



ROB'S CRYSTAL BALL

AN ESSENTIAL OILS MARKET REPORT

FEATURED
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SUMMER 2020





This is the first market report we have composed since the beginning of the global pandemic. While our analysis of the direction of markets is always based on information regarding supply and demand, we temper the cold hard facts with a strong dose of judgment based on decades of experience. For this report, it is important to note that no one has previously seen the combination of circumstances we all are experiencing. Therefore, it is sensible to consider that the process of collecting information and sorting out the facts may not provide pricing insight when compared to the weight of the influence of the current global situation.

What we know is that there has been a considerable dislocation in both the ability of manufacturers in all industries to produce, as well as a shift in consumer demand for certain categories of food products, due to the elimination of restaurant dining. In the United States, the fast-casual restaurant sector is slowly re-opening and the predominant option for meal supply is home-cooking. In the U.S., visits to supermarkets have decreased in frequency. During those less frequent shopping experiences, shoppers are predominantly purchasing household staples.

Overall, the global pandemic is driving most of the developed economies into a forced recession. Should we experience four consecutive quarters of declining economic output, the dreaded phrase "economic depression" will accurately describe the situation.

These circumstances, considered from the perspective of a buyer, leads us to conclude that any case for higher prices of essential oils needs to be compelling because of the weight of multiple unknowns hanging over the economy as a whole. If the global situation has created a pricing bias, it is likely towards the continuation of low prices for most essential oils and aroma chemicals, particularly chemicals derived from petroleum.

In terms of citrus oils, we will set forth our conclusions in a straightforward manner. We think there is a good chance that prices for orange oil have bottomed and we would not be surprised to see prices move up. We also believe there is a possibility that the price for lime oil distilled will firm. For all other citrus oils, we believe that, for the most part, there is a solid chance that prices will remain at their current low levels. Now let us wade into the weeds.

SELECT PRODUCTS



GRAPEFRUIT

The price for both red and white grapefruit oil experienced a collapse in 2019. For the first time in many years, there was more supply than demand. This resetting of prices for grapefruit was welcomed by buyers and will probably lead to an uptick in the use of grapefruit oil and eventually, in demand.

While the production of red and white grapefruit oil in the United States was

sufficient to meet demand, there is a wide disparity in the prices of different qualities. The most expensive oil, by far, is white grapefruit oil with a nootkatone content of greater than .2%. The least expensive is red grapefruit oil with less than .1% nootkatone. If your company is developing a new product and will be incorporating grapefruit oil into your flavor formulation, you might want to consider red grapefruit oil with a nootkatone content of .2%. This will provide a happy medium in terms of both price and quality, which will offer peace of mind in terms of future availability.

For fragrance formulations where the use of a light color oil is needed, consider using a decolorized grapefruit oil. C&A offers a product that is based on pink oil with a low nootkatone content, so, the price is reasonable and the aroma is lovely.

While we often find production numbers to be less indicative of price directions than you might think, with grapefruit, the size of the crop does indeed tell a tale. The total 2020 grapefruit crop in Florida is estimated at 5.5 million boxes. This is an anemic number when you consider that twenty years ago it was ten times higher. Considering that citrus greening is as prevalent in grapefruit groves as it is in orange groves, the once robust grapefruit industry in the United States will continue to experience challenges for the foreseeable future.



KEY LIME - DISTILLED AND EXPRESSED

Over the past few years, the markets for distilled and cold pressed lime oils have provided buyers with an emotional sanctuary from the anxiety-inducing markets for orange, grapefruit, and lemon. While the prices for those three primary citrus oils have fallen, due to



a combination of excellent weather conditions and anemic demand, lime oil has lost its status as the most boring citrus oil.

In the past three years, the amount of production of lime oil in Mexico has been below traditional levels. The primary reasons for this are a combination of low demand for oil and the effects of citrus greening disease. Citrus greening has had more effect on the production of Lime in Colima than in Michoacan. The extremely hot weather in Michoacan seems to have protected the fruit from disease better than the weather in Colima that is only hot. In Colima, there have been considerable plantings of new trees that are being planted more closely together than traditional planting. Lime trees appear to be more tolerant to the disease than orange and grapefruit trees. Demand for lime oils in 2020 has improved. At the same time, the price for industrial fruit has increased by 50%. There are multiple reasons for this increase in the price of industrial fruit. First, there is less supply of fruit. Second, there is competition for the fruit by processors. Third, fruit that in previous years would not have been acceptable by the fresh fruit market is being accepted this year. Fourth, there is a labor shortage due to the coronavirus throughout the supply chain. In turn, weak demand for lime pectin and lime juice has led to high prices for lime oil, since the cost of fruit must be allocated across the various products that are derived from the fruit.

Growers and packing houses obviously prefer selling fresh limes to supermarkets than to selling them at lower industrial prices. When the demand and price for fresh fruit increases, some of the imperfect fruit that may not be the ideal shape or

have blemishes, go to the fresh market instead of for processing. This is where we are today. As a result, the cost of producing lime distilled has increased to levels not seen since the early 1990s. Expressed lime from key lime fruit is experiencing the same supply issues as distilled with the same upward pressure on price.

As we have previously mentioned, there are few processors of Lime oil in Mexico and most of the production is done against contracts. For that reason, it is uncommon for much carry-over inventory at the end of the May through September processing season.

For those of you who are familiar with the lime oil market, you know that there is production of distilled oil in Peru. Peru has never quite lived up to its potential when it comes to producing lime oil. There always seems to be a factor that takes what everyone hopes is going to be a good season, and turns it into a disappointing season. This year, production met C&A's expectations and provided a safety valve to relieve supply pressure. The crop is mostly produced in January and February and we are hopeful that, come 2021, there will be meaningful production of distilled lime in Peru.



PERSIAN LIME - EXPRESSED

In Mexico, Persian limes grow on the east coast of the country. Unfortunately, the east coast of Mexico experienced a severe drought in 2019-2020 which resulted in much smaller crops of both orange and Persian lime. Strong export demand for fresh fruit to the US has limited the amount of fruit available for processing. This has resulted in upward pressure on the cost of industrial fruit for processing. As such the price for

expressed oil is firm but has not gone up to the same degree as oils produced from key limes.



LEMON

In 2019, the price for lemon oil hit a ten-year low. The low prices were due to excellent crops in Argentina and Spain, as well as healthy crops in the United States and Italy.

In January of 2020 the Mediterranean countries of Spain and Italy began their winter season of production of lemon oil. Production in Spain was down by 20% and production in Italy also declined, but by a less significant percentage.

We are on the verge of production in Argentina where 50% of the global supply of available lemon oil is produced. Currently, the consensus is that production will be down by approximately 20% to 1,150 tons. However, it is helpful to remember that the reduction comes after two very big years in 2019 and 2018 when the production numbers were reported at 1,410 tons and 1,350 tons. Those high production numbers resulted in a substantial amount of carry-over inventory from last season.

If it were not for the effect of the coronavirus, we would probably be cautioning our customers to prepare for a bounce in the price for lemon oil. However, if the demand for carbonated beverages is reduced due to restaurant and hotel closings and if summer comes to the northern hemisphere with continued shelter in place and social distancing requirements, it is not difficult to see how that would negatively impact the consumption of carbonated beverages. In that case, even in the face





of lower production we think it is likely that lemon prices would remain low or perhaps go up ever so slightly...



ORANGE

Orange prices reached the bottom around November, 2019. Factors which tipped the balance include: Anemic buying in the summer of 2019, combined with large crops in Brazil and Mexico, as well as an expected rebound in production in the US. As such, we were able to cover considerable quantities of orange oil at low prices.

Over the winter the consequence of the severe drought in eastern Mexico made it clear that there would be considerably less oil produced in 2020. By the time production was underway in Florida, it was generally acknowledged that production in Mexico would fall by over 40%. As you can imagine, this was viewed as welcome news to the Florida producers and they offered orange oil at prices that were higher than would have been the case if expectations in Mexico were less bleak. Those higher prices have been supported with demand.

The crop in Florida also experienced an unusual heavy fruit drop. Some of the fruit was picked a little early out of fear there would be no labor available due to the coronavirus. The oil met specification but was not excellent. Orange production in California will also be down by single digit percentages. All told, orange production in the US is estimated at 120 million boxes down from almost 126 million boxes last year.

In Brazil, warmer temperatures and low rainfall has combined with the natural reduction in crop size that is to be expected the year after a very big crop. These circumstances suggest that the size of the orange crop will be down

by over 20% for the 2020 production season to 370 million boxes. While the size of the total crop may be down by over 20%, it is likely that the percentage of fruit for processing will decline even further. Given the fact that there has been a steady demand for orange oil from Florida at higher prices, the lower production in Mexico and lower expected production in Brazil suggest that the Brazilian orange oil will be priced at a higher level in 2020 than in 2019.

The unknown factor is demand. The question is, will the world in which we are all living today, with country-wide has spiked, providing the growers and juice processors with a welcome break from a long saga of lower demand and low prices.

There certainly is a case to be made that orange oil prices will continue to increase, but perhaps not as much as they would have if the coronavirus had not resulted in a global recession.

One factor that currently supports the case for modestly higher prices for orange oil is the demand for orange terpenes and d-limonene. Both are used in household cleaners and the demand in that sector is quite robust. Orange terpenes are produced as a by-product from the folding (concentrating) of orange oil. The market for orange terpenes is elastic, meaning more is used at lower prices and less at higher prices. If the demand for orange terpenes can be sustained with higher prices, then there is a case to be made that higher prices for orange oil will be tolerated by the buyers. If the demand for orange terpenes will not support higher prices, then the case for higher prices for orange oil is less compelling.

For updates on orange pricing, please contact us directly at info@citrusandallied.com



STAR ANISE & NATURAL ANETHOLE

Prices have held firm with reports of actual shortages at source. We recommend staying ahead on these Chinese-origin essential oils.



BASIL

The favorable weather in Vietnam that was mentioned in our 2019 Winter Market Report has continued to develop a good crop and stable prices. Please inquire soon so that your needs can be secured.



BAY

Bay is back in Dominica, after many years of little to no production due to challenges such as the devastating hurricane's in 2015 and 2017. The hurricanes severely damaged distillation operations and the island as a whole is still recovering. C&A has boots on the ground to bring this beautiful oil from Dominica back in distilled and terpeneless formats.



BERGAMOT

The bergamot crop in Italy ended in February where production was down 20%. Unfavorable weather conditions have resulted in lower quantities of fruit for harvest and extraction. However, the demand for bergamot remains high, which is expected to continue to raise prices. We welcome your inquiries.





**BITTER
ORANGE**

Over the last 3 years, our suppliers have replanted bitter orange groves that were severely damaged by greening. It is hoped that this costly project will yield a more sustainable supply. We have learned that many of the small farmers are having more and more trouble with disease and greening. This is one essential oil that we press for your annual requirements. A lack of long-term planning can leave you short. C&A distills five-fold bitter orange oil along with a new product: bitter orange essence oil. Please inquire.



BLACK PEPPER

The global black pepper markets are at very low levels, so we feel this is a good time to cover your requirements since the chance of prices rising is higher than the chance of it dropping.



BORONIA

Insights from our 2019 Winter Market Report still hold today. Both supply and quality appear good. After years of shortages, larger volumes of boronia oil should be coming to the market.



BUCHU

Buchu has greatly improved after many years of major supply issues. At present, we are keeping our contracted customers supplied. If you know your 2021 demands, please contact us with your volumes by late fall so we can do our best to secure your requirements.



CARAWAY

As stated in previous reports, caraway continues to be a tricky market. Because of the long production cycle, market sentiment is oftentimes delayed. It is highly recommended that you plan ahead. Please inquire so that we can help you plan accordingly.



CARDAMOM

The past crop in Guatemala was reported as the worst crop ever price-wise. The prices increased throughout 2019 without subsiding. To make matters worse, the crop was shorter than expected, which drove prices even higher as demand for the raw spice grew from the Middle East and India. We have heard that the COVID-19 crisis has hurt the spice demand (as petroleum oil future prices went under zero), and prices are now softening to more reasonable levels. However, a single weather issue or COVID-19 outbreak in India or Guatemala can change this momentum in a matter of days.



CARROT SEED

Carrot seed oil's availability is still limited at the source. Please provide us with your annual needs so we can source enough quality material for you.



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

As discussed in our 2019 Winter Market Report, we believed that prices were at historic lows and would start to firm up. This is exactly what happened. Needless to say, the repercussions and aftermath of the United States & China trade war are still in play. To recap, thus far, prices are at levels not seen in a decade. However, since the Chinese New Year and COVID-19, prices have rebounded from the lows. We feel it is still an excellent time to contract for 6-12 months out.



CELERY SEED

Celery has seen a smaller crop this year, which is unusual considering it is normally a steady crop. This year, the crop is reported to be 20% less due to demand for competing crops and COVID-19 affected labor shortage. Therefore, the price of the oil has increased slightly.



**CINNAMON
LEAF**

The dynamics of the market for cinnamon leaf oil have completely changed. Oversupply and historic low prices caused buyers to purchase all of the available oil. Today, the supplies at source have dried up as the pandemic has severely curtailed the supply. As a result, prices have jumped from their lows in December – January.





CLARY SAGE

As stated in our 2019 Winter Market Report, supply of clary sage has risen to meet demand. Now that supply and demand have appeared to slow, prices are trending downwards.



**CLOVE LEAF
AND EUGENOL**

The collection of leaves has been going well so far, with only moderate COVID-19 related delays across the various regions in Indonesia. However, the supply today is low based on active demand. Prices are expected to firm as the Indonesian Rupiah is also appreciating, for a change, in a relatively short time.



**CORIANDER
HERB (CILANTRO)**

Prices for this competitive market have continued to remain stable. Please inquire to get up to date pricing. Our current prices continue to be less than half of the long-term averages.



CUMIN SEED

Insights from our 2019 Winter Market Report still hold true today. While prices and output remain stable, it is imperative to continue monitoring the turmoil in the major regions of production. C&A stocks high-quality cumin seed oil for your needs.



DAVANA

The 2019 inventory is all sold at source. Having visited davana growers for over 2 decades, I can say this might be a first! The February 2020 crop was very poor, and the new oil has a lower davannone content. The total production could be down as much as 65%. Our recommendation is to book your needs earlier than later as prices and supply should get worse until the next crop.



DILL WEED

Last year's North American yields were less than expected, and Eastern Europe experienced a short crop. Dillweed prices remain steady as agricultural products have been sluggish. It must be pointed out that, unless we contract with our dillweed growers, the supply could be seriously short. Therefore, please inform us of your needs by February so the dill seeds can be procured and grown. C&A has scores of mint-farmer relationships in the pacific northwest. Please contact us early.



**EUCALYPTUS/
EUCALYPTOL**

Prices dropped during the Chinese New Year due to a lack of interest until the pandemic which caused prices to firm. The May-June crop, which is now in process, should bolster the low inventories at source.



FENNEL

The fennel crops look favorable. Please notify us of your 2021 requirements in the Fall as our business increases on this product year after year. We invite your inquiries.



GARLIC

Garlic may have one of the more optimistic reports with an increase of approximately 20% in raw materials compared to last year's crop. However, the impacts of COVID-19 on the availability of labor remain to be seen. Our colleagues in China have reported that the overall garlic market is weak, so garlic oil prices should remain stable.



GERANIUM

The geranium crop is just beginning in the Yunnan Province in China. According to reports, the typically good quality guaiadene content oil is not yet available. Buyers have remained patient with relatively stable prices, and in some cases lower prices. Since the Chinese New Year, prices have lowered due to lackluster demand. The Egyptian crop is in the fall, but thus far the supply is meeting the demand. It is also noted that the Egyptian pound has been weak vis-a-vis the US dollar. This is keeping the modest price down. C&A has good volumes of both qualities to service your needs.





GINGER

The price of ginger oil seems to be on a rollercoaster. Recently, the price has moved up, then down, up again, and back down in almost quarterly intervals. In addition to spikes in demand, a recent drought in China severely impacted yields. We suggest covering your needs now as prices are at low levels. C&A works hard to keep a high-quality supply on hand at competitive prices. Please contact us at info@citrusandallied.com.



**HO WOOD
(NATURAL LINALOOL)**

Prices are now coming off of very-low-levels. We recommend covering your needs now as prices are very competitive.



LAVENDER

After setting record highs in 2019, the volume of lavender crop is projected to lower in 2020. A cold and rainy season in Bulgaria may hurt this year's yields. The younger crop is expected to fare better than the older stands which may not even produce a crop. Although supply is expected to fall this year, a shortage is not guaranteed. We will keep our customers informed in early August when the harvest is complete.

It is interesting to note that 10 years ago, the total Bulgarian crop was below 100 tons. This year, we may "only" have 250 tons, which may not be enough to meet demand. This is demonstrative of how much the market has changed.



LEMONGRASS

Insights from our 2019 Winter Market Report still stand. C&A's lemongrass is sourced in Guatemala where the quality is superb. Supply does not always keep up with the demand for lemongrass for many reasons. We continue to thank our long-term customers for their support, as they have enabled us to encourage cultivation by Guatemalan suppliers.



**LITSEA
CUBEBA**

The availability at source has declined to very low levels and prices are mounting, rapidly. The new crop is in August and September. We will provide updates in the next Market Report. C&A's position as a domestic manufacturer enables us to provide our customers with consistent, high-quality products.



MANDARIN

C&A is mostly active in processing mandarin oil from Italy where the production begins in the fall with green oil, advances to the production of yellow oil, and finally in January to red oil. This past season, in Italy, the volumes of fruit for processing declined from 9,000 metric tons in 2019 to 7,000 metric tons. The reduction in quantity caused the price to firm. However, the quality of the oil was good.

As always, C&A maintains strategic inventory of mandarin oil for our regular customers and is always looking to expand our business with new customers.



**MANDARIN
PETITGRAIN**

After two or three years of unpredictable softening of prices, we now see the prices firming to more normal levels. We welcome your inquiries.



MINT

India's mint harvesting is ongoing. Indian peppermint supply is limited compared to 2019. On the other hand, demand is in question due to COVID-19. India's lockdowns in April and May affected shipments of material, but not the planting and harvesting of mint.

Prices of Indian oils are approaching prices of US Peppermint prices. Production of US peppermint won't take place until August, although weather has so far cooperated with the season. Additionally, spearmint prices have rebounded from recent lows.



NEROLI

A successful 2020 crop just completed in Morocco and Tunisia. Over the past two years, we have often experienced shortages. This season, we hope that supply and demand are in balance. Please contact us for this beautiful essential oil.



NUTMEG

This beautiful spice oil seems to be stable as supply and demand are currently in balance. C&A is well positioned on excellent quality nutmeg oils and terpeneless for your applications. Please inquire.





ONION

After 7-8 years of stable prices, onion oil prices have risen due to increased production costs that are caused by environmental requirements.



PALMA ROSA (NATURAL GERANYL ACETATE)

Until recently, suitable palma rosa oil was in the hands of traders and distillers at source. Due to low prices and COVID-19, farmers did not distill more oil, and instead concentrated on alternate crops. If demand increases, the next peak crop time is in August. In recent weeks the price has increased, albeit at low levels in our opinion.



PIMENTO LEAF/BERRY

Pimento oil caught Jamaican processors off guard as inventories dwindled partly due to excessively high interest rates, difficulty finding labor (which got much worse during the pandemic), and government restrictions on the collection of leaves and berries. This oil is currently in crisis as demand grossly exceeds the supply. In the short term, C&A offers a WONF equivalent (with

other natural flavors) to bridge the gap until the new season. The season begins between July and August, and continues into the fall. Please contact us for



ROSEMARY

As stated in our 2019 Winter Market Report, high demand for rosemary's antioxidant properties have kept prices high. Please contact us to satisfy your needs..



SANDALWOOD

This beautiful, aromatic oil from India has seen stable prices due competing qualities from various sources. However, the supply of sandalwood has been severely hampered by COVID-19, so please order 2-3 months into your lead times.



TAGETES - SOUTH AFRICA

Due to COVID-19, the supply of South African tagetes is gravely low. Please plan your purchases at least 4-5 months ahead, if not more.



TEA TREE

Tea tree production is down significantly in 2020 as compared to 2019. Weather issues coupled with COVID-19 are behind this change. Demand remains strong for the product with no carryover projected.



WINTERGREEN

The planting areas for wintergreen are in the Yunnan province of China. This year, even with low demand, the supply in China was sold out many months ago. The new harvest started in May, and prices are expected to remain stable. Please contact us to cover your yearly requirements.

QUESTIONS? WE'D LOVE TO HEAR FROM YOU!

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