

# July 2017 Market Report

## GLOBAL MACRO MARKET UPDATE

### Europe

The euro has gained in recent months on improving sentiment within the Eurozone. It has been particularly strong of late as the European Central Bank said it would not cut the interest rates any further and the quantitative easing program will likely end by next year.

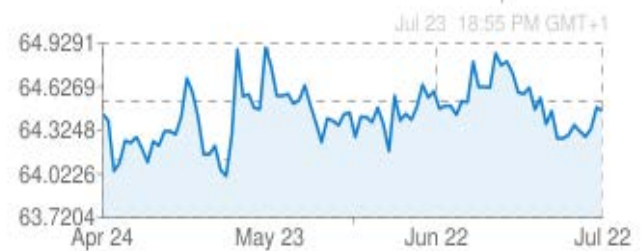
### UK

GBP has also strengthened recently, however UK growth numbers are beginning to experience a drag post-Brexit. Ultimately economic data and central banks' decisions will be the deciding factor for the currencies in the medium term.

### USA

At the beginning of the year analysts in Wall Street predicted a strong year for the US economy, but recent data has suggested otherwise. The Federal Reserve remains confident that the slowdown will be temporary and the central bank is on course to raise interest rates again later this year. The USD will be under continuous pressure as assurance from Fed members is no longer enough to support the currency without the evidence of rising inflation.

USD/INR 90 Day History



### China

The CNY has reached an eight-month high on USD weakness as well as China's efforts to clamp down on capital outflows. The yuan has also been supported by robust growth and rising foreign exchange reserves recently. It is expected that the Chinese currency will remain firm against its counterparts.

### India

The rupee is expected to weaken in the next few months as global capital inflows slow on overvalued debts and equities. Hawkish remarks from overseas central bank officials have also clouded the prospect of the emerging markets.

GBP/USD 90 Day History





## ESSENTIAL OILS AND EXTRACTS

### Buchu Oil

Due to severe droughts there is a shortage of South African oils including buchu oil from many producers. The rain was very late this year and the lack of water has caused damage to many of the crops. It is expected that material will be short in the future as it will take some time to replant in many of the affected areas.

### Chamomile Oil Roman

The heavier rainfall in May initially helped the growth of the plants following the dry winter; however the recent heat wave has caused some issues with the growth of the plants. The yield of oil will depend largely on the level of rainfall over the next few weeks.

### Citronella Oil Java Type

Due to the continuous rains in Yunnan and increased demand the price has risen and is continuing to do so. The weather is predicted to improve which will allow for larger production output but the stability in pricing will be dependent on demand.

### Eucalyptus Globulus

The market is still being driven upwards with limited availability due to low crop season in some planting areas and heavy rain in southern provinces of China. There is no relief in sight as there is not enough oil available to keep up with demand.

### Grapefruit Oil

The situation with grapefruit is even more critical with reports from Florida of even greater reductions on this year's harvest. Demand remains firm and is supporting the price levels we have seen over the last several weeks.





### Lavender Oil

The Bulgarian crop is approximately mid-way through with yields on the low side, as expected due to a cold, dry winter and disease playing a part. As for the French crop, there was a good amount of rain earlier in the year followed by hot and dry weather; harvesting started earlier than normal and is expected to be good.

### Lemongrass Oil

Prices from origin have moved up due to limited rain in the growing region affecting the quantity of plant material for distillation. As a result the availability of oil is much lower than current demand. The USD depreciating against the rupee has further pushed the price up. As we are now in monsoon season during which none of the crop is being harvested there is no relief in the short term. It is expected that the plant material available for distillation will increase after the monsoon which may help ease prices but this will again be dependent on demand.

### Lemon Oil Argentina

The news from Argentina is not good with reports of the crop being short as much as 30%. Pricing has already increased and is expected to continue upwards over the coming months. Limited carryover will only exacerbate this.

### Orange Oil

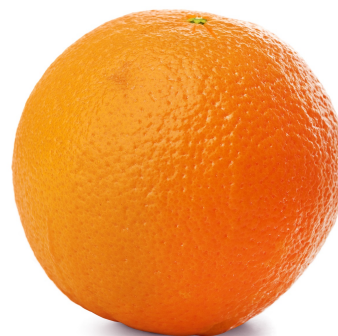
The forecast for 2017/18 is considerably better than the last season and there has been some softening in prices in recent weeks. The downside however is likely to be limited by weak juice prices and the high prices paid for fruit already, meaning once again the by-products are picking up the slack.

### Peppermint Oil Arvensis/Natural Menthol

The harvesting of the new crop is underway and it is predicted that the production will be lower than the previous crop. With not much carryover from last year there will be lower availability and we are already seeing the market moving upwards. The carryover of stocks is reducing year on year which is not helping to support a sustainable market in years when production is lower. From the 1st July the Goods and Services Tax (GST) was implemented at 12% in India on mentha oils; this is not expected to have a negative impact on the market as it will not affect exports.

### Peppermint Oil Piperita Indian

Similar to arvensis, the crop is significantly down. With only limited carryover prices are likely to be up for the remainder of this year and into the next.





### Rose Oil

The Bulgarian crop completed earlier this month and was considerably better than the last.

### Tea Tree Oil Australian

The earlier flooding in Queensland has led to the harvest starting late this year. There have been a lot of leaves being shed in the plantation areas and we are hearing reports of the yield of oil from biomass being well below the usual levels. Some areas of production are affected worse than others but it is expected that availability will remain tight.

## AROMA CHEMICALS

### Gamma Lactones

Several gamma lactones are in short supply, including gamma decalactone, gamma nonalactone and gamma undecalactone. This is down to a shortage of the starting material due to government restrictions of the production facilities; there has also been an increase in buyers for other applications. Prices have increased significantly and lead times are far longer than previously.

### Levulinic Acid

This product is in shortage now due to a recent shut down in the production of the starting material furfuryl alcohol (due to the government pollution checks). This has led to substantial price increases and lower availability from origin which is likely to last at least for the next few months.

### Maltol/Ethyl Maltol

Supplies of maltol EU Natural are increasingly tight with no new material being produced at origin. Prices have continued to move upwards and this is not expected to change in the near future until production starts up again. Volumes of synthetic maltol and ethyl maltol are still available but pricing remains extremely high, again this is likely to continue until production recommences.

### 2-methyl-2-pentenoic acid

Material is in tight supply whilst most of the factories have shut down production. Expect this to remain short for the next few months.



---

# 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

Kris Yao  
Skype: kris.yao.dmc

kris.yao@demonchy.cn  
Tel: +86 6289 7588

## Eastern Europe

Marek Bogucki  
Skype: marek.bogucki.dma

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