



SENSIENT®

NATURAL INGREDIENTS

MARKET REPORT
US/CALIFORNIA-GROWN ONION & GARLIC
CAPSICUMS (CHILI & PAPRIKA)

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ONION US/DOMESTIC

SNI's California onion harvest, which kicked off in Imperial Valley in mid-April, has finished up in the desert regions and Fresno County. Last month, a Category 4 hurricane churning in the Pacific made landfall over Baja California as a tropical storm before moving into Southern California. It was the first such storm to hit California in 84 years.



A foot or more of rainfall was reported in San Bernardino and Riverside counties. High winds, flooding and mudslides impeded roads and highways and affected several California fruit and vegetable farms. Imperial, Blythe and other SNI growing regions in the SoCal desert were spared a major downpour, but received enough rain to cause minor interruption.

Field Operations shifted 400 miles north to begin harvesting in the Central Valley, allowing time for the desert to dry out before returning to the region and continuing harvest operations.

Prior to the August tropical storm, desert crops were subjected to summer's triple-digit temperatures. Daily harvesting started as early as 3:00 a.m. and procedures were successfully tailored to limit heat exposure to both workers and onions. Other desert regions experienced a higher-than-normal instance of weeds. With 65% of the crop completed, overall yields are still on par with historical averages.

Field Operations finished harvesting in Fresno County where onion quality and yields came in above average. Pre-harvest operations have started in Tulelake and Washington. This year's onion harvest is on schedule to wrap up by the end of October.

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ONION (CONTINUED)

California's Organic Onion crop did well after a number of atmospheric rivers early in the season. The cooler Spring promoted higher-than-average yields of good quality organic onion. SNI's fully traceable organic onion, meets or exceeds the newly established **USDA SOE to reduce fraud in the organic marketplace**.

SNI maintained carryover of all onion fractions from CY2022 to ensure a seamless transition to new crop, fulfilling all agreements with no interruption to supply. SNI continues to increase its field acreage across more growing regions in and around prime California growing areas, not only to satisfy growing customer demand for domestic onion, but also to help mitigate risk of any significant crop loss.

In addition to expanding its planting acreage and growing footprint, SNI scaled up its production capacity for **toasted onion and roasted garlic**, ensuring high-volume throughput and year-round product availability.

Market demand from both CPG and foodservice is seeing a gradual ramp up since manufacturers have destocked surplus inventory. Customers are encouraged to secure agreements for specific piece sizes and specifications as soon as possible.

Garlic California-Grown

Irrigation was halted, garlic plants topped and culls removed on schedule and in anticipation of a July harvest kick-off. The harvest finished in the desert; Field Operations have migrated to Fresno County in the Central Valley.



Ground saturation from atmospheric rivers and cooler temperatures earlier this year proved beneficial to soil and plantings. Overall, yields are coming in at par with historical averages. Color, sizing and solid levels are all on track with expectation. The harvest will run through the end of October.

California Organic Garlic - Using its own virus-free seed, growers, harvest equipment and local processing facility, SNI's crop of **USDA Certified Organic Garlic** is exceeding expectations for quality, tonnage and solids. Drip irrigation, implemented throughout most of SNI's conventional and organic garlic fields, aids in water conservation.

All of Sensient's conventional and organic California garlic fractions are in good supply. **California Roasted Garlic** is also available to ship.



Outlook

California Onion & Garlic

- Unprecedented weather events – atmospheric rivers and a west coast tropical storm – have had minimal impact on the onion crop, to date. SNI’s harvest window and growing footprint were expanded to mitigate risk, ensure appropriate carryover and continuity of supply without interruption. Onion harvesting will continue through October.
- Drought conditions have improved and grower input costs have eased from their peak in 2022 (when grower prices were negotiated). However, inflation, labor strikes, climate-related events and geopolitical uncertainty (which could impact fuel, energy and fertilizer costs) will keep prices elevated and in a state of flux.
- Onion and garlic prices are expected to remain firm to slightly higher for 2024 especially for customized specifications and BI/color sensitive fractions. Irradiation costs are expected to increase up to 10%.
- SNI continues to implement advanced technologies to improve regenerative agriculture practices. SNI recently broadened the scope of its crop monitoring drone program, which better identifies and manages problem areas, as well as its field probes, which monitor soil moisture and improves water management of crops.
- SNI has made significant investments in its toasting and roasting capabilities to ensure year-round availability of toasted onion and roasted garlic, as well as increased production capacity and carry over inventory to ensure continuity of supply through seasonal cutover.



Capsicums

US Southwest/Northern Mexico Red & Green Chili

The region underwent some challenging weather events during various phases of the growing season. The cooler Spring, intermittent hail storms, monsoons and severe rains were followed by almost 50 days of continuous triple-digit temperatures.

The US chili harvest of green chili, jalapeño and Hatch™ varieties started last month. Growers are reporting smaller fruit due to the high temps which caused fruit to ripen prematurely before growing to its maximum size. Total volumes, however, are expected to surpass prior year and are on target to meet SNI's robust contracted volumes for both green and red chili pepper. Red chili harvest will start in late-September and run through the end of the year.

Peru

SNI's 2022/2023 Peruvian chili harvest wrapped in June. El Niño weather patterns resulted in yield declines for the region however, SNI's contracted volumes came in as planned. Quality and ASTA are slightly higher than average. Planting for the new crop started this month.

Grower input costs, especially fertilizer prices, have eased somewhat. There is still pressure to compete with more lucrative crops in the region, such as blueberries, grapes and fresh market onions, which could elevate growers' revenue expectations and chili pricing.

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Capsicums

China

While the 2023 Paprika acreage increased 20%, snow and poor weather in its primary growing area of Xinjiang, resulted in a yield loss of 35% versus prior year. This significant shortage of available product in the market suggests an increase in paprika pricing out of China and firm pricing overall. Other driving factors for pricing will include demand for Oleoresin and domestic consumption, which is on the rise.

Outlook

- Despite volatility and foreign market uncertainties, SNI’s inventories of chili and paprika, combined with its global buying footprint, is in line to satisfy customer agreements and increased demand for 2023-2024.
- While US domestic and Northern Mexico chili harvest is just beginning, yields are expected to surpass prior year. SNI’s robust supply chain for chilies and capsicums is on plan.
- Chinese paprika pricing is expected to increase as a result of its 35% yield shortfall, increase in local consumption and demand for Oleoresin.