

specialmarketupdate



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Dear Valued Customer,

Olam Spices appreciates the opportunity to supply you with the highest quality dried onion and garlic products globally. As your trusted supplier, we would like to provide you with an update on recent developments in China, with respect to the coronavirus (2019-nCoV) outbreak and its potential impact on the global onion and garlic markets.

The rapid spread of 2019-nCoV is especially relevant for those products and ingredients where China is a major source. For instance, garlic and onion — as China produces more than 80% of the world's traded garlic and ~7% of the world's dried onion.

Currently, all Chinese garlic and onion processors/exporters remain closed through Feb. 9, 2020, as mandated by the Chinese government, but have indicated that they will resume operations on Feb. 10, 2020. However, there are unconfirmed reports that some manufacturers have delayed restart of operations till Feb. 16, 2020 and that weak labor availability and shipping bottlenecks were likely in the next few weeks.

As we know, in 2003, during the SARS outbreak, there was a sharp spike in Chinese garlic pricing, especially in Asia due to supply bottlenecks and abnormal spot demand. At this stage, it is difficult to predict what will happen moving forward and buyers will need to do their own risk assessment.

The last few days have seen a significant ramp up in US garlic and onion inquiries from buyers looking for risk-mitigation solutions in the event of another unexpected supply chain disruption from China.

Olam Spices' US garlic and onion operation represents a fully traceable, stable, dependable and high-quality source of California grown, non-GMO, gluten-free, peanut-free, dehydrated garlic and onion, which can provide a competitive edge against volatile market conditions.

We have had an improved supply of US garlic over the last few years and have some buffer stock to take on unexpected demand. The CY2020 crop was planted in November 2019 and is progressing well. Current availability of Olam's US garlic, while adequate, will not be so large as to take on a huge increase in demand. We will, however, be happy to work selectively with loyal customers looking to cover increased demand for US garlic.

Organizations looking to de-risk their supply chain from potential supply/price volatility from offshore origins should evaluate Olam's US garlic and onion as viable alternatives. Similarly, existing users of US garlic and onion should look to actively cover 2020 needs as early as possible to avoid a potential tightening of supply, as demand strengthens.

We encourage all interested parties to contact their respective Olam account manager for detailed discussions. Please note, however, that the market situation is tenuous, with the potential for sharp demand and price surges that would require a fast turnaround on quality and pricing approvals.

As a valued supplier, we will continue to communicate additional and relative developments as they occur.

Assuring you of our best attention at all times,

Vinayak Narain
Sr. Vice President - Onion and Garlic, Olam Spices