

The Packer

Growers predict low prices for spring onions

By Jim Offner

(May 21) A longer-than-anticipated storage deal out of the Northwest and abundant supplies in the late winter months had some spring onion growers and shippers in a holding pattern into April.

Even as they waited for storage supplies to dry up, marketing agents said they weren't anticipating a repeat of last year's favorable pricing structure.

If anything, they appeared to be anticipating something closer to the opposite of last year's market, which was bringing nice profits.

"Last year you had a market that was out of control — \$30-33 f.o.b. (for 40-pound equivalents), and this year it's trading \$4-7," said Ken Nabal, vice president of sales and logistics for Edinburg, Texas-based Frontera Produce Ltd. "Last year, demand exceeded supply globally. Certainly, in the U.S., supplies were really down."

It likely won't this year, he noted.

"This season, there's going to be plenty of onions to promote," Nabal said.

There were plenty last year as the summer wore on, but early in the season, growers had a chance to reap some good returns, Nabal said.

"There were not a lot of onions last year," he said. "Supplies throughout the U.S. were down significantly. You had high markets all year and it kind of peaked during the Texas window. It started coming down to earth in June and July and started rebounding again."

Larger onions appear to be particularly pervasive this year, Nabal said.

"We're trying to stay ahead of inventory and keep product moving," he said. "We're aggressively pushing for promotions, particularly on the jumbo sized."

Don Ed Holmes, owner of the Weslaco, Texas-based Onion House LLC, said it was a bad sign of things to come when Idaho and Washington were shipping more onions than Texas was in mid-April.

"I think everybody here in South Texas has decided to stop marketing onions and just give them away," he said, laughing. "Everybody here drug their feet as long as they could, when Texas had its chance to get in with others out, I guess there was just too much inventory in the field. It looked like we were going to go from \$5.50 to \$6, and it went to \$4."

A year ago, the price was \$12, he said.

"Ideally, it's between \$8 and \$15," he said.

Five dollars doesn't even cover production costs, Holmes said.

"Just to clip and run them in the packing shed is \$5," he said. "A few of us are at \$5-6 — the few of us there are getting less business."

The markets appeared to be a little better for whites and reds, Holmes said.

Supplies weren't as prevalent in the white market, he said.

"Nevada finished; they have no storage, and of course, California and northern Georgia aren't much on whites," he said. "Mexico is cleaned up, so the white market is pretty tight. We probably cut back 20-30% on white planting acreage, and there's been good demand all along. We're \$12-14 today."

Reds were \$7 for a 25-pound bag, Holmes noted.

"This red deal looks like it could stay good for a while," he said.

Holmes said many shippers were waiting out the end of the Northwest storage deal, which caused prices to dip to as low as \$2.

"We've been trying to wait to let some of these people clear out," he said.

And, it isn't just Idaho and Washington that can weigh down the market.

Some of the problem is in Texas, with growers and shippers who get into the deal for some quick sales, Holmes said.

"Here in South Texas, you've got some guys who are in it for one month," he said. "They have no customer base. All they've got is a Blue Book and a telephone. The only way they can get into the market is to be a dollar or so cheaper than everybody else."

A lean market may clear out the field of the fly-by-nighters for next season, Holmes said.

"A year like this, they'll look at that whole card before they plant next year," he said. "They're selling below what it costs them to bring them to town. They think they can make it up with volume but that won't work. We've got about six of those guys here in the valley, and it's just killing us. Hopefully there will be some that leave the onion deal to the people that do them year round."

Chris Eddy, sales manager for the McAllen, Texas, office of Duda Farm Fresh Foods Inc., Oviedo, Fla., said the markets have been depressed since last fall.

"The current jumbo market is \$4.50-5 f.o.b., which is pretty cheap," he said. "It's tough. A lot of that boils down an oversupply situation."

Eddy said he couldn't guess how long that would last.

"Obviously, the big players in the Northwest had record yields and big numbers and they have f.o.b.s (that) have been low all through the fall and winter months," he said. "Until that oversupply situation gets out of the way, the markets are really going to face a big challenge trying to get up. Once you get toward May, that will be pretty good."

Sweet-onion marketers saw prices in the \$35 range for parts of last year, said Michael Locati, president of Locati Farms Inc., Walla Walla, Wash.

"Last year was a pretty good year for us overall," he said. "Supplies were adequate, but not huge. We were probably down in our total numbers. The market was adequate and supply adequate to meet the demand."

Locati said he was optimistic going into the upcoming season, which runs roughly from June 10 through early August.

"All indications this early are that we may be back a little bit," he said. "We're definitely back right now. We might pick up some speed; there's time yet."

In the Vidalia district, Glenville, Ga.-based Bland Farms LLC started harvesting April 12, said Michael Hively, general manager.

"The crop still looks excellent," he said. "This year, we're seeing it's mature. Last year, all the late varieties that should have been harvested at the end of May were ready in early May. It's coming mature early, which will give us fewer days to get the crop out of the field."

"I don't know if we can attribute that to global warming or a weather pattern, but normally, the later varieties don't mature until the end of May," he said. "That cuts two weeks off getting the onions out of the field."

In California, volume will drop, which will help alleviate market concerns, said Derrell Kelso Jr., owner of Stockton-based Onions Etc.

"We're calling for just a nice crop," he said. "You're not going to see a 2006 f.o.b. on onions, where the



market went to \$22. We anticipate markets between \$6 and \$8, maybe higher, depending on location and availability.”

New Mexico’s crop was shaping up nicely, said Chris Franzoy, owner of Hatch, N.M.-based Young Guns Inc.

“We’ve had exceptional growing weather, and we’re right on schedule with our harvest,” he said.

If the market doesn’t cover costs, growers likely will leave some of their product in the fields, said Kent Romrell, senior vice president of sales for Idaho Falls, Idaho-based Potandon Produce LLC.

“That’s been done quite often on the springtime stuff in California,” he said.