



## US Onion

Olam's 2020 US onion harvest is now more than halfway finished. While year-to-date harvest volumes are coming in close to forecast, onion solids/recoveries have fallen behind plan, which is likely to result in a slight compression of the crop by the end of the season.

Our ag operations and production plants have taken extraordinary measures to ensure all field preparation, harvesting, processing facilities and personnel are operating under extremely safe working conditions amid COVID-19. Correspondingly, we are experiencing a significant increase in costs as a result of unplanned preparations related to COVID-19 linked programs as we continue to provide continuity of supply of products and services to our customers.

Minced, granulated and chopped fractions are tight in supply in the medium term along with extra low micro powders. There is adequate inventory to cover contracted commitments and handle normal recontract volumes. Irradiation capacity is fully booked with confirmed business and normal recontract volumes at least through March 2021.

Customer demand for retail and CPGs continues to be strong, with a heavy emphasis on BI sensitive and ELB specifications along with an increase in granulated, minced and powder fractions.



## Egyptian Onion

The CY19-20 winter yellow onion crop is now fully sold/committed at this time. Harvest for the 2020 white onion crop was completed at the end June. This year's crop encountered weather related issues, long periods of high temperatures and sand-storms, which resulted in a short crop vs plan. The solid content and the raw material quality, however, was very good with a significant portion of the crop meeting low micro / extra-low-micro standards.

The 2020 summer yellow onion harvest was completed at the end July. Even though the planting was up, poor weather, sustained high temperature and sandstorms, adversely impacted crop-yield. Overall output was lower than last year. Also, the quality of the product has been impacted by the poor weather, resulting in high mold, rot and sun damage.

The fresh export market has been lukewarm during the summer and this has prevented the prices from sky rocketing. However, the prices are still high and similar to 2019 levels, due to short crop and sustained local and processor demand.

## Other Origins

A shortened 2019-20 late winter crop caused the first half of 2020 exports from India to drop below last year's levels.

Delayed production and shipments due to COVID-19 lockdowns have added to the reduced availability. While shipments did resume by April/May onwards, prices are elevated. Exporters have offered dried red onion in small quantities to cover the supply gap. Product functionality and flavor, however, is quite different from white onion.

## FUTURE OUTLOOK

### US

- In view of demand growth, the business has planned an early start up by almost one month to close inventory gaps
- Growers have ramped up pricing sharply on account of labor availability risk, increased COVID-19 prep expenses and a lower water allocation in California
- Pricing on all piece fractions is likely to move up by 5-7%, related to inflationary cost factors, field recoveries and the impact of unplanned COVID-19 related costs combined with expected grower price increases in CY21
- Generic powder (1 Million TPC) pricing, however, is likely to remain stable, providing some relief to customers, but subject to material availability. Irradiation rates will also move up by 5%

### Egypt

- With the 2019-20 winter crop now fully sold out and tight supplies from the 2020 Summer onion crop, Egyptian dried onion prices will remain buoyant – driven by high local prices and shortages from India
- Egyptian white onion availability is also very limited for the moment but could erode quickly if availability from India and China are inadequate. Prices are likely to rise sharply in such an event

### Other Origins

- Indian dried onion prices are elevated from levels prevailing in Q1 this year and are expected to remain firm for the rest of the season. Availability of good quality material is increasingly difficult
- Chinese pricing is likely to mimic Indian pricing for most markets. Chinese onion prices exported to the US continue to be subject to increased tariffs of 25% over prevailing base duties of 29.8% as part of ongoing action by USTR. This situation is unlikely to change in the short term

## US Garlic

The 2020 US garlic harvest began in early July and is more than a quarter of the way finished. While weather conditions have been normal till date, it is still too early in the season to make a prediction about the yield and recoveries on the overall crop. Current indications point to some crop risk in the Westside region. The full impact to the crop will only be known by October.

Olam's organic garlic crop has been fully harvested and the crop yields are down compared to conventional Westside garlic. Similar to US onion, US garlic has been impacted by unplanned COVID-linked costs.

Grower prices for the CY 21 crop have increased sharply as well as well as irradiation costs and will impact in recontract pricing later this year.



## Chinese Garlic

The 2020 harvest was finished in July. Overall crop production came in ~25-30% above 2019 levels at ~7.1M MT of fresh garlic. ~20% of the production increase is attributed to higher acreage while a smaller portion is because of yield improvement over last year. As expected, this led to a drop in both fresh and garlic flake prices. Garlic flake prices fell at the end of February 2020 until June 2020, before correcting back upwards.

Many destination markets, especially North America, have seen a sharp ramp up in demand due to COVID-19 and have stepped in to take coverage as prices have weakened. China saw the highest increase in both fresh and dried garlic export sales volumes during H1, 2020 compared to the last 10 years.

### FUTURE OUTLOOK

#### US

- Olam has adequate inventory to service current contracted conventional and organic California garlic
- Pricing is expected to increase 3-5% across all fractions. Minced garlic, BI-sensitive granulated and powder fractions, all XLB SKUs including economy garlic are in tight supply and will see elevated pricing of +5%
- Spot pricing is also expected to move up

#### China

- Customers from all major markets are actively securing coverage and are increasingly coming to the market to recontract Chinese garlic at prevailing price levels. As this momentum grows, there is a lower probability of any further sharp downward movement in Chinese garlic prices
- Origin flake prices are therefore projected to remain rangebound until the end of the year
- The next key inflection point potentially impacting Chinese garlic prices will be in October 2020 when the CY21 crop planting and cold storage fresh garlic estimates are known later this year