



MARKET SNAPSHOT ONIONS

June 30, 2022

Executive Summary

Drivers in the industry include inflation and favorable weather.

- The 2022-23 Northwest onion crop is overall in good condition. Spring rains eased drought concerns in parts of Idaho and Oregon.
- Inflation has increased operating expenses while retail onion prices remain relatively flat.

12-Month Profitability Outlook



Northwest FCS' 12-month profitability outlook suggests slightly profitable onion returns. All sheds have sold their onions in storage. Strong demand for medium to large onions and sustained high prices in 2021 have placed onion growers in a favorable financial position. Increasing fuel costs and costly trucking rates will create major headwinds for producers' operating expenses.

Northwest Situation

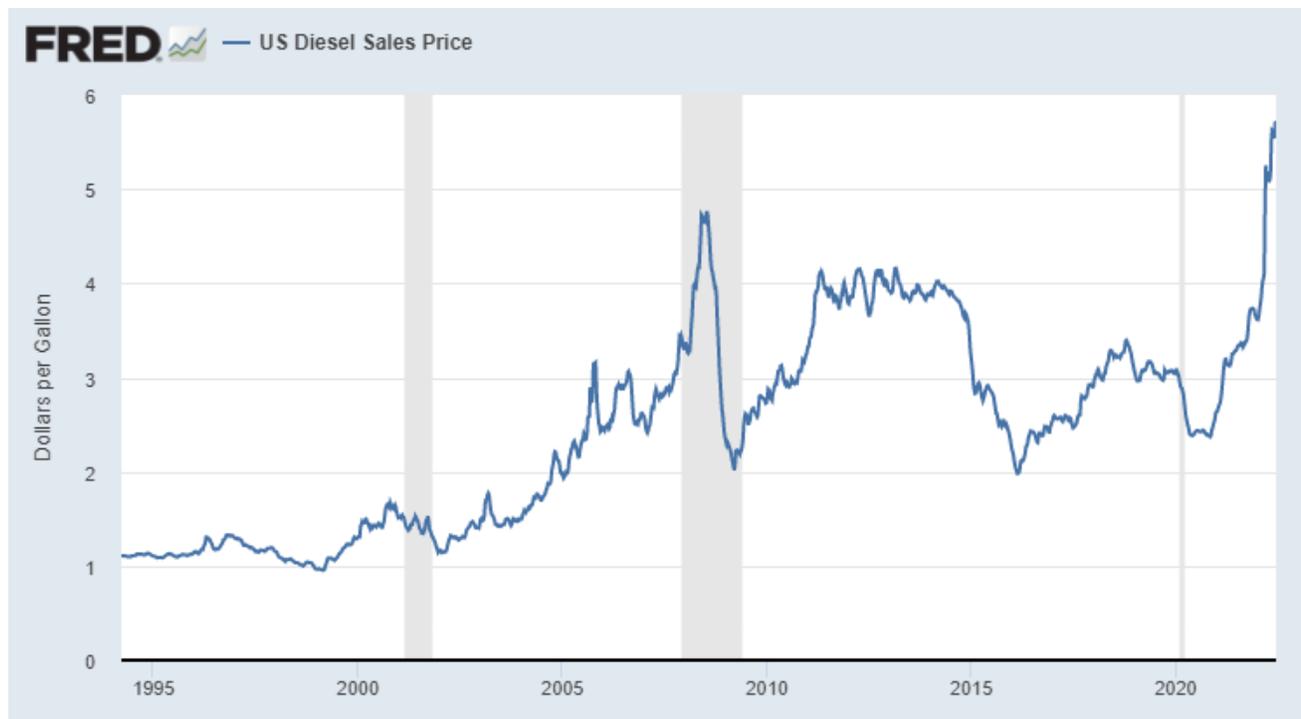
In **Idaho and Malheur County, Oregon**, growers were initially concerned about irrigation availability as they started planting, wondering if they would be able to recover from 2021 drought conditions. A wet, cold spring eased producers' water concerns but has delayed crop development, with anecdotal reports of onions at about two weeks behind normal growth. However, warmer weather in late June has producers optimistic that onion growth will catch up.

In **Washington's Columbia Basin and Oregon's Umatilla Basin**, onion crop growth was delayed by cold weather. Warmer summer days anticipated in late June and July will create ideal conditions for onion growth, and onions should be ready to ship in early August. Walla Walla onions will likely be the next onions to come to market in early July.

All sheds in the Northwest completed packing out 2021-22 onions before the end of May, and no onion prices were reported for the region since May 9. Prices for 2021-22 season onions were incredibly high reaching \$14-\$15 for jumbo yellows 50-lb. sack and \$18 for jumbo reds 25-lb. sack on May 6, more than double May 6, 2021, prices. Jumbo onions in the Columbia Basin, Idaho and Oregon have sold for over \$10 per sack with good demand since September 2021. This sustained period of high prices have left Northwest onion growers' in a strong financial position for the 2022-23 crop year to mitigate rising expenses.

Inflation and rising operational costs will create headwinds for onion growers. Fuel prices have sharply risen since October 2020, more than doubling to reach a national average of \$5.72 per gallon for diesel on June 13, 2022. Heading towards harvest, the U.S. Energy Information Administration predicts that farmers may have some relief from record fuel prices, forecasting that diesel will decrease to \$4.78 per gallon by the fall. Even with this anticipated decline, fuel prices will still be double the price producers paid during the 2021 harvest. While trucks are available, they are also double last year's prices. High fuel prices combined with rising inflation will keep operating costs elevated, squeezing profit margins.

U.S. Diesel Sales Prices



Source: Federal Reserve of St. Louis (FRED), U.S. Diesel Sales. June 20, 2022.

National Onion Situation

Restaurant demand has risen steadily since the start of the year, reaching an all-time retail sales high of \$75.5 billion dollars spent eating out in April 2022. Grocery stores sales have also consecutively risen each month since the beginning of 2022. Improving market conditions boosted large-sized onion sales. Despite inflation (which increased food away from home prices 11.9% compared to last year), restaurant demand remains robust. Consumer sentiment reached record lows in May, and retail prices may begin to decline. As consumer purchasing power declines, restaurant demand will likely fall, diverting more large-sized onions to the fresh market. Onion prices in grocery stores have been relatively flat and stable retail prices will protect onion demand.

Canada and Mexico are the largest trading partners with the U.S., with 82% of U.S. exports headed to these destinations. The first quarter of 2022 saw a 16.4% increase in fresh or chilled onion imports. Mexico and Peru (the two largest importing countries of fresh or chilled onions) both decreased their U.S. fresh onion imports. Declines in imports from Mexico and Peru were made up by substantial fresh import gains from Canada, the Netherlands and Spain. Exports overall are up 12.6% from the first quarter of 2021, largely due to a stronger

global demand as economies recover from COVID-19 shutdowns and restaurants have reopened. Imports increased slightly from 2021, up 3.5%, as poor weather in California, Colorado and the Northwest led to a smaller 2021-22 onion crop increasing onion imports in the first quarter of 2022.

Onion Imports by Volume, 2022-23 Market Year (January - March)

	2021-22 (1,000 lbs.)	2022-23 (1,000 lbs.)	Change (1,000 lbs.)	% Year-over-Year Change
Dried	5,520	7,237	1,717	-1.3%
Fresh or chilled (bulb)	368,027	376,616	8,589	2.3%
Prepared or preserved (bulb)	12,882	16,211	3,329	25.8%
Total overall	386,429	400,064	13,635	3.5%

Source: Economic Research Service (USDA), Onion Imports/Exports. May 18, 2022.

Onion Exports by Volume, 2022-23 Market Year (January - March)

	2021-22 (1,000 lbs.)	2022-23 (1,000 lbs.)	Change (1,000 lbs.)	% Year-over-Year Change
Dried	16,827	14,529	-2,298	-13.7%
Fresh or chilled (bulb)	108,813	126,696	17,883	16.4%
Prepared or preserved (bulb)	1,246	1,598	352	28.3%
Total overall	126,886	142,823	15,937	12.6%

Source: Economic Research Service (USDA), Onion Imports/Exports. May 18, 2022.

California’s onion quality is excellent with high yields and stable market demand. California onion producers are profitable with reds at \$14-\$15 per 25 lbs. sack, whites at \$18-\$20 per 50 lbs. sack, and medium yellows at \$14-\$16 per 50 lbs. sack. In Georgia, the quality of Vidalia onions is good. Fresh Vidalia onions hit stores mid-April and jumbos were being sold at \$22-\$26 for 40 lbs. cartons.

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Additional Information

Northwest FCS Business Management Center
www.Northwestfcs.com/Resources/Industry-Insights

USDA National Potato and Onion Report
www.ams.usda.gov/mnreports/fvdidnop.pdf

The Produce News
www.theproducenews.com

The National Onion Association
www.onions-usa.org

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For more information or to share your thoughts and opinions, contact the Business Management Center at 866.552.9193 or bmc@northwestfcs.com.

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