



ASTA Quarterly Crop Report Update on Chinese Garlic

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BCFoods



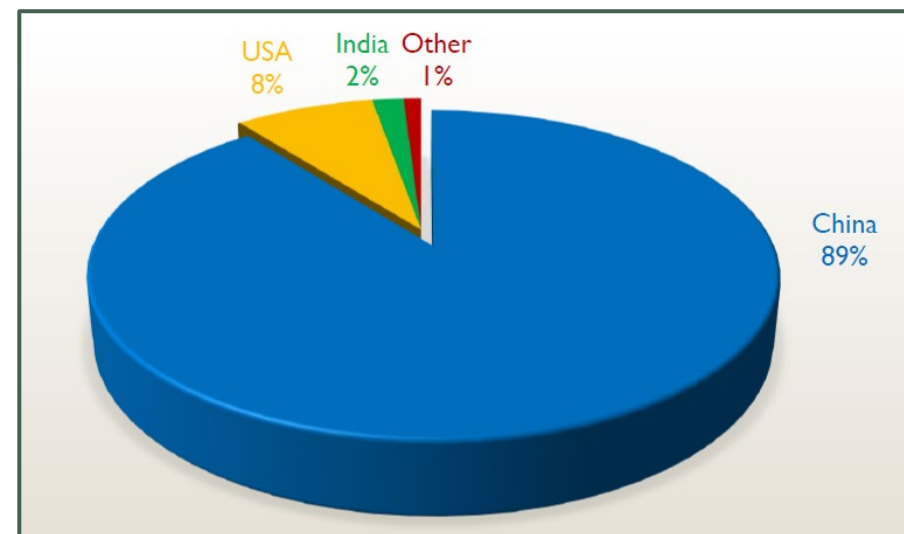


Agenda

- General Garlic Industry
- Chinese Garlic Plantings and Harvest Information
- Current Market Information
 - Monthly Fresh Index
 - Monthly Dehy Flake Costs
- Quality – Hybrid vs. “4/6-Clove” Garlic
- Historical Export Data
- Outlook

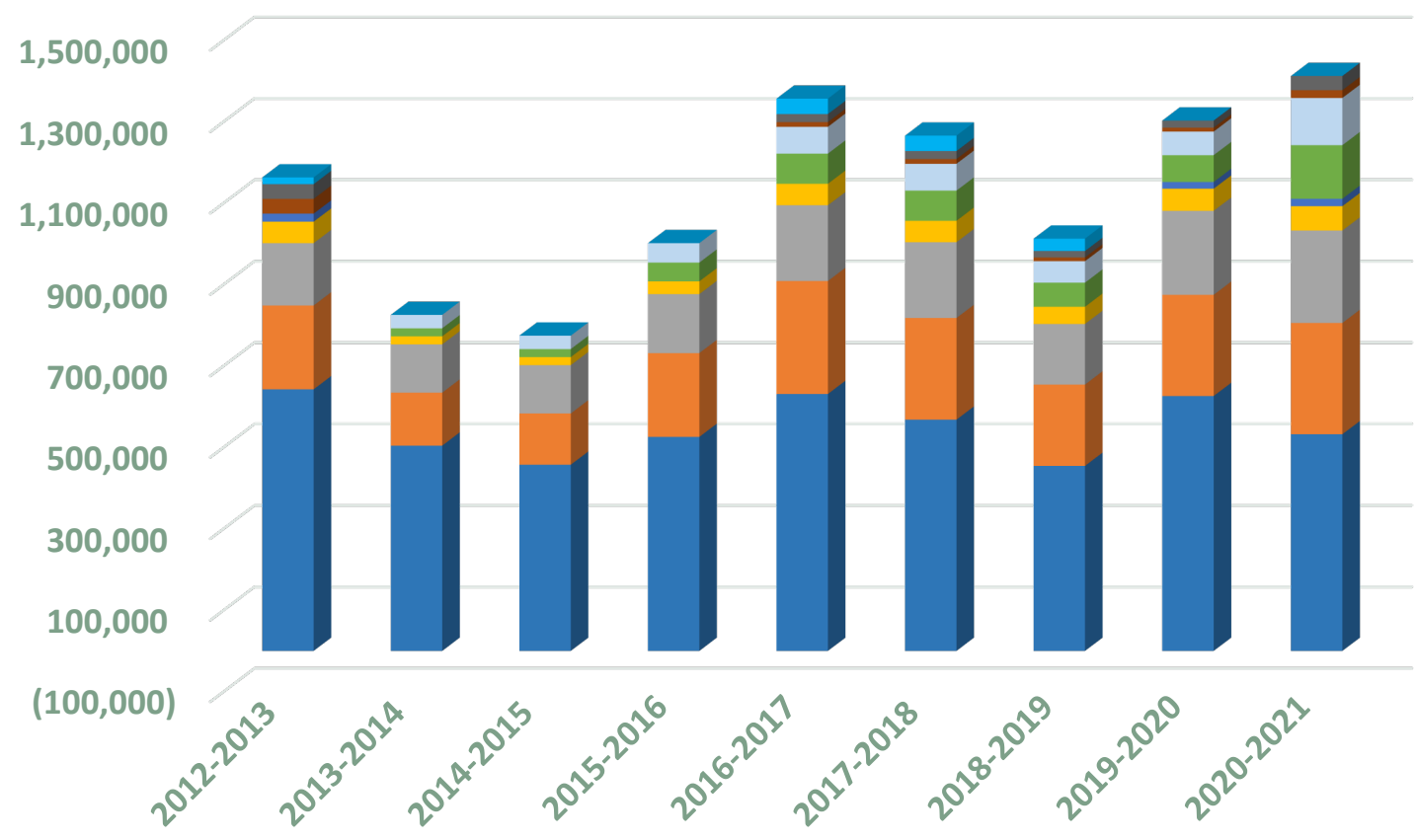
Chinese Garlic Overview

- Garlic is one of the world's most widely consumed spices
 - Known for its pungent flavor and nutritional benefits
- Worldwide annual production:
 - Fresh : ~10M MTs
 - Dehydrated: ~250K MTs
- Top dehydrated garlic producers:
 - China: ~89%
 - United States
 - India
- The Shandong Province is the largest growing area
 - Neighboring provinces of Henan and Jiangsu contribute significantly smaller tonnage





Garlic Planting Acreage and EST. Yield



2021 Garlic Crop

- 1. The planting area in the Shandong Province shrunk about 15%, while surrounding provinces are seeing increased planting.
- 2. Total Chinese planting acreage has increased YOY due to higher fresh garlic prices. New estimates have garlic plantings at +5% YOY.
- 3. Colder winter temperatures could impact the yields, this won't be confirmed for another month.



Chinese Garlic Season & Market



Late Sept.



Late Oct.



Late Feb.



Middle April



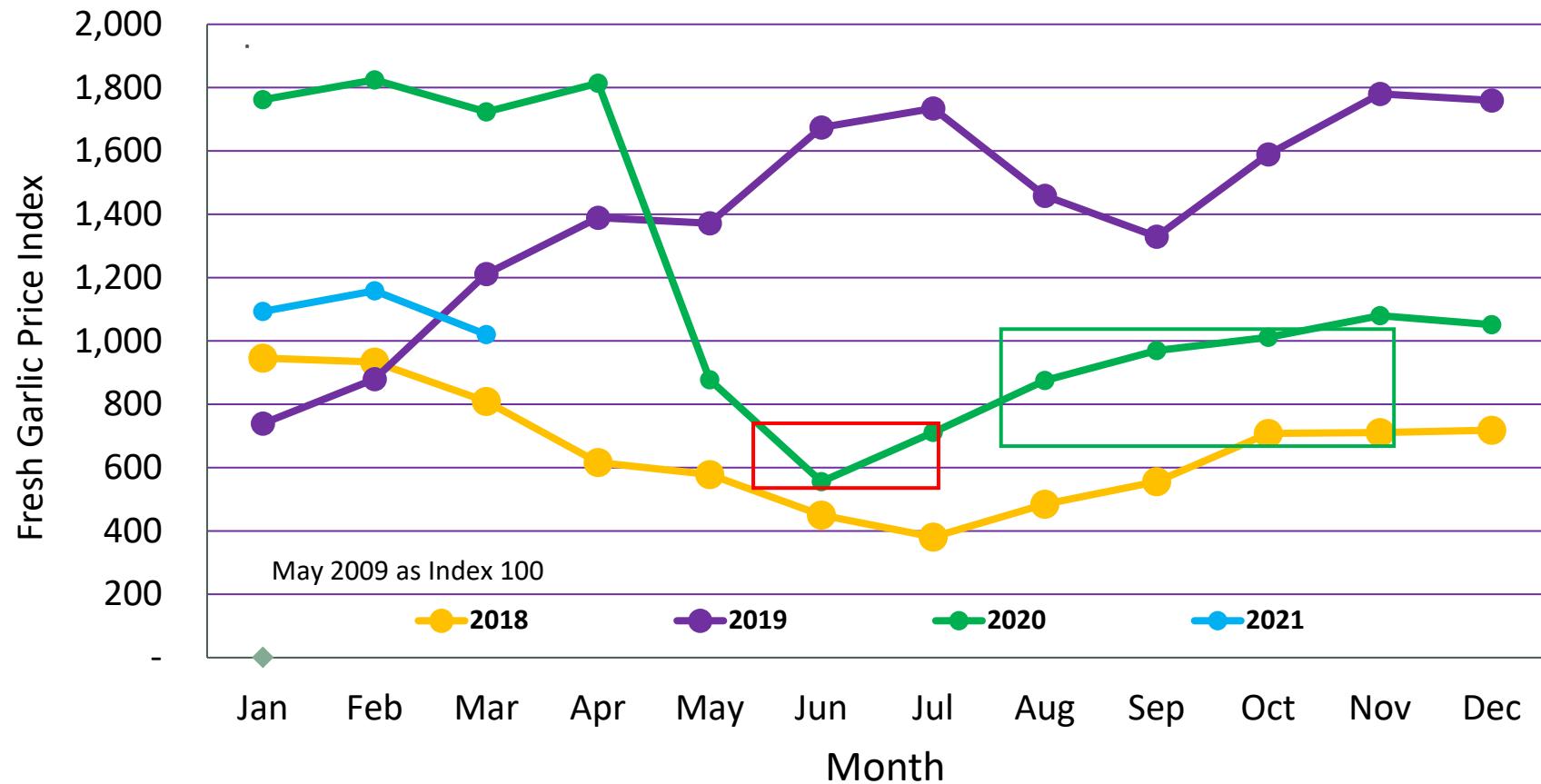
Early May



Late May or Early June: Harvesting



Monthly Fresh Garlic Index



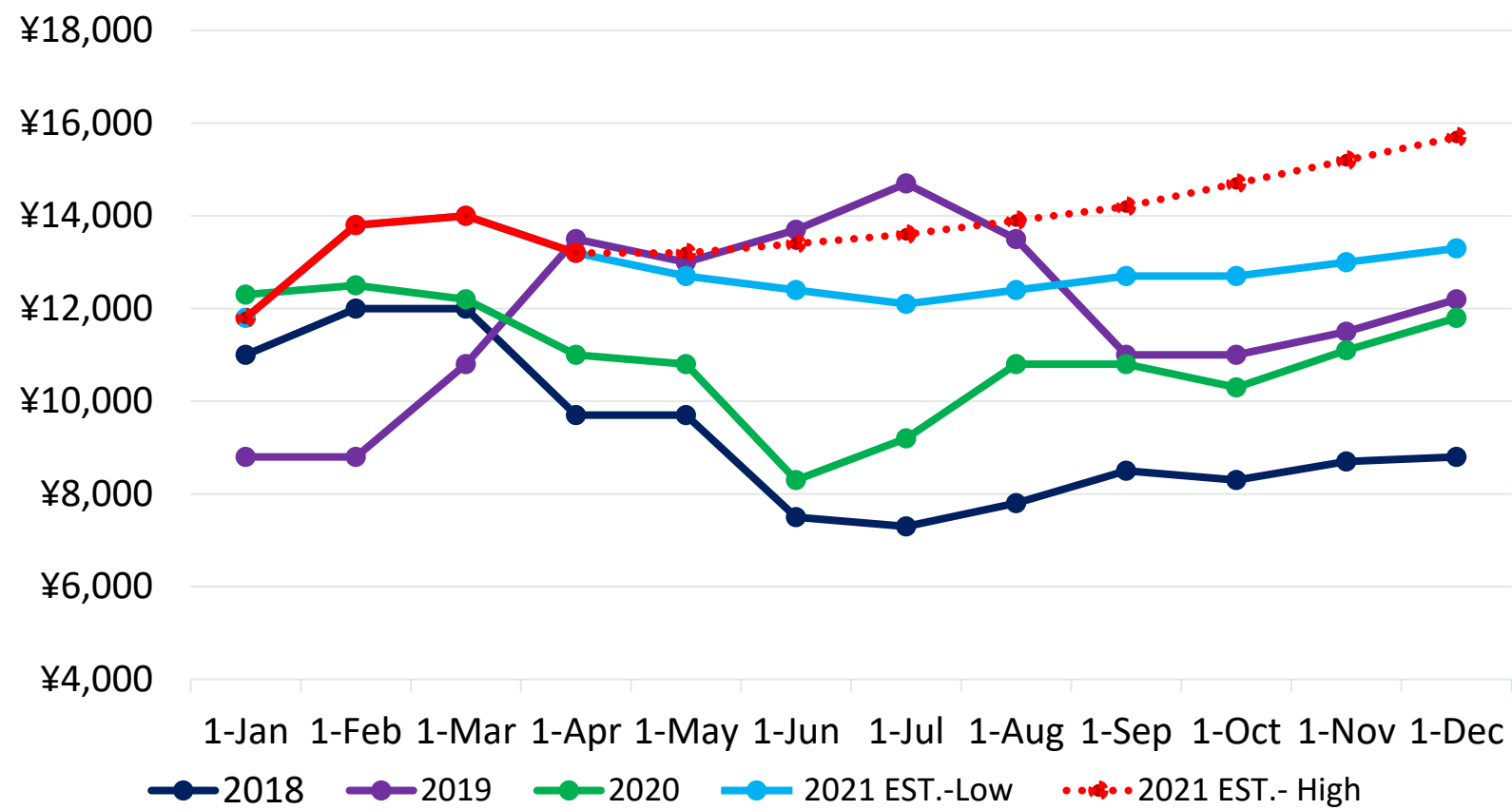
Fresh garlic reached the lowest level of the year in June 2020, and then moved up steadily afterward.

2020:

- Significant volume was booked prior to the processing season.
- Contracts were signed at the lowest price period (early May to late June) based on **fresh garlic index of about 700**.
- Processing started from late June to early October.
- At an **index of 1K**, the actual cost was about 25% higher than June's price.
- As a result, processors lost about 3K RMB/MT or \$500/MT



China Garlic Flake Price



1.0 US\$ = 6.52 RMB as 04/20/2021

As of late April, the flake price has come down to roughly 12,500 RMB/ MT. Depending on the yields and sale of carryover stock (which we estimate at 12,000 RMB/ MT, with higher micro levels and higher risk for peanut allergen, the new crop flake price could go in two directions:

1. Flake costs continue to drop another ~5% and then slowly climb
2. Flake costs start to climb at harvest and could reach levels 20% + higher than they are today

“Hybrid” Garlic Flakes



“Hybrid” Garlic - Cloves



“Hybrid” Garlic Flakes

“Hybrid” garlic cloves and garlic flakes:

- Hybrid garlic flakes, which are typically processed in the mid to late season, represent more than 80% of the total garlic flake production, creating larger variances for color, micro, flavor, and bulk index.
- Harsh and pungent aroma and flavor.
- Low confidence for peanut allergen limits if processed late in the season due to germination and difficulty fully washing the cloves.
- There is concern that garlic processed late in the season will have a low weight bulk index, which will be okay for seasonings and sauces, but can be an issue for bottle fill applications.
- More difficult to produce to Extra Low Bac product standards.

"4/6-Clove" Garlic Flakes



"4/6 clove" Fresh Garlic - Cloves



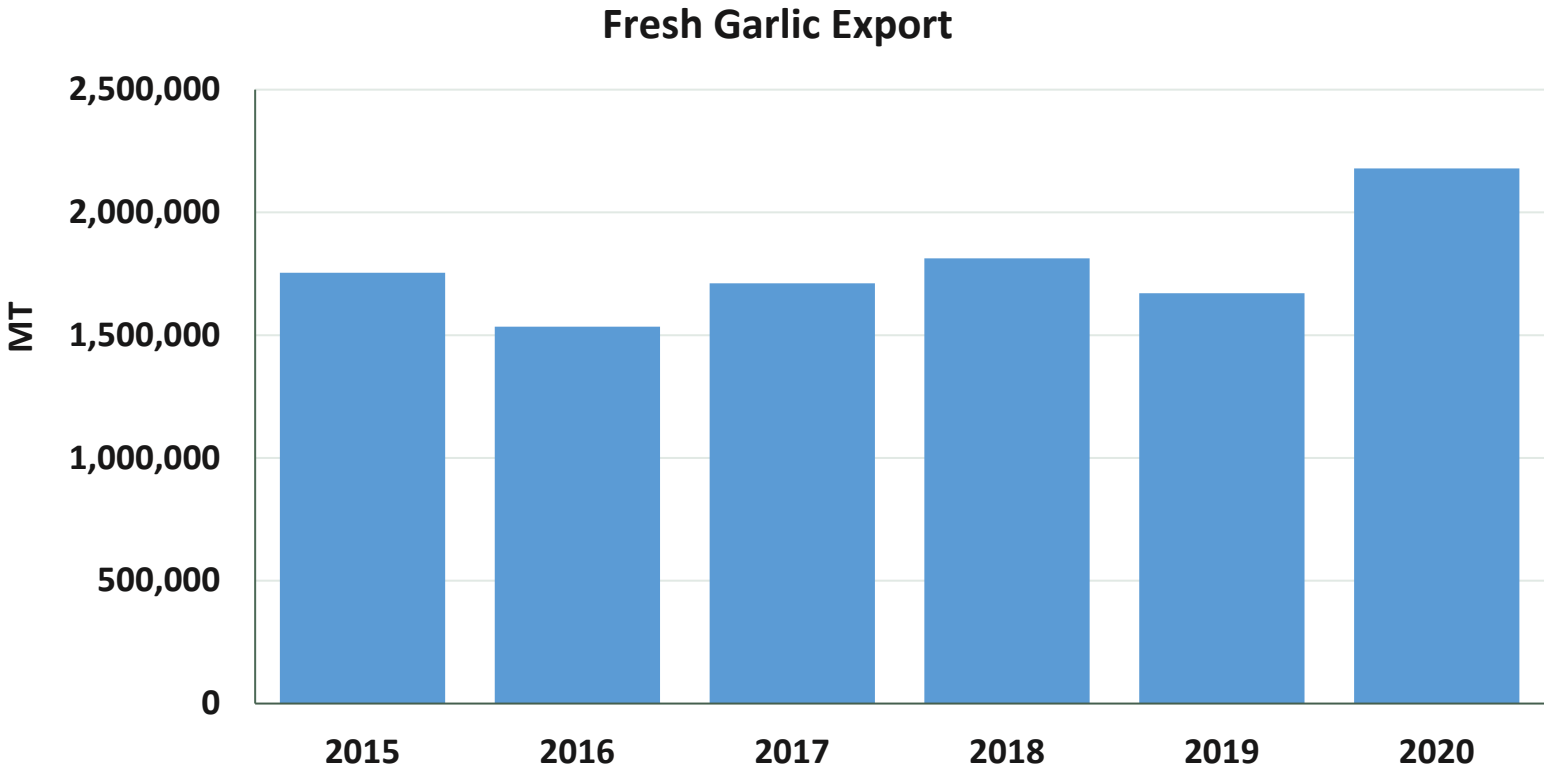
"4/6 –clove" Garlic Flakes

"4/6-clove" garlic flakes:

- Full and round pungent garlic aroma and flavor.
- Processed earlier in the season. There is less garlic skin or stalk in the final product.
 - Higher confidence for meeting peanut allergen limits
- Good color and consistent bulk index for bottling.
- Ultra Low and Extra Low Bac products must be made from "4/6-clove" garlic flakes.
- Limited supply, about 15-20% total garlic production.
- About \$150/MT higher cost than hybrid garlic flakes for the same time period.



China Fresh Garlic Export by Year

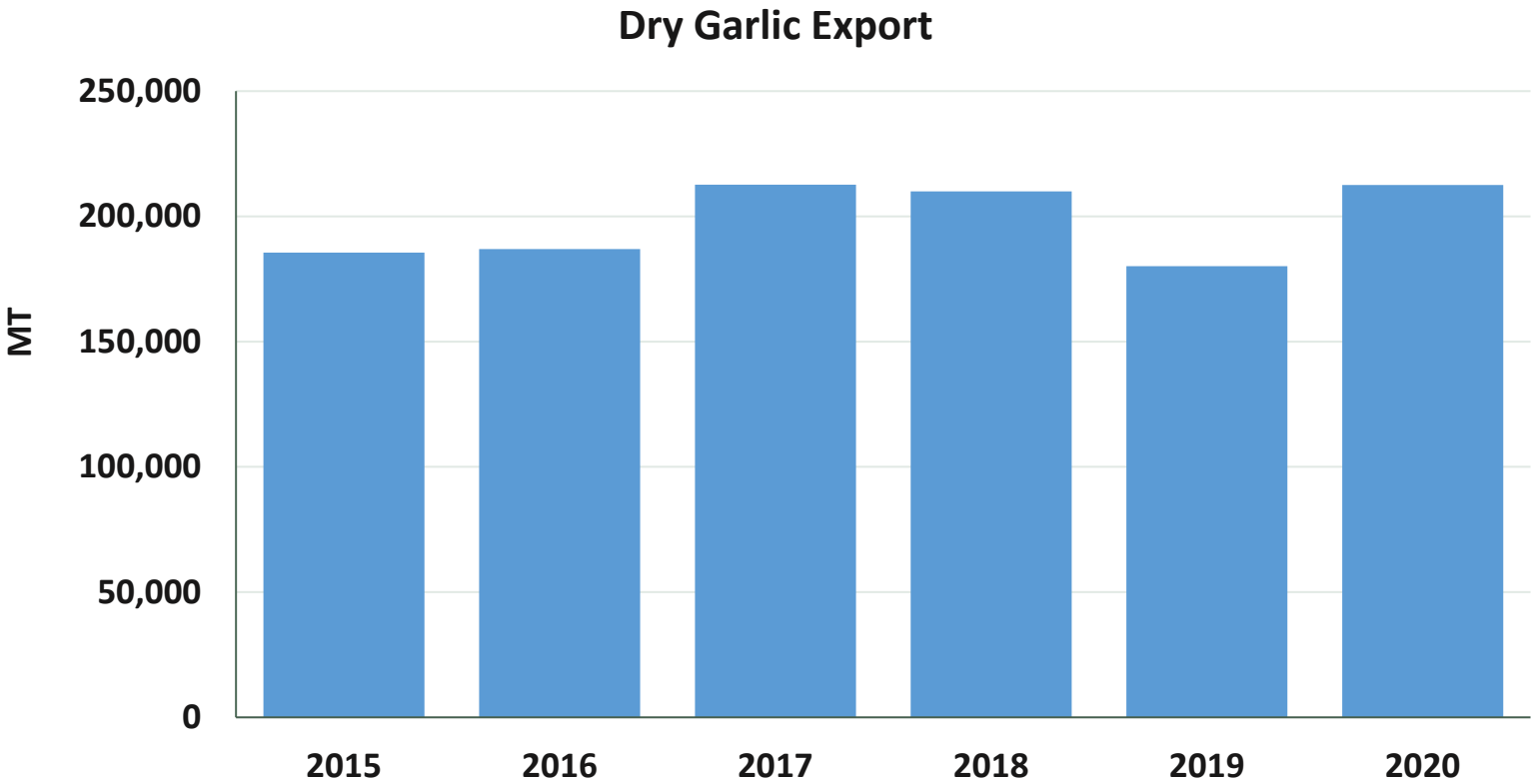


Fresh garlic exportation reached the highest volume of the past 6 years in 2020.

Note: Due to the lockdown caused by the COVID-19 virus, the data was only available as a combined figure for January and February, coming to 25,848 MT for both months together. January data was then artificially assigned the same as that in 2019, and the remaining volume was assigned for February.



China Dry Garlic Export by Year



Garlic flake exportation also reached the highest volume of the past 6 years in 2020.



Chinese Garlic Outlook

Important Factors Affecting Flake Pricing

Current Projection: With an average harvest yield, price to come down ~5%, and then slowly climb starting Q3



Upward support:

- Speculators/investors may be unwilling to sell as carryover inventories are close to cost level
- Poor yields with the upcoming harvest could push pricing up
- Processors lost a lot of money on bookings made in June last year and may be less willing to book at market lows



Downward pressure:

- New crop is growing normal
- The total volume in storage is still exceeding normal year levels (230 MT's still in storage, roughly 120% of the Chinese export annual demand)
- Additional duties to the U.S. are still in effect

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