northwest Grown and Processed Fruit!

NJFCO.COM



CROP REPORT

COSTS:

Find below cost communications affecting our 2019 Pack pricing. Having two high volume Canning facilities both for Pacific Northwest fruit and California tomatoes, our competitive purchase price of Cans is critical to the success of our business. NJFC has always and will continue to seek the most competitive pricing for all of our components so that we may pass along competitive finished goods pricing to our customers. Continuous improvement remains imperative as we continue to drive low cost production and maintain best in class operations. Having said that, we are currently on the receiving end of a number of unprecedented pricing actions by a number of our suppliers and vendors. Compounding our cost control headwinds, is a CA tomato crop that will likely be short about 15-20% (1.5MM tons plus) of target, adding additional overhead per case of product produced for all Packers.

Cans/Tinplate: 25% tariff imposed on imported steel. NJFC received price increase of over 18.5% since January 2018.

Rail Rates: Continue to increase, are increasingly non-negotiable, and are slated for another 6-8% hike in 2019/20.

Fiber: Increasing e-commerce shipments continue to confound supply and drive prices higher. Up 12.5% over last 36 months.

Film: NJFC utilizes food grade polyethylene for pouched product and our prices have risen 4% over the past 18 months with steady increases the last 6. <https://fred.stlouisfed.org/series/PCU32611132611115>

Labor: Increasing minimum wage legislation in Washington, California and Oregon and strong employment have driven our labor costs up 3-5%. Additionally, strong employment has required higher wages to hire and retain labor.

Warehousing: Our national third party warehousing rates have increased 5-6% for 2019.

Food Ingredients: Spices and raw tonnage for processing: +2-5% increases year over year. CTGA tomato pricing was set at \$75 per ton (+2% over 2018). All Growers reporting higher production costs.

Sincerely,

Jon

Jon K. Holt,
Sales & Marketing Director