
Market Report August 2013

India

As per last month the Indian currency is still a significant issue. The rupee has weakened during most of August and is now, as we write, above 66.50 to 1 U.S. dollar. The slide of the rupee to a record low earlier this week has rocked not only the commodity markets but the economy of India in general. With export prices currently under pressure now looks like a good time to take advantage of the favourable exchange rate before the central bank of India manages to reverse the trend.

Weather disruption

In Indonesia, the dry season is late and not as dry as it should be, thus limiting the production of clove leaf oil. In Eastern Europe and Russia, the summer has been much drier than normal, which has devastated several crops such as clarysage and coriander.

Europe and USA

With the holiday season in full swing, the demand for most products has dropped as employees enjoy some time off and factories are closed for annual cleaning and maintenance.

Aniseed oil China star/anethole

Prices for aniseed oil and anethole in China are currently weak. A notable causal factor behind this is the significant increase in demand in the domestic market for cheaper, synthetic alternatives.

Citronella oil Java type

Due to the crop in both China and Indonesia continuing to be good, the price of citronella Javatype has remained stable. This oil has been traded within a small price range over the last 18 months and we see no reason for any drastic digression from this trend in the near future.

Clove leaf oil/eugenol

The Indonesian market for clove leaf/ eugenol is unsettled. The dry season, which should have begun in June has been unusually wet, making the collection of clove leaf more difficult. This, coupled with the observance of Ramadan during July and the beginning of August, has resulted in lower production of the leaf oil.

Coriander seed oil

Indications at origin are that the harvest of seeds during July has been poor. The price of seeds has increased by a third from last season and we are expecting to see further movement upward. This is due to the total acreage in Russia having been reduced this year, alongside partial crop failures in Eastern Europe due to drought conditions. With much of the quantity of seeds harvested going to the spice market, little remain for processing.



Eucalyptus oil globulus

In an otherwise very flat market, we saw a slight firming of the price in China towards the end of August due to a modest increase in demand. Now is the traditional time for pharmaceutical companies to purchase this oil for the preparation of winter cough remedies, so we may see a bit more activity in the eucalyptus oil market during September.



Geranium oil

Firmer quotes are being received from China based on increased demand, possibly due to the uncertainty of supply of geranium oil from Egypt. The level of geraniol is lower than usual.

Ginger oil Chinese

Until now the supply and demand had been in balance, however we now hear that other producing countries have had poor crops forcing consumers to turn their attention towards Chinese ginger. The weak market price last season had discouraged farmers to plant much ginger resulting in a rising market price at the moment due to this additional new demand. As the stocks in China diminish the price will rise accordingly.

Grapefruit oil

Prices remain firm and the market appears short of the higher nootkatone content oil.

Lemon oil

As a result of frost damage earlier in the season in Argentina, the lemon market has been short of fruit and very little oil has been produced. The current short situation is unlikely to improve until the new crop in 2014.

Lemongrass oil India

Slightly firmer prices coming from origin due to the slow arrival of oil from the producing regions, coupled with adverse weather conditions which have affected both the volume of oil as well as its citral content. This is offset by the weak rupee.

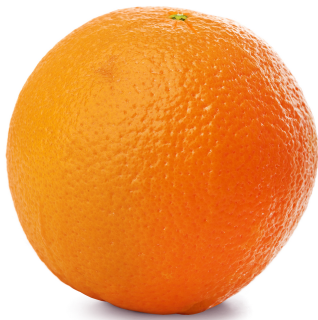
Lime oil

Prices increased ahead of the new crop as stocks were very low. Pessimistic crop news from Mexico has pushed the market up again and prices have risen significantly over the last month. Demand is currently outstripping availability and this continues to force prices higher.



Litsea cubeba oil

The price of litsea cubeba oil is currently weak as a result of sluggish demand. Whilst stock levels are below historical norms, as there is very little demand at the moment, we expect that the volumes in stock will suffice until the new crop oil arrives onto the market. However, with prices low, it is not clear whether sufficient motivation exists for farmers to collect the litsea berries when they are ripe for oil production. The harvest takes place within a short window of time, typically three weeks in August/ September. Early indications were that the crop looks good on the trees this year. If the berries are not harvested, fall and rot on the ground there is no second chance. One to keep an eye on.



Orange oil

Of all the citrus oils, orange seems to be the least bullish. The new season in Brazil is now well underway, and even though the predicted crop figures are still on the low side, the present availability is up, so any scares of rising prices have momentarily subsided. Offers out of origin appear to have weakened a little, possibly reflecting a more pressing need to move some volume now the processing taps are on.

Peppermint oil arvensis India

Final crop figures are down as a consequence of the early arrival of rain during the latter part of the growing period; our current best estimate is 45,000mt, down from 50,000mt. In spite of this the market seems to have only one way to go. Factor in the weak rupee to the U.S. dollar, currently hovering around 68.50 when it was only 53.50 early May, a slide of more than 20%. If one considers only the currency factor it makes sense to book some cover of arvensis oil now.

Menthol crystals natural India

A potent combination of a weak currency, large availability of mint arvensis distilled and the ramping up of European production of synthetic menthol are all adding further downward pressure to natural menthol prices. The outlook is still for further price reductions however the market might reach soon a level where the farmers and speculators in India will stop offering further material.

Peppermint oil Piperita India

With current arvensis price levels, there now exists a considerable price incentive to adulterate piperita with arvensis. Care should be taken when buying to ensure your supplier can offer the necessary analytical assurances.

Wintergreen oil

As our previous reports have suggested, the start of the new season has thus far been sluggish. There are only a few parcels being offered from origin and we have some concerns about the quality of newly produced oil. We believe the market will turn bullish as demand increases.

Talk to us

Should you have any questions regarding the materials we have discussed in this report, or indeed if you just fancy a chat, we're always pleased to hear from you. You can contact us in the following ways:

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