The Crystal Ball OCTOBER 2016

ESSENTIAL OILS

MARKET REPORT

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The summer crop in Vietnam has ended and its size was below average. It is reported that very little carryover stocks exist at source and most all of the oil is sold. If your company has requirements for oil in 2017, please contact us before our inventory is committed. Assuming you are covered, the next time to buy will be in August 2017.

Basil

The summer crop in Brazil is coming to a close and it is reported that most all of the production has been sold. In the Dominican Republic, the demand for fruit has been uncharacteristically strong; this has added pressure to the availability of oil for the third year in a row. The peak harvesting season in the Dominican Republic is in November. With that said, we continue to be active in this specialty essential oil and maintain a good position of oil from both the northern and southern hemispheres. We are always happy to update you when questions arise as we monitor the crops in Brazil, the Caribbean region and other smaller origins around the world.

Bay

Bay oil continues to be at the top of everyone’s crisis list (including ours) because of governmental policies and Hurricane Erika, which devastated the little island of Dominica along with its largest distillery. Although the main factory has not yet been rebuilt, smaller distillers are making modest headway in a market that is seriously short. Please contact your C&A representative with your current needs. We have had good success helping many of our customers manage this shortage, which is in its second year of distress.

Bitter Orange

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In recent days, we learned that the Guatemalan crop will be delayed at least a month due to inclement weather conditions. We can now surmise in Guatemala that last year’s crop was below average, in part, due to disease. A further decline is expected this season. On the other side of the globe, India’s output last year is reported to be 25 to 30MT, which was near a record high. This year, the crop in India will be smaller, which will put added pressure on the availability of seeds. Our recommendation would be to give us your 2017 requirements so we can formulate the best buying plan. Our crystal ball believes the next 60 days will be the best time to contract during the peak Guatemalan harvest period.

This South African essential oil continues to show robust demand based on a myriad of health-related claims. In speaking to buchu processors, we hear that the current prices for both species of buchu are still insufficient to make it a profitable crop to farmers. The result of this ongoing depressed price is that the plants will continue to be taken out and replaced with more profitable crops. As a result, the combination of replacing crops, along with the historic severe drought conditions and wildfires, has resulted in shortages. The scarcity is primarily with Crenulata species. We continue to offer the most popular qualities and ask that you communicate your short- and long-term needs with us.

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The price and supply of carrot seed oil continues to be stable. However, if you have any new requirements, we suggest you stay well ahead.

The main spring distillation season has ended and the less significant autumn crop will soon begin. This crop normally continues through December. In general, prices have increased ever so slightly due in part to the continued robust demand of natural benzaldehyde. We recommend that customers cover needs until the next crop cycle in the late spring of 2017. As we mentioned in the last Crystal Ball, we expect prices to increase as demand picks up. At present, the market is comparatively stable and we invite your inquiries as we are well-positioned.
Cedarleaf Western Red & Terpeneless

If you have sizable requirements for this unique and hard-to-find North American essential oil, please contact us sooner rather than later with your estimated requirements.

Chamomile Roman

While the last two crops have been dismal, it appears this year’s crop represents a step in the right direction even though shortages continue. If you currently have requirements, C&A will do our best to help. As we move away from the harvest time, it is most likely that stocks will already be committed at source.

Clove Leaf & Eugenol

Prices for this important Indonesian essential oil, produced in Java, are on the rise. We have recent information that due to the La Nina weather patterns and consequent frequent rains, distillation yields are poor. Fortunately, we took positions when the Indonesian rupiah fell and oil prices were favorable. Please give us your forecasted 2017 requirements so we can provide an offer. C&A is basic in clove leaf, bud and stem oils for our customer’s year-round use.

Coriander Seed

As reported in our last market report, the perfect storm of a very poor crop in India, the annexation of Crimea by Russia and severe banking restrictions appears to have de-escalated and subsided. This year’s crop was said to be average but down from the robust 2015 crop. Unfortunately, the quality of the coriander seeds from Russia and the Ukraine as it pertains to oil is below average. The general consensus is that this is the time to contract before the prices start to creep up. Please notify us on your yearly requirements.

We thank our customers for providing accurate volumes last fall, which in turn helped us to cover at precisely the right time and at the most favorable prices. We continue to recommend holding a bit more in stock just in case this geopolitically unstable area becomes unsteady again. We welcome your spot inquiries as well.
Cumin Seed

As mentioned in the last Crystal Ball, prices for cumin seeds have increased sharply due to the anticipated short crop. It goes without saying with continued instability in the Middle East that we advise our customers to stay ahead by covering their needs. Fortunately, in the face of political uncertainty, prices have remained flat as carryover inventories have provided a cushion. It does appear that inventories are declining. Therefore, we recommend covering your needs until the next crop in April/May 2017. We are in a position to help!

Eucalyptus Radiata

Eucalyptus radiata is a new offering from C&A. Production at source has been hampered by both competing crops and historic drought, which has hurt the collection of the leaves and essential oil yields. Not surprisingly, the supply is tight. If you plan to purchase this special variety of Eucalyptus from C&A, please give us your 2017 requirements so we can encourage growers in Africa to plant enough to satisfy your needs. We are hopeful that with better weather we will be able to offer additional volumes to our growing customer base.

Davana

Prolonged rains in Karnataka, India during the planting season delayed the davana crop by at least a month and played havoc with the quality of the oil and yields. To ensure adequate coverage for davana, we need to accurately determine our customer’s volumes as the timing for purchasing davana most favorably is often a matter of days, not weeks. We are hopeful that the davana harvest this season occurs on time in February and that water, labor and power issues subside. C&A is basic in davana and can offer the best quality and at the most competitive prices.
As predicted, garlic prices continue to escalate. It seems there is no positive news on the horizon. While this is a rerun of a movie we have seen before, sourcing garlic oil is becoming more and more complicated. In recent months the distillation of garlic root hair, dry garlic, funkled garlic and garlic sprout has resulted in poor quality garlic oil in terms of color and aroma. Did you know that one pound of garlic oil replaces 1,000 pounds of garlic powder or 4,500 pounds of fresh garlic? As a result, even at high price levels, the oil is a very cost effective replacement for either fresh or dehydrated material. Today, we do not anticipate any softening; in fact, we only see firming prices for at least another 9 months with availability concerns. The matter may get worse as distillers are often reluctant to distill oil without firm orders from customers. It was also reported that the best raw material, the garlic bulbs, are too expensive to distill. All these factors, including the stricter Chinese environmental policies, will influence the quality and price of garlic oil into 2016 and beyond. C&A continues to have a good position on top quality oils. We welcome your inquiries while supplies last.

As we enter into the longer of the two seasons (October – January) for Eucalyptus in the Yunnan Province, prices have been offered within a $2.00/kg range. We recommend that customers cover in the next two-three months before an expected pick-up in demand. Despite the recent and continuing devaluation of the Chinese currency, prices for these products continue to firm. We recommend staying ahead.

The trend continues with Egyptian oil and Chinese oil at opposite ends of the price spectrum. Chinese oil (May – September harvest) is double the cost of the Egyptian (June – July harvest). The gap appears to be shrinking but still considerable as prices for Egyptian oil are firming and inventories are decreasing. In the past month, the Chinese prices firmed due to a severely reduced crop and prolonged rains. If you need the Chinese quality we would recommend buying sooner than later. We have positions on both oils and welcome your inquiries.
The saga of lavender is never boring! Last year, we experienced a relatively normal crop but the quality of the oil was not as good as in previous years. This year the tonnage of lavender has improved but the quality has again taken a step down. While prices have receded from last year, they may have bottomed as the demand for better quality oil intensifies. The challenge again this season will be to find the best quality. This theme has been voiced by all the processors. It should also be pointed out that many processors are selling out their inventories. It is time to cover and C&A is available to help you.

Ginger

In the past 6 months, we have seen a gradual price decline in ginger oil but that trend seems to have ended. With recent robust demand, decreased acreage and strict government environmental policies, we see prices firming with possible availability issues on the horizon. We recommend covering now, if you haven’t already, through March 2017 when the next crop is harvested and the Chinese New Year is over. C&A has a good position and will be competitive.

Ho Wood (Natural Linalool)

Over the past seven years, the number of trees declined and prices increased. Recently, new plantings have matured. This good news has resulted in more production and lower prices. We continue to maintain inventories and welcome your requests.

Lavender

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The news on litsea is not good. Litsea cubeba is harvested and distilled during the months of August through October in the Yunnan & Jiangxi Provinces. The essential oil is the starting material for making natural citral. Initial reports indicate a 30–40% sharp decline in production due to continuous heavy rains and floods in the growing areas. These factors have also hurt the crude oil quality resulting in a low citral content. Furthermore, the supply timeline for litsea cubeba requires up to 3 months between the time the pre-shipment sample is requested and the time we have to process the litsea into natural citral. We invite your inquiries for contracts over the next 12 months but the prices have jumped considerably since last year at this time. We will also keep you informed as we all keep an eye on the Chinese Renminbi versus the USD which is 1=6.63 RMB at the date of this writing.

In a repeat of our last report, the situation for lemongrass has not changed. We continue to contract well in advance so that Guatemalan lemongrass is planted and distilled on our behalf to keep pace with the demand of this beautiful aromatic Central American essential oil.

Litsea Cubeba (Natural Citral)

Mandarin Petitgrain (Mandarin Petitgrain Terpeneless)

The January harvest is long over and market and price remain soft. We invite your inquiries as we have stocks to meet your needs.
This expensive oil is mainly harvested June through September, when the nutmeg and mace harvest slows. Interestingly, if nutmeg prices are favorable and the supply bountiful, production of massoia oil can be abbreviated. We recently purchased oil at favorable prices and are in a strong position to supply natural massoia lactone.

As many of you are aware, I have great respect for the US mint farmers. My grandfather was a farmer in Iowa and I appreciate the life of a farmer whose commercial success is often dependent upon factors outside of his or her control. Factors are weather, currency and commercial market values.

In India, mentha piperita saw a modest decrease in the crop size, down from 400-450 tons in 2015 to about 350 tons this year. The decrease in overall production and yield would have been fine, given soft demand, if the quality was normal. Unfortunately, the weather conditions, poor water supply, and poor rootstock have contributed to higher levels of menthyl acetate which has kept the prices for the better quality oil closer to last year's price.

The Indian spearmint harvest was in line with previous years of about 150 to 200 tons but due to very low carryover of quality oil, these prices have firmed after hitting their lowest levels in over 12 years. It is also reported that the demand of spearmint oil is robust which should continue to bolster the already firming prices into the 1st quarter of 2017.

I enjoyed my visits into the growing regions in northern & western India this May and appreciate the efforts of the thousands of growers who work so hard to produce these oils that we enjoy. For a snap shot on currency, the Indian Rupee has stayed between 66-67 INR to the USD. We encourage your inquiries and very much want to assist you in growing your mint business.
In our last two reports, we stated that in contrast to the past 10 years of ever-increasing prices, nutmeg oil has softened considerably. A weaker Indonesian Rupiah, new plantings in the traditional growing areas of Sumatra, and the new growing region of Sulawesi had collectively satisfied the demand for both nutmeg spice and the oil. While that statement was true, the low prices did not last for long and demand has reversed pricing. Higher prices have been supported by heavy rains and a slowdown in production. In the past couple of months, prices have moved even higher as farmers hold raw nutmegs to increase the price. We strive to find the highest quality nutmeg oil at competitive prices and maintain strong positions. Citrus & Allied welcomes your inquiries!

**Nutmeg**

**Petitgrain Cordillera**

The weather continues to hamper the supply on this beautiful oil from Paraguay. This difficult-to-find essential oil is best purchased by staying at least six months ahead since the availability remains difficult and transit time is frequently measured in months, not weeks. C&A has a position and welcomes your inquiries.

**Pimento Leaf**

In contrast to the last few years, weather seems to be cooperating and the collection of the leaves is well underway. If Jamaica isn’t hit with an October hurricane or tropical storm we could see some price relief, however with inventories so low, prices remain firm. In addition, we applaud our suppliers for working hard to find new trees to harvest in non-traditional Jamaican Parishes to keep up with the demand. C&A is basic in pimento and invites your large and small inquiries.
Production of tagetes oil is improving due to adequate rain and good supply. In drought-stricken South Africa, this product shows signs of recovering. Please send us your inquiries.

Sandalwood

This beautiful aromatic oil from India is available from C&A. In the past year, prices have come down slightly due to competing qualities from other origins. We welcome your inquiries.

Wintergreen

Over the past few seasons, this boutique essential oil harvested in July & August, has been in short supply. So short that we believed the demand exceeded the supply. This past year large customers provided us with expected volumes in sufficient time for us to cover wisely. This year, following the same pattern, we find ourselves offering customers better prices for 2017. We look forward to assisting you with wintergreen oil at the lowest prices in years.

Rosemary

The availability of rosemary oil has not improved. The recent harvests in Morocco and Tunisia have been problematic in the face of increasing demand for rosemary antioxidant. We believe rosemary oil will remain a difficult oil to source. Please contact us well in advance for your needs.

Tagetes South African