



**SENSIENT<sup>®</sup>**

NATURAL INGREDIENTS

# MARKET REPORT

CALIFORNIA-GROWN ONION | GARLIC | PARSLEY

June 2022



## ONION

### California-Grown

The eight-month planting season for the 2022 onion crop wrapped up last month in Tulelake, under California's third year of extreme drought conditions. According to the *Public Policy Institute of California*, the 2020 and 2021 water years constituted the second-driest two-year period since records began in 1895, and the driest since the 1976–77 drought.

Two transient rain and snow storms in April were insufficient to make an impact on, let alone overcome, a record dry start to the year. Low rainfall and snowpack, plus more intense heat waves, continue to propel multiyear drought conditions and rapidly drain statewide reservoirs and dams which remain at only 35% - 56% capacity.

While total planted acres were comparable to 2021, water management challenges compelled a shift in regional acreage per growing area. Increasing numbers of growers in extreme drought-ridden areas are choosing to grow more lucrative crops to cover elevated costs associated with water management operations and distribution; others are opting to idle some cropland to minimize revenue losses.

As planting finished in Northern California, the onion harvest kicked off in Southern California's Imperial Valley. While early fields indicate a healthy, high-quality onion crop with no signs of crop diseases or infestation, it is too early to predict the impact of continued drought pressures on total production volume.

The market for fully traceable, sustainably-grown US dehydrated onion continues to trend upward as foodservice and away-from home incremental usage builds on an already elevated CPG/at-home demand. SNI's production quantities are projected to satisfy demand for CY2022/23, however, skyrocketing fuel, freight and utility rates, plus ongoing supply chain and shipping disruptions are expected to drive operating costs significantly higher.

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### California-Grown Onion (cont'd)

These factors, compounded by continued drought conditions, elevated grower costs and labor shortages, could significantly inflate manufacturing costs.

While less than 20% of the onion harvest is completed and total impact to operating costs has yet to be determined, these issues are expected to continue through 2022/23, driving onion prices up commensurate with costs, especially for high-demand piece sizes and specialty items.

## GARLIC

### California-Grown

Sensient's **conventional** California garlic is in the ground and progressing well considering extreme drought conditions. CY2021 crop came in at plan with average yields and good quality compared to historical averages. Demand for sustainably grown California garlic is trending upwards as more CPG customers require traceability to the farm level and more consumers opt for “responsibly-grown” foods.

While severe drought conditions continue, SNI Field Operations are working with growers to provide guidance on water management for optimum results. Almost 100% of SNI's garlic growers have instituted drip irrigation to improve water efficiencies, as well as implemented soil health and management improvements to improve yields and reduce GHG emissions.

Harvesting is scheduled to run July through October. SNI Field Operations' evaluation of the crop's maturity and health are cautiously optimistic. Garlic crop returns for most growers, versus competing crops, remain challenged and have shown a decline over the last few years. As with onion, domestic garlic is realizing higher grower and operating costs due to drought, inflationary fuel, freight, utilities, labor and energy related expense; market pricing will reflect these dynamics for CY2022/23.



## Parsley

### California-Grown

Sensient's **conventional** parsley harvest was completed in late March. Welcomed rains in December and March caused minor delays in harvesting, but yields for the two cuttings were in line with expectations and quality was excellent. California parsley flake, granules and powder are in stock and available to ship.

## Organics: Onion, Garlic & Parsley

### Onion

All of SNI's California-grown **organic onion** has been harvested out of the desert growing region. Thus far, yields are below expectation, but quality is excellent. Grower's costs have outpaced returns and continue to rise. Elevated costs will persist into 2023.

### Garlic

Like conventional garlic, **organic garlic** is progressing according to plan. Planted acreage is on par with prior year and on schedule to kick off harvest in mid- to late-July. Drought conditions are likely to drive grower costs up and continue into 2023.

### Parsley

Availability of all piece sizes is good, although costs are higher versus prior year. Advanced planning and communication is key to maintaining continuity of supply. Customers should notify their account managers of projected demand prior to the contracting period in July for Winter 2023 harvest.





## Outlook

### California Onion

- Demand for US origin onion continues to increase due to its dependable quality, traceability and responsible sourcing.
- Global onion markets are likely to experience widespread inflationary conditions through the end of 2022 and into 2023.
- Despite volatility and market uncertainties, SNI's production volume is in line to meet planned agreements.
- Market tightness, especially for high-demand piece sizes, granulated, LB, XLB and specialty items such as toasted, fire-roasted and customized specifications, is expected to continue into H2 2022 and drive onion prices up commensurate with costs.
- Ongoing drought conditions are driving up grower costs.
- Shipping and transportation bottlenecks are likely to continue through 2022.
- Supply chain disruptions, labor shortages, skyrocketing fuel, freight and utility rates compounded by recent geopolitical events, are likely to impact costs significantly.
- Increased costs and time delays for irradiation treatment, already at capacity, are expected.
- With less than 20% of the onion harvest completed, total impact to operating costs has yet to be determined, however, it is reasonable to assume that operating costs will climb considerably.



## Outlook

### California Garlic

- Demand for US origin product continues to increase as customers demonstrate a strong preference for its full traceability, sustainable sourcing as well as foresee further supply uncertainties and pricing volatility from Asia.
- Supply chain disruptions continue to be a major challenge as the world economy recovers from the COVID-19 pandemic. Geopolitical developments and the pandemic (particularly in China) could put further strains on global supply chains.
- Shipping bottle necks, Omicron-related lockdowns, extreme weather events and soaring freight rates, are likely to continue through 2022.
- Market tightness, especially for high-demand piece sizes, granulated, LB, XLB and roasted, are expected to continue into H2 2022 and drive garlic prices up commensurate with costs.
- SNI anticipates increased costs for irradiation treatment, which is currently at capacity. This could cause time delays for IRR treated products.