

May 2015 Market Report

Over the last few months the volatility of exchange rates, in particular that of the US Dollar and Euro, has resulted in some very confused commodity markets. We have witnessed considerable variation between quotes at origin and spot - in some cases buyers have been able to benefit from lower priced, older stock locally, whereas in others the replacement price from origin shows increases ranging from 10-30%, solely down to the effect of currency. As we write the Indian rupee is hovering around a 20 month low against the US dollar.

In addition to issues of currency, a number of products have moved significantly (both up and down) in the past few weeks and months, including but not limited to eucalyptus, eucalyptol, petitgrain Paraguay, lemon and orange along with their derivatives.



Cassia (*Cinnamomum cassia Blume*) taken in Luoding, China. October 2014.



Cassia (*Cinnamomum cassia Blume*) before distillation. October 2014.

Aniseed oil China star

Aniseed Star, as a spice, has some medicinal qualities which are valued in China and so the oil production will depend on the demand for the spice locally. With demand weak at the moment and the new season starting this month, the price at origin remains low, at least for the time being.

Bay oil

There is considerable demand for this oil and hardly any availability. The poor weather at origin has been the main reason behind the lack of supply.

Cassia oil

No major change in the supply of material from China. The weather has been clement and producers expect a good first harvest.

Citronella oil

We see higher prices coming from China whereas offers out of Indonesian are consistently more competitively priced.

Clove leaf oil Madagascar

The news is bullish with this campaign's production now largely over and the stock of oil smaller than usual. This latest crop of buds has been quite profitable for the farmers, earning them sufficient money through the winter to mean they now have little inclination to collect and distill the leaves.

Coriander seed/leaf (herb) oil

The Russian and Ukrainian crops will be in July/August. Until then the supply situation will remain dire. There are a few drums available on the market but quoted at particularly high prices. We are in a position to offer on some quantities of leaf oil currently and invite your enquiries.

Davana oil

Over the last six months it has been extremely difficult to secure any reasonable quantities of material. To the relief of many, the season in India has now started and offers are being received. Demand is however quite firm and the quotes from origin vary from one producer to the next.

Eucalyptus oil globulus/eucalyptol

We hear of a definite shortage of material in China. The market is bullish for the moment which leads to further speculation and stock retention.

Ginger oil Chinese

The local market price is up but not the export price which remains stable due to slow demand. Nonetheless one to watch.

Lavender/lavandin oil

It is still too early to predict how the crops in France and Bulgaria will be - the situation will become clearer next month.

Lemongrass oil India

The price remains firm but stable.

Lemon oil

The general feeling is that the market will weaken despite the attempts of some producers, especially in Argentina, to talk the market prices up. Italian and Spanish producers appear likely to have good crops. The Argentine harvest, due in May/June, should prompt a correction in the market after the inflated levels seen last season.



Lime oil

Although the pressure is somewhat off the lime market, the trend downwards in price is, we believe, limited. Peru's crop for distilled key lime was approximately 65% of what is considered normal and it remains too early to get a good feel for the situation in Mexico. Even in the event of a good crop there, it is still unlikely that processors will discount prices much more as juice prices are currently low. Prices for expressed key lime still look high but should be followed closely.

Mint India

Both crops are still in the fields - the mentha piperita harvest, delayed due to earlier inclement weather, will start imminently. It will be followed by the mentha arvensis harvest.

Mentha piperita

Reduced carry over volume, as a result of good demand in the last few months, has pushed the price at origin up slightly. However it is too early in the campaign to get worried about the price, particularly when the rupee is depreciating against the USD. We will be monitoring the harvest and barring any issue with the weather (such as an early monsoon) the season is likely to echo that of last year.



Mentha arvensis

Ahead of the start of the harvest we see the smaller producers in particular putting forward bullish arguments for price increases, such as a possible global increase in demand for natural menthol, or a late start to the season thereby pushing the harvest closer to the monsoon. At this stage there is no fundamental reason for a price increase and it may yet ease when new crop oil arrives in large volumes on the market.

Neroli oil

The blossoming this April in Egypt has been poor and the overall crop is down by 30%. We are still awaiting news from Morocco and Tunisia.

Orangeoil

The market price has risen drastically (50% increase) in the last few months. The new season in Brazil starts in earnest in June/July, so presently we are between seasons with very little stock on offer in the market or at origin. The forecast for the new season is poor because of a severe drought that affected the Sao Paolo region during the blooming period. The overall quality of the oil has consequently worsened, resulting in mostly low aldehyde material (0.8-0.9%) being offered.

Petitgrain Paraguayoil

Exporters at origin are still catching up on existing sales contracts that they have struggled to fulfill over the last several months. Recent more favourable weather in the producing area is allowing distillation to carry on, which we hope will result in improved supply to the market.

Rose oil

There is rarely much carry over available at origin - any that is left tends to be with larger processors as the smaller producers sell quickly for cash flow reasons. The rose harvest started in the south last week with the valley beginning approximately one week later. The weather is currently very hot and if this continues the forecast is for a moderate yield, probably below last years.

Wintergreen oil

There is no prospect of lower prices this year. The new crop oil will not be available until July/August and there are many buyers waiting for it.

Aroma Chemicals

Elevated levels of monitoring and factory shutdowns continue to be commonplace in China, particularly in the wake of a major explosion at a chemical factory in Fujian province last month.

Citral natural ex litsea cubeba

The market for citral natural remains firm with little sign of relief until the new crop in July/August.

Ethyl Vanillin/Vanillin

Demand is being met easily and prices are currently attractive and appear stable.

cis-3-hexenol synthetic

Following the introduction of a third source, this material, along with its corresponding acetyl ester, is now truly a commodity item. Currently there appears to be a spread of prices, with the newest arrival to the market taking an extremely aggressive approach. Prices are now 50% below where they were ten years ago.

Nootkatone EU natural

As the availability of grapefruit oil continues to worsen, so too does it for nootkatone from this source.

We have now presented our nootkatone EU natural ex biotransformation at the BSF Table Top in Amsterdam and Flavour Horizons 'FlavourTalk' in Singapore, both of which were hugely successful and well attended events. For those of you who weren't able to attend, we've created an infographic to help explain how this process differs from existing sources - this can be viewed by clicking [here](#).

Good progress continues to be made on the final scale-up phases and we still anticipate being able to begin sending out commercially representative samples in the first half of June along with price indications. It remains our intention to have full scale production in place by August when we can begin shipping commercial quantities. If you would like to receive a sample, do please contact us via the details provided on the following page or on our website.



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:

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

Philippe Caumont
Skype: philippe.caumont.dmt

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

Alex Voynov
Skype: alex.voynov.dma

alex.voynov@demonchyaromatics.com
Tel: +44 (0) 1202 620888

Henry Gill
Skype: henry.gill.dmc

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

Kris Yao
Skype: kris.yao.dmc

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

