



April 9, 2020 - A Snapshot in Time What We've Heard From Industry & Related Stakeholders

As the COVID-19 pandemic evolves, CPMA continues to engage with industry and stakeholders from across the agri-food sectors and government to ensure a comprehensive understanding of the state of the produce industry, experiences in other sectors and efforts by government to mitigate impact. The following information represents a snapshot of what we've heard this past week.

Market Overview

All industries are experiencing similar challenges and the following provides an overview of some of the challenges which directly or indirectly impact produce:

- Labour continues to be of significant impact to business.
- Global agriculture trade is continuing but slow.
- Canada/US border challenges exist depending on the crossing and include reduced hours of operation or, in some cases, closures. Canada is not planning any closures, but are monitoring traffic. In addition, there are concerns from truckers entering into some states with high incidence of COVID 19.
- Mexico: only issuing import permits for medical supplies, vast majority of ag products are not impacted other than a few - produce is not included.
- China: concerns related to the lack of containers due to measures in China to deny birthing of vessels if crew have COVID-19 symptoms.
- Airfreight costs have been noted as a concern and is being examined by government.
- A number of counties are implementing new export and import restrictions.

Member Survey Results

Over 100 members, 90% from Canada & 10% from other member countries, responded to our first survey to determine the impacts to industry caused by the measures taken to ensure the health and safety of citizens during the pandemic. We will periodically repeat the survey as this rapidly evolving crisis unfolds. It is understood that the range of impact to business varies depending on their place in the supply chain, their geographical location and, in some instances, the commodity they grow and ship.

Respondent Profile:

- 60% Growers (including Grower/packer/shippers)
- 18% Wholesalers, Importers and/or Exporters
- 10% Retail (including independent retailers)
- 12% from other parts of the supply chain
- Other (associations and allied businesses)

Are you experiencing shipping issues or supply chain delays?

Issues impacting shipping were varied and some respondents indicated there were no delays at this time while others experienced some delays, specifically at sea ports.

- Almost 50% cited transportation as an area where they had issues, followed by 37% in packaging, and 23% at the border. Additional areas of impact included inputs, a lack of containers and other issues. Clearly for some there are multiple areas where impact is being felt.
- Trucking is a concern for some including the challenges around availability of facilities for truckers as restaurants, truck stops and restrooms closed along typical routes.
- Cancellation of orders to meet domestic U.S. demand and shortages due to increased demand were noted.

Are you experiencing staffing shortages?

As expected, staffing shortages are being experienced across industry and include temporary foreign workers (38%), domestic low skill workers (28%), admin staff (11%) and warehouse staff (35%). In addition, a 34% staff shortage existed in various roles such as transportation/drivers, heavy equipment operators, mechanics and store staff. However, one noted that as volumes recede they anticipate layoffs.

- Those that are not currently experiencing staff shortages are anticipating gaps in the coming weeks and months.
- Some hope that unemployed Canadian labour from other streams may be able to fill the gaps but others noted that although there may be labour availability from those now unemployed from other industries, unless they can prove they have quarantined for 14 days there is a reluctance to bring them into produce facilities.
- Industry has gone through a high sales volume period putting demands on staff requirements – although this has lessened we are now entering a period where staff shortages may occur due to illness or decisions to stay at home.
- Shortages of equipment and skilled labour including equipment operators and mechanics is already occurring.
- Some noted that there is a shortage in drivers for companies hauling between Canada and the U.S.

Do you expect the current situation to impact your production and supply to customers?

Approximately 75% of respondents expected impacts to production and supply. The percentage of production impacted typically ranged from 5 – 50%. Many noted that access to Personal Protective Equipment (PPE) and materials impact the business and may impact production as the season progresses. Comments included:

- We are less concerned about not having production and more concerned over 1) not having the labour to harvest and pack and 2) not having the sales for the production. The latter has been a significant impact this week.
- I am very concerned regarding accounts receivables. Most of our customers dealing with hotels and restaurants are almost inactive with no sign of recovery of their markets.

- Wild swings in consumer buying patterns at retail, shorter hours of store operation, and some reduction in SKUs at store level are making it very difficult to forecast and pack appropriate volumes - leading to some shortages and over-packing which lead to product going bad.
- We think the biggest impact may be 6 months from now. Potato processors are reducing contract acres which may result in over supply next fall and winter. French Fry demand has dropped due to restaurants closing.
- We are a Customs Broker so are still open 24/7 but are definitely noticing a drop in shipment volume as the days/weeks go by.
- In many cases our growers have planned to reduce the size of their plantings and anticipate not being able to harvest what they have planted.
- Due to the general population panic buying, supplies have been used sooner than normal and will likely cause an earlier end to the local season. Once the supply chain has time to balance out the majority of shippers will have a better understanding of how much product is left and how much longer the season will go.

Have you changed your business plan to incorporate new procedures to address the spread of COVID-19? Do you have processes in place to mitigate impact to your business?

It is no surprise that 92% of respondents have made changes to their business to address higher risk to their staff and to secure the supply chain – including its ongoing viability.

- Common changes included limiting personnel allowed on site, providing additional protective equipment to staff, staggering shifts to reduce numbers on site at one time, new cleaning processes, procedural changes during deliveries and, those that can, instructed to work from home.
- From a retail perspective additional changes included defined processes to maintain social distancing, changes of hours of operations, additional hand sanitizer stations, improved cashier distancing from customers and withdrawal of some items for sale (particularly bulk items and self-serve foods). (This does not appear to include bulk produce.)
- Grower specific change noted was the need to adjust the number of foreign workers to comply with social distancing in dorms.
- Transportation specific changes to address lack of accessible services for drivers included attempts to find alternative sources such as hotel facilities for restroom access for a reasonable fee.

For international members: Are you experiencing delays or non-access at international borders? If yes, what amount of produce has NOT been successfully moved into the destination country?

- All respondents indicated that they were not seeing delays or non-access at international borders but some noted that in the longer term it is expected to impact movement of product by air. Since the survey was executed, CPMA staff have heard that impacts are now occurring with delays or shut down of shipments depending on country.

Finally, we thought it was worth noting a comment received that is likely indicative of how we are all feeling: *We are proud of our staff - all team members continue to show up to continue to provide timely supplies to all our customers. All staff are supporting changes made to protect them and our customers.*