



January 2014 Market Report

Firstly, a belated Happy New Year but a timely Happy Chinese New Year (or 新年快乐 and 出入平安), depending on where in the world you are! We would like to wish all our friends in the industry a very successful and prosperous 2014 and year of the horse, and look forward to further developing our business with you.

2013 was a more active and rewarding year than the previous and we thank you for your support. Across our sites the De Monchy Aromatics staff has grown in number, with more commercial staff in our London and Hong Kong offices and also additional technical support at our head office in Poole.



Philippines

Following the devastation caused by typhoon Haiyan (known locally as Yolanda) and its terrible human cost in late 2013, we, at De Monchy Aromatics pledged to donate a percentage of our December sales to support the relief effort. In addition to donating to larger, well-known organisations, we also co-sponsored a team of volunteers who travelled from Hong Kong to Tacloban.

This team had two primary aims; to directly distribute food to those families with the greatest need and to re-build a damaged community facility. Over the two weeks they were there they were able to achieve both of these and we are extremely proud of the work they did, which was made possible through your business with us. A full report of the work carried out will be published later in the year and will be available on our website.

2014

Trading activity in January has been brisk. Although the trade in some product ranges such as mint has been subdued, in others like citrus oils and eucalyptus there has been strong demand in a bullish market. Several small volume products (Chamomile, Perilla, Helichrysum, Coriander, Hay, Garlic, Onion, Ginger and numerous aroma chemicals) have also been fast movers.

Effective 1st January, some commodities and countries have lost their GSP status. This will not only affect the price of newly imported goods but also present stock values. In addition, some custom tariffs have been adjusted also.

China

The Chinese New Year officially starts on the 31st of January however most Chinese companies have already closed. Some are offering bargains to close their books with new contracts in place; others are waiting to reopen before committing themselves to large contracts.



Citrus

With the sole exception of bergamot oil, citrus oil prices are on the move upwards and their supply looks set to become more complicated through 2014. We have covered a number individually below and would advise you to contact your De Monchy Aromatics account manager to discuss your requirements as early as possible.



Aniseed oil/anethol natural

No report of significant movement in the price excepting the fact that the Chinese New Year closure might create some shipping delays, but this is true for all Chinese products.

Bergamot oil

Supply continues to match demand with the stable price reflecting this.

Cassia oil

Some production figures gathered from origin show a reduction of 25 to 30% in the Autumn crop on previous years. Our statement last month was 'one to watch' and we still believe this to be the case. There is more demand for old method oil, thanks in part to some large international beverage companies. As a result we may see the price of the two qualities of oil actually go in different directions.

Cinnamon Bark oil

Good availability at origin coupled with limited demand appear to have lowered the price for the moment.

Clary Sage oil

Still a difficult product to source from all origins; the small stock in Europe is being traded at premium prices.

Coriander Seed oil

Our outlook for the situation remains unchanged, with a severe lack of availability in the market. We have heard of a couple of parcels being offered in Europe at what appear to be reasonable prices, but we also understand that the qualities are sub-standard. Last year's production and export figures of oil for the last quarter are down 10% and 25 % on 2012 and 2011 respectively. Until we get closer to the new harvest this summer, we expect the market price to linger in the high ranges (in excess of US\$100/kg ex-works) reached at the end of December last year.

Davana oil

Oil from the new crop will be available in two months time. The state of the crop and thus price direction will become clearer closer to the time of harvest. One to be mindful of for now.

Eucalyptus oil globulus

Last month we were asking for something new to report for this oil after two years of a very flat market. The information that we had heard in December turned out to be true, with the snow in Yunnan affecting production. The snow, plus buyers bidding up the price and the Chinese New Year closure are creating a 'snow ball' effect which is inflating the market price rapidly.

Ginger oil, Chinese

At the end of last year our colleagues in Shanghai reported to us that very high pesticide (Aldicarb in particular) residues were being found in ginger roots. Some measures taken by the authorities may have partially removed some of the affected ginger, but we still recommend being vigilant when purchasing the oil. The price of oil is already firming as the market responds to the expected shortage. We carry out a wide range of pesticide analyses on our ginger oil and welcome your enquiries.



Grapefruit oil

Demand for the juice is fickle and it is this that makes sustainable growing of grapefruit difficult. As the driver for the processing of the fruit, weak demand for juice results in little oil production. Prices for good quality pink and white oil are firm with no sign of relief.

Jasmine absolute

In Egypt a large proportion of the local production is contracted in advance to the main French processors, and in view of the poor quality of the flowers this year, we anticipate firmer prices.

Lemongrass oil, India

We expect steady market prices to remain until the new season starts in around three months time.

Lemon oil

Processing of Italy and Spain's crops is underway, however we see no relief for prices given the small percentage of total world production (approx. 10%) they account for. In addition to the impact of the freeze in Tucuman we reported last time, high temperatures and drought over the last two months is likely to have exacerbated the situation. The extent of the damage is not yet clear however we see little chance for prices to come down through 2014, with the strong possibility of further increases.

Lime oil distilled (Key lime)

In our previous report we wrote about the factors affecting production in Mexico (HLB & civil unrest) and Peru (HLB). Although material from Peru will start to ship shortly, they do not have the volumes to make up the shortfall in Mexican material, nor any incentive to offer price reductions. Huanglongbing (HLB), also known as citrus greening disease is an insect vector borne bacterial infection of citrus and closely related species. There is no cure with trees having to be removed to prevent further infection. Fruit from infected trees is small, poorly coloured and of no commercial value. The juice is high in acids resulting in an abnormally bitter taste. Even when the new Mexican crop comes on in April/May we expect prices to remain firm.

Orange oil/d-limonene/orange terpenes

The Brazilian season is almost finished, with most large processors having closed their plants in the middle of January. We understand that plants in Itapolis, Matão and Limeira did not operate this season at all as a large portion of the crop was abandoned in a bid to prop up prices. Some smaller plants will continue to crush fruit however we are told this is evaluated weekly, with the forecast for February down by 50% and no fruit expected to be crushed in March. The discrepancy between the price of orange oil and that of d-limonene/orange terpenes, which has widened due to the lack of demand from the resin industry, has prompted a recalculation of prices for folded oil and other orange by-products.



We have previously written about the low prices paid to farmers during the 2013/2014 season, resulting in a number of groves being neglected. The risk with poorly fed trees is that they do not hold the flowers and there are suggestions that the forthcoming 2014/2015 crop could be smaller than the previous. The Florida crop is currently being processed and is estimated to be slightly down on last year. We see strong upward pressure from the big players in Brazil and anticipate further prices rises through 2014.

Palmarosa oil, India

Firm price but slow demand.

Peppermint oil Arvensis/menthol natural

Usually an active market with plenty to report, however over the last few weeks activity has slowed down considerably. The end of December factory closures in Europe/USA combined with the early Chinese Spring Festival holiday has significantly reduced the demand for menthol crystals this month. Additionally, we envisage that the new source of synthetic menthol will have taken significant market share, particularly amongst the biggest users who appreciate stability of price, further contributing to the large carryover that remains in India. Peppermint oil arvensis and derivatives are affected in a similar way. The low prices have created a sense of apathy from buyers, who are playing a waiting game. The prices are staying flat for most mint products, only moving up and down daily in correlation with the exchange rates. With the sowing season approaching, in view of the depressed prices, it is unclear how much the farmers will decide to plant this year.

Peppermint oil Piperita

The market remains unchanged from early December. Sowing has started once again, and over the forthcoming months we will be monitoring how much acreage has been dedicated to piperita cultivation this year. We have written previously about the risk of Piperita being extended with Arvensis and would suggest buyers ask their supplier about the steps they take to detect and avoid this.

Pepper oil black, India

We have conflicting news on the production situation. The pepper 'spice' market is large and because there are numerous and extended producing regions across the globe, each local producer can only give us a limited view of the market. Our main origin for the oil is India and at present during the off season, the raw material is short and consequently highly priced but the new season is approaching and we anticipate lower quotes in the next 2-3 months.



Petitgrain oil Paraguay

There is very little oil available at origin as the season has been very slow starting due to heavy rainfalls during the last quarter of 2013. It seems likely that farmers will expect to be paid higher prices for the oil as an incentive to focus on the Petitgrain Paraguay crop. Production should be ongoing now but this needs monitoring carefully.

Wintergreen oil

Very limited quantity offered from China . The price is likely to remain steady for the foreseeable future.

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:

Angie Flay
Skype: angie.flay.dma

angie.flay@demonchyaromatics.com
Tel: +44 (0) 1202 620 888

Sally Gill
Skype: sally.gill.dmt

sally.gill@demonchytrading.com
Tel: +44 (0) 203 1708 354

Marek Bogucki
Skype: marek.bogucki.dma

marek.bogucki@demonchyaromatics.com
Tel: +44 (0) 1202 620 888

Henry Gill
Skype: henry.gill.dmc

henry.gill@demonchy.cn
Tel: +852 5361 7574

Philippe Caumont
Skype: philippe.caumont.dmt

philippe.caumont@demonchytrading.com
Tel: +44 (0) 203 1708 353

Kris Yao
Skype: kris.yao.dmc

kris.yao@demonchy.cn
Tel: +86 (0) 21 6289 7588

