
August 2014 Market Report

There was some slowdown through July due to Ramadan and we expect this to continue now that we find ourselves in the August holiday period. Nevertheless there is still plenty of business to be done and your De Monchy team are ready to help you; with so much ongoing turmoil in the supply of several products, including but not limited to lemon, lime, patchouli, coriander and rosemary, buyers need to be alert to sudden changes in the supply situation.

Clary Sage oil

The situation is complex, with different factors affecting the various producing regions. There will be more demand for the French clarysage oil as the result of the potential scarcity from Russia and Ukraine as the situation there continues. There is little Chinese origin material available in the market currently and new crop material will not appear until September. However it is worth pointing out that the composition of Chinese clarysage oil is too different to be a straight replacement for other origins.



Clove Leaf oil

It is currently the dry season in Indonesia, which is when the leaves are collected for distillation. Whilst this is already underway, it is not yet able to fulfil the demand from the eugenol manufacturers, who also have to rely on additional material from Madagascar. The stronger Rupiah is however beneficial to their import costs. For the moment the oil prices on the international market remain stable.

Coriander oil

The news from Ukraine and Russia is that the crop is typical in size but the very unstable political situation confuses the market, and concerns are being raised about the supply of goods during the next few months, depending on how the crisis develops. It is not yet known how much oil will be produced and actually exported, or how much has been presold, in particular to the spice market. This season, we hope that there will not be a repeat of the speculative action taken by one of the Russian exporters as seen last year.

Eucalyptus oil globulus

We have seen a slight price increase over the last couple of months and this looks like it will be sustained. Heavy rains in the producing areas are hampering farmers' efforts to collect material for distillation to the crude oil. We expect this situation to remain at least until the weather improves. It should also be pointed out that the CNY's appreciation since mid-June will exacerbate this further.

Geranium oil

The price for Chinese origin material is currently stable to weak as the production season is now on however we have heard reports of a marked reduction in crop size from last year which could change this.



Egyptian exporters are looking to increase their prices as they face perpetually increasing production and living costs. Nevertheless our sources at origin announce that for a second year in a row the geranium harvest there is plentiful and farmers/collectors are already sitting on carry-over stocks from last year. Demand will be the main driver as to the direction of the market.

Ginger oil Chinese

The market price is firm as the production costs and raw material prices continue to increase. As the quantity available in the market continues to decrease we expect the price to continue to creep upwards.

Lavender oil

Our colleagues in Bulgaria are telling us that the yield of this summer's crop is down by 20% due to heavy rainfall. This has also had an effect on the composition of the oil. The market price is firming up from this origin.

The volume of lavender oil production from France is forecast to be 'normal', however this year there is hardly any carryover stock from the previous season. We expect the price to stay firm if not go up. In spite of a severe reduction in the area under cultivation, the biggest problem from China is not availability of material but gaining access to it given the violence and tensions that exist in Xinjiang province. We will have further information on this product in our next report.

Lemon oil

In the last twelve months much has been written about the difficult supply of lemon oil. The situation is still dire. Argentina the largest producer is suffering from last year's crop failure followed by another poor crop this year. USA lemon producers are in the same boat. The European and South African production volumes are on the whole larger than normal, but they cannot make up for the overall deficit of fruit and global lack of oil in the market today.



Lime oil

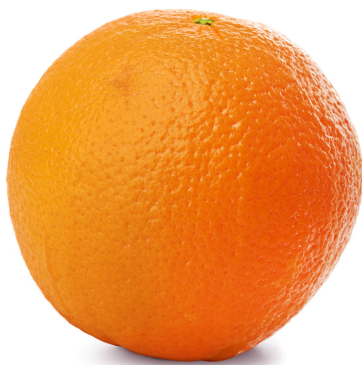
The large beverage companies' demand for lime oil currently cannot be met, leaving the market extremely short. We still feel that the medium term prospects for lime look better than for lemon and, as a result of this the market price has stabilised, albeit at a very high price.

Nutmeg oil

Price and production is stable, but some poor quality batches are coming on to the market. Nutmeg oil is no longer a product with uniform quality parameters being traded at a standard market price. Buyers should pay attention to this when considering their supplier.

Orange oil/d-limonene

The 2014-2015 harvest in Brazil is in progress but there is much confusion and conflicting news about the supply situation of orange oil. Some figures show a potential 5% increase in volume of fruit which is positive but from other sources we understand that an earlier drought and greening will lead to a reduction in fruit in the citrus belt of São Paulo/south of Minas Gerais, the consequence of which is that a large producer is closing one of their processing plants this season. Irrespective of the contradicting data received from the fields, we believe that the key to the price of oil this year will be dictated by the need to press oranges for juice consumption. It appears that the present reserves of juice equate to over three months of the global demand. With no signs of an upturn in juice consumption we anticipate on-going reduced volumes of the by-products. No doubt there will still be, as the story unfolds in the next few months, much to write about the supply of orange oil and d-limonene.



Patchouli oil Indonesian

Renewed demand combined with a poor crop is pushing the market up. We know how very volatile the patchouli market can be and the signs are that the present price trend is firmly on an upwards trajectory - one to keep an eye on.



Peppermint oil Arvensis/menthol

In the previous report we wrote about the weather effect on the crop this year. The monsoon rains are indeed much lower than previous years, (20 to 40% down) and the lack of rain is affecting summer crops now in the fields (rice, corn, sugar cane, soybean and cotton). However for peppermint arvensis the harvest season was close to finishing and the peppermint fields have escaped any damage. The mint market is now remarkably flat, the stocks at origin are good and the rupee continues to trade within a narrow range around USD1:INR60; in our view it is a buyer's market for these products!

Petitgrain oil Paraguay

As a result of floods earlier in the year, the supply situation will remain tight for the next few months until the Paraguayan farmers start redistilling again in October/November, when the weather is typically more clement.

Rosemary oil

As previously advised, the supply situation is poor in North Africa, specifically Tunisia and we see no sign of this easing until next year. Spanish oil will be more in demand and thus we anticipate a firmer market ahead.



Sandalwood oil

From most origins the supply is becoming more difficult and the general market price trend is upwards. Limited quantities are available out of Australia and the Sri Lankan government is now putting more effort into stopping the illegal export of Sandalwood products.

Alcohol C8

As the starting material for a raft of fine chemicals, the continued shortage in the market has a major knock-on effect in the availability of items such as hexyl cinnamic aldehyde and aldehyde C-14. Scheduled shut-downs by a major alcohol C8 producer of their plants in the USA and Germany, and delays in starting these back up, have only made matters worse.

Citral synthetic

Material is more readily available now however lead time from origin is in excess of two months currently.

Ethyl Vanillin/Vanillin

Prices continue to defy expectations by falling yet further. We question how sustainable these levels are given the pressure manufacturers are under.

Gum turpentine/CST

Prices of gum turpentine are at a low currently with significant carryover and the new crop approaching. Whether this will remain the case into 2015 is not clear with increasing costs and growth in demand forecast.

CST or crude sulphate turpentine production volumes are very closely linked to the softwood paper industry, for which consumption of end products is declining globally. Also we have seen CST prices in Europe firming in recent months. CST forms the starting material for the linalool family of products that DMA offers in mainland China.

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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