ROB'S CRYSTAL BALL

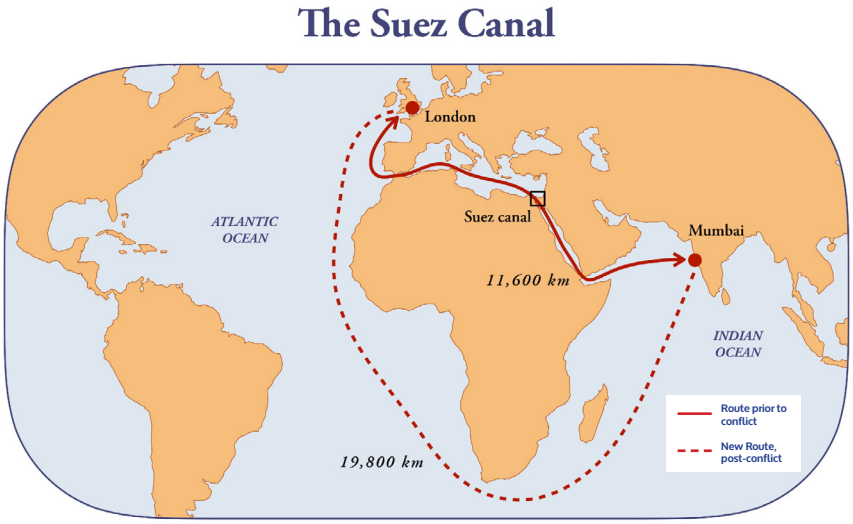
AN ESSENTIAL OILS MARKET UPDATE

SUMMER 2024

HOUTHI CONFLICT: A CATALYST FOR GLOBAL SUPPLY CHAIN DISRUPTION

The Houthi insurgency in the Red Sea has triggered a cascade of disruptions that have fundamentally altered the global supply chain landscape. Since November, the rebel group has intensified its attacks on commercial vessels, posing a grave threat to the Suez Canal, the vital maritime artery connecting Asia and Europe. While a two-week pause was seen throughout July, Houthi attacks on container ships are reemerging.

These acts of aggression have led to a dramatic increase in ship rerouting, significantly extended transit times, and exorbitant port fees, culminating in severe supply-demand imbalances.



Shortages of critical flavor ingredients have become commonplace due to a combination of factors, including adverse weather conditions, labor disputes at ports, and the resurgence of COVID-19. The increasingly common geopolitical conflicts have further compounded these issues. This is exemplified by the wheat and grain industry, which experienced a two percent price hike following the onset of the Ukraine War, as the region is a major global producer of these commodities.

All users of essential oils and related products that rely on the Red Sea for transportation are grappling with the far-reaching consequences of these transportation and agricultural upheavals. The availability of essential oils and other critical ingredients has become increasingly unpredictable. To mitigate the effects of these supply chain disruptions and ensure a consistent supply of necessary materials, companies must strategically adjust their inventory levels. A comprehensive understanding of ingredient profiles from diverse sources is crucial for identifying suitable substitutes when primary options become scarce.

As the volatile situation in the Suez Canal persists, we strongly advise businesses to plan shipments well in advance. By proactively addressing potential challenges, companies can mitigate the impact of market fluctuations and rising costs, ultimately safeguarding the stability of their supply chains and the availability of essential ingredients.