

GREAT GRIZZLY TIMES



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A MESSAGE FROM THE PRESIDENT

IMPORT CRISIS & PRODUCT SHORTAGES LOOM

Each year I try to write and inform our customers as to what is happening on the China supply side of the Fireworks Industry. This year we have many factors that will affect the fireworks business both short term and long term.

Things changed quickly for the fireworks producers in December, 2019 when an explosion at a factory pretty much stopped all producers until most recently. A full three-month lull in production is not something that the fireworks producers can endure and still keep on schedule to supply the US market in a timely manner. Even though production has resumed after the Coronavirus epidemic. An extra six weeks of lost production occurred. Normally the factories would have been in full production after the Chinese New Year holiday had concluded.

Before the epidemic became news, we had already known that issues existed between Chinese customs officials in both Jiangxi and Hunan. They had stifled shipments and each are refusing to allow the long stand practice of combining goods made in each provinces on the same shipping container. This problem is yet to be resolved. In addition, China has had more than their share of port closure issues that have had the main ports of Beihai and Shanghai closed and reopened numerous times this year. This seems to have resolved at the moment but this has been a reoccurring problem in the last 12 months.

At the time of this writing, some shipments that are loaded have been delayed up to several weeks as container shippers have not had enough general cargo goods to keep the container line vessels full enough to allow these vessels to leave port. Therefore, they continue to delay shipments and the cargo ship is detained until enough volume is secured to fill the carrier's vessels. There are still only so many sailing dates left between now and May 10th which is the likely cut off date for shipments that hope to arrive by June 10th to the US Importers.

China will likely produce many more containers than the space allotted on shipping lines. Because of this under supply and the reduced sailings we are seeing the costs rise 10-20% higher than last year for the limited sailings available. There is likely no solution to the reduced numbers of sailing left in the next 60 days.

That alone will likely make the supply shortages situation on the US side even more severe as we get to the selling and shipping portion of our season. Add this to the fact that we expected the season to have a decent increase in demand as a result of the Saturday, July 4th holiday.

Continued on page 5...

FIREWORKS IN FERUARY!?



AJ BURNS

Hello everyone, it's been four months since an update from our last newsletter, and all the conventions that NCI attends annually. I think everyone can agree the last four months have been a whirlwind. Dozens of press releases from our Firework Associations, ever changing media narratives, and countless opinions have crossed our news feeds. Without spending too much time discussing COVID-19 as I know it has been touched on in this newsletter, and non-stop in all forms of media. This author hopes to provide relevant updates and an inside look from the industry conventions.

To start, I'd like to recap from the last NCI newsletter. If you'll recall, NCI staff members attended the Fall APA Convention in Naples. During this convention the hot topic was China Tariffs. It is safe to say that the fireworks industry has dodged that bullet. A deal was struck in the 11th hour to put a stop to the tariffs on List 4B and the remainder of China produced fireworks. Additionally, list 4A which had already been enacted, reduced from 15% tariffs to 7.5%. (List 4A pertaining to 1.4g items specifically; includes Sparklers, Party Poppers, and Whipper Snappers.)

Fast forward to February and the APA Winter Educational Conference hosted at the Park MGM Hotel in Las Vegas. NCI again sent representatives to attend conferences and receive the latest industry updates. The industry can breathe a sigh of relief as tariffs have been postponed indefinitely, however, we now face a new set of challenges.

A Snapshot

December 4th, a multi-fatality explosion occurs. Fireworks production comes to a screeching halt. Officials order all Liuyang factories to close. Many suppliers are concerned that this closure will extend into Chinese New Year. (Jan. 25th – Feb. 8th).

December 9th all shipments from Shanghai are suspended due to increased scrutiny and increasing customs requirements. Beihai ports remain open but with very limited capacity. With the United States market preparing for their New Year's fireworks season, it appears factory production schedules will run behind, and there are rumblings of potential product shortages going in to 2020.

December 31st, China alerts the World Health Organization of an unknown pneumonia like virus that has broken out in the city of Wuhan. Wuhan is located 4 hours north of Liuyang.

Fast forward to January 23rd, the city of Wuhan is placed under quarantine. A term that we are now all intimately familiar with. By January 30th, COVID-19 is declared a global emergency. Factories that were set to open February 9th, remain closed due to the virus.

These occurrences have led up to February 11th and the APA Winter Conference. I was fortunate to attend and had high hopes that industry reports would be much more encouraging. As we attended the General Sessions and committee meetings, it became clear that the factory accident and virus outbreak had a much larger impact than originally thought. Not only were fireworks factories directly impacted, so too was the supply chain. Raw materials, paper goods, chemicals supply, trucks, and the supply of empty shipping containers were all affected. Cargo ships out of China experienced severe shortages and many loads are canceled altogether.

FIREWORKS IN FEBRUARY!? *CONTINUED*

Moving Forward

China is currently seeing some relief from a 3-month long journey. No new cases of COVID have been reported in Wuhan at the time of this article. Most factories have returned to work in some capacity, while still practicing social distancing. Production has begun to ramp back up and containers are being filled. Finally, a morsel of good news for the American fireworks industry.

As we work our way through the next several weeks of uncertainty, your NCI staff will continue to service our customers to the best of our ability. With a healthy amount of inventory currently in stock, and dozens of containers being delivered over the next 2 months, NCI is honored to be your supplier of choice! We look forward to your orders!

STEAMBOAT SPRINGS, COLORADO, LAUNCHED IN TO HISTORY!



February 6th, two days before launch, Jim casually moves about the "Boom Shed". Jim and a helper are working to make final preparations on the second 62" world record attempt. The internal fusing is installed, the passfires carefully cut to length, and dozens of obligatory photos must be taken.

Two days lead up to a feat that has been, some say, eight years in the making. I say, it's been a whole lot longer. Over the course of my short three-year history attending PGI conventions, I have been most fortunate to have met the Widmanns. To anyone that have met them once, it is simply Connie and Jim. Two people that are salt of the Earth and instrumental in the fire-working community. Jim's buildup to this great feat, began when he was a kid. He recalls finding unspent fireworks laying in the streets around the 4th of July. He would use the powders and components to make his own devices. So began his fascination and

life-long passion for fire-working. Jim is happy to share his life experiences and thus, it has landed me holding 8 lengths of quick match in one hand, and a glue gun in the other.

Jim says here, glue them here. I, his studious helper, I pay close attention to his directions. It is not lost on me to be involved with such a project. This is my 2nd time helping on a 62" shell. My fire-working experience can be traced back to precisely three years ago. I was invited to work along-side Jim and his pyro pal Eric Krug on a 24" shell in Mason City. Since then, a second 24" and 36" at the PGI 50th. It is safe to say, I am lucky to be in good company.

I have heard the stories and the history that have led up to Jim and I standing in the Boom Shed. The Widmanns are more like family now.

Launch Day, Feb. 8th, an excitement builds as the shell is hauled up to its launch site. We've been here before, but the determination on this cool clear day, it's different. This record attempt must succeed. Loading goes well, then... "The Wait". 8 hours of waiting to push the red button. The button that will send a 2,797-pound projectile soaring into history. As many of you know, it worked that night.

Jim and his team successfully launched into the Guinness Book of World Records again. The familiar thud as the shell lifts out of the cold steel mortar, the comets trailing the shell, and 2 seconds of doubt as the shell hits apogee...oh those 2 seconds... Then, a bright red explosion, roaring cheers and an unbelievable sigh of relief. I have never felt joy quite like this. Words didn't come to mind then, and to be honest, they don't right now. A hug from Connie as we celebrated and uncontrollable tears of joy began to flow. I'm not ashamed to say, they were mostly mine. We soon met up with Jim and his team, high fives and hugs to go around. As the Guinness presentation began, you can see it there on Jim's, it's in his eyes and in his smile. That little boy finding the joy of fireworks all over again.

Sincerely,

A handwritten signature in black ink, appearing to be the initials 'AG'.

2020 ARTILLERY SHELLS



STEVEN IRVIN

When the canister shell was first introduced into the consumer market 15 years ago, it quickly became the leader in the reloadable shell category. With the ability to hold more composition and provide a tighter packed burst charge, canister shells were able to provide larger breaks and an even bigger bang. In the past 3 years, the market has been introduced to 4", 5", and even 6" canister shells. So, what does it all mean? How tall is too tall? Are larger shells necessary for better performance?

The largest allowable diameter for any reloadable shell for the US market is 1.75" so when 4", 5", and 6" shells are mentioned, it simply refers to the length of the shell. 4" was the tallest for a long time and are still great performers. They have a great combination of weight to performance ratio and can hold up to 60g of comp. However, even though 4" shells are often advertised as 60g maximum load, they often contain less. Our Rockstar Shells and Neon Rage Shells are great examples of quality 4" shells.

Next, 5" canisters entered the market. These have more room to make sure they are maxed out at 60 grams of composition (the max allowed). The additional room allows for a wider range of effects, larger stars, and plenty of powder to rock the night sky. Good 5" shells will always outperform 4" if you are looking for the biggest and the loudest! Our Predator XL shells, by design, are the best around and getting effect updates every year. We have also upgraded the Terminator shells to make them 5" heavy hitters. Nishiki Fallout Shells, new for 2020, feature 12 highly sought after 5" Nishiki Kamuro canisters. That brings us to 6" and beyond.

6" shells start to get heavy and therefore cannot go as high into the sky. A 6" shell with a normal performance is not worth the reduced height or increased cost. However, we have found that the additional length can allow for some canister shell effects that until now, were not possible. NCI has 2 new 6" shells that utilize the extra length to include some breath-taking new effects. Tiki Bombs are the first canister shell we have seen with a tail! This 24 pack features 8 tiger tails, 8 cracking tails, and 8 glittering tails each with a unique and colorful burst. The second is Super Stinger which features a 2-stage mine effect to break. These fill the sky from top to bottom with some of the best effects possible.

Finally, I want to give a shout out to Devil's Dozen which is one of the best ball shells on the market. I still have a place for ball shells in my shows because of their spherical break that canister shells just can't provide.

Steve

DEVIL'S DOZEN



NEON PREDATOR

SUPER STINGER



TIKI BOMBS

SUPER CHARGED



TERMINATOR

THE FIREWORKS INDUSTRY *CONTINUED*

We now have the possibility of the Coronavirus delaying the normal traffic as no one is sure at this point how long this epidemic might affect the American market. It is normal for us to have transportation issues in the late spring has all carriers bringing the goods to our warehouses much use DOT Certified Hazmat drivers. It is a wait and see plus cross your finger situation.

I expect we will make it through this season but the underlying issues of total reliance on China as the sole supplier of US market is going to be an issue going forward. The China government has been trying to reduce the number of factories making fireworks and pretty much forcing the smaller entities out of business. Yet every year we seem to have on going issues with China customs and local mandates that are stopping production for significant periods of time. This means less days every year to produce fireworks for the American market. Also, having only two ports to send shipments is also another recipe for disaster.

The fireworks industry is an industry of change. I have seen significant changes to our supply chains in my tenure in this business. After this season I am sure many of the major importers will look to other locations in Asia as well as South America to see if they can find another region of reliable suppliers for the US market. This season is exceptional as to the number of circumstances that have come together to squeeze the supply chain. I don't believe that we have seen the end of supply issues with China.

I am hoping that the issues of the present day get resolved with some haste and we get to have the weekend holiday season that we are all looking forward to. But there is no doubt that fireworks industry people for the US market must start to look to other areas of the world to supply some of our needs. Our reliance on China for 100% of our supplies is not doable for the long term!

We will need to diversify supply chains for us to truly have a second or third option in case of another China melt down during the production season. We as suppliers cannot expect using one country for all our goods is a sustainable model.

As with all businesses we need to be open to chance. The day of the holiday is a pretty good indicator of what is coming for the season. But drought and regulators can quickly throw a wrench into a smoothly going season. Supply side is just as important.

We will get through the 2020 season. Hopefully it will be just as good as we previously expected. Rest assured the industry will have many additional problems going forward. It's just a part of the business that we have become accustomed to. Change opens opportunities to all of us. "Change is inevitable. Successful companies just do it sooner". It's time to welcome it.

Our best wishes for a "great" July 4th season!

Richard Shields
President/Owner



RETAIL ENVIRONMENT 2020



JEFF BRANDENBURG

As we near our busiest time of the year in preparations to help our valued customers stock their retail stores, tents and stands for the long-awaited Saturday July 4th, we also enter one of the most challenging times our industry has faced. The lack of production in China over several long months due to recent shutdowns over explosions and related deaths, to the peak of COVID-19 halting most of the supply chain, we find ourselves deep within uncharted waters. This has, and will continue, to lead to a supply shortage on fireworks in the U.S. for 2020. As of this writing we are yet to see the true effects of COVID-19 on our business for the immediate summer season.

At present, we are seeing many restaurants and bars being mandated to shut down operations across the country. Furthermore, we continue to see several other businesses cut hours, staff, and drastically limit their methods of operation. This will likely continue to get worse, over the next few weeks as COVID-19 peaks. As we saw in China, and in other regions such as Italy, these types of efforts and attention to social distancing are working to reduce the number of new cases. We must all work together and do our part.

COVID-19 certainly brings many new challenges to operating your business. What can you do as a retailer to navigate this season? I'd start by saying let's remain hopeful there are no "official" restrictions placed on your business as we arrive to late June and through the 4th of July. From there I'd offer up some alternative and creative ways to service your customers as you plan for the changing retail landscape over the coming weeks. Here are some ways retailers are working to stay operational and retain the confidence in their customers to continue shopping and buying their products:

- Online ordering for in-store or curbside pickup
- Phone-in orders for in-store or curbside pickup
- Customized video shopping experience (employees shop the store with the customer via video chat)
- Delivery service (typically offered within a limited radius of retail location with a minimum order requirement)



As we all know, the fireworks industry is heavily regulated. As such, please be certain you have checked with all necessary federal, state and local authorities having jurisdiction as you consider any of the above options. You must ensure that you are fully compliant and adhering to all rules and regulations.

If you have the means to contact your customer base to inform them of your retail hours and intended operational adjustments, and any new service offerings, you should consider doing so. Getting the word out on your website and social media outlets is key. Another very effective way to update your customers is via direct email and text campaigns. If you have utilized point-of-sales (POS) equipment and have been capturing your customers' emails and/or cell phone numbers, this is an excellent way to stay in communication with your customer base and update them as you navigate through these changing times.

If you have not used a POS system in the past or have used one but have not gathered your customers email or cell phone numbers, you should consider the value in adding POS equipment to your retail venue. There are many POS options out there that can help. Feel free to contact us if you would like to hear about some of the top POS equipment and software options that have worked well for our customers.

Many fireworks retailers sign “seasonal” or “temporary” lease or license agreements with various landlords for retail vacancies, parking lots or land to sell their products from. You should consider adding some language, or an addendum, to your agreements that protect you in the event you are unable to open for any period due to certain governmental restrictions placed upon you with this ever changing COVID-19 pandemic. It’s always a good idea, in any given season, to incorporate language within your agreements that allow for refunds of some sort in the event your sales become restricted or prohibited for reasons such as a drought, failure to obtain all your necessary licenses or permits, or other types of unforeseen or uncontrollable circumstances. Maybe consider paying only a smaller nonrefundable deposit upon lease execution, another payment closer to the peak selling period, say around June 15th, with the balance by July 10th. Although not all landlords will agree to all-the-above, it’s a starting point for negotiations, and will likely lead to you having a few more options to limit your liability during tough times.



Although there will be a shortage on various fireworks in 2020, NCI is still well stocked, and will likely have a good alternative product to offer you on out-of-stock items. We have been and will continue receiving import containers from our China partners, and many of those are set to arrive in May and June. Although this is not what we want, it’s the reality we must accept. We will work hard to facilitate all we can during this time to ensure our valued customers are supplied with all we are able to provide in 2020!

What can you do to put yourself in the best position during the shortage? The best thing you can do is get your orders submitted to us ASAP and take what we have available, now. From there we can work together over the weeks ahead to communicate what we should be able to supply on the balance of your order, likely when we expect to receive it, and offer good alternatives for items we will not receive in time for this July 4th. This is not a typical fireworks season, on many levels, so we must all understand that we cannot operate as we typically have in past seasons.

We are in this together and the entire team here at NCI “fully” committed to doing what we can to ensure your shelves are stocked!

“In the middle of difficulty lies opportunity. “
~ Albert Einstein

“Tough times never last, but tough people do.”
~ Robert Schuller


Jeff Brandenburg
Vice President of Sales

NCI NOW ACCEPTING ELECTRONIC CHECKS (ACH)

We are excited to announce a new service to our customers. We are now able to send and receive electronic checks! Many customers pay by paper check which is a fine method of payment, but in today's world it is SLOW! Many of you know the time lost in mailing in a check or paying expensive overnight fees so that we can release your order. Sometimes orders sit for 1-2 days waiting on checks to come in for freight and order balances. With this new service you may arrange ahead of time for NCI to electronically draft, with your consent, the amount due - instantly. This cuts out the hassle and delays associated with sending a paper check. Additionally, if we owe you money for overpayment, damage claims, or any other credit, we can now send you the money electronically the same way with the ease and speed of an electronic check. Several customers have already taken advantage of this service and are all set up for fast and easy payment. Contact your sales representative or go to our website and retrieve the ACH Authorization form and submit securely with your sales representative.

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PYROTECHNICS GUILD INTERNATIONAL (PGI)

2020 CONVENTION
AUG 8-14TH, 2020
FARGO, ND
FOR MORE INFORMATION ON PGI:
WWW.PGI.ORG

NATIONAL FIREWORKS ASSOCIATION (NFA)

NFA EXPO 2020, KINGSPORT, TN
SEPTEMBER 8-12TH, 2020
FOR INFORMATION ON NFA'S EXPO:
WWW.NATIONALFIREWORKS.ORG

AMERICAN PYROTECHNICS ASSOCIATION (APA)

2020 ANNUAL MEETING
OCTOBER 5-9TH, 2020
INTERCONTINENTAL KANSAS CITY AT THE PLAZA,
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KURT COWGILL

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