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## Orange Oil



Orange – If you took a course in economics and have an understanding of how prices are primarily determined by the interaction of supply and demand, please read no further. If not, read on. Prices for orange oil, while somewhat lower than they were at their peak, have continued to be extraordinarily high by historical standards. This is particularly vexing considering the large crop in Brazil

which has bounced back from the pitiful size of 235,000,000 boxes processed in 2010 to a healthy 330,000,000 boxes processed this year. Our suppliers report that they continue to enjoy a steady demand at very high prices. We are advising our customers to buy what they need and to cover modest quantities while waiting for normal market forces to assert themselves. The early prediction for the crop in Florida is encouraging. While the size is nowhere near what it was ten years ago, we do anticipate a percent increase in the single digits

## Lime Oil

Lime – The processing season for limes began right after Easter with the prices for industrial fruit at their highest level ever. This was not a big concern as the early part of the crop only accounts for a few percent of the annual production. As hoped, prices for fruit tumbled by mid June at which point production was increasing. For much of July and some of August, prices for industrial fruit were at reasonable levels.



By the end of August, this had changed and prices for industrial fruit were even higher than they were at the beginning of the season.

This has made the cost of distilled and expressed oils quite high. Currently, prices for distilled oils are 30% higher than they were last season. Based on the high cost of fruit, we would expect prices to hold well into 2012. We observe a slightly less demand for expressed (cold pressed) lime oil which may be a good thing as diminished production of expressed oil would allow for more production of distilled. After all, lime fruit has a fixed amount of oil that can be recovered either by expression, distillation or both. If you have not covered your requirements for lime oil, please contact us. The situation is not ideal.

## Lemon Oil

Lemon is one of the few essential oils for which prices are down from last year. Despite an unusual freeze in Argentina, we expect that 950,000,000 boxes of fruit will be processed. Along with an excellent crop in Spain, there is sufficient supply and prices have behaved in a normal manner by coming down. This is a good time to cover your requirements.



## Grapefruit Oil



Grapefruit – For the past seven years, the demand for grapefruit oil has been weak. For those of you who are essential oil historians, this weakness dates back to 2004 when hurricanes Charlie, Ivan, Francis and Jeanne devastated the growing region in Florida. Considering that over the same period of time the supply has been dwindling, the lack of oil demand kept prices in check. The trend of low demand appears to be reversing. We now believe that supply and demand are quite close and perhaps the demand actually exceeds supply. With a short-crop in Israel, we have seen the prices for grapefruit oil on the rise, particularly white grapefruit. Production in Florida totaled twenty million boxes of which six million were from white fruit and fourteen million were from red fruit. The price curve direction is heading up.

## Tangerine Oil

Tangerine – Early indications are that this year's crop will be severely affected by erratic weather in Mexico that was characterized by lots of rain and unusually cold temperatures, followed by extreme heat. Considering that processing in Mexico experienced a downturn during the past season due to rainy weather, the supply situation is not good. Tangerine from other origins is also tight with good quality parcels hard to find. We continue to suggest that our customers stay well ahead and keep us apprised of any meaningful changes in your forecasts for tangerine oil



# Rob's Crystal Ball

When gazing into my “Crystal Ball” I recognize that conventional wisdom suggests that the overwhelming majority of the price increases experienced during 2011 should reverse, with those that have gone up the highest falling the fastest. Contrary to this wisdom, we continue to see strength in the pricing for many essential oils. This is due to so many reasons that we wonder if the high prices represent a new normal. After traveling extensively in 2011, I see little carryover and a shared opinion among many producers of natural products that perhaps they have been undervaluing their products for decades. Certainly, the internet has made it easy for all the participants in the supply chain, from farmers to consumer companies to gain accurate knowledge about the markets for specific products. With growers so well informed, and in many instances well financed, it is much easier for them to hold stocks in expectation of higher prices. There is also a push by governments throughout the world to increase wages for laborers. Increases in wages are absorbed directly by pricing. As the citizens of the emerging growth countries consume more and more meat, there is an increased demand for grain as animals feed. This makes the farming of grain a credible low-risk alternate to producing essential oils. This, of course, can be very tempting to producers. The more obvious reasons for increases, such as the continued weak US dollar versus many other currencies (though not the Euro), unpredictable crude oil prices, speculators in the market place, the WEATHER and probably above all else, the incredibly strong demand, continues to suggest that higher prices may be here for a while.



## Essential Oils

### **Eucalyptus/Eucalyptol/Geranium/Wintergreen/Citronella**

I am pleased to report that the province of Yunnan is experiencing normal weather after a season that was characterized by the worst drought in 60 years. However, strong inflation and higher labor costs are keeping the prices higher than pre-drought years coupled with strong demand. Geranium oil is finally off its lofty price point, but still in a historically high range. We continue to recommend hand-to-mouth buying at these high levels.

# Essential Oils

## **Davana**

September-October is the start of Davana cultivation. While pricing for this oil remains stable, current prices could firm depending on the farmers' decisions to sell or not to sell.

## **Ho Wood**

Over the past couple of years prices have increased, mainly because of the lack of regulation, poor maintenance of the trees and a nonexistent re-planting program. With a re-planting program now in place it will take time for the trees to mature; until then, the prices will most likely remain firm

## **Lavender**

The crop in Bulgaria was slightly better than in 2010. Production is estimated at 38-40 tons. Buyers continue to show great interest in Bulgarian Lavender. With high demand, distillers were competing for every kilo of the botanical to process; as a result, the price for the raw material increased. The cost of Lavender oil in 2011 is considerably higher than last year. The supply of Lavender Oil from other origins is limited. France is down 25-26 tons, Russia is down to 12-15 tons and China's production is barely enough to cover their own domestic needs. It is estimated that global production is estimated to be below 90 tons in 2011 which is 50% less than the demand. Therefore, the time to cover this year's requirements is now!

## **Lemongrass**

Although the price of Lemongrass is slightly higher than last year, we continue to take a solid position on this modest volume essential oil from Central America. It has become necessary to contract Lemongrass to assure enough is planted, harvested and processed into oil. We invite your inquiries.

## **Litsea Cubeba and Natural Citral**

The crop size has been reported to be the same as last year; however, the collectors are having difficulties getting the laborers to collect the berries that grow at higher altitudes on the sides of the mountains where it is found. The laborers would rather choose a less labor intensive crop to pick; as a result, a premium is paid and the cost goes up. The price for Litsea, which is the starting material for making natural citral, has remained firm.

# Essential Oils

## Peppermint Spearmint and Dill

The unseasonably cold and cloudy weather delayed harvest in many of the growing regions by two to four weeks. Early reports suggest that the yields are about average except for the Willamette Valley in Oregon which experienced below average yield. The snow-pack was excellent and we estimate the acreage planted to be 5% higher than it was in 2010. Regardless, higher prices prevail this year, caused by increased input costs and the allure for farmers to grow more valuable alternate crops (wheat, corn, soybean, etc). Spearmint & Dillweed oils continue to advance in price for many of the same reasons Peppermint has.

## Petitgrain

Prices are firm with limited availability. The weak U.S. dollar versus the Paraguayan Guaranies has contributed to the increased prices which are offered in US Dollars.

# Spice Oils & Extracts

## Cassia and Natural Benzaldehyde

The spring crop was better than last year by 20%, but the leaf collection cost and production overhead is well above last year's levels. The Chinese cite the brisk appreciation of the RMB against the USD as one reason for firmer prices; other reasons are the strong demand and speculators who are keeping the oil priced higher than we have seen in three decades.

## Cardamom

Production of Cardamom is on the rise. India has reported a slightly larger crop but Guatemala is still 60 days away from this year's initial production. We will continue to keep you updated on the 2011 production; if you need material prior to the new crop, please send your inquires to us.

## Carrot Seed

The outlook for Carrot Seed Oil this season is poor; the market indicates limited availability of seeds until the new crop in October/November is harvested. As a result, new crop oil will not be available until December. Taking into consideration the present drought in France, limited oil is to be expected.

# Spice Oils & Extracts

## Cinnamon Leaf

Cinnamon Leaf continues to fluctuate in price due to heavy local and global speculation. Our current position is excellent; we invite your inquiries.

## Clove Leaf and Eugenol

In Madagascar, the prices are relatively high. Demand for Clove from Indonesia exceeds supply. Taken together, it is not surprising that prices have remained high. Currently the prices are somewhat lower than what we experienced last fall, and prices appear to be stable. We are hopeful that the long-term trend is down.

## Coriander Seed

Early reports indicate that the new coriander harvest normal. Some farmers are keeping prices at last year's level but in many cases higher seed prices are being quoted. This is due to the rising cost of coriander seed in other parts of the world with much of the demand coming from the spice industry. We believe the current prices are the lowest we will see and suggest you book now.

## Cumin Seed

Cumin prices are up due to the political situation in Syria and in Egypt. We have limited stocks, please act promptly.

## Ginger

Ginger remains stable but priced high. Even after the new crop in June/July we saw little movement.



## Nutmeg

While the US Dollar has strengthened somewhat in recent weeks against the Euro, it has not strengthened against the Indonesian Rupiah. However, this is not the only factor in determining the price of this material. Unfortunately, the cost of nutmeg spice has crept up due to recent shortages. Moreover, higher operating costs have risen due to recent inflationary pressure. We continue to see increasing prices and possible shortages going forward.



# Essential Oils

## Pimento Leaf

Pimento leaf oil is stable but the predictions of many Gulf hurricanes have producers nervous. If bad weather strikes it could easily cut this season's harvest time in half. The season for Pimento is June – September; this is the time to give us your requirements.

## Spice Oils

### Star Anise

The aniseed market is active. The fruit seed for oil is limited due to the ever increasing demand of the pharmaceutical industry for flu vaccinations. Peak harvest time July-October. In recent weeks, we have seen steady prices on anise seed oil. The farmers claim if they sell below the current levels they will lose money. However, if they do not sell we can project an increase in supply. At present, we anticipate stable, slightly lower prices in the 1st quarter of next year as this market continues to develop.

### Tarragon

C&A welcomes this new essential oil to our illustrious product portfolio! Please make your inquiries for this unique essential oil. We are happy to send you a sample.

## Aroma Chemicals

The Aroma Chemical market is experiencing a resurgence in demand following last year's industry down-turn. There are a number of supply interruptions from China that are causing shortages in the marketplace which have extended lead times and created delays. In addition, we continue to experience increasing shortages of various products such as: MCP, Vanitrope and some mint derivatives. In addition, all products based on Crude Sulfate Turpentine will continue to experience price and availability issues.

