

October 2017 Market Report

GLOBAL MACRO MARKET UPDATE

Europe

The euro dropped to a 3 month low after the European Central Bank cut its bond buying program while extending the purchases until September of next year. With this uncertainty out of the way, we expect the shared currency to remain under pressure in the medium term due to its dovish policy and events such as the Spain-Catalonia political crisis.

UK

GBP has struggled recently despite a stronger than expected GDP growth in the third quarter. Ultimately the currency strength will be determined by the outcome of the Brexit summit. So far the EU has insisted that Britain pay the exit bill while reaching an agreement over EU citizen's rights in the UK has proven to be difficult.

USA

The dollar has recovered recently as the Federal reserve seems to be on track to hike interest rates again in December due to improving data. The USD seems to be the safer bet at the moment as there are far more complex political matters to be resolved in the Eurozone and the UK.

China

The CNY has been strengthening gradually against the USD on growth potential compared to the developed world. In recent Congress, President Xi Jinping has said that the country is focusing on reforms with Chinese customers demanding high quality products and services.



India

The rupee is expected to remain firm as stocks and bonds remain attractive to global markets. The currency has declined against the US dollar as the Reserve Bank of India intervenes in the currency markets to curb the sharp gains. The RBI has already received criticism and it may need to soften its interventionist approach.





ESSENTIAL OILS AND EXTRACTS

Aniseed Oil China Star

The market price has increased steadily over the past few months due to a low output and increasing labour costs. There is also a higher demand from the consumer market which is the first priority for the raw material. The price is not expected to come down at least until the end of the year but this will be dependent on the new crop.

Buchu Oil

Supplies are increasingly tight as very little oil remains from this year's crop due to the extreme drought in South Africa which is still continuing. The situation is only expected to become more difficult into next year due to the crop damage and high demand for new material.

Cassia Oil

Cassia has been fairly stable over the past few months; however there have been some increases due to higher labour costs and currency fluctuations.

Clove Oil Indonesian

Prices are continuing to increase due to the heavy rains which are affecting the amount of distillation that is able to be performed. Pricing is not expected to ease in the short term as the supply is not able to keep up with demand.

Davana Oil

Davana oil remains stable following the good crop from the beginning of the year.

Eucalyptus Oil

Availability remains tight with prices from origin increasing daily; the output is down substantially and the leaves are also said to be of poor quality. There is not enough product available and insufficient labour to collect the leaves with the recent heavy rainfall only exacerbating this issue. It is possible we will see some relief after the Chinese New Year holiday.

Grapefruit Oil

The situation with grapefruit has become even more critical following the damage to the Floridian crop from hurricane Irma. Global supplies are only getting tighter with price levels at record highs.





Lavender Oil

The lavender market has become difficult following the reduced crop from Bulgaria with prices continuing to increase and low availability of material. France has chosen to match prices from Bulgaria.

Lemongrass Oil

The market price is still increasing due to the level of demand; the next crop is in December but is not expected to meet demand as the local consumption is very high. The quality of grass being harvested is also poor.

Lemon Oil Argentina

The market remains firm following the reduced crop from earlier in the year.

Litsea Cubeba Oil & Citral EU Natural

The price of litsea cubeba oil has increased significantly in the last couple of months following the poor crop from the summer. The new crop is reported to be down 30-40% as, due to the heavy rains, the grass was not able to grow well and the yields are low. The quality of the oil is also reported to be poor with citral measuring well below the usual levels. Because of this far more material is required to produce the expected purities of citral EU natural leading to a spike in pricing which will continue to increase.

The price is not expected to come down at least until the next crop which will be next summer.

Orange Oil

The fallout from Irma has led to a quick increase in global prices, reports of reduction in the total production has caused global panic in spite of the expectation that the increased Brazilian orange production would alleviate the shortage. The relief that was expected is not going to be as much as first thought and prices are expected to remain high for the coming months.

Peppermint Oil Arvensis

The mint market in India is becoming firmer against all expectation and is around 35-40% up since the start of the season. Until the new sowing starts early 2018 we can expect the trend to remain unchanged; traditionally when the price of mint is firm it encourages farmers to plant more. We will not know where the price will go until the 2018 harvest starts and this will depend on the weather and crop condition in the fields during the next spring. We understand that there is very little carryover stock from last season and ongoing demand from China; these are two factors that put pressure on the market. At origin any new lot of crude mint oil is promptly taken up by processors which indicates that they have pending export contracts to fulfill. We understand that a move by the MCX is also limiting short-term availability as the stock is physically being transported from one location to another. Mint derivatives' prices are consequently increasing



Peppermint Oil Piperita

The situation is similar to that of the *arvensis* with the price continuing to increase and low availability of oil.



Maltol/Ethyl Maltol

The prices for maltol and ethyl maltol are still very unstable with some further factories shutting their production; prices have increased further due to the additional demand. The situation with EU natural maltol has not improved as the production in China is still shut-down. Global supplies are becoming scarcer and at present there is no firm indication as to when the production will restart.

Methyl Cyclopentenolone

The major factories have ceased production of MCP in favour of other more high-value products. Material is available but the prices continue to increase.

Vanillin/Ethyl vanillin

Prices currently sit in the middle of typical limits for both products. The duty free allowance for ethyl vanillin into Europe has been used up which prompted an increase earlier in the year.

AROMA CHEMICALS

2-Acetylpyrazine

The price of 2-acetylpyrazine has doubled in recent months due to a cease in production and at the moment there is no material available from China. At present it is not clear when the production will resume.

Cis-3-Hexenol/Cis-3-Hexenyl Acetate

There has been a sudden increase in price and tight supply of these materials following the production shut down of one of the main producers.

Levulinic Acid

Against original expectations, the production of levulinic acid has not yet started. Prices are continuing to increase whilst availability of material is low.

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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