

April 2014 Market Report

The Easter holidays this month have disrupted trading activity and transport of shipments around the world, and the various public holidays in May will only add to this further. For details our office opening and closing times during May, please click [here](#).

BEOA Symposium

On Friday April 11th the British Essential Oil Association's second symposium took place. The event was very well attended by both local members and visitors from overseas. Industry experts delivered several highly informative presentations, and overall the event was extremely successful.



The citrus presentation fuelled the discussions on current very poor supply situation from South America, Mexico and the USA. According to our reports from origin, the bullish trend for most citrus oils is likely to persist for much of the year, and in some cases longer still.

Russia & Ukraine

As a report that covers the commercial activity within our industry, we are not going to comment on the human crisis occurring in Ukraine, nor on the legitimacy of the changes taking place.

Our contacts in the region advise that the economy is in chaos and the likely duration of the conflict unknown; given this, they cannot see how any import-export trade can be resumed. With many of the products traditionally grown in the region already in short supply, the market outlook does not look promising.

India

The general election is taking place now and will run over the course of several weeks as it moves around the country. To some the results are a foregone conclusion, and the Rupee's recent strengthening is as a result of foreign capital pouring into India's stock and debt markets on the back of the promise of a stable government should the opposition BJP come to power. As we write the Rupee has gained over 3% since January, which excluding the Indonesian Rupiah makes it the best performing Asian currency. It is being suggested that up to US\$25 billion could flow into local markets, driving the Rupee to 57-58/\$.

China

Since the beginning of the year, the RMB has reversed course, weakening by 3.3% to 6.25/\$. No one seems to be entirely clear what the PBOC is thinking, but what is safe to say is that managing China's economy is becoming increasingly difficult.

Citrus oils

Lemon, lime, orange and grapefruit are all following an upwards trajectory; lemon and lime in particular appear to be attempting a record-breaking run once again, almost outdoing each other in the speed of their price increases. The fundamental reasons behind this have been covered in our previous reports already. The price hikes and the lack of fresh fruit to the general public are now making headlines in publications outside of our industry; apparently mojito and gin & tonic prices are going up! The situation is unlikely to improve for several months.



Coriander oil

The market is set to remain very firm until the new in the summer, and one needs to keep an eye on further developments in the Russia/Ukraine situation, which is likely to impede the production and marketing of this product.

Davana oil

Davana prices are at present 25-30% up from two months ago. Stock levels are very low and the new crop is still a few weeks away. The present forecast for the crop size is pessimistic, with estimates putting it 25% smaller than last year.

Eucalyptus oil globulus

Yunnan province suffered a harsh winter with snow storms and heavy frost in January damaging trees and killing the leaves. The resulting lack of raw material for distillation means offers are hard to get from origin; when made, prices have risen by around 10%.

Ginger oil Chinese

The new crop of ginger root coming out now will not be turned into oil until the end of the year. Last December production of oil was 20-25mt, much lower than in previous years which typically average 40mt. This material has largely all been pre-sold now, hence the firming market price. There is unlikely to be any price relief until the fourth quarter of this year.

Lemongrass oil Indian

The new crop is due out next month, which may help the price level decrease, notwithstanding the expected strengthening of the Rupee.

Onion oil

The crop in India is expected to be poor, leading to an increase in global demand for the bulbs and thus reduced production of natural onion oil. A useful, price competitive alternative is synthetic onion - please contact us should you like to learn more about this product.

Pepper oil black

Prices on the market are strong and still firming due to the Indian crop being down by around 30-40%. Local spice traders are buying what they can from other origins. The second Sri Lankan crop due now is said to be poor and most this pepper is going for oil and oleoresin production in India.

Peppermint oil Arvensis/Menthol crystals natural

With the exception of the BASF fire mentioned later in our aroma chemicals section, there isn't much to report currently, as the crop is in the field for another two months yet. The winter has been longer than normal and as a result, the harvest is expected to be two to three weeks late. The carryover however is large and so there is little concern over availability. This year, if the monsoon is on time there could be some plant damage, as not all the harvest will have been completed. It is anticipated that the price gap between menthol and dementholised peppermint oil will continue to narrow.



Sandalwood oil Sri Lanka

Recently an article appeared in a local Sri Lankan paper mentioning a well know exporter, who was being investigated by the authorities for the fraudulent export of sandalwood oil labelled as cinnamon bark oil. The export of sandalwood oil from Sri Lanka is banned due to its protected plant species status. Special permits are required to collect the wood and these are extremely hard to obtain.

Wintergreen oil

There is virtually no material at origin and the market is desperate for the new crop oil to arrive, especially after low production in 2013. Prices are likely to remain firm for the next few months.

Aroma Chemicals

In our last report we wrote about the general tightening in supply of citral-related products over the last six months. The fire that happened at BASF's Ludwigshafen plant on 12th March, and resulted in the company declaring Force Majeure on all citral-based aroma chemicals as well as Vitamin A and Vitamin E products, further exacerbated the situation, leading to severe shortages worldwide. BASF made a further announcement on 15th April advising that they were lifting their declaration of Force Majeure. It remains to be seen how long it will take for material to filter down to the various users; BASF write in their press release that "product supply will normalize within the framework of delivery lead times and respective inventory levels". Our view is that it will be several weeks yet and even then we expect certain less strategically important materials, such as linalool, citronellol and geraniol, to continue to be short as greater emphasis is placed on higher-value added products. De Monchy Aromatics distributes on behalf of Renaissance LLC in mainland China - contact Kris Yao for further information.

Vanillin EU natural ex Turmeric

EU natural vanillin produced from curcumin (which is extracted from turmeric) is expected to increase in price by approximately 15% due to a reduction in the acreage dedicated to the crop. Contact us for an offer on this material and many other EU natural products.



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

