

US Onion & Garlic Crop Report



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OLAM SPICES & VEGETABLE INGREDIENTS



**2017 ANNUAL MEETING
AND EXHIBITS**

April 23-26, 2017
Austin, Texas | Hilton Austin



US Onion & Garlic Overview



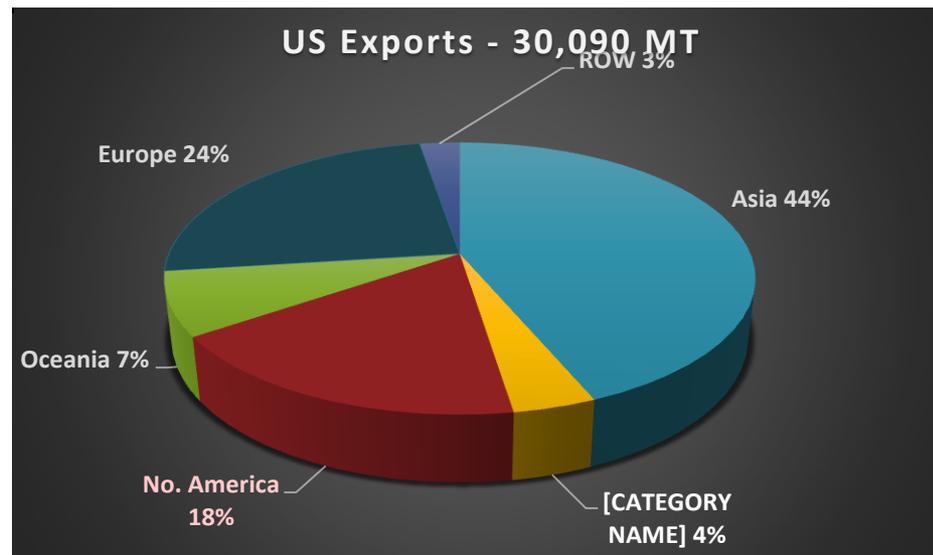
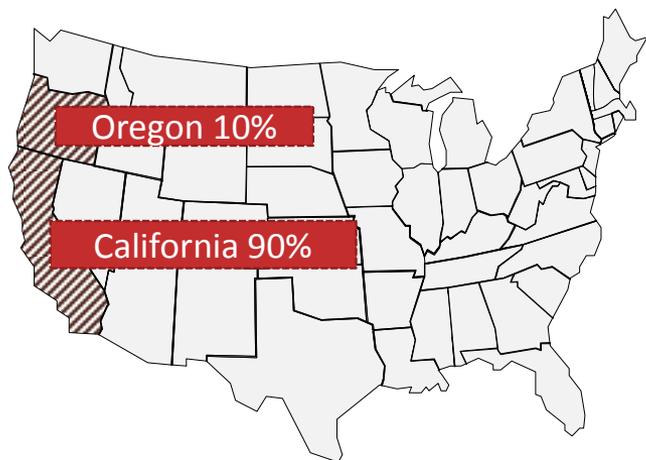
- Market Structure
- 2016 Market Summary
- 2017 Factors Affecting Supply and Demand
- 2017 Market Outlook



Market Structure – US Onion

- Largest global producer
- Typically 50 – 55% of global supply
- 110 – 125 MT annual production
- Planting Season August - April
- Harvest Season: May – November
- Highly mechanized planting/ harvesting
- Continuous dehydration process
- Complete traceability
- Robust food safety controls

- Proprietary, high-solids white onion, exclusively for dehydration
- Contract between grower and processor
- Sustainable, energy efficient production
- Growing region diversity
- Price stability



US Onion Market Recap - 2016



- Limited carry-in from prior years crop
- Harvest in southern most region completed on time
- Yields drop-off by mid-summer
- Overall crop down by 8%
 - Reduced water allocation & erratic spring weather conditions takes its toll on the San Joaquin Valley crop
 - Extreme heat in July/August
 - Above average dependency on ground water increases soil salinity
 - End of season harvest challenged due to excessive rain and early snow storms
- Second successive shortfall in production due to weather & water
- Costs move up due to shortened crop
- Processors continue to modify grower landscape to secure land with consistent access to water



US Garlic Market Recap - 2016



- Limited carry-in from prior year's crop
- Crop started off strong, yields declined as crop progressed
- Crop down by more than 35%
 - Extended periods of high temperatures
 - Above average dependency on ground water increases soil salinity
 - Small bulbs
- Sharp increase in costs due to shortened crop
- Demand intensifies for US garlic due to peanut allergens detected in Chinese garlic, linked to agricultural co-mingling
 - Significant increase in spot demand began in January



US Onion & Garlic California Drought – 2016 summary



- Rain and snow melt are crucial to meet commercial irrigation needs
- 5th year of consecutive statewide drought
- 5% Federal water allocation
- State adopts permanent water conservation measures
- Local agencies prepare for a drier future
- Sierra Nevada snowpack is low

March 2016 Sierra Nevada Snowpack



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Factors Affecting Supply & Demand - 2017



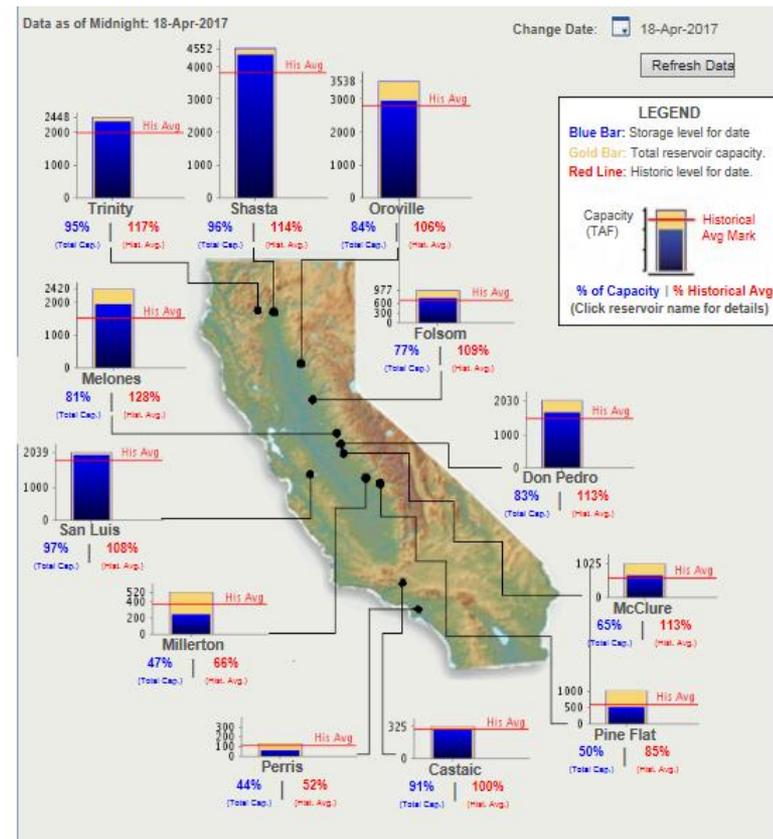
- Water Availability
- Regulations
- Developing Conditions
 - FSMA readiness
 - Allergen risk assessment
 - Consumer expectations



US Onion & Garlic Water Availability



- California experienced record rain and snowfall during the 2016-2017
- Sierra snowpack is at 165% of historical average
- Drought emergency lifted, declared over
- Most reservoirs near capacity
- Ca. continues to ban wasteful water practices
- Contingency plans & water-use efficiency programs are on-going
- Strong storms continued throughout April, projected into May



2016 – 74% of the State in severe drought
2017 – 8% of the State in moderate drought, 0% severe

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Water Availability & Regulations



- US Bureau of Reclamation water allocation at 100% supply for the first time since 2006
 - Primarily benefiting 2018 crop
- Years of over-pumping caused water tables to plunge, farmland to sink
 - Primarily impacting areas of the San Joaquin Valley
- Ground Water Regulation
 - Regional agencies to develop & implement plans to stop chronic over-pumping
 - It will take more than one historical wet year to replenish California aquifers



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Developing Conditions to Participate



- Food Safety and Modernization Act (FSMA)
 - Ensures safe food supply, traceability
- Allergen Risk Assessment
 - Genuine concern with detectable peanut allergens in garlic
- Consumer Expectations
 - Product transparency, Ingredient sensitivity



US Onion Market Outlook - 2017



- Inventory adequate to service demand prior to 2017 harvest
- Plantings similar to last year
- Improved soil conditions, pushing salts below the root zone
- Improved yields expected
- Water allocation at 100%, primarily benefiting 2018
- 2017 crop costs established a year ago
- Some plantings delayed due to intense spring rain
- Foliar disease developing
- Adequate land available for onion to remain a stable California crop



US Garlic Market Outlook - 2017



- Limited inventory to service demand to 2017 harvest
- Increased pressure on US supply due to shortened 2016 crop and peanut allergen concern associated with Chinese garlic
- Plantings similar to slightly up compared to last year
- Water allocation at 100%, primarily benefiting 2018
- 2017 crop costs established a year ago
- Improved soil conditions, pushing salts below the root zone, expected to improve yields & raw material quality
- Initial fields show early signs of rust disease
- Demand continues to strengthen
- Pricing to remain strong



US Onion & Garlic Market Update



<https://vimeo.com/214231918>



Thank you!



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