

March 2016 Market Report

Global Macro Market Update

USA

The dollar continues to be firm against most currencies despite concerns about the domestic economy earlier this year. It is reported that the Federal Reserve is likely to raise interest rates in the months to come. Financial analysts are still predicting that the dollar will remain steady and that the USA will see moderate growth of its economy.

Europe

The Euro is still staying firm even against the USD but mentions of possible quantitative easing might change this present trend.

EUR/USD 90 Day History



UK

The weakness of pound at present is beneficial to exporters but it makes US dollar priced commodities more costly to import.

The future trend of the pound is somewhat uncertain due to a referendum in June regarding British membership of the European Union. Present predictions as to the direction of the GBP tend to be politically driven, therefore we cannot truly forecast how a possible exit of the EU would impact on the economy.

GBP/USD 90 Day History



China

The People's Bank of China has been weakening the Yuan against the USD in order to bolster exports but at the same time the Chinese authorities are looking to strengthen the Yuan in order to prevent capital exiting the country. Economists are predicting a continuous weakness of the Yuan in the coming months.

USD/CNY 90 Day History



India

The trend of the Rupee has been a downwards slope since the new year regardless of the tentative interventions from the central bank, but the Indian economy is one of the strongest on a global basis at present.

Black pepper oil Indian

Stable market as the availability is good this year.

Blue Chamomile Oil

In the past 5 months demand for Blue Chamomile increased considerably. As it stands today there is limited availability around Europe and the market price will continue to rise until the new crop is available. Depending on the origin harvesting takes place between June-October.

Cassia oil

The price of this material has seen no major change over several months as Chinese exports have been stable. Decreased demand in 2015 has seen prices soften, but this may not last as this has slowed down production limiting supplies to the market. Prices are expected to remain relatively stable throughout the early part of this year.

Clary Sage Oil

The market price for Russian and French quality is very unstable and demand for both qualities is high. The availability of Russian Clary Sage is currently very limited and there is very little coming out from Russia or Ukraine. European stockholders are likely to keep their prices up until new material becomes available. The new crop that in May.

Clove leaf oil

The dry weather in Indonesia last year has enabled large volume of leaves to be distilled, which was reflected in a stable market. In Madagascar this winter however, the harvest of buds has also been good. This will have enabled the farmers to make sufficient cash giving them little incentive to start the production of leaf oil this spring. There may be a lower supply but we will keep an eye on the market.

Davana oil

We understand from our producers at origin that most of the crop will be harvested by late March – early April. Some delay in sowing, because of too much rain at the end of 2015, has led to a late onset of the season.

Subject to the weather staying clement in the next few weeks, the volume of oil this year should be higher than last but it is too early to comment on the yield or the quality of the oil.

Eucalyptus oil globulus

The market prices of several essential oils seem to have increased after the Chinese New Year break, eucalyptus oil being a prime example. Lack of raw material and speculation are blamed for the 10-15% price rise since January.

Ginger oil

Most of this material is produced in the Chinese provinces of Anhui and Shandong. Problems relating to quality arise during the storage period (3-6 months) during which there can be some changes to the colour and odour. Suppliers in China often overcome these issues by blending to the customer's requirements.

Prices have started to rise slightly due to shortages in the supply chain; most producers are manufacturing to order, therefore sudden increases in demand will result in price increases of around 5-10%. We foresee a small increase in production over the coming months which should help to ease supplies.



Grapefruit oil

There is a definite shortage of good quality oil being received from processors currently. The latest report from the USDA sees a reduction to 10.5 million boxes, down 300,000 boxes since January's report. The result of this ongoing bad news is continued upward pressure on prices and we see no chance for relief in the short-term.

Lemon oil

What is clear is that the crops from the various European producing countries are poor. Spain's latest data indicates a 35% reduction in crop to 710,000mt, down from 1.1 million mt in the previous campaign (14/15). This is attributed to the reduction in fruit size caused by the lack of rain, high temperatures and early start to the harvest. The situation is further exacerbated by a dramatic reduction in the volume of fruit being sent for processing (down by 75% to December).



Dry weather in Sicily has severely impacted fruit size, with one report describing them as looking like 'golf-balls'. Indications are that the crop will be anywhere from 30-50% smaller than a normal crop.

Although not a processor, Turkey is nonetheless a significant grower of lemons (number 4 or 5 in the world). A recent USDA report indicates a crop of 668,000mt, down from 725,000mt last year.

Fortunately, the situation is more favourable in Argentina, with a large crop forecast and a pro-market President now in office. Juice prices are reported as being steady in spite of the shortages in Spain and Italy. Whether this continues to hold true for oil is uncertain and we recommend taking some short-term cover.

Lime oil Distilled

Although there is some variation in pricing from different processors in Mexico, availability appears to be good currently and our forecast is for this to continue in the



medium term. We understand that the large buyers of material are covered (possibly overstocked). Peru's crop is reported as being slightly lower and demand for fresh fruit is firm. The possibility of El Niño having a detrimental effect on crops in both Peru and Mexico should not be ruled out. There would be no harm in taking some cover at this stage.

Lime oil Expressed

The Mexican crop looks good as early rainfall has been sufficient and hurricanes in the Pacific have not hampered production. The crop in Brazil is reported to be bigger than last year's, having also benefited from rainfall in the main growing regions in the latter half of 2015.

Mandarin Oil Italian

The unusual weather in 2015, namely the warm dry conditions in Italy, has led to scarcity of fruit on mandarin trees. Increasing costs to harvest and cultivate fields has held back plantation of new trees. There is likely to be a rise in price for Mandarin Oil due to this decline in production.

Orange

We reported towards the end of last year the rapid increase in pricing for orange oil, orange terpenes and d-limonene from all origins. Processing in Brazil has now come to an end, with the final harvest figures reported as 295.36 million boxes, 1.6% up on the previous season. Unfortunately, much of the fruit is from late blooms which tend to result in poorer quality fruit, with lower juice and aldehyde levels.



The USDA's report issued on 9th February sees a further fall in Florida all orange from our last report (69 million boxes down from 74 million). We previously wrote of demand in the USA leading Europe for the first time in many years and this appears to have continued. We do not see any opportunity for relief until the new Brazilian crop in July, however with a strong El Nino bringing heavy rainfall to the growing regions of São Paulo and Triângulo Mineiro, the outlook should be considered uncertain. Additional cover for 2016 may not be a bad strategy in the longer-term.

Palmarosa oil India

It is now the start of the season. There are still some stocks from last season at origin, so we do not anticipate much increase in the market price unless we receive any negative news as the crop progresses.

Peppermint arvensis /Menthol crystal India

The market in India is still more sluggish than normal due to a low demand from China where the slowing down of the growth of the economy is being felt.

The sowing of peppermint took place during January and February. We understand that the farmers have been encouraged to plant as much, if not more, than last year. Bar any adverse weather conditions in the next few months it is anticipated that the crop will be larger than last, especially as some of the growers will use a newer type of peppermint plant with a high oil yield which has been trialled last season.

Peppermint piperita India

Similar to the arvensis peppermint, the activity on the market is slow-moving and it appears that there is still sufficient stock at origin to wait until the new season.

Petitgrain oil paraguay

There is no change in the direction of this market; it is still going up as the supply is increasingly difficult. Exporters are drip feeding the market with whatever volumes they are able to purchase from the farmers. The weather has been the main reason behind the low production; the continuous

rains hamper the production by making the access to and from the farm distilleries very difficult. February has seen diminished rainfall but production is still restricted and there are still difficulties gaining access to the farms in some areas. There is no expectation that the situation will improve much especially as farmers will now also concentrate on other crops.

Tangerine oil

Good quality oil is increasingly hard to come by. There is now a US\$10 spread between 'good quality' Dancy and 'standard' material. Florida's tangerine crop is forecast to be 38% smaller than last year, however, overall figures for the USA show a nearly 10% increase and as a result pricing appears to be stable currently.

AROMA CHEMICALS

Delta lactones

There are some smaller factories in China which have started production of these materials, which is driving prices down in the market.

Gamma lactones

There is no major change on the market and it is expected that prices will remain stable for now.

MCP

Production of this material was down in the run-up to Chinese New Year but is now returning to normal. This means prices are going down compared to what we were seeing at the beginning of this year.

Raspberry ketone synthetic

Factories are facing much tougher regulation from the Chinese government for the production because of the amount of pollution generated. As a result, the major producers of this material are slowing production and are giving long lead times to their customers. This is a trend that is expected to continue, with lead times from the factory being in the region of 60 days.



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:

United Kingdom

Sally Gill
Skype: sally.gill.dmt

sally.gill@demonchyaromatics.com
Tel: +44 (0) 203 1708 354

Philippe Caumont
Skype: philippe.caumont.dmt

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

Alexandra Kelly
Skype: alexandra.kelly.dma

alexandra.kelly@demonchyaromatics.com
Tel: +44 (0) 1202 620888

Ben Dawson
Skype: ben.dawson.dma

ben.dawson@demonchyaromatics.com
Tel: +44 (0) 1202 620888

Asia

Henry Gill
Skype: henry.gill.dmc

henry.gill@demonchy.cn
Tel: +852 53617574

Kris Yao
Skype: kris.yao.dmc

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

Eastern Europe

Marek Bogucki
Skype: marek.bogucki.dma

marek.bogucki@demonchyaromatics.com
Tel: +48 883 262 853

