



GARLIC & ONION REPORT – DECEMBER 2019

GARLIC

Current Market:

CHINA: Though there is still sufficient inventory of old stock material from 2018, there was a slight increase in prices during the past few weeks mainly due to increased buying pressure. At the same time, weakening of the RMB against the USD has helped to keep prices under check. There is an increasing price gap between standard garlic and ELB material, with volumes of ELB material steadily declining.

USA: Prices continued to fluctuate, with more trade tariffs having an effect on the market. The demand side remained inactive, keeping prices down.

Crop Conditions:

CHINA: This year's harvesting was over by September, and processing continued through November. Exceptionally high production last year pushed domestic prices to their lowest in a decade in July 2018, resulting in below-normal acreage this year. There was a 20-30% decrease in planted area, resulting in high prices this year. Though acreage declined, weather conditions have been very favorable this year, and harvested material is of very good quality. Yield is higher than normal and bulbs are bigger than normal.

USA: Harvesting was over by October. Weather conditions have been adverse this year, with heavy rain and hailstorms damaging the crop in May and June. California is now free of drought, after an extended period of dryness. A decline in output of about 20% is estimated, with old stock inventories expected to compensate for the shortfall.

INDIA: Prices remain stable due to the higher production this year. There are currently good inventory levels. It is estimated that in the Mahuva region of Gujarat, one of the major production areas, out of the total production of 80,000 tons, about 55,000 tons is still remaining in cold storages.



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Market Scenario:

CHINA: Garlic production in 2018 is estimated to be about 600,000 tons. Adequate availability of material prevails, with good inventory of dried garlic and also good supply of new crop fresh garlic. This will maintain a stable supply of material. Besides, due to the increased import duties, there are large stocks kept in the US, and also in Europe.

Speculative activity, which had contributed to a steady uptrend in prices in China, appears to have cooled down. This also will have a moderating effect on prices.

Finding this year's prices very attractive, it is likely that farmers will plant more area this year, which could result in a decrease in prices by next April/May, before the new crop material arrives in the market.

USA: Price variations due to increased tariffs continue to impact the market. Inventory levels remain quite good. Thought 2019 production was low, carry-over stocks from the healthy 2018 crop will cover the shortfall.

Price Forecast:

CHINA: There is very good inventory levels remaining. It is estimated that there is over 3.5 million tons in cold storage, which will be sufficient to cover demand, keeping prices checked. After weakening slightly, prices strengthened in the last few weeks due to demand from buyers. The possibility of speculative activity, together with increased import tariffs in the US, could create volatility in the market.

USA: Inventory levels are quite good currently. However, stock levels could tighten if import tariffs have a bullish effect on prices, with the possibility that another round of tariffs imposed by the US on Chinese imports could come into effect on December 15th.

Coverage Recommendation:

Speculator activity is expected to make the garlic market volatile. It is recommended to cover short – medium needs, and adapt a wait & watch approach.



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ONION

Current Market:

CHINA: Prices have been stable, but higher compared to last year due to increased buying pressure. Demand for white onion has been high, which has pushed up prices. There has been high demand for good quality material.

USA: Harvesting of the California onion crop, which started by the last week of April in Southern and Central California, is getting over. The last crop was good, and there is sufficient inventory. Adequate supply is keeping markets mostly stable.

Crop Conditions:

USA: This season, planting was on time (August-April), and there was a slight increase in acreage. Harvesting in Southern California started during end-April. Weather conditions have been quite good in both southern and central California, apart from the effect of some late rains. Meanwhile, in northern California, planting finished late in April. Cold weather and hailstorms have affected the crop maturity, and there has been a slight impact on production. There was an increase of 5-10% in area planted. The total output this year is nearly double that of last year. Though the shortfall due to low production last year has been compensated to some extent by this year's increased output, prices have remained high till September, and mostly stable afterwards. With dehydration taking place during September-October, new material is currently available.

INDIA: Heavy unseasonal rains have affected production throughout the major onion growing states of Maharashtra, Karnataka and Telungana. Rains during October were nearly double of normal in these states. Farmers were not able to harvest their crop from fields submerged by rainwater. Even farmers who had harvested their crop and left it in the fields could not dry it due to the continuous rains. This week, the Indian Meteorological Department has issued a rare twin cyclone alert in the Arabian Sea for the second time during the past three months. Earlier, in end-October, the Arabian Sea had hosted super-cyclone *Kyarr* and cyclone *Maha* concurrently for a few days, bring heavy showers to peninsular India. A similar scenario could repeat in December.



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Market Scenario:

USA: There is adequate inventory available from last year's crop. Rather good production is estimated this year also. At the same time, increase in cost of production, together with restrictions on imports from China, could affect prices.

INDIA: The fall in production caused by adverse weather conditions is expected to have a bullish effect on local prices. Carry forward stock levels from 2018 in cold storages is limited. With prices reaching all-time high levels, India looks at imports from Egypt, Turkey and Afghanistan to meet its local demand for fresh onions.

CHINA: There is increased demand, partly due to the shortage of material from India. Prices are at higher levels than last year.

Price Forecast:

India, one of the world's largest exporters of fresh onions, banned exports in September. With domestic prices soaring, the country now looks at importing onions to meet its local demand. Prices in major Asian markets have climbed as buyers look at alternate sources. India's onion shortfall is estimated at 0.16 million tons. The government has banned exports and is looking at importing 0.12 million tons. India ranks 37th among onion consuming countries, with per-capita consumption of 13.5 kg, compared to a global average consumption of 10.8 kg. Demand from India could continue to support prices, especially in Asian markets.

Coverage Recommendation:

Forward coverage is recommended, considering the possibility of a slight upward movement in onion prices over the coming months.

Queries? Please contact...

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