

January 2017 Market Report

We would like to wish all our readers a very happy and prosperous 2017. We all look forward to working with you again this year.

On the 1st of January the GSP regulations have changed and several categories of products from a few countries have lost their GSP status: the prices of some imported goods, especially from India, will automatically increase by a few percent.

China is preparing to celebrate the New Year which falls this year on January 28th. The festivities will disrupt the trade for a fortnight around this date. Some products may become short during the next month or so. Additionally the prices of several essential oils are going up mainly due to climatic reasons, while many aromatic chemicals have increased costs due to various production restrictions imposed by environmental laws.

The citrus market is still very bullish and uncertain. Orange oil, terpenes and d'limonene are traded at historical highs and the prices of most of the other citrus oils are also very firm.

At the beginning of this year in Europe, Brexit is very much an ongoing hot topic of discussion as the triggering of article 50 is said to be planned by the end of March. Brexit gives the politicians the opportunity to be in the limelight even more than normal, exchanging a profuse amount of outlandish arguments and rebuffs. The media are also

adding fuel to the fire from all sides. Behind the scenes, the industrial and commercial community get on with planning sensible steps towards a continuation of the trade as usual within Europe and with the rest of the world.

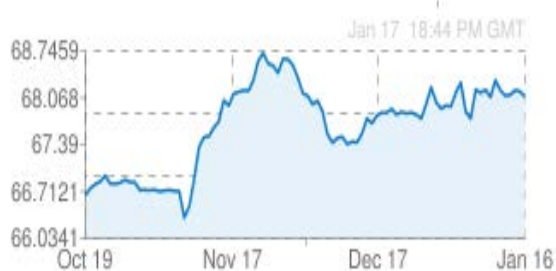
In India, as previously reported, the sudden demonetisation in November of the high value notes has had repercussions in the trade and has interrupted the supply of some raw materials. The situation is somewhat improving as more of the new bank notes are becoming available, but it still leave some of our markets in a state of confusion.

USD/EGP 90 Day History



Egyptian products are all getting firmer this year as the rate of exchange has doubled over the last twelve months, the production costs are up too, due to the reduction in the governmental subsidies for petroleum and a strong inflation, and the majority of information received is that the economic situation will become worse during 2017.

USD/INR 90 Day History



ESSENTIAL OILS AND EXTRACTS

Aniseed oil china

The farmers have been unhappy by the low financial reward in growing Aniseed for years and are progressively abandoning this product. Local demand is up, pushing the export prices up.

Bay oil West Indian

The production is limited to one small island in the Caribbean and the passage of hurricanes last year has devastated the production facilities all over the country. Most of the production units are small and have been destroyed. Since then, the farmers have concentrated their efforts in rebuilding their houses and have obviously focused on food crops rather than the production of essential oil.

We heard that the government had allocated some funds to the cooperative in order to help small producers to restart their distillation. Much of the equipment needed to be rebuilt or replaced. The money has been allocated therefore the production has partially restarted but there is still much more to do. There is a very high demand for Bay oil with several unfulfilled contracts. It will take many months for the price to ease again.

Several customers have opted for our bay oil replacement product wherever it was compatible with their own formulations.



Cassia oil

The news from origin is depressing. The autumn harvest is finished; we understand that there is less raw material available and that it was traded locally at higher prices. Although the production is ongoing, reports of below average yields could lead to higher export prices if the demand picks up. One to monitor.

Citral natural

The firmer market is a reflection of an increased demand and also the consequence of a poor harvest of Litsea Cubeba mid-2016. No expected relief until the autumn.



Citronella oil Java type

The market has been steady for the last few years but we believe that the farmers in China and Indonesia are no longer inclined to produce or dedicated to put much effort into growing Citronella as the profitability has been so low for so long. We expect a slow price increase during 2017.

Coriander seed oil

The market for seeds is growing but the market for seed oil is not. The current demand for oil is weak. The crop in Russia last summer has allowed the trend of market price to turn round; the price of oil had been on the increase for several years but in the last 6 months has gone back down to a 10 year low and is now at an attractive level. We expect that producers at origin and resellers hold sufficient stocks for the oil price to remain stable at the existing level until the new



season starts again in July 2017. It remains to see if the producers will be interested in distilling oil when the spice market appears to be an easier and more lucrative option. One to watch.

Davana oil

In India the harvest has started. A bit too early to give accurate comments on the crop size and the overall davanone contents but we will keep monitoring the supply situation. Please contact us with your enquiries.

Eucalyptus Globulus

We have seen a late start to the season, due to excessive rains. The trees have also suffered from the harsh weather earlier in 2016. Although the main harvest/production time is now on, the first reports are of lower yields and less raw material available. The Chinese New Year celebration will further disrupt the production. Resale prices are likely to stay firm for the 1st quarter.

Ginger oil Chinese

We also have to report some bad news about this oil. The availability at origin is down and the price up. In our experience we also found that there are a number of batches on offer of which the quality is poor; the odours are off and colours not in line with standards. We expect the next 6 months to be difficult for ginger oil.

Grapefruit oil

Ongoing demand in a very difficult market. Globally the stock is very low and the nootkatone levels are poor. The availability of the pink grapefruit oil is slightly better but the demand is up.

Lemon oil

The extremely cold temperatures recently recorded in the Mediterranean growing regions are a source of worry for the citrus growers. For the time being the global market price is high but thankfully remaining stable owing to the good size crop from Argentina last year.

Lemongrass oil

Patchy reports from origin as some processors seem to be more successful than others in getting oil from the farmers. Overall the supply at origin is so far just sufficient enough to respond to the increase demand but the price trend is somewhat firmer.



Lime oils

The pressed quality is in good demand and the supply is limited, the price is remaining firm. The production of the distilled quality has improved, especially from Mexico which has stopped the rise of the global price. The market is now anticipating to stabilisation, even possibly reduced depending on demand.

Mandarin oil

The current crop from Sicily is poor however the good harvest in Calabria is helping to alleviate the shortage. The production of green mandarin is positive however this has had an impact on the yield of red mandarin oil, as much of the fruit has been harvested before it has had a chance to ripen. The crop has also been affected by poor weather with heavy rain in November/ December and continuous rainstorms which have had a detrimental effect on the fruit. Southern Italy has had an unusual cold front in early January 2017 causing damage to the fruit due to the freezing temperatures.

Orange oil

No good news to report : the harvest and processing is still going on in Brazil but the crop is poor, prices for the oil , d-limonene and terpenes are very high with little prospect of going down. The Florida crop forecast is also very low, close to last year's figures. During the next few weeks, the Florida crop is potentially at risk from frost which would make the supply situation even bleaker.



Peppermint oil arvensis - Menthol India

More factors than usual are, and will be, affecting the market trend this year.

The sowing/transplanting period is in January-February and the amount of acreage dedicated to mint is traditionally dictated by the way the market behaved the



previous season. It is not uncommon to see high traded prices in December in India to incentivise farmers to plant more at the beginning of the year. However this time the market is in turmoil: it has been highly affected by the sudden demonetisation in early November of the high value bank notes. This has skewed the usual economics of the peppermint market which is heavily reliant on cash at the farm level. The MCX stock has been acting as a buffer for processors who were able to cover some of their needs from it although at premium prices. This monetary problem is not yet fully resolved and consequences are still being felt.

Looking ahead, the market will be further affected by the additional production capacity of synthetic menthol by BASF planned for later on in 2017, as well as the change of the GSP status of menthol which now attract a 5.5% duty on import.

Taking all the above into account, the market appears bearish for menthol and mint for 2nd half of 2017 but we have no crystal ball to foresee what the weather will be in northern India for the next 4 months and all these predictions may change if the crop is weather damaged.

Pepper oil Black, India

Market is stable as the new crop is ongoing.

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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