

November 2021 Market Report

China's Energy Crisis

Coal prices have increased dramatically in recent months as a result of the global shortage and, as electricity prices are under strict control by the Chinese government, this has meant that coal-fired power plants made significant losses leading to them reducing their output. As China relies on coal for more than half of its power this has led to a major power shortage and nationwide power cuts.

In order to prioritise domestic supply, the government started restricting the electricity supply in many provinces which has resulted in many factories having to significantly reduce their production or close completely. Compounded with the existing major global logistics issues, many products are now in short supply and more are expected to follow.

ESSENTIAL OILS AND EXTRACTS

Aniseed Oil China Star

Prices are at an all-time high as a result of ongoing supply issues at origin, with many producers currently unable to offer.

Cassia Oil Chinese

Prices remain high due to low output from the spring crop and no carryover from previous years. The autumn crop will begin this month, however as this is substantially smaller than the spring crop it is not expected to offer any relief to the market.

Eucalyptus Oil

Prices have been stable at a relatively low level for some time due to weak global demand. The winter crop season is approaching and there is an expectation that the low pricing could mean that producers decide to reduce their production, leading to a shortage of crude oil.

Lemongrass Oil Indian

The market has been very difficult this year; relentless rainfall during the main crop season hampered harvesting as the lemongrass had no chance to dry out. This also impacted yields and resulted in low citral levels.

Stock of good quality oil is in extremely low supply and prices for any available material are continuing to increase.

Lime Oil Distilled Mexican

Prices have moved up further due to a combination of poor weather conditions, high fresh fruit prices and short production. The





current global logistics issues are also not helping the situation.

Litsea Cubeba Oil/ Citral EU Natural

The market remains short as the 2021 crop was down significantly; as there was no carryover from last year prices shot up. The market remains very firm for both products and with very limited volumes being offered prices are continuing to move upwards. The situation is expected to worsen as the next crop will not begin until next summer.

Orange Oil/d-limonene

The market remains very firm for orange oil. Availability is limited, particularly for high aldehyde grades, and demand is very high which has put additional pressure on available stocks.

D-limonene pricing has not increased at the same rate as the oil; the significant price gap has meant that prices for folded qualities have increased substantially.

Wintergreen Oil Chinese

The market has been extremely short for several months; there was limited production in 2020 due to an extended period of low

pricing, discouraging producers from distilling the oil. This was further exacerbated by a shortage of labour. Stocks of pure & natural oil sold out in a matter of months due to high demand, and the only material remaining was identified as adulterated with synthetic methyl salicylate.

New oil from this year's crop has finally entered the market but prices are sky high after such a long period of unavailability.



AROMA CHEMICALS

2,3,5-trimethylpyrazine

Supply is tight, particularly for rectified quality as this additional step is only undertaken by a limited number of factories, one of which has been temporarily closed due to an explosion at the end of September. Prices have increased as a consequence.

Cis-3-hexenol and derivatives

The supply situation for cis-3-hexenol and derivatives is continuing to deteriorate. With so little synthetic material on the market, the majority of the market is being fulfilled by EU natural grades which has caused prices to reach an all-time high.

With producers struggling to keep up with demand very long lead times are expected.



Beta Damascone/Damascenone

Prices for both beta-damascone and damascenone have jumped up recently due to a 15-20% increase in raw material pricing.

Furaneol/ethyl furanone

Furaneol prices are moving up and availability is becoming tight, with several factories affected by the energy restrictions and one shut down completely. This has put additional pressure on supply from the remaining producers and only limited volumes are being offered.

Ethyl furanone has already been impacted due to restricted production, however the situation is expected to worsen once supply of furaneol becomes short.

Linalool/Linalyl acetate

Both products have been short for several months due to high demand and limited production capacity. The situation has worsened in the last few weeks since some production takes place in China; this has put additional pressure on the remaining producers.

Prices have increased further and only limited volumes are available.

Maltol/Ethyl Maltol

One of the major factories in China was shut down in September due to the energy controls; pricing for both maltol and ethyl maltol jumped up overnight and remains high.

Methyl Cyclopentenolone (MCP)

Supply is tight as there are now only two factories in China producing; prices are up significantly and only limited volumes are available.

Vanillin/Ethyl Vanillin

The market remains incredibly short and prices, along with lead times, are continuing to increase.



