

Spices Market Update

July 2022




Dried Onion

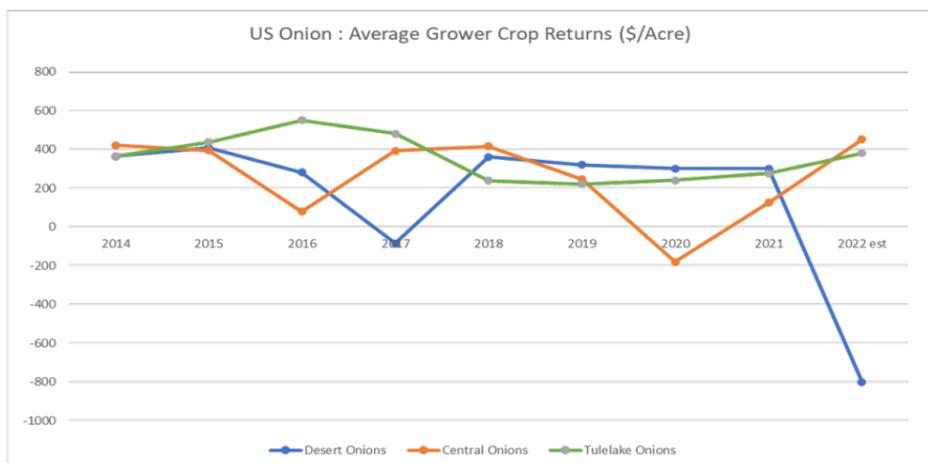
US

Harvesting in the desert region is almost finished and has now progressed to Kern and the Central Valley. Yields have caught up, despite delayed maturity in some of the early onion varieties. The quality of incoming material from the desert region and crop emergence in other regions has been normal so far.

Meanwhile, growers across California and the Pacific Northwest are facing aggravated cost-push inflationary conditions for CY22 and CY23. There are sharp reductions in water availability, an exponential jump in farming input costs such as fertilizers and pesticides, increased labor costs with tightened availability, and sharply eroding crop returns for onion and garlic relative to other row crops. This is driving overall grower price increases by 40%+ over the last season.

Sharp inflationary conditions are also being experienced in utilities. Natural gas rates are up 80-100%. Diesel rates are up 25-27% y/y. Corrugated packaging costs have increased +20% y/y. Irradiation costs are up 12-15% y/y. However, we are seeing that trucker availability has improved and the inland trucking rates are cooling down by ~20% y/y.

Disruptions to export shipments from non-availability of containers have declined and export backlogs have reduced. Ocean freight rates however continue to remain elevated, but stable for the time being.



Spotlight
on Onion
& Garlic

Egypt

CY22 white onion harvest was completed in June. Crop yields have come in slightly above expected planned levels. CY23 agri-input costs are looking to double and availability is

dropping as well. Packaging costs are up 25%. Transportation costs are up by ~15% with labor costs also seeing sharp inflationary increases. The Egyptian government has sharply increased wheat grower subsidies and price support. This is likely to adversely impact planted acreage for onions. CY23 yellow onion acreage is likely to drop and prices will likely increase by 15-20%.

Other Origins

India: CY22 dried onion production came in much lower than expectations based on planted acreage and is likely to be similar to last year (~80-85k MT). This has led to yields being down and costs being up correspondingly. Production and shipments have been sluggish due to COVID and shipment challenges.

China: CY22 dried onion production is reported to have come in ~22-25k MT. Domestic consumption is growing and export availability is therefore not as large, despite the increased production. COVID lockdowns have hampered shipments and higher freight rates also impacted landed costs.

Q Future outlook

- **US Onion:** likely to see a 30%+ upward price adjustment in the coming season; specialty items to see price increases of 35%+
- Irradiation costs are likely to increase by 12-15%; alternative lower-cost technologies are now beginning to be explored
- As growers are unwilling to contract early for the next season, it may be prudent for buyers to take coverage in smaller tranches (2-3 months) to mitigate risk



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Q Future outlook

- **Egypt:** Elevated but stable pricing likely through Aug; upward price correction expected in Q3 and Q4 CY22
- Farmer sentiment for the next crop planting is uncertain as price realizations have been low; weather, COVID, and shipping conditions need to be watched
- **India:** Progressive increases in pricing are likely over the next 2 quarters as availability winds down and cost-inflation sentiment starts playing into market sentiment
- **China:** Upward price correction likely in coming months in sync with other origins, driven by lower inventories from the last crop
- CY23 crop planting farmer sentiment is uncertain as enhanced wheat subsidies could impact grower pricing and acreage; weather, COVID, and shipping conditions need to be watched

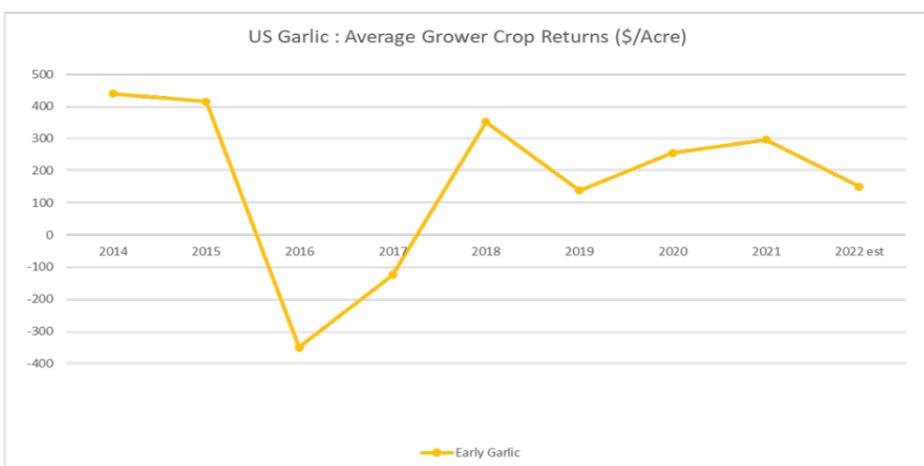


Dried Garlic

US

The US CY22 garlic crop harvest began in the middle of July. CY22 planted acreage is similar to the previous year. The current crop harvest is progressing well and a normal crop is expected. Similar to US onion, US garlic has also been impacted with similar challenges to growers - with tighter water restrictions from reduced precipitation, higher input, fuel, and labor costs which have eroded returns. As a result - grower costs are expected to increase by ~30% in the next season. Meanwhile, processors are seeing sharp increases in labor, natural gas, packaging, and irradiation costs which are likely to

impact overall costs as well. One potential offset to the inflationary conditions in the US is the potential sunset of the Section 301 tariffs which have been in place since 2019. The USTR has invited comments from industry participants and is likely to take a decision on the retention or removal of these tariffs by this fall. In anticipation of a potential reduction in import duties, many US importers have held off bringing in inventory into the US. This has led to a near-term tightness in inventories of key fractions.



China

The 2022 Chinese crop harvest was completed over May and June. Overall production came in ~5-7% over 2021 levels. This has been much lower than the 20% increase that was expected. The total carry forward flake inventories are insufficient to service the normal domestic and export demand. Additional flaking from the new crop

is going to be necessary. As a result, there is increased speculator market cornering of available flake inventory leading to upward pressure on origin flake prices. Once processing begins in September from the new crop, the cost of the flake will also increase leading to further increases in price.

Q Future outlook

US

- Similar to the onion outlook, US dried garlic prices are likely to move up by 30%+ driven primarily by raw material, labor, and COVID cost-push inflation

- Minced garlic and extra low micro availability across all fractions will remain tight in the near to medium term
- Toasting and irradiation capacities are operating at 100% utilization and increased demand will drive up lead times and costs

China

- The next key inflection point potentially impacting Chinese garlic will be in October 2022 when the CY23 crop planting and cold storage fresh garlic estimates are known later this year

US Onion and Garlic Industry Update

Watch our latest comprehensive overview of the US onion and garlic industry. This video includes:

- Onion Crop Update
- Garlic Crop Update
- Grower Interview - challenges
- Sustainability Trends
- Steps Taken to Ensure a Reliable Supply



Indian Spices

Chilli

CY23 nursery sowing has started across the growing regions. The CY22 supply is tight, especially for good quality and IPM grades. Stocks in cold storage are down by 50% compared to last year in the same period. 1H 2022 exports were lower compared to LY. Prices have moved up by more than 50% since the beginning of this year.

Turmeric

CY23 crop sowing has been completed across major growing regions. CY22 production is similar to LY. The carry-in stocks were lower compared to LY. 1H 2022 exports are mirroring LY.

Cumin & Coriander

Cumin: CY22 production is lower compared to LY. 1H 2022 exports were lower compared to LY. Prices moved up by 50% since the beginning of this year.

Coriander: CY22 production is lower compared to LY. Prices have moved up by 30% since the beginning of this year.

Q Future outlook

- **Chilli:** Prices are expected to move up from current levels
- **Turmeric:** Prices are expected to remain stable
- **Cumin:** Prices are expected to move up from current levels depending on export demand
- **Coriander:** Prices are expected to move up from current levels depending on domestic demand



Chiles

US – Paprika/Red Chiles

Most of our crops continue to develop favorably with no significant risk foreseen. Several growing areas in Mexico have reported damages to the crop due to abnormal weather conditions. Fortunately, our crop estimates continue to be favorable.

Peru – Paprika

The market is still facing volatile and unstable conditions.

China – Paprika

Transplanting continues to progress as we are expecting an increase in planted areas. However, the final numbers are still pending. Also, we're expecting higher input costs therefore paprika pricing should increase accordingly. CY2021 paprika continues to sell, and the pricing has slightly increased.

Tomatillo

Contracted tomatillo volumes have completed delivery for the season.

US Green Chiles & Jalapenos

Currently, we are in the second week of the local season in northern chihuahua and SW New Mexico. The deliveries of the crop are strong and yields are better than anticipated on transplanted varieties. Direct seeded varieties are slightly delayed in maturing due to adverse weather conditions in the spring. The yields are not expected to be altered due to the weather conditions.

Mirroring green chile deliveries, Jalapeño is currently coming in strong with no indications of yield losses or interruptions. Pace volumes are delivering at contracted volumes with no interruptions indicated.



Vietnam Spices

Pepper

Vietnam & Cambodia pepper crops are completely harvested. There is no pressure from both of these origins to sell. Bahia harvest has started and is putting some pressure on prices. However, prices have stabilized in Brazil over the last week. Indonesia's black Pepper harvest has been poorer than expected. The prices in the origin have shot up due to speculation and local demand. The substandard crop in Indonesia is due to the prolonged rains that continued till June in the Lampung province. There have been reports of the on and off buying strategy of Vietnamese pepper for the Chinese border trade.

Nutmeg & Cassia

Nutmeg: Prolonged rains were reported across the volcanic islands of North Sulawesi and Moluccas. Hence the quality of the harvest is currently poor. However, prices for whole nutmeg have remained stable.

Cassia: There is no harvest pressure in Vietnam. Indonesia is reporting steady harvest and trade. Prices are stable in both origins. Vietnam harvest will start in September.