



MARKET REPORT

JULY 2021

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FREIGHT Unprecedented Costs



On the back of the COVID-19 pandemic, costs have increased dramatically, and shipping times are continuously being extended. The shortage of shipping containers around the globe, and the resulting extended shipping times has been widely reported in the media. Increased demand for sea freight during, and consequently after COVID is having a profound impact on availability. Additionally, the recent blockage in the Suez Canal caused port delays and ships not being in the right place at the right time. The reluctance of shipping lines to return empty containers is adding to cost and causing delays. Oil and fuel increases have also added to increased shipping freight. We are experiencing shipping cost increases of up to 500%!!

The current high freight costs are forecast to be in place at least until the first Quarter of 2022.

PACKAGING Increased Lead Times



- The packaging sector is experiencing a severe paper and cardboard shortage due to a combination of factors including high demand, COVID-19 lockdowns and Brexit
- Recent months have seen suppliers experiencing unprecedented price increases in raw materials affecting the entire packaging supply chain
- Lead times are now 14-16 weeks. Historically 4-6 weeks has been the norm.
- The lead times have extended rapidly and in a very short amount of time due to extremely high market demand and conditions
- Products affected include resins, plastic films, aluminium foil, inks, masterbatch, paper and transport.
- Increases in home shopping driven by lockdown have also seen “dramatic increases in online ordering, resulting in increased demand for paper and corrugated packaging.

HGV's Driver shortage



Due to a combination of Covid, Brexit and other factors, there aren't currently enough drivers to meet demand leading to serious delays across the food sector.

Based on a survey of its members, the Road Haulage Association estimates there is now a shortage of more than 100,000 drivers in the UK, out of a pre-pandemic total of about 600,000. This includes tens of thousands of drivers from EU member states who were living and working in the UK.

HERBS, SPICES & SEASONINGS



The information provided in this report has been gathered from third party sources and statements made are not therefore the views of Sleaford Quality Foods.

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Oregano

The new Turkish crop is currently being harvested but it is proving difficult to find high quality material.

Poor currency exchange rates led to prices increases of more than 10% in the early part of 2021 and new season prices are forecast to remain stable.



Sage

There is limited material left in the market and with demand still high, price of the raw material has sharply increased by as much as 15-20%

The new crop season in Turkey is expected anytime now. Pricing remains high until the new crop yield is known.

Bay Leaves

It is hard to find good quality hand material right now. Prices are fluctuating dependent on currency rates.

Basil

Prices for Egypt origin product have been increasing in recent months, however new crop arriving in late April/early May and prices have stabilized.

Consistent with other products, freight costs are having a big impact on price.

Rosemary & Thyme

There is no Thyme left in the Morrocon market until new season comes, however Rosemary does not appear to have the same challenges. More derailed information will be available in the coming months prior to the harvesting of new season crop.

Paprika

New season Paprika at origin remains stable, however EU compliant material is at a premium. The well documented freight cost have led to an increase in paprika prices of around 10%.

Whole Star Anise

Ground Star Anise has been unavailable for some time due to a world shortage. There is very limited stock available across or worldwide. New season prices are now becoming available, with allocations of small volume.

There is only one area in the world around the borders of Vietnam, and China that produces this. Add to this the large increasing sea freight cost, due to a shortage of containers and the recent Suez delays and it is very difficult. We are seeing pricing increasing by more than 100%.



Cassia Cinnamon

The 2020 crop was 10% less than 2019. 2021 is expected to experience a continued decrease in crop size in general though demand remains stable and firm despite the Covid pandemic.

Reduced availability is due to the reluctance of workers to harvest the crop. Very labour intensive, higher labour costs and adverse weather resulting in firm to increasing prices at origin.

Juniper Berries

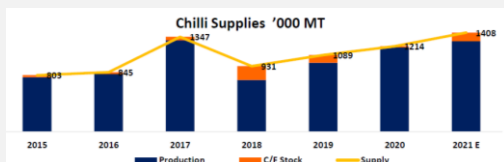
Demand remains strong; however product quality is proving to be an issue at source and stock levels are not sufficient to meet demand leading to potential price increases.



Chilli



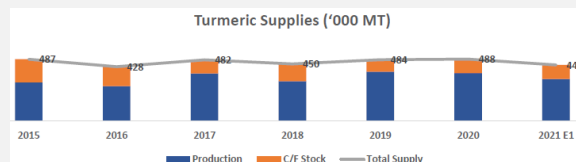
- The New 2021 Crop harvesting period is currently at its peak across the regions with the Karnataka region between 80-90% complete.
- Chili growing regions in Andhra Pradesh, Telangana and Karnataka received unexpected high levels of rainfall in the early part of 2021 leading to lower productivity and impacting crop quality along with Aflatoxin issues.
- Availability of high colour variants with good grades is the critical challenge for the season as quality grade out has been noted for the high colour variants.
- Current market arrivals are 20% higher against last year, however prices for colour crop varieties are higher because there is lesser availability of quality grades due to the untimely rainfall.
- Prices are expected to be bullish for good crop grades due to lower supply and high demand in the overall trading scenario.



Turmeric



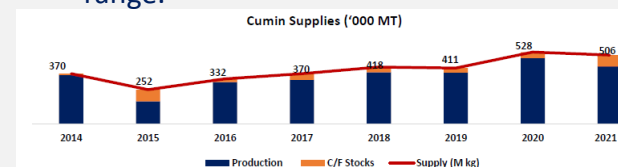
- Overall production is anticipated to be around 12% less than last year. Carryover will be similar meaning overall supply will be around 9% down compared to the 2020 season.
- Harvesting of crops has now started in all the major growing regions with early indications suggesting normal crop sowing observed with good levels of rainfall though there have been some damages in Andhra, Telangana, and parts of Orissa.
- New crop arrivals now started in Telangana, Maharashtra, and TN
- There has been a surge in export demand (40%) from the Bangladesh, US and EU market over twelve months.
- Prices increased by 14-18% in February compared to the previous month due to increase in both domestic and export demand and low stock levels.
- Peak arrivals of crop are anticipated to increase from April onwards.
- The market is expected to stay bullish in the coming months owing to good trading in domestic and export markets.



Cumin



- 2021 fresh crop arrivals have started in Gujarat region and is expected to start in Rajasthan towards the end of March. Mid to late sown crop is at the maturity stage and the yield is expected to drop due to unfavourable weather conditions.
- Crop arrivals from Gujarat will peak by the middle of March 2021 and arrivals from Rajasthan from the middle of April.
- Unfavourable weather conditions in the cumin growing locations are leading to predictions of a drop in production yield from the mid and late sown crop.
- Almost 80% of the old crop was marketed and the balance is expected in the next crop year.
- Pan India arrivals in February 2021 are 9% higher compared to the previous month.
- There was a 20% crop carryover with new season underway, however EU compliant material will be at higher prices.
- Prices in February were marginally lower than the previous month but new crop prices are forecast to open at higher price range.



Coriander



New season Coriander crop harvesting, and arrivals are now complete in the Gujarat, MP and Rajasthan regions.

High temperatures and limited irrigation due to low ground water mean farmers are expecting yields to be around 7% down this year.

Availability of IPM (Integrated Pest Management) crop will be impacted due to higher pesticide usage in some growing regions due to infestation of crop by powdery mildew.

Over 80% of the total crop has been marketed and the balance under carry forward.

Pan India arrivals in February/March were more than 300% higher compared to previous period and 150% higher compared to last year.

Stock is almost 3% lower compared to last year. The market was down by around 4% in February due to speculation market price support and good demand at customer centres.



Cardamom

A severe shortage of Guatemala origin material in the latter months of 2020 continues to impact the market. New crop arrivals are now in motion and it is hoped they will help address the shortage in supply.

Celery

- The area under cultivation increased by 25% compared with the previous season.
- High daytime temperatures in the Spring led to reports of pest infestation in some of the growing areas.
- Approximately 96% of the crop has been sold with the remaining 4% carried forwarded by farmers.
- The market has dropped 7% due to reduced demand from traders during February compared to previous month.

Fennel

- New crop arrivals were down around 20%.
- Green colour variants are in short supply due to lower production levels and the impact of high temperature in the crop growing zones.
- 90% of the crop has been marketed with the balance carried forward.
- Strong demand from domestic markets and key export markets such as China has led to prices increase by as much as 21% against last year.

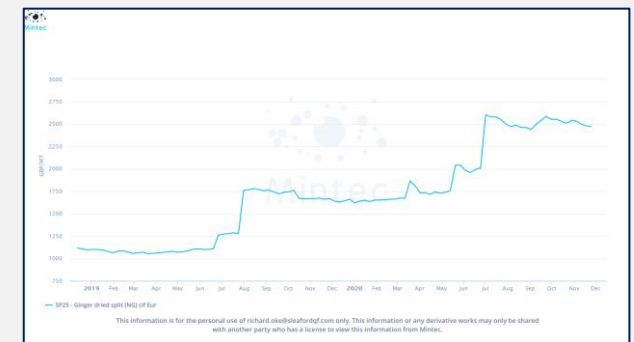
Fenugreek

- Unfavourable weather conditions in the early part of the year impacted the yield.
- Prices are between 10-15% higher for the new crop arrivals compared to last year. Carry forward stock is lower by 30% due to the growth in exports.

Ginger



There is little carry over crop in India. New season crop yield is higher, but demand is firm with additional demand from the health industry. Pricing is stable to firm. Harvest is very labour intensive, increase in labour costs resulting from the shortage of labour due to Covid restrictions and movement of migrant workers.



Nutmeg & Mace

Crop arrivals in Indonesia will likely be impacted by limited availability of labour due to COVID-19. Prices have increased and are forecast to remain firm short term on account of strong demand from China though demand from India (the largest mace consumer) is weaker.

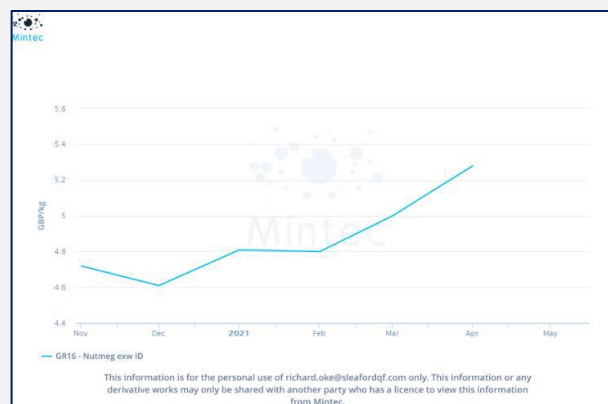
The harvest is currently slow as farmers are focusing on picking cloves. Additionally, heavy rains in recent months have meant difficulties in drying materials. More arrivals are expected next month onwards when the clove harvest ends.

The planted areas have seen a big increase since 2010 hence production is estimated to sufficiently cover global demand in the long term.

India's nutmeg production is estimated to be around 12-13 KMT this season but arrivals are currently limited. Mace imports from Indonesia are reported to be much lower YOY but local supply is not sufficient to cover domestic demand ahead of its festive season.

Indonesian nutmeg prices remain relatively stable. Import demand from China is expected to strengthen local market prices in the coming weeks, especially for ABCD quality.

Nevertheless, further pressure is expected due to high production this year. In contrast, Indian mace prices are at a high level on account of high stock prices from the previous season.



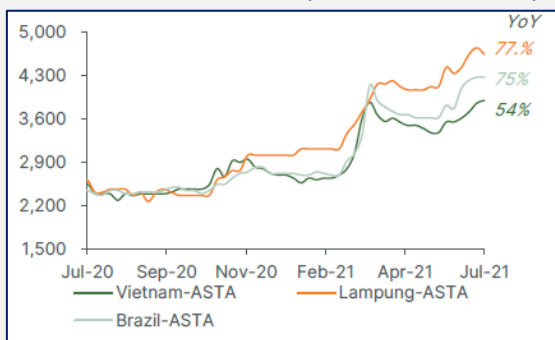
PEPPER

Vietnam

Exports are around 155,000MT year to date, a large proportion of which has been shipped to the US and China. Growing export demand has led to local prices increasing more than 10% compared to last month.

The harvest was completed in mid-May, supply is currently tight as there is no pressure to sell in the local market, however with prices continuing to increase some long-term stockholders might consider releasing their stocks.

The new crop is at the early spike formation stage. Early indications are promising for the 2022 crop as weather conditions have been generally favourable to date but the well documented challenges with ocean freight continue to be an issue (see third column)



Brazil

The harvest will start in August, with a crop size forecast to be comparable to last year (37,000MT). Local exporters are offering product at prices 10% higher than Vietnam, however Ocean freight costs from Brazil are more competitive so prices with Vietnam product are at similar levels.

Indonesia

The harvest has been delayed so is expected to start towards the end of July. Information suggests the market will see a significant drop in yields this year with local prices higher than both Brazil and Vietnam



Freight

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The shortage of shipping containers around the globe, and the resulting extended shipping times has been widely reported in the media.

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DEHYDRATED VEGETABLES

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ONION

2020 was a difficult year and the high prices reflected this. The first six months of 2021 were little different. The unprecedented freight costs combined with high labour costs mean prices are expected to further increase in the coming months.

Arrival of fresh, winter crop onion has started, but only in small quantities, however prices are currently too high for the dehydration industry to buy and process. The yield is quickly being consumed in the domestic market but is not sufficient to meet demand hence the high prices.



Sowing has been late, primarily a result of a shortages of seeds and multiple sowing attempts because saplings were damaged by heavy rainfall. The crop in some areas is reported to have been damaged by pests and will likely impact the overall yield.

The summer harvest began in March/April with conflicting reports about the expected size of the crop. If the forecast monsoons occur, then delays can be expected. Speculation also indicates this year's crop will not be long lasting as the planting was all done at a similar time. Peak production will likely last around 70 days from end of March through to end of May 2021. Information suggests overseas customers bought aggressively during this period to make up for their shortfall in 2020.

Several smaller production plants are in danger of under rating the market. However, Jain Farm Fresh offer unrivalled cold storage meaning prices do not fluctuate throughout the year.

The market will continue to be volatile in the coming months because of irrational Indian suppliers and product is forecast to remain in short supply.



GARLIC

New crop yield estimates appear to be lower than previously forecast. Prices, which declined in April have steadily increased in May. The number of private and corporate garlic speculators continues to grow. Current speculation activity is strongly influencing prices which remain high compared to last year. Even if estimates of a reduced crop yield prove to be accurate, supply will likely exceed market demand and inventories will continue to grow. Speculators have been able to hold up prices.

Current prices for fresh market and dehydration grade raw garlic are double those of a year ago. Sources are forecasting prices will continue at these elevated price levels or higher at least into September this year.

Recent history suggests that in the year following a bumper crop and when new crop inventories continue to grow, market prices decrease around May/June. This was true last year, but the window for decreased prices only lasted 2 to 3 weeks. This year will likely be different, and we are unlikely to see a price decrease in June.

Previous reports indicated China's overall planting area for the 2021 crop had increased by around 5%. Current information now estimates a 5% decrease in the planting level, and an overall yield reduction of 10-15% compared to last year's record harvest of 8 million MT. Average bulb size is estimated to be a little smaller than last year. Carryover inventories as of June 1st are estimated at 800K to 1 million MT for fresh garlic in cold storage and 350K MT of dehydrated flake.

The harvest is complete for early garlic varieties from the southern regions of China and yield is estimated to be 20% lower than last year due to colder weather conditions. However, these growing regions account for only 10% of China's total crop.

Although the main growing areas in the Shandong Province also experienced lower than normal spring temperatures, crop yields appear to have been less impacted than the early garlic areas. Harvest will be complete in various parts of Shandong between now and mid June. Overall quality is good, but bulb size is also smaller than the previous year.

Yield and carryover estimates are understated for the following reasons:

- Speculators tend to underestimate yield to hold up prices.
- Despite some milder weather conditions having an impact on the main garlic growing areas, plant growth appears to be very similar to last year's bumper crop.
- Garlic shoot harvest yield was very good and comparable to last year. This product is widely used in China's domestic market. Garlic shoots (long green succulent stems), which grow from the center of garlic plants, are harvested 4 weeks before the main garlic bulb harvest. The main garlic harvest yield typically mirrors the shoot yield.



GARLIC (continued)

Fresh garlic for dehydration (smaller bulbs) from the main Shandong growing area are expected to be twice the price level of last year. The current dehydrated flake market price is around 40% higher than last year. Flake prices have also seen some big increases in the past month.

Speculators purchased large quantities of the early fresh crop at lower prices subsequently pushing up prices of their old crop cold storage garlic. Because of large carryover inventories, it appears their strategy is to keep prices up as they meter old crop inventory into the market to take profits while making room for new crop cold storage material in September

More investors and finance have gone into garlic speculation this year. Recent information indicates that some larger speculators have purchased large fields of fresh garlic at lower fixed prices before harvest, which takes raw material off the market and continues to hold up prices.

Speculator actions may account for increased market prices in May / June when they were expected to decrease. There are two key unknowns:

- 1) Will prices continue to increase and if so, by how much and for what time period? Sources indicate prices will hold at this current level at least until September when fresh raw material is moved into cold storage. Prices will likely be stable but small increases cannot be ruled out.
- 2) Will the effect of oversupply eventually break down the speculators' market influence? In recent years it has been difficult to forecast market conditions based on supply and demand information because of speculation influence. The reality is that even if this year's crop yield is down 10% from last year, supply will be higher than demand and inventories will continue to grow for the third straight year.



Freight

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Tomato

Global demand remains strong; however, stocks of dice and paste are low. Crop estimates in Spain remain uncertain due to low water allocation in the Sevilla region. Additionally, last year's crop was 15% less than expected resulting in additional pressure on this year's harvest with 10% less availability.

Worldwide production is only forecast to increase by as little as 1.3%, not enough to cover consumption and the big gap in the market, and much less than the previous production peak back in 2015.

Processors have also seen significant cost increases due to several factors; electricity (up 30% due to increased tariffs), raw materials (due to the high price of alternative crops such as corn & cotton) CO2 emissions and freight (global shortage of containers).

As a result, tomato prices have seen some significant increases and further increases are expected.



Carrot, Bell Peppers & Peas

China's agricultural reforms are increasingly impacting the dehydrated vegetables market. As the economy grows, more and more families step up to middle incomes and in turn increase demand for meats such as beef and chicken.

To become less dependent on meat imports, Chinese farmers have been incentivised to produce more corn and other vegetables for animal feed. This has resulted in the loss of farmland for tomatoes, bell peppers and carrots to name a few.

Additionally, 2020 was a poor year for the Chinese dehydration industry due to low prices driven by an ever-increasing price war in the consumer marketplace, paid for by the supply-chain absorbing higher costs with shrinking margins despite increasing costs in areas including labour, documentation, packaging, energy, freight, and warehousing.

Reduced planting area combined with rising demand will likely result in higher prices for bell peppers, cabbage, carrots, and other products going forward.

On the weather front, the planting season in Europe (April/May) was cold and wet which has had a negative impact in key countries including Germany, Poland, Serbia and Hungary with crops delayed between 30-45 days and reduced yields.





PULSES & SEEDS

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Red Split Lentils

Prices are generally stable and have even softened in recent weeks due to better weather conditions in Canada and the Indian Government's surprising decision last month not to reduce their import duty. The forecast medium-term view is that prices will firm again as both India and Turkey will buy significant quantities.

Green Lentils

The current market is similar to that of red lentils although the new US green crop will be impacted severely by the drought conditions in the US northwest. Prices are currently stable but will likely firm again before the end of the year.

Dark Green Speckled Lentils

Little has changed in recent months. There is still a limited amount of the 2020 crop available, but forecasters predict the 2021 crop will be less than in previous years.

Red Kidney Beans

New crop planting is now complete and North American markets remain unchanged. The focus is now on the weather and whilst Ontario has received good moisture some of the main growing areas in the Mid- West are suffering under very high temperatures. The next 3- 4 weeks will be critical to crop development but there is concern that there will not be enough supply to meet demand



Chickpeas

Prices have been slowly firming since April due to lack of sellers. Expectations are that Global acreage will be cut so supply and demand will likely be much tighter for the 2021 crop and prices will continue to firm into 2022.

There are limited offers from most growing regions, however new crop offers from Turkey, Russia and Canada are expected towards the end of July into August.



Sunflower Seeds

The market continues to remain firm through to the new crop. We are seeing some softer new crop offers now, however the global shipping crisis will be affecting all origins for the foreseeable future.

Pumpkin Seeds

Reports indicate reduced acreage on new crop, with sowing down by as much as 35%. High demand and excessive freight rates mean prices are unlikely to reduce this side of 2022.

A rustic wooden surface covered with various food ingredients. In the top left, there's a pile of rolled oats. Below it, a wooden bowl is filled with whole wheat grains. To the right, there's a pile of small, round, light-brown seeds or grains. In the center, a slice of rustic bread is shown, with another slice partially visible behind it. To the right of the bread, a wooden spoon holds a dollop of white cream or butter. In the bottom left, there are several long, thin, ridged pasta-like items. The background is a dark, textured wooden surface.

INGREDIENTS

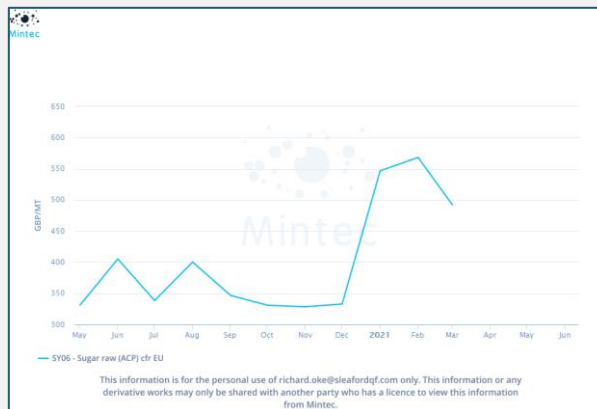
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Sugar

Global sugar prices maintained strong upward momentum from January through to May, supported by anxieties regarding tight supply in key producing regions, including Europe and Brazil.

European sugar production is expected to fall by around 12% this season. This is attributed to a 3.4% reduction in planted area caused by historically weak prices, and due to the severe effect on yields from aphid-spread virus yellows disease. Some sugar beet yields are down by as much as 50% in some areas. Farmers have suffered from the high number of disease-carrying aphids moving into their crops in the spring and early summer which led to a yellowing of sugar beet leaves and the resultant lower yields resulting in supply struggling to keep up with high customers demand.

Additionally, farmers in both the UK & EU have been advised to reduce their plantation for new crop to push up prices.



Yeast Extract

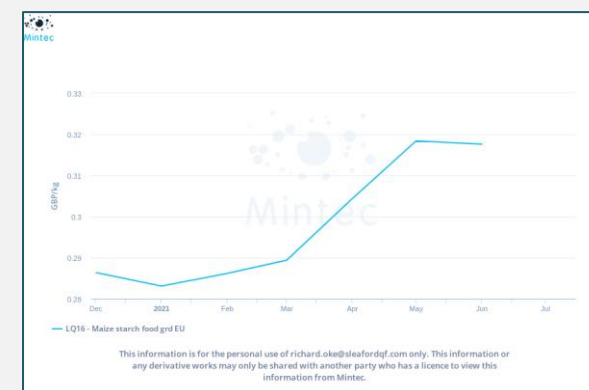
Yeast Extract, the by-product generated when beer is brewed has been in short supply across the UK and Europe since the initial closure of the UK hospitality sector in March 2020 resulting from the Covid-19 pandemic.

With the easing of lockdown and pubs gradually re-opening, production has started to increase again, however extremely high demand and a significant backlog has put pressure on producers and supply leading some suppliers to close their order books for the remainder of the year leading to shortages.

With beer consumption in pubs steadily increasing, yeast extract production levels are ramping up, so the outlook long term is more positive.

Maize Starch

Customers are switching over from wheat to maize impacting maize prices. Wheat & Corn market demand are interlinked so have a significant impact on each other. Chinese wheat consumption for 2020/21 has been revised up by 5 million tonnes to 150 million tonnes. Consequently, the increase in Chinese demand led to global wheat ending stocks estimates to be revised downwards. US maize domestic consumption estimates for the 2020/21 season was revised up, at 307.4 million tonnes compared to 305.5 million tonnes the previous month, driven by projected growth in ethanol and feed demand. The Chinese and the US markets directly impact the EU market and prices are showing an upward turn since the start of 2021.



Wheat

Global wheat prices increased throughout 2020 and into 2021. Increases in consumption and demand have been a key factor and prices have been dragged up by a rise in the global price of maize particularly in China, as traders still grapple with the extent of devastation in the US corn belt after storm damage flattened thousands of acres.

In the UK dry weather and high temperatures last summer caused some crop damage with the high precipitation that followed impacting yield so the 2020 UK crop was the lowest since 1981.

Quality forecasts have also been downgraded and international demand remains strong

Weather conditions in the key global markets will be the significant factor again in 2021. The UK is experiencing varying crop conditions across the country so the weather in the coming weeks is key.

