

Market Update June 2017 Dehydrated Vegetables & Herbs

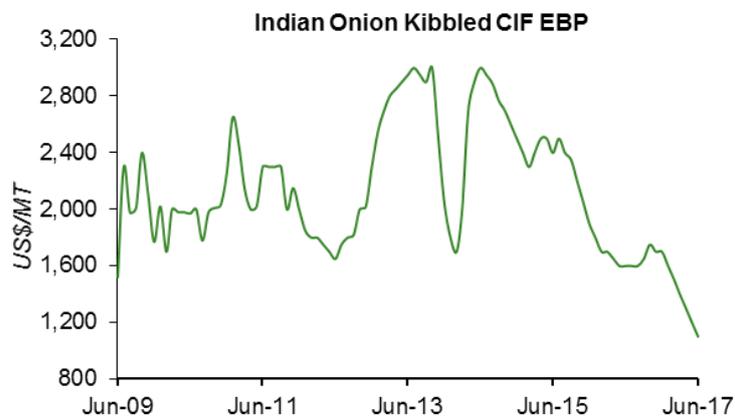
Onion

Egypt

Although the Summer (April 2017) crop in Egypt was reportedly 10% higher than last year onion prices in Egypt remain high due to a continuing large demand for fresh onions from neighboring countries like Libya, Saudi Arabia, Lebanon and Jordan. The devaluation of the Egyptian Pound against the US dollar of 125% has resulted in local prices of fresh onions four times higher than in a “normal” crop year. Hence Egyptian farmers tend to sell their onions to the fresh market rather than to the dehydration factories. It is obviously too early to say anything about the outlook for the 2017/2018 winter harvest, but given the current high prices it is very likely that the acreage under cultivation will increase significantly. The winter crop will however not be available on the market before December 2017. At the moment, kibbled onions from Egypt are being quoted at USD 2,600 per mton CFR EBP.

India

The Indian winter crop finished by the end of March/beginning of April and was reportedly about 5% lower than previous season. Substantial carryover stocks of both fresh as well as dehydrated onions combined with favourable prospects for the upcoming summer crop in India however resulted in all-time low-price



levels with kibbled onion currently being offered at USD 1,100 per mton CFR EBP.

We expect that dehydrated onion prices will remain weak also during the second half of 2017 given the large 2015-2016 inventory from India on the one hand and the current favourable prospects for both the summer as well as the 2017-2018 winter crop on the other hand.

Due to the prevailing low price for onions and the high prices of Chinese garlic during the past 2 years many Indian farmers have decided to grow garlic instead of onion.

Garlic



The recent sharp drop in Chinese garlic prices caught the market by surprise and market participants (farmers, local traders, speculators, flake processors and buyers) are all anxiously awaiting further developments on which direction the market will move forward in the months ahead. One can say that the current market is primarily determined by speculators and government regulations rather than by supply and demand.

During April 2017 Chinese garlic flake prices remained firm on account of tight supply and continuous strong overseas demand. The market turned weaker however from the beginning of May 2017 as the new crop was around the corner with a planted acreage reportedly up by 20% compared to the previous crop year. The yield is estimated around 15% higher compared to last year.

Panic selling by both Chinese traders and speculators resulted in garlic flake prices dropping sharply from a high of USD 7,500 per mton FOB Qingdao in March/April 2017 to USD 4,800 per mton early June. Recent monetary policy measures from the Chinese government will most likely lead to higher interest rates resulting in Chinese speculators selling off their long positions aggressively.

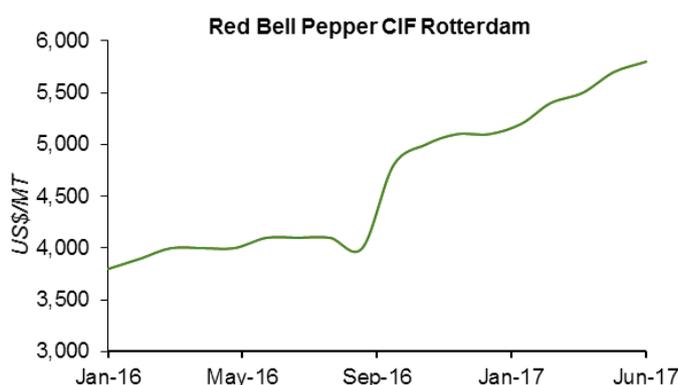
A continuous worry as far as the availability of dehydrated garlic flakes is concerned is the limited number of dehydration licenses issued by the Chinese government to the flake processors. Environmental protection measures are being strictly endorsed on the dehydration factories in China not only for garlic but also for many other dehydrates like bell pepper, tomato, carrots, etc. This could potentially lead to a limited availability of garlic flakes resulting in firmer prices again as the inventory from the previous crop is already very low.

Another bullish factor is the fact that most EU and US buyers are not yet completely covered for the second half of 2017. Once they will take coverage, the current price decrease might come to a standstill. Actually the market has already started to firm up since the beginning of June with about USD 500 per mton for garlic flakes.

Quality wise the market for Chinese garlic remains confronted with the risk of peanut and gluten contamination as in many growing areas peanuts and wheat are being cultivated next to garlic and in some cases even as an intercrop with garlic. India is not yet an alternative as the allergen problem in this origin is even worse than in China. Egypt is slowly emerging as a new producer of garlic though and first sample results are looking favourable also as far as allergens are concerned.

Summarizing we believe that garlic prices will remain very unstable and volatile in the coming months. Crucial developments will be the final outcome of the Chinese fresh garlic crop, the attitude of local traders and speculators, the Chinese government policy on issuing dehydration licenses to factories, quality issues and the approach of EU/US buyers. Fact is that the inventory both in China as well as in Europe is almost empty.

Bell Pepper/Carrots/Leek



The red bell pepper crop in Inner Mongolia, the main growing area in China, and in Gansu Province was very poor as we reported earlier. The final outcome of the crop was about 25% lower than last year. Speculators withholding significant volumes coupled with a large domestic demand for red bell peppers and low carryover stocks caused prices to remain firm. As the new crop is only expected in October 2017, prices are expected to stay firm until then.

Red bell pepper flakes 9x9 mm were at USD 5,800 beginning of June and are currently being offered at USD 5,500 per mton CIF Rotterdam.

Contrary to red bell pepper green bell pepper flakes 9x9 mm are abundantly available and are currently quoted at USD 3,500 per mton.

The Chinese carrot crop was favourable this year and carrot flakes are now being quoted at USD 1,600 per mton CIF Rotterdam.

Leek remains very short this year in China as well as in Poland and flakes green/white 9x9 mm are currently being offered at USD 5,000 per mton CIF Rotterdam. Present stocks are very minimal at the moment and the new crop will only start in October 2017.

Mediterranean Herbs

Due to high prices of last season the area under cultivation for basil in Egypt increased by about 30% due to which prices came down from EUR 3,100 per mton to EUR 2,900 per mton CIF Rotterdam. Harvesting of the new crop has started in May and will last until October.

Marjoram prices continued weak since our last market report at levels of around EUR 2,100 per mton CIF Rotterdam as farmers in Egypt were motivated to plant a larger acreage on account of high prices prevailing last year. Harvesting began in May.

Turkish oregano leaves are expected to remain firm as the carryover from last year was very low while the new crop is not significantly larger than a normal crop. Today oregano leaves are being sold at EUR 3,500 CIF Rotterdam.

