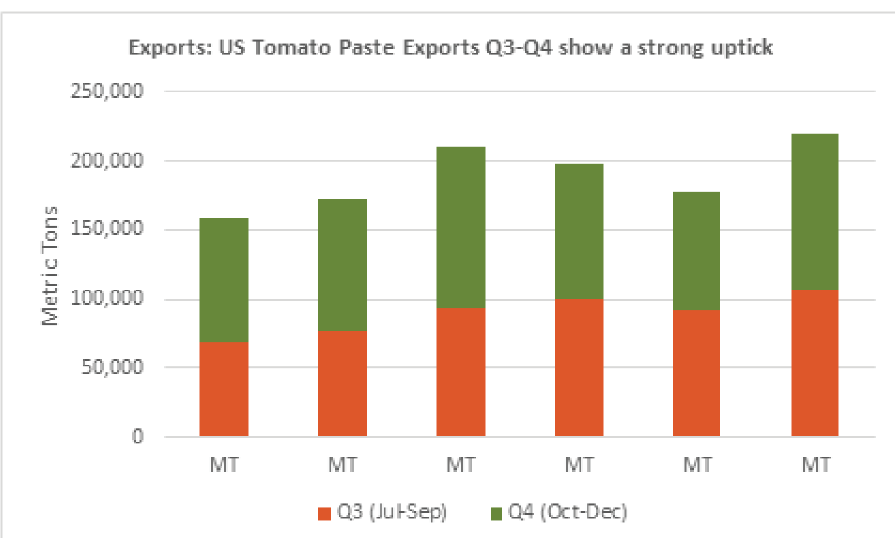
Tomato

marketreport MARCH 2017

US Crop

As of January, the 2017 CA processing tomato crop was estimated at 11.6 MM tons from 235,000 acres. This is a reduction of about 8% from the 2016 crop of 12.6 MM tons. This also represents a 10-year low in contracted production and a 30-year low in contracted acreage. We expect a further downside to the crop size based on weather and market developments over the last few weeks. We also expect to see lower organic production in 2017 after recent increases in 2015 & 2016. After two years of record production in 2014 and 2015, the industry is focused on right sizing inventory levels. US tomato product inventories estimated as of December were stable from prior year levels, but paste exports grew strongly in the last few months of the year. US processors are in negotiations with the California Tomato Growers Association (CTGA) to arrive at raw tomato pricing for 2017. Based on improved water and acreage available to supply and a lower demand, we expect fresh tomato prices to head lower.

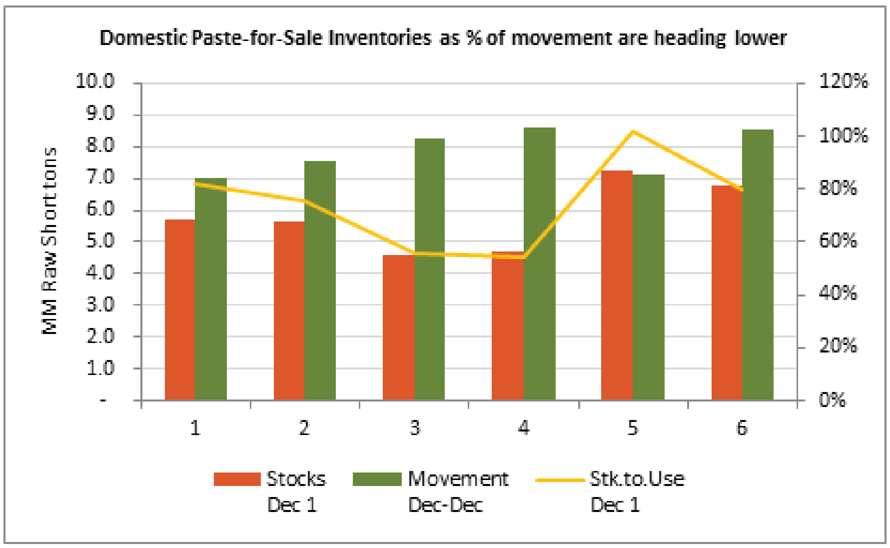
The water supply situation in 2017 has strongly improved from previous years. The San Luis Reservoir will be full for the first time since 2011. We expect water allocations to the Westland's water district to be at or better than 40-50% of full allocation. There is however, concern on the intensity of rainfall. California has received 125% of annual rainfall requirements in 5 months. Through February, we are at 225% of historical average for this date. In the North, heavy rains have led to saturated ground, which has delayed transplanting. Transplanting in wet fields usually has a negative impact on yields due to soil compaction. We expect harvests in the first few weeks of season to run at less than planned yields. Extended forecasts show rain moving back in to the area March 12th-16th. Southern regions are less impacted, but will witness delayed transplanting as well. Transplanting will start early March in the South and mid-March in the North, weather permitting.



Source: USDA GATS, Olam analyses

Global Crop

The 2017 global crop is estimated to be 38.2 MM MT, about the same as 2016 actuals of ~38.1 MM MT. Spain, Iran, China and Chile account for the main increases. Overall volumes in the Mediterranean region and the Southern Hemisphere are expected to be up 3% and 16% respectively. This increase is offset by decreases in California and other regions. We see a downside to the forecasted global crop due to declines in EU production driven by lower fresh tomato prices, weather risk and potential financial difficulties of certain industry participants. While China's crop intentions stand at 5.5 MM MT, we expect a lower crop given reduced grower interest and improved alternate crop options. Combined with the downside in the US crop, we expect 2017 world crop to be ~ 37 MM MT or lower.



Source: CLFP, Olam analyses

FUTURE OUTLOOK

- We expect the season to commence with a slight delay in July with some risks to yields in earlier harvests. Olam processes organics in both our Northern and Southern facilities, which diversifies weather, pest and water related risks
- As processors operate a leaner season, there is potential for increased supply risk. A smaller crop, shorter processing windows and weather driven crop uncertainty can result in risks to availability of certain products. We recommend early contracting to enable product requirements be scheduled in the most reliable manufacturing windows
- The pace of Paste exports has grown strongly in recent months indicating a stabilization of export markets. Combined with a significantly lower crop, this can result in tight inventory levels in the months leading up to the 2017 and 2018 crop harvests. We recommend that buyers plan their 2017 and 2018 needs ahead and contract suitably to minimize risks to availability of required SKUs & specifications
- Olam, has expanded capacity and upgraded peeling capabilities with installation of new processing lines in 2016 for processing value added tomato products in various packaging formats. As a broad portfolio supplier of Tomatoes, Spices and Vegetable Ingredients, we are focused on delivering on our customers' organic and value added product needs in 2017