



October 16, 2020

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- **2020 Member Update**

Dear Grower Member,

As we reported October 2, following more than nine months of negotiations and continued discussions with processors, CTGA has reached agreement with 6 of the 9 processors at \$78.50 per ton for the 2020 year. The six processors are listed below:

- Campbell's Soup Company
- Ingomar Packing
- ConAgra Foods
- Los Gatos Tomato Products
- Del Monte
- Stanislaus Food Products.

We have discussed this resolution with the remaining three processors (Escalon Premier, The Morning Star Packing Co. , and The Neil Jones Food Company) to encourage them to agree to the same price that the majority of processors have agreed to. Unfortunately, as of today, they are not willing to accept the \$78.50 price. Once again, it appears we are headed to the conciliation process with these three processors. Morning Star has filed for conciliation with CTGA and conciliation has been ordered by the CDFA. The CTGA has also begun the process of filing for conciliation with Escalon and Neil Jones. While it is regrettable that we continue to have to go to these lengths to achieve a fair and reasonable price with all processors, it is what we will do.

In Our Opinion, What Makes \$78.50 a Fair and Reasonable Price Given the Industry's Current Economic Conditions for 2020:

Over the past few years, we have discussed at great length the worsening regulatory climate in California. In fact, we wanted to get an outside set of eyes to look at our industry to better understand the impact this would have not only on growing costs but market implications. We hired ERA Economics and provided you with a copy of their report. Some of the key findings and our own analysis are the following:

- For 2020 current statewide average growing costs are \$3,814 per acre.
- Raw Product prices will need to continue to rise 4-6% in order to offset the cost increases in the coming years.

Questions or comments?

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TOMATO BULLETIN

- Since 2012, growth in statewide yields have been flat. If we look at 2020, the May 28th USDA/NASS Report stated that the California estimate amounted to 12,000,000 tons on 235,000 acres (51.06 TPA). That estimate was revised on August 27th to 11,400,000 tons on 234,000 acres (48.72 TPA). As of now it appears the state tonnage will come in around 11,325,000 tons, this would represent a crop of 48.40 tons per acre. A crop of 48.4 TPA at \$78.50 per ton will be a return of \$3,799.40 per acre. We understand this is slightly below the statewide average costs and this puts a tremendous strain on our members finances. We are going to make every effort to remedy this dynamic for the 2021 Season.
- We continue to see a reduction of inventory numbers each year since our peak of 2017 which had a June 1 inventory of just under 7.7 million tons. Since that time inventories have been reduced each year. This is mainly due to the short crops of 2017, 2019 and 2020. Below are the June 1 Inventories for the last 5 years:
 - 2017 7,669,000 Tons
 - 2018 5,872,000 Tons
 - 2019 5,406,000 Tons
 - 2020 4,667,000 Tons
 - 2021 Projected 3,767,000 Tons

Since 2017, inventories have been reduced in half and the 3,767,000-ton projection for June 1 will be the lowest inventory number since June 1 of 2007.

- There is always a lot of discussion about the current paste prices in the marketplace. The only public independent source of domestic pricing data is from Westcon Foods. The datapoint is a general/spot market price on a monthly basis. Let's look at the January number for the last few years (we are using that number because that is when both growers and processors are making commitments on volumes for the next year):
 - Jan 2017 \$.36
 - Jan 2018 \$.36
 - Jan 2019 \$.36
 - Jan 2020 \$.38



TOMATO BULLETIN

While we realize these numbers reflect a period before the COVID-19 pandemic was upon us, based on reports from retailers and consumer information, the overall belief is that demand for processed tomato products has increased during the pandemic by a substantial amount. All of us experienced that period early in the pandemic when you could not find tomato products on the shelf at our local grocery stores. It is also important to note that this was not limited to the US but existed throughout the world as people were sheltering in place and eating more meals at home. In fact, a recent article in the Wall Street Journal, dated October 14th (“Why It’s Still Hard To Find A Can Of Corn”), states that “canned tomato sales are up 56.1% for the latest 23-week period ending on August 8 according to Nielsen.”

Given all this, we believe that \$78.50 per ton is a fair and reasonable price for 2020. The companies that have agreed to this price represent every facet of our industry: Branded Retail, Food Service, Paste for Remanufacture, etc. It is time for the others to agree that this price is fair to all parties so we can all move forward and start planning for 2021. Growers are always told by processors, “don’t worry you will like the price”, “we will pay industry price”, and “we will be there when it’s over”. Well, now is the time to make their words a reality. The majority of our industry’s processors have stepped up and it is time for the remaining few to do the same. We continue to make every effort to resolve this matter as quickly as possible wherever that path may lead us to ensure all our members receive the fair and reasonable price for 2020. We have already begun working on 2021 and we will be trying to set up a grower meeting as soon as we can.