

GREAT GRIZZLY TIMES



A MESSAGE FROM THE PRESIDENT RICHARD B. SHIELDS

Fireworks Updates On Production Issues In China

Most of our wholesale customers are not aware of the changes each season that affect the manufacturing of fireworks products in China. Most of what I am going to say did not exist at this point last season. Goods and shipments appeared to be returning to more normal levels after the issues brought on by the worldwide COVID epidemic.

The newest glitch in the Chinese export market was the return of domestic fireworks use within mainland China. At this time last season, factories had the largest increase in domestic fireworks sales, as most of China's highly populated cities and communities could now buy and use fireworks. The Chinese suppliers found themselves selling out of their entire inventories. Domestic buyers came to the factories and bought out all their inventories to supply this new surge in domestic fireworks sales. Even after the Chinese New Year, domestic buyers were placing orders for the next Chinese New Year and were even acquiring warehouse space to house the goods for the 2024 Chinese New Year season. Business was so lucrative for the factories that many of them switched to only making domestic products for sale within China. According to what we were told, no testing, Chinese customs approvals, export documentation, or container loading are necessary. Just make the goods and sell it to the local market buyers.

This situation took substantial manufacturing capacity from those factories that were exporting goods in the past. Much less hassle than making export goods makes for an easy shift in production from export to domestic market goods. Recent updates from the export producers continue to say that this will impact goods for the 2024 season, and this situation could be the "new normal" in China.



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We may not realize it, but US production is not the mainstay of fireworks production in China. At best, it was only about 10% of the entire Chinese fireworks production. With the large surge in production for the local markets, and it is much less than that. Add to the equation that sales were easy to accomplish and shipping was not required, this was a no-brainer for fireworks manufacturing to jump on the bandwagon. The entire impact of this switch isn't really known yet, as most exporters are still promising that export production will resume as soon as the domestic Chinese New Year production is over.

The coming months will give us a better handle as to how much production China can produce to meet the timetable for shipments to arrive in the US before May and June. At best, shipments will be made and shipped later than last season. At worst, much production will not be made in time to meet the July 4th season.

Most importers ended last season with much more inventory than the previous two COVID years, us included. Shipments during the summer and fall have not arrived at the same levels as one year ago. The next several months will give us more insight as to whether this is a new glitch that China will overcome or if it is the going to be an ongoing issue for US importers to deal with. Time will tell.

Each year, I look forward to sharing my insider perspectives on China in this newsletter. For more recent updates on this and other issues, please visit us online at www.greatgrizzly.com.



Richard B. Shields
President/NCI



YOU'RE INVITED!

Consider yourself formally invited to our annual "Demo Nights" for 2024!

We're back at the amazing Atlanta Motor Speedway Saturday, March 9th located at 1500 Tara Place in Hampton, Georgia. We're extremely excited to have this venue back for our Southern U.S. region demo event.

Our Northern region demo event is set for Saturday, May 4th at our corporate offices located at 1500 E. Washington Street in Muncie, Indiana.

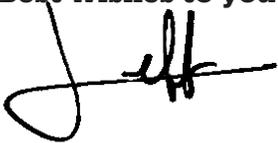
Get ready for the ultimate demo experience! You will be treated to a fantastic evening, no doubt! Enjoy a delicious dinner, get up close and personal with our incredible fireworks on display as you witness a breathtaking product demonstration featuring our best sellers and new items. And that's not all as we'll end the night with an amazing fireworks finale!

From race car fans to those just wanting to feel the adrenaline rush, you'll have the opportunity to ride along in an official pace car around the Atlanta Motor Speedway, experiencing speeds over 100 MPH! This has been a customer favorite at our past Georgia demo event.

We hope to see and visit with you at one of these Demo Nights. Please be sure to register at the link below. This helps us to ensure we have sufficient food and beverage for all that attend.

www.greatgrizzly.com/2024-demo-nights

Best wishes to you in 2024!



Jeff Brandenburg
Vice President of Sales



JEFF BRANDENBURG



CHINESE DOMESTIC MARKET

THE GOOD NEWS & THE BAD

China is the primary producer (> 95%) of US consumer fireworks. Most of the factories there produce primarily for the US, Europe, and for the China market. In the past the demand in the US and Europe fluctuated and competed for production at times but the domestic market was small and steady. Last year the Chinese government started to allow some consumer items to be sold in certain provinces in China and the demand soared through the roof.

Suddenly there were local buyers going to the factories and offering cash to buy production and, in some cases, products that had already been produced for export. As the market grew more and more factories and trading companies started to produce to sell to the local market. The opportunity is too great to pass up. The orders are huge, and the payments are quicker. The average US importers order between 200 – 2,000 cases of a single item while the Chinese buyer's places orders of 10,000 – 80,000 cases. Those are quantities that are hard to wrap your head around.

So, what does all this mean for us in the US? Production has been much slower than normal. The number of products being produced between the summer heat shut down and Chinese New Year is a lot less than in years past. The products that are being produced are dependent on the factories that are willing to produce. The factories still accept the orders, but they will be in a big rush to try to get them shipped in time.

This season will be a bit of wait and see. We have lots of stock and have added additional warehouses to ensure that we can carry a large supply of fireworks from year to year. We keep this extra inventory to prevent issues like this from hindering our ability to provide our customers with everything that they need. We are receiving containers weekly and will continue to through the summer selling season. Our new items for 2024 will be later than usual and we may run low on some items as more inventory ships late.

Now for some good news! We have been hearing the bad news from suppliers and factories for months, but Kurt and I traveled to Liuyang, China in the fall and saw some positives that are coming out of the booming domestic market. As we went into some of the local shops, we noticed that there is a lot of innovation in categories that have not had much attention in a long time. Roman candle barrages, fountains, sparklers, and novelties items are very popular in China. Because these items are in high demand the factories are innovating to compete. Look for new effects and styles of these categories coming to the US very soon.

Along with the new items we saw they are also innovating in the manufacturing of these items. With large orders comes the need to increase and streamline production. The categories listed have been hard to get in the past few years but with new machines and efficiencies these items should only get easier to order and produce. Items that were made by hand or only partially automated are now being made by the hundreds of thousands.

Finally, the US still has a surplus of product, and the US orders were not enough to keep all of the factories busy. So, while we hate to see our production priority get as low as it has it is good for the factories to have plenty of orders to survive and thrive. Factories are expanding and investing in the future! It is good for all aspects of the supply chain to be healthy, and I believe it will benefit us all in the long term.



STEVEN IRVIN

Steven Irvin
Director of Operations

TIPS FOR STAYING SAFE ON THE ROAD

PRE-TRIP AND POST-TRIP INSPECTIONS

Vehicle inspections before and after your trip are your first line of defense when it comes to safety on the road. Taking the time to do a proper pre-trip will save you time and money in the long run. Preventing the need to call roadside assistance outside their normal working hours is very costly and can take hours. A proper pre-trip will also be looked at by the DOT when they look at your logs. It's always a good idea to check your vehicle if you stop for a restroom break or lunch break to make sure no issues have occurred while driving down the road. This includes checking the straps and making sure the load has not shifted. Remember, it's the law to do your pre- and post-trip inspections.



ZACH ROYAL

REDUCE THE USE OF TECHNOLOGY

We can't make others stay off their phones and GPS systems, but as truck drivers, we must do our part to think about the safety of ourselves and everyone around us. Distractions like texting, watching Netflix, and fiddling with your GPS can lead to fatalities, accidents, or even missing your exit. I would highly recommend a hands-free Bluetooth headset to keep your eye on the road and hands on the wheel. Make sure you are keeping the roads safe for you and others on the road.

FOOD AND DRINKS

It is important that you make sure you are eating healthily and staying hydrated. Many ELDs require you to take a 30-minute break after so many hours of driving. This helps you stay alert and gives you time to eat, inspect your CMV, check your route, and make any necessary phone calls that need to be made. If you don't want to pack your lunch, check for restaurants/truck stop combinations along your route before you start.

My goal when I leave the house every morning is to return home to see my family. Make sure you are taking the time to plan your route, pre-trip, drive safely, and do your post-trip when you return. We must do our part to keep the public safe while we operate CMVs down the road.

LARGE TRUCK CRASH STATISTICS FROM THE FMCSA

MCMIS Fatal & Non-Fatal Crash Events	CY 2021	CY 2022	CY 2023* (01/01/2023-07/31/2023)
Vehicles Involved	197,841	197,123	104,329
Crashes	184,467	183,028	97,039
Fatalities	6,030	5,619	2,754
Injuries	91,966	88,731	48,244
FARS Fatal Crash Events	CY 2019	CY 2020	CY 2021
Vehicles Involved	5,284	5,040	5,965
Fatalities	5,290	5,165	6,045

*Motor Carrier Management Information System (MCMIS)

**Fatality Analysis Reporting System (FARS)

Note: States are expected to report crash data to FMCSA within 90 days of the crash.

Data Source: FMCSA Motor Carrier Management Information System (MCMIS)

data snapshot as of 11/24/2023, including crash records through 07/31/2023;

2021 Fatality Analysis Reporting System (FARS) data. MCMIS data are considered

preliminary for 22 months to allow for changes.

The combined large truck and bus counts may not equal the sum of the individual

truck and bus counts if some crash events involved both types of vehicles.

Zach Royal
Transportation Manager

TO THE FUTURE, AND BEYOND!



AJ BURNS

Welcome avid followers, to another addition of what's going on in the fireworks world. My previous writings have dealt primarily with convention updates and new products at times. In this particular article, I wanted to touch on the coming years of retail sales and what I feel we can all do to prepare for them.

We are entering a calendar cycle in which we will leap-year over a Wednesday Independence Day. That is good news, as Wednesday is historically the worst day of the week for the 4th of July to fall in terms of sales. That means that we are entering into another long July 4th weekend in 2024. A Thursday holiday usually bodes well for a 4-day weekend in which people attend more celebratory gatherings, cookouts, pool parties, and the like.

I expect the 2024 season to be similar to that of 2023. Steady sales throughout the season, with a more modest spike on the 3rd and 4th of July. After countless conversations with customers spanning across the US, it seems that the sales trends have finally leveled out from the record highs in the 2021-2022 seasons. I know some will read this and say, "Well that doesn't apply to me!" and kudos to those of you that continue to show growth. On average, most retail stores follow a similar pattern year to year, which allows companies like NCI to better predict their workload throughout the year.

The supply chain has mostly caught up from the past few seasons. Inventory is readily available, and as Kurt mentioned in his summer article, container freight costs as well as wholesale prices have begun to drop. With domestic warehouses packed with inventory, we are fortunate to not have the play the typical waiting game with containers in the spring or early summer.

Sounds great! Right? Well, now add in the China factor.

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TO THE FUTURE, AND BEYOND CONTINUED

If you haven't heard, the Chinese domestic fireworks market is exploding, big pun intended. Last year marked the first Chinese New Year celebrated across China since the pandemic. Fireworks use resembled that of the USA in 2021. Now the Chinese locals are running to open retail shops in anticipation that 2024 CNY will be the same. Massive amounts of fireworks production, space and time, have been consumed by the Chinese domestic market. Enough factories and warehouses are focused on the supply and demand in China, that the US importers have been pushed to the back of the line. With some orders in the 10's of thousands of cases PER item, and customers with money in hand, most warehouses are stocked full of China goods until CNY. Where does that leave the US importers, wholesalers, and retailers?

US retailers should not sit back and wait for the season to arrive. Even though most US importers have plenty of stock, it may not be a full complement of items. Categories such as novelties, roman candles, small fountains, and even 200-gram cakes continue to be highly sought after. Those waiting for the season to begin will find themselves behind and possibly scrambling to find the necessary stock. Stocking up early and often is a good strategy going into a long 4th of July weekend. Diligent planning will undoubtedly set retailers up for future successes.

I'll leave you with one final thought as we navigate the Chinese market boom, and the US market on the verge of hitting our next high. 2025 is a Friday holiday, 2026 is a Saturday holiday AND the 250th Anniversary of the United States of America. The Semiquincentennial in case you're wondering. If there were ever three years in a row that would scratch the surface of pandemic level sales, these are it. Buy early and buy plenty. This will ensure your retail sales are at their maximum when it matters the most. The opportunity to move "leftover" inventory is great and as any wise salesman will tell you,

**"You can't sell what you don't have!"
Stay diligent my fireworks friends.**



**AJ Burns
Area Sales Manager**

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DATE: SEPT 9-13, 2024

FOR INFORMATION ON NFA'S EXPO:

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