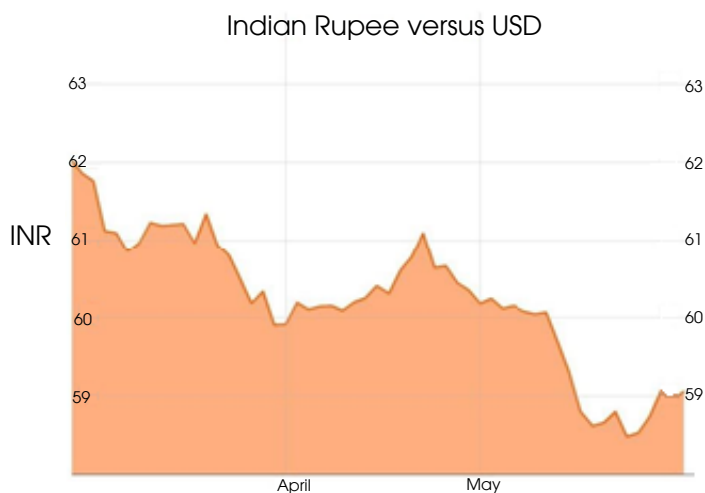


June 2014 Market Report

In Europe, May is perhaps the most disrupted month for business owing to the numerous public holidays, and it is for this reason we have waited until June to issue our report. In the last two weeks we have had the World Perfumery Congress in Deauville, France and The British Essential Oil Association AGM in London.

India

After a long election process, Modi's new government is now in place and the world of finance and industry is responding well to the news, as is reflected in the strengthening of the Indian rupee (INR) against most international currencies. Below is a graph representing the rapid fall of the US dollar against the rupee - note the sharp drop when the election results became clearly predictable.



The rupee continues to get firmer and is now hovering around INR59:USD1. Some analysts have suggested a level of INR55 in the months to come. We have noticed that prices for exported goods are already becoming more expensive.

El Niño

The threat of an El Niño event this year is very real, with many countries across Asia and the south Pacific making preparations. Sea temperatures are now rising in a manner consistent with previous El Niño years, with an increase of one to two degrees above normal throughout the Pacific; along the South American coast this is closer to a two to three degree increase. In 1997/98 it is estimated that the effects of El Niño across Asia resulted in the deaths of over 24,000 people due to weather related events. Extreme weather conditions around the world over the last nine months, such as the numerous typhoons in and around the Philippines, and the winter polar vortex over north America make the prospect of an El Niño event even more daunting this year.

In Australia:

Official predictions are of a 70% chance of El Niño happening this year. The outlook for rainfall in late winter across the country has been described as poor.

In Indonesia, Malaysia and Philippines:

The governments are asking farmers to plant early. Water management contingencies are also being planned.

In China:

The worry is that floods will wreck the rice and grain crops in southern regions while bringing drought conditions to the north.



Coriander oil

Some users are already looking at the new summer crop with the intention of contracting forwards after a very difficult last twelve months. As the dispute between Russia and Ukraine is not yet fully resolved, it is unclear how much product will be available and how readily it will be exported. Furthermore, there remains the risk that Russian exporters will try to manipulate the market once again this year. In spite of the positive talks between the Presidents of both countries around the D-Day remembrance services, the recent shooting down of a Ukrainian military transport plane has prompted the Ukraine to request fresh sanctions are levied on Russia by the west.



Davana oil

The harvest is now finished and the figures are very poor; the farming area for davana is fairly localised and within this area some farmers report a 70% reduction in their production. The price of this oil has more than doubled in the last six weeks.

d-limonene/orange terpenes

A small price increase due to a slight increase in demand, nevertheless prices remain attractive and well below the traditional level seen. As a result, folded orange oil looks expensive against historic prices.

Eucalyptus oil globulus

For the last three years the price has been fluctuating in a very narrow range and barring a brief increase during the heavy snowfalls China experienced over the winter, appears to be stable still.

Ginger oil Chinese

The market price is still firm at origin with no sign of improvement in the near future.

Grapefruit oil

Amongst all the citrus products, grapefruit oils (both white and pink) appear to be stable currently after earlier price rises.

Lavender oil/Lavandin

There are no reports so far of adverse weather in the various growing regions but next month we should have more accurate updates as the crop will be close to harvest time.

Lemon oil

This year's Argentine crop is as predicted; the freeze of last July has hit the crop hard, reducing the amount of lemon available for processing, with the shortfall expected to be over 40%. Since the beginning of this year Argentina has also lost its GSP status in Europe, adding 7% to the import prices. Processors in Spain and Italy have responded with similar price increases. The supply situation for lemon oil is likely to remain very difficult until next year when the new Argentine new crop comes out. The present high market price is likely to carry on climbing.

Lime oil

The difficulties in sourcing both cold-pressed or distilled lime oil remain. Over the last few months the price has tripled and does not seem to have stopped rising yet. The situation may however be slightly better than for lemon.

Nutmeg oil

A firmer rupiah, a decrease in supply and stronger demand is sustaining the global market price. The higher myristicine content oil is somewhat harder to come by.

Orange oil

Orange oil prices seem likely to rise although we believe these will be moderate; the market is aware of the smaller 2013/14 crop figures from Florida, down by nearly 20% however it is the Brazilian processors, who appear to have a target price in mind, who as ever are leading this.



Patchouli oil

The news from origin is bullish. The first issue is that the 'lower' grade material from Java is still not well accepted by the industry. In our experience customers continue to have a strong preference for the higher patchoulol material, however this is somewhat harder to source currently.

Petitgrain oil Paraguay

There has been insufficient production by farmers during Q4 2013 and Q1 2014; there is now no free stock at origin, and no expectations that the production will restart until July-August. The market price is reaching new highs and continues to climb.

Rosemary oil

The first batches from the new north African crop are coming out now but the news is not good. The price is similar to the levels seen at the end of the last season, when the oil was scarce. In Tunisia the production, we understand, is somewhat chaotic and in Morocco we have heard that the military is presently occupying some of the mountain regions where the wild rosemary grows, hampering collection efforts. If the collection does not start soon, the season will have passed. The overall volume is likely to be less than last year and prices are expecting to keep rising by another 20%.

Wintergreen oil

Several customers are patiently awaiting the new crop oil to come out. For the time being the price tag of the few parcels in stock is high but the market price ought to drop with fresh oil arriving in the next month or so, unless the demand is stronger than anticipated.

De Monchy Aromatics News

Last month the London office of De Monchy Aromatics relocated to Colchester, Essex, as our building in Fenchurch Avenue, London is planned to be demolished to make place for a new tower. The contact telephone numbers are unchanged and we look forward to receiving your enquiries as usual.

A team from our head office in Poole recently travelled to China to partake in supplier factory audits, in compliance with our BRC and quality policy.



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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