



WEEK 18: April 27 - May 03 , 2020

MARKET OUTLOOK



Chinese Garlic

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Alert
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Coronavirus affecting exports



Tomatoes

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Alert
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Regional Transition and COVID-19



Asparagus

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Alert
.....

Regional Transition and COVID-19

MARKET ALERTS



From Farm to Fork and Everything in Between®

OVERVIEW

The produce industry continues to fight through the difficulties brought on by COVID-19. Normal food service business has dropped significantly and retailers are doing what they can to keep demand at a reasonable place. Unfortunately, retail demand has hit a wall for some commodities, leading to falling market prices on commodities. The heavy swings and uncertainties are adding to the complexities that already exist in the produce supply chain. NPC urges all parties to keep communication strong and work with suppliers and distributor partners as we all work through the chaotic times.

Overall the marketplace has been oversupplied due to drop in food service demand. There has been a small uptick of food service pulls across the nation but nothing even close to normal. As regions begin to open up in the next month or two, there should be some balance in supply against demand. Unfortunately, as uncertainties carry on longer and longer, growers have to react to potential new normal's and react with new supply forecasts which could add additional volatility to the marketplace. Overall, weather has been good to great in growing regions, helping with quality across the board. Yuma has officially ended and we are in full swing with wet veg in Salinas Valley, CA.

Regional Weather Forecast

Highs

Lows

Oxnard, CA

No rain on the forecast. Partly cloudy and sunny next week.

Mid 70s

Upper 50s

Salinas, CA

No rain on the forecast. Partly cloudy and sunny next week.

Low 70s

Low 50s

Huron, CA

Sunny and partly cloudy.

Low 90s

Low 60s

Plant City, FL

Partly cloudy and sunny throughout the week.

Mid 80s

Mid 60s

Waldo, FL

Sunny and partly cloudy.

Mid 80s

Low 60s

Idaho Falls, ID

Partly cloudy all week.

Mid 60s

Mid 40s

Regional Transportation Report

National Diesel Average: **\$2.480**(wk 17)

2019 : **\$3.147**(wk 17)

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:

Central and South Florida have a slight shortage.

Weekly Market Changes

Asparagus

ALERT



Quality: GOOD Supply: BAD

Mexico has switched growing regions and production appears to be picking up from it's two week lull. Grass is still on alert due to lack of flights available from Peru to the US with COVID-19 limiting movement. Anticipate markets to be short and price to elevate until MX can pick up the slack in three weeks and help out with limited Peru exports.

Avocados



Quality: GOOD Supply: GOOD

Overall the market is stable but has seen some bumps due to COVID-19. We are seeing retail driving the market which leaves certain sizes long. Currently California product has been in good supply and should stay that way unless Mexico shuts down operations and supply drops drastically.

Bananas



Quality: GOOD Supply: GOOD

Overall there hasn't been much fluctuation in the banana market. Supply and quality have been good and freight costs have been level leaving the banana industry quite stable.

Berries, Mixed



Quality: GOOD Supply: GOOD

Blackberries and Raspberries are still strong out of Mexico and should continue to have a major share of the marketplace until domestic hits it's stride in the middle of May. Product will begin harvest in central valley CA in the next 10 days; but it will be limited until next month. Blueberries have been strong on the East Coast from FL and GA, and out West blues are just beginning to see decent supply. Quality has been good across all three categories. We are seeing all three categories reach the bottom of the pricing trough with limited demand.

Broccoli



Quality: GOOD Supply: GOOD

Supplies continue to maintain steady this week. Production is coming from Salinas, CA and Santa Maria, CA. Growers are reporting good quality at this time. Supplies are expected to continue steady for next week.

Brussels Sprouts



Quality: FAIR Supply: GOOD

Supplies are holding steady but there is expectation for supplies to decrease over the coming weeks. This will likely bump up the price in the marketplace. Quality has been fair to good with some discoloration and slight insect damage.

Weekly Market Changes

Cantaloupe



Quality: GOOD **Supply:** GOOD

Supply is available and in good quality but the demand has dropped significantly with food service being limited. Over the past week, there has been a slight uptick in food service which has helped the melon markets. Brix levels and exterior have been optimal. Will be starting up with domestic crop in AZ in about three weeks.

Carrots



Quality: GOOD **Supply:** GOOD

Currently not seeing any issues in the carrot marketplace.

Cauliflower



Quality: GOOD **Supply:** GOOD

Better supplies this week for Cauliflower. Production is coming from Salinas, CA and Santa Maria, CA. Good quality is being reported by multiple growers at this time. Supplies are expected to continue steady for next week.

Celery



Quality: GOOD **Supply:** GOOD

Good supplies continue with Celery this week. Production is coming from Oxnard, CA and Santa Maria. Good quality is being reported by multiple growers. Supplies are expected to continue steady for next week.

Corn



Quality: GOOD **Supply:** GOOD

The market for corn remains stable and is expected to remain the same for the next month or so. The weather in South Florida has been favorable to date but rain is in the forecast over the weekend. Supplies are coming out of Mexico through Nogales, AZ as well.

Cucumbers



Quality: GOOD **Supply:** GOOD

Supplies for cucumbers remains at very attractive levels. The quality is good as well and markets are steady. Supplies are coming out of Mexico and Florida. Georgia will start production in 1 to 2 weeks.

Eggplant



Quality: GOOD **Supply:** FAIR

Supplies for eggplant remain a bit tight this week. Costing is elevated and expected to remain the same for at least another week or 2. Production is coming out of Mexico & Florida. Volume out of California is just around the corner.

Weekly Market Changes

Chinese Garlic

ALERT



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

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. The overall outlook continues to look worse as more and more time passes and import product is cut short.

Grapes



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

Overall both red and green grapes are in good shape this week and are looking to stay in that condition moving into next week as well. Supply on each is backed up with solid inventory and quality has been awesome. Demand has dropped which should put more downward pressure on market prices. We have seen some slight increase in demand but still nothing to lift prices.

Honeydew



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

Supply is available and in good quality but the demand has dropped significantly with food service being limited. Over the past week, there has been a slight uptick in food service which has helped the melon markets. Brix levels and exterior have been optimal. Will be starting up with domestic crop in AZ in about three weeks.

Iceberg



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

Supplies continue to maintain steady this week. Production is coming from Huron, CA and the Salinas Valley, CA. Good quality and good weights are being reported by multiple growers. Supplies are expected to continue steady for next week.

Romaine Leaf



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

Good supplies continue with Romaine this week. Production is coming from Salinas, CA and Santa Maria. Good quality is being reported by multiple growers. Supplies are expected to continue steady for next week.

Red and Green Leaf



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

Supply and quality have been good on both colors. Not seeing any issues on supply or quality at this time.

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.

Weekly Market Changes

Lemons



Quality: GOOD **Supply:** GOOD

Lemons have been steady over the past month but have crept back up in the last week. As we move through the season on the tail end, we will see sizing gaps and especially more pressure on larger fruit as retailers look to fill their shelves. We don't anticipate seeing a huge climb in the next few weeks, markets should remain slightly lower than normal due to lower demand.

Limes



Quality: GOOD **Supply:** GOOD

Still seeing good supply on product crossing the border. FOB's dropped significantly a few weeks ago with a flush of inventory crossing the border. This week we saw another slight uptick in price, but should continue to see a steady supply against demand.

Onions



Quality: GOOD **Supply:** GOOD

The onion market is quite low currently as it dropped over the past few weeks. Not seeing a huge change from last week, but we are still at a low point in the market. There is still a big surplus of product in the marketplace keeping price near the floor. We hope to see this balance out in the next month as food service tries to get back in the game.

Green Onions **Quality:** GOOD **Supply:** GOOD



Good quality and good yields reported by multiple growers. Prices are back to normal and not escalated.

Oranges



Quality: GOOD **Supply:** GOOD

Still dealing with a lopsided marketplace with limited pulls from foodservice. Very little change in market FOB's this week on oranges but anticipate some increase over the coming weeks. Valencia's begin in May/June.

Peppers, Bell



Quality: GOOD **Supply:** FAIR

The Green Bell Pepper remains firm. Supplies out of Mexico and Florida isn't meeting demands. Pricing for Red and Yellow peppers is reasonable but the trend for pricing us working up a little.

Pineapple



Quality: GOOD **Supply:** GOOD

Good supply versus how much demand is currently in the marketplace. Expect to see solid product and good supply for the next few weeks with sizing on the larger side.

Weekly Market Changes

Potatoes



Quality: GOOD **Supply:** GOOD

The potato market has been in an extreme state over the past few months with limited availability and rough quality. The previous three weeks showed the first major change in price and availability with demand falling in the market place. We have seen about a 50 percent drop in FOB price over the past few weeks and now expect to see a more balanced price in the coming weeks. Similar FOB's from last week to this week, inching up maybe \$.50 at most.

Summer Squash



Quality: GOOD **Supply:** GOOD

Costing for Green and Yellow squash remains at very reasonable levels. Production is coming out of Florida, Mexico and Georgia. Growers are reporting some scaring on product out of Florida.

Strawberries



Quality: GOOD **Supply:** GOOD

The strawberry growing regions are headed into a strong harvest period with good weather on the forecast in the growing regions. The drop in demand in the coming weeks will leave suppliers long and keep the price low on strawberries. Quality has been excellent and Salinas/Watsonville have begun but still a bulk of the product is coming from Oxnard and Santa Maria regions.

Tomatillos



Quality: GOOD **Supply:** GOOD

The Tomatillo market has leveled off in the past few weeks and is back to normal conditions

Tomatoes

ALERT



Quality: GOOD **Supply:** GOOD

Growers are expecting the market to remain elevated until mid-May, possibly until early June. Production is transitioning from South FL to Central FL. Production in Mexico is transitioning right now too. Both Florida and Mexico are currently producing lower than normal volumes. Growers are stating that costing would be even higher right now if foodservice demands were not hampered by restaurant closures.

Another factor with availability is growers out of Mexico are facing a lot of challenges with the Tomato Inspection agreement. Inspectors are rejecting a large percentage of the loads attempting to enter the USA. Rejections and production transitions is tightening up the market and costs continues to move up. Growers are also reporting that it's easier to keep their product in Mexico and sell it domestically. Unstable markets along with virus related restaurant closures is placing a lot of stress on the export market.

Foodservice Distributors Pin Hopes on USDA's Buy Fresh Program

The Packer April 24, 2020

Help is on the way. For produce growers and distributors suffering since mid-March with a near-complete lack of foodservice demand, the hope for financial relief through the U.S. Department of Agriculture's Coronavirus Food Assistance Program is universally welcomed. While some states are planning to slowly reopen parts of their economy in May, a widespread recovery in foodservice demand is expected to be months away, adds Allen.

The USDA assistance plan consists of \$2.1 billion in direct payments to fruit and vegetable growers and \$100 million per month for six months in domestic fresh produce purchases in what is called the Buy Fresh Program. While direct payments to compensate for coronavirus losses could be many weeks away, the Buy Fresh Program was gearing up in late April.

Buy Fresh Details

With fresh produce sales to foodservice channels previously estimated at \$1 billion per week in normal conditions, the \$100 million per month Buy Fresh program won't come close to replacing all those sales. Still, industry associations and distributors welcomed it.

"(The Buy Fresh) program is something that I think is needed now; it is going to be an important part of the recovery," said Robert Guenther, senior vice president of public policy for the United Fresh Produce Association.

"I think it's going to help the supply chain release some of the pressure of the marketplace." The USDA indicated it would solicit bids starting April 24 from distributors to supply commodity boxes to nonprofits on a mutually agreed-on schedule. Awards are expected to be announced by May 8 and the program will be operational by May 15, according to the USDA.

Distributors receiving the USDA contracts will pack boxes with fresh produce, dairy, or cooked meat products, or a combination of those products, and deliver them to the food banks/nonprofits. "We will pay for the assembly of boxes, and then you get to pick the nonprofit destinations that you will deliver to," USDA Agricultural Marketing Service Deputy Administrator David Tuckwiller said in a web seminar.

The USDA will award contracts based on the delivery of those boxes to identified locations, he said. He said contractors are responsible for all supply chain and logistics activities necessary to ensure the boxes are distributed to people in need of food.

"You as a contractor can invoice USDA and then we'll pay," he said. "One of the expectations is to make sure payments are flowing through all the way; we will expect payment of any subcontractors, which can include growers, producers, processors, promptly, if you will."

Distributors said that the Buy Fresh program sounded appealing. "I'm very excited about (the Buy Fresh) program because I'm already (working) with the food bank now," said Brent Erenwert, CEO of Brothers Produce, Houston. The Buy Fresh program appears to be well matched for the needs of the foodservice distributor segment, said Alex DiNovo, president and chief operating officer of DNO Produce, Columbus, Ohio.

Foodservice Distributors Pin Hopes on USDA's Buy Fresh Program

"Most every distributor has labor, packaging, produce, and distribution that has been sidelined since the country began to shut down," he said, adding that the program will help put people to work and allow assets to be used. Dennis Nuxoll, vice president of federal government affairs for Western Growers, said the Buy Fresh plan has a number of good features but is "a drop in the bucket" compared with the need.

Nuxoll also said the program might be more effective if it was "front-loaded" for heavier purchases at the beginning of the six-month period. By this fall, he said foodservice conditions may be much improved.

Direct Payments

Under the \$2.1 billion direct payment plan, fruit and vegetable producers will receive a single payment determined by using two calculations:

- 85% of price loss from Jan. 1 to April 15;
- 30% of expected losses from April 15 through the next two quarters.

The payment limit is \$125,000 per commodity with an overall limit of \$250,000 per individual or entity. Qualified commodities must have experienced a 5% price decrease between January and April. The USDA is expediting the rule making process for the direct payment program and expects to begin sign-up in early May to get payments to producers by the end of May or early June.

Nuxoll said creating online applications for direct payments to growers will take time. "My suspicion is that it is going to take them a couple weeks to figure out some of these document issues needed for the process," he said April 23.

Western Growers is working to raise the payment limit for growers in the direct payment plan, because high-value produce crops like strawberries can cost as much as \$30,000 per acre to produce.

"That (cash) gets burned up real quick," he said. "We are pushing quite aggressively to see if we can make adjustments to the payment limit," he said.

Immigration

So far, COVID-19 has not resulted in extreme shortages of farm workers. President Donald Trump signed an executive order April 22 that puts a 60-day pause on immigration into the U.S.

However, the executive order won't stop the movement of guest agricultural workers to the U.S., but instead will stop green cards from being issued.

We are pleased that the recent proclamation by the president regarding immigration into our country recognizes the importance of the non-immigrant temporary agricultural worker program in providing food to American citizens during this pandemic," Michael Marsh, CEO and president of the National Council of Agricultural Employers said in an e-mail. "Growers are happy to know that the administration understands the critical role agriculture plays in pulling our country into recovery." Marsh said April 22 that H-2A workers are able to come to the U.S.

"We're still short of workers, and still working hard to try to get to additional workers, but it has not been quite the calamity we might have thought it would be about a month and a half ago," Marsh said.