

MARKET OUTLOOK AUGUST 2021

The exceptional circumstances due to corona virus have continued in different parts of the world, even though due to vaccinations situation is improving gradually. Lifting of restrictions has created a strong increase in demand for raw materials. There is still concern of growing number of new cov cases due to new corona variants particularly in Asia but also in Europe. These exceptional circumstances have caused delays in supply chain and reduced availability of raw materials. The poor availability of sea containers and the decrease in shipping capacity are reflected in a strong increase in the sea freight cost. Container prices have risen from 1500 USD to more than 10.000 USD depending on the type of containers from Asia. The blockage of the Suez Canal in the spring had a long-term effect on the flow of container traffic from Asia to Europe.

There has been also shortage of vehicles and drivers in Europe and the imbalance between export and import has increased freight costs.

Crude oil and gas prices have risen and caused higher energy costs. Process chemical prices have also risen.

The prices of packaging materials have risen sharply during the spring. The above mentioned factors are behind of increasing cost of raw materials.



PROTEINS

Dairy protein prices have risen significantly and are at their highest level for many years. This is due to strong demand for sport nutrition, food supplements and the food industry in Europe. Production capacity does not meet the increasing demand and this creates shortage in the raw materials. Demand has also increased in China and Asia due to low emergency stocks

Demand for pea proteins and soy for vegetarian food and health products continues and support the price level of plant proteins. Soybean prices have



risen since the beginning of the year in the USA, Europe and China. The rise in prices has been driven by increased demand for soy for feed in China.

Meat protein prices have risen since the beginning of the year and are forecast to rise towards autumn. The background is declining raw material production in Denmark and Germany, increased demand for the gelatin industry and increased exports of meat parts to China.



SUGAR

Global sugar prices maintained strong upward trend since the beginning of the year. In large producer countries such as Brazil, the yield is projected to be lower due to drought. The logistical situation in Brazilian export ports is challenging. There is a slight increase in production volumes in Australia. The yield is projected to be better than in the previous year in India and Thailand. The area under cultivation has decreased in Europe although crop expectations are better than in previous years. Emergency stocks in large producer countries as well as in Europe are small, but demand is forecast to increase, which will strengthen the price level. Rising crude oil prices support the use of sugar for ethanol production.



WHEAT AND CORN

Corn production is projected to increase. Despite the increase in production, the price of corn has been on the rise. Demand is growing worldwide. China has increased imports of corn for feed, at the same time stock levels are the lowest for many years. This will support corn pricing.

Wheat production is also on the rise. Global demand is forecast to reach a record high. Chinese wheat imports are forecast to decline slightly. Emergency stocks are declining in the US and China. Russia's harvest



prospects are reasonable. The price level is currently higher than at the beginning of the year.



TAPIOCA, RICE, POTATOES

The price of Tapioca starch has risen slightly since the beginning of the year. The sharp rise in sea freight will have a significant impact on Tapiocas price level. Prices for rice-based starches from Thailand are also higher due to freight. The price of potatoes in Europe has risen, due to a smaller area under cultivation and rising production costs. In Finland, heat and drought have effect on yield.



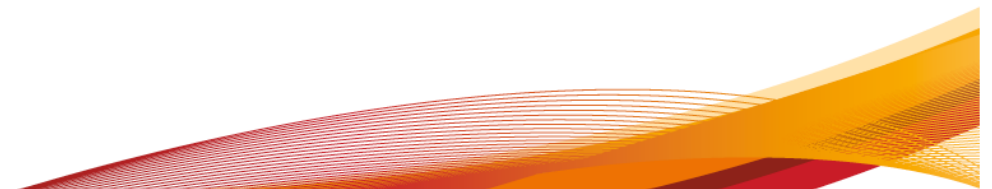
FOOD ADDITIVES

Prices of Chinese food additives have risen sharply. This is due to reduced availability of raw materials as well as significantly increased sea freight costs. Due to Covid there has been restrictions and lock downs in several areas in China, like in major export ports. There are challenges in shipping capacity and shortage of sea containers which has caused long delays in shipping. During the summer the factories have production shutdowns which affect the availability of raw materials. Prices for phosphates from Thailand have increased due to very high sea freight cost.



THICKENERS

Raw material price for xanthan gum has risen. High sea freight costs has a significant impact on the total price. The price of locust bean gum has risen to a record high. This is due to poor crops. Emergency stocks are low and



recent product recalls in Europe due to ethylene oxide have further reduced availability.



VEGETABLE OILS

Vegetable oil prices have risen during the spring, due to tight availability because of low inventory levels. The price has also been supported by the poor availability of sunflower oil, which has shifted demand to rapeseed oil.



ONION, GARLIC, VEGETABLES

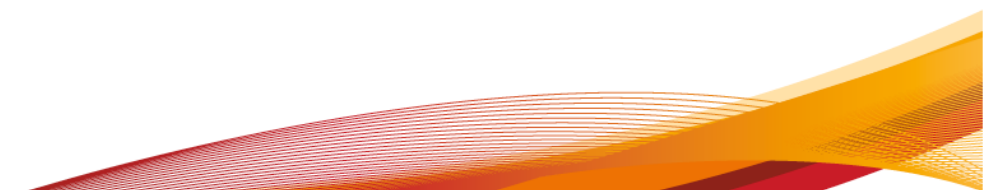
Onion deliveries have been delayed by restrictions caused by the coronavirus in India. Labor supply in farming areas and ports has been weak. There are shipping challenges in Indian ports. Sea freight cost from India has also increased.

Prices of Chinese garlic have risen due to highly increased freight and long delivery times. The yield of the new crop has been lower than in the previous year due to rain and cold weather during the growing season which has also affected garlic price. The prices of Chinese red bell pepper and dehydrated tomatoes have also started to rise just before new crop.



PEPPERS, SPICES AND HERBS

There have been severe restrictions in Vietnam due to the corona situation which have caused delivery delays. Farmers' stocks are also limited. The harvest is one month late in Indonesia and the yield is about 15% lower. New crop in Brazil will be harvested during September. White pepper production in China is lower than in the previous year. As a result of this pepper prices have



risen significantly in recent months. Multiple increases in sea freight prices affects the pepper prices. The safety stocks of allspice are scarce, which has kept the price level high. The new crop will be harvested in the autumn. Ginger and coriander prices have also risen due to availability and sea freight.

Mustard powder prices have risen in Canada. The price of mustard seed has risen to its highest level in several years due to the drought. Yields are lower than before, security stocks are low, and export has increased, especially to the US. Crops in Russia and Ukraine have been delayed due to rainfall and prices are firm.

The prices of many herbs are also rising. Turkish herbs like oregano have suffered from drought. The price of Egyptian Basil has increased due to freight.