Onion Crop Report

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AMERICAN SPICE TRADE ASSOCIATION
2012 ANNUAL MEETING & EXHIBITS
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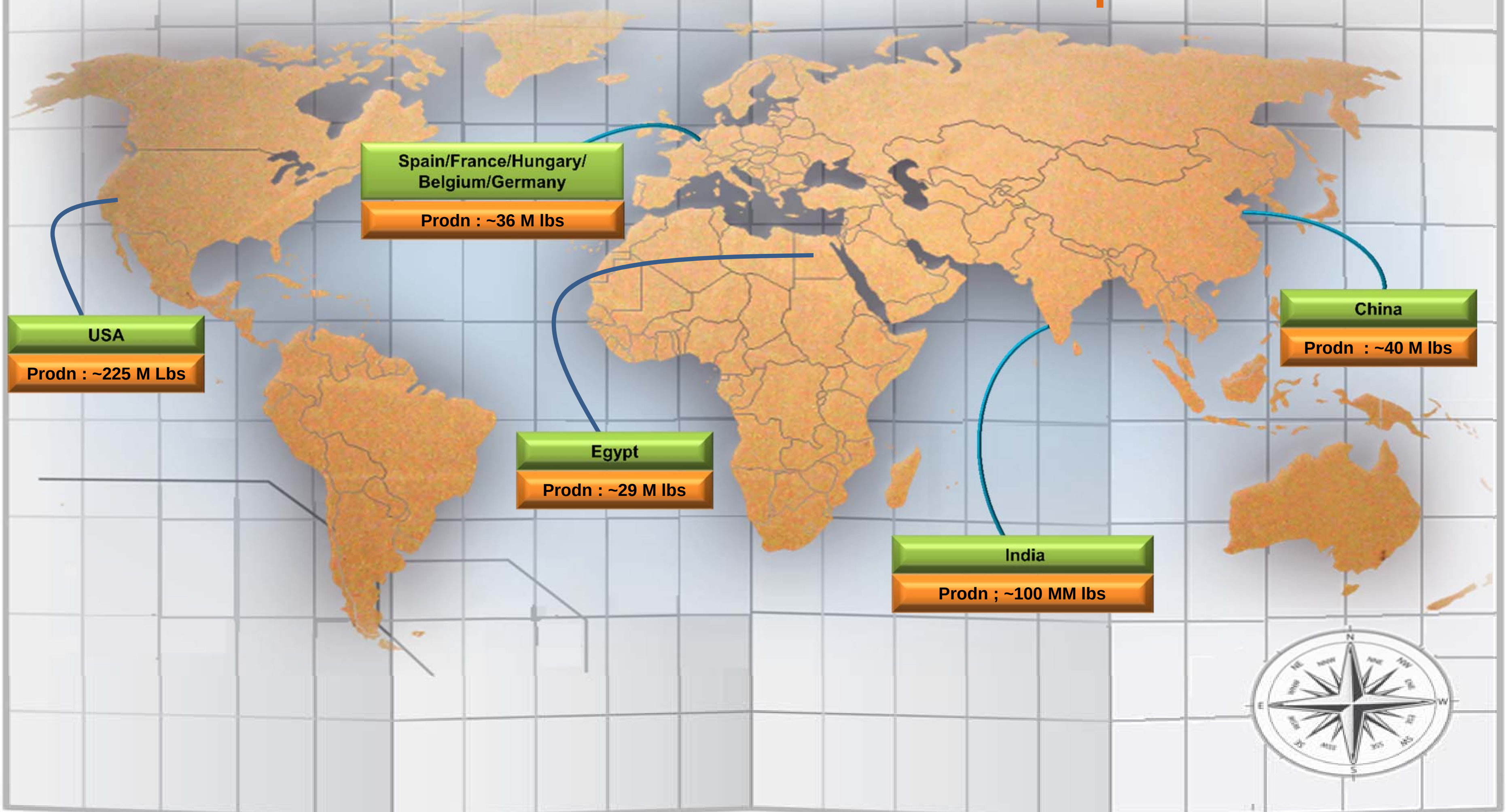
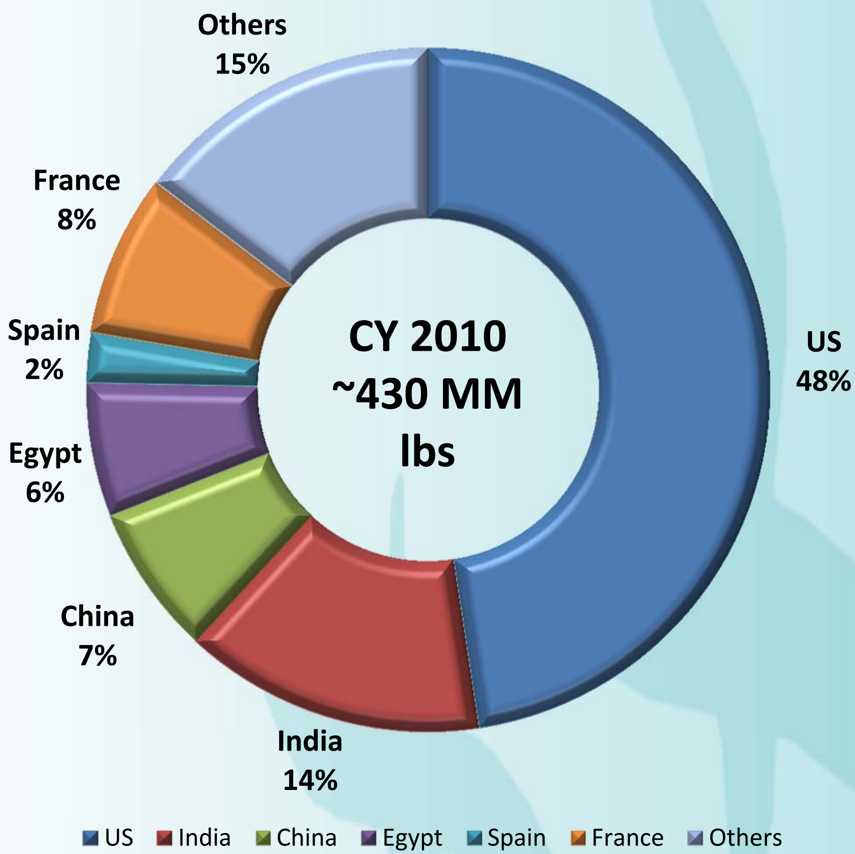
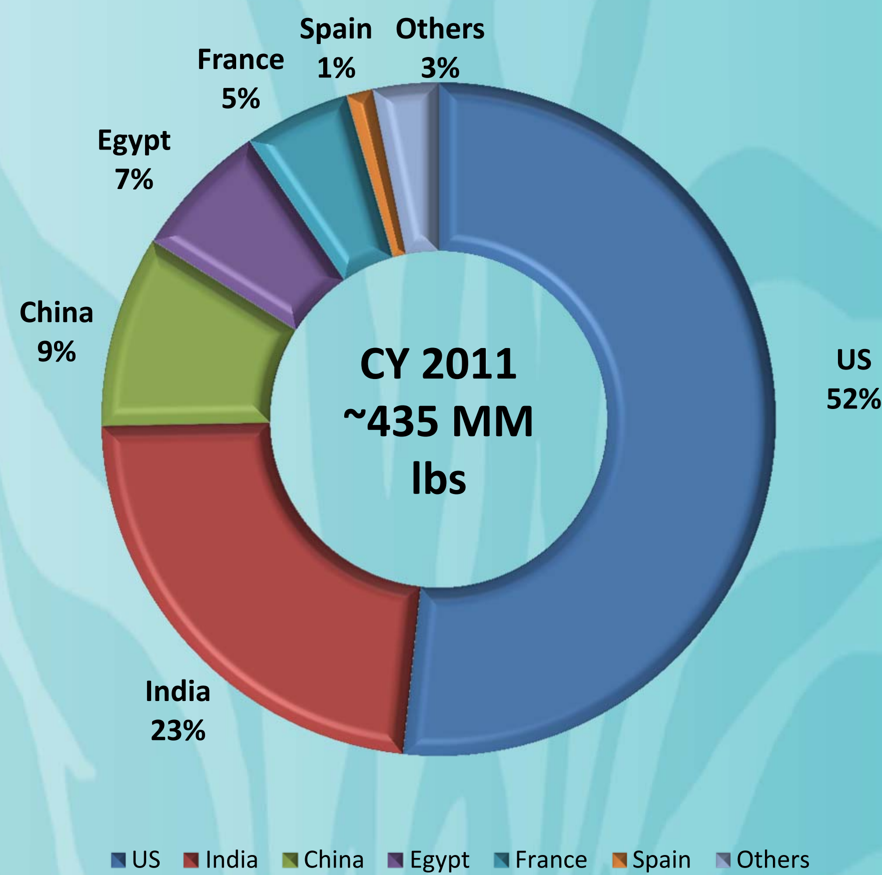
Global Onion Landscape



Dehydrated Onion – Global Supply





- **US, India, China and Egypt emerging as the "big boys" in 2011**
- **Regional players losing ground**

Onion Origin Profiles

USA : Stable supply, strong food safety and traceability culture, systems and controls

India : Volatile pricing, limited traceability, risk of Govt. led food safety intervention

China : Yellow onion used in local market. White for exports. Strong cost push pressure due to VAT and labor costs

Egypt : Preferred foreign supplier to EU. Uses sweet onion. 2 crops. Many small sized players with limited financial strengths

EU : Under heavy cost pressure. Full traceability offered but long term competitiveness being questioned

CY 2011 – Market Snapshot

USA : Normal crop : ~ 225 M lbs

Reduced availability of low/extra low micro product due to extended cool and wet spring

India : Low fresh carryout inventories spiked local prices triggering an export ban for 14 days in Sept

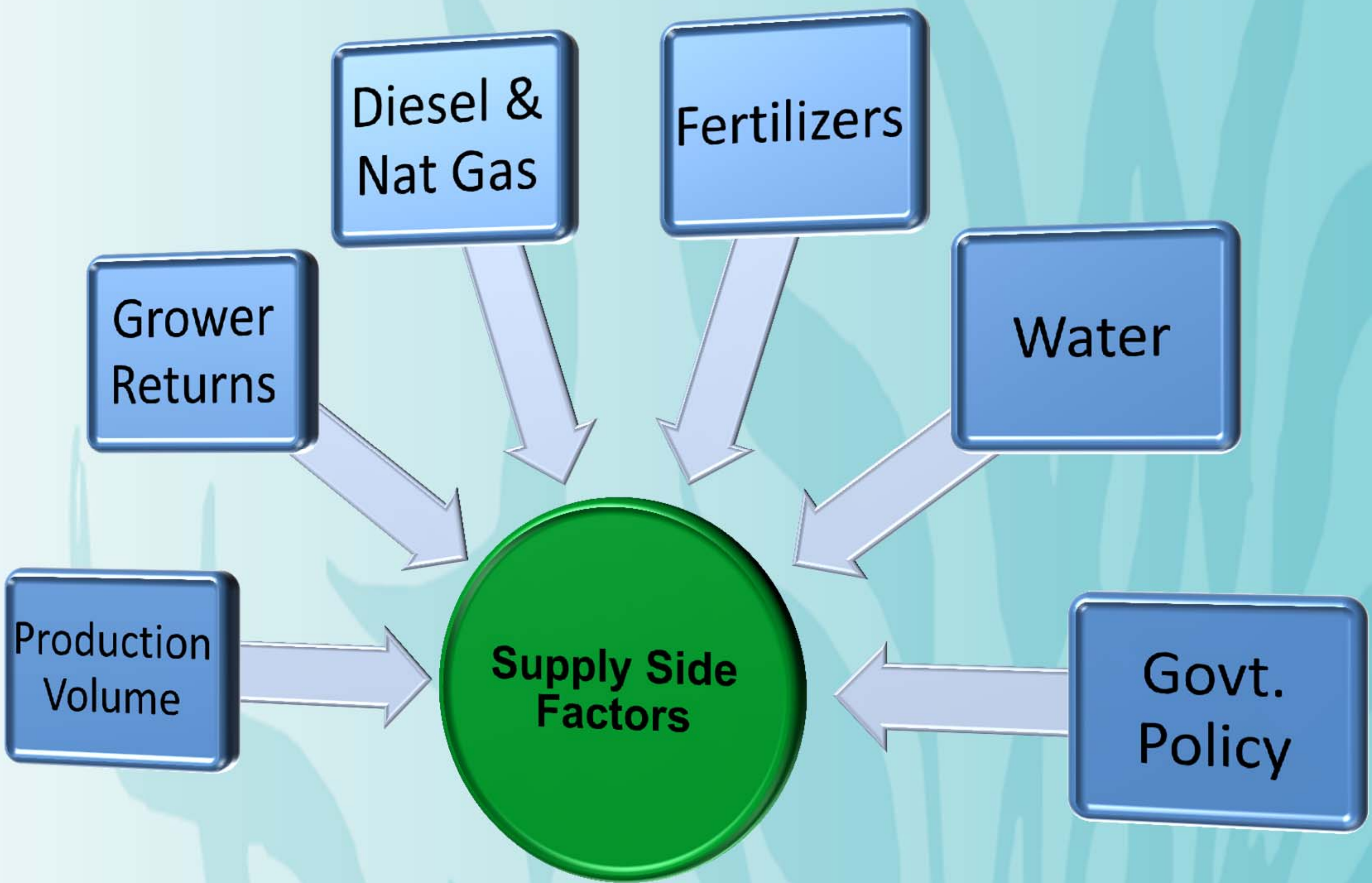
Increased Govt pricing intervention through MEP

Egypt : Political turmoil caused some supply chain bottlenecks

Euro strength vs USD also raised costs for importers

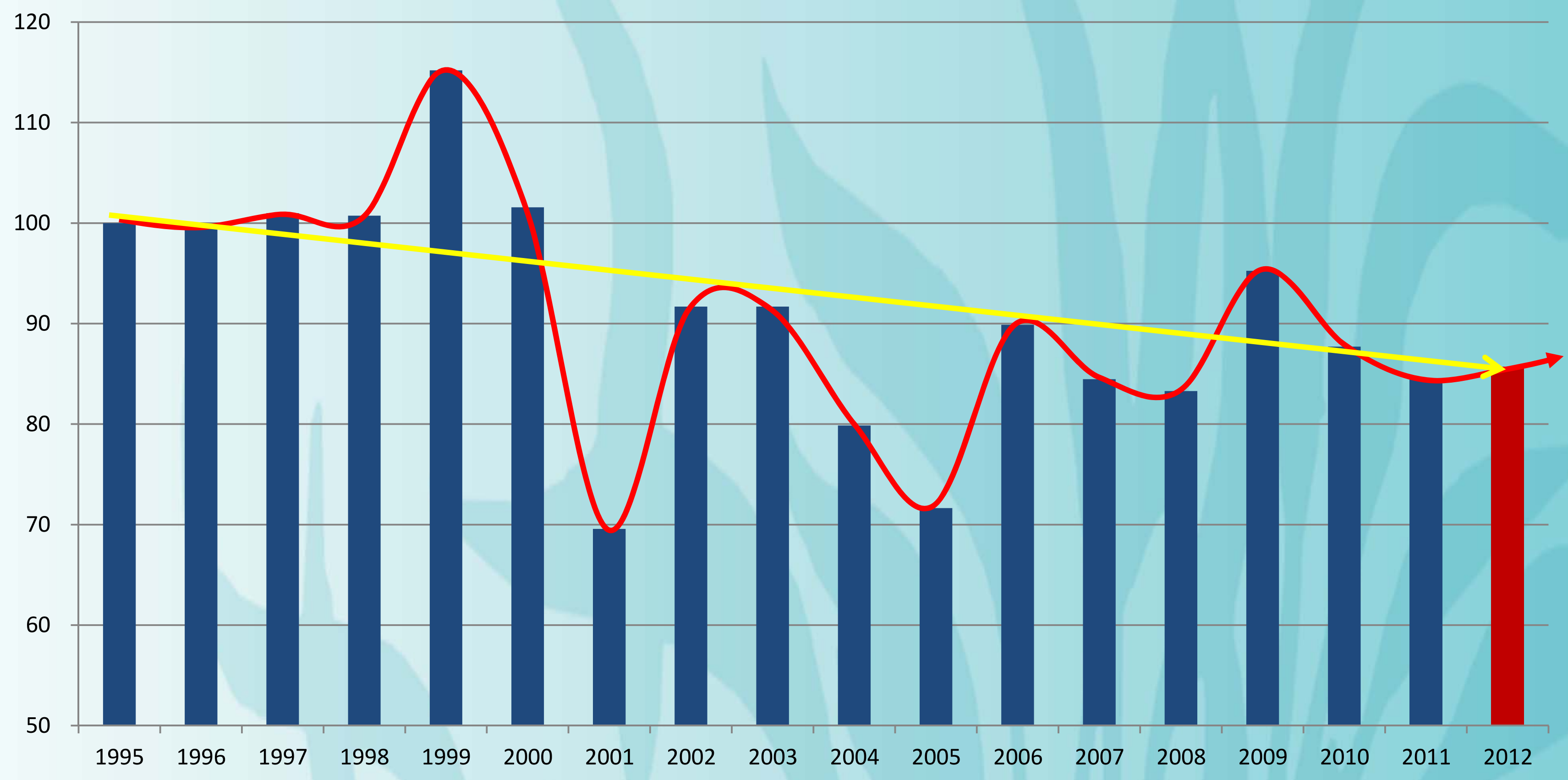
EU : France experienced largest drought in last 50 years in early 2011. Rains in late summer however salvaged the crop without significant damage

Factors Affecting Supply in 2012



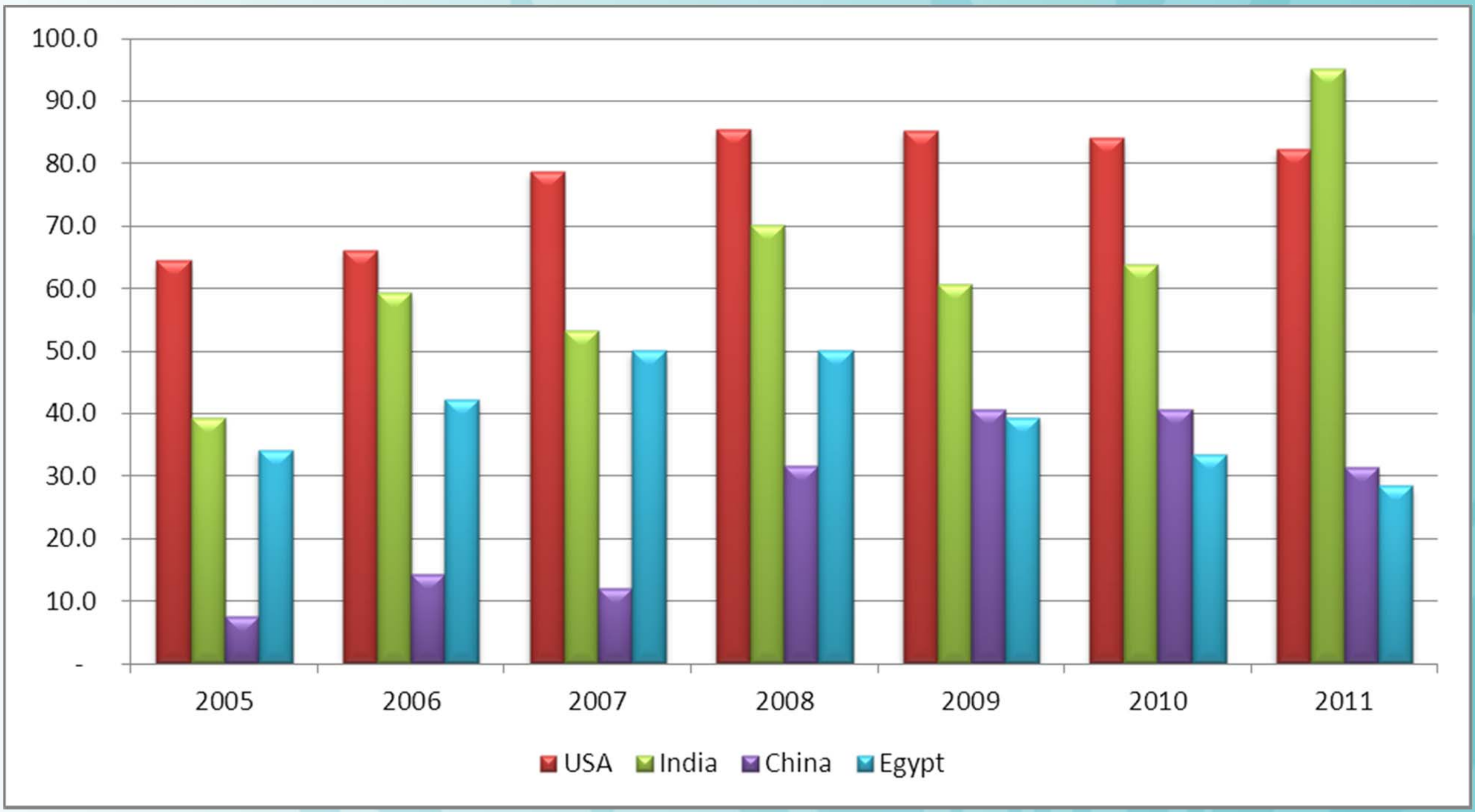
GODAB US Dehyd Onion Production Estimates

(Base 1995=100)



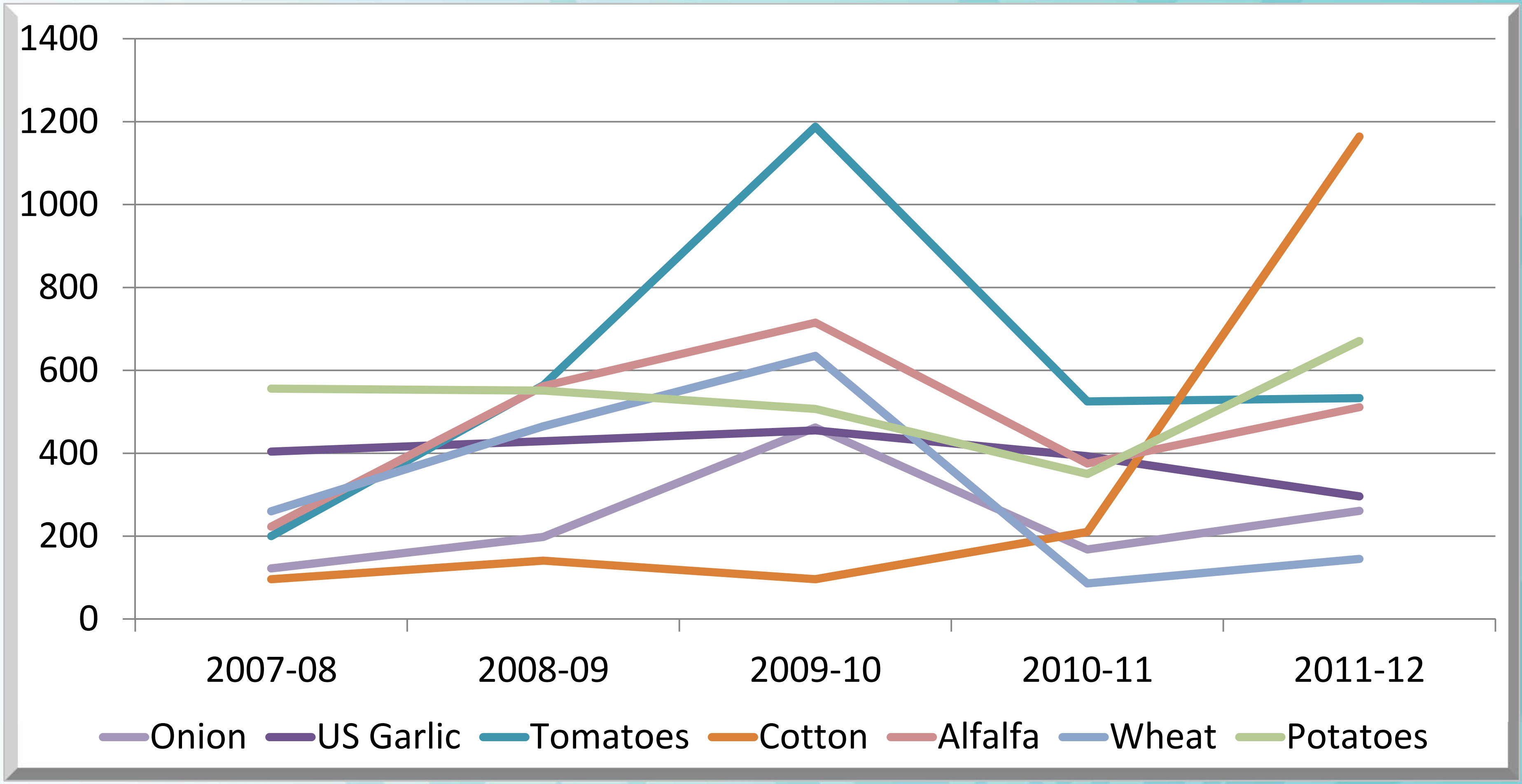
- **US onion production has shown a declining trend over the last 3 years**
- **2012 is likely to see similar production as in the last year**

Dehy Onion – Countrywise export trend (2005-2011)



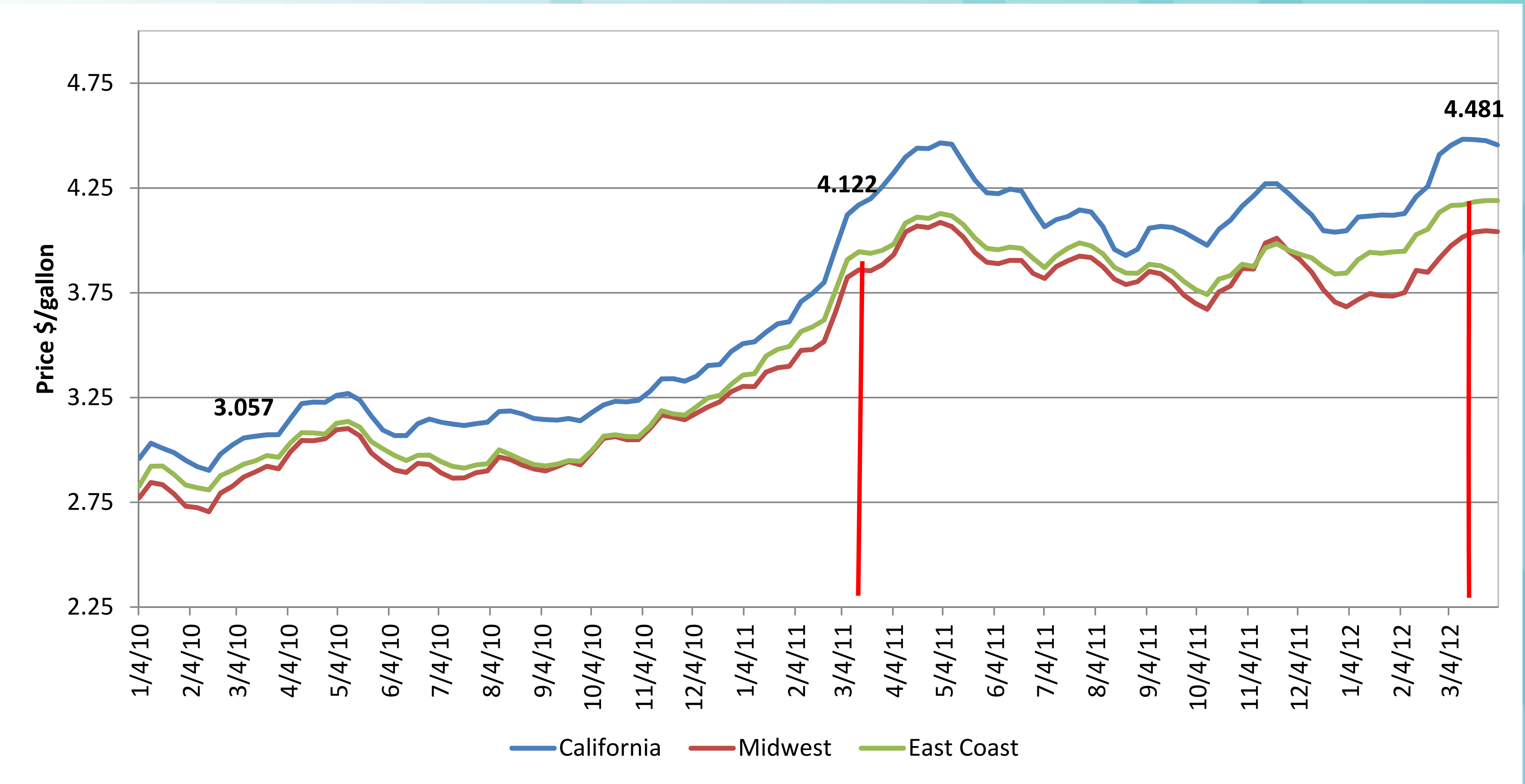
- **US Exports stable**
- **Largest increase seen in India**
- **Indian increase has happened at cost of China/Egypt**

US Dehy Onion – Competitive Crop Returns ($/Acre)



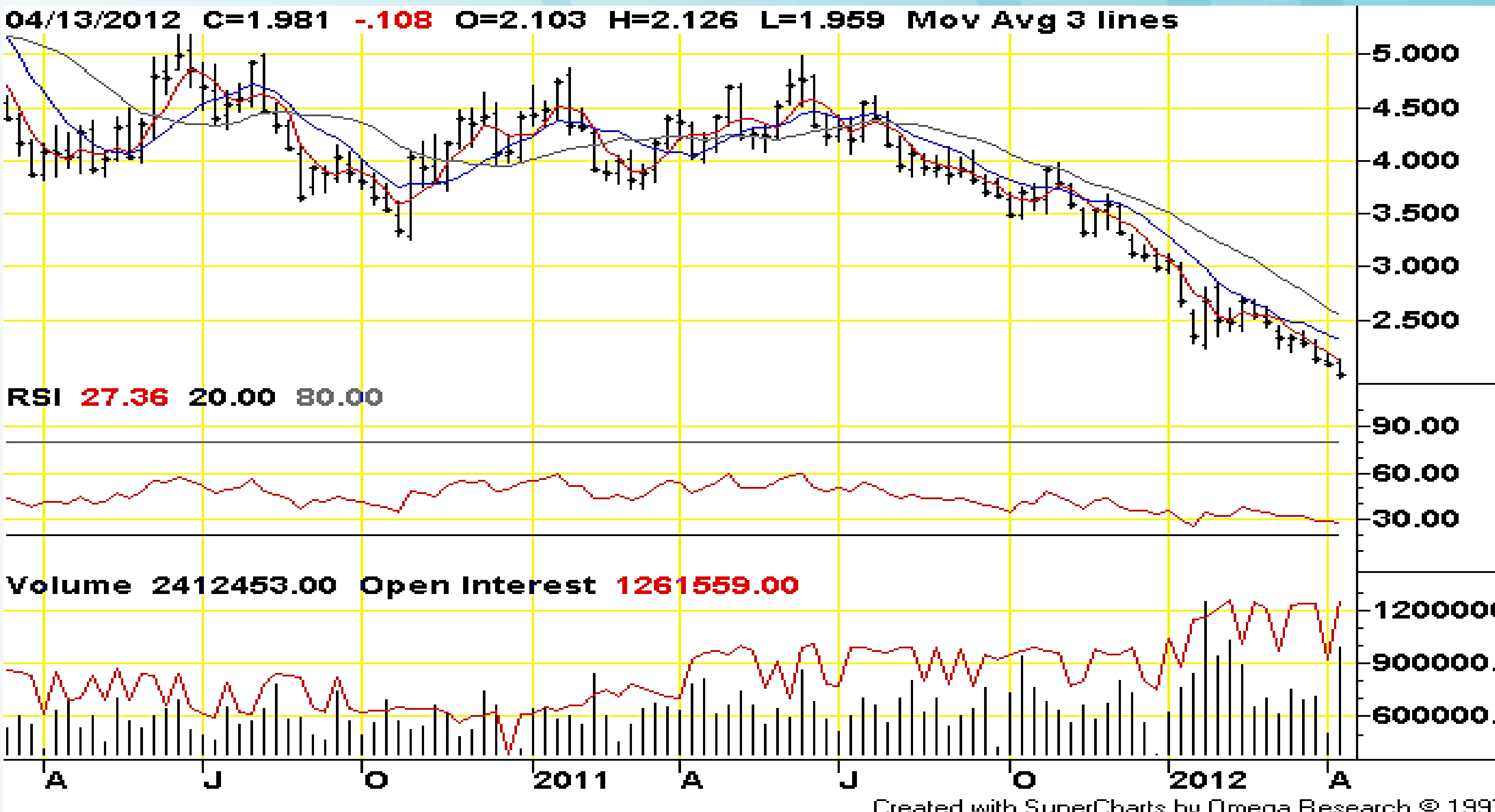
- **Cotton, Potatoes & Alfalfa grower prices increased over 2011 putting pressure on onion for dehydration**
- **Tomato returns remained stable over the period**
- **Onion remains at the lower end of the return spectrum**

Weekly Retail Diesel Prices ($ / Gallon)



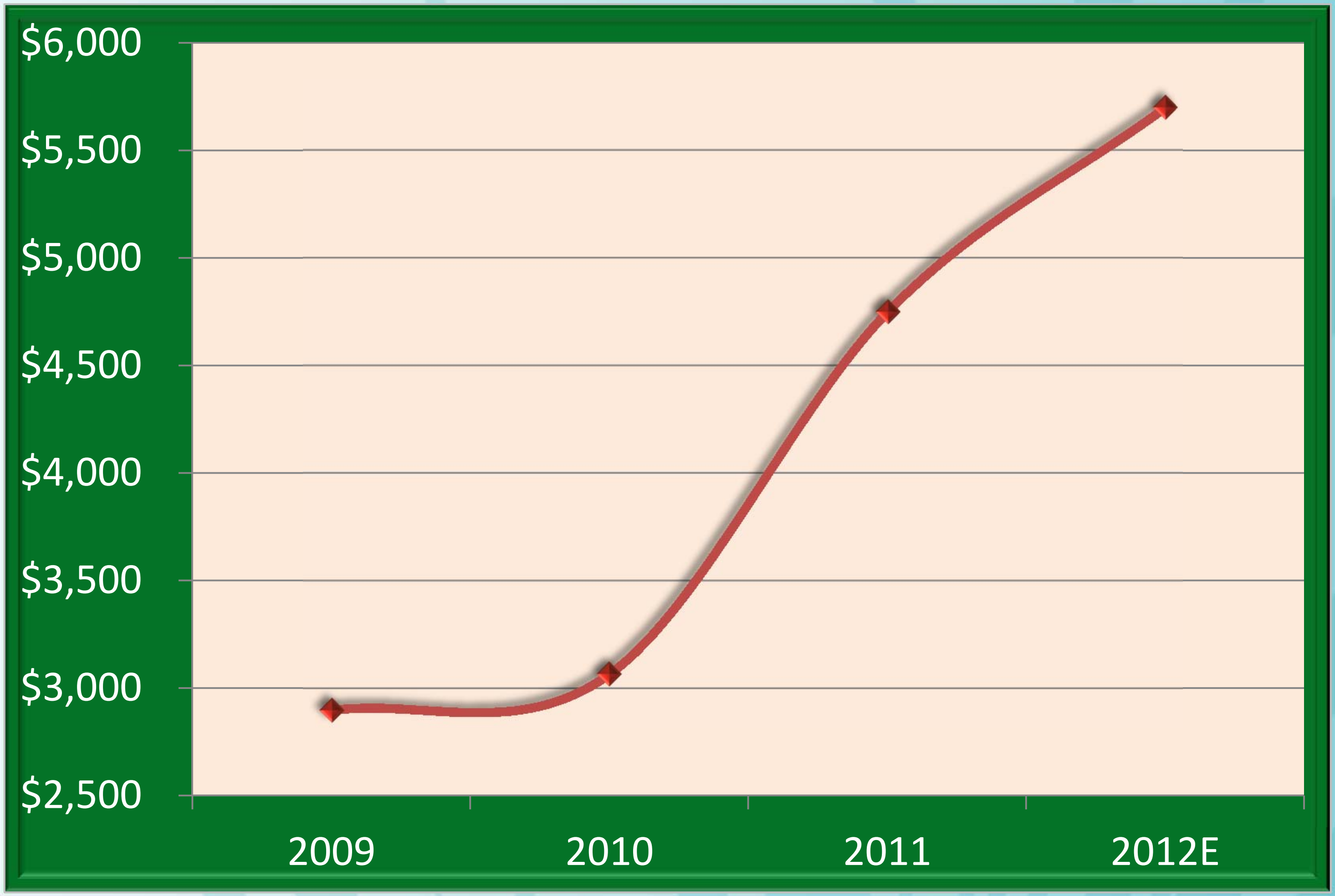
- **Diesel prices have increased ~9% over the last 12 month from March 2011 levels**

Natural Gas (USD / Mmbtu)



- Prices have fallen by over 50% from April 2011 levels
- Forward trends remain soft

Fertilizer Cost / Acre (USD)

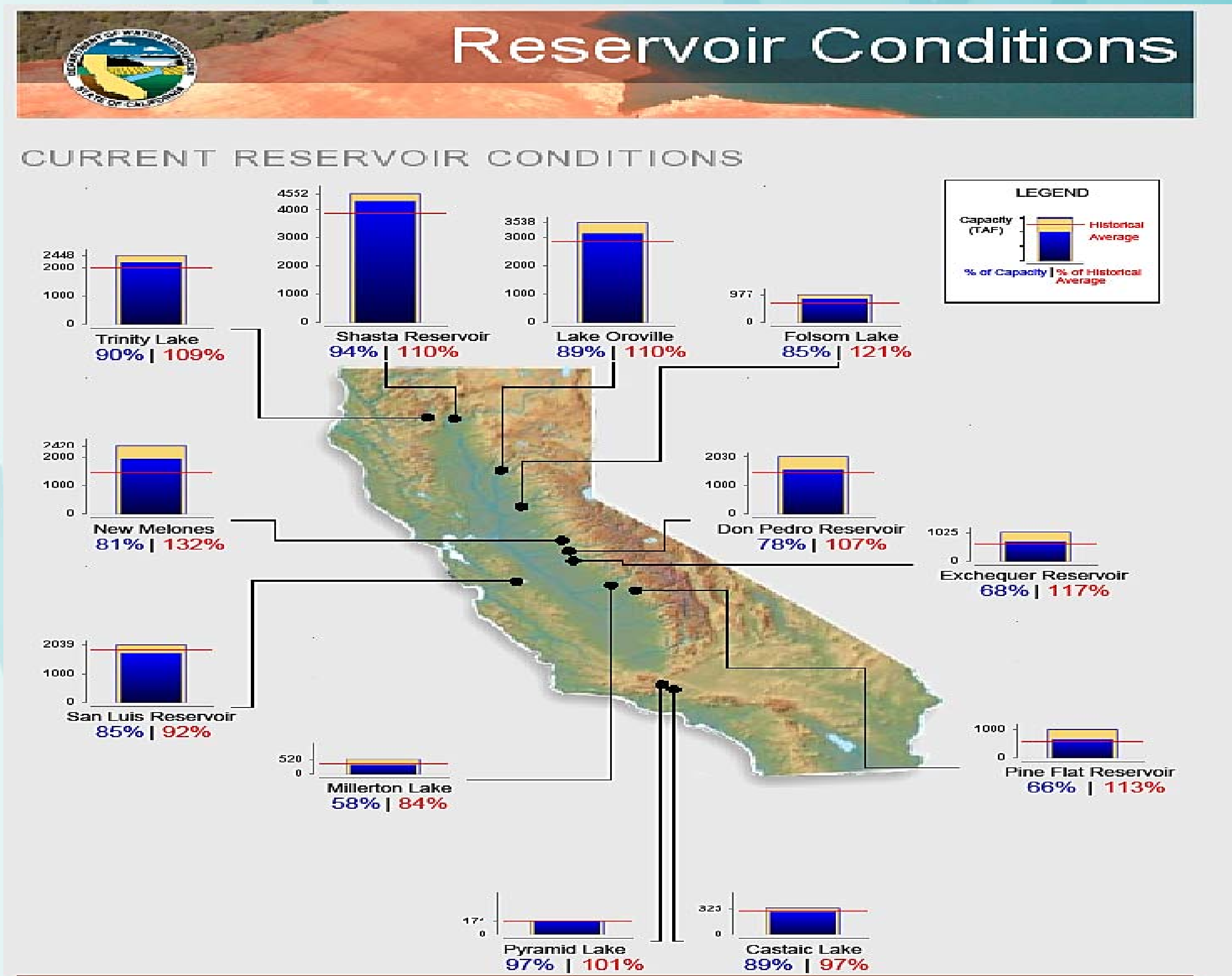


- **Exponential jump in Fertilizer cost / acre over last 3 years**
- **Over 20% cost increase in last year**

California Water

- 2010 had record winter rains raising reservoir levels to 139% of normal levels
- Dry winter weather in Nov-Dec 2011
- Wet March & forecasted wetter April
- NCal reservoir levels > 85% of normal
- SJV reservoir levels > 80% of normal
- No risk of further cutback of 30% water allocation
- Potential chance of allocation increase >40%

Water



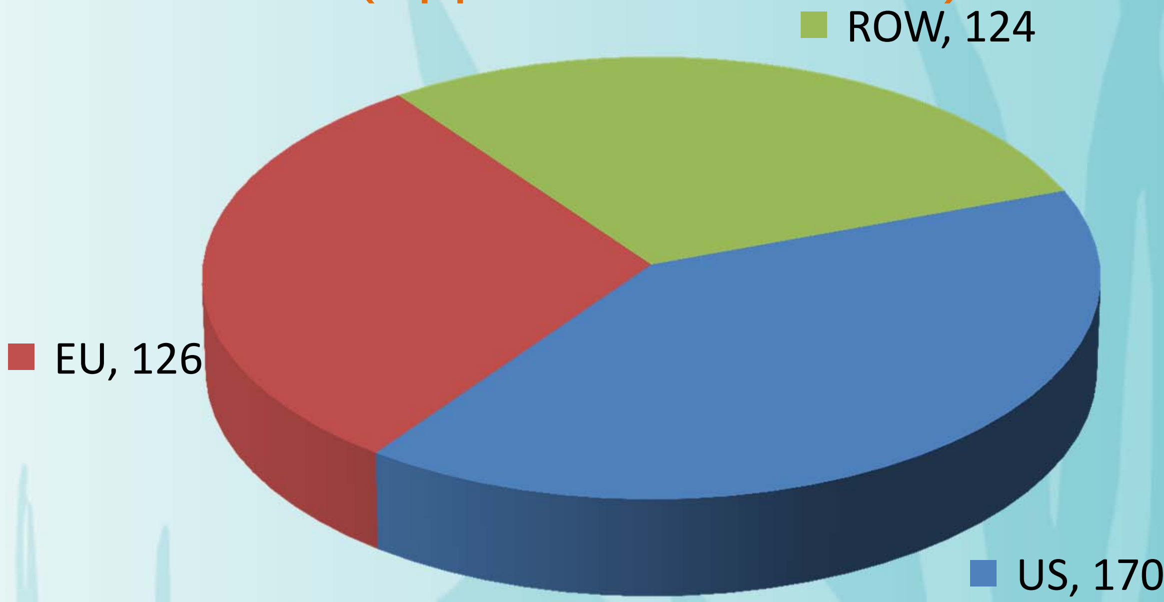
Reservoir Conditions
CURRENT RESERVOIR CONDITIONS
LEGEND
Capacity (TAF)
Historical Average
% of Capacity | % of Historical Average
Trinity Lake
90% | 109%
Shasta Reservoir
94% | 110%
Lake Oroville
89% | 110%
Folsom Lake
85% | 121%
New Melones
81% | 132%
Don Pedro Reservoir
78% | 107%
Exchequer Reservoir
68% | 117%
San Luis Reservoir
85% | 92%
Millerton Lake
58% | 84%
Pine Flat Reservoir
66% | 113%
Pyramid Lake
97% | 101%
Castaic Lake
89% | 97%

Government Policy

- China VAT refund withdrawal
  - Potential impact : 15% cost increase
  - Local demand inelastic
- Govt. of India : Food security intervention
  - MEP (Minimum export price)
  - Fresh onion exports banned for 14 days in Sep ’11
- Govt. export incentive reduction / increase?

Dehydrated Onion: Global Demand

(Approx. 420 MM lbs)



US : Demand growth flat, heightened buyer requirements for food safety & traceability.

EU : Traditionally sourcing Egyptian/India product, but pushing to broad base supply from new origins. Yellow / sweet onion acceptable.

ROW : Fastest growing segment. Lo-solids / sweeter onion widely accepted. Limited traceability requirements from buyers. Price sensitive.

Factors affecting demand

Food inflation

Forex volatility and Interest rates

Fresh onion pricing

Tougher Food safety Regulatory environment

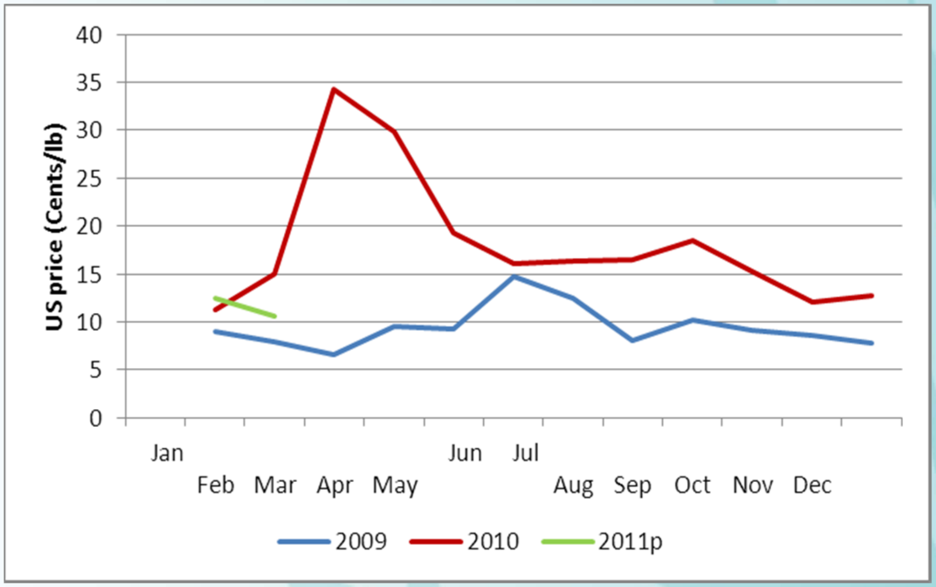
Consumer behavior and trends

Food Inflation

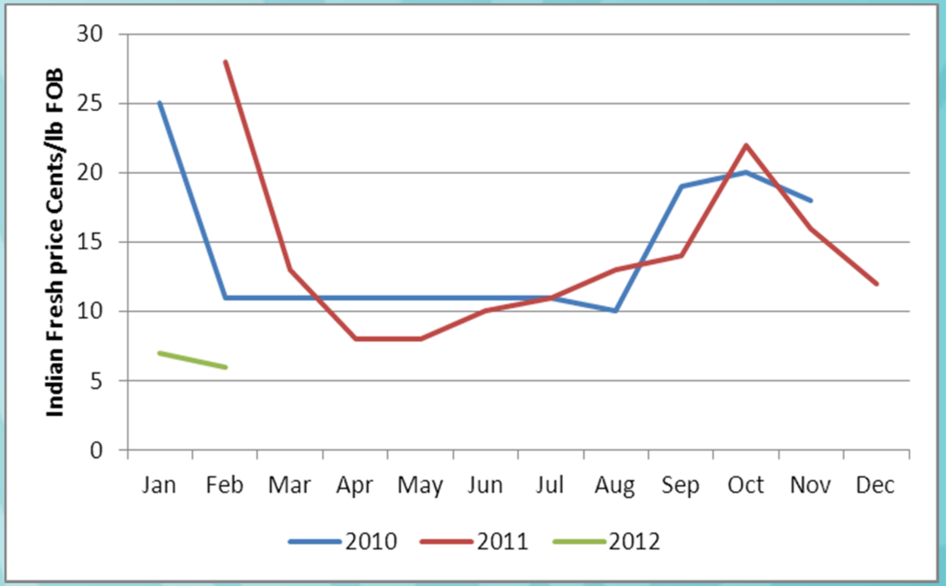
- **Food Price index in March 2012 similar to levels in 2011**
- **Prices remain elevated from 2009and 2010 levels**

Fresh Market Onion prices

US Fresh Market Pricing

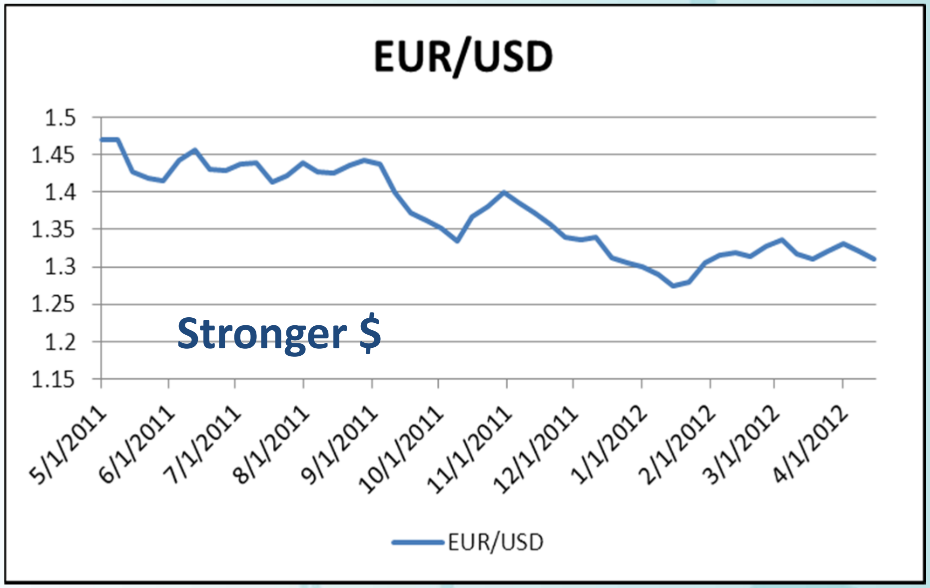


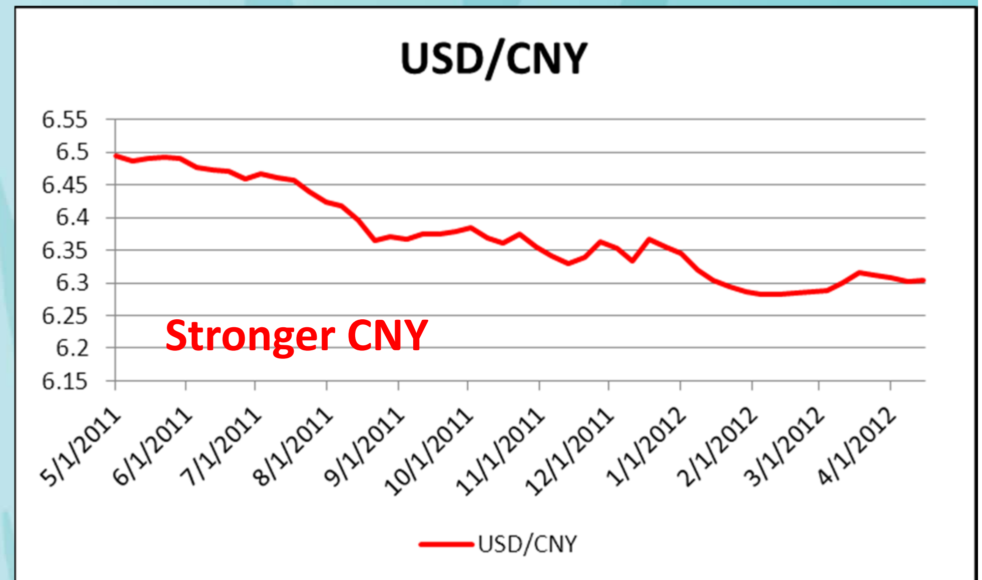
Indian Fresh Market Pricing

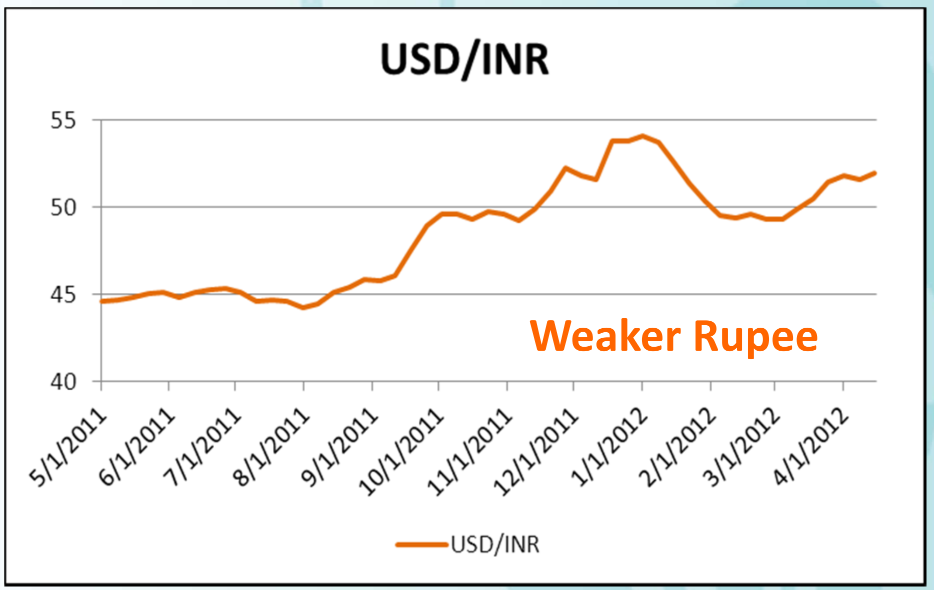


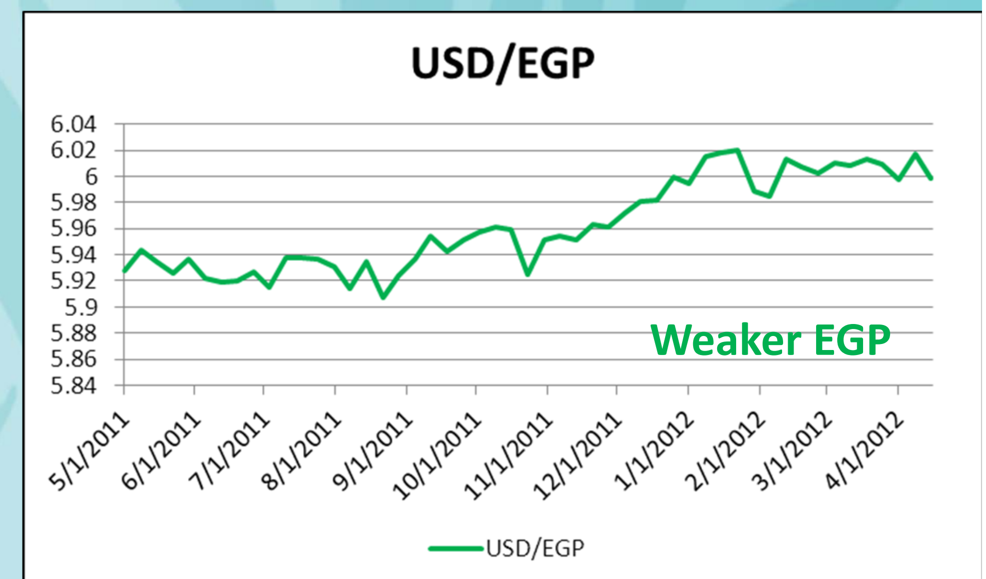
- **Indian pricing shows consistent cyclical volatility and large variances**
- **US fresh onion pricing in 2010 has been sharply volatile compared to 2009**

Forex Rates


EUR/USD
1.5
1.45
1.4
1.35
1.3
1.25
1.2
1.15
Stronger $
5/1/2011
6/1/2011
7/1/2011
8/1/2011
9/1/2011
10/1/2011
11/1/2011
12/1/2011
1/1/2012
2/1/2012
3/1/2012
4/1/2012
EUR/USD


USD/CNY
6.55
6.5
6.45
6.4
6.35
6.3
6.25
6.2
6.15
Stronger CNY
5/1/2011
6/1/2011
7/1/2011
8/1/2011
9/1/2011
10/1/2011
11/1/2011
12/1/2011
1/1/2012
2/1/2012
3/1/2012
4/1/2012
USD/CNY


USD/INR
55
50
45
40
Weaker Rupee
5/1/2011
6/1/2011
7/1/2011
8/1/2011
9/1/2011
10/1/2011
11/1/2011
12/1/2011
1/1/2012
2/1/2012
3/1/2012
4/1/2012
USD/INR


USD/EGP
6.04
6.02
6
5.98
5.96
5.94
5.92
5.9
5.88
5.86
5.84
Weaker EGP
5/1/2011
6/1/2011
7/1/2011
8/1/2011
9/1/2011
10/1/2011
11/1/2011
12/1/2011
1/1/2012
2/1/2012
3/1/2012
4/1/2012
USD/EGP

Dehydrated Onion – Outlook For 2012

US Market

- Upward price pressure on 2012 crop likely due to
  - Grower price increases
  - Higher diesel and input costs
- Higher spot premiums for piece fractions in medium term
  - Driven by tight carry-in inventories
- Import pricing unlikely to be significantly lower than US
  - China VAT Credit withdrawal
  - US import duties

Dehydrated Onion – Outlook For 2012

EU/ROW Market

- Stable pricing from India/ Egypt likely through mid 2012
  - Large 2012 crop harvest in India / Egypt
  - Normal EU domestic production
- H2 2012 could see potential pricing volatility
  - Indian fresh onion domestic demand
- Chinese pricing likely to move up and export volume drop
  - Costs to increase 10- 15% due to VAT refund withdrawal
  - Buyers could transfer to cheaper origins

Questions?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Thank you