



# THE MARKET FOR PROCESSED ONION

Market Brief #04

## INTRODUCTION

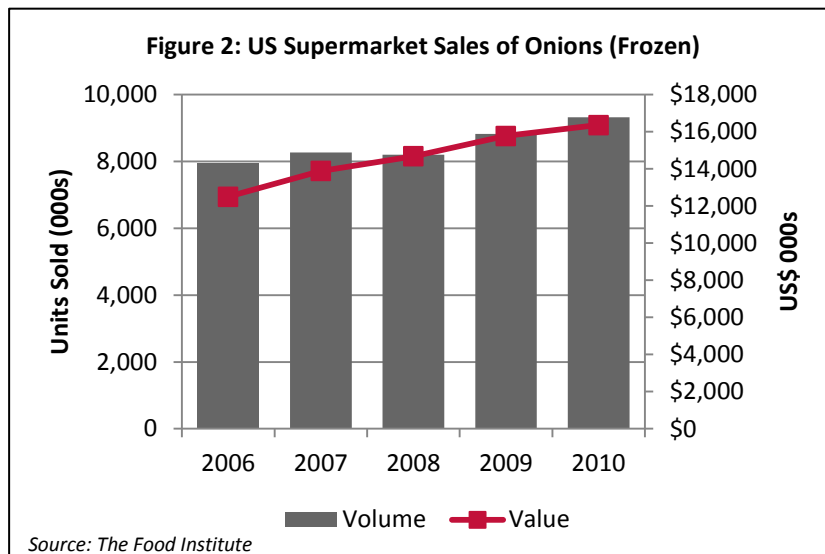
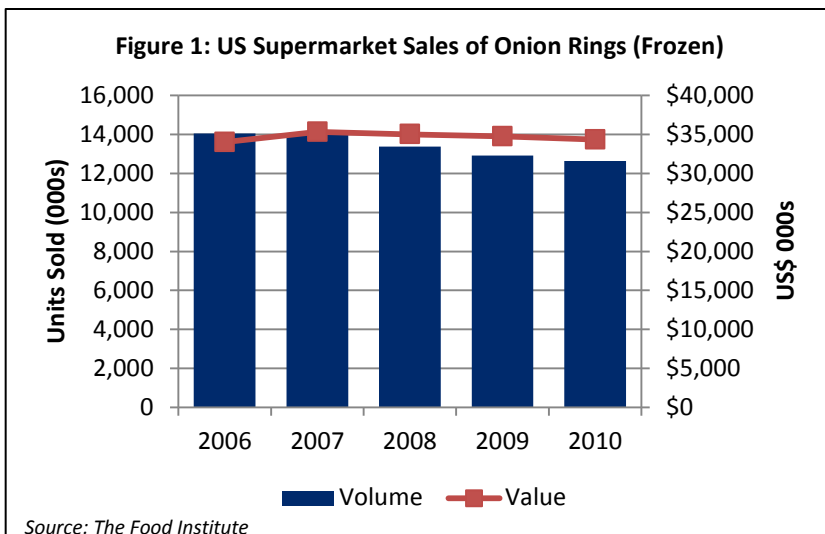
The three most commonly sought varieties of onion (*Allium cepa*) are yellow, red, and white. Yellow varieties of onion are full-flavored and used in a wide variety of cooking dishes. Red onion varieties are more widely consumed fresh. White onion varieties are used in Latino cuisine and for processed food products. Processed onions are sold to consumers in frozen, canned, caramelized, pickled, powdered, chopped, and dehydrated forms. Onions have several healthy chemical properties and are considered to be anti-inflammatory, cholesterol-reducing, and antioxidant rich. The largest producers of onion and onion products are China, India, the United States, and Egypt.



## MARKET

Supermarket sales<sup>1</sup> of processed onion products, including frozen onion rings and frozen onions, have remained relatively mixed over the past five years. In the case of frozen onion rings, supermarket sales decreased each year from 2006-2010, by approximately 2-5% each year, dropping from 14 million units sold in 2006 to 12.6 million units in 2010. In the case of frozen onions, from 2006-2010, supermarket sales increased from 7.9 million units to 9.3 million units (or by 15%).

General demand for processed onions in the United States has increased in relation to both increases in consumption of ethnic foods and increases in fast food hamburger chains. However, the North American market for onions is relatively insular, given the large scale of US production of onion (3.7 million MTs in 2010, the third largest production in the world). Many onion processors and wholesalers in the US are vertically integrated, and centrally control planting, production, processing, and distribution. Consequently, imports of onion, particularly processed onion, have remained relatively small, and, in the case of prepared and preserved onion, import volumes have decreased 25% (from 1,513 MT to 1,145 MT) from 2006-2010.



<sup>1</sup>. Volume was measured according to the number of physical packages scanned, (i.e. 100 units scanned = 100 unit sales).

**SUPPLIERS**

**US:** The US is a net exporter of fresh onions and processed onion products, and US production provides for the bulk of domestic consumption. An estimated 70% of the US dehydrated onion crop, for example, is exported. In 2012, onion plantings are expected to increase by 14% across the US in a response to increased producer prices experienced last season, further minimizing the need for importing.

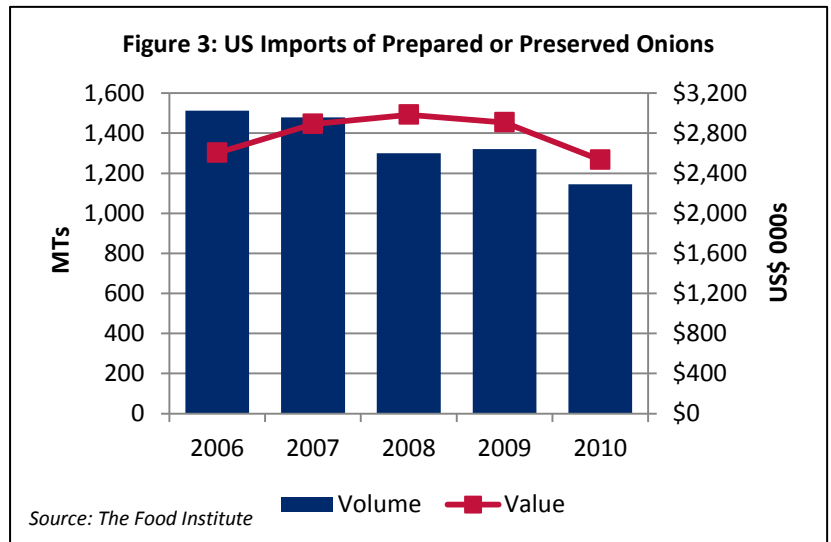
**Canada:** Canada is the single largest international supplier of US processed onions, with the bulk of processing companies based in Quebec. Canada exported 358.3 MTs of processed and preserved onion products to the United States in 2010, valued at \$617,224 CIF.

**China:** Industry representatives stated that Chinese processed onion products comprise the bulk of non-North American processed onion imports into the US and Canada since they are consistently selling the lowest cost product on the market. From 2000-2009, Chinese exports of onions (fresh and processed) increased 212%, from 168,516 MTs to 526,313 MTs. China currently dominates fresh onion exports to the US and exports a modest amount of processed onion. China is increasingly dedicating resources to improved onion processing (IQF and slicing).

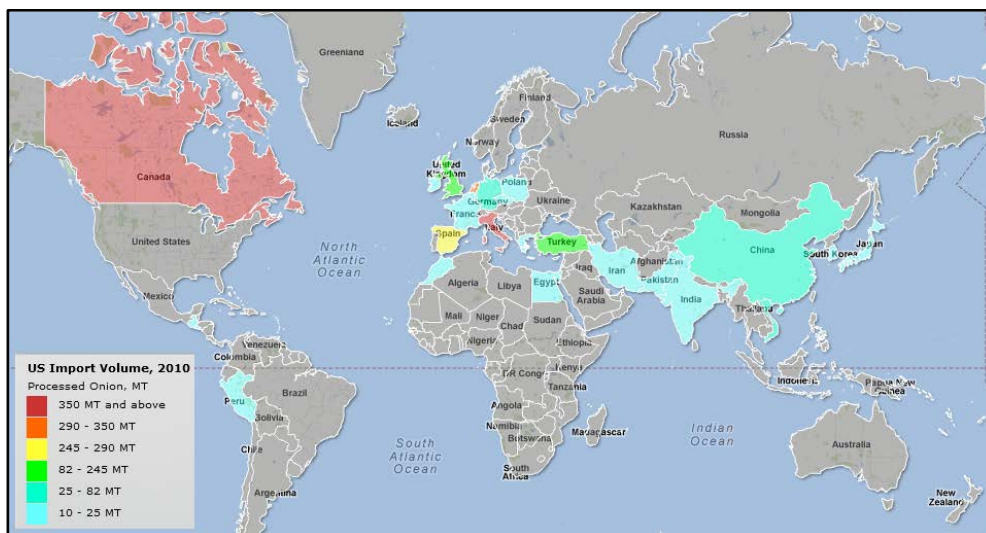
**EU:** In 2010, the EU exported 705 MTs of processed onion product to the US. Belgium was once a major player in both the fresh and processed onion markets, but exports of onion have decreased from 88,367 MT in 2005 to 53,565 (or by 40%) from 2005-2009. Buyers have indicated that they are still importing small quantities of processed onion from Belgium.

**India:** India is a large producer of onions, but exports have fallen significantly due to the Indian government's fixed minimum export price (MEP). Indian exporters have been unable compete on price as Chinese and Egyptian onions have gone down dramatically, and the Indian government has been slow to lower the MEP in response. The MEP for onion was lowered to \$150/MT (from \$250/MT) in January 2012 in an effort to match Chinese and Egyptian export prices. Red and white varieties are grown in India and primarily target the Middle Eastern and East Asian markets.

**Central America:** Mexico is the most frequent Latin American supplier of US onions, though they primarily export onions fresh, without processing. Prices for US imports of Mexican onions tend to be slightly below (10-15%) average prices for domestically supplied onions.



**Figure 4: US Imports of Processed Onion by Origin, 2010**



Source: US Census, Map by Fintrac Inc.

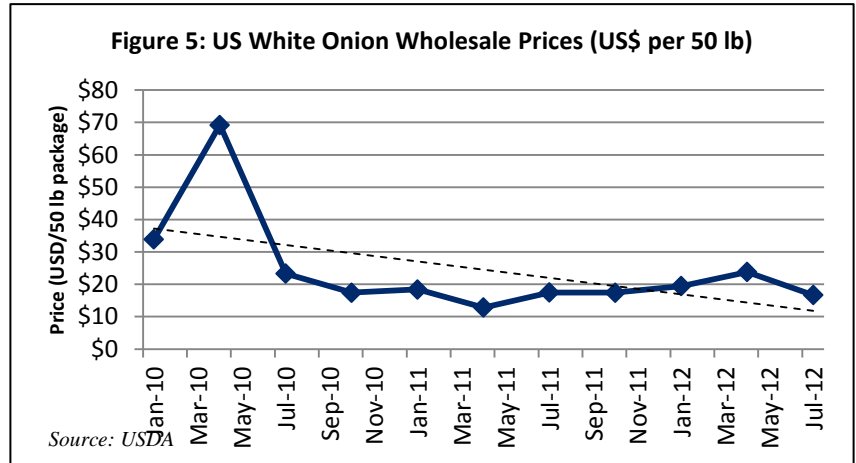
## SEASONALITY

US production of onions is concentrated in the Pacific Northwest, with eastern Oregon and western Idaho producing onions eleven months of the year. While production is highest in the west, production in southern states also supplements onion supply. See Annex for US onion seasonality table. Supplementation from international suppliers is utilized the most heavily in the summer months.

## PRICES

Prices for consumer onion products have remained relatively constant, while trends for FOB prices have declined in the past three years. Industry representatives report that prices for IQF onions have gone down this year, and they foresee prices continuing to decline due to increasing Chinese onion surpluses. Low cost Chinese exports to the world market have limited the potential for other countries to export.

From September 2011 to February 2012, Indian news sources reported that China went from exporting dry onion at US\$ 300/MT to under US\$ 150/MT, a 50% drop in just five months. Buyers corroborated this information, saying that prices for processed onion have followed a similar trend and show no signs of reversing. As of February 2012, Mexico, the only regular Latin American onion source for US markets, was shipping white onions to the US priced at US\$ 300/MT.



## OUTLOOK

The US market for processed onions is crowded and competitive. It is unlikely to provide substantial growth opportunities for Honduran processed onion suppliers. The vast majority of US demand for processed onion is met through domestic production and processing. Many suppliers of retail or wholesale processed onion products are vertically integrated, managing field production, postharvest activities, and processing directly. Smaller companies who are not engaged in this type of integration often insist on using local onion production only and have firm company policies against importing. Limited demand exists for fresh onions, though, if provided at a competitive price and quality, several companies based in the southwestern United States import fresh onions from Central America to supplement their own production, as fresh onions for processing face an easier inspection process during importing than processed onions. Strict regulations and licensing requirements governing the importation of processed foods further restrain US companies from considering international sources, as fresh onions imported for the purpose of processing domestically are exempt from USDA import requirements, while processed onions undergo an inspection and require a license.



Companies looking to import processed food products are more likely to be based in Canada, specifically Quebec. Buyers from this region expressed interest in importing IQF onions from Honduras and were looking to further diversify their suppliers, if product could be supplied at a competitive price (US\$ 300 – US\$ 400). In addition to price, buyers prioritize on-time delivery, honoring contracts, third-party audits, and HACCP approval. A downward price trend is expected to continue in the coming years.



**ANNEX: SEASONALITY OF US ONION PRODUCTION**

**Table 1: Seasonality of US Onion Production by Region/State**

Region	State	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Midwest	Illinois												
	Minnesota												
	Michigan												
	Wisconsin												
North	New York												
South	Georgia												
	Texas												
West	Arizona												
	California												
	Colorado												
	Idaho/Oregon												
	Nevada												
	New Mexico												
	Utah												
	Washington												

Source: The National Onion Association

## Appendix: Buyer's Survey

### Buyers of Onion

Company	Comments
<p><b>1. Zia Onion Sales And Fishing Expeditions</b>  <b>PO Box 5740</b>  <b>Santa Fe NM 87502-5740</b>  <b>972-230-1933 Jack</b>  <b>505 989-1400</b>  <b>505 989-4222 (fax)</b>  <b>mabel@ziaonionsales.com</b></p>	<p>Zia does not import processed onion. Zia is looking for sweeter varieties (like a Peruvian sweet). Peru has a niche in America, as Chile and Argentina don't have sweet varieties.- just commercial yellow onion. Processing is done in the US. US government regulations are getting stricter and a special certification required for importing processed onion. Jack says that, at this point in time, there is an oversupply of onions in the US. There is a lot of variability by month, without much seasonal predictability. Sweet varieties come in 40 lb cartons. Regular yellow onions come in 50 lb sacks, and red onions come in 50 or 25 lb sacks. Appearance quality of onions is a continual issue: onions frequently arrive stained or green.</p>
<p><b>2. Western Onion Sales, Inc.</b>  <b>295 Willis Ave Ste D</b>  <b>Camarillo CA 93010-8562</b>  <b>805 482-4441</b>  <b>805 482-4446 (fax)</b>  <b>Pedro</b>  <b>gerry@westernonion.com</b>  <b>www.westernonion.com</b></p>	<p>Western Onion is not currently importing processed onion. They're importing about 6 containers a week of fresh onion. Their priorities for new suppliers are some type of GAP certification, short transit time, and previous experience in exporting. They're currently importing from Mexico, Chile, Guatemala, and Peru. Peru and Chile have the best quality (least damage) and shortest transit time. High quality sweet onions have been priced at \$16-24/box in Miami. They are looking for the Granix flat onion variety and are looking for suppliers that can produce from December to February. If we are producing in that window, Pedro is planning to be in Honduras in June and is interested in visiting our farms.</p>
<p><b>3. Newland North America</b>  <b>1000 Ave. St-Charles, suite 901</b>  <b>Vaudreuil, Quebec</b>  <b>J7V 8P5</b>  <b>Canada</b>  <b>Tel. 450-424-2552</b>  <b>Fax. 450-424-9492</b>  <b>Attn: Ross Rowsell</b>  <b>ross@newlandveg.com</b></p>	<p>Newland North America is importing processed onion from China, Belgium, and Poland. They import white onion, diced, 3/8 inch sliced and strips, IQF only. Generally, Newland is looking for a Grade A flavor profile. Physical characteristic priorities are color, in which they are looking for a pure white with no yellow tinge, and a fresh smell. Packaging is preferred to be totes, within 30lb cartons. Newland is always looking for new suppliers. They prioritize on time delivery, honoring contracts, third-party audits, and HACCP approval. Beyond these requirements, quality and variety differences between suppliers are minimal and Newland's importing decisions are mainly made based on price. Price trends have been quite low. Prices have gone down this year, and Ross foresees prices continuing to decline due to increasing surpluses of Chinese onions. The bulk of Newland's import volumes are now from China. Newland is interested in sourcing product from Honduras producers if it could be provided at competitive cost and good quality</p> <p><b>*Interested in receiving sample via mail and specifications via email.</b></p>
<p><b>4. Boardman Foods</b>  <b>P.O. Box 786</b>  <b>71320 E. Columbia Lane</b>  <b>Boardman, Oregon 97818</b>  <b>541-481-3000 Phone</b>  <b>801-881-8999 Fax</b>  <a href="mailto:contact@boardmanfoods.com">contact@boardmanfoods.com</a>  <b>Chris</b></p>	<p>Boardman Foods buys all onions locally and has a standing company policy that only US onions are used. They have no interest in international suppliers now or in the future.</p>