



Garlic Crop Report

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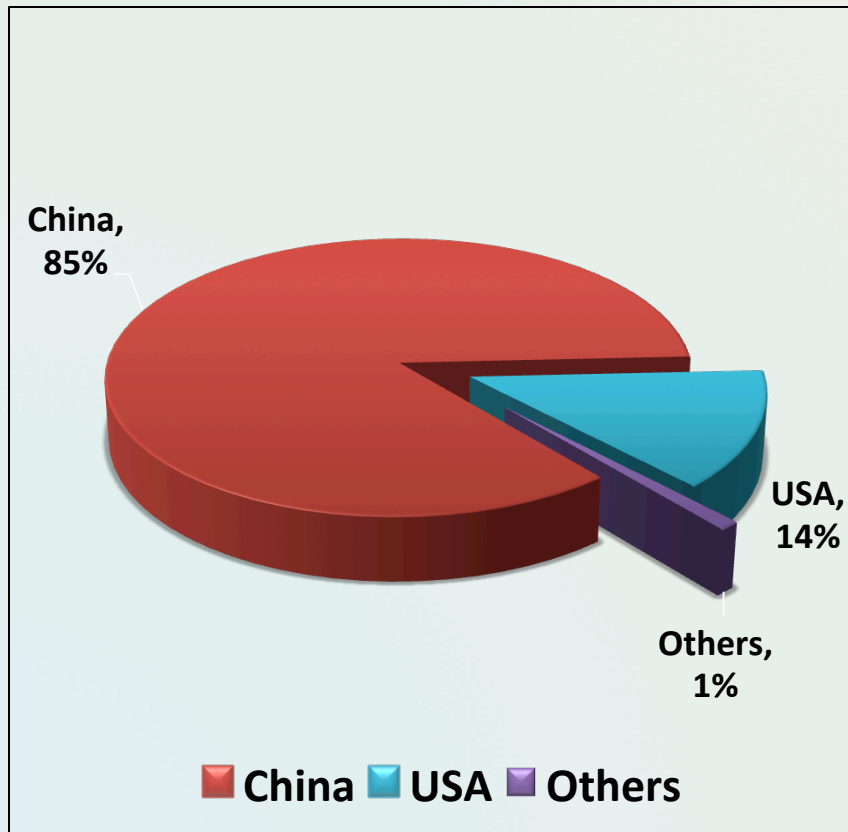


Overview

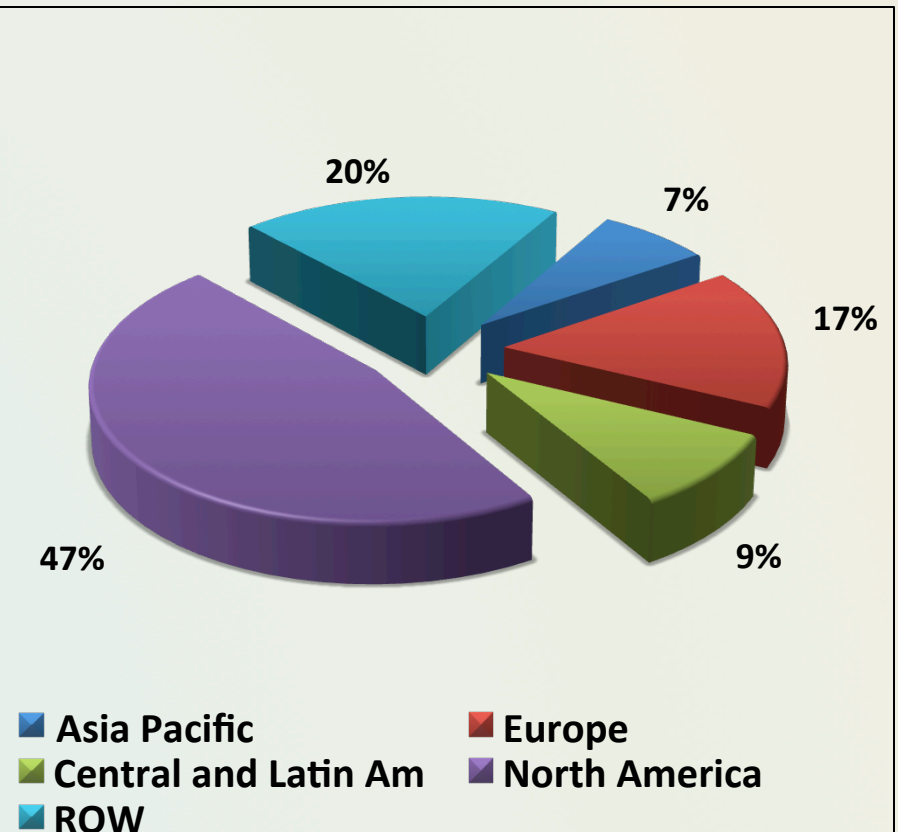
- Global supply and demand
- 2012 market recap
- Factors affecting supply and demand in 2013 (US and China)
- Global garlic market outlook - 2013

Dehydrated Garlic Global Supply (400-440 MM lbs)

2012 Supply



2012 Demand



Garlic Market – 2012 Recap

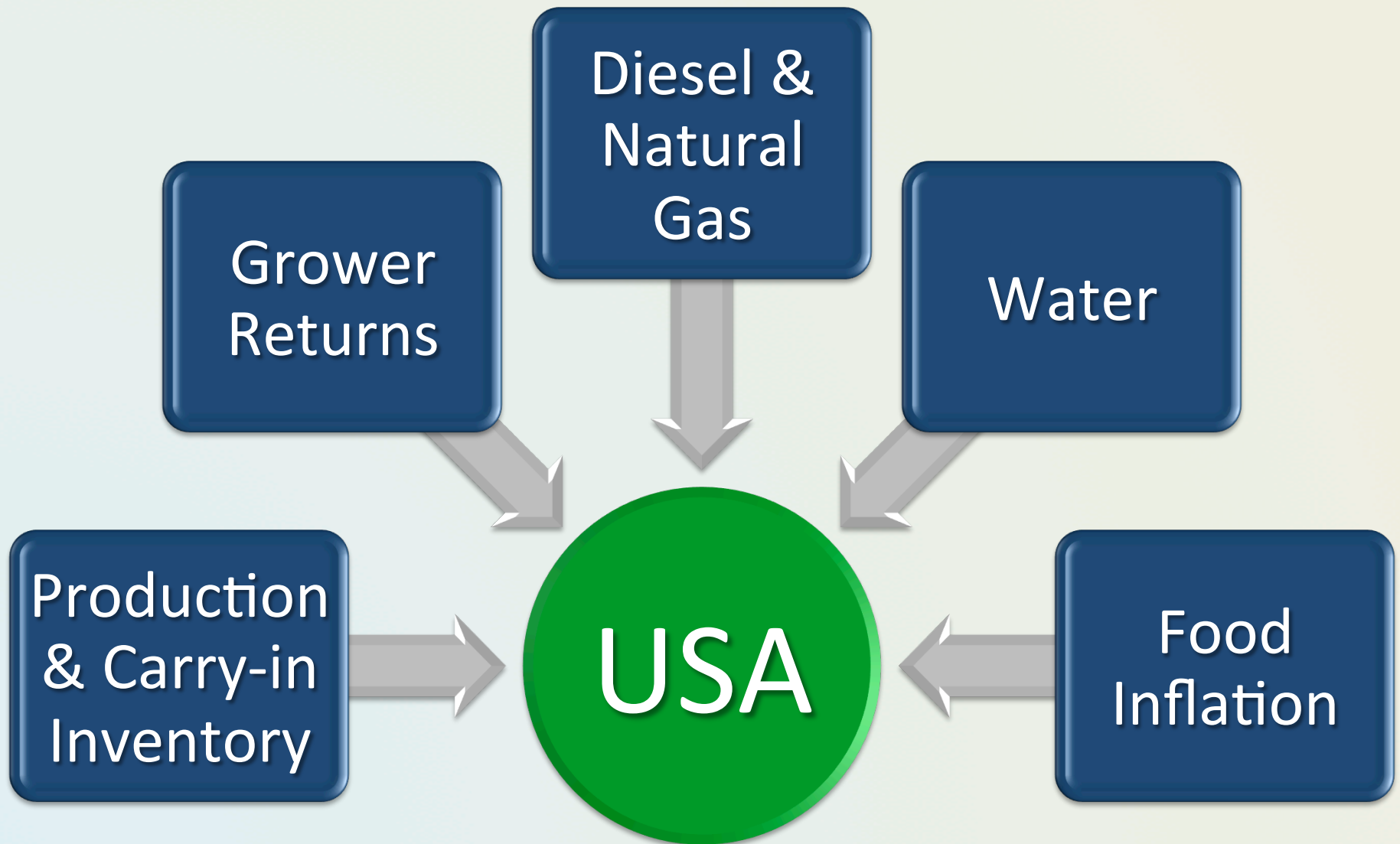
USA

- Extreme and extended hot temperatures during harvest (July – August) impacted solids
- Industry production down by 10 – 12%
- Seed crop impacted
- Low carry-in from previous year

China

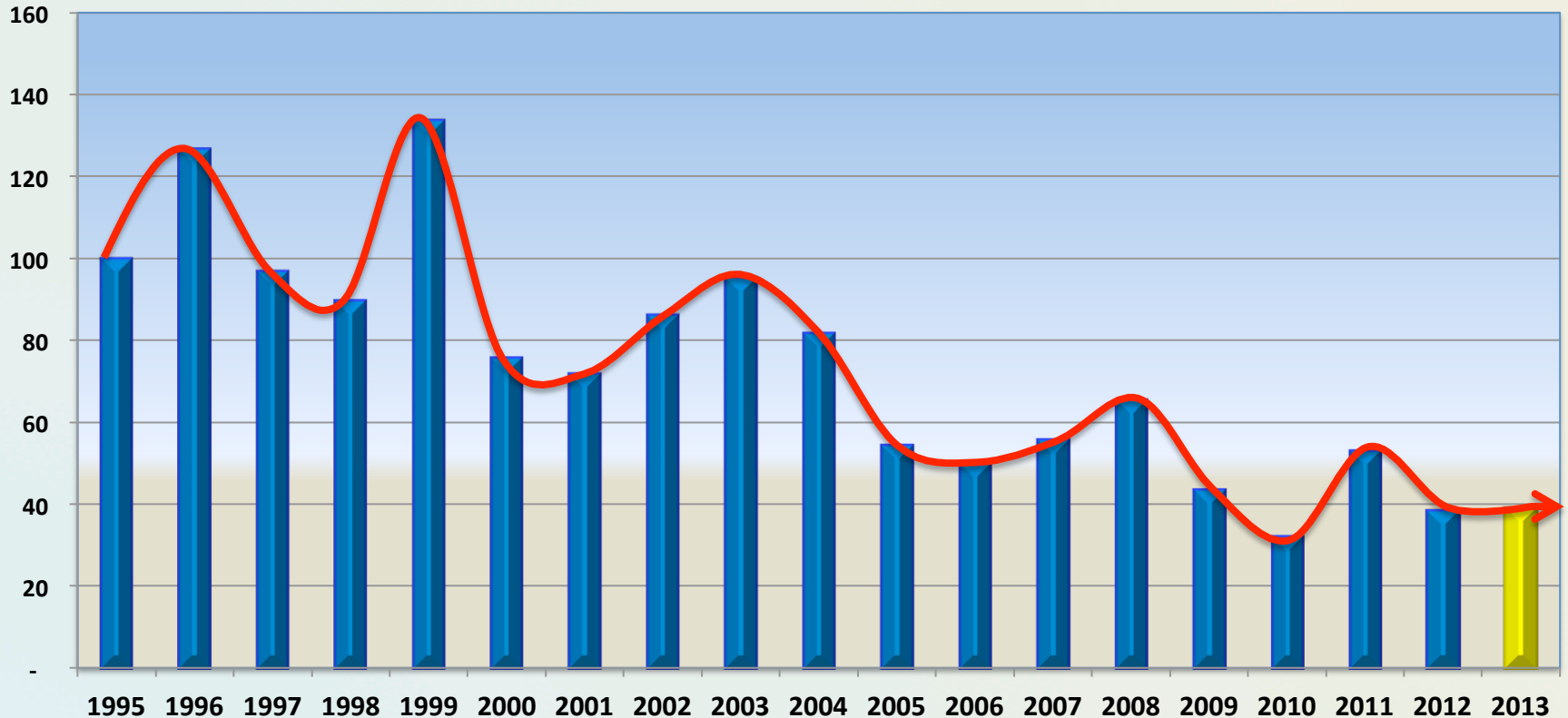
- Planted acreage down 2 - 3% compared to prior year. Prices were expected to weaken based on normal yields.
- Cold temperatures in spring resulted in a 15 – 20% drop in yields
- Sharp spike in fresh and flake prices mid-year followed by progressive decline in Q4
 - Customer destocking
 - Shorter contract cycles

U.S. Factors Affecting S&D in 2013



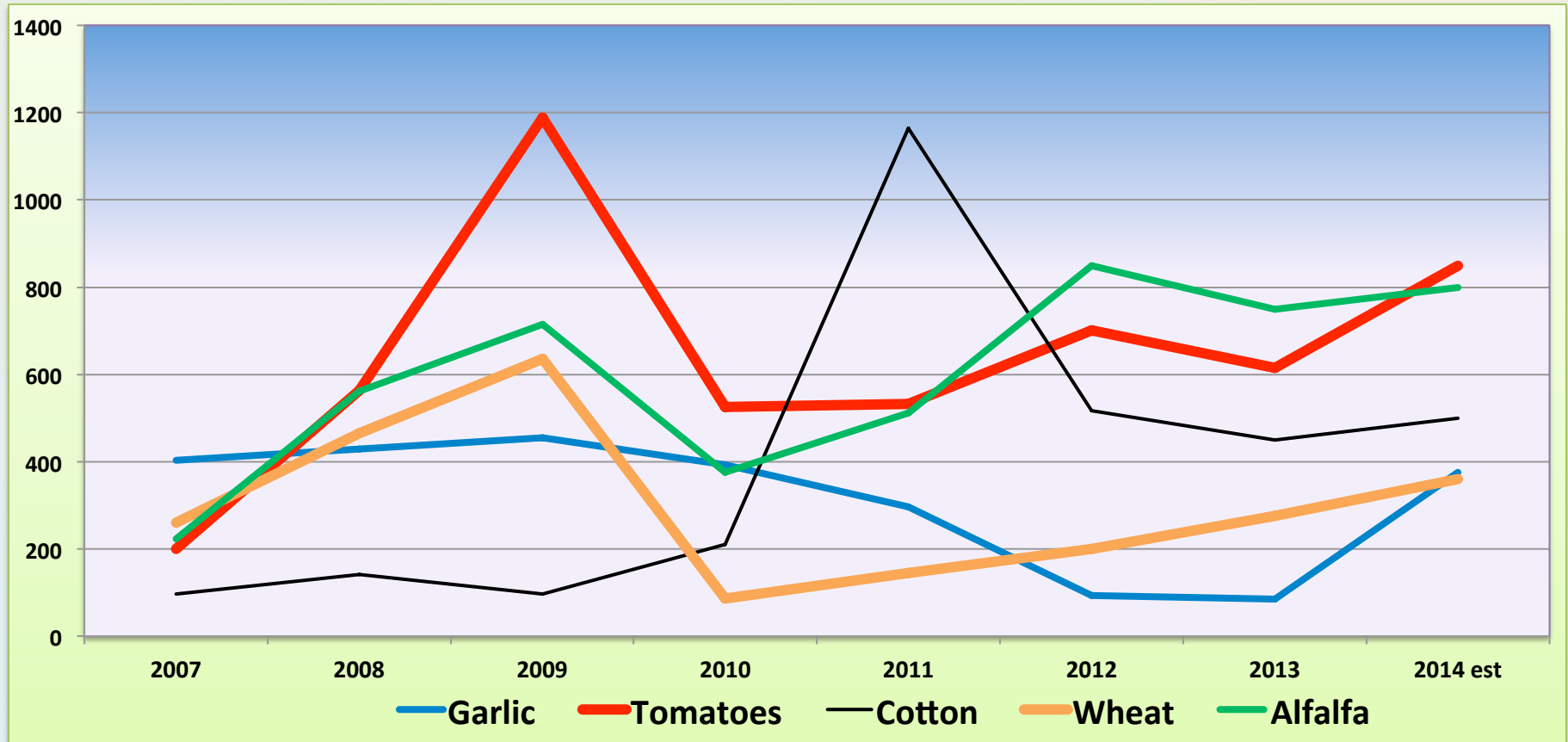
US Garlic – Crop Size

US Dehy Garlic Production Estimates
(Base 1995=100)



- US garlic production declining over the last three years
- Seed crop damage in 2012 limits production in 2013

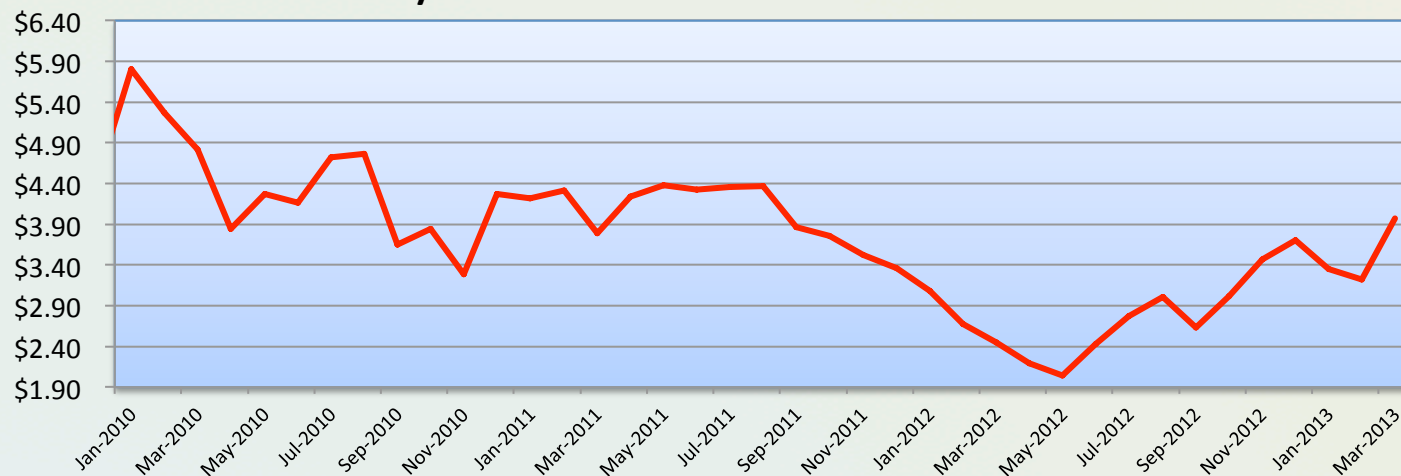
Competitive Crop Returns- California



- Traditional commodity crops (wheat, alfalfa) continue to rise, partly due to the drought in the mid-west
- Garlic has shown increased grower returns between 2011- 2014E as competition for quality agricultural land strengthens

US 2010 -13 Diesel & Natural Gas Prices

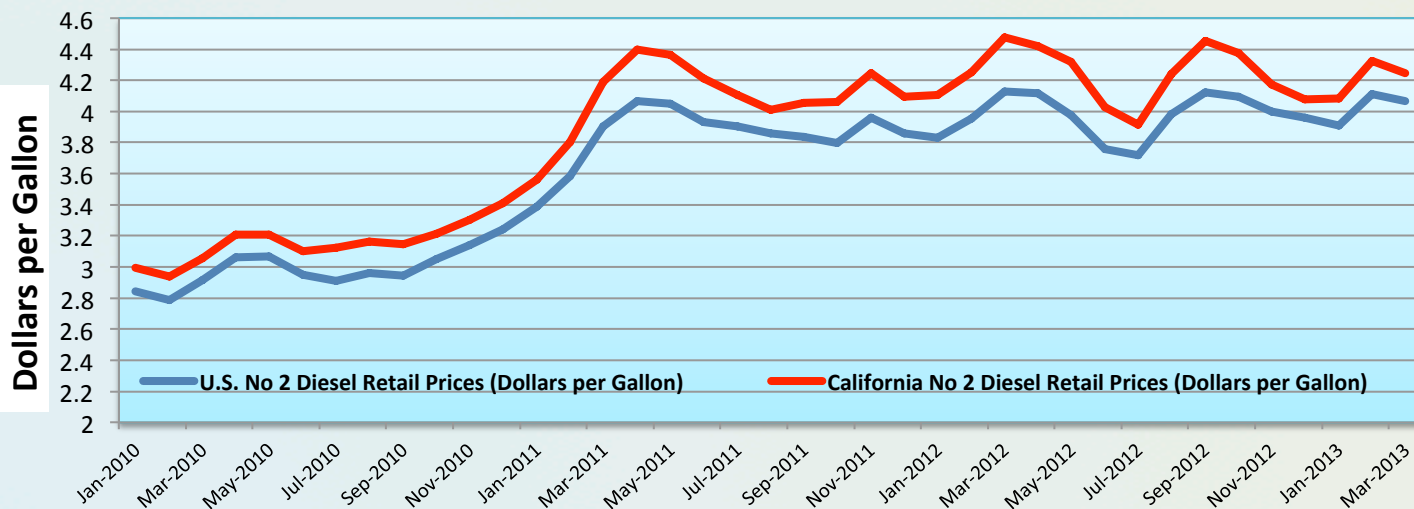
Natural Gas USD/Dth



Natural gas trending up beginning Q2 of 2013, nearing 2011 rates

Source: Hess Energy (2013)

Bi-Monthly California Diesel Retail Prices



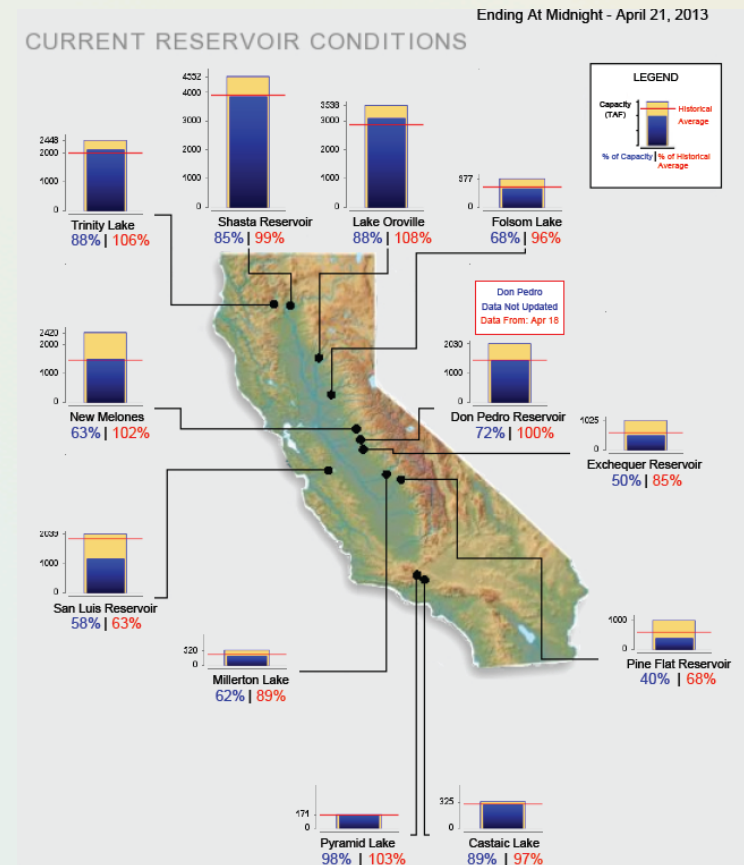
Diesel rates remain elevated compared to 2010, closely mirroring 2012 levels

Source: Energy Information Administration

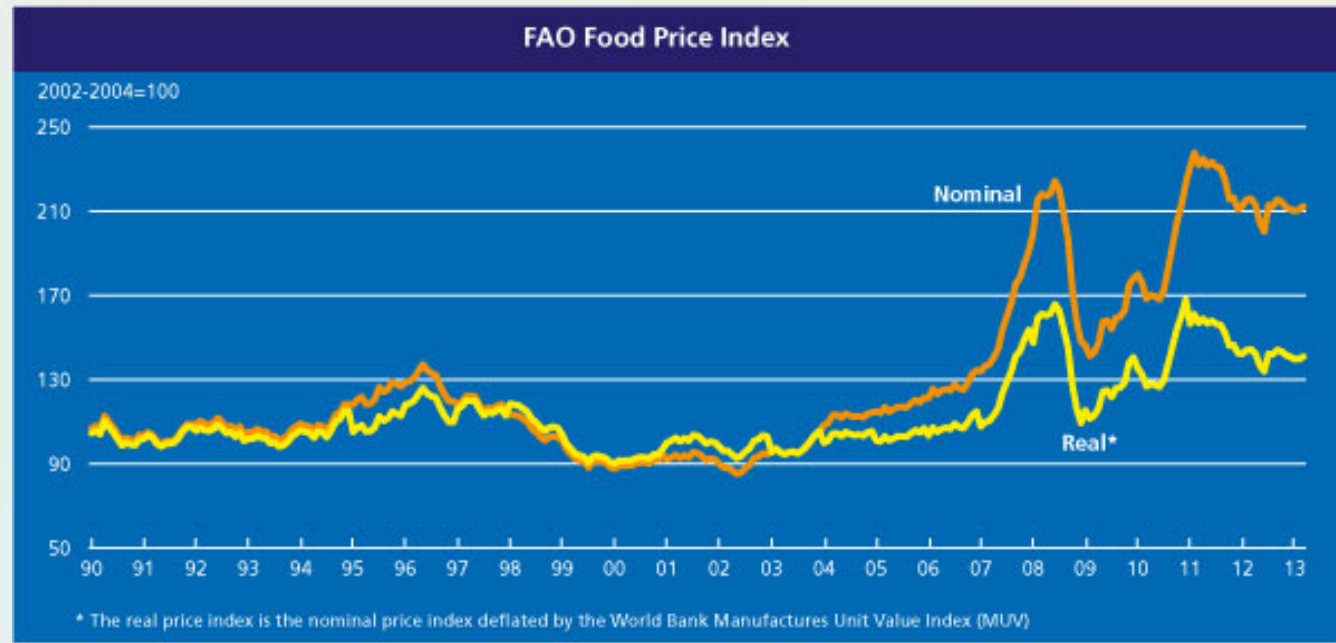
California Water

Reservoir Conditions

- Heavy winter rains in November –December
- Tapered off January – March, driest months on record for Central California
- Central SJV agriculture water allocation set at 20%
- Growers to purchase supplemental water to support production



FAO Global Food Price Index

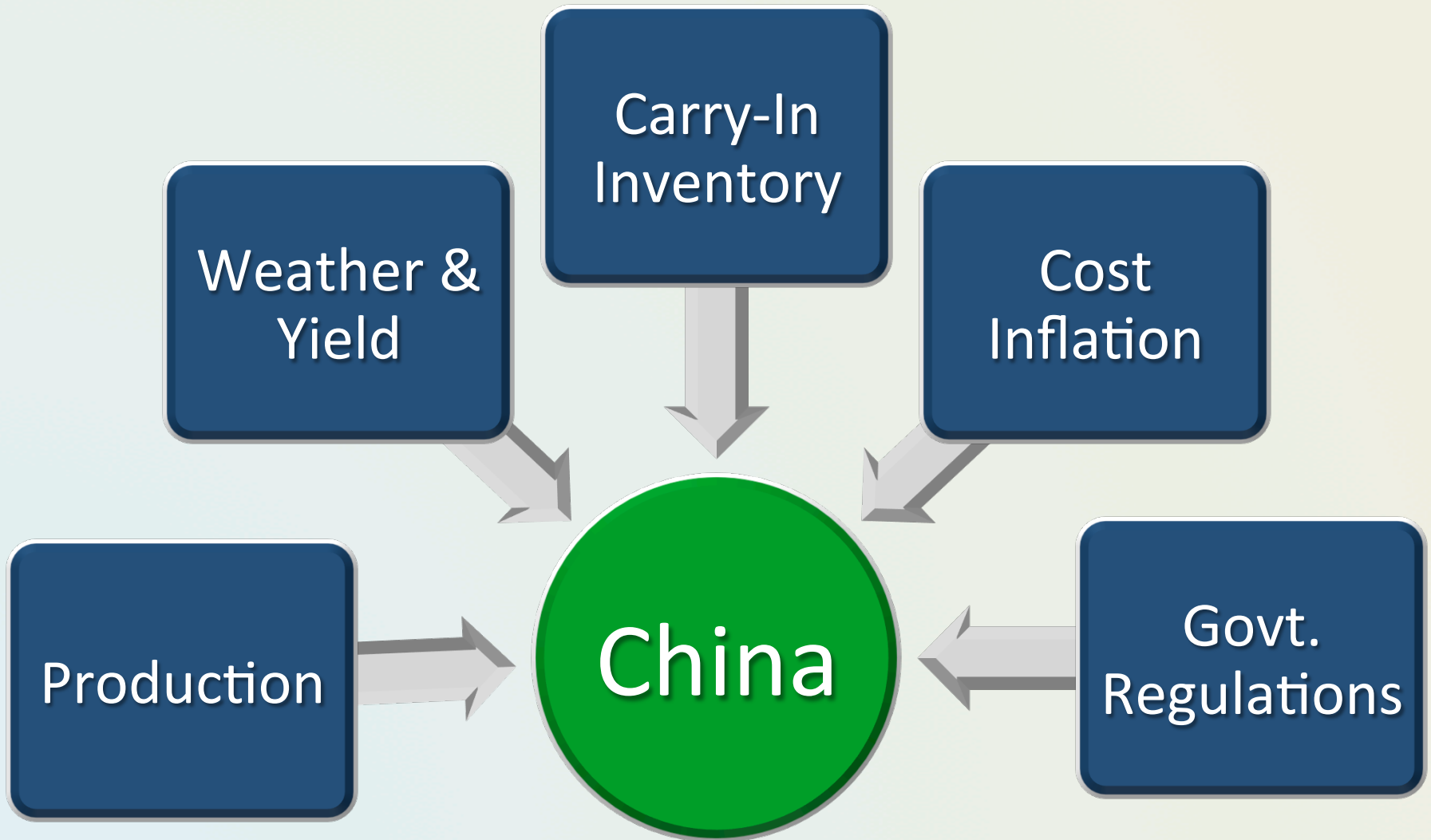


- Food Price index in March 2013 similar to levels in 2012
- Prices remain elevated from 2009 and 2010 levels

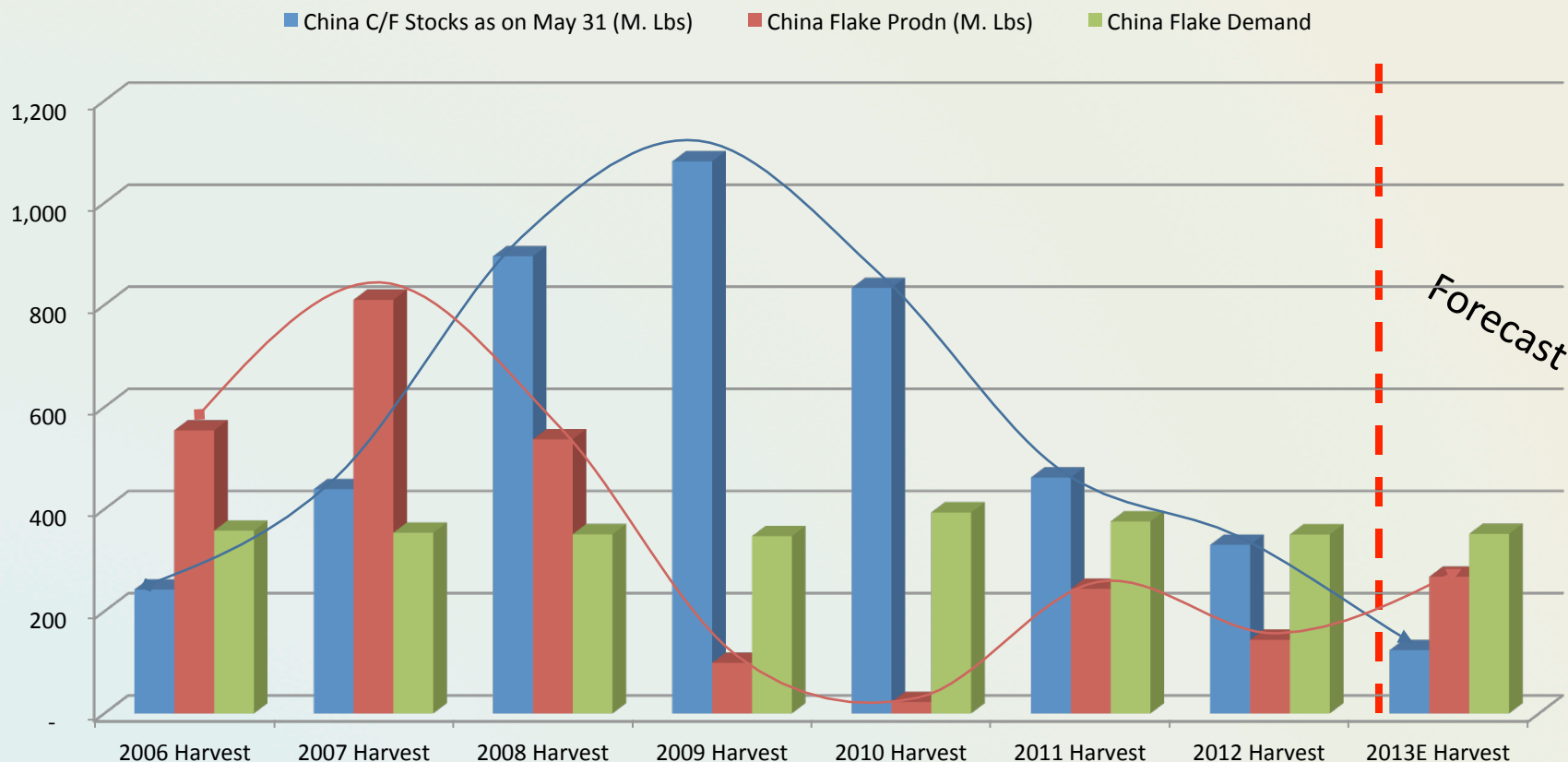
Chinese Garlic – 2013 Crop Update

- Acreage up 5-8% over last year
- Temperature fluctuations over the last 3-4 months may impact yields; the next 30-45 days of the growing season is critical
- Current stocks of dehydrated garlic low
- Fresh demand from domestic Chinese market strong

China - Factors Affecting S&D in 2013



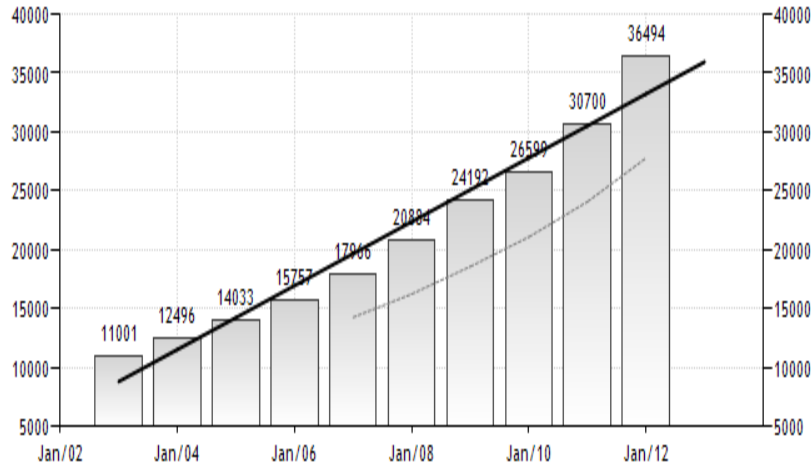
China Dehydrated Garlic Production and Carry-In



- 2013 acreage estimated to be 5-8% higher over last year
- Carry-in inventory expected to be at historical low

China – Macroeconomic Indicators

CHINA WAGES IN MANUFACTURING

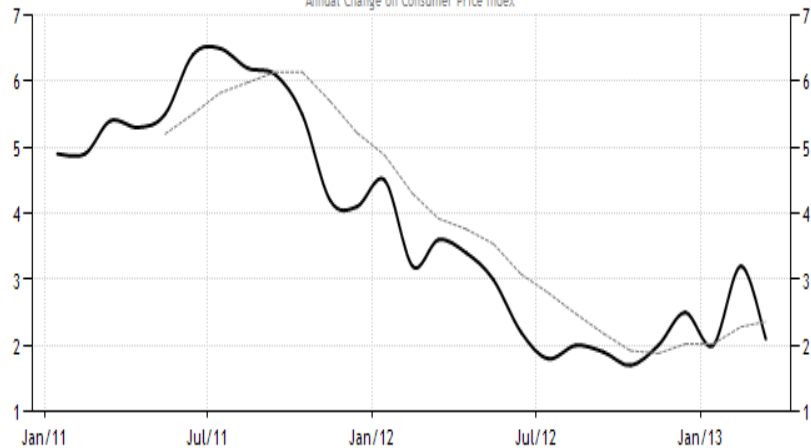


SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS, CHINA

- Wages have more than tripled over the past decade
- Increases reflected in cost of manufactured goods

CHINA INFLATION RATE

Annual Change on Consumer Price Index



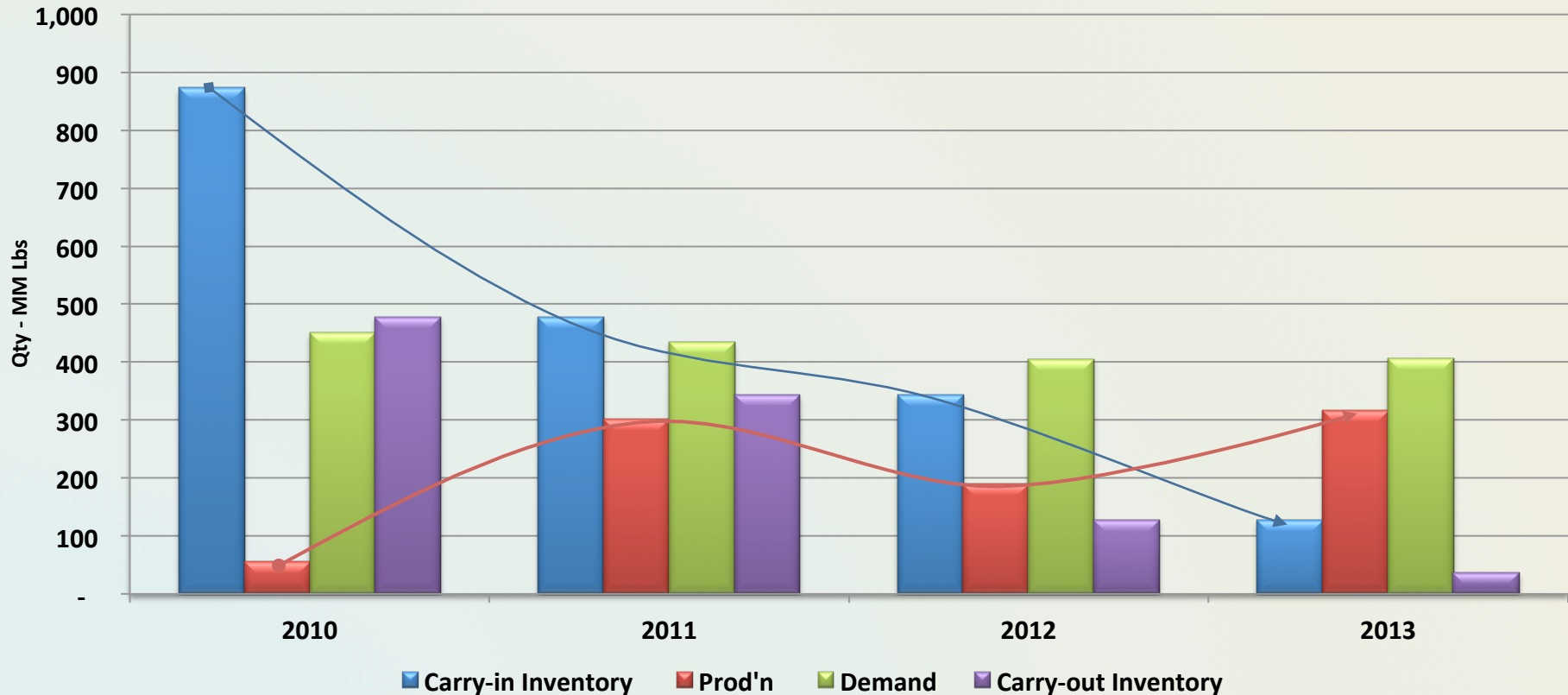
SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

- Inflation declined from July 2011 – July 2012
- Upward trend felt over the last 6 months despite the recent drop

Government Regulations

- Export refund on dehydrated garlic reinstated, will provide cost relief & reduced market prices
- Environmental Regulations related to Industrial Pollution
 - Wastewater standards enforced
 - Increased regulations
 - Policies may begin to impact flake production

Global Dehydrated Garlic S&D



- Carry in inventory showing progressive declining trend
- Yearly production variable
- Demand growth limited

Global Dehy Garlic Market Outlook - 2013

USA

- Supply tight throughout the season
- Increased price volatility likely driven by shortfall in supply

China

- **Scenario 1 : Normal to high yields**
 - Adequate feedstock to meet demand for dehydrated garlic exports
 - New flaking will be needed to augment supply – at new costs
 - Limited scope to reduce cost through blending with prior years inventory
 - Low volatility in pricing likely
- **Scenario 2 : Low yields**
 - Potential spike in dehydrated garlic prices in Q2 – Q3 2013
 - Rest of the year pricing may follow similar pattern as last year

Thank you