

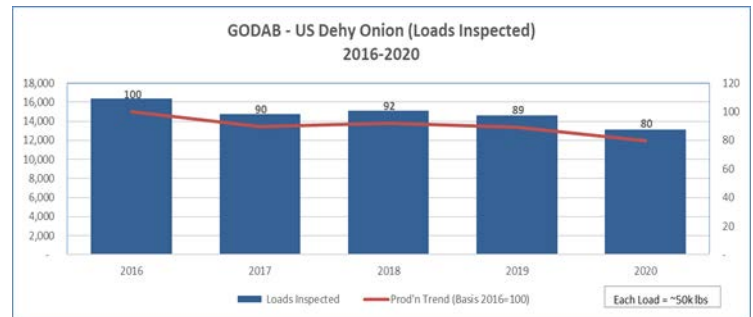


US Onion

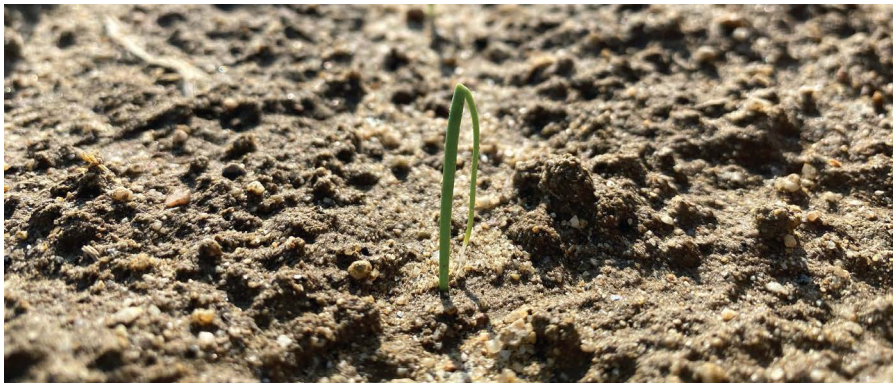
The 2020 US onion harvest was completed at the end of Oct. Overall industry production came in ~10-12% below planned thresholds. [Reference: GODAB Loads Inspected Chart] This fall in production was due to a sharp drop in crop yields accompanied by lower plant recoveries during dehydration. Onion seedling damage due to maggot activity and incidence of soil borne diseases (e.g. fusarium and white rot), across parts of the Westside and the Tulelake region, have been the main cause of the lower yields and the quality of incoming raw produce from these areas has adversely impacted recoveries.

Planting for CY21 is finished in all regions except Tulelake, CA, where sowing will commence in April 2021. Overall planted acreage is still being ascertained at this time, but preliminary indications point to similar or marginally higher acreage compared to 2020.

The primary cause for the cautious approach by the industry in CY21 has been the difficulty experienced by growers and processors in managing the 2020 crop in a high-risk, COVID-19 environment with corresponding execution challenges.



There is also a strong belief that COVID measures will need to stay in place throughout the 2021 season with costs associated with worker safety, including special PPE, sanitation and cleaning supplies, expanded break areas, additional hand-washing stations and wage premiums paid to hourly employees, along with an increase in California's minimum wage. In addition, processors are planning for potentially increased worker absenteeism, as seen in 2020, with corresponding increases in over-time expenses.



The one silver lining to the CY20 season is that customer demand for US onion has grown and the growth continues to remain robust, (~5% CAGR) despite the shelter-in-place regulations in many locations across the US. Demand has been extremely strong for granulated, minced onion fractions and extra-low micro fractions, primarily in retail and CPG segments. Food service demand continues to improve from levels seen at the end of Q1 2020.

Egypt Onion

In light of the strong summer onion prices, planted acreage for the 2020-21 winter yellow onion crop is similar to previous year. However, preliminary yield indications for the early winter crop are not encouraging. Due to high temperatures during planting and harvesting, as well as poor-quality seed and bulbs used for planting, onion yields in regions of Beni-Suef and Menia are down ~30%, leading to weak market arrivals and high prices. Prices have opened at 35% higher than last year's average winter prices. Intermediate winter crop yields are however expected to improve and a better picture will emerge by end of the year.

Olam Egypt's CY20 summer white onion is now fully committed or sold for the season. Like last year, the crop quality has been very good, with over 70% of the raw material meeting low micro or extra-low-micro standards. This crop also included the first season of fully traceable, AtSource compliant, organic-certified production onions, grown over 125 acres.



The CY21 white onion crop is planned at a similar level as CY20. The planting was completed in November. The plants are growing well and are looking healthy with no diseases. Harvest will start towards the end of April 2021. COVID has resulted in increased costs for the new season in transportation, freight rates and additional overheads related to maintaining a safe working environment, which will lead to firmer prices compared to 2020.

Other Origins

Indian dehydrated onion market players continued to see reduced availability and firm pricing both in origin as well as in destination over the last two quarters. Despite this, demand has been strong with dried onion exports in 2020 likely to touch ~60-65k MT, similar to 2019. End 2020 carry out inventories are however expected to be depleted at ~12k MT – almost 50% of levels seen in 2019. Firmer market pricing has encouraged farmers to grow more onion, which caused planted acreage for CY21 to increase by ~20-25% over last year.

European fresh onion production in 2020 (~6.2M MT) has been ~5% lower than the previous year especially in Spain, the country's largest onion producer. This has led to firmer fresh and dried onion pricing, as well as reduced availability for the season.

The CY20 Chinese dried onion production is estimated at ~16k MT, slightly lower than 2019. Prices have remained in sync with India and firm demand is likely to cause significant depletion of inventories by the end of the season. CY21 planting has not yet started and is likely to be similar or marginally higher than the previous year.

US

- Market pricing for US onion (conventional and organic) is likely to remain stable at prevailing levels through mid-2021
- Granulated, minced and extra-low micro onion availability across all fractions are tight. Prices for these items could see further elevation in 2021. Buyers should seriously consider use of alternative fractions and wider micro ranges, which could be used without loss in functionality as a way to secure short term supply
- Toasting and irradiation capacities are currently operating at 100% or higher. Increase in demand for these treatments could lead to longer lead times and delays along with increased price premiums
- Sharp increases in ocean freights from Asia to US/Europe are being seen through Q1 2021. This is, in turn, causing delays in export shipments from the west coast in the US due to lack of container availability; outbound freight rates have doubled for many destinations and the trend is likely to continue at least through Q1 2021
- Overland trucking across the US is also adversely impacted due to reduced driver availability from COVID restrictions and the holiday season. Local freight rates have increased as a result. Multimodal shipments should be seriously considered along with shipment consolidation and improved forecasting as a way to lower transportation costs

Egypt

- Winter yellow onion prices are expected to remain firm over the next couple of months, driven by the smaller winter crop and tight international supplies. Pricing and availability will also be impacted by the winter weather
- CY21 white onion prices are expected to move up in tandem with the rest of the market

Other Origins

- Indian dried onion availability will remain tight and prices will continue to move up through Q1 2021 in the medium term as inventories deplete. Further price movement will depend on how the 2021 winter onion crop turns out, starting in Feb 2021
- Chinese pricing will be range bound through Lunar New Year and will respond to pricing from India
- EU dried onion market pricing also likely to remain firm until new crop in Q2 or Q3 2021

US Garlic

The 2020 US garlic harvest finished in mid-November 2020. Overall industry production came in ~20-22% below planned thresholds. This is a direct result of the same issues that plagued the US onion crop in the Westside region of Central California (i.e. excessive weeds and the incidence of soil borne diseases leading to poor yields and recoveries).



Despite the lower production, overall inventory across most fractions are adequate to take care of regular demand for the medium to long term. Similar to US onion, US garlic was also impacted with harvest labor availability issues and unplanned COVID-linked costs. Grower prices for the 2021 crop are up sharply, as well as irradiation costs. This will have some impact in recontract pricing later in the year.

CY21 planting has been 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 and the weather has been co-operative.



China Garlic

During Q3 of 2020, Chinese dried garlic prices remained relatively range bound both in origin as well as in most destination markets. Buyers are largely covered through Q1 2021. Cumulative flake availability in origin at the end of October is estimated at ~335k MT and destination inventories both in North America and well as in Europe appear to be adequate. Garlic planting for the 2021 crop is complete and estimated crop acreage is similar to 2020 (~5-5.2M Mu). CY21 fresh garlic production could therefore range between 4.8-6.2M MT.

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, labor and COVID cost push inflation. Early long-term coverage is recommended while availability is plentiful to minimize pricing volatility risk
- Minced 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 and increased demand for these treatments will drive up lead times and costs
- Our Gilroy facility will be making major upgrades to packaging and metal detection in 2021. Together with the California garlic cost-in-use flavor superiority, economy garlic and organic offerings, Olam Spices' US garlic offers a compelling value proposition for fully traceable, AtSource compliant, Non-GMO, gluten-free, peanut free and superior flavor garlic

China

- Flake prices will continue to remain rangebound at current levels through Lunar New Year, February 2021
- If crop yields are normal, total garlic production in CY21 will be in excess of 6M MT and weaker garlic pricing in the new season would be expected. However, if yields are sub-par, the market could see an upward price correction in Q2
- The weather in Chinese garlic growing regions through Q1 2021 needs to be watched carefully as it will have a critical influence on the crop yields and this could have a major impact on grower costs and corresponding garlic prices for the CY21 Chinese garlic
- Medium term coverage through Q2 or Q3 2021 would be a good way to avoid pricing volatility in the next season

CONTINUOUS IMPROVEMENT

As a trustworthy supplier, Olam Spices is committed to ensuring reliability and a consistent supply of high-quality onion and garlic, at all times, irrespective of crop conditions. Given the challenges to the US onion and garlic crops in 2020, the business has taken a number of steps to reduce risks to crop yields and recoveries, while ensuring appropriate safety of all front-line workers, especially in the current COVID environment. Some of the initiatives being taken in the field are:

- Modifying the grower footprint to reduce dependence on high risk areas, improve field selection and water access. As well as expanding the use of onion seed coating, especially for Westside growers to reduce risk of the risk of onion seedling loss due to onion maggot damage
- Reducing nitrogen applications in onion and garlic through Olam's Soil Nitrogen Efficiency Project (SNEP) to improve yields and solids and reduce GHG emissions
- Expand Diffusion® (shield) application on the garlic crop to improve garlic yield by reducing excessive heating of the stems and bulbs on hot days and improve chill accumulation impact on the crop
- Enhanced use of Ag Insight, Olam's software tool to improve crop yields. The tool collects data on nitrogen usage, soil health, salinity, soil moisture and impact of chilling hours and provides recommendations for improved crop solutions

In 2020, we also made a number of improvements at our manufacturing facilities to enhance product quality, such as:

- Packaging automation in Gilroy; drum-to-tote conversion to reduce lead times and material handling
- Improved front-end cleaning and wet prep for onions in Firebaugh, CA to help reduce foreign material
- A new, enhanced color sorter was installed in Firebaugh, specifically targeted to remove wood pieces

These measures are just a small snapshot of the efforts being taken by Olam Spices to ensure continued reliability of supply without compromising quality. We will continue to provide updates on new initiatives taken by the company in this regard.