



MARKET UPDATE

Tomatoes: Eastern tomato production continues its normal summertime transition. With South Carolina and Georgia all but wrapped up and new areas just breaking fields, round volumes have been adequate but light this week. Look for more volumes over the next 7-10 days as Virginia, North Carolina, Tennessee, New Jersey and Alabama all get up and running. Romas have a bit of a head start with light volumes showing up in Tennessee this week and Alabama projecting to start next week. Grape harvests are finishing up in South Carolina and will completely transition to Virginia and other local areas next week. Quality and volumes look very promising in Virginia thus far.

California's San Joaquin Valley is rolling in full production with mature greens, vine-ripes and romas. Add Oceanside, Baja and Eastern Mexico's product to the mix and you have a solid supply of tomatoes in the West. The Valley's quality has improved from initial picks and looks really nice going forward. Baja growers are also providing a steady flow of grape tomatoes to Western markets.

Bell Peppers: Eastern bell pepper production is transitioning also- from Eastern NC and GA to a variety of local areas in the East. Look for volumes to pick up over the next few weeks as additional areas, including Michigan and New Jersey, get started and/or fully into harvests. New crop quality has been good, but we are starting to see the effects of heat from GA and Eastern NC as they head toward the finish line. California is providing the West with a consistent supply of bells even as growing areas transition. Quality is stronger from areas north of Bakersfield, where they expect to finish up in 10-14 days.

Cucumbers: Baja's cucumber numbers remain light this week, but should begin to ramp up over the next ten days as more growers get up and running. Quality has been good, but not great as there have been some

shelf life issues reported. There's also some volume coming from the Northwest which is helping to fill that regions' demand. In the East, heat problems have affected production and quality in most areas keeping volumes on the light side. However, New Jersey farms are the exception, reporting strong volumes and nice quality.

Summer Squash: Squash is available from numerous areas in the East as production has localized for the most part. Although there are still occasional concerns with scarring on yellow squash, overall quality has been nice. The West also has plenty of product available this week as Santa Maria has moved into new plantings, Baja is seeing production increases due to warmer weather, and the Northwest continues to hold its own.

Eggplant: Although a few farms have called it quits, there's still a strong supply of eggplant coming out of Georgia. With the Carolinas also in action, Eastern eggplant is readily available. There are two main production areas in the West- Bakersfield and Fresno. Both expect to have product for the next few weeks, although Fresno's newer crops are producing nicer fruit.

Green Beans: Eastern bean supply has improved, but only slightly, as Tennessee, Virginia and Michigan are all up and running now. Depending on heat and weather, future volumes and quality could be lighter/less than usual. California continues to have light, but steady numbers from several growing areas.

Chili Peppers: Chili peppers are working through transitions in both California and Mexico this week. There is a mix of quality as both older and newer growing areas ship product. Generally speaking, the best quality is coming out of Baja where sourcing is fragmented. The East continues to have product available in Georgia, but is now seeing more states and local deals with light to moderate supply get up and running.

TRANSPORTATION FACTS

*The national average price for diesel increased \$.02 this week, moving from \$3.22 to \$3.24 per gallon.

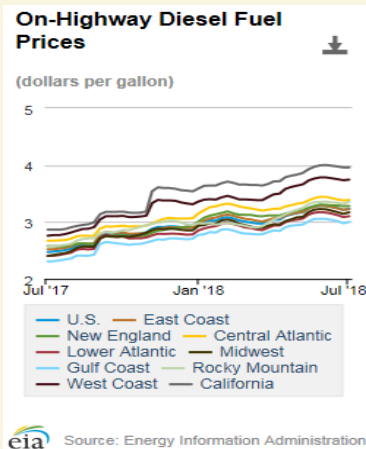
* The average price for a gallon of diesel fuel is \$.76 higher than the same time last year.

* All areas of the country reported price increases with the most significant coming from the Rocky Mountain region (up \$.04).

*California maintains its role as the area with the highest pricing at \$3.96 per gallon. The Gulf Coast region offers the best bargain at an even \$3.00 per gallon.

*The WTI Crude Oil price continued to climb (up 3.4%), moving from \$70.53 to \$72.94 per barrel.

*Transportation supply is adequate but expensive in California and at Mexico crossing points. In the East, trucks are shifting along with production areas.



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GOVERNMENTAL AFFAIRS

Perdue at United Fresh: We'll Help Boost Produce Consumption

By: Tom Karst, www.thepacker.com, June 27, 2018

CHICAGO — Touching on trade, farm labor and food safety regulations, Agriculture Secretary Sonny Perdue defended Trump administration efforts to help fruit and vegetable growers deal with the tough issues they face.

Speaking the morning of June 26 at the United Fresh Produce Association conference, Perdue — who grew up on a diversified central Georgia farm — said he often trucked vegetables and watermelons to the Atlanta farmers market as a teenager. “I have a real childhood affinity for your business, for your occupation and for your industry,” he said.

Perdue said fruits and vegetables are important to his own health and the well-being of the country. During a recent checkup, Perdue said his doctor advised him to eat five fruits and vegetables a day, get exercise and cut out sugary drinks.

Fresh fruits and vegetables have been the victim of the country's “fast food pace” of living, he said. “We have got to help young people in schools and others understand the value of fresh fruits and vegetables,” he said, noting pending work on the 2020-25 Dietary Guidelines for Americans. Perdue said the farm bill will include funds for the Food Insecurity Nutrition Incentive Grant Program, which will give some food stamp recipients financial incentives to buy fruits and vegetables.

“We look forward to working the Congress and all the stakeholders to encourage fruit and vegetable consumption,” he said.

Labor and trade

Perdue said growers need a legal, reliable and stable source of labor to get the produce from the fields and orchards to supermarkets.

That isn't easy, he said. The H-2A guest worker program is very

cumbersome and requires working with multiple state and federal agencies, Perdue said. “I don't think you ought to have to hire a lawyer or an accountant to hire a farm worker,” he said.

Perdue said the Trump administration is working to streamline the H-2A guest worker program, but he said not all fixes can be done administratively. “Farmers need long-term legislative solutions to ensure that our food, our fresh fruits and vegetables, continues to be grown in the United States of America,” he said.

On trade negotiations with China, Perdue said that President Trump wants to stop China from stealing intellectual property from the U.S. That isn't happening only to high-tech electronics, he said, recalling that in 2013 six Chinese nationals were caught trying to steal corn seed from an Iowa field in order to send it back to China to reverse engineer the genetics. “So let's not call it just ‘unfair trade practices,’ let's call it what it is, just plain stealing,” he said. “The president's message is simple — we cannot allow China to continue that kind of behavior.”

Perdue said President Trump has pledged that the federal government will take the steps necessary to protect farmers from the brunt of China's retaliation as the U.S. defends its interests.

Audit fatigue

Perdue closed with a challenge to fresh produce industry buyers to eliminate redundant audits that are weighing on growers.

Perdue observed the recent collaboration between USDA and the Food and Drug Administration to harmonize the USDA's Good Agricultural Practice audits with the FDA's

Produce Safety Rule. The USDA's harmonized GAP audits also are in the process of being benchmarked with the Global Food Safety Initiative.

“USDA and FDA joined together to streamline, harmonize and integrate produce safety requirements for farmers,” he said. “When these two massive federal bureaucracies actually get together to make your life easier, that's almost as big as President Trump meeting with North Korea.”

Perdue challenged buyers to simplify their food safety requirements for growers as well.

“Audit fatigue is no respecter of public or private sector,” he said. “It's even worse for growers when they're pulling in and providing the same information over and over again with one group expecting a little bit different here and there over and over again for minor differences in those audits,” he said.

“I challenge you, especially your retail and wholesale institutional buyers, to follow our example. Get together and come up with a single integrated set of regulations and requirements,” he said. “Let's give our producers a single set of rules and requirements to help in food safety,” he said.



Merchandising Minute

Go Out on a Limb for Produce Sales

By: Armand Lobato, www.thepacker.com, July 4, 2018

I did my usual rounds of walking through a few produce departments last week. I like to scout a few as a matter of routine whether I'm shopping or just being the perpetual produce nerd that I am. I must say, I'm a bit perplexed. I double-checked the date. This is summer, right?

What's struck me thus far is the overall lack of big bulk displays. Particularly with stone fruit. Shouldn't I be seeing end caps or freestanding bin displays of peaches, nectarines, plums and more? Oh, I see the stone fruit all right, don't get me wrong. It's just that the fare is relegated to half-case displays, on a tropical table buried in the middle of the produce department. In small baskets that share the same space allocation as, say, the nearby dragon fruit.

I know, everyone is scared to death of having too much shrink. And summertime shrink can be especially high if orders and displays aren't monitored closely.

What I've seen so far? Produce managers are timid. They're overly cautious, gun shy, or stuck in corporate schematics that limit inventory and take the safe path. Folks, that's no way to run a produce department. Dale Carnegie once said, "Take a chance! All life is a chance. The man who goes the furthest is generally the one who is willing to do and dare." Translated into produce lingo: Spread out and open up the displays. If you build it, they will buy.

I'd encourage any of the produce managers this week to consider the key factors: Quality? Fresh stuff, so sweet. Top shelf goods out there. Price? As good as it's going to get. Availability? Strong, and the best of the summer stone fruit hasn't even peaked yet.

What's the risk? No question a produce manager flirts with higher shrink as soon as that one-case "display" morphs into a 10- or 20-case presentation. If the stone fruit display is over-built, over-stacked or overripe the manager risks having too much shrink.

What's the benefit to taking stone fruit risks? Sales. Lots and lots of glorious summer volume can make those cash registers sing. The trick, of course, is to balance the calculated risk against potential loss. But a seasoned produce manager can make it work.

This means flexing that experience muscle; looking at your customer base, anticipated volume, available SKUs and varieties, price, availability, product quality and maturity; and available space. Then, project how much product you can move — really — when you take a risk.

Maximizing sales comes down to showing off the summer goods and aggressively promoting stone fruit with abundant displays. Minimize the risk with careful, thoughtful ordering, sampling, close culling, and frequent rotation. It's summer. Show 'em you mean business.

PRODUCE BAROMETER

ITEM	QUALITY	PRICING
Bell Pepper	Good	Steady
Cucumber	Fair to Good	Higher
Eggplant	Good	Steady
Green Beans	Good	Steady
Jalapenos	Fair to Good	Steady
Onions	Good	Steady
Squash	Good	Steady
Tomatoes	Good	Steady



JULY CALENDAR

July-All Month
 National Picnic Month
 National Watermelon Month
July 11th
 Vegetarian Food Day
 Convenience Store Day
July 13th
 National French Fries Day

Hendersonville, NC Weather

Sat Jul 7	Sun Jul 8	Mon Jul 9	Tue Jul 10	Wed Jul 11
76° F	78° F	82° F	85° F	87° F
62° F	63° F	66° F	68° F	70° F
N 8 MPH	ESE 6 MPH	NNE 2 MPH	NNW 2 MPH	NNW 2 MPH
Precip 40%	Precip 20%		Precip 10%	Precip 20%

NEWS IN THE GROCERY TRADE

Organic Produce Sales Gains Continue to Over-Index in California

www.organicproducenetwork.com, June 28, 2018

An analysis of scan store data, during a 52-week period ending April 1, 2018, revealed that organic fresh produce accounted for 17 percent of total produce volume growth in California, which is much greater than its market share. The report, prepared by Southern California based Fusion Marketing as part of a webinar on June 21, focused exclusively on organic produce in California.

Data showed that for the period analyzed, organic produce accounted for 11 percent of produce dollar sales and six percent of volume statewide. The dollar growth in the category is being fueled by organic vegetable sales, while the volume growth is led by organic fruit sales. This anomaly is caused by the declining price gap between organic and conventional produce, especially on some of the larger-volume fruit items such as apples and bananas.

No matter how you slice it, organic produce sales at retail in California continue to increase, albeit at a slower percentage rate as the category is no longer a niche player but mainstream. In 2017, data revealed dollar sales reached \$768 million and are projected to increase another \$21 million in 2018 to \$789 million.

The retail price of organic produce has steadied even as conventional produce pricing has risen, which is what is causing the shrinking of the price gap and a slowing of the growth of actual organic dollar sales. From 2013 to 2018, the retail price of organic produce on a per pound basis rose 3.5 percent to \$2.93. During that same time frame, the price of conventional produce rose 15.6 percent to \$1.56. The gap between the two prices shrunk from \$1.48 per pound to \$1.37 per pound.

Organic vegetables sales accounted for 13 percent of the dollar market share, while organic fruit sales provide eight percent of a typical retailer's dollar volume. Of particular note is that there are approximately a dozen vegetables that have a dollar market share greater than 20 percent. On the fruit side, there is no item at that lofty number.

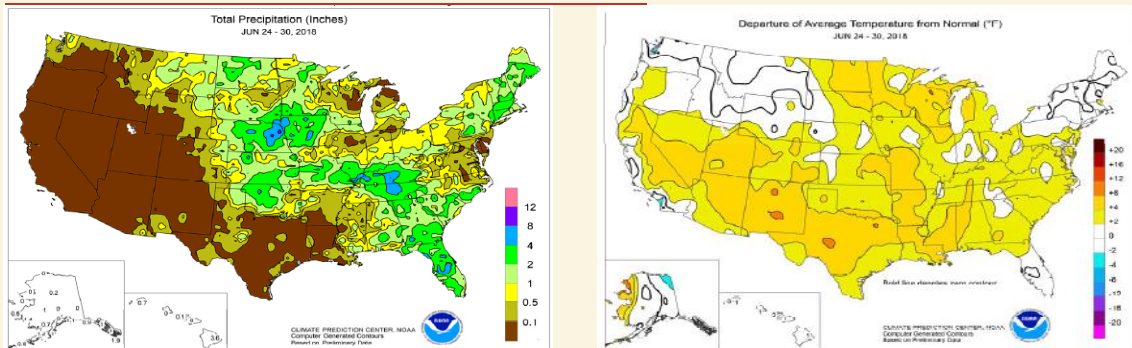
Organic spinach, carrots and lettuce are the top three organic vegetable items in dollar sales, with organic lettuces leading the pack at \$84 million of retail sales in California alone. Organic spinach sales account for 46 percent of total dollars sold in the Golden State, while organic carrots are at 31 percent and organic lettuce at 22 percent. There is also a handful of items where organic sales are greater than conventional sales including chard, leeks, beets and greens.

Organic berries are the top seller in dollar sales and percentage of sales with about \$120 million in sales in California, representing 17 percent of berry dollars. Apples and bananas round out the top three, with organic sales each representing 10-11 percent of total dollars. Both organic apples and bananas experienced average per pound retail pricing around 10 percent lower than the previous year because of increased volume. Price declines in those two items, which are among the largest sellers in the organic fruit segment, significantly skewed fruit pricing downward. In fact, the other eight of the top 10 fruits all registered percentage increases in average price per pound.

The bottom line is that organic fruit and vegetable sales continue to increase in California at retail, though the market is becoming more mature with about 63 percent of stores carrying the category, up from 43 percent five years ago, and roughly the same as a year ago.

NATIONAL WEATHER SPOTLIGHT

Weekly Precipitation and Temperature Deviation



RESTAURANT INDUSTRY NEWS

Why Speed Doesn't Always Rule in the Drive Thru

By: Scott Marentay, www.qsrmagazine.com, July 2018

It's lunchtime. Your customers are already on their way. At this point in the game, it is too late for promotional items, limited-time offers, and marketing gimmicks. It is too late for TV spots, Internet click or even Groupons. People are on their way to your drive thru. You might capture a few more customers if you put someone out front with a spinning arrow, but at this point, your ability to sway the customer to come to your drive thru over your competitors next door is limited. So, what do you do? How do you maximize the customers you actually capture?

Conventional wisdom says you need to make your line as short as possible, to give the illusion that the customer experience in your drive-thru is much faster than your competitor's. After all, isn't that why you spent all that money on a system to measure the speed of your drive thru? The reason you invested in a second order point? You have been told again and again that speed of service is the key to capturing the customer in the last moment as they drive down the road to make their decision, as if people make their choice based on the length of the line. Well, conventional wisdom is wrong.

Let me walk that back a little; conventional wisdom is partly wrong. Speed of service does play a role, but it is not the only role. Recent studies and business results indicate that it may not even be the lead role. Based upon the QSR Drive-Thru Study of 2017, the second highest rated drive-thru is the slowest of all the brands measured. Go back and read that again. The slowest! Does that mean that speed of service isn't important? Of course not. It means that maybe it is time to look at how we can better measure the drive-thru experience.

Typically, drive-thru performance is a measurement of time. How long did the customer spend at the order board, payment or service window? How long was their entire journey? Which is why most timing systems focus only on speed. Recently, many of the systems have added a feature to rank stores against each other, but still on speed alone. In the data I have reviewed, most stores at the top of the ranking for speed stay at the top. Chances are, they are well run locations that rank in the top in many different areas. In addition, data tends to indicate that the volume of cars going through the drive thru is relatively stable and does not fluctuate on a grand scale very often.

So how do we maximize the cars that we get in the drive thru? How do we get the most out of those small fluctuations? I see three variables emerging; number of cars, speed of service, and average ticket. It seems that these data points have the best potential to influence the bottom line if presented properly at the optimal moment. For example, if the number of cars going through my drive-thru lane is higher than it normally is for this daypart, I may want to concentrate efforts on speed in order to capture as many cars as possible. If my car count is lower, perhaps I want to concentrate resources on upselling, to boost the average ticket. If managers can be given this information in real-time, they can direct the crew to maximize revenue opportunity. Suddenly, performance is based upon the capture of revenue, rather than speed.

From an enterprise standpoint, it would be useful to be able to evaluate locations that adjust their behavior based on the different volume levels they encounter. Enterprise level rankings should not penalize the busiest stores because it takes longer to get through their drive thru. If anything, these evaluations should be able to determine that a store has incrementally improved their performance, due to better decision making. In theory, goals for an individual store could be derived from recent performance, and span all three variables; car count, speed, and average ticket. Displays in the store could remind managers that even though they are fast, their low average ticket will indicate they are not going to hit revenue targets.

In conclusion, drive-thru processes have not evolved in decades. More challenges are on the horizon, as mobile orders and delivery start to build momentum. Evolution in the thought around performance measurement, and the use of data to guide behavior will be the next paradigm shift in this industry.

FRESH TOMATOES  the best of nature™

MARK YOUR CALENDAR
PACK YOUR BAGS!

July 27-29, 2018
PMA Foodservice Conference & Expo
Portola Hotel & Spa and Monterey Conference Center
Monterey, CA
www.pma.com/events/foodservice
Come join Team Lipman at Booth 206!

August 22-23, 2018
NEPC's Produce & Floral Expo
Hynes Convention Center
Boston, MA
www.newenglandproduceCouncil.com

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