ROB’S CRYSTAL BALL
AN ESSENTIAL OILS MARKET REPORT

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DECEMBER 2019
SELECT PRODUCTS

ORANGE

A decade ago no one would ever have believed that the price of orange oil could go up as much as it has. The notion of $4.00 for a Kilogram of Orange Oil was laughable. At $10 a Kilogram trouble was written on the wall. A sharp correction was certainly possible. In 2019, we saw the correction.

For the past few months it has been a buyer’s market for orange oil, orange terpenes, and to a lesser degree folded orange oils. If you have contracted for orange oil your company should be in very good shape. If you have not contracted in the hopes prices will fall further, our opinion is: there is a better chance you will be disappointed, rather rewarded for your patience. It is never easy to call a bottom in commodity markets but C&A believes we may have seen the bottom.

Over the past year Mexico has had an excellent crop. Currently, Mexico is suffering from severe drought along its east coast where oranges are grown. There are some reports that next year’s production will be down nearly 40%. If that happens, a lot of the global oversupply of orange oil will disappear.

Production in Brazil is dominated by very large processors who are unused to seeing orange oil prices in free-fall. According to Fundecitrus, the actual amount of orange processed in Brazil was less than forecasted. The May 2019 forecast was for 388 million boxes in total. The actual number was 368 million boxes of which 40 million were for fresh fruit leaving 328 million for processing. Hot weather in September has also reduced the amount of oranges that will be available for processing in 2020. Although it is early to make predictions, on the whole, there is probably a better chance the orange oil prices will increase by spring rather than remain steady or decrease.

LEMON OIL

Typically, one only reads about weather in a negative context. In this instance, very good weather has created an oversupply of lemon oil. Argentina’s - which is responsible for producing 50% of all the available lemon oil - good weather has amplified a trend of unexpectedly good oil yields since 2018. Argentina’s strong high yielding 2018 crop coincided with Spain’s surprisingly large crop, leading to significant carry-over inventory. By the time Argentina’s 2019 crop was being processed this past summer, the price of lemon oil had fallen. The expectations of astute buyers led to fewer purchase contracts, and lower price expectations led to lower prices. Today prices have plateaued and most processors are hopeful that lemon oil production in the Mediterranean will decline. Those wishes may be fulfilled as early crop estimates from Spain suggest a decrease in available fruit by approximately 20%.

Lemon represents an excellent value at current prices and buyers will be able to cover top-quality oil at the lowest prices in a decade through the winter and spring.
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LIME

Mexico’s 2019 Lime Oil production has ended. All in all, it was a difficult year for processors. Key Lime Oil production on the West Coast of Mexico was negatively affected by a lack of rain in July. Drought conditions on the East Coast of Mexico substantially decreased the availability of oranges, and Persian Limes. Since fewer Persian Limes were available for the fresh market, demand shifted to West Coast Key Limes. This exacerbated the already dwindling supply of Key Lime fruit for processing.

Not too long ago, almost 40% of all KEY Limes were processed, while the remaining 60% were sold to the fresh market. This year, the percent of limes that were processed is only around 20%. This has resulted in very little carry-over of Lime Distilled and Lime Cold Pressed Oils. Not surprisingly, the market has driven prices up.

Going forward, there will certainly be a strong demand for new crop distilled lime oil. Lime oil of Peruvian origin may increase in importance to US buyers.

Though lime oil’s price increased, it did not move up as aggressively as it could have for two reasons. The first reason is that after the previous run up, prices did not move significantly lower, leaving room for processors to continue to make a profit. The second reason is that demand has been weak. Hopefully, 2020 will see an improvement in both supply and demand.

GRAPEFRUIT

For the first time in a long time, grapefruit oil production exceeded demand. This was mostly due to reformulations which tipped the balance to create an oversupply. The result was a sharp decrease in both white and pink grapefruit oil prices.

It is important to note that there was not a marked increase in supply, simply a decrease in demand that pushed prices down. If history repeats itself, lower prices will lead to increased use; and we would expect the price of grapefruit to level off.

TANGERINE

Tangerine oil tends to be used as a modifier for orange flavors and is often used in small quantities. For those reasons, securing small parcels of oil to cover demand made sense. But as demand for Tangerine grows in the US, it is worth considering communicating your whole needs early, especially, as Tangerine oil can be a challenge to come by.

BASIL (COMOROS)

Favorable weather in Vietnam has led to a good crop and stable prices. Please inquire soon so that your needs can be secured.

BAY

Bay oil production areas - primarily Dominica - have not reported optimistic news in some time. Significant volumes are not expected in other production areas. C&A can offer Bay Oil WONF, until the supply-side of the market can stabilize.

BITTER ORANGE

The market for bitter orange continues to have challenges. Brazilian production has been hurt by citrus greening. Low prices and higher costs have pushed smaller farmers to non-citrus crops. The outlook in the Dominican Republic grows less promising each year. C&A will continue to monitor markets in both hemispheres. Please contact us about your needs.

STAR ANISE & NATURAL ANETHOLE

Star Anise oil prices have been driven by solid demand. Current market demands are being satisfied with prior year’s stock; as this inventory, with high production costs, is reduced, newer, less costly supply may come to market. The end of the second season is December, so more reliable insight is to be had shortly. Please inquire for the most up to date pricing, but know that prices remains firm on this oil.

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The past few years have been challenging for Buchu. Wild fires & droughts, have seriously hampered this unique and rare oil. However, our sources are indicating that the severe shortness could ease a bit. Currently, gentle rains are gracing Buchu growers right before harvest! Though we do not promise anything we are guardedly optimistic. Thank you to all of those who have trusted us to secure their Buchu needs in the past. We highly recommend submitting your annual needs to us before the harvest is complete so we can work to secure oil for your 2020 needs.

Caraway is a tricky market. The time between planting and harvesting extends beyond one cycle of the seasons. This means that market sentiment from one or two cycles ago is only now being felt which adds another level of complexity. Caraway oil can be distilled from dried seeds. This enables operators along the supply chain to store seeds and produce oil when pricing becomes advantageous to them. Because of this, it is highly recommended that you plan ahead. Please inquire so that we can help you plan accordingly.

As C&A’s earlier report indicated, Cardamom prices spiked due to impaired harvests & ferocious spice demand. Any carry-over inventory that existed was soaked up by the market last year. New supplies are expected in the Fall of 2020 from India. Guatemala’s crop will follow a few months after India’s. As this spice is always in demand, communicate your needs early. Festivals in Northern India will likely absorb much of India’s harvest & Ramadan is only a few weeks after.

Carrot seed oil’s availability has been limited at source. Producers simply cannot find enough seeds to process into oil, at reasonable prices of course. Please provide us with your annual needs so that we can source enough quality material for you.

Celery seed oil continues to be in short supply because of price declines. Since C&A has a strong global presence in the spice arena, we took an advantageous position and are here to serve your needs at favorable prices. We invite your inquiries.

If you have not covered your cinnamon leaf oil needs, now is a good time. Early overproduction and price decreases in the market have incentivized producers to slow production. Exchange rates have provided additional support to purchasers in the past 9-months.

Clove and Eugenol oil saw prices drop this time last year. However, prices in 2019 remained relatively stable. Currently, prices for these oils are at competitive levels. As it is currently the end of peak harvest season, this may be a good time to contract.

Cassia oil prices will end the year low after a year of decline. The market’s softness has been furthered by taxes on Cassia’s end product: Cinnamic Aledehyde & Benzaldehyde. As major production areas have indicated a large and good crop, we recommend covering your needs for the next six to twelve months.

A poor harvest, miniscule carry-over, and growing input costs have impacted Coriander Seed’s availability. According to sources, there are simply not enough seeds at the source to process into oil. Coupled with rising input costs that exceed what the market is willing to pay for the finished oil, producers are choosing not to produce. If you require coriander seed oil please inquire.
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**CORIANDER HERB (CILANTRO)**
Prices for this competitive oil appear to have leveled off. Inquire to get up to date pricing. Our current prices continue to be less than half of the long-term averages. We welcome your inquiries.

**CUMIN SEED**
Prices and output are holding stable for now. It is worth considering that turmoil in the major producing regions could severely impact access and thus prices. Citrus and Allied stocks excellent-quality cumin seed oil for your immediate needs.

**DAVANA**
Looking back on our 2018 report, the pendulum has swung the other way - in a big way. Over production in 2018 depressed prices. Fewer acres were cultivated in 2019. Our sources have indicated that yields on this smaller crop may go down, again. On top of all of this, heavy rains have damaged Davana nurseries. Davana could be ready for a rally in 2020. Communicate your full needs to us early!

**DILL WEED**
C&A has scores of multi-generational relationships with Pacific Northwest Dill Weed farmers, which has enabled us to take a solid position. Please give us your volumes now so we can inform our partners, before the planting season in February.

**GARLIC**
Our suppliers & contacts in China have reported that the same amount of garlic planted last year has been planted this year. However, the garlic market is not always clear cut. Trade tensions continue to loom over this market.

**GERANIUM**
Geranium’s active market has encouraged farmers to produce. More supply should be coming to the market in the next few months. With this influx of new material, prices ought to soften or remain stable. That being said, there are two major geranium growing areas. A distribution to either could impact market pricing. As a certain currency - in one of the major producing regions – devalues, now may be a good time to cover. Please inquire.

**GINGER**
As ginger is an in demand product, C&A holds inventory to meet our customer’s needs. The supply side of ginger appears stable, especially as China’s total acreage increased, but was balanced out by drought in the region. The number of market participants is increasing. We encourage customers to inquire to secure sufficient volumes. Keeping extra inventories is a good idea as China wrestles with enviromental issues.

**HO WOOD (NATURAL LINALOOL)**
We recommend covering your Ho Wood (Natural Linalool) needs. Favorable weather conditions have softened prices.

**LAVENDER**
Lavender’s record high prices drew many to plant earlier this year. Over supply has become a real challenge for the lavender market. Because of this, good prices are to be had. That being said, the entrance of many market participants creates supplier risk, and differences in quality.

**LEMONGRASS**
Lemongrass is an excellent flavorant. Citrus’ lemongrass is sourced in Guatemala as the quality of oil is superb. However, supply is not always able to keep up with demand for many many reasons. We thank our long-term customers for their support, as they have enabled us to encourage cultivation by Guatemalan suppliers.

**LITSEA CUBEBA**
(Natural Citral) Litsea Cubeba & Natural Citral are only two examples of products that are materially affected by global trade tensions. Citrus and Allied’s position as a domestic manufacturer enables us to provide our customers with a consistent, high-quality product.

On the cultivation side of the market, production is stable with minor inventories held over from last year.
(Mandarin Petitgrain Terpeneless) After two or three years of unpredictable softening of prices, we now see the prices firming to more normal levels. We welcome your inquiries.

(Massioa Bark Oil) If previous trends hold true, the decrease in price and heavy rains in some nutmeg producing regions should result in a higher supply of Massioa Bark Oil. Remember, if a farmer’s main crop is not as profitable, they will spend their time elsewhere. Please inquire for an up to date picture of the Massioa market.

At C&A, we take pride in knowing where, and more importantly, who produces our Mint Oils. Our long-term growers in the Pacific Northwest grow some of the world’s best Spearmint & Peppermint. After our annual August trip throughout the Pacific Northwest, we estimated total acreage is down. Mother Nature pushed a late start to planting in some growing regions with a wet cold spring. That said, the quality is still of the caliber to be expected.

Robust demand for rosemary’s antioxidant properties is keeping prices high. Please contact us to satisfy your needs.
Last year began with a shortage of eucalyptus oil. By year end, it appears supply has overshot demand. Sources have indicated prices are likely to be choppy over the next few months.

As Clary Sage’s popularity over the years has increased, supply has risen to meet it. Fortunately, demand and supply have appeared to slow down in tandem. Prices appear to be gently trending down.

The processing of Bergomat oil has just begun. Demand for the fresh fruit market is currently being satisfied, but at higher prices. The remaining fruit will be processed for oil extraction. We will post an update on our website in the New Year, after the production is in full swing.

The Boronia flower is native to the Australian Continent. This powerful aromatic blossom saw its harvest finish just recently in Tasmania. Both supply & quality appear good. For those wanting to add something new to their portfolios or looking to cover a coveted ingredient, please inquire. After years of shortages, larger volumes of Boronia oil should be coming to market.

Our sources are indicating the Mandarin crop is smaller this year than last year. Demand from the fresh fruit market is adding additional pressure to the pricing. Qualities are, however, good. C&A will continue to stock Green, Yellow, and Red type Mandarin Oil.

Tagetes Minuta Oil is a unique oil produced in South Africa. Brought over by the British, this plant has flourished in the South African climate. This steam distilled product is produced in small quantities.

The Fennel crops looks favorable. We invite your inquiries.

QUESTIONS? WE’D LOVE TO HEAR FROM YOU!

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