

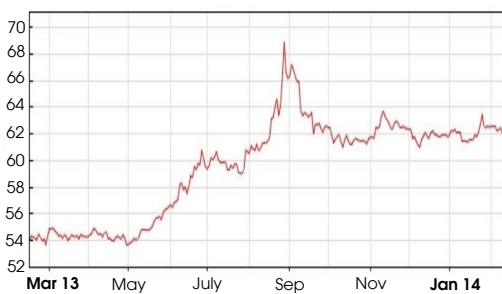
March 2014 Market Report

China

The first quarter is always a busy one for domestic flavour and fragrance companies in China, and this is reflected in increased demand for essential oils and aroma chemicals following the New Year celebrations. Pollution is not a new topic however the government does now seem to recognise that something has to be done and quickly. Expect more instances of factory closures, particularly of those located in proximity to major cities or producing unpleasant waste products without adequate treatment facilities.

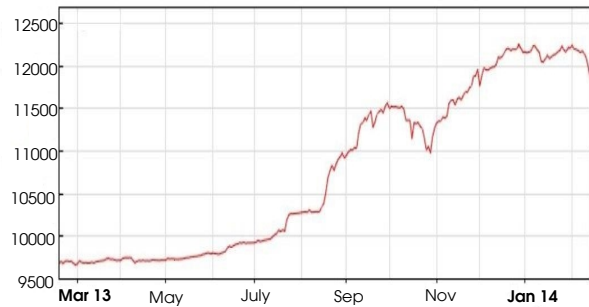
India

The mint market has been very static recently however over the last four days we have seen renewed buying activity from China pushing prices up a touch. As we enter the new season (it is sowing time now), it is interesting to see that just on the basis of the currency exchange rate, we can expect prices to start about 15 % lower than last year.



The Indian rupee looks stable now at around 62 INR to the US dollar, having weakened over the last 12 months from about 54 INR in February 2013. There was also an abnormal peak in August 2013, up to 69, which some buyers may have been lucky to benefit from.

Indonesian Rupiah versus US Dollar



Indonesia

The foreign exchange graph for the Indonesia rupiah is also quite informative; it does in part explain some of the price drops in our products over the last twelve months. The rupiah has weakened by over 23 % since mid February 2013, although it shows a few signs of strengthening as we compile this report.

British Essential Oils Symposium

Following the success of last year, the BEOA is organising its second one-day symposium at Wyboston Lakes Centre on April 11th. There will be expert presentations on Spearmint oil, English Essential oils, American Citrus oils, Cedarwood oil, Egyptian oils + some fun network time followed by a gala dinner. The door is open to all, so we look forward to meeting you there. For more information and registration you can contact philippe.caumont@demonchytrading.com or secretariat@beoa.co.uk



Citrus

We wrote in our last market report that citrus oil prices are on the move upwards and their supply looks set to become more complicated through 2014. As a key supplier of citrus ingredients, they naturally form a large part of our report this month; if however you should like further information please don't hesitate to contact us directly - details can be found by clicking [here](#).



Aniseed oil/anethol natural

The market for aniseed oil has remained largely stable for the last twelve months and stagnant in a low price range, a situation that does not look likely to change. However, how much effort farmers will put into harvesting this spring remains to be seen and this could change the dynamic.

Cassia oil

As we have highlighted in our reports previously, the market for this oil is in fact two, split between the traditional and the new production methods. These should be considered separate, as the oils cannot be used interchangeably. For equivalent volumes, quotes from origin may differ in price by over 15 percent currently. Supply of old method material has been limited over the last few months however the new spring crop is now not far off.

Clove Leaf oil

We see a 'chronic' reduction of the demand for the Madagascan crude oil in face of the competition from the rectified quality clove oil ex Indonesia; at present the on-going wet weather in Indonesia is pushing the local price of oil up. One to keep an eye on.

Coriander Seed oil

The market has suffered from not only a reduced crop last year, but also from some clear profiteering by one exporter who managed to get hold of most of the available stock within Russia. The Ukrainian production has not been sufficient to fill the vacuum. Irrespective of the reasons, the high prices are here to stay until the summer when the new season's oil will start arriving on the market.

Eucalyptus oil globulus

There was a slow down in production during the weeks leading up to the Chinese New year holiday. In addition, the snow and cold weather has affected the trees and meant lower arrivals from the farms to the factories in Yunnan province.

Eucalyptus oil radiata

This is a fairly recent addition to our product list. The market has been steady over the last twelve months but demand has picked up recently and supply is slow to fulfill clients' requirements.

Garlic oil Chinese

Until the new season oil reaches us in the third quarter of this year (we assume there will be at least some production), users have only two options; either pay the high price for oil from last year's production (very limited), or carry on buying the low quality oil that has been stocked in variable conditions since 2008. Blending of the two seems likely and buyers should beware.



Ginger oil Chinese

Whilst there is not a direct connection between the two, the spice market can be a useful guide in determining demand and price for the corresponding essential oil. The price of ginger roots has been increasing for some time now, reaching record highs, and thus priority is likely to be given to the trade of ginger roots. We expect the price of the oil to continue to firm.



Grapefruit oil

The situation for grapefruit remains unchanged, with limited availability of material due to weak demand for juice. The USDA is forecasting the 2013/2014 crop to be 9% below that of last year. As a result offers, on grapefruit derived nootkatone are currently hard to come by.

Lemon oil

The supply situation from Argentina is insufficient and we can expect the situation to remain this way for the next twelve to eighteen months. Limited parcels of Spanish oil are being offered at very high prices. Whilst the lemon crop from Sicily represents less than 10% of the global production, it nevertheless is eagerly awaited, however expect it to be priced at a premium to Argentine material.

Lime oil Mexican distilled (Key lime)

Over the last twelve months there has been an on-going battle raging in Mexico, between vigilante militias, formed as a result of federal inactivity, and a drug cartel called 'Knights Templar'. This cult-like gang has taken over much of Michoacan's economy, demanding protection payments from, amongst others, lime growers and packers. At the end of last year they imposed a per box payment on lime pickers, most of whom earn less than USD15 per day. The federal government then declared the ensuing shortfall a 'lime emergency' (consider that limes, alongside avocados are enormously important exports for Mexico), whilst failing to acknowledge the true cause. Pickers in Tierra Caliente, the main growing region in Michoacan, tell a very different story, where they say limes are falling to the floor due to a ban on lime sales by the cartel. We understand that these vigilante groups are now operating side by side with the army in Michoacan, and in recent weeks, scored a modest victory by gaining control of Aspatzingan, a vital trade hub for the region's lime and avocado farmers. Whether this is truly a step forward remains to be seen, as it has been suggested that some of the vigilante groups have been infiltrated by rival cartels seeking to gain a foothold in Michoacan. Add into the calculation the problems HLB is causing lime growers in Mexico and it is not hard to understand the recent price increases. We expect prices to remain firm whilst we wait for the new crop and in the meantime hope an element of calm will come to Michoacan.

Litsea cubeba oil/citral natural

Our producers at origin appear to have sufficient stock on hand, despite a below average harvest last season. The dry weather in Hunan and Yunnan provinces last summer had a detrimental effect on the trees, meaning fewer berries came to maturity. These in turn yielded less oil with a lower citral level. The demand for citral natural and litsea has reduced over the last few years and as a result the market has remained stable.

Nutmeg oil

In local currency the price has hardly changed in twelve months in Indonesia but it has weakened in US dollars or Euros.



Orange oil/d-limonene/orange terpenes

Production in Brazil has now finished. The availability of oil for sale now seems limited, due to a smaller crop and also possibly deliberate stock retention by the processors. The next season starts in June and although early, the forecast figures for the next season are not as pessimistic as previously announced as there has been some improvement in the weather lately; the most recent field survey would currently suggest a reduction of 10-15% on last year.

Patchouli oil

The prices of all qualities are in a lull at present, partially due to the currency factor but also slow demand. The farmers however, are now demanding more money for their oil which may cause the market to move up once again.

Peppermint oil *Arvensis* India

The sowing season is currently underway and the first reports received from India are that the acreage does not seem to have reduced much from last year. Barring some inclement weather in the next four months, we can anticipate a similar crop to last season.

Peppermint oil *Piperita*

The sowing of *Piperita* mint starts a few weeks earlier than *Arvensis* and is now finished. The processors that we work with in India advise a small reduction in the acreage allocated to *Piperita*, but as there is good carry-over from 2013, we expect there will be a similar volume of oil available this year. As with every season, the menthofuran level in the plant, which greatly influences the price level, is at the mercy of the weather for the next couple of months.

Tea Tree oil

Demand has picked up and the arrivals from China and Australia are becoming fewer and more expensive. Unfortunately there is no sign of relief in the near future.



Aroma Chemicals

Aroma chemicals, both synthetics and naturals, account for over 50% of our product range. Given their importance, we have decided to introduce a section dedicated to updates on their supply situation. We hope you will find this makes our market report even more useful. Of course, if you have any suggestions for how we could improve, please do let us know.

The citral stream

Over the last six months, as we have seen the newest source of synthetic menthol ramp up production volumes (as well as a shift in emphasis towards vitamins from the same company), the necessary diversion of citral has resulted in not only a shortage of this material in the market, but also all the related downstream products. These include linalool, linalyl acetate, geraniol and citronellol. There are of course other producers of these materials, however with the market so heavily influenced by the decisions made at Ludwigshafen, pricing is clustered tightly together. In spite of the shortages that exist in the market, we are well placed to offer on these items and would welcome your enquiries.

Alcohol C8

The global alcohol C8 shortage has been a problem for just short of a year now and is projected to last through 2014 if not longer. It is impacting pricing for hexyl cinnamic aldehyde, aldehyde C8 and recently has started to impact C10 alcohol, as well as C6 alcohol. Alcohol C8 is also the starting material for aldehyde C-14; factories have already responded by putting the price up

and they advise longer lead times than before. Although the starting material is different, we have heard suggestions that factories producing both aldehyde C-14 and aldehyde C-18 may look to balance some of the increases they need to pass on across both items.



Cis-3-hexenol synthetic

Long dominated by one company, in recent years the market has become accustomed to having two suppliers, each with a slightly different price:quality mix. Recently however we have become aware of a third source marketing product, albeit only discreetly thus far. We have yet to see a sample however are told the quality is as expected. The price indications we have heard are perhaps the most interesting part, although again we have nothing concrete yet. An important item and so one that many should be keeping an eye on.

Valencene & nootkatone

We have touched on the difficulties of finding offers for nootkatone ex grapefruit currently and with demand for grapefruit juice remaining flat, we see no sign of an increase in availability of the oil any time soon. Offers for nootkatone ex orange terpenes can be found however. Valencene prices look set to rise, hand in hand with those for orange essence oil. Contact us for offers on both.



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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