

ASTA Quarterly Crop Update *May 2021*



US Garlic

Vinayak Narain

Olam Spices



Dehydrated Garlic – Global Production

(CY 17-2021 Estimates : ~180-310,000 MT equiv. to 397-683 M lbs)



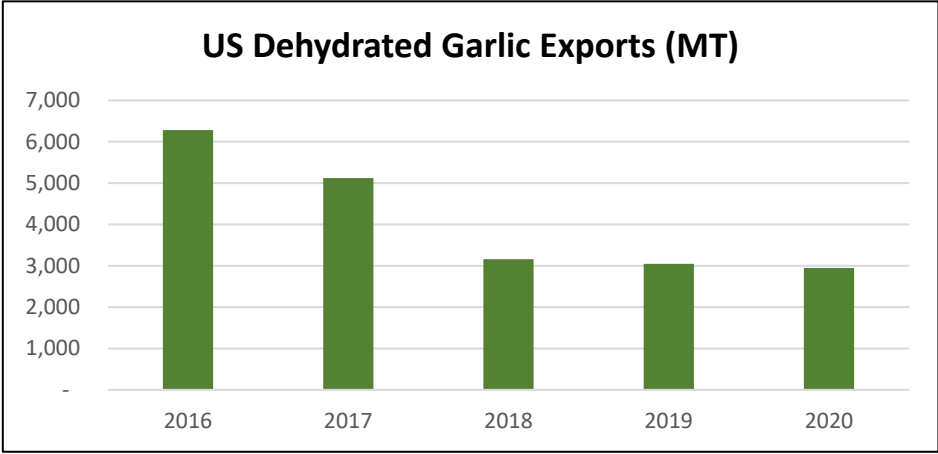
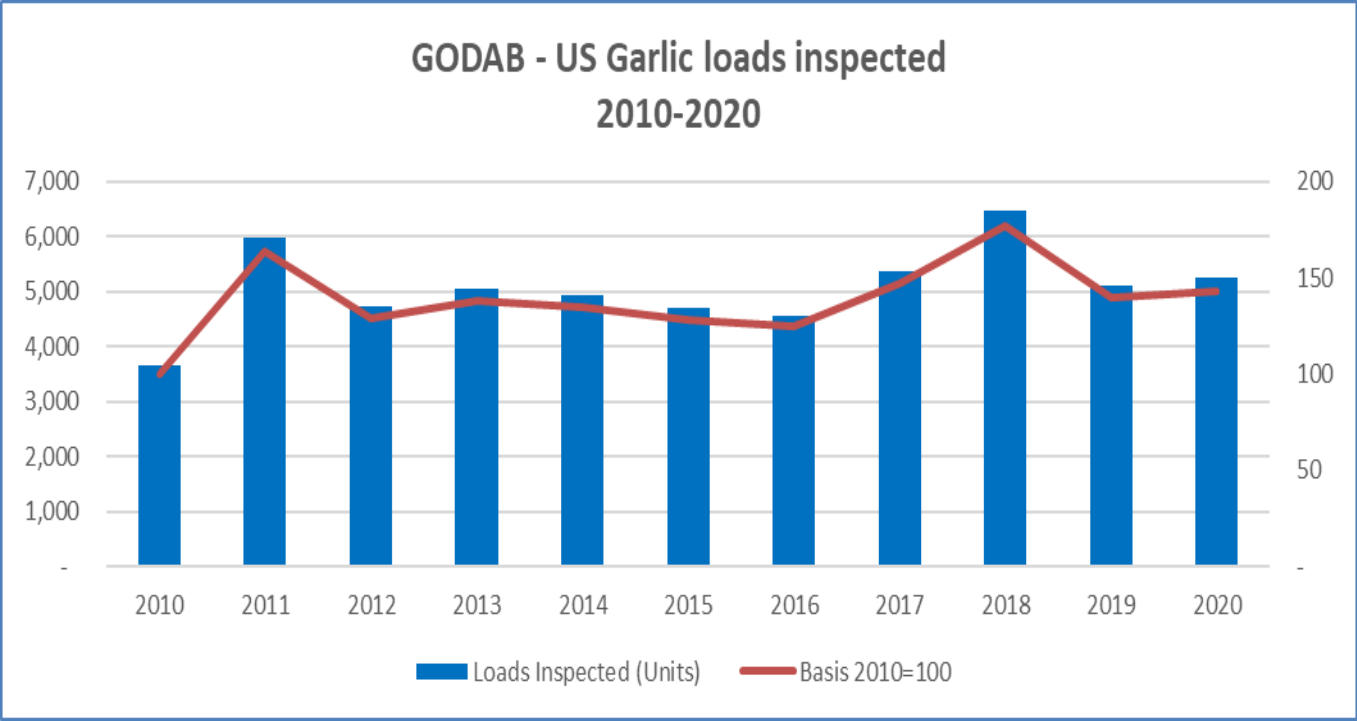
US Dehydrated Garlic – Origin Profile



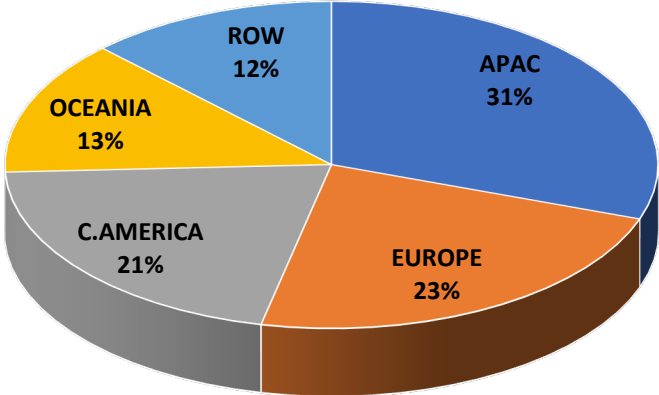
- Only 2 vertically integrated processor-exporters
- Annual contracts with growers
- Dehydrated market pricing relatively insulated from fresh garlic pricing volatility
- Medium water availability risk
- 1 season each year
 - Planting : Sep - Nov
 - Harvesting : July- Oct
- Product directly seeded into the ground; no transplanting
- Production relatively stable from year to year
- Full traceability offered
- US garlic offers potential improved cost-in-use benefits over offshore origins



US Dehydrated Garlic S&D Snapshot (2017-21)



US Dehydrated Garlic 2020 Exports
~3,000 MT



- Overall Dehydrated garlic demand CAGR % : ~13-16%
- Variable domestic US garlic production
- Steady exports; limited growth in recent years



US Dehydrated Garlic Crop and Market Conditions



Short term

- CY21 US Garlic crop acreage marginally higher than previous year
- Crop was fully planted by Dec 2020; currently progressing normally
- Harvest expected to commence from July 2021
- Strong CPG/ Retail demand ; Food Service demand resurgence likely in H2 2021
- Supply chain disruptions from container/ vessel non-availability
- XLB, Gran and Minced tightness in the near term

Long term

- Enduring strength in consumer/retail demand post COVID
- Climate, water and cost inflation
- Increased demand for piece fractions (minced, gran) as well as XLB
- Emerging demand for RTE/Kill-step solution



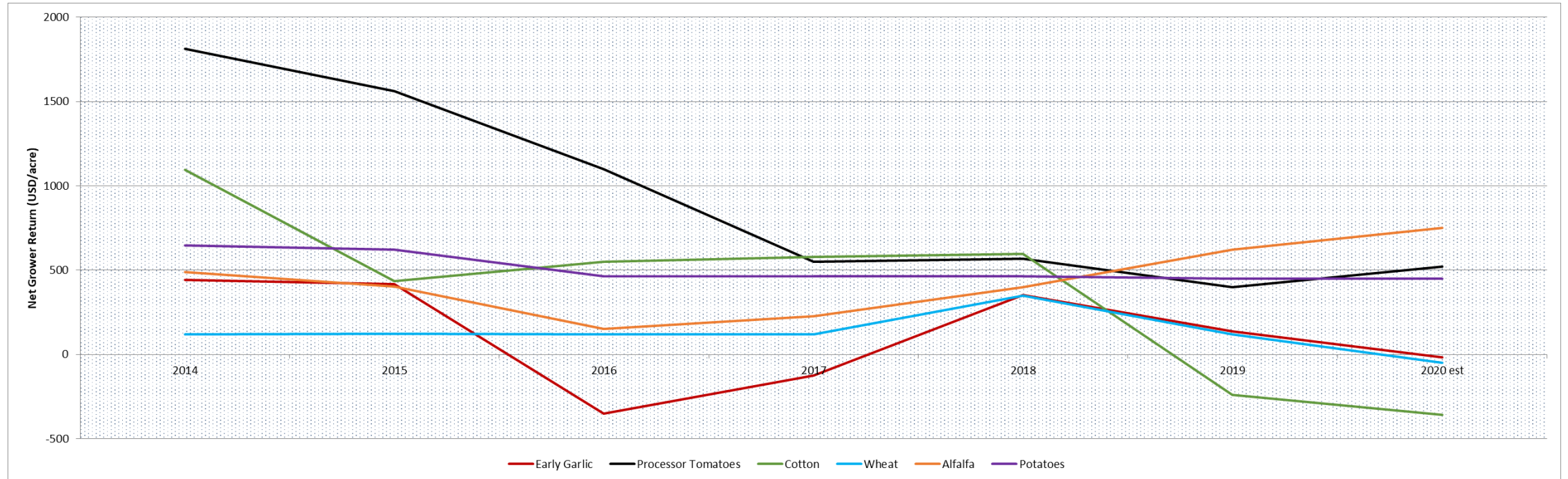
Factors affecting US Garlic Demand and Supply



- Competitive Crop returns
- CA Water allocations
- Fuel/ Transportation
- CA labor rates



US Garlic : Grower returns (\$/acre) :2014-20



- US Garlic grower returns showing declining trend over last 3 years
- 2016-17 returns impacted by poor crop in 2016

CA SWP (State Water Project) Allocations

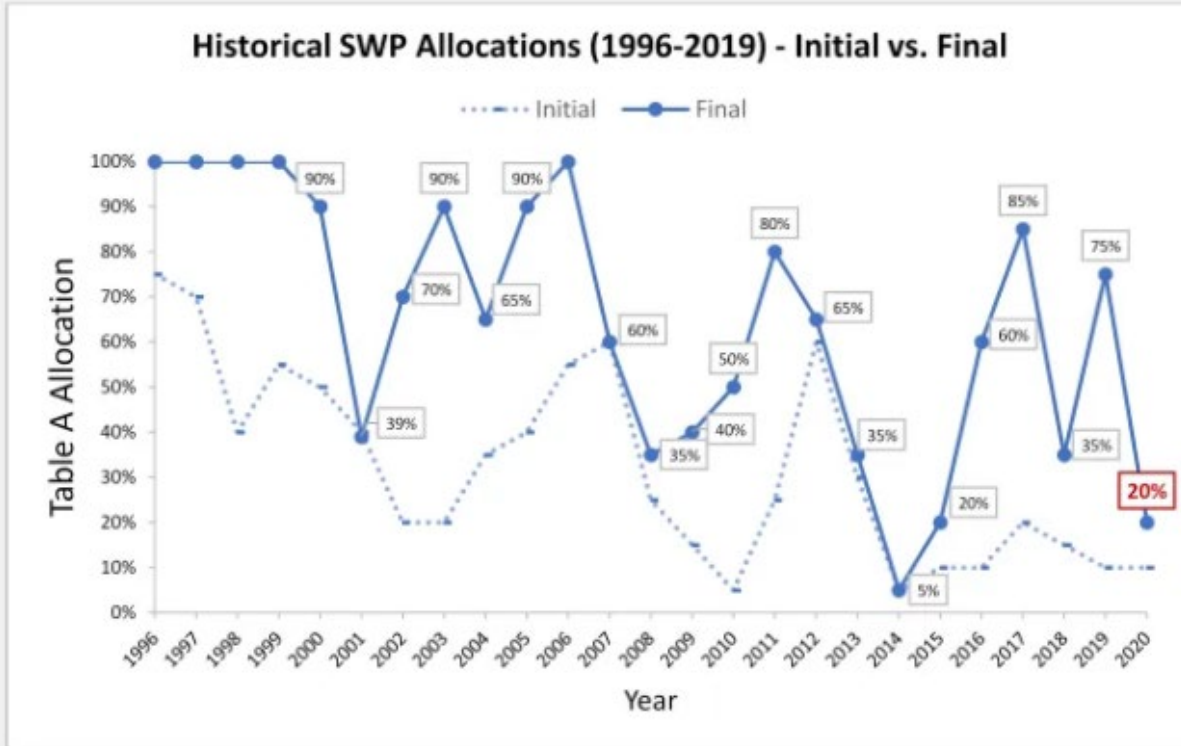
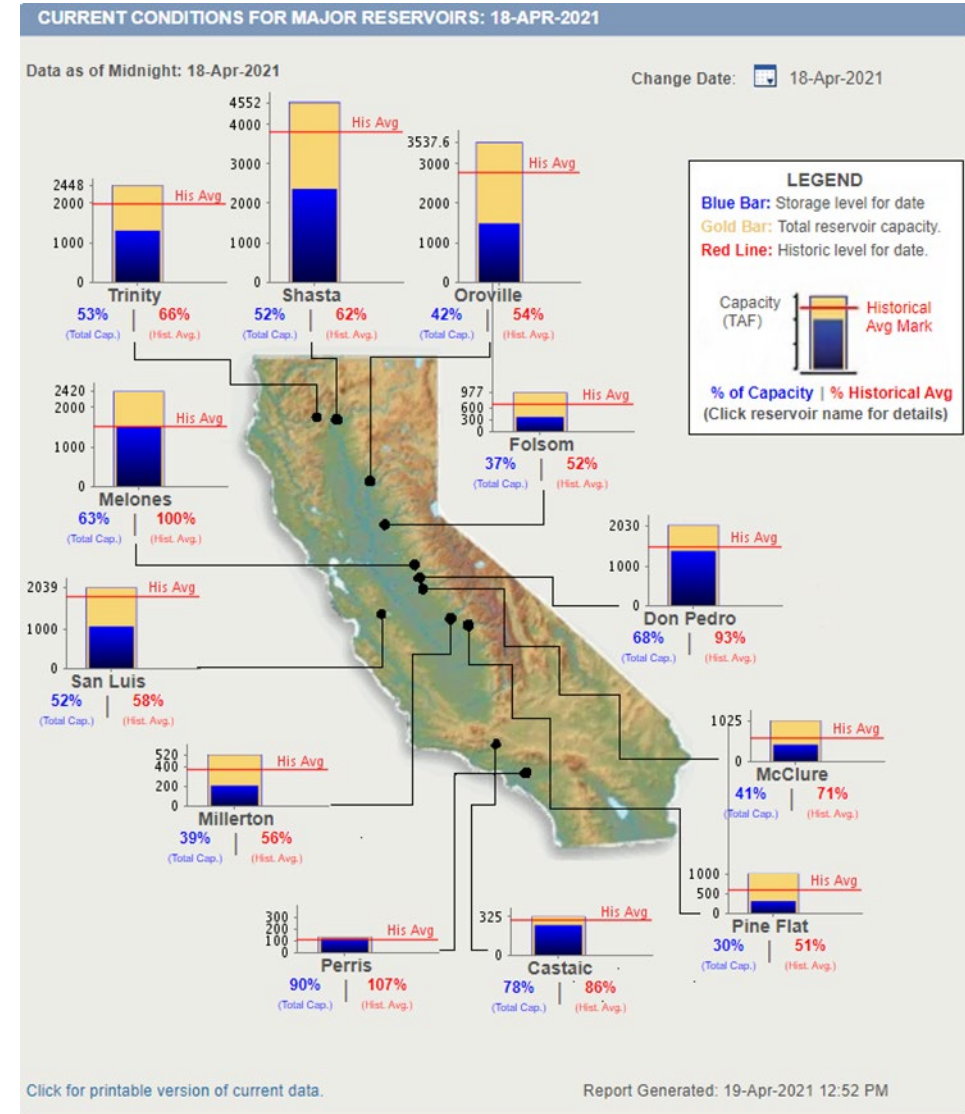


Figure 2: Historical SWP Initial and Final Allocations (1996-2020) (CA DWR 2020b). May 2020 allocation seems likely to become the 2020 final.



2021 SWP Allocation currently at 5%
Reservoir levels below average



CA Fuel & Labor rates



Weekly California No 2 Diesel Retail Prices

Dollars per Gallon



Source: U.S. Energy Information Administration

- CA Diesel prices have shown an increase of ~25% over last year and are now back around the \$4/gallon level
- This trend is unlikely to change during 2021
- CA. minimum wage:
Labor rates increasing an average of 8% year over year from 2019
- CA. Ag labor rates:
2019-21: Ag overtime pay reduced from 10 hours/day to 9.5 hours a day





US Garlic : Outlook

- Normal crop expected
- US dried garlic prices are likely to move up progressively by 10-15% through the next season driven primarily by raw material, labor and COVID cost push inflation.
- Minced garlic and extra low micro availability across all fractions will remain tight in the near to medium term
- Toasting and irradiation capacities are operating at 100% utilization and increased demand will drive up lead times and costs.



Current US Garlic Crop



<https://vimeo.com/539395893>



Thank you

Vinayak Narain

Olam Spices

