Onion Crop Report

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Olam Spices & Vegetable Ingredients
Global Onion Landscape

- USA: Prodn: ~225 M lbs
- Spain/France/Hungary/Belgium/Germany: Prodn: ~36 M lbs
- Egypt: Prodn: ~29 M lbs
- India: Prodn: ~100 MM lbs
- China: Prodn: ~40 M lbs
Dehydrated Onion – Global Supply

- **US**: 48%
- **India**: 14%
- **China**: 7%
- **Egypt**: 6%
- **Spain**: 2%
- **France**: 8%
- **Others**: 15%

**CY 2010**
~430 MM lbs

- **US**: 48%
- **India**: 23%
- **China**: 9%
- **Egypt**: 7%
- **France**: 5%
- **Spain**: 1%
- **Others**: 3%

**CY 2011**
~435 MM lbs

- **US**: 52%

- **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

Supply Side Factors

- Diesel & Nat Gas
- Fertilizers
- Water
- Govt. Policy
- Production Volume
- Grower Returns
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
• 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
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

- 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%
- Pyramid Lake: 97% | 101%
- Castaic Lake: 89% | 97%

LEGEND
- Capacity (TAF)
- Historical Average
- % of Capacity
- % of Historical Average
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?
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.

Factors affecting demand

- Food inflation
- Forex volatility and Interest rates
- Tougher Food safety Regulatory environment
- Fresh onion pricing
- Consumer behavior and trends
Food Inflation

- Food Price index in March 2012 similar to levels in 2011
- Prices remain elevated from 2009 and 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
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?
Thank you