

# August 2015 Market Report

We are now in the main holiday period in Europe which has an impact on the overall activity in our industry, although we should perhaps enjoy these last few days of relative calm before the IFEAT storm.

## China

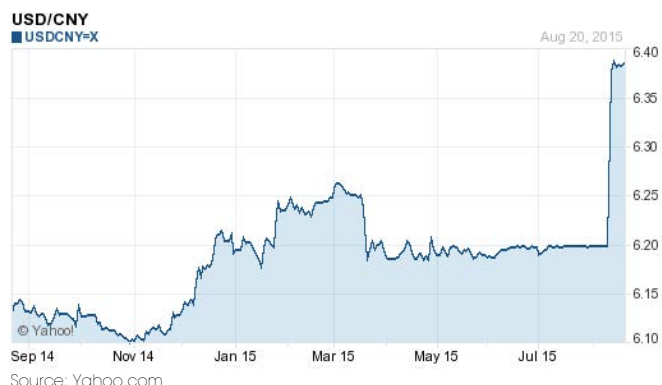
Tragically two weeks ago a large explosion at a dangerous goods warehouse in the port of Tianjin resulted in the death of over one hundred people, with several hundred more injured. Numerous smaller explosions followed in the days immediately afterwards, and a change in the wind direction along with confirmation of the presence of sodium cyanide has prompted the evacuation of thousands. Our thoughts go out to all the families affected by this terrible tragedy.

In response we have seen the authorities immediately tighten up on all aspects of dangerous goods storage, domestic transportation and export. Warehouses all over the country are being inspected for non-compliance and deliveries are being held up as a result.



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English (Roman) chamomile under cultivation in the UK



Also in the news recently is China's currency (and stock market) volatility – over the last ten years we have become accustomed to the Renminbi's appreciation against the US dollar (amongst other currencies); whilst there have been some small reversals along the way, the depreciation seen over the last two weeks seems to have caught many by surprise. The reasons given for this are many and varied, but in any case the prices for exported goods have fallen already in response.

## Europe

During the last few months the financial markets have been quite nervous because of the perceived lack of commitment to the Euro zone by the Greece, and consequently the euro has been quite volatile. The most recent news might offer some temporary appeasement to the market for now.

## India

The Indian rupee remains weak against the US dollar (which has strengthened over the last few days) and so prices offered for export remain in check.

## Tunisia

We were all shocked by a second terrorist outrage taking place in Tunisia and once again our thoughts are with the families affected. It is terribly sad that we have to consider such events when writing a market report like this. Unfortunately however, with tourism representing approximately 20% of GDP, it is inevitable that the economy will dip, with repercussions in the industrial and agricultural sectors. Neroli, rosemary, artemisia and pennyroyal amongst other products will possibly face some shortages if not price hikes going forwards this year.

## Aniseed oil China Star

Offers are currently competitive and steady from origin.

## Bay oil

Demand is firm and material is in short supply as a result of earlier rains affecting production at origin.

## Cassia oil

The bulk of this year's second harvest in China is coming to an end. The volume is as expected, keeping the price stable although it is not very profitable for the farmers and processors due to increased labour costs. A weakened RMB will no doubt be appreciated.



Chamomile Roman cut and ready for collection.

## Chamomile oil Roman

The chamomile Roman crop is starting this month, but the predictions are that the crop will be smaller than previous years and thus that the price will increase forward.

## Coriander oil

The harvest is taking place in Russia, Ukraine and Crimea now however the political situation remains unsettled. Additionally the quality of the early seeds being harvested is poor, resulting in a complex market for coriander. Our prediction is that once again the spice market will receive most of the seeds and there will be a lack of raw material for the oil production later on this year.

## Eucalyptus oil globulus

Prices are steady to firm at origin due to the current rainy weather preventing farmers from distilling. During our summer there is also typically an increased demand from the pharmaceutical industry starting to manufacture the usual cough and sore throat medication for the winter. The price will possibly ease once production restarts in China.

## Eucalyptus oil Radiata

Still much in demand and still in shortage.

## Ginger oil Chinese

Quotes from origin are stable in part due to steady demand and a weakened RMB.

## Lavender oil

The production in China this year was small; France is expecting a good crop however figures are still unknown. A very good yield is expected from Bulgaria this year.

## Lime oil

The situation in Peru is that some factories have already closed due to the lack of fruit and the low price of oil. The market is bearish, with growers worried about a strong El Niño effect causing flooding and severe disruption to the crop. There is the possibility however of a surge in new fruit by October.

In Mexico, fruit are coming through but the season is tailing off. The next harvest will start towards November/December.

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### Orangeoil Brazilian

The new season started one month late due to the severe drought last year in the state of São Paulo. Orange processors are indicating that they expect to produce 20 to 30% less than last season; the oil yield and aldehyde level is also poor as a direct effect of the drought.

### Peppermint oil arvensis Indian

The harvest has now finished and the overall volume produced is possibly a bit higher than last year, despite earlier suggestions that the acreage allocated to mentha arvensis was down by nearly a third. Local speculators have pushed prices up by creating an artificial shortage, but levels of material held by the MCX are at a historical high so this strategy will likely start to unwind. However since the news of a good crop has spread on the market, buyers are in no rush to cover their requirements forward – we note that Chinese buyers have also reduced their purchases this year.

### Peppermint oil piperita India

This year the overall production will be smaller than previous and prices have increased on the European market. We are waiting to hear the volume from the second cutting which took place in July, although we already know that the percentage of menthofuran is lower than last year's.

It is likely that this season in India piperita oil will be heavily cut with fractions of arvensis because of the price differential. The pessimistic news heard from American mint growers this season could mean good news for Indian exporters.

### Petitgrain oil Paraguay

Little production takes place during the winter months of July and August when the plants can be damaged by frost. There is very little stock available at either origin or in Europe. We expect to see some production again by late September.

### Valerian oil

Again this year, demand far outweighs that of production

### Wintergreen oil

Demand is still firm however material is now arriving on the market - buyers are reluctant to place orders immediately though as prices are still at last year's high level, resulting in a waiting game.



### Nootkatone EU natural ex biotransformation

New technologies never behave quite as you expect them to and, being a commercial world first, the biotransformation of valencene to nootkatone has been no exception. It has taken us longer than we anticipated to get samples out to our customers but we are now finally in a position to do so. If you have already registered interest in seeing a sample, this will be sent out to you within the next ten days. If you haven't contacted us yet, or can't remember, please feel free to send us an email using one of the links on the next page. We continue to make progress on scaling production up and anticipate having commercial volumes available for sale by December. Follow us on Twitter @De\_Monchy\_Group for further updates as we bring this exciting new technology to market.

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# Talk to us

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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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