

OVERVIEW: GLOBAL ONION MARKET

The situation in the onion sector is the same worldwide, with low demand and large volumes available which are pushing prices down and affecting the mood in the market. While exports could be a solution for disappointing domestic sales, nowhere is that a possibility. Worldwide, the barns are full of onions and traders have to deal with low demand. Europe has more onions in storage than the market currently needs. In America, the situation is no different, given the early start of the Mexican season and the large harvest in Peru, so the mood in the US market is far from good. Although different countries are looking forward with hope to the market, there are few scenarios that can give hope of a revival. Dutch onion exporters are talking about a significant change in the weather in Eastern Europe or a crop failure in Brazil.

The Netherlands: Packers caught between big bag and producer prices

Demand is currently low on the Dutch onion market. With the loss of Africa, there are few alternatives available, especially since Eastern Europe is mainly supplied by Germany, Austria and Poland. Dutch exporters are therefore not optimistic. Given the stocks available, it has been estimated that a total of 17,000 tonnes of onions should be exported every week. Last year, it was possible to reach that figure, but there was a great demand from European customers and Brazil, which is lacking now. A crop failure in Brazil or rapidly rising temperatures in Eastern Europe (which would take a toll on the quality) are considered scenarios which could make a rebound possible. In this case, the Netherlands, which has good quality onions and low prices, would probably become a desirable alternative. The situation today is that packers are caught between the big bag price (9-11 cents) and the producer prices (7-8 cents), and there is nothing to earn from either. With the large processing capacity of processors, growers are getting more and more control. There is too little demand to push the big bag price up. The growers are steadfast about not bringing prices down to a lower level and traders have little stock. This tension with producers going for all or nothing and packers observing the situation closely could perhaps lead to surprises in the coming weeks.

Barns full of onions in Spain

Last year at this time, large volumes were withdrawn from the market due to quality problems, but this year there are no such issues at all and the barns are more stocked up than usual. That is a result of the good quality of the production and the small share of discards. Traders expect to have a sufficient volume until the new harvest becomes available in April. The import of large volumes is thus probably not necessary. According to reports, the acreage for the coming season has fallen slightly. The impact of the wintry weather is still unclear, but it is certain that the harvest will kick off slightly later. As regards exports, Spain is struggling with the same problems as other countries. There is little room in the world market. Brazil has been lost as an important destination due to its growing domestic production. This situation results in low prices.

No Danish export

Danish onion growers are facing the same problems as elsewhere in northern Europe: a large supply which is pushing prices down. The sector typically exports to Sweden, Germany and Norway, but this season it is only supplying the domestic market. The government fixed the prices for onions, which therefore remain stable. The market is fairly traditional, with demand especially for yellow and red onions. Pink onions hardly have a chance in this small market. Also, consumers are not prone to open their wallets for attractively packaged onions, although the demand for organic onions is still on the rise.

Large stocks in Germany

According to the latest figures on the German market, stocks are significantly higher than last year's. It is expected that the German production will be available for longer this year, thus reducing the export potential for countries like neighbouring Netherlands. The price is stable at around 11 to 13 Euro per 100 kilos.

Low demand in Italy sets market tone

The Italian market remains weak. The supply is large, but the demand is disappointing, so prices are low. Besides the domestic harvest, there is also imported product available, which keeps prices down. According to a grower, the domestic production is not exceptionally large, so it is mainly the demand that has been setting the tone in the market. On 2 March, prices at the Fondi wholesale market ranged between 60 and 70 cents. In Verona, prices stood between 50 and 65 cents per kilo. Meanwhile, shallot prices depend on the product's origin, with between 1.75 and 1.90 Euro per kilo paid for local product and imports from France yielding 2 Euro per kilo. In Torino, prices fluctuate between 40 cents and 75 cents, depending on the onion variety.

Ukraine's exports rise sharply

The Eastern European country has seen exports to the EU and other regions rising between July and December last year. The biggest customer in this period was Iraq, accounting for 2,523 tonnes, followed by the United Kingdom, with 1,385 tonnes. Far behind, the third position is for Belarus, with 551 tonnes. The good harvest volume has halved prices compared to last year. On 27 January, the wholesale price in Shubar, in the west of Ukraine, ranged between 2.80 and 3.30 UAH/kg (0.09 to 0.11 Euro/kg), compared to the 5.50 to 6.00 UAH/kg (0.20 to 0.22 Euro/kg) recorded a year earlier.

This was an additional incentive to export. "It is a great achievement that Ukraine has almost been able to double exports to the EU," said a trader. After the United Kingdom, Bulgaria (126 tonnes) is the largest buyer within the Union. The UK is particularly interested in peeled onions. The second half of the season was a good export season. The markets bought significantly more onions. Exports to Iraq increased from 300 tonnes in the first half of the year to 2,500 tons. Many exporters expect to ship a record volume to Iraq next season.

Price declines in South Africa

Onion cultivation takes place in the regions of North Cape, Limpopo and Western Cape. The Cape Provinces have more hours of sunshine, so darker onions come mostly from this area.

For Limpopo, white onions are more important. Red onions are grown across the country in small volumes because there is little demand for them. Last year, more than 38 million 10 kg bags were sold on the local markets. Exports to African countries have also grown in recent years. That market, however, is currently disappointing due to the low price of oil. At present, there is a big supply and prices are about 30% lower than last year.

India: Prices hit rock bottom

Onion prices in India are at their lowest point in five years, having reached a minimum of 450 rupees per quintal, which is about 12 cents per kilo. The sharp drop in prices is due to the good harvest, lack of storage facilities and poor infrastructure. A year ago, the price was still 740 rupees per quintal. Prices are expected to stabilise in March, as production volumes fall.

Peru: Big harvest, low prices

During the past season (August 2016 - January 2017), the country exported 108,000 tonnes of sweet onions, according to statistics. This is 11.1% more than the 97,200 tonnes of the previous season. Due to the large harvest, prices started to fall by the end of the season. At the beginning of the campaign, prices were still at a similar level to those of the same period in the previous year. Towards the end of the season, however, prices were 25% lower. This downward trend was first observed in November.

The United States is the main market for Peruvian onions, accounting for 85% of the exports. Europe is an attractive market, but the volumes shipped there are small.

The campaign has not been good as far as calibres are concerned. Due to various factors there were barely any large sizes available. One of those factors was the weather, which was warmer than average. Moreover, some parts of Ica suffered both water shortages and issues in the quality of the same. As a result, optimum irrigation was not possible. The sweet onion acreage stands at 2,500 to 3,000 hectares. Most of the crops are grown in the regions of Ica, Norte Chico de Lima and Arequipa.

US sector in a tough situation

In the US, there are a lot of good quality onions from Idaho and Oregon in storage; however, the early imports from Mexico will cause some issues in the market. Mexican onions are becoming available three to four weeks earlier than normal. Moreover, there is also supply from Peru. This situation is pushing onion prices down. The planting for the new season in Idaho and Oregon will start in about two to three weeks due to the harsh winter in the area. Normally, the first onions would be planted in early March, but the fields are currently covered with snow.

The domestic market thus remains weak and the export market cannot provide relief. Australia was traditionally a large market, but the breeding and development of new varieties has allowed the country to grow its own red onions. Egypt and Israel are also growing more onions. In the past, countries like Dubai and Kuwait also bought onions from the US, but these countries no longer need those imports.

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