

# January 2018 Market Report

## GLOBAL MACRO MARKET UPDATE

### Europe

The euro ended the year on a high as the eurozone has shown some resilience in its recovery. The decision by the European Central Bank in its last meeting to keep rate cuts on hold has also fueled the ascent of the common currency. The focus will now turn to the exiting of quantitative easing altogether this year.

### UK

The British pound has recovered nicely in 2017 despite the concerns over Brexit and the markets remain upbeat as upcoming growth data is expected to be strong. Analysts expect sterling to continue its rally due to ongoing regional growth in the EU and the UK. While the Brexit negotiations will provide headwinds for the UK, the consensus is that the Britain can avoid a hard landing when it leaves the European Union.

### USA

The dollar has struggled relatively against its major counterparts despite the Fed being on track to raise the interest rates several times this year. The question remains whether the number of rate increases is enough to support a higher greenback as most of the hikes are already priced in.



The USD has lost much ground in 2017; the currency looks to remain under pressure unless inflation accelerates which would lead to higher interest rates in the future.

### China

The Chinese yuan has strengthened against the weak USD in the past year. We expect the yuan to gain against its counterparts in the medium term as China continues to deliver stronger economic growth compared to the rest of the world. The yuan has gained significant international recognition and it looks to continue the path to becoming a free-floating currency.

### India

The rupee had risen close to 6% against the U.S. dollar in the past year and has been supported by strong inflows into its capital markets. The outlook is good for the Indian economy however it remains to be seen whether the Reserve Bank of India will intervene in the currency markets to curb the Rupee's sharp gains.

GBP/USD 90 Day History





## ESSENTIAL OILS AND EXTRACTS

### Aniseed Oil China Star

Prices from origin have increased gradually over the past few months, the environmental restrictions on production and increased labour costs being largely responsible. The size of the winter crop will dictate where the market will move in the next couple of months, we expect to have a clearer picture in the next month or two.

### Buchu Oil

The situation is critical with virtually no material on the market; most South African producers are unable to offer new material until the next crop.

### Eucalyptus Globulus Oil

Prices are continuing to climb with no relief in sight, it was thought that the market may ease from November/December 2017 due to new leaves being gathered but this is not the case as demand continues to be high. The production figures are expected to continue to decrease with many producers not being able or willing to offer material.

### Ginger Oil Chinese

Availability of material remains tight, restrictions on the distillation imposed by the Environmental Protection Agency has meant that farmers are not able to process enough material to meet demand. The price is expected to continue to increase.

### Grapefruit Oil

The supply situation remains critical with very little material available and prices at historic highs.

### Lemongrass Oil Indian

The supply situation has recently become critical as there is very little oil available in India. There has been no harvesting or distillation over the winter period so no new material being produced; there are also additional pressures on the available oil as a source of citral in light of the current global shortage.

### Lemon Oil Argentina

The market appears fairly stable for the time being, however there is expected to be little or no carryover from the last crop which will put pressure on the 2018 crop towards the middle of the year.





### Litsea Cubeba Oil/Citral EU Natural

The low availability of synthetic citral has hugely exacerbated an already unstable market following the poor litsea crop from the summer. We are seeing some prices of natural citral from origin at double what they were in early 2017 with increases occurring on a daily basis. No relief is expected in the short term.

### Mentha Arvensis/Menthol Crystals

Prices were already high following the poor crop from the summer and cash flow issues in India, however BASF declaring force majeure on certain citral related products has wreaked havoc on an already unstable market. There are limited stocks of menthol and prices are moving up daily; arvensis prices have also increased dramatically with very low availability.

### Mentha Piperita

For the past few months mentha piperita has been more stable than arvensis, however material is becoming increasingly tight and we are now seeing regular increases with poor quality oil being offered out of India. We will know more over the next couple of months when the new sowing starts; the increasing prices may encourage farmers to grow more but for now it is too early to tell.

### Tea Tree Australian

There was a spike in pricing following the flooding in NSW in 2017 which caused a

substantial drop in the production of tea tree oil. The price remained fairly stable going towards the end of 2017, however due to the pressures on the limited stocks available from origin the market is firming. There is going to be very little carryover into the next season so the price is likely to continue to rise into the next crop season.

## AROMA CHEMICALS

### Citral synthetic and derivatives

Following BASF declaring force majeure on certain citral and isoprenol derived aroma chemicals in late October, many products are now in global shortage with any available volumes being traded at a substantial increase in price.

### 2-Acetylpyrazine

The production of 2-acetylpyrazine has not yet restarted and we are seeing offers in excess of \$300/kg for the very small amounts of material being traded within China.

### Levulinic Acid

The supply situation is critical as the production of the raw material has yet to recommence; only relatively small volumes of levulinic acid are available at origin with the price now nearly double what it was in early 2017.

### Maltol EU Natural

The production in of China is still on hold with no firm news as to when it is expected to restart.



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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:

## 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 (0) 21 6289 7588

## Eastern Europe

Marek Bogucki  
Skype: marek.bogucki.dma

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