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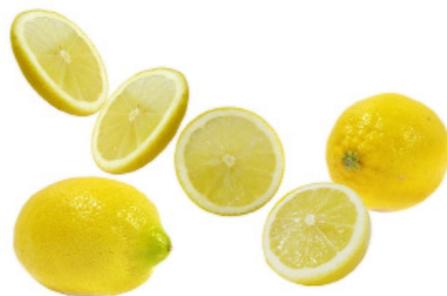
Orange Oil



In our last report, we suggested that there appeared to be insufficient supply to meet the demand for orange. Based on the continued high prices and the paucity of offers from all sources, this situation continues. Production of Valencia oranges is underway. So far, the oil we have received has been of excellent quality. Aldehydes are where

they should be. With prices at historical highs, we are hesitant to cover material without contracts to justify our inventory. At some point, probably in the fall when Orange Oil from Brazil is shipped, prices should decline. There is no way to predict whether the decline will be gentle or abrupt. Interestingly, the high price for D'Limonene reduced the demand for use in solvents. Some cleaning products made with D'Limonene are simply too expensive and cannot compete with a simple bar of soap. We suggest that you cover your needs and keep your inventory on the low side.

Lemon Oil



There is good news for Lemon Oil. The crop in Argentina is estimated to be back to the levels of 2007. There is also much better news coming from Spain. The combination of improved crops should result in lower pricing for new crop oil, which will be shipping from source this summer.

Lime Oil

Production in Peru was down this past winter. Usually, the distilled oil available in Peru provides a safety valve for availability. With the reduced amount of oil available in Peru purchasers are looking to Mexico where unusual weather has both reduced the size of the early crop in Michoacan and delayed the crop in Colima. The price of fruit has been too high to consider using for industry. We expect that production will be in full swing by June. The price will be dependant upon the price of the fruit. Our best guess is that the price of lime distilled and lime expressed will rise to some degree.



Grapefruit Oil



Based on the dwindling production of white grapefruit oil and the increasing price, we continue to see a shift from white oil to pink oil. The price spread between the two is substantial. If you normally purchase oil from white fruit and are not constrained by color, consider asking for samples of the pink oil.

Tangerine Oil

The supply of good quality tangerine oil has been less than robust which is reflected in our increased price. We suggest that you provide us with forecasts so we can set aside the inventory to cover your needs.



Rob's Crystal Ball

Recently I returned from an extensive trip to the states of Karnataka & Kerala, India where I visited many major processors. This year the market will be different from last year for the following reasons: no carryover, daily changes in market prices (indexes), informed growers who are better financed, higher wages for laborers and/or shortages of labor, alternate crops with less risk and shorter growing periods, a strong rupee against the US dollar, high crude oil prices, 18% inflation, double digit economic growth in India and neighboring countries, speculators who influence the market and supply, supply shortages due to non-seasonal rains and above all the overwhelming demand within India and in Asia.

This combination of circumstances will, to a greater or lesser extent, influence the pricing for both the essential oils and oleoresin derived from Black Pepper, Celery, Fennel, and Ginger. Our reports for specific oleoresin are included below.



Essential Oils

Citronella Java, Geranium, Eucalyptus and Eucalyptol

This group of essential oils and derivatives originating from the Yunnan Province of China continues to be subjected to a demand that exceeds supply. Eucalyptus oil, during its peak harvest time of Nov-Feb, report firmer prices in expectation of the Chinese New Year in February when the distillation stops. The smaller second crop begins production again in March-April with very limited available until July-August. Citronella oil continues to be difficult due to the lack of supply. One bright spot is Geranium Oil is finally coming off its recent record highs and returning to lower levels

Essential Oils

Lavender Oil

For the third year in a row, the crop is very poor. This, combined with no carryover oil, makes for limited supply and high prices. It is also reported that the oil content is 60% lower than previous years and that this year farm/distillation costs are at last years selling prices which has put added pressure on prices and availability. In September, we advised our customers to cover their requirements over the next 12 months to avoid insufficient supply. Recent reports, which we can confirm, are that all the existing oil from source is sold out.

Peppermint Oils

2011 is shaping up to be another challenging year mostly due to the recent high price of petroleum, record corn prices and projections of even higher prices. These factors, along with increasing fertilizer costs, are driving up the prices for almost everything associated with farming. While the weather in the Pacific Northwest is very cold, putting the crops at least two weeks behind, the water and snow pack are excellent. It is reported the US acreage is up about 5%. As always we welcome your inquiries so we can cover your needs.

Spice Oils & Extracts

Cardamom Oil

Currently, the crop is 95% complete and prices remained firm the entire season. In the coming months we will begin to get reports on the Indian and Guatemalan crops. In touring the fields in India the crops looked excellent with the growers taking good care of the plants. In October we will begin to get our reports on Guatemala and will be happy to pass them along. We suggest giving us your volumes in the next few months so we can cover your needs at the best possible time.

Cassia Oil and Natural Benzaldehyde

Price for Cassia and Natural Benzaldehyde continue to dramatically strengthen on strong demand, rumored speculative buying, and extremely limited supply.

Cinnamon Leaf Oil

The rain in Sri-Lanka did not stop for four weeks, during a time when it is not supposed to rain, making it impossible for the farmers to collect the leaves. In addition, the farmers are seeing the prices of other spices (cardamom, nutmeg and black pepper) increase in price so they are not willing to sell material and are happy to hold small stocks in expectation of higher prices. This is not only causing prices to increase, but also creating a shortage. We hope that this situation is temporary.

Spice Oils & Extracts

Clove Leaf Oil (Eugenol)

If the weather continues to cooperate and there are no volcanic eruptions, we hope for a normal crop out of Indonesia. During a recent face-to-face visit, we learned the region faces higher costs for energy and labor. Of course, continued weakness in the value of the US Dollar vs. the Rupiah is influencing prices too. These factors may somewhat offset the expected decrease in prices for clove oils. We will be sure to keep you posted as the season gets underway.

Coriander Seed Oil

In the past few months the price stabilized only to strengthen again due to bad weather at harvest and a general lack of interest to produce without contracts. This seasons August crop looks normal which should yield stable prices. We are in an excellent position to fill your needs.

Cornmint Oil (Mentha Arvensis & (Laevo Menthol Crystals)

Mentha arvensis and all the derivatives are under pressure in anticipation of the bumper crop in almost all the growing areas in India. We continue to recommend hand to-mouth buying until the new crop is realized and some stability returns.

Garlic Oil

The prices continued to increase after the poor crop last summer as we expected. In recent weeks the prices have stabilized but prices are expected to climb again with the advent of the new crop and high global demand.

Nutmeg Oil

While the US dollar has strengthened somewhat in recent weeks against the Euro, it has not strengthened against the Indonesian Rupiah, However, this is not the only factor in determining the price, Unfortunately, the cost of the nutmeg spice has crept up due to recent shortages. Moreover, the higher operating costs have risen due to recent inflationary pressure. We see firm prices going forward.

Pimento Leaf Oil

Jamica had a poor harvest due to the excessive rains which not only effect the distillation but the transportation to and from the processors. At this writing Pimento Leaf Oil is in very short supply and if hurricanes hit this fragile region this summer, it could spell disaster. At present, we are in an excellent position to fill your needs.

Spice Oils & Extracts

Star Anise and Natural Anethole

We have been advised that supplies are in the growers hands and they are holding inventory waiting for higher prices. In recent months, the price has risen contrary to our expectations. Supplies continue to be tight as aniseed is still suffering from last seasons draught. We welcome your inquires for your on-going requirements.

Black Pepper Oil /Oleoresin

World production continues to decline while demand increases. India's production appears to be down by 10-15MT (-30%). The high volatile oil content (best for extraction) Sri-Lankan pepper crop is due in May (& November) appears to be short due to weather. The Vietnam crop is predicted to be 10MT (-10%) short. Brazil is also reported to be short with a crop of 27MT (-30%) vs. 35MT last year. Indonesia is also experiencing unusual weather patterns and is sold out until the summer. The atypical weather patterns have also disrupted the harvests. In the past six months Pepper prices have increased from last year but look to be stable at present with an upward trend over the next few months. We are in an excellent position to fulfill your contract requirements.



Capsicum Oleoresin

We have been advised the crop is down 30-40% for this season. The farmers prefer to grow cotton, maize, soybeans and onions which can be harvested in half the growing time when compared to heat chilies. World demand has increased four fold in the past five years. This year, there was less acreage due to the untimely rains during the planting season and harvest. The rain also is responsible for differences in quality. At this time, it appears the flavor of material produced from this crop will be less pungent. Besides a short crop in India, there was less production in China, Bangladesh and Pakistan. Unfortunately, in the latter two regions, the crops were flooded. Our recommendation is that you cover your requirements up until the next crop in March 2012



Celery Seed Oil /Oleoresin

It is reported that 80% of the market has already been sold. The sowing of celery seed is in December-January. At present the financial return is not attractive and farmers are looking to diversify to wheat and vegetables as they look for better returns. It will be interesting to see how this market develops in the months to come. The new crop is in June.



Spice Oils & Extracts

Fennel Oleoresin

The time to contract Fennel out of the state of Gujarat, India is March/April. During this past year the prices have increased 20% due to the high inflation in India and the price hike in crude oil. The good news is the crop is the same size as last year and, in general, the prices look stable for the balance of 2011



Ginger Oleoresin

The ginger market is stable when compared to last year's instability due to tribal strife. The good news is the crops in India look better and the Nigerian market prices have come down. We recommend contracting now while supplies are available at attractive levels.



Nutmeg Oleoresin

As predicted in our last report Nutmeg/Mace are the most difficult oleoresin to source. If you haven't contracted in the past two months we suggest you take action! While the prices are already at historical highs it is estimated (due to rain) that new production in India & Sri-Lanka will not even meet the domestic demand. If this is the case, expect continued firmer prices in 2011. At present, we have covered the needs for those customers who have already contracted



Paprika Oleoresin

Similar to capsicum, it is reported that the crop is down 35-45% in India. Based on India's huge domestic demand additional material from Peru and Africa will not make up the shortfall. In India, the heavy and erratic monsoon is causing shortages and a disease called "quick wilt". On the other hand, China had a normal crop, 10% better yields but the quality remains inferior to the standard oleoresin produced in India. All of these factors leave little inventory for export and even less for extraction. We are hearing reports that high color paprika could increase another 20%-30% prior to the start of next season which begins in another 10-11 months. Our recommendation is to cover immediately. We have covered sizable quantities for our traditional customers and have heard in recent days that prices are on the rise.



Spice Oils & Extracts



Turmeric /Oleoresin

This year's crop is estimated to be 20-30% better than last year from the four major origins around the world. Last year the prices skyrocketed upwards of 300% for high curcumin. Turmeric is further complicated with the Indian exchange (NCDX) where speculators can control the release of material into the market place. Due to the lucrative prices and demand, the growers are taking better care of the plants. The recent anti-oxidant claims and health benefits to Alzheimer's patients, in addition to being a very popular spice in India, have spiced up this spice. We recommend that you contract Turmeric now.

Aroma Chemicals

Aroma Chemicals

As reported in our last newsletter, prices for many aroma chemicals continue to rise. Unfortunately, accelerating weakness in the US dollar and increasing prices for petroleum are working against aroma chemical prices. Since these factors may persist, the outlook is not favorable.

Citrus and Allied is well positioned to meet your Aroma chemical requirements for derivatives of Geraniol, Citronellol, and Leaf Alcohol. Please contact your customer service representatives for additional information and samples. In addition to our over 250 natural and synthetic chemicals we have capacity for custom distillation in our Belcamp, Maryland facility and welcome inquiries. Please contact your sales representatives for additional information.