



ROB'S CRYSTAL BALL

AN ESSENTIAL OILS MARKET REPORT

FEATURED
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WINTER 2020



 **CITRUS
AND
ALLIED**
EST. 1955



2020 has been the most challenging year in recent memory for managing the logistics that exist in the supply chain for flavor and fragrance ingredients. Under the best of circumstances, the long supply lines inherent in our industry would scare off the faint of heart. But in 2020, everyone's most dire concerns became a reality, if even for short bursts of time in specific countries.

While there are certainly advantages and disadvantages to being a private company, in 2020, the large inventory position that C&A holds as a matter of corporate policy and standard behavior, served as an asset to our customers.

Meanwhile, the prices for essential oils have tended to increase whether due to specific weather patterns, as in the case of orange oil and lemon oil, or issues with supply such as with pimento leaf oil.

As 2020 draws to a close we foresee rising prices in many product categories and those will be detailed in the following report. We also believe that aggregate demand for most products will equal or surpass the demand in 2020. Although, we would not be surprised if demand and order patterns are unpredictable throughout the New Year.

SELECT PRODUCTS



GRAPEFRUIT

The main hubs of grapefruit oil production are found in Florida and Texas, and to a lesser extent, California. In recent weeks it has been reported that the Texas crop was affected by the many storms that is impacting the production for the pink/red grapefruit. Availability of white grapefruit oil, on the other hand, continues to be low which has generated an unusual price differential. Therefore, we recommend developing new formulations using pink grapefruit oil in order to take advantage of the cost spread.

Outside of the United States, grapefruit oil can also be found in Europe, South America, Mexico, South Africa, Central America and Israel. The oil found in Mexico has little to no nookatone content which makes it an interesting choice for use in fragrance formulations.

The key takeaway for grapefruit oil is that while supply as a whole is tightening, demand is also low which should keep prices at bay as long as the current balance continues. For that reason, we recommend covering your needs for the next six months. This approach should serve as an acceptable hedge against weather, citrus greening, and unknown future increases in demand.



KEY LIME - DISTILLED AND EXPRESSED

Traditionally, lime oil behaves predictably in eight out of ten years because the vast majority of production is confined to one hemisphere, and only two countries (Mexico and Peru). While lime once held the status of being the most boring of the citrus oils, 2020 has taken its toll, like it

has on so many aspects of our lives and business activities.

In Mexico, an increase in the percentage of fresh fruit consumed and the coronavirus pandemic exacerbated already lower-than-average production stemming from the citrus greening disease. The percentage of fruit that is processed into juice, peel, and oil has declined by ~40% to ~15%. As a whole, the total amount of lime oil produced in 2020 decreased by an astounding 35%. Taking a macro view, lower amounts of fruit for processing have led to higher prices for industrial fruit. Peru, which has never quite lived up to its potential when it comes to producing lime oil, also saw a decrease in volumes. It goes without saying that current volumes are insufficient to fill the void that has been created in Mexico.

As a result, pricing for key lime oil has firmed, with a 20% higher average cost compared to 2019. Prices would have been even higher if it were not for the weakening of the Mexican peso against the U.S. dollar in the spring. Concluding on a positive note, lower COVID-induced demand may be enough to partially offset the decrease in supply.

Given the firming of prices for lime oil, and the fact that new production begins in January, and again in June, our suggestion is to cover for 3-6 months, but not for longer periods.



PERSIAN LIME - EXPRESSED

Persian limes are grown on the east coast of Mexico and Brazil. In Mexico, drought brought down production, but not enough to fall short of demand. As a whole, the price for expressed oil remains firm, but has not risen to the degree that oil produced from key limes has.





LEMON

In our Summer Report, we projected that lemon oil's almost-historic low prices, stemming from excellent crops across growing regions, would hold despite lower supply from Spain and Italy because of lowered pandemic-induced demand. The last three times the price of lemon oil collapsed, the price rebounded the following year. That leaves us with the question, "What is going to happen in 2021?"

Before we address that question, we will explore the state of lemon oil production following our Summer Report. California experienced a higher production in 2020 compared to 2019. Processing is estimated to be at levels that are higher than those seen over the past 10 years.

Argentina, which is the largest processing country of lemon oil, had a moderate decline in production. However, the exports are above 2019 which suggests that the carry-over inventory has been sold. If Argentina prices lemon oil similar to the previous crop, there is a solid chance that a majority of the oil will be sold.

In this scenario, any bounce in 2021 prices should not be dramatic as long as Spain and Italy meet current forecasts.



ORANGE

The market for orange oil in 2019 was favorable for buyers with low-cost, good-quality available in Brazil, the United States, Mexico, Spain, and South Africa. Good weather and yields were the main contributing factors behind the surplus. As a result, many customers purchased oil with confidence, seeing 2019 as a once

in a decade opportunity. Unfortunately, a different story was written for 2020.

In January, we received confirmation from Mexico concerning a serious drought that could cause a reduction in production of up to 40%. By March, the focus shifted to the demand side of the equation as customers either stopped or increased purchasing behavior as a result of COVID-19. Consequently, normal focus on supply and demand became impossible. To make matters worse, as the summer approached, Brazil estimated a ~26% decline in production due to a late harvest and various blossoms occurring on the same tree which made picking only the mature fruit difficult. The lack of inexpensive oil from countries outside of Brazil caused prices to hike.

Looking towards the future, the 2020/2021 (June-July) Brazilian crop is forecasted to be down over 20%, bringing processing estimates close to the levels of 2018/2019. In Mexico, normal rainfall has returned, but will not manifest itself in the form of higher production until January 2021.

Turning to the United States, the October 9th USDA Citrus forecast predicts a reduction of 10% from the 2019-2020 season. Out of the three producing states (Florida, Texas, and California), Florida experienced a 15% reduction due to droppage and citrus greening.

Another influencing factor on the price of orange oil is the supply-and-demand for orange terpenes and d-limonene. COVID-19 has had a significant impact on the demand for both products as household cleaning solutions take advantage of the solvent value and pleasant aromas of orange-derived chemicals. The increase in demand for both has caused a bounce in price for cold pressed orange oil.

To conclude, it is unknown if the decline in production will lead to higher prices that customers will be willing to pay, which will lead to significant purchases. If prices are deemed to be unreasonable, it could conversely lead to hand-to-mouth purchasing behavior. As a result, we encourage a buying strategy that covers a period of at least three months.



STAR ANISE & NATURAL ANETHOLE

Star Anise oil is distilled in two seasons, the first from April to June and the second from October to December. Although the fall season is still in progress, production is not estimated to be sufficient enough to cover demand. Therefore, the price is trending on the high side. We recommend staying ahead on these Chinese-origin essential oils.



BASIL

Favorable weather has allowed basil prices to remain stable. C&A has an excellent supply and welcomes your inquiries soon so that your needs can be secured.



BAY

After many years of little to no production, bay oil is back! Production was hindered because of hurricanes that severely damaged distillation operations, and the whole island 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 began in November, and supply is expected to be slightly higher than last year's crop. Harvesting will continue until mid-February. Our projection is that prices will remain stable for 2021. As demand remains high, we recommend covering your needs in January or February.



**BITTER
ORANGE**

For the last 3 years, bitter orange has faced challenges in both hemispheres including greening, shifts to non-citrus crops, and disease. As a response, our suppliers have replanted bitter orange groves, and it is hoped that this costly project will yield a more sustainable supply. This is one essential oil that we press for your annual requirements. C&A distills five-fold bitter orange oil along with a new product: bitter orange essence oil. Please inquire.



BLACK PEPPER

The black pepper market is experiencing a price correction following all-time-lows in the first half of 2020. We believe that it is better to cover your requirements sooner rather than later, as we expect black pepper prices to continue to rise overall with the recent uptick in the global spice markets.



BORONIA

Native to the Australian continent, the boronia flower is a powerful aromatic blossom that recently saw its harvest.

Both supply and quality appear to be good. After years of shortages, larger volumes of boronia oil should be coming to the market. For those looking to add something new to their portfolio, please inquire.



BUCHU

After years of shortages due to wildfires and droughts, the buchu supply has improved. Thank you to all of those who have trusted us to secure their buchu needs in the past. The market remains extremely tight. We strongly advise contracting with us so we can do our best to secure your annual volumes.



CARAWAY

Our position from the summer, that caraway continues to be a tricky market, still holds as of this writing. Because of a relatively long two-year production cycle, market sentiment is oftentimes delayed. Therefore, we highly recommend that you plan ahead. Please inquire so that we can help you plan.



CARDAMOM

The Indian cardamom harvest is complete, and yields are 10-15% higher when compared to last year. Prices are down as a result of better supply, lowered demand stemming from COVID-19, and better price realization. In Guatemala, flooding from hurricanes has caused disruptions near cardamom growing areas, however prices basically mirror their Indian counterparts. Cardamom is an extremely volatile spice so giving us

your volumes ahead of time helps us to secure the most favorable offer for your company.



CARROT SEED

Carrot seed oil's availability remains limited at the source. Please provide us with your annual needs so we can source enough quality material for you. The next opportunity at source is in June & July.



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

Following previous price reductions, in what I would categorize as historically modest prices, the price of cassia increased a quick 20% in September due to an array of factors ranging from low supply of raw materials to speculative market activities. It is predicted that the prices will remain firm until the next April/May harvest. C&A took significant positions at the right time to ensure competitive prices for our customers. Please inquire.



**CEDARWOOD
VIRGINIANA**

Supply of cedarwood virginiana has been extremely tight due to new customers and higher demand from existing ones. The current global pandemic has also delayed deliveries of raw materials, which has impacted production cycles.





CELERY SEED

The 2020 celery harvesting season is complete, and the sowing of 2021's crop has begun. A better estimate of 2021's crop should be available closer to the end of December. With export demand higher than last year's and supply decreased due to competing crops and pandemic-related labor shortages, now could be a good time to cover your needs before prices climb higher.



**CINNAMON
LEAF**

As mentioned in our summer report, early overproduction and price decreases in the market have caused producers to slow production. Since then, the availability at source went from abundant to none. We recommend covering your short term needs to stay ahead. Please keep in touch with us for updates on the next time to look longer term. C&A frequents Sri Lanka to stay informed with the latest developments.



CLARY SAGE

As expected, the clary sage crop was normal. Supply and demand have appeared to slow, and prices are stable, and trending downwards in some cases. Please contact us to cover your clary sage needs.



**CLOVE LEAF
AND EUGENOL**

With an already low supply of clove, the market is feeling pressure as distillation of clove has slowed due to the immense rainfall in Indonesia. As a result, we expect the price to continue to firm, therefore we recommend you book early.



**CORIANDER
HERB (CILANTRO)**

Supplies are extremely limited at source and 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 while supplies last.



**CORIANDER
SEED**

After years of below-average crops and less distillation of seeds, expectations of higher oil prices are coming to fruition. We now see less availability and slightly higher prices going into 2021. We will keep our eye on the news coming in August 2021 on the prices and availability going forward.



CUMIN SEED

Cumin seed oil transactions are at the lowest prices in over 5 years because of unusually high yields. However, 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 davana season typically begins in February, so it is still too early to report on. According to some of our contacts in India, however, the impact of heavy rains that destroyed nursery plants may damage the winter crop. Total production could be 40-50% of last year's poor season. Our recommendation is to book your needs sooner than later.



DILL WEED

This year's North American crops were excellent, and Eastern Europe experienced an average crop. Dillweed prices remain steady as agricultural products are quite good. It is of note that unless we contract with our dillweed growers, the supply can be acutely short. Therefore, please inform us of your needs by February so the dill seeds can be procured and grown. C&A has scores of farmer relationships in the Pacific Northwest. Please contact us soon.



**EUCALYPTUS/
EUCALYPTOL**

Eucalyptus oil is another product that is witnessing price variations this year from lowered pandemic-related demand, short supply of raw materials, currency fluctuations, and reduced distillation. Peak season occurs in December, but there is still abundant available oil at source. In the short term, we expect prices to remain low, but a firming could occur into the future for the reasons listed above. Please contact us.



FENNEL

The fennel crops continue to look favorable. Please notify us of your 2021 requirements as soon as possible as our business increases on this product year after year. We invite your inquiries, both large and small.





FIR NEEDLE

Fall prices for fir needle oil were at modest levels but as we expected, are now quickly advancing. Lower production, increased production costs, and high demand from the disinfectant industry are behind this. We believe that it is a good decision to order while supplies last.



GARLIC

According to our colleagues in China, there is an increase of approximately 20% in raw materials compared to last year's crop. Overall, the garlic market remains weak, so garlic oil prices should remain stable. However, as we have mentioned dozens of times over the years - environmental closures in China can create severe shortages overnight.



GERANIUM

According to our sources in China and Egypt, output is able to meet high market demand for geranium oil. However, prices continue to fluctuate because of changes to exchange rates for both countries' currencies. As of now, this is suppressing the price. C&A has good volumes of both qualities to service your needs.



GINGER

Ginger's antiviral properties have caused demand to increase significantly amidst the current pandemic situation. Larger crops are expected in India as a reaction to higher prices, however excess rainfall will make cultivation and drying difficult. In China, spikes in demand and droughts are pointing towards a rise in prices. Uncertainty associated with the weather, yields, environment, and the coronavirus pandemic makes judging the after-market situation very difficult. In the short term, prices should remain firm leading up to the January-February harvest.



**HO WOOD
(NATURAL LINALOOL)**

Supplies of ho wood from China are low due to government mandates. As prices are coming off of very low-levels, we recommend covering your needs now as prices are very competitive and undoubtedly will increase in the near future.



JUNIPER

For the second year in a row, juniper berry's supply situation is unclear. It is very hard to find berries that will provide high yields of good quality juniper berry oil. Demand remains to be high, and we expect prices to increase. We recommend covering your needs soon.



LAVENDER

Despite poor yields this year, prices for lavender oil remain to be very low with modest demand. Overall, the market for lavender oil has seen drastic shifts in price and quantities over the past 10 years. Please contact us to secure your 2021 needs at competitive prices.



LEMONGRASS

The lemongrass situation is very challenging because of complications stemming from hurricanes and increased demand for citral due to the global pandemic. Demand for citral has increased significantly due to increased consumption of sanitizer and cleaning solutions. In Guatemala, Hurricane Eta caused immense flooding which has interrupted transportation and damaged existing crops. Therefore, we expect the price of lemongrass to stay firm. We continue to thank our long-term customers for their support, as they have enabled us to, in turn, support our Guatemalan suppliers.



**LITSEA
CUBEBA**

Because of heavy rainfall, the quality and quantity of litsea cubeba is not as good as last season's which has made extracting citral 96% more difficult. The poor supply situation paired with current high demand and increased production costs has placed even more pressure on an already competitive market. We encourage you to cover your needs until next summer before the price rises even more. 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 production began in the fall for green oil and yellow oil, and will begin for the red oil in January 2021. Thus far, production is good in Sicily and Calabria, and a return to average levels after a lower-than-normal previous season. While it is too early to make a solid price prediction, the crop thus far indicates that a slight price reduction is possible.

C&A maintains strategic inventory of all three qualities of mandarin for our regular customers and we welcome new inquiries.



**MANDARIN
PETITGRAIN**

After a brief period of firming, mandarin petitgrain oil prices are softening again due to surplus of supply. Some producers are expecting an increase in demand for 2021.



**MASSOIA BARK
(NATURAL MASSOIA LACTONE)**

A poor production season in Indonesia has made the market for massoia bark oil very tight. C&A manufactures natural massoia lactones in the United States. Please inquire for an up-to-date picture of the Massoia market.



MINT

For over 70 years, Citrus and Allied has developed multi-generation relationships with farmers from almost every mint-producing region in the U.S. This year, the production in the U.S. is down by 11% for peppermint and 14% for spearmint due to interest in other cash crops and sluggish demand. That said, the quality is still of the high-caliber to be expected. We do not expect the reduction in production to move prices.

On the other side of the world, the Indian crops had a good crop this past summer. Despite initial worries that lockdowns, COVID-19, competing crops, and labor shortages would negatively impact production, 2020 ended up reporting solid production numbers. Today we see competitive mentha arvensis prices, derivatives, and menthol due to a healthy crop but with COVID, the MCX and other variables we recommend taking some extra volumes at modest prices.



NEROLI

In 2018 and 2019 we experienced shortages of neroli oil. The 2020 crop ended over the summer, and supply appears to be good. Please contact us for this beautiful essential oil.



NUTMEG

Both Sri Lanka and India are experiencing shortages of high-quality nutmeg due to national lockdowns and scarcity of raw materials. Our recommendation is to cover your short-term requirements now, as current crop shortages could continue to firm prices before the next peak harvest.



ONION

After 7-8 years of stable prices, onion oil prices have risen due to increased production costs that are caused by environmental reasons. Please inquire for more information.



**PALMA ROSA
(NATURAL GERANYL ACETATE)**

As we predicted, prices for palma rosa have firmed due to pandemic-related disruptions and previously low prices which caused farmers to concentrate on other crops. Please contact us to cover your requirements.



**PETITGRAIN
CORDILLERA PARAGUAY**

As there are so few suppliers of petitgrain cordillera paraguay, supplies are very tight. Please contact us to satisfy your needs.



**PIMENTO
LEAF/BERRY**

As of this writing, acquiring pimento leaf oil is extremely difficult with almost no supply at source. In the short term, C&A offers a WONF equivalent (with other natural flavors) to bridge the gap until supply returns. Please contact us for more information.





ROSEMARY

The continued increase in demand for rosemary's antioxidant properties and lowered supply due to COVID-19 has kept prices firm. Please contact us to satisfy your needs



**TAGETES -
SOUTH AFRICA**

The global COVID-19 pandemic has reduced the supply of South African tagetes to gravely low levels. As mentioned in our summer report, please plan your purchases at least 4-5 months ahead.



**THYME
RED SPANISH**

While the harvest is 6 months away the supply and demand seem to be in balance. Please contact us to fulfill your needs.



SANDALWOOD

This beautiful, aromatic oil from India has seen stable prices due to competing qualities from various sources. However, the supply of sandalwood has been curbed by COVID-19, so please allow for 2-3 month lead times.



TEA TREE

Complications associated with weather and COVID-19 have reduced tea tree production significantly in 2020 compared to 2019. Demand for tea tree oil remains high for the product with no carryover projected.



WINTERGREEN

Grown in the mountains of the Yunnan province of China, wintergreen is a small volume essential oil. Currently, there is very low availability of this essential oil despite low demand. The new harvest begins 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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