



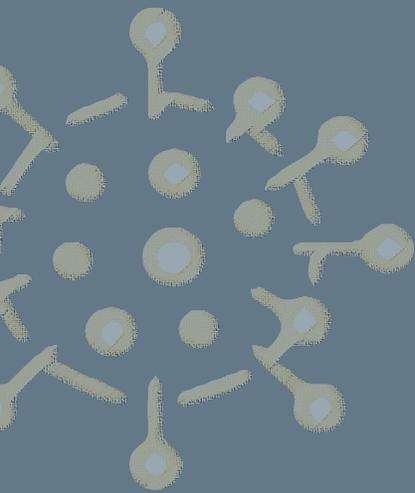
SENSIENT[®]

NATURAL INGREDIENTS

MARKET UPDATE

CALIFORNIA-GROWN GARLIC & ONION

August 2021



Dear Sensient Customer:

At SNI, we believe that transparent communication and comprehensive information will enable all of us to better manage the challenges and uncertainties of world-wide supply shortages during these peak periods of demand.

Recently, we reported shortfalls from last year's onion crop and, as you will read in this Market Update, those supply shortfalls continue as crop and operating costs escalate.

We understand that continuity of supply is paramount for efficient production and manufacturing and we are committed to working closely with you, our valued customer, to help manage through this temporary disruption.

We hope you find these insights useful and actionable.

Sincerely,

Michael Finete

Michael Finete
General Manager



ONION

California-Grown

Harvest Underway - Sensient's California onion harvest is currently underway in the Central Valley, having wrapped up a successful harvest in the Southern California desert regions last month. While micros are slightly higher than last year, levels are on par with historical averages. Thus far, yields are proving satisfactory and all indications point to a high-quality onion crop, however, the onion shortfall continues to result in a market imbalance – supply unable to keep up with market demand – as crop costs escalate. The **Organic Onion** harvest has been completed in the desert resulting in better-than-average quality.

Drought Impact - Projected volumes for the area were not expected to fill the gap left by last year's 15% shortfall and now, as widespread drought conditions intensify and the challenges associated with water access and distribution increase, the uncertainties related to a potentially negative impact on yield recovery, is ongoing, especially in the northern Tule Lake region. For weekly updated information on U.S Drought conditions, visit <https://droughtmonitor.unl.edu/>.

Wild Fires - Dryness exacerbated by periods of intense heat, has led to the rapid development and expansion of wildfires. The Dixie Fire in northern California has scorched hundreds of thousands of acres, making it the second-largest fire in the state's history. To what extent this may, or may not, impact the crop is unknown at this time.

Inflationary Surge - A surge in rates for all utilities, fuel, corrugated cartons and packaging, shipping, transportation and Covid-related expenses have had a significant impact on operating costs.

Labor Shortage – Securing available labor for harvest, production, packaging and transportation continues to adversely impact costs and output. The competition for the small pool of available labor has led to significant cost increases. The shortage of qualified drivers coupled with backlogged ports is expected to continue through 2021.

Garlic

California-Grown

Sensient's **organic** and **conventional** California garlic harvest, which kicked off in late-June, is nearly 25% complete with above average yields and quality compared to historical averages. SNI's Agricultural Operations Teams' evaluation of crop maturity and health are cautiously optimistic and offering growers direction on water management for optimum results under imminent drought conditions.

Garlic crop returns for most growers, versus competing crops, remain challenged and have shown a declining trend over the last few years. In an effort to satisfy increasing demand for SNI's sustainably grown, fully-traceable, California-grown dehydrated garlic, incremental acreage was secured for the 2021 crop. Harvesting is scheduled to run through September.

Like onion, domestic garlic is realizing higher operating costs due to increased fuel, freight, utilities, labor and Covid-related expense which are expected to result in price increases.

Outlook

California Onion & Garlic

Demand for US origin product continues to increase as customers demonstrate a strong preference for its superior quality, performance and traceability, and foresee further supply and pricing volatility from Asia.

Reduced supply augmented by drought, inflationary fuel, freight and utility rates, labor shortages, supply chain and shipping backlogs are expected to continue into 2022 and drive onion prices up commensurate with costs, especially for high-demand piece sizes and specialty items.

With only 25% of the garlic harvest completed, total impact to operating costs has yet to be determined, however, it is reasonable to assume a 7% - 12% increase in prices due to inflationary operating expenses. SNI also anticipates increased costs and time delays for irradiation treatment.

Despite volatility and uncertain times, SNI will support customer growth and endeavor to meet planned requirements.

