

Good Afternoon,

Given all the circumstances currently surrounding our industry, we hope the next two weeks preceding the upcoming holiday go as smoothly for you as possible. Our teams will remain vigilant to keep you updated with timely and accurate information and, as always, source the best quality product at the most competitive costs.

As we have seen with the current corn situation, we have seen other Covid-19 related impacts to the business that are having immediate impacts or we'll continue to see further impacts going forward. It is clear that the sudden severe drop in March with the Food Service Sector and the subsequent immediate glut of many row-crop items had a significant impact on many farmers on their planting strategy that we are currently seeing now.

Simply put, 'disc-ing up' fully grown crops is financially devastating compared to planting less crops with the future potential of selling at a much higher price....\$45+ for a case of corn?? Compounded is the threat of a reduced labor force that makes the decision to plant less all that more reasonable. Having any weather impacts AND a recent increase in Food Service demand is a recipe for short supplies and higher prices.

We will be watching this impact specifically on Western Veg and strawberries markets as we continue to watch any additional impacts the Covid-19 situation may bring.

Updates:

Freight:

- Capacity has tightened across the country for the July 4th push.
- Northwest has tightened due to cherries starting.
- California rates have come down slightly but rates are still elevated for the push.
- Salinas looks to be better capacity but rates are still high because they will pickup in SoCal if they can't get the higher rates they want. Dallas area and McAllen areas are very tight.
- GA/NC areas are very tight right now as well.

Current ratios:

- Northwest 400 trucks/500 loads
- Northeast 700 trucks/700 loads
- Salinas, CA 600 trucks/750 loads
- Santa Maria, CA 650 trucks/1400 loads
- McAllen, TX 180 trucks/1100 loads
- Miami, FL 270 trucks/300 loads

Corn

- Demand continues to outpace supply and is only increasing as we move closer to the 4th of July pull.
- GA corn is yielding less corn than expected and weather hasn't cooperated.
- Suppliers will not guarantee supply or market pricing for the July 4th pull.
- There is little corn to be found in California and Texas as well.
- Market expected to range from \$40 to \$45.

Watermelon:

- As we get closer to the July 4th pull, we are experiencing a slight increase in availability
- The east coast with smaller (60ct) as Georgia finally started harvesting.
- We are monitoring demand levels as most retailers around the country have pulled front page promotions.
- In summary, we still expect a tight supply situation as all pre-planned volumes have been committed and the 'open market' will remain inflated and limited

WA Cherries

- Industry demand far exceeded supply all week—loading delays and order prorates
- Recent poor weather further reduced the already projected light week
- Additional rain early week brought picking to a near halt for a couple days creating further havoc
- Updated field assessments this week indicate the remaining season crop has been impacted and will be lighter than expected
- Supply outlook adjusted down possibly looking at only 16M crop
- Market extremely active

WA Apples:

- Ample storage- good supplies on most varieties, size, grades
- Honey demand very good, market will remain very strong though end of season
- Bag apples seeing an increase in demand
- Promotions strongly recommend— good volume, excellent quality

Asparagus

- Markets are moving up due to MI, NJ, WA and CAN being done-
- MX is dealing with a 40% reduction in supply due to lack of rain/water.
- Peru is reacting to this situation by raising prices on product and airspace.
- Look for tight supply over the next few weeks with prices gradually increasing.
- Expect a High market as soon as next week.

Avocados-

- Industry demand remains strong with good movement on all sizes leading into the 4th of July.
- Excellent supply out of MX and CA with Peru coming on stronger.
- Pricing is strong and steady and expect supply and demand to remain solid through the summer.

Potatoes-

- Demand has been steady with stable pricing
- Quality has been spotty out of ID/WA on russets due to pressure bruising and age of storage crop.
- WI/CO are shipping newer storage crop russets with firm pricing due to excellent quality
- Reds, Golds out of FL remain somewhat tight and pricing is high, Whites are nonexistent.
- WA/ID reds and golds are the better deal right now with good quality and promotable pricing
- Look for markets to increase on russets out of all regions as we get through the remaining storage crop which lead us into new crop in Aug/Sept

Green Bell

- Market is active.

Cucumbers

- Very limited supply

Onions

- Red market has increased substantially due to the quality out of MX forcing many to go West.
- Expect to see this market move up.
- White quality continues to be very good out of MX, this should not change but we will see a bump for the 4th.
- Yellow profile has changed “getting bigger” and we will see the medium market continue to increase for the next two weeks.
- Vidalia’s are storage crop with less supply than in previous years.

Mushrooms

- The mushroom industry appears to be recovering from the short-supply we experienced since April. For the most part, growers are now producing enough to meet Retail demand with little to no pro-rates.

Pineapple

- There were no significant NDF (natural flowering) events this past winter which does cause short-term supply issues in the Summer. Therefore, we expect Costa Rican supply to keep up with Retail demand.
- Having said that, some suppliers are expecting lower supply in June.
- Promotions are certainly possible, but planning ahead is key.

Tomatoes

- Overall demand continues to be very high as production is struggling to keep up with the prolonged period of increased demand across all tomato varieties.
- The vast majority of volume is funneling to retail which has resulted in record-high market pricing and supply shortages. Many shippers are having to source supply to cover contract volume at a loss.
- We will see a slight dip in the market next week, however this is expected to be short lived and many shippers are expecting another increase in the next two weeks.
- Proceed with caution on any tomato ads.
- Greenhouse Beefsteak:
 - Extremely short, extremely high demand amidst production challenges.
 - Many retailers are shifting to Greenhouse Beefsteak due to field grown availability issues, adding to supply issues.
 - Quality is excellent, but production is falling short of demand.
 - Production activity has been halted in an attempt to stabilize markets and slow demand where possible to ensure better fulfillment rates with retailers.
- Greenhouse TOV:
 - Similar to Beefsteak, production struggling to keep pace with demand.
 - Mexico production is done for the season, which has placed more pressure on Canadian and US facilities.
 - Quality is excellent and production is decent, but not enough to fill demand.

- Snacking:
 - Very active grape tomato market.
 - All varieties are not keeping pace with demand.
 - Markets on all varieties are extremely high and since most of these SKUs are sold under contract, additional volume is extremely difficult to come by.
 - With shoppers shifting into snacking and packaged products, we anticipate current conditions to continue for the foreseeable future.

Western Veg (Lettuce, Broccoli, Cauliflower, Celery):

- Limited volume on Broccoli and Broccoli crowns expected until the first week of July
- Look for the leaf and romaine market to increase as Foodservice business increases
- Shippers are reporting a labor shortage industry wide; look for possible market increases

Mangos

- Supply improved significantly the past few weeks, pushing the market price down as some importers had extra inventory. Growers are pushing back on pricing so supply will tighten up on round mangos this week.
- Tommys will be heavy in late June/early July.

Garlic

- Orders across the board have been double or triple the norms. Weekly allocations have been given to our Members on bulk garlic. Some processed items are being prorated.

Strawberries:

- Heat. Wind. Fruit going to freezer.
- Growers picked ahead last week, creating smaller sizes now, and created their own gap of supply.
- Starting off the week very short as pushes/prorates will continue all week.
- Overall volumes have dropped below previous forecasts as the crop is now in a plateau and not expected to increase the next few weeks.
- Industry volumes will be similar as last week with total production down versus previous weeks.
- This is now projected to continue with decreases weekly the rest of the month of June.
- Significant pressure on feature ads from the Multi-National Chains driving up the market

Mandarins

- Imports available on the East and the West. Good promotable volume.

Navels

- Decline in utilization, ending the season a little earlier than expected
- Heavier choice
- Fancy Navels à **demand exceeds supply** (88s/113s/138s) thus the **INCREASE** in price.
- Imports available in July (some South African navels available now)

Lemons

- Fancy fruit remains tight
- High demand on 165s and smaller
- Size peaking 115s/140s/95s
- Market pricing firming up

CA Grapefruit

- In full production
- Product remains tight due to demand
- Required lead time

CA Valencias

- Seeing an increase in demand
- Peaking small – 72/88/113

AS always, please let us know if you have any questions or need any additional information

Sincerely,

Peirone Produce