



WEEK 9 : February 24- March 1, 2020

MARKET OUTLOOK



Tomatoes

High Alert

Rain and Cold
Weather FL & MX



All Potatoes

Alert

Industry wide
shortage from
fall freeze



Avocado

High Alert

Demand
Exceeds Supply



Summer Squash

Alert

Cold weather
and scarring



Cucumbers

Alert

Rain and Cold
Weather FL &
MX



Chinese Garlic

Alert

Coronavirus
affecting
exports

MARKET ALERTS



OVERVIEW

Weather across CA/MX/FL growing regions had a rough couple of weeks which lead to a few categories falling behind on supply and also leading to quality issues. Out of the three regions, MX took the biggest hit due to rain and cold temperatures, which most affected warm veg and tomatoes. The weather in all three regions is turning this weekend and next week which should help markets level out some. MX avocados spiked this week and we don't anticipate a quick reversal. Yuma and desert veg are in great shape currently.

Regional Weather Forecast

Highs

Lows

Yuma, AZ

Possible rain on Saturday followed by a cold front Sunday/Monday. Sunny and partly cloudy remainder of the week.

Low 80s

Mid 50s



Oxnard, CA

Possible rain on Saturday followed by a cold front Sunday/Monday. Sunny and partly cloudy remainder of the week.

Low 70s

Low 50s



Salinas, CA

Partly cloudy week with three days of rain expected to begin on March 1st.

Low 70s

Low 50s



Plant City, FL

Sporadic weather week ahead. Rain on Tuesday/Wed followed by a cold front with highs only reaching low 60s.

Low 80s

Mid 50s



Culiacan Sinoala, MX

No precipitation on the forecast. Sunny and partly cloudy week with hot days and cool nights.

High 80s

Mid 50s



Idaho Falls, ID

Partly cloudy week with lows below freezing and highs in the mid/low 30s.

Mid 30s

Low 10s



Regional Transportation Report

National Diesel Average: **\$2.890** (wk 8)

2019 : **\$3.006** (wk 8)

NPC continues to monitor and track diesel fuel averages by state as well as reported truckload freight rates on a weekly basis. Transportation continues to work through its most significant structural changes in years in regards to new laws and regulations stressing available truck volume and controlling drivers.

Regions with shortages: Pacific North West, Central and South Florida, Eastern North Carolina

Weekly Market Changes

Asparagus



Quality: GOOD Supply: GOOD

Mexico markets are starting up and weather has been cooperating for good harvests. No prorates at this time and growers are packing 28lb packs. FOB's are down \$2 from the week before and \$4 from the start of Feb.

Avocados

ALERT



Quality: GOOD
Supply: BAD

MX slowed their picking post Superbowl to the point that there has not been enough fruit crossing the border. In a healthy situation US needs 45mm (low season) 55mm+ (high season) avocados weekly. There has been weeks with only 30mm crossing. MX moved to higher elevations where the fruit can be held longer without rushing to pick. This is also on purpose as the cold weather from November, December slowed development of fruit. In consequence the big sizes (36-48) are extremely limited.

In addition, several rains affected #1 fruit – so there are more #2 due to lenticel damage. The retail divisions, the driving force of avocados, has been most affected by lower grade fruit. Retail downshift to 60 ct causes the entire market to get into an unstable position. The avocado industry is expecting 2 to 3 weeks of a rough time, hoping that once California starts with decent volume, it will calm this frenzy.

Size	Total Weight	Yield	% Flesh
28	13.75 - 15.70 oz	8.5 oz	70 %
32	11.75 - 14.00 oz	7.5 oz	70 %
36	10.50 - 12.50 oz	6.5 oz	70 %
40	9.50 - 11.50 oz	6.0 oz	70 %
48	7.50 - 9.50 oz	4.85 oz	70 %
60	6.25 - 7.50 oz	4.00 oz	66 %
70	4.75 - 6.25 oz	3.50 oz	66 %
84	3.75 - 4.75 oz	3.00 oz	66 %

California will help with volume giving a nice relief of demand but more likely the market price will not have the same effect. Although California is a great help to the US avocado market, it is important for MX to start shipping higher volumes to really pull prices down.



Weekly Market Changes

Berries, Mixed



Quality: **GOOD** Supply: **FAIR**

Blueberries remain somewhat troublesome with Chile coming to an end. There should be an uptick in supply as MX begins to have better support in the next few weeks. Raspberries and blackberries remain stable and should see increase in supply as well. Overall weather in growing regions appears to be cooperating and should help with improving supplies and keeping markets less active.

Broccoli



Quality: **GOOD** Supply: **GOOD**

Very good supplies on broccoli next week. Warmer weather is helping yields and good quality and weights are being reported.

Brussels Sprouts



Quality: **GOOD** Supply: **GOOD**

Supplies are holding steady and production has been good. The sprouts have had a great couple months but the supply is beginning to turn downwards as northern production areas have ended. MX has begun and we anticipate a more active market while it ramps up.

Carrots



Quality: **GOOD** Supply: **FAIR**

ON THE RADAR—Jumbo carrots have continued to be tight nationwide. Overall sizing has slowed leaving supply somewhat limited due to colder weather. We will keep a close eye on how supply progresses in the coming weeks.

Cauliflower



Quality: **GOOD** Supply: **GOOD**

Supplies are steady at the moment. Good supplies and good quality reported by multiple growers. Expect market to be steady for the next few weeks.

Cantaloupe



Quality: **GOOD** Supply: **FAIR**

Overall supply is solid but there is an expectation for supply to decrease some in the coming weeks and harvests transition from Honduras to Guatemala. Sizing still remains on the larger size with a majority of fruit hitting the 9/9J range.

Celery



Quality: **GOOD** Supply: **GOOD**

Supplies continue to be very good with supplies coming from Yuma, AZ and Mexico. Growers are not reporting any quality concerns. Contract prices are not escalated at this time and markets are expected to be steady for the next few weeks.

Weekly Market Changes

Corn

Quality: **GOOD** Supply: **GOOD**



Production for corn is trending up this week. Quality is improving and cost is coming down.

Cucumbers

Quality: **BAD** Supply: **BAD**

ALERT



Supplies for cucumbers are extremely short right now. Mexico is facing challenges associated with poor weather conditions over the last few months. Cost are at levels not seen in many years and available product is poor quality. Production out of the East is mainly imported from Honduras. Domestic product out of Florida is scheduled to start production in March.

Eggplant

Quality: **FAIR** Supply: **FAIR**



Supplies for eggplant is still a little tight. Production out of Mexico & Florida is down and quality is running fair right now. Growers are forecasting that the market should normalize in early March.

Chinese Garlic

Quality: **GOOD** Supply: **BAD**

ALERT



Chinese garlic is on alert due to Coronavirus affecting labor and also ports allowing product out of China. We anticipate this to remain and also continue to add pressure on garlic prices until the virus is contained.

Quality: **GOOD** Supply: **GOOD**

Grapes



We have seen some better volume arriving this last week on the Peruvian/Chilean fruit. The Peruvian/Chilean fruit has started to arrive on both coasts with west coast supply being stronger than east coast supply. The overall quality has been good and mostly larger fruit arriving as the new varieties arriving and Flames are finished. We will see good volumes for the next 3-6 weeks on both colors. Greens will start to really strengthen in the next 2-3 weeks as harvests are ahead of schedule. The reds will start to really get strong by the end of March and we will see things get very tight after that until Mexico begins the second week of of May.

Honeydew

Quality: **GOOD** Supply: **FAIR**



Overall supply is solid but there is an expectation for supply to decrease some in the coming weeks and harvests transition from Honduras to Guatemala. Sizing still remains on the larger size with a majority of fruit hitting the 5/5J range.

Iceberg

Quality: **GOOD** Supply: **GOOD**



Supplies are above normal this week. Warm weather is providing better yields at the time of harvest and overall quality has been solid. Promotable item as we expect good supply for the foreseeable near future.

Weekly Market Changes

Romaine Leaf

Quality: GOOD Supply: GOOD



Supplies continue to be above normal for this week. Growers are reporting very good supplies at the time of harvest. Overall good quality and weights on romaine.

Red and Green Leaf

Quality: GOOD Supply: GOOD



Markets are recovering on both colors. Colder weather held back supply but is now opening up. We anticipate this category to continue to improve into next week as warmer weather is on the forecast.

Tender Leaf

Quality: GOOD Supply: GOOD



Growers aren't reporting any issues on supply and quality has been fine. Look for this to continue for a few weeks.

Lemons

Quality: GOOD Supply: GOOD



Central CA is the heavy growing area currently and supply is looking solid through mid-May. Fruit is on the larger size but the overall sizing balance is stable. Markets will regularly lean towards smaller fruit so there should be a slight increase in 165/200ct as we reach April.

Limes

Quality: GOOD Supply: GOOD



There was a surplus of supply crossing the border up until this week, and after a period of abnormally high supply for this time of year, we are beginning to see the FOB's creep back up to normal range. USDA has smaller fruit in the low teens and larger fruit in the \$9-10 range.

Onions

Quality: GOOD Supply: GOOD



Overall the onion market has softened up since last week. As we move into February, we have seen a slight decrease in FOB's across the board. More domestic crop is available in the market as MX product has just began. MX has started slowly but the additional product South of the border limits the exports leaving US. We anticipate this to hold moving through the next couple of weeks.

Green Onions

Quality: GOOD Supply: GOOD



Supplies are back to normal after colder weather held this item back for a few weeks. Good quality and good yields reported by multiple growers. Prices are back to normal and not escalated.

Weekly Market Changes

Oranges



Quality: GOOD Supply: GOOD

Quality and flavor are excellent. Heading into March, there will be a surplus of larger fruit (56/72's) which will leave less availability of 88/113's. This will likely lead to a small increase in price on the smaller sized fruit. If lack of smaller fruit continues into April, Valencia's will then pick up the slack.

Peppers, Bell



Quality: GOOD Supply: FAIR

Growers out of Mexico are reporting good supplies and quality on bell peppers this week. Pricing has come down and quality is picking up daily. The weather in Mexico and Florida is forecasted to be favorable next week. That will help keep supplies and costing stable.

Pineapple



Quality: GOOD Supply: FAIR

Limited sizing on larger fruit and suppliers are asking to potentially be flexible where possible on sizing to help with filling orders and avoid supply issues. Sizing has been heavier on 7/8s and limited on 5/6s.

Potatoes

ALERT



Quality: FAIR Supply: BAD

FOB averages for the past week on size 40-70s in the \$20-22 range. The potato market remains in an extreme state with quality and supply continuing to struggle. Still seeing quality concerns in certain areas based on conditions during harvest. Open market availability is scarce. We have a long road to go this season and are still battling supply issues due to lack of overall supply in the marketplace. We recommend flexibility on sizing to get through this extreme situation and we will keep you updated on this unprecedented market.

Summer Squash

ALERT



Quality: BAD Supply: BAD

Supplies for summer squash is tight right now. Quality yellow squash is almost impossible to find. There seems to be a little more green squash available but quality is challenging as well. Production continues to be impacted by poor weather conditions over the last few months in Florida and Mexico. Growers aren't expecting much relief for the next 2 or 3 weeks.

Strawberries



Quality: GOOD Supply: GOOD

The market has taken a big swing towards more affordable and a surplus of available product, especially in Florida. Unfortunately this happened one week too late, after Valentines Day passed. Florida FOB's are in the \$10-11 range and suppliers are looking to move product. MX and CA are still catching up but they do have supply to fill orders and should be caught up by next week. Good weather in CA and MX will help to keep product maturing well and also will keep quality good. Showers and a cold front in FL next week could slow the pace on FL production.

Quality: BAD Supply: BAD

Tomatoes

ALERT



The tomato market is extremely tight this week. Quality has been negatively impacted as well. Pricing for rounds is back to elevated levels. Mexico is fighting supply and quality challenges. Product out of Florida is looking much better but supplies are tight. Roma tomatoes are extremely tight and most product out of Mexico being shipped is suffering from severe quality issues. Just like with round tomatoes, production out of Florida isn't enough to take up all the slack. Most growers are reporting that supplies and pricing won't normalize for another 4 weeks.

Start of inspections on Mexican tomatoes brings worries about delays

The Packer: February 13th, 2020

"Federal and state agencies in Arizona and Texas are gearing up for the start of mandatory U.S. inspections of Mexican tomatoes on April 1, but worries remain about possible bottlenecks for all produce.

The tomato suspension agreement that became effective Sept. 19 between the Commerce Department and Mexican tomato growers mandated U.S. Department of Agriculture inspections of all round and roma tomatoes within 24 hours of an arrival into the U.S. The inspection program was slated to begin six months after the suspension agreement, which ended a dumping investigation on Mexican tomatoes, became effective. While the target start date of April 1 is a few days beyond six months after the agreement began, the wheels are in motion for inspections — and potential pain points — to begin.

Arizona's Department of Agriculture has reported the agency has hired or will hire up to 35 inspectors for tomatoes and an additional 60 inspectors for grapes, according to Lance Jungmeyer, president of the Nogales, Ariz.-based Fresh Produce Association of the Americas. Some of that staff will be seasonal, he said, noting grapes, citrus and tomatoes will be active in May and June. "We are working very closely with the Arizona Department of Agriculture and USDA to plan for the inspections, making sure that warehouses have the information they need to upgrade inspection areas with proper lighting and tables," Jungmeyer said in a Feb. 13 e-mail. "We are educating the industry about how to be most efficient with the process."

Jungmeyer praised USDA officials in their work to make the inspections flow well. Even so, Jungmeyer said FPAA has "serious concerns" about how the tomato inspections will affect service times for importers of citrus, onions, avocados, grapes and other commodities. "Whereas today an importer could call for and receive an inspection within a few hours for oranges, after tomato inspections start with a service time of 'normally within 24 hours,' I foresee that service times for all inspections will be delayed," he said.

That represents a technical barrier to sellers of other commodities not a part of the suspension agreement with the Commerce Department, he said. That will result in potentially costly delays when f.o.b. markets are moving."

Over the whole industry, we are looking at hundreds of millions of dollars in business disruption," he said, noting industry estimates of \$220 million in extra costs for additional tomato warehouse space and nearly \$50 million in annual costs for the inspection fees and additional warehouse staff to assist with tomato inspections. Currently, he said, about 15% of Mexican produce coming to the U.S. requires USDA inspection for quality, but that percentage will increase to 29% after tomato inspections begin. "Is it reasonable to require that nearly one-third of Mexican produce be USDA inspected solely for quality purposes?" Jungmeyer said. "This is not for food safety or public safety. It's to slow down imports."

Industry Report (Cont.)

Texas view There was some optimism in Texas that the start of tomato inspections won't bring long delays. The Texas Cooperative Inspection Program, which reports both to the USDA and the Texas Department of Agriculture, has hired 20 additional inspectors specifically for tomatoes and has another 20 on standby if needed for tomato inspections, said Dante Galeazzi, president and CEO of the Texas International Produce Association. "We have got a lot of personnel dedicated to (the tomato inspections)," Galeazzi said. "We don't anticipate that there's going to be any any slowdown or any issues in terms of not having enough inspectors," he said.

Jason Klinowski, agricultural and food law attorney with Alabama-based Wallace, Jordan, Ratliff & Brandt LLC, said some of his clients are distributors of Mexican produce. There's a lot of conversation in the industry that the added inspection staff in Arizona and Texas may not be enough, he said. "The proof is in the pudding. We won't know until they roll it out."

If you have any specific questions or concerns on any commodities not mentioned in this report, please feel free to reach out to dforsythe@nproduce.com and we will be happy to give you those current market conditions. Also look for our Spanish version that will be released on Monday. Have a great week!

Your Dedicated NPC, LLC Staff