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Six months into pandemic, ag industry resilient amid seismic shifts

Edward Smith - STAFF WRITER

Now that the dust from pandemic uncertainty appears to be settling and growers have a better idea of what to expect, the outlook of experts and growers alike in the agricultural industry has shifted from extreme pessimism to hesitant optimism for the future.

The pandemic came in a year growers were already facing threats from global trade disputes and labor shortages. The introduction of a pandemic only exacerbated those dangers. While restaurateurs still feel the pains of pandemic responses, shifts in consumer habits favoring retail grocery have helped keep some ag prices — especially dairy — stable.

Shift in spending

When governments closed down restaurants, that meant taking major buyers out of the ag industry.

Since 2007, the gap between where consumers spend food money has been shrinking. Historically, grocery stores have outpaced restaurants in grabbing up percentage of food budgets. A study by Farmer Mac, which makes farm mortgage loans, shows in 2019, restaurants actually surpassed grocery stores in terms of where people spend their money. That means when the \$65 billion people were spending at

restaurants toward the end of 2019 tanked to \$30 billion by July, a corresponding amount of restaurant purchasing disappeared as well.

Sales in food services fell an estimated 60%, said Roland Fumasi, North American regional head for RaboResearch Food & Agribusiness in Fresno.

Diaries felt it the hardest. At the outset, prices for a hundredweight (100 pounds) of milk nearly halved and people feared a culling of smaller dairies.

Dairy rebounded quickly after a hard hit in March and April, however. Increased retail sales helped fuel a recovery, as did demand for quick-service restaurants such as pizza makers, Fumasi said. The pizza industry had delivery built into its model. Its success resurrected and even buoyed dairies when restaurants and school districts weren't buying milk and cheese.

In addition, China has been trying to rebuild its swine herds after a devastating flu hit their pork production, Fumasi said. Doing so requires whey powder, and the demand for American whey powder was enough to overcome any pricing trepidation caused by tariffs between the two powers.

At the same time restaurants stopped buying, consumers turned to grocery stores.

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NONPROFIT



IMAGE VIA RMHCCV | The Ronald McDonald statue at the Ronald McDonald House Charities of the Central Valley, Inc. facility in Madera is decked out for the upcoming 5K Run digital fundraiser.

Nonprofits pivot to virtual fundraising

Donald A. Promnitz - STAFF WRITER

For the Ronald McDonald House in Madera, the start of the pandemic was a time of great uncertainty — one that required quick thinking from its staff to support the families who relied on them to be with their families at Valley Children's Hospital.

It was a time that required not only a shift in the way operations were run for the House, but also how to raise the money needed to keep the lights on and parents close by. According to Alene Mestjian, director of development and communications for the House's Central Valley chapter, this has resulted in a total pivot to fundraising online. It's a tactic being embraced by nonprofits across the country.

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PERIODICAL:
TIME
SENSITIVE
PRIORITY
HANDLING



PHOTO BY EDWARD SMITH | Keeping farm laborers healthy has been but one of the additional obstacles growers have had to overcome in the time of Covid.

Ag industry | From page 1

Fresh is best

While non-perishables were the order for the day, customers didn't shy away from fresh fruit and dairy, with many seeing it as a way to possibly boost immunities and keep healthy. Unfortunately, many growers missed out on this initial demand in March and April because produce wasn't ready for store shelves. On the flip side, because harvesting hadn't begun large-scale yet, growers avoided the brunt of forces that hampered labor and logistics during that time.

"Producers that were really tied into supplying food service during that period really got hurt," Fumasi said.

After the initial stock-up phase, there was a steady decline as inventories returned to normal. Retail grocery sales still maintain a 10% average increase of sales year-over-year on the kind of specialty crops that the Central Valley is known for. Fumasi doesn't see this going away.

Losses at restaurants were not equitable with gains at the grocery store however. The study from Farmer Mac showed a \$40 billion gap left between the two industries.

Because fresh fruit has predominantly found its outlet in grocery store aisles, they weren't too affected by the absence of buyers in the restaurant sector.

Stone fruit harvest wrapped up with a good season, said Ian LeMay, president of the California Fresh Fruit Association based in Fresno.

With an increased demand at the grocery store, that means more consumers to match increased supply.

Table grapes, still in the middle of their season, have experienced strong prices, said Fumasi. Nothing compares to citrus

pricing, which should also see a strong season in the winter.

Some of the growers in the Fresh Fruit Association did suffer at first when schools stopped buying.

"That March, April, May time period, we did see some loss of contracts when schools closed in kind of an immediate fashion," LeMay said.

Schools make up no more than 5% of buying, but some members of the association felt it. Buying picked back up when schools started issuing contracts again.

Inflated costs

Good production for fresh fruit, however, was hampered by "exponentially" increased costs related to Covid-19 and wildfires, LeMay said.

Keeping workers healthy meant significant investments from growers to mitigate the spread of coronavirus.

Packing houses had to reconfigure production lines and install plastic shields, ramping up costs. Costs for mitigation were compounded with labor difficulties.

A lot of older employees didn't come to work because of concerns about their health. Working mothers who had to watch school-age children have had difficulty coming into work as well.

"Labor costs have continued to go up over the last decade and you layer on top mitigation efforts, the fact some people don't feel comfortable reporting to work, the labor situation overall has been a significant issue," said Fumasi.

Covid-19 also threw a wrench into foreign markets.

For fresh fruit, global trade can make up as much as 40% of a year's harvest.

There were logistical problems early in the season, said LeMay.

With fewer airplanes in the sky, air freight rates were increased, as were carriers across the ocean. Fewer exchanges between countries meant finding carriers was more difficult.

State of war

China still remains very disappointing for growers. Their burgeoning middle class had grown an appetite for specialty crops from the United States. But a prolonged trade war has continued to stymie exchanges between the two superpowers.

That doesn't mean that no product is getting there, but it's significantly less than what we saw prior to the dispute," said LeMay. "There are some in the industry who call China a dead market."

For tree nuts, foreign markets also make up a significant level of consuming. Back-to-back bumper crops have dropped almond prices significantly.

The USDA sent out a subjective estimate

for a 3-billion pound crop this coming season, said Fumasi.

Lower prices have made the nut more accessible so foreign markets still have an appetite. Shipments have also been robust, said Fumasi.

What concerns Fumasi, however is the extent of global purchasing throughout the years may cause a glut and subsequent lull in shipping because importers have stocked up inventories.

"I don't know that's the case for sure," he said, but it's something he is keeping his eye on.

"Hopefully these robust shipments can continue so that we can go ahead and clear some of these big supplies we have by the time we get into next season so we don't enter next August with too much carryover."

There is a brighter side for pistachios. Pistachio production is one marked by

biennial peaks and valleys in volume.

Last season had lower production levels meaning "very favorable prices" for growers, said Fumasi. Demand matched supply supporting those prices. For the season that just started, prices will be down following what is expected to be a record crop.

Walnut pricing weakened considerably as well. Covid caused shipping bottlenecks and declines in demand. This comes with an expected 19% year-over-year increase in production levels.

Now that growers largely have their harvest behind them, they have begun to show resilience in the face of adversity.

"I am much more optimistic now than I was in March or April," said Fumasi.

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Kristen Droogh
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**MAN & WOMAN
OF THE YEAR**



PHOTO BY EDWARD SMITH | Farmer Joe Del Bosque handles some of the asparagus he grows in west Fresno County.