

Dried Onion & Garlic marketreport APRIL 2021



US Onion

The CY21 US onion crop is progressing normally in most areas, especially in the desert and in the Central Valley regions, with favorable weather, low seeders and normal forecasted yields. The desert crop in Southern California is now close to maturity and harvest is scheduled for the end of April/early May. Tulelake contracting in Northern California is complete. However, due to the higher water cost from the lower precipitation and snowmelt this season, grower prices have moved up sharply and commitments are down compared to last season.

US onion processors have been expecting some crop challenges due to weather and had the foresight to enhance acreage in Oregon, as well as other regions, earlier in the year. This move may offset some of the crop reduction out of Tulelake but will increase pressure on XLB availability. Tulelake typically accounts for ~10 - 20% of the total onion crop for dehydration and is the main source of natural XLB feedstock.

In addition, crop returns for most onion growers remain challenged and have shown a declining trend over the last few years. For onion processors, this will result in higher raw material costs, which combined with higher fuel, utilities and labor rates, will raise the overall cost of onions substantially in the CY21 season. COVID-19 preventive measures will continue throughout the season, focused on employee training, health and safety along with wage premiums for hourly employees.

Meanwhile, near-term US onion supply continues to remain tight across critical fractions, driven by the shortened supply from the previous season. This tightness will continue through mid-2021, especially in granulated and minced onion fractions as well as XLB and LB powders.



Despite the above challenges, the US still remains the most reliable, resilient and trustworthy source of high quality, fully traceable, sustainably grown and produced, dried onion across the globe. Inflationary trends seen in onion are being felt across many other spice ingredients, like pepper and garlic, so the situation is not unique.

US CPG and retail demand for onion has shown continued strength during Q1 2021 – especially for granulated and minced onion. This demand is forecasted to increase over the summer, driven by improved mobility, weather & US stimulus funding.

Foodservice demand is starting to rebound from last year and is also forecasted to continue to strengthen through the rest of the year. Export shipments continue to remain hampered by poor container availability and repetitive vessel delays. This situation is unlikely to improve before mid-year.

Egyptian Onion

Yellow Onion: A majority of the CY20 - 21 winter crop material has been committed after prices stabilized in early 2021. Continued shipping challenges from China and India, along with delays due to the Suez Canal blockage, has caused an increase in demand for Egyptian onion in the near term.

White Onion: CY21 white onion was planted at a similar level as CY20. The plants are growing well and are looking healthy with no diseases. Harvest will start towards the end of April '21. COVID has caused increased costs for the new season in transportation, freight rates, as well as the additional overheads related to maintaining a safe working environment, which will lead to firmer prices compared to the last year.



Other Origins

India: Despite increased production in the 2021 season, most processors are operating with very tight inventories which has prevented a significant weakening in prices by the end of Q1.

China: CY20 Chinese dried onion production was estimated at ~16k MT and is largely committed. Prices have remained in sync with India through Q1. CY21 crop planting has not yet started and is likely to be similar or marginally higher than last year.

FUTURE OUTLOOK

- Global market tightness in dried onion, likely through the first half of 2021
- While some onion origins might see enhanced production, weather, logistics and COVID-linked risks remain and could impact costs and timely availability of material. These will need to be tracked closely

US

- Market pricing for US onion (conventional and organic) is likely to see price increases of ~10 - 15% compared to last year, driven by higher raw material prices, fuel, utilities and labor rates
- Granulated, minced and extra-low micro onion availability is very tight. Prices for these items could see further elevation in 2021 (>15%) along with increases in irradiation costs
- Sharp increases in ocean freights to Asia and to Europe are being seen through the first half of 2021 due to lack of container availability; outbound freight rates have doubled for many destinations and is likely to continue through H1 2021

Egypt

- The winter yellow onion crop prices are expected to remain stable, but with a strong undertone over the remainder of the summer – driven by continued shipping challenges from Asia
- CY21 white onion prices are also expected to open at elevated levels and move in tandem with the rest of the market

Other Origins

- Timely availability and pricing of Indian dried onion could be adversely impacted by ocean freight rate spikes and supply volatility for Europe due to Suez Canal congestion combined with the lack of container and vessel availability.
- China pricing will also be adversely impacted by shipping rate spikes and erratic container and vessel availability. This situation will continue through mid-2021
- EU dried onion market pricing also likely to remain firm till new crop in Q2 or Q3 2021

US Garlic

Planting for the 2021 crop is completed and industry acreage is estimated to be similar to or slightly higher than levels planted in the previous season. Crop emergence has been normal as of date. Like US onion, US garlic is seeing higher raw material, utilities, labor and COVID-linked costs, along with increases in irradiation costs during the CY21.

Grower returns are seeing sustained declining trends and this is likely to impact raw material pricing in the CY21 season.



Chinese Garlic

Based on the latest estimates, the overall Chinese CY21 fresh garlic production is expected to drop by 15 - 20% over last year, driven by poor yields from an excessively cold and harsh winter. Flake prices started rising slowly in Jan '21 and trading remained suspended over Chinese New Year in February 2021. Since then, however, both fresh and flake prices have moved up by ~30%. Speculative buying has started and flake prices are not expected to weaken in the near to medium term.

FUTURE OUTLOOK

US

- US dried garlic prices are likely to move up progressively by ~10 - 15% through the next season driven primarily by raw material, fuel [Ref: Weekly California No. 2 Diesel Chart] labor and COVID cost push inflation
- Minced garlic and extra low micro garlic availability across all fractions will remain tight in the near to medium term
- Toasting and irradiation capacities are operating at 100% utilization & increased demand will drive up lead times and costs. Early coverage is strongly recommended

China

- Raw garlic flake pricing is expected to strengthen and & between RMB 14 - 17,000 PMT (up 30 - 60% over January levels)
- There is a decent amount of flake carryover from previous season, therefore a limited quantity of flake will be produced in the new season. Most exports will come from the previous year's crop, with accompanying risks to color and micro
- New crop (CY21) flake pricing is expected to increase by at least 30%
- Tight container availability, skyrocketing freight rates and delayed shipments are likely to continue to roil markets through Q2, 2021 and will only stabilize after mid-year

