ROB'S CRYSTAL BALL

AN ESSENTIAL OILS MARKET REPORT

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SUMMER 2019

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Years ago, Citrus and Allied Essences received regular visits from the U.S. Bureau of Labor Statistics, the organization responsible for calculating the U.S. Consumer Price Index. The Consumer Price Index (CPI is a set of indices that measures the prices of consumer goods. We were told that the reason why they were interested in the price movements of essential oils was that they believed essential oils, derived from basic agricultural products from all over the world, were an interesting leading economic indicator.

Over the past ten years, there has been a slow but general upward movement of prices for essential oils. We are not referring to spikes in prices that are mostly attributable to shortages due to weather, we refer to an underlying increase in prices. Over the decades, we have seen these general price movements a few times, most notably in the 1970's.

The recent sharp declines in prices for citrus oils may be signaling an end of a cycle. We have noticed that while cyclical prices tend to increase slowly over a long period of time, the end of a cycle is often signaled by abrupt changes to the downside, sometimes below the cost of production.

SELECT PRODUCTS

ORANGE

Over the past six months, prices for orange oil have collapsed by over 50% and the prices for terpenes have declined even more so. A big crop in Brazil combined with reasonable-size crops everywhere else has led to a buyer's market. We recommend buying what you need and enjoying the current lower prices. When the prices for orange terpenes and d-limonene find a bottom, the price of orange oil will level off so that folded oils can be priced with some degree of confidence. Companies that fold citrus oils end up with much more volume of byproduct than finished folded oil so the value of the by product is an important factor when calculating cost. It is possible for the price of orange oil to continue to decline and for orange terpenes to decline farther, resulting in higher costs for folded products. But this unusual situation never lasts. Citrus and Allied is always a buyer of orange oil. We keep inventory on hand of all qualities from all origins.

LEMON OIL

Lemon Oil prices are down about 40% from this time last year. While it is not quite as steep as the decline with orange prices, it is still significant. The crop in Argentina that is yet to be processed is predicted to be larger than last year. Production in Spain, the US and Italy met expectations. We expect there to be plenty of lemon oil available at favorable prices. We suggest that our customers buy what they need with an eye towards contracting in the early fall. Assuming the yields on oil recovery meet expectations in Argentina, there should be a wonderful opportunity to contract for oil for delivery through the first half of 2020.

LIME

We just returned from a visit to our lime factory in Colima Mexico, where the season rain has begun. In the past few weeks, there has been rain but not as much as is typical of the rainy season. Rain is very important because it is necessary for oil production to continue into October.

So far in 2019, we have seen high prices for industrial fruit as well as high quality fruit. Fortunately, high quality fruit means high quality cold pressed oil.

The price of lime mostly depends on the cost of industrial fruit, demand for oil, the number of operating processors, and to a high degree, the value of the U.S. dollar. Today, the U.S. dollar is worth 19.01 Mexican pesos. That rate should help to keep the price of lime oils, both distilled and cold pressed (expressed), somewhat steady.

Demand in 2018 was unusually low but so was production therefore pricing stayed constant with what we have seen over the past few years. It is impossible to predict what is going to happen other than to report to our customers, if you can contract for lime oil, now is a good time. Perhaps more than any other citrus oil, lime production tends to match demand. There is very little production based on speculation.

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GRAPEFRUIT

Grapefruit oil prices also have come way down. We would not describe the price change as a collapse, because the price for grapefruit oil is still high in historical terms. That said, prices have declined by approximately 25%-50%, depending on the type of oil (white or pink) and the percentage of nootketone. The price remains high for white grapefruit oil with a high nootketone level of 0.2% because supply is low, and therefore it has seen the lowest percentage decline in price. The prices for pink or red grapefruit oil with nootketone of less than 0.1% have seen the steepest declines.

Overall, the amount of grapefruit being processed continues to be low, and prices will most likely be influenced by demand. If new products that require meaningful quantities of grapefruit are introduced, prices could turn around. Our belief is that this is not going to happen.

Our recommendation for customers is to buy what you need and hold off on contracting unless you require large quantities and are concerned about securing enough supply. For single-drum orders, there should be no issues. Many of our customers purchase different qualities, and for this reason, we stock them all and invite your inquiries.

TANGERINE

For the first time in a long time, the supply of tangerine oil is getting a little tight. We observe that the demand for tangerine oil is almost completely in the U.S., where consumers prefer its sweet taste to that of its cousin, mandarin oil. Tangerine oil tends to be used as a modifier for orange flavors and is often used in small quantities. For those reasons, we have been able to secure parcels of oil to cover the small demand. But that is getting a little harder. This has not been reflected in our prices yet, but if there is one citrus oil for which you should consider covering forward, it is tangerine.

STAR ANISE & NATURAL ANETHOLE

Anise oil is distilled in two seasons, the first from April to June and the second from October to December. Prices remain in the same elevated range as of 2018. The increase in price has been driven by robust demand for natural anethole by the pharmaceutical industry. Anethole has multiple promising uses in the field of medicine, though it is still an excellent sweetener! C&A continues to hold ample inventory. We look forward to supporting your anise and natural anethole needs .Assuming the yields on oil recovery meet expectations in Argentina, there should be a wonderful opportunity to contract for oil for delivery through the first half of 2020.

BASIL (COMOROS)

Reports from suppliers in Vietnam remain mixed. As there is a comparatively tight market for basil, C&A has again contracted early. We look forward to supporting your basil needs.

BAY

Same report as last time. Over the past few years, the island of Dominica has been devastated by hurricanes and detrimental government policies, which have crippled producers and disrupted the supply. The immediate future for bay oil is not promising. In an effort to keep bay oil in everyone's portfolio, C&A offers a bay oil WONF (with other natural flavors). Additionally, we continue to encourage our Caribbean suppliers to reap bay from other nearby sources. While our supplies are extremely limited, we are cautiously optimistic that the future will improve. Please contact us; we are keeping a close eye on this now-cherished essential oil.

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.

BUCHU

Last year's severe shortage continues. Wildfires and low planted acreage continue to hamper supply. We highly recommend communicating your needs as soon as possible. C&A looks forward to assisting you.

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CARAWAY

Caraway requires two years to reach maturity. Because of weather conditions and decreased planting two years ago, we expect a reduced supply. We urge you to communicate your large-volume needs to us so we can inform our distillers. Spot buyers would benefit from staying an order ahead. We welcome all inquiries.

CARDAMOM

This year has been the most difficult year in memory for cardamom. Guatemala's crop has fallen by a quarter because of drought during the flowering period and the high price of seed. India's decreased production has not helped cardamom supplies either. Ramadan, in early May, absorbed any excess seeds. The supply of cardamom oil will continue to be limited. The window of opportunity to buy this sought-after spice is limited, so communicating your requirements to us ahead of time is important.

CARROT SEED

Carrot seed is harvested in the early summer and distilled in the fall or winter. Carrot seed oil has been sold out at the source for the past few seasons because of a decline in yield. Again, as with bay, buchu, and cardamom, we highly recommend sending us your annual requirements soon.

CASSIA, NATURAL BENZALDEHYDE, AND NATURAL CINNAMIC ALDEHYDE (OLD METHOD)

Weak demand for cassia oil and cinnamic aldehyde has driven prices down in recent months. We believe now is a good time to make purchases to cover your needs for the next six to 12 months. Supply is likely to shrink going forward, as farmers may not be inclined to harvest hillside crops when prices are already depressed.

CELERY SEED

Celery seed oil continues to be in short supply because of price declines. Since C&A has such a 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.

CINNAMON LEAF

It is a good time to book cinnamon leaf oil. Many producers have halted production because of low prices. Exchange rates have also benefited purchasers. Looking forward, rain and regional uncertainties may inhibit supply. Please inquire to lock in material supply at attractive prices.

CLOVE AND EUGENOL

Clove and eugenol saw a small drop in production as farmers focused on harvesting the buds and not the leaves of the plant for oil. Coupled with rain in the major growing area of Java, this has limited the yield. However, other cultivation areas are seeing better weather, and output is expected to be stable. With the major harvest upon us, please inquire to secure what you need!

CORIANDER SEED

Last year's coriander seed harvest was poor. However, a small amount of oil has carried over and is still available. If one moves quickly, contracts are available for last year's cheaper stock. The 2019 harvest is expected to be far more expensive. Costs for seeds as well as for labor, land, and other growing requirements have gone up significantly, resulting in higher selling prices by farmers and possibly a reduction in supply.

CORIANDER HERB (CILANTRO)

Same report as last time. This specialty crop has been competitively priced this past year, so we recommend locking in prices at today's attractive rates. Our prices today continue to be less than half of the long-term average. We welcome your inquiries.

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CUMIN SEED

The April harvest is complete in Egypt. The price of Egyptian essential oils has increased modestly. It is worth considering that turmoil in the region could severely impact access and thus drive up prices. Citrus and Allied stocks excellent-quality cumin seed oil for your immediate needs.

DAVANA

Davana's abundance last year, in 2018, has led to softer prices, excess inventory, and little interest by farmers to cultivate the 2019 crop. Planted acreage this year is estimated to be half that of 2018. We have had reports that yields of the current crop are down as well. It would be wise to cover earlier rather than later as prices are on the rise, but to reasonable levels based on historical data.

DILL WEED

Dill weed is often rotated with mint in the same fields. Crop rotation keeps fields healthy and productive. C&A's strong relationship with Pacific Northwest mint growers has provided us with great access to and insight into the dill market. From what we have heard, the harvest at the end of the summer is questionable. As most dill weed is grown on non-irrigated land, this summer's unusually dry weather has caused concern about yield. We are looking forward to your inquiries.

GARLIC

It has been reported that the same acreage has been planted with garlic this year as in 2018. Though supplies appear steady, it is imperative you communicate your needs early. The market can change rapidly, and it will continue to run into the headwinds of environmental reforms. Trade tensions also may adversely impact the garlic market.

GERANIUM

The price for Egyptian geranium oil is expected to increase, as it is still priced below comparable Chinese oil. Chinese prices remain stable, with an excellent summer harvest. The next harvest is in November. Now is a good time to cover your needs, as weather and speculation in the geranium market can affect prices at a moment's notice.

GINGER

Environmental constraints continue to plague the supply of ginger oil. Prices could easily spike if multiple processors are instructed to cease distillation. Recent currency devaluation offers a good opportunity to cover. We recommend being slightly long in ginger for at least the next 12 months. Given customer demand for ginger, C&A will continue to hold inventory.

HO WOOD (NATURAL LINALOOL)

Prices have come down slightly compared with those of last year. However, the Chinese government watches this product closely. We continue to suggest staying a few months long in case production slows down because of environmental processing constraints.

LAVENDER

Lavender prices skyrocketed last year. Driven by ferocious demand in the aromatherapy sector and inclement weather depressing yield, prices in 2018 peaked at near-historic levels. Normal production in Bulgaria is around 300 MT of oil. Sources have indicated a significant increase in both acreage and extracted oil. Please contact us for an up-to-date assessment before purchasing!

LEMONGRASS

As previously noted in our December 2018 report, we see meaningful spikes in volume that cannot be covered without planning six to nine months in advance. These likely were due to the shortages of litsea cubeba, used to make natural citral. We continue to contract in Guatemala for slightly larger volumes each year in order to support our growing customer base. We thank our customers for their long-term and continued support.

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LITSEA CUBEBA

(Natural Citral) The litsea cubeba crop will be brought in at the beginning of August. Initial reports have the total crop yield in line with last year's. Heavy rains in the region have likely decreased the citral content of the litsea berries; however, this is preferable to the results of last year's heavy rains, which decimated the crop.

It is advisable to secure the litsea you need sooner rather than later. The small carryover that does exist is likely to be cheaper than this year's product because of marginal increases in labor costs. Our sources have not indicated a change in demand. Therefore, prices are likely to firm up.

Current trade tensions between China and the U.S. continue to be a risk factor in the natural citral markets. C&A, a domestic manufacturer, continues to monitor the situation and is in a unique position to provide you with a steady, high-quality, trusted supply.

MANDARIN PETITGRAIN

(Mandarin Petitgrain Terpeneless) Same report as last time. After two or three years of unpredictable softening of prices, we now see the prices firming to more normal levels. We welcome your inquiries.

MASSOIA BARK OIL

(Natural Massoia Lactone) We will provide our customers with more information in August, after the annual harvest. If you need massoia, please inquire! C&A manufactures a natural massoia lactone in the United States!

MINT

C&A will be visiting our partners in the Pacific Northwest soon. Our growers have been planting and distilling quality mint for many years, some for multiple generations. We are excited to see this year's crop and will update our customers after the trip.

As noted in our December Market Report, farmers are dedicating fewer acres to peppermint in favor of other cash crops. Peppermint output is expected to be 15% lower this year as compared with that of 2018. The reduced cultivation and lack of carryover inventory could firm up current price levels. However, much depends on the demand and Mother Nature.

The Indian cornmint crop is expected to be larger than in prior years. High prices in previous years have discouraged mint users from maintaining inventories. Because of this, increased supply should be easily absorbed and prices should firm and stabilize. C&A processes quality distilled, redistilled, and terpeneless oils.

Spearmint output was reduced slightly compared with that of prior periods. However, the reduction likely is not significant enough to move prices drastically. C&A is ready to meet your needs. Please inquire.

PALMA ROSA OIL, GERANYL ACETATE NATURAL AND GERANIOL NATURAL

Palma rosa oil is produced year-round in Tamil Nadu, India. Supply is finally catching up with demand. Sources indicate prices are extremely attractive at current levels. Please inquire so that we can contract these great opportunities for you.

PETITGRAIN CORDILLERA

Same report as last time. The weather continues to hamper the supply of this beautiful oil from Paraguay. This difficult-to-find essential oil is best purchased by staying six months ahead, since the availability, while better, is still difficult, with transit times often measured in months, not weeks. C&A invites your inquiries.

PIMENTO LEAF

Pimento leaf is cultivated on the beautiful Caribbean island of Jamaica. Sources on the island suggest yields will be lower because of late rains, and a lack of interest from distillers on the island is compounding the shortage. It is highly recommended that you provide us with estimates of your annual needs in the fall before the harvest.

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ROSEMARY

Supply has not been able to keep up with demand. There is no carryover stock from prior harvests available. Demand for rosemary's antioxidant properties is keeping prices high. Please contact us to satisfy your needs.

SANDALWOOD

This beautiful, aromatic oil from India is available from C&A. Prices have stabilized because of competing qualities from various sources.

WINTERGREEN

Blends and synthetics have eaten into natural wintergreen oil's sales. However, wintergreen is a small-volume essential oil for which you should indicate your annual requirements early.

BROOM

Broom is a beautifully sweet and flowery absolute that is derived from flowers grown in Sicily and Calabria, Italy. Broom prices are expected to increase over those of last year. Sources report a reduction in the number of flowers collected compared with this time last season. In part, this is due to inclement weather impeding flowering.

TEA TREE OIL

After tea tree's bumper crop of 800 metric tons last year, it is not expected this year's inventories will reach similar levels. Bad weather has significantly decreased the available biomass and the resulting oil supply. Though oil has not been carried over from the previous season, we have been told prices are expected to correct.

EUCALYPTUS

Eucalyptus is grown in China's Yunnan Province. It typically is harvested between July and September and between November and February. Our sources suggest raw material supplies have stabilized after last year's shortage. Prices have softened in the past few months because of weak global demand. Please inquire, as now is a good time to secure eucalyptus oil.

CLARY SAGE

Clary sage is a great aromatic product grown in France and Russia. Clary sage has increased in popularity over the years as a staple in the aromatherapy world. It continues to be a key ingredient in many perfumes and fragrances. Let us know what your clary sage needs are!

QUESTIONS? WE'D LOVE TO HEAR FROM YOU!

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