

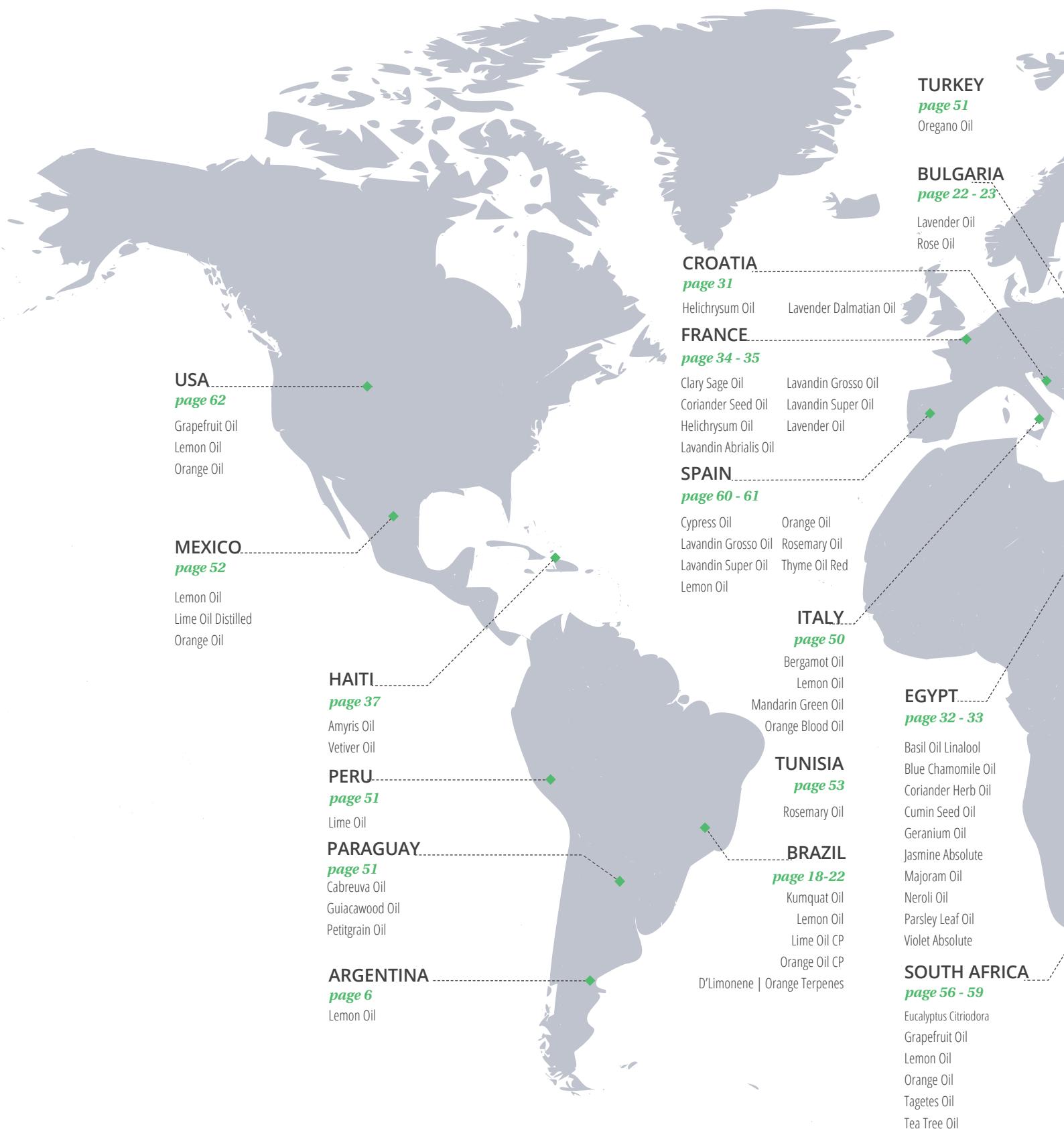
ESSENTIAL OILS

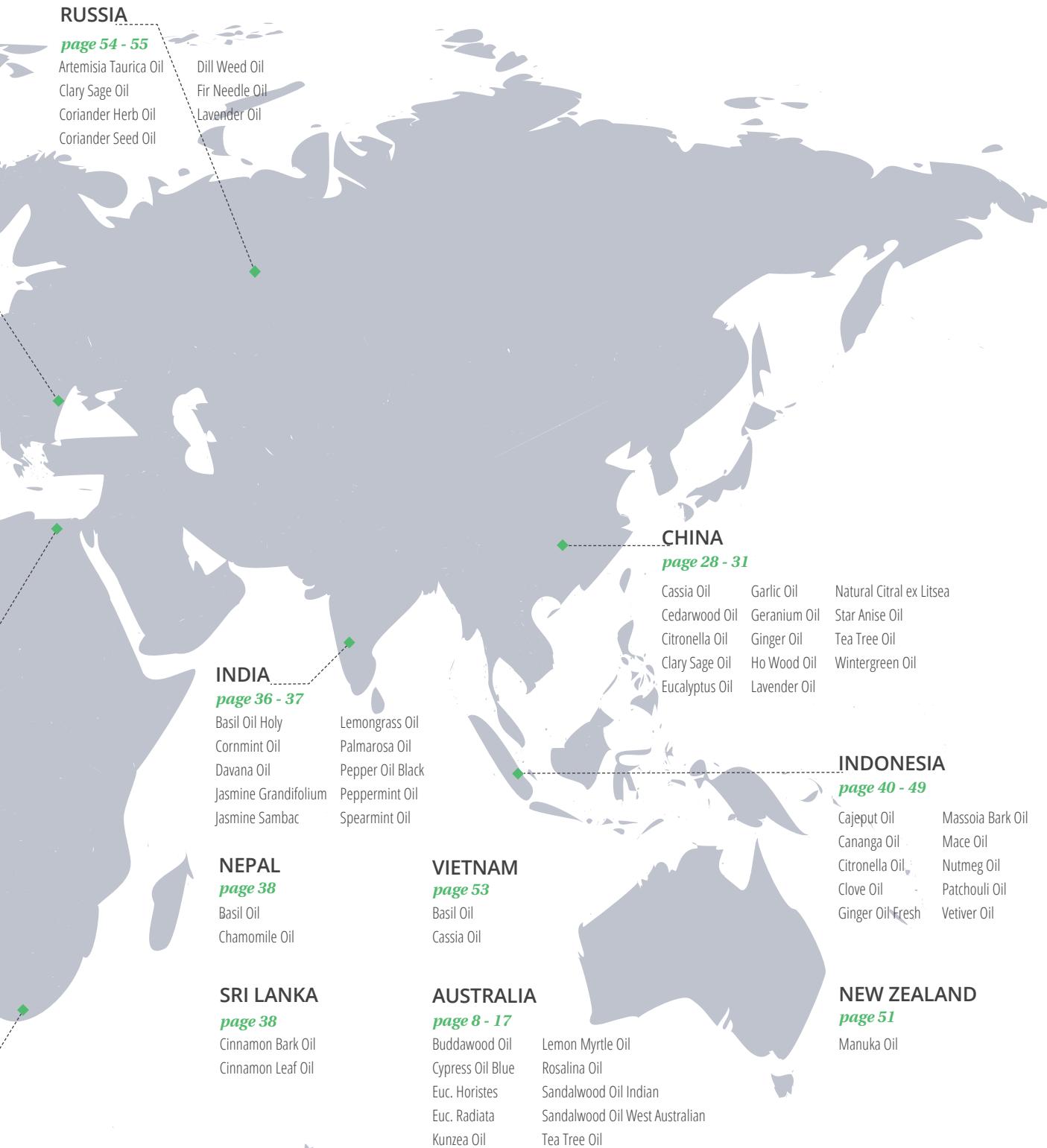
MARKET REPORT

AUTUMN 2017



**GETTING YOU
THIS CLOSE
TO THE ACTION**





WELCOME EDITOR'S NOTES

Jonpaul Howarth



Welcome to this Autumn 2017 (IFEAT Athens) edition of Ultra's Market Report. As always we have tried to cover as many of the oils we offer as a group and a few more besides - around 117 product and origin variations at a last count! We can't cover everything but we're always looking to expand on this and over time we will. We've also added some feature articles covering the important markets of orange, clove and sandalwood.

It's a pleasure to be able to write these reports and share the market with you. I highly value information transparency and it is something the Ultra Management Team and the Sanganeria family share. It's with their support and input we're able to deliver such information.

I believe we are at a critical time for the essential oil market. Never before does there seem to be so many dynamics coming into play with no clear visibility as to how it will all end up?

We've been discussing for some time the expected growth in the essential oil markets with many suggesting a 10% year-on-year growth between now and 2022. That's not a small number but what exactly does that mean because it won't be 10% year-on-year for all essential oils, so which ones does it include and how as an industry are we going to manage this growth? The answers are very complex, especially as you go through product-by product, region-by-region. I'm not sure anyone has told Mother Nature this as she often features in our reports and I don't see that changing any time soon! Take one example - Bulgarian lavender. We've seen an unprecedented growth in production over recent years from 80 MT in 2014 to 200 MT in 2016 and if it wasn't for a bad crop in 2017, production could have risen close to 300 MT this year. This is far

more than 10% Y-O-Y yet the market has consumed this growth! Apply 10% year-on-year until 2022 and we will need over 600 MT in just 5 years time!! Another quick example could be Italian bergamot. Could we take their 35 MT annual production and make this 60 MT by 2022 - not without some significant investment but are we to take such numbers as this literally?

On one side of these growth figures you can sense the excitement and impact of the aromatherapy market. The volumes being consumed continue to surprise me and they are also an important launch pad for some new and interesting boutique essential oils, but in some cases the growth is simply too quick and famers/producers around the world simply can't keep up with demand!

Orchestrating an increase in production is no easy task. Of course, everyone would love to see these volumes continue to rise but there is always an element of risk associated with new investments. Is this growth sustainable – where will it end? By the time new investments yield new oils will the demand be still there? These are just a few questions I hear often from our suppliers and growing partners.

Less obvious, but a key driving factor behind this growth, is the continued move in consumer awareness towards ‘green’ and ‘natural’ products, whether it be household, personal care, cosmetic or even food flavours. This is driving demand for natural fragrances and highlighting to many consumers the benefits associated with essential oils as a key selling point for many cosmetic and personal care products. Also in Western Europe, figures show more people are spending money on wellbeing to improve their standard of living.

Recently I've seen and heard of some wonderful sustainability projects initiated by many companies of all shapes and sizes, which in the end will be the basis of our industry's future. Only with this sort of transparency and co-operation between all parties will we ensure that as an industry we take the right decisions moving forward in the products we invest in and most importantly the care we take in doing so, both environmentally and commercially.

We cannot chase overnight successes any more as these simply do not exist and given how much smaller the world is becoming due to modern technology we can connect local farming communities all over the world with any end user and I believe sharing this market information is just one part of keeping our industry healthy.

Some traders resist this sort of open transparency fearing that this will somehow negatively impact their business. They believe secrecy is the key to success but we don't. Our reports are here to guide and not mislead and we're always happy to hear honest comments or receive new information from those willing to provide it.

I hope you keep enjoying our reports and I wish you a successful conference here in Athens.

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LEMON OIL Argentina

Citrus limon (L.) Burm. F.

We reported at the end of the first quarter that there could be some difficult times ahead for Argentinian lemon oil. The crop forecasts, growing fresh fruit demand (in export markets) and the predicted fruits available for processing would leave a hole not just in Argentina's supply but the global lemon markets. The only question was how big that hole would be and now that we're mid September we've started to see these potential problems unfold.

Processing volumes down as much as

30%

Heavy rains and flooding at the end of last year and the beginning of 2017 have led to a 10% fall in Argentine citrus production this year according to forecasts released by Federcitrus and the USDA in April. However, many are now suggesting this was underestimated and the fall will be between 20%-30%!

This is disappointing news to many, especially those producers in Argentina who would have hoped to take advantage of the reopening of the Brazilian market after an 8 year absence and the end of a

16 year US ban on imports – two factors which will increase demand for fresh fruit both now and in the future. Mexico also announced in July that its doors are to be re-opened for imports.

Whilst production is likely to be down 10% on last year, it is more significantly down on a 10-year average and as such prices for fresh fruits have risen in recent weeks. With the fresh fruit market still the most attractive avenue for most sellers in terms of revenue, it will be the processing

market that suffers the most. Supplies to processors are likely to reduce between 15-20% on 2016 figures, unless of course they pay the higher prices, which will be reflected in the juice and oil price.

*Prices rise upwards of
in just a few weeks*

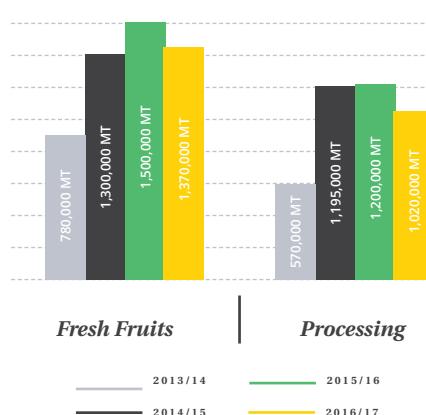
20%

As this scenario has been on the cards for some months many of the major buyers have ensured they took sufficient cover. As a result, large volumes of oil have been purchased in recent weeks/months, to the point where not many producers in the region are prepared to make new offers. Those who do have surplus stocks are looking to capitalise on these market pressures, which have seen prices increase 20% in the last few weeks.

Where this will end is likely to be down to how far the major end users have covered as continued pressure on demand will certainly keep prices rising.

 **USD 42.00 /kilo**

HISTORICAL OUTPUT (MT)





YOUR NEXT
BRIGHT IDEA IS
TO TALK TO US

AUSTRALIA NATIVE OIL GUIDE

Some of our favourites so far....in no particular order!

Over recent years and in past issues of our reports we've highlighted many unique and interesting essential oils from Australia. These reports are available to download from our website and give both a detailed history alongside modern uses of these oils. Here we're giving you a quick overview of these special oils as well as the current market conditions.



BUDDAWOOD OIL

Eremophila mitchellii

Eremophila Mitchellii is an Australian native tree commonly found from northern South Australia to north west Queensland. It is also known as "false sandalwood". Produced by steam distillation over 5-7 days, this project is fully government supported and therefore sustainable with solid investments into the distillation.

AUSTRALIA SMOKEY TEA TREE

A Brand New Native Oil

*The beauty of exploring Australia is you always find something new and interesting and on a recent visit to Tasmania we did just that. The local name is Smokey Tea Tree and the botanical is *Leptospermum glaucescens*..*

Leptospermum you may know from the Manuka family and Manuka is often called *New Zealand Tea Tree* in its native land.

This plant is native to Tasmania and South East Australia. The plant itself is grown wild, grows up to 3 metres tall and is harvested for its leaves and terminal branches.

New native oil rich in alpha pinene

80%

All that said don't confuse the names as this is a uniquely different product.

Once distilled we discovered this essential oil is extraordinarily rich in Alpha Pinene with levels around 80%!

This powerful product could make a wonderful ingredient in various 'renewing' aromatherapy and ayurvedic products as high α-pinene is known for its anti-inflammatory and anti-microbial properties. It's also known to act as a broad-spectrum antibiotic, it functions as an acetyl cholinesterase inhibitor and also a bronchodilator.

Although commercial development is in its early stage we already have oil to offer. If you're interested in trialling this product with us and being part of its development, please contact a member of the team!

PEFUMERY

Woody base note
Natural fixative properties
Popular across the Middle-East
Smooth, sweet, oak notes

AROMATHERAPY

Cut & sores healing properties
Relieves muscular pains
Centre emotions
Enhances calm and peace

LATEST MARKET

There continues to be steady progress with sales and production increasing at a healthy organic rate. Recent upgrades to the distillation facility have increased capacities with larger batch sizes now available.

AUD 600.00 /kilo



CYPRESS OIL BLUE

Callitris intratropica

Blue Cypress is a tree native to Australia growing in the Northern Territory. The tree grows freely and is wild harvested to produce the oil, under a well-managed sustainability scheme imposed by the state government. Produced by steam distillation over 5 days. The oil is blue in colour, which comes from distilling the bark with the rest of the tree.

PERFUMERY

Alternative to vetiver
Excellent for men's fragrances
Works well in cosmetics
Floral, woody, tonka and earthy notes

AROMATHERAPY

Anti-viral
Anti-inflammatory
Calming
Soothing

LATEST MARKET

Markets have firmed in recent months despite an increase in capacity. Driven by the growing aromatherapy market demand has reached new levels. With a monopoly on production until the end of 2017 it is expected that the next few months will remain difficult but plans are afoot to find new processors in 2018 should the Australian patent rules allow. This is needed to ensure the market is fulfilled and supplies remain sustainable.

▲ N/A



EUCALYPTUS OIL HORISTES

Eucalyptus kochii

Horistes is a mallee type. Also known as Eucalyptus borealis, it is a sub species of Eucalyptus kochii. From plantation stock this is one true Australian eucalypt that is fully sustainable. It has very high cineol with levels consistently near 90-95%. It has great medicinal properties and is effective in oral care.

PERFUMERY

Fresh
Zingy
Eucalyptol
Camphor

AROMATHERAPY

Mouthwash & cough suppressants
Insecticide
Respiratory issues
Antiseptic and antimicrobial

LATEST MARKET

The oil is available and can be scaled up in the short-term to as much as 20 MT annually should it be required. It is now on trial for a number of new applications so we expect to see an upturn in demand very soon.

▲ AUD 25.00 /kilo



KUNZEA OIL

Kunzea ambigua

Native to Tasmania and surrounding Islands, Kunzea is derived by steam distillation from the terminal branches and is a member of the Myrtaceae family. The plant goes by the names "White Cloud" or "White Kunzea". Recent investments have seen production increase and with it better economies of scale introduced, opening it up to wider markets..

PERFUMERY

Myrtle and medicinal top notes
Herbaceous, pine
Fresh & green
Camphor

AROMATHERAPY

Pain relief from arthritis & muscular conditions
Help release symptoms of colds and flu
Eases anxiety

LATEST MARKET

There are continuous investments into the harvesting and distillation methods and capacities across Tasmania with grand plans to produce as much as 5 MT over the next couple of years. These additional volumes are already committed to the growing aromatherapy demands so further investments are being considered.

▲ AUD 350.00 /kilo



SOUTHERN ROSALINA

Melaleuca ericifolia

Also known as Lavender Tea Tree, Rosalina is part of the Australian Melaleuca family. Originally referred to as 'Swap Paperbark', *Melaleuca ericifolia* is a small tree growing to 7-9 metres with narrow leaves. This oil offers both the linalool and 1,8 cineole components that highlight those respective oils. Typically, linalool is found at concentration levels of 45% and 1,8 cineole around 20%.

PERFUMERY

Lemon infused pine note
Lavender
Fresh
Medicinal

AROMATHERAPY

Anti-bacterial & anti-viral
Immune stimulant & decongestant
Eases insomnia
Calms anxiety

LATEST MARKET

There are now two qualities in the market as different growing regions within Australia produce different qualities of the same botanical. Supplies on the mainland have been limited so the introduction of a sustainable alternative (referred to as Southern Rosalina) has been very welcome, in particular in the aromatherapy sector. Expect supplies to improve into 2018.

▲ AUD 250.00 /kilo

EUCALYPTUS OIL RADIATA

Eucalyptus radiata

Another one of the 700+ eucalypt species within Australia but *E.Radiata* is somewhat unique. High enough in eucalyptol (60%) to maintain its typical characteristics, it is also low in irritating aldehydes and cineol. A gentle eucalyptus which is easily absorbed into the skin is sought after in the aromatherapy markets as it has the perfect recipe of benefits and odour.

PERFUMERY

Mild eucalyptus
Light floral & citrus notes
Fresh
Camphor

AROMATHERAPY

Gentle (preferred for children)
Anti-inflammatory
Stimulating

LATEST MARKET

The total size of the Australian production is hard to calculate but it is not thought to be any larger than 7 MT per annum with demand possibly 3 times this! There are several known investments in place to ensure that by 2018 there is more product available from newer plantations but currently pressures on the market remain in place with prices rising on the back of more trading and desperation from end users to secure material.

▲ AUD 70.00 /kilo

LEMON MYRTLE OIL

Backhousia citriodora

This tree is plantation grown and yields one of the purest forms of citral. It has many benefits as well as an incredible lemon odour – referred to as ‘more lemon than lemon’! Common in cooking and perfumery it’s now an emerging star in aromatherapy. It best performs as a diffuser for those with respiratory issues or to treat infections, oily skin, acne, psoriasis and eczema. It’s a great natural anti-oxidant.

PERFUMERY

Strong lemon notes
Substantive
Effective as fragrance in skin care

AROMATHERAPY

Antibacterial & antimicrobial
Anti-inflammatory & antifungal
Uplifting and refreshing

LATEST MARKET

Markets are very difficult as they’re monopolised and demand is growing beyond the means of the supplier. Short term this will be a problem but there are some plans that are at an early stage to improve supply over the next few years. This is a must for aromatherapy brands but there needs to be some caution for now as to what supplies are available given the fact it will be a successful product.

▲ AUD 380.00 /kilo

A UNIQUE PROJECT

SUSTAINABLE SANDALWOOD

A new era for Santalum spicatum

“

It's not everyday you get the right balance of an experienced team, indigenous communities and the government coming together to form one unique and sustainable project, but this is what's happened and over the next pages we're going to share their story.

Comment: Jonpaul Howarth

Photo

*A rare close up of the *Santalum spicatum* tree flowering*

A NEW ERA FOR **WEST AUSTRALIAN SANDALWOOD OIL**

This ancient and sacred tree is set to flourish again

A new player has emerged in the multi-million dollar West Australian sandalwood industry.

Dutjahn Sandalwood Oils has announced that it will commence supply of *Santalum spicatum* oil in December 2017

The company's state of the art distillation facility is being built in the heart of the WA sandalwood industry in Kalgoorlie, Western Australia. The distillery is expected to produce an annualised minimum 3,000 kg of oil in 2018, with substantial increases forecast for the following years.

But interestingly, this new player is actually one with a history as old as Australia itself.

Traditional indigenous desert nomads are custodians of the "Dutjahn" - the sacred sandalwood tree of the central West Australian desert.

Dutjahn Sandalwood Oils (DSO) is a new venture company backed by Dutjahn Custodians, Kutkabbuba Aboriginal Corporation and the founders of W. A. Sandalwood Plantations Pty Ltd.

The Chairman, Darren Farmer, a traditional Native Title Holder from the Central Deserts of Australia said:

"Our people trace back our link to this sacred species to the dawn of humanity. The Central Deserts are the last untapped virgin forests of Dutjahn (sandalwood). This is more than a sacred plant to the Martu and Wongi Nations, it is part of our soul and a key link to our spiritual identity".

The West Australian sandalwood oil industry has been devoid of competition for many years with a single major supplier controlling the market. This has been a source of concern for many users of the oil and has, in part, restricted the usage of this wonderful oil by some perfume and fragrance houses.





Photo top

Sandalwood logs harvested, cleaned and sorted ready for transporting to market.

Photo left

Spicatum tree growing within the plantation environment

Photos left page

Aerial photographs of the vast 2,200 hectares of WA sandalwood spicatum plantations, consisting of 2.6 million trees

This new venture is expected to receive the support of the global essential oil industry and sets a new benchmark for indigenous participation and ownership in this traditional West Australian sandalwood essential oil business.

The partnership offers a new level of security and supply to all current and future users of sandalwood oil. Dutjahn Sandalwood Oils will provide access to a full range of sustainably and ethically sourced sandalwood oils, a welcome reassurance in a market that has had its own issues of late.

WA Sandalwood Plantations' founder and Managing Director Mr Keith Drage said:

"When we met the Dutjahn Indigenous stakeholders we immediately identified with their philosophy, vision and dedication to Australian sandalwood. We both seek to reinvigorate Australian sandalwood (spicatum) oil, to assist our customers compound and communicate exceptional perfumes and active cosmeceutical bases that rightfully demand world's best practice in the supply chain."

It also has support and backing from the Western Australian Government.

Minister for Indigenous Affairs and Treasurer, Ben Wyatt has welcomed the State Government's delivery of sandalwood to Dutjahn Sandalwood Oils:

"The McGowan Labor Government is committed to supporting Aboriginal businesses and creating jobs in Aboriginal communities."

"The joint venture between Dutjahn Custodians and WA Sandalwood Plantations will result in a commercial processing and marketing capability in the Goldfields, which will sustainably use the vast and pristine central desert sandalwood forests to create employment opportunities for Aboriginal people."

"This is a fantastic opportunity for the local Aboriginal community," he said.

To bring the project to fruition, DSO has engaged Mr Steve Birkbeck who founded Mt. Romance in 1990 and is well regarded in the industry as the pioneer of Australian sandalwood oil (1990 to 2008) and co-founder of the Natural Resources Stewardship Circle.

Also joining the team is Mr David Brocklehurst, formerly a Managing Director of Mt. Romance, with a wealth of experience in distillation plant design, project management and oil sales.

The company and its shareholders have overcome the barrier to sourcing oil-bearing wood with three primary sources of long term supply, being:

1. Premium wild harvest wood that is currently sustainably managed and harvested by Kutkabbuba Aboriginal Corporation.
2. A 100 tonne of wood per annum 10 year supply agreement with the West Australian government.
3. WA Sandalwood Plantations currently manages more than 13,000 hectares, which commenced harvesting in 2015 and will continue over the next 25 years.

Unique in the sandalwood arena, Dutjahn Sandalwood Oils indigenous participants are 50% stakeholders in the distillery, selling their wood to DSO at full market price and are also beneficiaries in the profits the new venture creates. Dutjahn Sandalwood Oils, as a 50% indigenous owned company, will also reinvigorate *Indigenous Certification* that was formerly pioneered in Western Australia.

The wood supplied by the WA Government is fixed for the next 10 years at 100 tonnes per annum and is designed as a bridge to the West Australian sandalwood plantation supplied resource which will allow the industry to grow significantly in coming years whilst being sustainable. Critically this contract includes a A\$2,000 per tonne royalty paid by DSO to the K Farmer Dutjahn Foundation to increase indigenous involvement in the sandalwood supply chain.

This, together with profits generated from the oil distillation business, will generate much needed work and funding to remote communities and will allow them to invest in community projects which will generate employment. This is a major step forward in joint partnerships and business relationships between indigenous and non-indigenous interests.

Sandalwood from the PEFC certified plantation resource managed by WA Sandalwood Plantations is also available to DSO at transparent market prices.

This supply is critical in giving the project longevity and building a long-term employment base for regional Western Australia's communities.

David Brocklehurst, former General Manager of Mt Romance and project manager, said:

"This is an exciting project as it is not often you get the opportunity to build a modern distillation facility with the capability to meet a significant amount of the market demand from inception. This venture will broaden the supply and give buyers, brands and the aromatherapy market a new, quality supplier. The indigenous partnership in the business makes it a compelling story"

Photo top left

The cleaning of the wood process gets underway in outback WA, some 1,800km from Perth

Photo top right

The indigenous communities who are at the heart of this project.

INDIGENOUS CERTIFICATE

In 2000, Dutjahn Custodians worked to establish a chain of custody for sandalwood oil, via a set of protocols and objectives defined by the indigenous custodians of this vast uncontaminated desert.

Implementation of this vision was given streamlined supply chain support to establish indigenous plant property rights based on the principles established by the

United Nations to prevent bio-piracy and enhance bio-diversity.

Indigenous Certification was championed by US beauty heavyweight Estee Lauder in 2004 and subsequently by Givaudan in 2006, leading to the UN Bonne Material Transfer Accord 2006 and the creation of the Natural Resources Stewardship Circle in 2008.



HISTORY

Dutjahn Custodians - An Australian Aboriginal Perspective to Sandalwood Oil

Ken Farmer (deceased) was a first contact Martu Aboriginal man who first came out of the Gibson Desert as a young man in the 1950s. In the year of his son's birth (Clinton Farmer -1977) he began harvesting sandalwood (Dutjahn is the Martu word for this sacred tree) from the Gibson Desert. He inspired second contact indigenous leaders to pursue his vision.

The Martu and Wongi race have the worst life expectancy in the world. Martu and Wongi men born in 1962 (ABS) will die at an average age of 38 – a number that is a shock in contrast to the rest of society. The central desert people have lived in harmony with this desert environment for over 20,000 years and so the creation of this new venture is important on several fronts but probably the most important one being their capacity to now have a significant role in the WA sandalwood oil industry.

In August 2017, the indigenous desert nomads negotiated a large injection of capital into their company - Dutjahn Sandalwood Oils - from the founders of Australia's largest spicatum sandalwood plantation growers, W.A. Sandalwood Plantations Pty Ltd. This new relationship is built on mutual respect and the knowledge that the old wild trees from the desert areas need to be merged, in production terms, with the new plantation industry for it to continue to offer a consistent and credible long-term supply of sandalwood oil. This offers a level of security for buyers, brands and perfumers that has not been seen before in the WA sandalwood oil industry.

Dutjahn Sandalwood Oils also successfully tendered for a long-term supply agreement for spicatum wild harvest timber from the WA Government, to complement their own high-grade desert sandalwood from the vast desert homelands (500,000 square kilometres). With the additional access to Australia's largest spicatum plantations, they have created the most significant and diverse supply chain from the spicatum resource in Australia.

Dutjahn Sandalwood Oils new equity partners are Perth businessmen Keith Drage and Ron Mulder who founded WA Sandalwood Plantations in 2001. Working with Australian farmers and investors, they have built a debt free structure that manages 13,000 hectares of spicatum plantations that provide vital mitigation of salinity and other key environmental benefits to regional Australia. Their pioneering efforts and dedication to Australian sandalwood has resulted in the creation of the world's largest sustainable spicatum plantation resource that complements the vast and pristine central desert Dutjahn (sandalwood) forests that have recently been awarded to the Indigenous Central desert people under Native Title Rights.

SANDALWOOD OIL INDIAN Australia***Santalum album***

For the moment we've stopped talking about the amazing 20-year investment projects to bring sustainability to the *Santalum album* market and are instead focused on concerns for the financial viability of the two largest plantation holders.

The two plantation companies based in Australia appear both to be in difficulty since the last report. Quintis (formally TFS) have had their shares suspended on the stock market for more than 2 months and there does not appear to be any certainty about what will be the outcome. Simultaneously their major competitor, Santanol, announced that they were in the hands of the receiver and again there is no definitive understanding of what this actually means as they are backed by the large American investment house, KKR.

Referencing a number of articles from the Business News WA website (businessnews.com.au) Quintis's issues started in March when when US short seller Glaucus Research Group claimed the company was like a Ponzi scheme. At the same time Managing Director Frank Wilson resigned to potentially be part of a business looking to take over Quintis. Some say he may be backed by KKR (the majority investor of Santanol)! Then in May Quintis said it had only just become aware that its Santalis Pharmaceutical business had lost a contract supplying Galderma, a subsidiary of Nestlé.

SANDALWOOD OIL QUEENSLAND Australia***Santalum lanceolatum***

This is a relatively new oil to market from the Queensland sandalwood species that has traditionally been used for incense and carving. It has a light woody odour with slight citrus and floral undertones and a lovely golden colour. Unlike other sandalwoods whose feature is the base note, this oil feels rounded from the start. Its top notes are typically sandalwood and on dry out it loses none of its unique character.

Today supplies remain steady with the producers willing and able to supply up to 5 MT per annum. If you are going to add a new oil into your palette this year then consider this one. It won't disappoint.

 USD 1,700.00 /kilo

However, this was known to some within the group since December 2016 but not announced to its shareholders.

How this all impacts on supply of oil from either source is frighteningly unclear but it is definitely a case of watch and see how they both resolve their financial issues as supply from both is critical for the ongoing and long term supply of Indian sandalwood oil to the markets, especially as both have the capacity to relieve the pressure on illegally supplied oil from India with their sustainable resources.

Outside of the financial issues the production and supply of oil has been progressing well with one producer citing an increase of 10 MT of oil production for 2017. Furthermore the introduction of Santanol as a secondary oil supplier this year should have brought more competition and continued reassurances to any end user of the long-term sustainability of supply but for the moment this financial cloud needs to clear.

There is little doubt that over the coming weeks / months there will be some clarity on the situation but any concerned buyers should seek reassurances from their respective suppliers.

 USD 2,800.00 /kilo

TEA TREE OIL Australia***Melaleuca alternifolia***

This year's main harvest period was delayed in many parts due to the severe floods experienced earlier this year. Usually starting in June, many harvests got delayed several weeks to allow the ground to dry and plants to recover. The traditional growing areas of Bungawalbin and low-lying areas of Casino and Coraki were the worst affected.

Despite this we have seen once again just how resilient a plant tea tree is and the losses weren't as bad as first feared. That said many farms are looking at losses in yields of anything from 20-30%. Whilst partially offset with the introduction of some new growing areas we still expect a reduction of around 100 MT of oil when compared with 2016.

 AUD 50.00 /kilo

*Photo left**Tea tree plants prior to harvesting in June 2017**Photo below**Our first year's harvest is underway!*

AUSTRALIA
GOLDEN GROVE
NATURALS



I year young and it's all going well

September 2017 Update - Investing for the future

GGN has successfully completed the annual tea tree harvest of our fields, and during this time the team on the farm completed improvements to the harvester and distillation production systems to raise the historical yields of the fields by 25%.

GGN will continue to undertake TOLL manufacturing for local growers, whilst undertaking the agronomy works around the farm, focusing on continued improvement to crop yields and irrigation practices.

At the completion of these manufacturing and farming activities, the on farm team will undertake major re-development to the buildings and production systems, focusing on improvements to the distillation process and storage and despatch centre.

With a recent expansion into a further 70 hectares, GGN is investing into new crops through the development of Australian Native Essential Oil gardens and trial plantation plots. GGN will look to take the success from these trial plots into the new 70 hectares.

FEATURE REPORT

BRAZILIAN ORANGE

Making sense of a complicated market

OBJECTIVES

We've been monitoring the markets closely in recent weeks and months and keeping on top of the latest official figures combined with assessing comments and interpretations from those on the ground day-in and day-out.

The 2016/17 season was one to forget. The lowest crop in 10 years had a profound impact on the price of oil, as well as impacting on the juice and fresh fruit markets globally.

Now, as we enter the new season, there are some renewed expectations that the markets will correct themselves as official figures suggest a bumper crop over the next campaign.

We've done some number crunching and listened to the experts and this is how we summarise the current situation.

THOSE NEW NUMBERS

We reported back in June and you've probably heard since then that the 2017/18 (July 2017 – June 2018) season is expected to yield 364.47 million boxes, this according to estimates by Fundecitrus (an organisation covering the São Paulo producers). With an average 40.8 kilo box this equates to approximately 14.9 million tonnes of fresh fruit. This means production is 14% higher than the historical average in the area for the last ten years and a 49% increase year-on-year! The São Paulo area is the largest producing state in Brazil.

Fruit volumes set to increase beyond 10 year historical average by

14%

According to USDA estimates (reviewed late July and which cover the whole of Brazil's production), the harvest will be up to 30% and amount to 19.2 million tonnes of fresh fruit. This will break the downward trend of recent years.

The favourable weather conditions is the reason for the good harvest. The largest part of production, 13.9 million tonnes, an increase of 4.8 million tonnes, is intended for the processing industry, with a primary focus on recovering juice inventories, which will in turn allow for more oil processing.

WHY THE SUDDEN IMPROVEMENT?

The productive trees of the varieties that comprise this estimate total 174.78 million. The emission and the glue of the flowering of the 2017/18 crop, which occurred between August and December 2016, was favoured by the low production of the previous crop, which provided a rest in the reproductive cycle and resulted in an increase of tree energy reserves. Additionally the good timing of hot and dry days followed by healthy amounts of rain (at the correct times) helped the number of flowers and subsequent development of fruits.

SO THE PROBLEMS ARE OVER - OR ARE THEY? NOT YET

Stop for a moment as this is the important bit. These extra fruit volumes are likely to lead to a longer season, which can in itself actually cause problems. A longer harvest period can increase the exposure of fruits to pests and diseases with further potential of fruit drop.

With this potential fruit drop in mind we need to take the overall numbers with some caution. It's unlikely that the net increase in oranges going to processing will increase at the same rate as the increased crop size and with this we should be realistic about our expectations for additional supplies and the potential improved pricing.

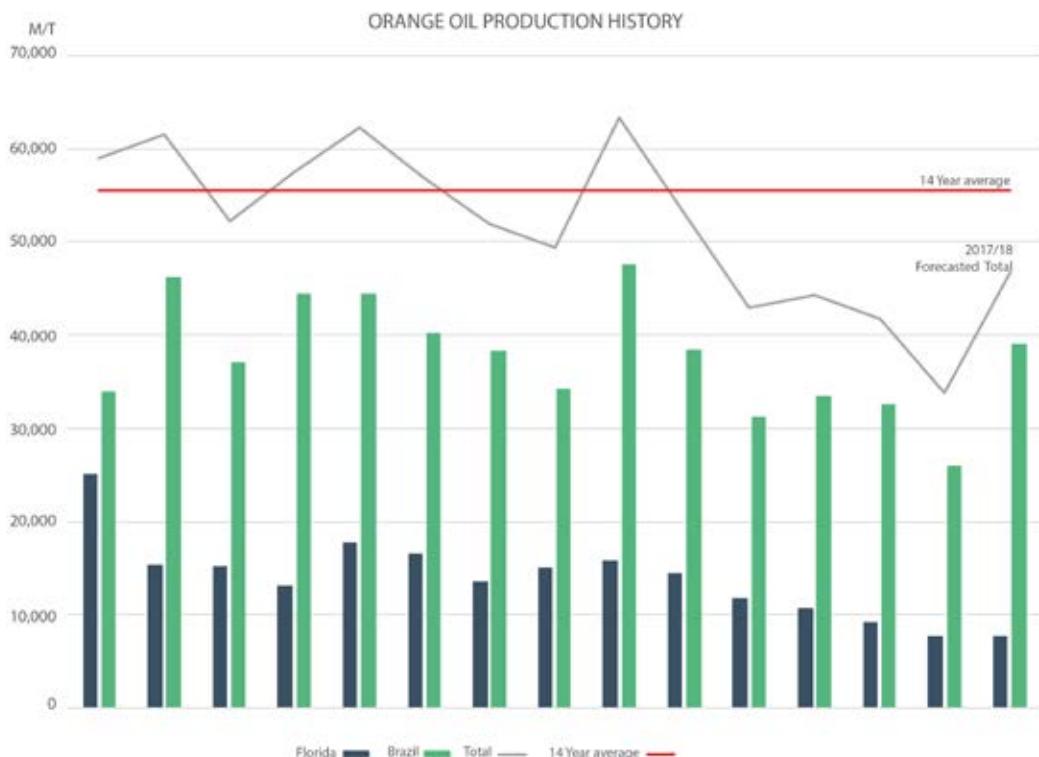
Orange oil exports have been slow during the first 6 months of 2017 compared to the same period last year at a figure of around 20%, or 1,800 MT in total volume. This shows there is a lack of stocks currently in Brazil which will add pressure over the coming months as export supplies are always at their lowest between June and August.

We must also consider that the market is starved of supply. In recent years there has been little carry over into the new season but this is the first season to start with a significant deficit of contracts still to be fulfilled from last season.

OIL PRODUCTION

Let us translate all of this into real oil production figures. To give more perspective we're including Florida's figures into our assessment as between the two producing areas they contribute to over 90% of global oil supplies.

From the graph below you can clearly see the expected increase in the Brazilian crop will result in more oil being produced but you can also see the constant decline from Florida due to their ongoing issues with citrus greening.



2017/17 USDA

Estimate

19.2 million tons of fresh fruit

From here you can see the total output (grey line) shows overall production returning to levels not seen since 2013. That all sounds good but when you look at the 14-year average (red line) you can clearly see the gap between this season's forecasts and the volume required for an 'average' year – it's around 9,000 MT.

Oil shortfall forecasted over next 12 months

15,000MT

Despite the larger output markets could still be short

30%

Factor in the volumes owed by the major producers to clients from unfulfilled 2016/17 contracts of around 6,000 MT a large gap starts to emerge. This 15,000 MT gap between what an average year looks like combined with the new forecasted volumes indicates

to us there is a 30-35% shortage still before the market returns to normal and this is why we believe it will be still some time before you find prices falling and supplies easing.

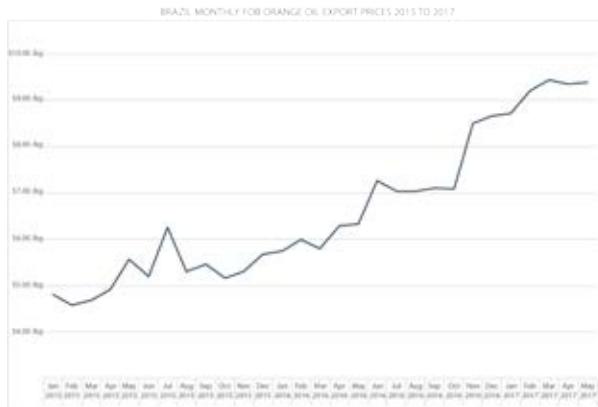
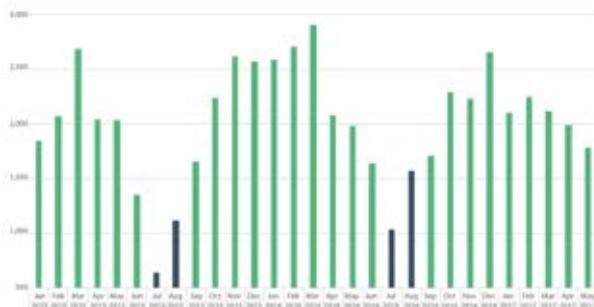
**Chart top**

Chart shows average prices for Brazilian Orange Oil on an FOB Santos basis, a price which peaked earlier this year

Chart below

Chart shows the official export figures of Orange Oil over the past 3 years which clearly shows the low output months June to August

BRAZIL, MONTHLY ORANGE OIL EXPORTS 2015 TO 2017 (000 TONNES)



D'LIMONENE | ORANGE TERPENES

The market continues to be very difficult amidst all the issues surrounding the supply of oranges. The official figures create a clear picture of today's issues with year on year numbers showing a 20% fall in exports in 2016 versus 2015 and an average 50% increase in price! These figures are only exacerbated the further back you compare.

The market for terpenes is more difficult than oil. As is often the case when essential oil prices rise, the demand for by-products increases, as this is generally a cheaper alternative in formulations or at least can be used as an extender. Therefore, with demand increasing and supplies falling, we are seeing some

Today prices are at an all time high with average FOB prices now double those of 2 years ago, at \$9.45 /kilo. Therefore, when you add shipping costs, duties and any intermediary traders' margins (as these FOB prices are only relevant if you're buying multiple containers from origin directly), it is no wonder that your delivered prices today are around \$12 /kilo.

Let us summarise and also consider some other factors:

- **Market conditions – prices never fall as quickly as they rise!**
- **Major supplies controlled by three main producers (40% of total orange production and 98% of juice exports!)**
- **Stocks of oil at origin are very low with no carry-over supplies**
- **June-August are very low export months so there's no immediate improvement in supplies expected**
- **Prices have increased over the past year despite real oil export figures not really declining so why will more fruit processed mean lower prices during 2017/18?**
- **New season offers from the major producers show no sign of prices falling**
- **The season will start with the major producers owing around 6,000 MT of oil to fulfill existing contracts!**

SUMMARY

Supplies are expected to improve later this year but how this will impact on prices is not yet known. It is important not to be blindsided by headline figures of improved crops as it's just one variable in a complex market. Yes, we all hope the situation improves soon and, yes, we all hope prices can soften as a result, but if you're patiently waiting for this to happen whilst your stocks are slowly depleting then be careful, as we may have to wait a little longer before things improve.

► USD 10.00 - 12.00 /kilo

offers for terpenes getting much closer to the oil price than we would usually see. Even when you compare the export prices from Brazil we see just a 35% difference today between the oil and the terpene price when historically this figure is above 60%! Producers are certainly getting a premium for their terpenes in current conditions.

As with orange, it is expected that we will see another difficult year during 2017 but in the case of terpenes, availability will be more of a concern than price.

► USD 8.00 - 9.00 /kilo



KUMQUAT OIL BR Brazil

Fortunella japonica

Interest continues to grow with tangible results now being seen in markets across Europe and Asia. Capacities remain at around 5 MT per annum but thoughts are in place to expand capacity given current interest and on-going development work at the end-user level. The growing area is said to be well protected from any unusual climatic conditions and therefore similar levels of production are expected during 2017.

USD 180.00 /kilo



LEMON OIL BR Brazil

Citrus limon (L.) Burm. F

Last season was reasonably good for this up and coming lemon-producing nation with many now happy to consider Brazilian quality as a straight alternative to Argentinian. Production is continuing to grow along with general demand, although most fresh fruits serve the domestic markets with only a small percentage sent for processing.

USD 36.00 /kilo



LIME OIL CP BR Brazil

Citrus latifolia

Domestic demand for fresh fruits meant a reduction in the past couple of years of limes being sent for processing. It is anticipated that the net effect is around a 15% reduction in oil processing, a trend that we may continue to see.

Brazilian oil has strong competition from Mexico and within the EU is disadvantaged by the fact that Mexicans enjoy a zero tariff. Most exports are typically made early or late in the calendar year? after the Mexicans have sold their oil. Last year this was an issue as the Mexicans had surplus oil, this year it may be an advantage as they are expecting shortages. If global supplies dry up towards the end of the year expect some higher prices from the Brazilians.

USD 33.00 - 35.00 /kilo

BULGARIAN LAVENDER OIL

Lavandula angustifolia

We arrive at the end of this season in completely contrasting circumstances to this time last year, through a mixture of increased global demand and a poor 2017 harvest.

It's hard to imagine the difference. This time last year production was up around 80MT and with signs of an oversupply, prices started to fall. However, during the off season (around New Year) all carry over stocks suddenly vanished leaving supplies in the months prior to the new season getting shorter and shorter and prices starting to firm.

From late April, news started to emerge that the 2017 season may not see the increased volumes the market had been expecting

and instead something a lot smaller than 2016, with estimates falling back to 2015 production levels. From here prices started to rise once again. The early stories turned out to be spot on with concerns verified to the market once harvesting began in July. From this point the news has only been negative and with other producing nations following suit the lavender market has turned very difficult.

Agronomists advised that the plants were weaker and stressed at the time of harvest. Not only were some areas of plantation damaged after the poor weather conditions in Spring but the yields from these stressed plants also suffered

ROSE OIL Bulgaria

Rosa damascena

Weather conditions can certainly have a dramatic impact on rose yields and output – and 2017 was no exception! Mother Nature again kept us guessing for some time this year since as of late Easter time the crop wasn't looking healthy. Late colds and heavy rains brought wilted plants and some damage leaving us all concerned about the season ahead. However, during the late May-June harvesting period there was almost perfect weather conditions.

But nothing is ever simple! The previous weather conditions meant that the blossoming of the roses was delayed. Usually harvesting in some areas of the Rose Valley starts earlier than other areas, meaning that harvesting is often spread over a period of 40-45 days in May and June. This year harvesting started almost simultaneously throughout the Rose Valley leading to the harvesting period being cut by almost a half to around 25 days.

At the best of times, harvesting is something of a logistical nightmare with the need to coordinate the availability of flowers, rose pickers, transport, alongside planning distillation schedules, while keeping a constant eye on weather

conditions. This year these problems were compounded not only by the harvest being concentrated into a much shorter period but also much greater availability of rose petals including excessive volumes of flowers at the distilleries on some days, combined with the reduced availability of rose pickers and the resultant upward pressure on wage rates.

The harvesting of roses is most unlikely to be mechanised unlike many other essential oils. As a result, labour costs account for a high proportion of production costs – and the trend in wage rates in recent years has been almost continually upwards. Rose picking is a physical tough manual occupation, predominantly undertaken by ethnic minorities, particularly Roma, a traditionally nomadic ethnic group. Rose picking is relatively well-paid occupation in which good pickers can earn substantially more than other unskilled occupations, at least for a short period of time. Nevertheless, over recent years, for a number of reasons, there has been a shortage of rose pickers. This shortage was compounded this year by the higher volume of rose petals that needed harvested. Normally harvesting

is undertaken from around 5AM until 11AM after which time the oil, which is on the petals, can quickly evaporate. Nevertheless, because of the volume of rose petals some harvesting reported to have taken place in the afternoon, with the resultant substantial fall in oil yields.

As always, because there are no official figures, it is difficult, as well as a little early, to give a detailed assessment of crop volumes and prices. However, 2017 is reported to be considerably bigger than 2016, with harvested rose petals estimated at 11,500 – 12,000 MT and some 500 – 1,000 MT of rose petals not harvested but left to rot. Rose oil production could be as high as 3.0 – 3.4 MT and rose concrete production 2.0 MT.

There are some concerns over the quality of some oil shipped from Bulgaria this year. This may be a result of the earlier conditions or as some suggest, the blending of oil from other origins. Good quality oil should have a citronellol content around 24-28%, however some seem much higher this year. It is also interesting when you look at prices from one producer to another, as there seems to be a huge difference. Based on the average cost of rose petals and average yields you could say the raw material costs for oil (before processing costs) is already over €7,000 /kilo. Add distillation costs and margins and you should find prices above €8,000 /kilo, with some suggesting a range of €8,500 to €9,300 /kg. If you're paying less then make sure your QC takes a good look at this one!

Another option is to buy PGI (Protected Geographical Indication) certified Bulgarian rose oil, which guarantees that it is authentic 100% pure Bulgarian rose oil with full traceability. So far, two Bulgarian companies, Bulatters and Enio Bonchev, have obtained this certification.

 Euro 8,500.00 - 9,500.00 /kilo

with 80-100 kilo of biomass needed to produce 1 kilo of oil. This is usually closer to 60 kilo. In addition, average linalyl acetate levels are down around 2%.

Finally production numbers are hard to ascertain as there are no official figures coming from Bulgaria but we believe that figure to be around 200 MT, significantly down on last year's 280 MT and a far cry from what was suggested last year that we could expect something closer to 350 MT this year!

Demand has significantly grown in the aromatherapy markets – not just an increase in brands and popularity but

with many brands becoming more aware of true botanical qualities and ensuring they use pure product rather than blends.

The poor crop is a result of poor conditions earlier in the year as late colds and heavy rains damaged plants.

Today there are limited options available to those looking to take cover as most volumes are already committed. Looking at demand patterns and pricing during the last off season you can only start to expect prices to continue to firm over the coming months.

 Euro 105.00 /kilo

IFEAT 2017
STUDY TOUR



BULGARIA
28 MAY-2 JUNE 2017

10TH ANNUAL IFEAT STUDY TOUR
BULGARIA

The 45 delegates on the tour from 22 countries were warmly welcomed by the Bulgarian sponsoring companies who explained in great detail the growing, harvesting and distillation process of the world's most expensive oil.

Bhuvana Nageshwaran



Although this was IFEAT's shortest study tour to date – because of the cancellation of the Turkish section of the tour – the tour was a dream come true for me.



Rose oil is my favourite oil, and to visit Bulgaria's Valley of Roses at the peak of the harvest and in perfect weather conditions was a great privilege and a thoroughly enjoyable experience.

Last year Bulgaria produced two tonnes of rose oil, but this was expected to be higher this year because of increased flower production, although yields had not been as good. The frost in April had delayed harvesting but during our visit large quantities of flowers were available and labour recruitment was causing some concern. Besides being the world's largest producer of rose oil as well as other rose related products, Bulgaria is now the world's largest producer of lavender oil, with production growing quickly in recent years, and 2016 output was estimated at 280 tonnes. While we were visiting Bulgaria prior to the start of the lavender harvest, growers were optimistic about production levels.

The Tour started on Sunday 28 May at the Grand Hotel in Sofia, and despite torrential rain in the preceding days, the weather improved considerably on our



arrival. The Local Organising Committee and BalkaNova the tour agent warmly welcomed us. The airport pick-up and the hotel check-in process were very smooth and quick. Some delegates then went on a guided walk around the beautiful city of Sofia, with its many churches of all denominations and ancient monuments dating from pre-Roman times. Later that afternoon after welcome drinks we toured other parts of Sofia in a traditional tram. This was followed by an excellent welcome dinner and glorious sunset in a penthouse restaurant overlooking the whole of Sofia. The following morning we set off for Plodiv where there was a series of five lectures on various aspects of the Bulgarian essential oils and rose growing sector. Then after an excellent meal in the old town we visited Rosa Impex, a major producer and exporter of a wide range of cosmetics products. This was followed by a walking tour around the old town and Roman amphitheatre. In the evening we were entertained by a Bulgarian male voice choir.

On Tuesday we visited the rose fields of Mr. Matyo Palazov, an independent farmer supplying Galen-N. We were met in the

fields by beautiful girls and boys dressed in traditional costumes, who welcomed us with Bulgarian music and dancing. This set the tone for the entire tour. Then followed discussions of rose production and harvesting with the farmers. We then visited the production facility of Galen-N and Bul Phyto Oils JSC, which was very impressive. The company has its own crop fields, with more than 200 hectares of roses, lavender, melissa and chamomile. The company had taken over one of the pre-1990 state-owned rose distilling companies and had been modernising it. This included the construction of new production facilities and equipment – a new distillery for organic products, and GMP certified production facility and brand new modern laboratory. During the visit, Morntchil Mihov, an IFEAT Local Organising Committee member, provided a detailed guide to the company's growing, distillation, concrete and absolute extraction operations, as well as the new pharmaceutical ingredient production facilities. Prior to the excellent buffet lunch on the company's premises there was an informative lecture on dry rose flower extract.



Photo left page

Rose petals are carefully collected and placed into bags for transportation

Photo above

Bhuvana sneaks off to pick her own petals. Maybe she's creating a new rose fragrance?

After lunch we visited Rosa Eterna's rose and lavender essential oil processing facilities. Its modern distillery had been built using grants from the European Community, with a capacity of 80-90 kg of rose oil and tons of rose water, lavender oil and lavender water. Again the openness in explaining the distilling operations was welcomed by the participants.

Prior to dinner some delegates visited the Thracian tombs at Kazanlak, a UNESCO World Heritage site. The evening dinner was hosted by Berje and included another cultural introduction to Bulgaria's music and dancing. The ambience, food and entertainment were very good.

Wednesday began with a very early morning start to visit the rose field and picking operations of Enio Bonchev Production Ltd. a heritage company with an inspiring history and facilities to be proud of. On our arrival at the fields we climbed to the highest point and had a superb view over the Rose Valley to the mountains in the distance. Tour participants were shown the new high tech software facilities, which monitored the rose pickers output. The harvesting is all done by hand predominantly by ethnic minorities particularly gypsies. Participants then took part in a rose picking competition and realised that rose picking is not easy! We then visited Enio Bonchev's modern distillery operations, part of which is devoted to organic rose and lavender production. Delegates saw rose oil being very carefully decanted from the still, not surprising when the current price was approximately €12,000 per kg!

Our friend Filip Lissicharov, the Chair of the Local Organising Committee who had accompanied us throughout the tour, talked us through every detail of rose production, harvesting and processing. .

This included a detailed and very interesting description of the uncommon cohabitation technique, which is used to distil rose oil. He was very knowledgeable and no subject was off limits. So in addition to the previous mentioned topics we discussed issues regarding quality and adulteration, price setting, wage rates, sustainability, environmental and government issues

Lunch at Enio Bonchev was in their lovely gardens, next door to their own impressive family museum and old distillation



Photo top left:
One picker carefully takes the rose petals from the bush

Photos left:
Part of the distillation process

equipment. During the rose season the company organises tourist visits to its facilities

In the afternoon we visited Bulattars where again delegates were given an

the small and big distillery. The processes were similar as was the quality, but the investment in infrastructure and holding capacity varied. Besides rose and lavender the company also produces several other essential oils.

In the evening we were entertained by the lady Mayor of Kazanlak at the Museum of Roses which has a rich collection of 15,000 objects, pictures and documents that reveal the long history of Bulgarian rose industry. We had the privilege of a private viewing of these displays. One of

*Photo left:*

Lavender just a couple of weeks prior to harvesting.

Photo below

The 40 delegates pose for a team picture



the biggest attractions is a rose oil vessel, which was used for the last time in 1947. However, this remarkable object still had rose fragrance coming out some 70 years on!

The final day saw visits to Vigalex's rose and lavender fields and its modern processing and extraction facilities. On the journey to the company, our dear friend Andrey Mitov, a member of the Local Organising Committee and Sales Manager of Vigalex Ltd., who had accompanied us throughout the tour, gave us many insights into Bulgarian lavender production and processing. Vigalex Ltd is a leading producer and exporter of Bulgarian natural aromatic products, particular lavender, and the company's owners gave us a detailed tour of their compact but very well maintained operations. After a traditional meal in a lovely local restaurant the delegates travelled back to Sofia, where they visited the plant of Panteley Toshev Ltd. an innovative and technological leader in the production of beverage, food and natural flavour ingredients.

Bulgaria is a county of roses and cherries and due to bumper crop this year there was a shortfall of pickers, due to which quite a lot of flower were left unplucked. Also some cherry orchards were

not harvested due to a shortage of labour. Going forward this is a big challenge for the industry.

Throughout the tour delegates received generous gifts from the companies they visited and enjoyed some excellent local cuisine and entertainment. From start to end we were blessed with good weather, a bumper crop, and excellent organisation. Moreover, delegates shared their knowledge and experience – and the bus lectures, in which delegates spoke about their countries, products and experiences continued.

For me, the study tour was a wonderful and unforgettable experience.

Bhuvana

“ Sit back, relax, we've taken care of everything!



CASSIA OIL  China*Cinnamomum cassia* Blume

Markets have returned to a period of stability after some shortages and price increases late 2016, early 2017. These came as a result of a smaller crop last year resulting in production falling almost 20% leaving little or no carry over supplies into the New Year. This year's production has been modest to date but enough to meet demand and with additional supplies likely to enter the market during Q4 it is expected that prices and supply will remain stable.

 USD 36.00 /kilo
CITRONELLA OIL  China*Cymbopogon winterianus*

The global market this year has been firm as the two major suppliers, China and Indonesia had both experienced higher than average rainfall and lower than average production. China's output last year dropped from 2,300 MT to 1,500 MT as a result of the inclement conditions.

The early season in February/March brought a little relief to supplies and pricing but not much, as Indonesia has fallen further and further behind its usual production levels. Now, as we're in the main harvesting season, reports from Yunnan Province suggest continued rains will again impact on production levels keeping markets firm for the foreseeable future.

 USD 20.50 /kilo
CLARY SAGE OIL  China*Salvia sclarea* L.

The new season started in August and will finish early September with many expecting a higher output from a larger growing area this year. That said, Chinese prices remain firm and export volumes limited as most oil is consumed domestically.

To be competitive versus other producing origins, China would need to bring down its export prices by around 20% and this simply doesn't interest farmers at these levels. There is a fine balance between selling prices and output so if market prices fall so will production.

Don't expect much change in pricing over the next months but any changes should be in a downward trend.

 USD 180.00 /kilo
EUCALYPTUS OIL  China*Eucalyptus globulus*

It's been a challenging year so far for this one as influences from outside the normal sets of dynamics have come into play. On the back of a disappointing 2016 which saw 10% less oil production than the previous year, speculators have seized the opportunity to take advantage of a volatile market.

The last major crop, which ended in January 2017, was again lower than expected due to heavy rains and today prices remain at historical high levels. If you compare current production levels to that of 2015 you will find a 30% drop in total output which helps you realise why today prices are 30% higher at those times. Fresh supplies should come online towards the end of the year but expect to see continued pressures on the market until at least this time.

 USD 14.00 /kilo

**GERANIUM OIL** China*Pelargonium graveolens*

Prices have continued to rise in 2017 on top of the large increases already seen during 2016.

The problem in 2016 was due to poor weather conditions and reduced planting as farmers looked to plant other crops like grapes after disappointing returns in previous years. This has resulted in the lowest production levels in recent history. Higher prices had meant a return by some farmers to new crops and there was an expectation that output could increase as much as 20%. Sadly, the poor weather conditions will prevent this from materialising and as such prices are expected to remain firm and may continue to rise throughout the year. It is recommended that you take your position sooner rather than later.

USD 250.00 /kilo

**LAVENDER OIL** China*Lavandula angustifolia*

Over the past couple of years, the Chinese quality has lost some presence in the international market place as other origins continued to blossom. As a result, there has been little investment in new plantations leaving the total growing areas for this year similar to previous years.

Chinese farmers prefer to dry their flowers to sell to the local tourist markets and any oil production is also consumed domestically. In recent years, Chinese oil prices have been uncompetitive but this year may see them realigned with the market as other origin prices increase.

That said the season isn't expected to be anything special and whatever volumes do become available for export won't have a big impact on the overall supply situation.

USD 110.00 /kilo

**GARLIC OIL** China*Allium sativum L.*

There has been little change of late as it continues to be bad news. Depending on who you speak to, there has been either zero production or very little production for over 18 months. This has put immense pressure on supplies and with it market prices. Today, prices are higher than they have ever been with no real positive foreseeable changes on the horizon with environmental protection orders set to remain in place.

It takes 500 tons of garlic to make 1 ton of garlic oil and as such there is no profit in this oil unless the price of the oil keeps rising, and this seems inevitable.

USD 350.00 /kilo

GINGER OIL  China***Zingiber officinale***

The crop period ended in March 2017 having made little impact on the overall supply position for this oil. Environmental protection orders mean farmers have not been able to distil much oil even when raw materials have become available. So we still remain in the same position that we have been for a while now. There is no surplus oil available and most production is made to order. Price has in fact continued to rise during the course of 2017 and may continue to do so.

 USD 75.00 /kilo

NATURAL CITRAL  China***Ex Litsea***

Prior to the start of the 2017 August harvest there are concerns that heavy rains will once again impact the crop. Like last year when a similar scenario played out, prices increased towards the end of the season (October/November) as it became apparent that supplies wouldn't meet demand. Prices are already relatively firm when looking at historical levels, a result of consistently poor crops. 2016 production was 40% down on 2015 and it is likely this year will see no improvement on last year's totals. It is recommended to book new season material early.

 USD 21.00 /kilo

TEA TREE OIL  China***Melaleuca alternifolia***

No real changes as markets remain stable with demand constant as in recent years. Demand tends to increase when Australian prices rise but the weak Australian Dollar has created cheaper Australian export prices in recent times despite local prices increasing this season.

As always, China exports vastly different qualities of tea tree oil and so called 'tea tree oil' so buyers should take care when comparing Chinese oil with industry standards from Australia.

This year saw a further increase in growing areas but with general demand for tea tree from all origins growing the market for Chinese origin oil remains fairly balanced.

 USD 25.00 /kilo

Elsewhere in China **Cedarwood** prices continue to fall as market demand weakens. In some cases you are able to find prices under \$10 /kilo. **Ho Wood** and **Natural Linalool** continue to be in high demand but the 2017 season should add some well needed supplies to stabilise the market. Today Ho Wood prices are around \$27 /kilo and Natural Linalool \$30 /kilo. There is continued pressure on **Wintergreen** supplies as heavy rains continue to hamper any collection of raw material. Expect prices to increase further than today's \$49 /kilo levels. Expect **Star Anise** prices to continue to rise as poor weather conditions limit supplies. Today prices passed the \$14 /kilo level, the highest prices since 2012/13. You can expect further increases at least until the new season which starts in November.

**HELICHRYSUM OIL**  Croatia***Helichrysum angustifolium***

A number of new plantations came online this year which has given the market some welcome relief when it comes to continuity of supply.

After a couple of bad seasons in recent years due to restrictions on wild harvesting, plantation oil will help end users promote the oil in which some marketing efforts have already started.

Just as we have seen with other essential oils, when major aromatherapy brands endorse a product or open up new markets, demand booms. At least in this case the supply base is already prepared.

It could be that this year we see a short term oversupply but this isn't likely to worry producers or see prices fall in any significant way.

 Euro 1,700.00 /kilo

LAVENDER OIL DALMATIAN***Lavandula angustifolia x***  Croatia

This is one lavender where production volumes haven't really suffered this year unlike others across Europe.

Last year saw a bumper production and this year volumes are lower but only back to 'normal' levels previously seen before 2016.

Due to its natural composition, Croatian lavender acts as a more powerful antiseptic than other lavenders, making it ideal for household first aid kits and other medicinal antiseptic creams.

 USD 68.00 /kilo

BLUE CHAMOMILE OIL

Chamomilla recutita L.

This year's crop started in April and was considered to be reasonable. With most buyers entering the market at this time supplies today are limited but demand has also dropped off. It is expected that the markets will remain satisfied until the 2018 crop and with it prices will remain stable.

 USD 850.00 /kilo

CORIANDER HERB OIL

Coriandrum sativum L.

The market is fairly flat at the moment as most production is made to order around May-June and with some carry over supplies from 2016 still in the market there is no problem of availability. Prices for Egyptian quality remain higher than that of other origins but some prefer this type and are happy to pay the premium.

 USD 125.00 /kilo

BASIL OIL LINALOOL

Ocimum basilicum L

The new season couldn't come soon enough as market prices had risen dramatically earlier this year due to a lack of supply as a result of a poor 2016 crop.

The harvest started early August and will finish during September. Prices have eased on the back of imminent new oil, although it will still be a couple of months before oil is flowing as the first cut is usually small.

Expect a little more softening in prices during Q4 as supply and demand start to rebalance after a period of instability.

 USD 150.00 + /kilo

GERANIUM OIL

Pelargonium graveolens

2016 was a volatile period for geranium with prices and supply all over the place, and at times for no good reason. We've seen this before and we will no doubt see it again with local speculators able to control the markets when needed.

After the ups and downs of the past 12 months prices seem to have stabilised and supplies are coming through with no major concerns. At today's price levels you would expect everyone from farmers to end users to be comfortable but as we know this can change very quickly.

If you're considering buying you could look at the last 12 months monthly prices and say that today's price is just about in the middle of the highs and lows we have witnessed.

 USD 95.00 - 105.00 /kilo

JASMINE ABSOLUTE

Jasminum grandiflorum L.

The markets were brought back into line after this year's harvest as producers purchased smaller amounts of flowers to produce a lower quantity of oil. This was due to the fact that following a bumper 2016 crop and production, a surplus of oil still existed before the start of this year's season.

Today the markets are stable and with just enough oil to see us through to the next season in June 2018

 USD 3,200.00 /kilo

NEROLI OIL

Citrus aurantium

The 2017 season started and ended in April with just about all stocks at origin now sold. This is not unusual for this product as buyers are usually waiting for each new crop to start. Whilst many won't give accurate numbers it is understood that there was some recovery in overall production this year compared with the 35% drop in yields in 2016 over 2015. That said, of the 900 kilos thought to have been produced this year, half of this may have been blended with 30% sweet orange flowers. In which case the true production was closer to 750 kilo.

 N/A



CUMIN SEED OIL

Cuminum cyminum

Prices remain stable but firm after the May harvest with supply and demand well balanced. As with last year you may expect to see prices rise later in the year as stocks at origin get depleted so always better to take your cover now rather than during the off season. Next crop May 2018.

▲ USD 110.00 /kilo

PARSLEY LEAF OIL

Petroselinum crispum

Markets are flat with little interest from the markets and little production to go with it. There are small volumes available at origin, which will keep the general market satisfied.

▲ USD 130.00 /kilo

As for other Egyptian products, we see *Marjoram* prices increasing after a lower than expected production. Prices today are \$65.00 /kilo. *Violet Absolute* prices are upwards of \$1,000 /kilo with concrete around \$800 /kilo. Natural isolates like *Geraniol ex Palmarosa* and *Rhodinol ex Geranium* are available at \$55.00 /kilo and \$265 /kilo respectively.



LAVANDIN ABRIALIS OIL France

Lavandula hybrida abrialis

Reflecting on recent years, we can see little future for this variety as year-on-year output declines. 2015 production was down a further 15% on 2014. 2016 was down another 11% and now there is a maximum of 700 hectares of plantations still in existence for this year's production, which will yield no more than 15 MT.

 Euro 45.00 /kilo

LAVANDIN GROSSO OIL France

Lavandula hybrida

2017 production was down around 15% on 2016 due to many plants being killed in an extreme drought experienced in the months leading to harvest. This will also have an impact in 2018 as replanting needs to be established in many parts. It is estimated that total production will be around 1,200 MT.

The market has been aware of this issue for a couple of months and given the issues surrounding the global condition of lavender there is no doubt that farmers and co-operatives will try and increase prices on all major contracts by around 5-10% (or €2.00 / kilo).

The decrease in production comes at a time when demands will be naturally higher, which tends to occur when the lavender markets get difficult because lavandin is a good substitute in some applications. With this in mind, expect traded prices to increase over the coming few months.

 Euro 24.00 - 26.00 /kilo

LAVANDIN SUPER OIL France

Lavandula hybrida

2017 production was no more than 25 MT, which represents a continued year-on-year decline with 2016 production estimated to be closer to 30 MT. This was a result of damaged crops due to the droughts hitting the area since Spring. Prices for this 'Super' type have risen on the back of lower supply, which may in itself cause long-term damage to its usability as end-users are tempted to reformulate to other lavandin or lavender types.

 Euro 45.00 /kilo

LAVENDER OIL France

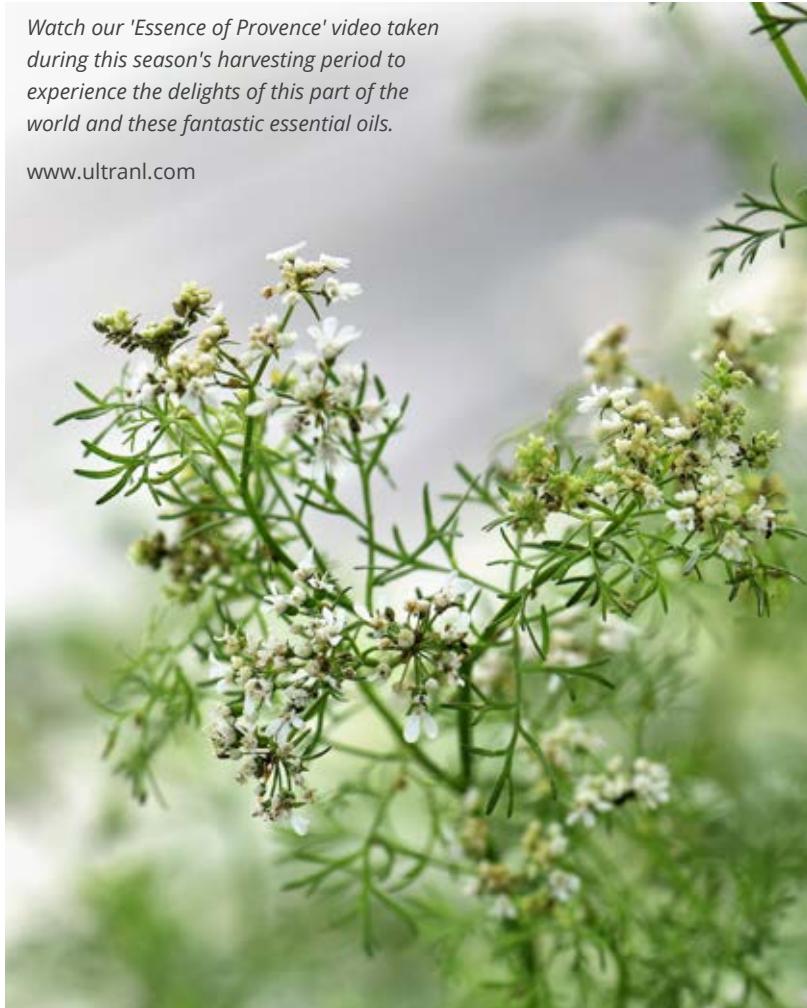
Lavandula Officinalis

Late frost created some damage to this season's production of Lavender Population which was in part offset by the increased growing areas. Clonal lavender production will decrease around 10% and Maillette around 15%. Total production of all types is estimated to be 70-80 MT with markets very firm given the global situation.

 Fine - Euro 160.00 /kilo | Diva - Euro 120.00 /kilo

Watch our 'Essence of Provence' video taken during this season's harvesting period to experience the delights of this part of the world and these fantastic essential oils.

www.ultranol.com



CLARY SAGE OIL France

Salvia sclarea

The French producers have been investing heavily in their clary sage growing areas over the past few years and with it we have seen a significant increase in production. If we look back a few year's we can see a 3-fold jump in oil volumes, from 10 MT in 2015, 18 MT in 2016 and a figure of around 30 MT this year! We now believe there to be around 2,000 hectares of clary sage plantations in the areas surrounding Provence. It will be interesting to see if the market absorbs these volumes as their quality is different from the Russian and Chinese origins and less favoured in some market segments. That said, the increase in volume has stabilised prices at lower levels, which is sure to attract new users.

France produces two different qualities of clary sage oil: Clary Sage "Prefanée" where the stems are cut at the bottom and left in the field for a few days to dry. Then, they are harvested with a round baler and distilled. Clary Sage "Ensilée ou vert broyée": in other words, harvested like

lavandin in mobile containers and then immediately distilled (fresh, or green 'vert')~
~José L. Adrian

Euro 90.00 - 100.00 /kilo

HELICHRYSUM OIL France

Helichrysum angustifolia

There was a good harvest in July with the South Eastern regions of France producing almost 500 kilo of oil. This is a marked increase on last year's 200 kilo and 2015's 80 kilo!

Whilst the French producers would claim their oil is better than the more traditional Croatian type the Croatians would probably say the same for their oil. With the increase in production in both growing areas there is a general expectation that prices will soften but be cautious with this. Demand is growing in the aromatherapy market and given the cost of production, due to small yields, producers will be reluctant to see prices slide and will instead perhaps wait for the markets to catch up with their new demands rather than sell cheaply.

Euro 1,700.00 /kilo

Photo left page

Close-up of Lavandin grosso plants prior to harvesting 2017

Photo left

Flowering coriander plants in Provence just a couple of weeks before seed harvesting starts

CORIANDER SEED OIL France

Coriandrum sativum L.

A new product for the region with production slowly growing in line with new interests from niche markets. Whilst dwarfed by comparison with other producing countries, the French continue to invest in new plantations, increasing the growing area to 200 hectares in 2017. This should increase to 300 hectares in 2018. It yields limited oil volumes but has sparked some interest from end-users looking for an alternative source for their coriander needs.

Euro 70.00 /kilo

BLACK PEPPER OIL

🕒 India

Piper nigrum L.

Today the pepper market is stable with supplies at origin well equipped to support the market. The new season started in January and continues to be recorded as a healthy situation. Prices are expected to remain stable at today's current levels.

▲ USD 80.00 /kilo

CORN MINT OIL

🕒 India

Mentha arvensis

The growing conditions continue to adjust to the changing market, which has seen demand drop significantly over recent years due to the introduction of alternative ingredients. The past few years has seen the managed reduction in planted areas that will continue during 2017 with 20% fewer growing areas than in 2016. That will bring the total growing area since 2014 down by over 50%.

▲ USD 17.50 - 18.00 /kilo

DAVANA OIL

🕒 India

Artemisia Pallens

Production this year has been significantly better than last with a reported increase of 3 MT oil available. This increase from 4 MT to 7 MT has certainly given the market some needed relief after a period of instability. Qualities still vary and with this prices. For the higher 47-50% davanone material you can still expect to pay a 10% premium on other offers. Next crop March 2018.

▲ USD 470.00 - 530.00 /kilo

**JASMINE**

🕒 India

Jasminum sambac

With the season complete we have seen an increase in production of around 10%. However, due to high demands domestically, flower prices have also increased by 10%, leading to some price pressure on concrete and absolute. At this stage, there are very little stocks at origin and with the next season not starting until April 2018 it is advisable to cover sooner rather than later to avoid any availability issues and potentially higher prices..

▲ USD 3,200.00 /kilo

Jasminum grandiflorum

Although the season isn't complete, a lack of rains in the main producing areas has seen a decline in production of around 10-15%. This has only impacted on prices increasing by the same and may continue to do so beyond the end of the season, depending on the final output. There is already pressure on the market as there was no carry over supplies from the previous season so this poor crop isn't going to help. Expect prices to increase.

▲ USD 3,600.00 /kilo

LEMONGRASS OIL  India***Cymbopogon flexuosus***

There are mixed reports from India depending on whom you consult and how successful they are in obtaining raw material. It also depends on the quality required, as there is a growing gap between the better qualities and the standard qualities offered. Overall the market seems finely balanced with no alarming shortage in supply, yet no surplus stocks to help ease prices. It seems that it is difficult for those involved with this oil to give any clear picture or provide long-term supply agreements, which casts some doubt as to how volatile the market is. For now, supplies remain thin and there's a growing concern that prices will rise during the later part of 2017.

 USD 22.00 /kilo

**PEPPERMINT OIL**  India***Mentha piperita***

Despite fresh material coming online since June, stocks at origin remain low as planting is down 70% on 2016. This has put a little price pressure on what stocks are available. Production in 2016 was thought to be around 500 MT and this year closer to 200 MT from fewer plantings.

 USD 55.00/kilo

PALMAROSA OIL  India***Cymbopogon winterianus***

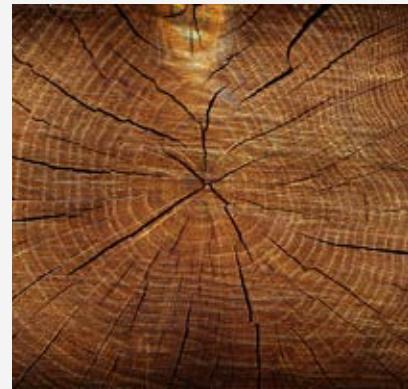
Despite some weak demands in the first part of the year, prices have remained firm following a poor 2016 crop and no carry over supplies into 2017. As the months passed prices have firmed as buyers return to the market to find little or no material available. Prices continue to increase and may do so further despite fresh material expected late September. The crop isn't expected to be good due to a lack of monsoon rains in the growing regions for the past 8 months. Don't expect any improvements soon.

 USD 55.00 /kilo

**SPEARMINT OIL**  India***Mentha spicata***

Spearmint follows a similar pattern to all other mints with significantly less planting of around 60% this year! Over the past couple of years there has been a good carry over in each year's starting stocks, which has kept markets over supplied and very weak. There was around 120 MT produced in 2016, and this has dropped to 50 MT this year. In theory, this is where many see the size of demand in today's market, a far cry from the 250+ MT produced just a few years ago!

 USD 40.00/kilo

**AMYRIS OIL**  Haiti***Amyris balsamifera***

Total production this year could be as little as half of that of recent years as raw material supplies remain scarce and much of what is available is of low quality. Deforestation across Haiti is the main cause for concern with the only known supplies of Amyris in deeply remote and inaccessible areas. There have been signs in recent weeks that one processor has been able to secure some reasonable wood stocks and with this we may start to see some new oil starting to flow in the last quarter, although it's unlikely this will bring any price relief in the short term.

 USD 95.00 + /kilo

VETIVER OIL  Haiti***Vetiveria zizanioides***

Heavy rains and flooding hampered harvesting efforts earlier this year forcing some producers to close their facilities for several month as little or only high priced raw materials became available. This has improved a little in the past couple of months but with the rainy season already started we expect to see continued pressure on supply and with it prices.

 USD 350.00 + /kilo



BASIL OIL LINALOOL Nepal

Ocimum basilicum L

There was no carry over supplies into this season which started in August. Whilst trying to be optimistic about the crop sizes there is a realisation that volumes may be down on 2016 due to the recent floods throughout the Terai Plains, which has led to some uprooting. With growing demand we may see prices rise later in the year if supply becomes tight.

 USD 90.00 /kilo

CHAMOMILE OIL Nepal

Matricaria chamomilla L

This year's February crop was reasonable, with output a little higher than last year due to some new plantings that have yielded additional volumes. In total the Nepalese crop was around 1,000 kilo. Today supplies are fair and it is hoped the market will remain satisfied until the New Year when the next season will begin.

 USD 750.00 /kilo



CINNAMON BARK OIL Sri Lanka

Cinnamomum Zeylanicum

Market demand is very strong at the moment and raw material is limited resulting in some price pressures. These are expected to continue into the foreseeable future.

 USD 320.00 /kilo

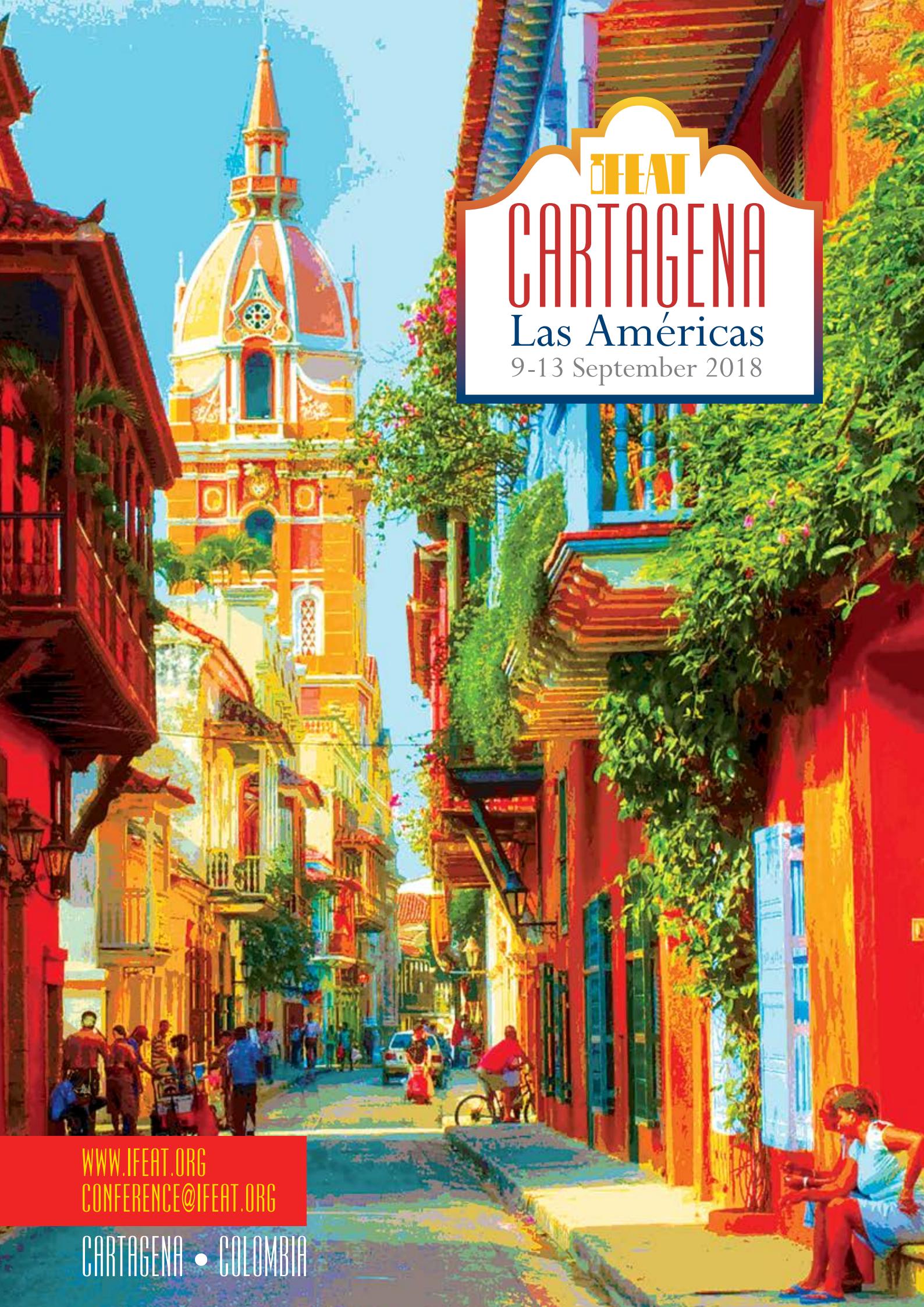
CINNAMON LEAF OIL Sri Lanka

Cinnamomum zeylanicum Nees C.

The season started late May and will end in December so you would usually expect good supplies this time of the year. Unfortunately, due to huge droughts in the area, collections have been slow and stocks of oil are low.

Whilst demand has been weaker of late it is expected to come back and when it does there will no doubt be pressure on supplies.

 USD 25.00 /kilo



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P.T. VAN AROMA

CLOVE **SULAWESI**

Strengthening our footprint in Sulawesi



VISION

Over the past 8 years Van Aroma has been focusing on the development of a secured and sustainable raw material supply chain from the island of Sulawesi. Sulawesi sits just east of Borneo and incredibly is the world's 11th largest island.

The initial attraction of Sulawesi was to follow the migration of patchouli as it shifted from the more traditional growing areas in Java and Sumatra. Patchouli was, and still is, our largest product but we offer much more than that! Our focus on Sulawesi opened our eyes to a rich resource of other raw materials and the potential to expand this source of raw materials with the support of local communities.

As Sulawesi became our second home so our relationships with various communities gave us further confidence to invest and invite potential partners and in doing so we entered into a patchouli sustainability project with one of the top 5 F&F companies back in 2016. For this project, we have established a demonstration farm and distillation unit in a village called Toari, in the Kolaka Regency. Our partner farmers are now adopting these good agricultural practices on their own farms. We are confident that these improved agricultural practices will not only benefit the farmers in the village of Toari, but also will be disseminated to surrounding towns and eventually to patchouli farmers all across the island. It is our goal to stop the further shift of patchouli beyond Sulawesi, and enable farmers to maintain their crops for the long term.



*Photo left*

Aerial view of the new 60,000 square feet facility in Kolaka

*Photo right*

Aerial view of the new facility in Kolaka which can process up to 12 tons of clove or patchouli herbage per day.

CLOVE INVESTMENT

Through our travels over the years, we have learnt that over 70% of the clove plantations are on the island of Sulawesi. It is interesting to note, however, that the farmers on Sulawesi have a single focus on harvesting the clove buds as a spice, and have no use for the leaves or stems that are a by-product of their clove spice cultivation. Furthermore, we observed that all the major clove oil distillers are concentrated on the island of Java, close to the cigarette factories, with Sulawesi occasionally contributing 5-10% to the clove oil industry.

The only negative aspect of our developing a clove interest in Sulawesi is the 2,000 km distance between these growing areas and our main production centre in Jakarta! This is a logistical nightmare in being able to control the quality of the collections at source and test, refine and ship products from our Jakarta facility.

That's said, the potential was clear – the raw material source was in abundance and there is surplus leaf product left over from other industries. However we couldn't do this from Jakarta so we decided to make a major investment in Sulawesi, and further strengthen our footprint on the island.

We accomplished this by investing in our own facility covering ~60,000 square feet in the town of Kolaka. At this location, we have set up Indonesia's single largest steam distillation plant. This new facility consists of six state-of-the-art distillation stills, which will process up to 12 tons of clove or patchouli herbage per day. In addition, it will house a complete quality control laboratory that mirrors all the capabilities housed at our headquarters in Jakarta

(GC, GC-MS, colorimeter, polarimeter, refractometer, density meter, etc). This will smooth the process of testing patchouli and clove oils at source.

Our team has even gone to the extent of developing and providing on-site training to farmers for leaf collection techniques using backpack leaf-blowers that will allow them to collect up to 10 times more leaves than they previously did by using brooms. Not only will this allow them to work with a smaller workforce, but also it will allow them to pay off their leaf blowers and other farm equipment through achieving greater efficiencies.

We see this backward integration as being strategically beneficial for all stakeholders involved in the supply chain. Not only will this benefit our customers, but it will also allow our farmers and distillers to receive quicker turnaround on approvals with regard to their raw material, in turn improving their cash flows.

In addition to having our own sources for clove and patchouli oil, we hope to educate clove farmers about the possibility of generating an additional income from distilling clove oil. More specifically, we will be sharing the designs and specifications of our steam distillation stills, as well as how they can further improve their existing traditional setups by adding insulation, using pellet driven stable fuel, stainless steel inner linings, and safety pressure valves.

At Van Aroma, we have always believed in complete transparency with our suppliers and customers, and this, we believe, has been the greatest driving force for our continued success.

CLOVE OIL Indonesia

Eugenia caryophyllate

Hopefully you've been keeping on top of our reports since late last year when we envisaged the 'perfect storm' when it came to longer-term raw material supplies as the situation certainly developed this way.

You can read about the spice market conditions in this market report (p.48) but to summarise the prolonged heavy rains during the first half of the year slowed down collections and over time depleted stocks.

As we entered the second half of the year we had hoped for an earlier dry season but this did not happen. In fact, as late as the end of August, Sulawesi was still suffering from heavy rains with no end in sight.

Hopefully there will be a short window of dryer conditions between now and the next rainy season set to start in November but already it will not be a long enough period to bring any real relief in supplies.

Locally prices are rising every week as processors scramble for stocks to meet their obligations. Many tell us they are already oversupplied and are reluctant to offer any new quotations for Q4 business.

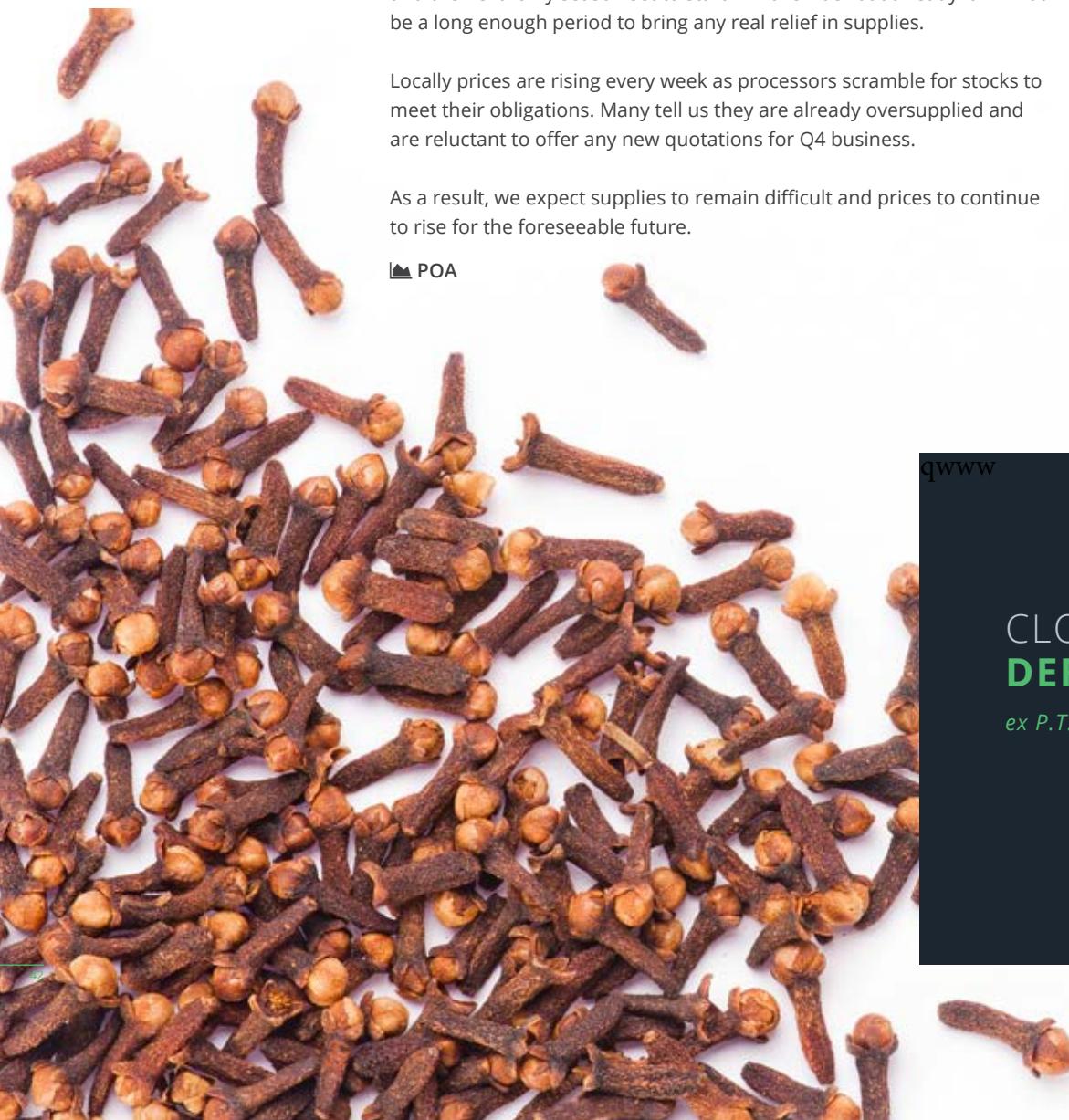
As a result, we expect supplies to remain difficult and prices to continue to rise for the foreseeable future.

 POA

qwww

CLOVE DERIVATIVES

ex P.T.Van Aroma





Eugenyl Acetate & Iso Eugenyl Acetate

Eugenyl acetate follows the Iso Eugenol pattern when it comes to its odour profile which is more sweet than spicy, often characterised as fresh, carnation and malty. It has a long lasting tenacity on dry out and can be used as a single ingredient or as a booster to other clove notes with the main benefit in today's market being that it currently has no IFRA restrictions. It's recommended to be used at up to 5% in fragrance formulations.

Iso Eugenol

Iso Eugenol is used as a sweet, spicy, clove-like character in fragrances as well as in oral care products. Its use in the perfumery markets are still strong despite IFRA controls regulating its use. It is understood the market to be in the region of 100,000 kilo. Van Aroma can offer trans 88-95% qualities.

Methyl Eugenol & Methyl Iso Eugenol

Two ingredients that serve the fragrance markets well. Methyl Eugenol with its warm, sweet, fresh herbal spicy notes and Methyl Iso Eugenol with its spicy, earthy and basil notes are a great addition to any perfumers palette. Both perform very well in liquid and tablet soaps, hair care products and alcoholic perfumes.



CANANGA OIL  *Indonesia****Cananga odorata***

Supplies are generally slow and have been consistently slow for some time. As a result, prices have remained firm with the market generally accepting these new price levels. At times, quality lacks consistency so some caution needs to be applied when evaluating any seemingly inexpensive offers. At this stage, we do not anticipate any major changes over the next few months. Some shipments are leaving Indonesia not correctly classified as Dangerous Goods. This is giving some exporters a \$6-8 /kilo price advantage..

 USD 115.00 /kilo

CAJEPUT OIL  *Indonesia****Melaleuca cajuputi***

Supplies have slowed due to weather conditions but remain reasonable, so general availability has not been impacted too much. The quality of raw material remains good and overall we are experiencing some stability with this product and no foreseeable changes ahead.

 USD 24.00 /kilo

CITRONELLA OIL  *Indonesia****Cymbopogon winterianus***

Heavy and persistent rains have severely affected local prices and supplies. Export markets are somewhat secondary compared with domestic demand for this essential oil, so locally there is no interest in comparing Indonesia's performance on the export market with prices from other origins, such as China. Instead there is much anguish that local prices are where they are and, more to the point, the available supplies are as low as they are. Local prices have increased around 30% since the start of the year and this is unlikely to change until the rain stops and a drier period has set in for some weeks. Expect continued price increases until mid-year.

 USD 21.00 / kilo +

GINGER OIL FRESH  *Indonesia****Zingiber officinale***

Prices increased around 25% earlier this year as market supply and demand seemed to rebalance after an increase in demand during 2016. In recent months, prices have remained steady as most feel comfortable with today's price levels and no real change is expected any time soon.

 USD 120.00 /kilo

MASSOIA BARK OIL  *Indonesia****Cryptocaria massoia***

Product continues to be available although quality issues remain a concern for some. There is no over supply in the market as many believe, just material more easily accessible locally allowing more people to trade the product. We don't expect any major changes soon.

 USD 400.00 - 700.00 kilo

“ Nature was indeed at her artistic best when she created the nutmeg

Ravi Sanganeria



NUTMEG OIL Indonesia

Myristica fragrans Houtt.

Markets have settled in recent weeks as supply and demand seem well balanced. Generally, all those involved in the product feel prices around today's level represent a fair return for all, but unfortunately the market is more delicately balanced than it seems on the surface.

With little oil stocks in the supply chain, it is still difficult to secure large volumes or get commitment from processors for any date too far into the future. Collections have remained low all year not helped by the wet conditions and only a short-term drop in market demand has kept prices stable in recent weeks. It is feared that when demand returns this extra pressure on the supply chain could start the process of prices increasing once again, so our advice would be to cover your next 6 month requirements at these manageable levels.

Mace supplies have been steady despite the ups and downs of nutmeg supply. No real change is expected in the foreseeable future. Prices remain steady at USD 90.00 /kilo.

 USD 72.00 - 82.00 /kilo +

PATCHOULI OIL  Indonesia***Pogostemon cablin***

The market has remained weak for some time now with most realistic buyers and producers realising prices are at rock bottom. There is hardly another dollar to be squeezed out of the supply chain with all involved already trimming margins to fight for new business. It is no doubt a buyers market at the moment and with supplies looking still in abundance there is little sign that this will change in the near future.

Whilst pleasing for some (end-users in particular) this situation does not encourage a sustainable future for supplies, as many farmers are likely to get discouraged over time to continue to produce with lower and lower returns. When this happens it could start to change the supply and demand balance and with it prices. August and September are traditionally a good time to buy as supplies start to pick up at the beginning of the dry season. This year, with prices already at the bottom, we are not seeing the same benefits but buyers should be confident to keep healthy inventories at these price levels as the product only gets better with age and prices are unlikely to reduce further.

The general market aside there are a number of encouraging sustainability projects in place across Sulawesi, which aim to bring stability to particular areas of the market with an emphasis on supporting local communities. A number of multinationals and brand owners have endorsed this and Van Aroma are also heavily involved. These projects show a real value to everyone involved, ensuring the future is secure. This sort of transparent relationship among brand owners (or end-users), the processors, the collectors, the farmers and the local communities brings confidence to everyone in what historically can be a volatile market.

 USD 38.00 – 55.00 /kilo

Here is an overview of Indonesia's essential oil exports along with a forecast as to how we see 2017 unfolding.

Oil production (MT)	2014	2015	2016	2017
Citronella	550	700	700	Similar to 2016
Clove	4,000	4,500	3,500	Similar to 2016
Ginger Fresh	7	10	7	Similar to 2016
Massoia Bark	15	20	20	Less Production
Nutmeg	400	350	300	Similar to 2016
Patchouli	1,000	1,400	1,500	Less Production
Vetiver	25	20	10	Less Production

PATCHOULI TERPENES  Indonesia***Myristica fragrans Houtt.***

Over the years the process of obtaining patchouli oil has gone further than a simple steam distillation. The quality of raw materials, in particular from Sulawesi has meant that to obtain the quality the industry expects, a further process of fractionation is required. From this process we obtain the product Patchouli Terpenes and with it, a fully natural, versatile by-product which in today's market offers some interesting applications.

In a market where cheaper naturals seem to becoming more and more scarce our patchouli terpenes offer clients an opportunity to formulate with a cost effective ingredient. With prices cheaper than today's citrus terpenes can you afford not to be looking at introducing this new ingredient?

 USD 8.00 /kilo

VETIVER OIL  Indonesia***Vetiveria zizanioides***

The qualities and quantities of supplies remain challenging with no real changes seen over the past 6 months or expected in the coming 6 months.

With little availability we are also seeing some producers over heating the oil during the distillation process to shorten the distillation time, but in doing so they are burning the oil. This then affects the colour and the odour, which have not been acceptable for many end-users.

Whilst the education process continues alongside longer-term investments the situation is likely to remain critical for some time.

 USD 500.00 /kilo +/-



NEW!

PURE
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INDONESIAN CLOVE MARKET

Influences on today's oil market

During 2015 Indonesia produced around 100,000 MT and during 2016 Indonesian crop production was around 80,000 MT. 2017 could be as low as 25,000 MT. Hence today's serious market pressures.

Owing to adverse weather conditions, namely heavy rainfall with thunder storms due to La Nina climatic factors in January, February and March 2017 and further erratic rainfall with thunderstorms during April 2017 (the flowering season for cloves buds), adverse weather has affected the upcoming crop severely during the flowering season (unopened flowers / ripped clove buds) as clove trees require a warm, tropical climate with an average rainfall of at least 1500 mm per year. Clove trees are very susceptible to stress. Producing areas that undergo a dry season are good for flowering but the current weather phenomena are extremely harmful for the coming 2017 crop.

Clove production has a crop cycle of three years, so as the last two years were good in Indonesia, the coming crop, usually harvested during June – July but delayed until September 2017, will definitely be small.

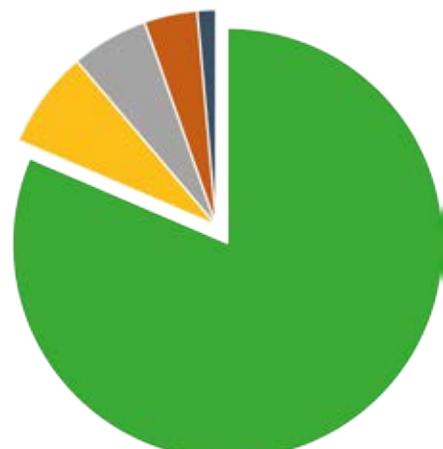
Botanically it is known that when trees lose their leaves, they become weak, so the quantity of flowers will be smaller for the coming years, which means less clove buds. As a result of the above analysis of the previous weather conditions of heavy

rainfall with thunderstorms during the previous first half of the year in the main producing regions of North Sulawesi, South Sulawesi, East Java and West Java, then the next Indonesian clove crops will be impacted for at least the two coming years.

Indonesia being the largest producer of cloves is also the largest consumer in the world. Indonesia consumes around 90% of its own clove production. Estimated clove consumption in Indonesia during 2016 was around 80,000 MT to produce 450 billion cigarette sticks commonly known as kreteks, manufactured by 714 small and large scale companies. Kreteks

TOP 5 GLOBAL CLOVE PRODUCING NATIONS

INDONESIA	122,000MT
MADAGASCAR	11,000MT
TANZANIA	8,700MT
SRI LANKA	6,000MT
COMOROS	2,100MT



*Photo top**Clove stems drying before distillation*

are manufactured with minced dried clove buds weighing about 1/3 of the tobacco blend. Kretek manufacturers are also an important source of tax revenue, sending USD 12.91 billion into state coffers last year, the third-largest contributor of any industry in Indonesia. Consumption of kreteks is also increasing 5% annually according to the World Health Organization report of 2017. An annual taxation amount of USD12 billion suggests that the kretek Industry can pay almost any price to acquire cloves for manufacturing of kretek cigarettes. From August 2016 to November 2016, cloves prices plummeted to the levels of IDR 75,000 per kg at bush levels but started to rise during December 2016 and until now have risen to levels of IDR 135,000 – IDR 150,000 per kg at bush levels. Whereas the farmers' costs after drying the clove buds is same as today's prevailing prices, which could be moving up during the 2nd half of 2017, as farmers could be reluctant to sell at these prevailing levels as there is good export demand from other consuming countries, mainly the Middle East, Europe, Russia,

China and South East Asia. Beside that, local kretek manufacturers are also willing to bulk quantities but are also afraid to increase their buying prices too rapidly to avoid panic in the market, but slowly and gradually they have increased their buying prices up to IDR 135,000 – USD 10.00 per kg. But we firmly believe it's the right time to enter otherwise the opportunity would be left behind for the bulk consumers. We firmly expect that farm level prices will reach at least IDR 200,000 during 2nd half of 2017.

Crude prices could increase in the 2nd half of 2017 30%

Besides relying solely on the buying spree from the kretek manufacturers, clove producers and associations have also focused on export markets. At the end of last year 2016 the offers were seen at USD 7.50 per kg, which has now increased up to USD 11.00 per kg for exports. A further increase of a minimum USD 3.00 – USD 5.00 per kg is expected during 2nd half of 2017.

Markets seem to be bullish for the entire year of 2017, even before the start of new crop, which is also expected to be short by around 70% overall from Indonesia and the harvest is expected to be delayed until late August 2017. Further strengthening of prices cannot be ruled out.

2017 crop expected to be down on 2016 70%

Northern Indonesia could be producing around 20% of their normal crop whereas southern Indonesia could be producing merely 30% of the normal crop harvested in comparison to last year. So the cumulative shortage is expected to be around 70-80% from the normal and the expected crop size from Indonesia would not be more than maximum 20,000 – 25,000 MT during the current 2017 crop year.

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Edited from original article by James Matthew (<https://www.facebook.com/pages/Guatemala-Cardamom/1437122399893909>)

BERGAMOT OIL  *Italy****Citrus Aurantium var***

As with other Italian citrus crops, bergamot has been badly affected by the extreme weather conditions over the winter period, which damaged or destroyed much of the crop. Different producers are citing different figures but all are consistently in the region of 50-60% loss of fruits!

During the course of the closed season, prices have tended to firm but the reality is there is little or no material to speak of and with the new season still a few months away (November to February) this situation isn't going to change quickly.

With demand growing, even a good 2017/18 season is unlikely to improve the market conditions significantly.

Recent production has been no more the 30 MT in a market that used to produce and consume 65 -70 MT.

Those with real demands need to strategically plan this one.

 EURO 222.00 /kilo

LEMON OIL  *Italy****Citrus limon (L.) Burm. F***

It was supposed to be a reasonable lemon season in Italy but the harsh winter conditions had a severe negative impact. It has been a difficult few years for the Italian lemon industry, reflected in the year-on-year increase in imports to supplement the gaps in Italian production.

The 2015/16 production was poor so there was hope of some improvements for the 2016/17 campaign but this never happened. While not as bad as for other citrus fruit, the poor winter conditions destroyed an estimated 20% of the lemon fruit, which directly impacted on the volumes available for processors.

That's two poor campaigns in a row for the Italians and with no current carry over supplies, and a long wait for the new season crop, then prices will only firm in the coming months.

 EURO 38.00 / kilo

ORANGE BLOOD OIL  *Italy****Citrus sinensis***

Italy is the second largest European orange producer after Spain. Sicily and Calabria are the main orange-producing areas, accounting for 59 and 22 percent of total production, respectively. Tarocco, Moro, Sanguinello, Naveline, and Valencia are the leading orange varieties grown in the country.

It has been a terrible period for orange production in Italy as rain and hailstorms earlier in the year damaged or destroyed ripening fruits to the extent that many have described it as the worst crop in memory. Total fruits for processing were down as much as 50% by March with hardly any fresh deliveries expected in April, marking the close of the bad campaign.

Prices of fresh fruits and oil are impossible to quantify at the moment as there's either simply too little stock to talk about or there's too much speculation on price with significantly more demand than available product.

An article in Food News summarised the organic crop situation as follows:

"Furthermore, it has not been possible to process any quantities of organic blood oranges this season.

Unprotected by any agrochemicals, the climatic conditions have resulted in a total loss of the organic blood orange crop this year."

ISTAT (Italian Institute of Statistics) forecast total fruit supplies to be 40% lower than the previous season with the total amount of fruits processed down around 35%.

Hopefully there will be some recovery in the 2017/18 season but with the new campaign not set to start until October it is too early to report.

 EURO 12.00 /kilo

Photo behind

Early morning in beautiful Venice, Italy

LIME OIL PERSIAN Peru

Citrus latifolia

Climatically not many have had it worse than Peru recently. Early in the year you could have referenced Peru's severe 2016 droughts as a primary source of concern when it came to their citrus crop as a lack of rain saw fruit less mature at a critical time of the campaign.

These droughts were then followed by some of the worse rains on record as a result of El Niño.

The region of Piura, the largest production region for limes, was the most affected by the Coastal Nino. The region accounts for 57% of the country's production.

Other major production areas include Lambayeque (19%) and Tumbes (5.8%). The remaining regions have a smaller share of 13.7%.

Over the past months, there has been a shortage of fresh limes in the region with prices rising as much as 105% in June! Fresh fruit prices are expected to rise further in August and September, as production is low until the new season starts in October. Today there are no fresh offers for oil.

 N/A



MANUKA OIL New Zealand

Leptospermum scoparium

Oil is extracted from the aerial parts of the plant by steam distillation. East Cape Manuka is known for its many unique properties and is grown and harvested wild. Also known as Red Manuka or Kahikatoa It has exceptional scientific pharmacological efficacy with unique and superior antimicrobial properties..

CABREUVA OIL Paraguay

Myrcarpus frondosus

There is a real shortage in supplies with limited availability each month. Some months when demand is low there isn't a great problem but in other months when there is some demand there is almost a crisis. Supplies won't improve in the foreseeable future so pricing and availability will be all down to market demand.

 USD 40.00 /kilo

GUIACAWOOD OIL Paraguay

Bulnesia Sarmientoi

Production continues to improve with good stocks now available at origin. This should remain in place for the foreseeable future.

 USD 22.00 /kilo

PERFUMERY

Earthy
Green
Medicinal
Effective in skincare & cosmetic products

AROMATHERAPY

Strong antibacterial and antiviral
Strong anti-parasitic properties
Antimicrobial
High in β-triketones

LATEST MARKET

As the market grows more aware of the amazing benefits of this oil, new applications and new aromatherapy brands are helping to significantly increase demand. Surplus stocks, which had been accumulated to support such growth, have been depleted in recent months with pressure now back on the supply chain. It is expected that demand will increase once the success of other brands and new products are realised and copied by others. However, activities in its native New Zealand should help support this growth long-term even if in the coming months there are a few minor delays in supply.

 NZD 750.00 /kilo

PETITGRAIN OIL Paraguay

Citrus aurantium ssp.

October marks the start of the new season and it will be a welcome arrival for many. Prices have remained firm but stable over the past few months as the off-season tries to manage the ongoing demands whilst production is weak. Last year this became a major problem, as global demand seemed to grow around 20% and a backlog in supply occurred which was only rectified by the end of the season, which runs until March. It is hoped that this year the 5 month season runs with no real issues and covers the market for the next 12 months. That said, expect prices to remain where they are as it's likely to be a seller's market, not a buyer's one!

 USD 55.00 /kilo

LEMON OIL  Mexico*Citrus x limon*

There have been some significant investments in lemon plantations across Mexico in recent years and volumes are increasing.

The season runs from August to November and the 2017 season is expected to be good. The main growing area is Tamaulipas with around 10,000 hectares of plantations with each hectare yielding 15 MT of fruit.

One important factor in longer term investment in Mexican lemon is that, unlike most citrus markets around the world, half of the plantations are owned by processors so there is more control over supplies and less influence from the fresh fruit market.

Further investments have taken place during the first half of 2017 with the first of the new season material expected soon.

 USD 38.00 /kilo

ORANGE OIL  Mexico*Citrus sinensis*

Whilst most of the fresh orange production in Mexico is for the domestic fresh fruit market there have been some recent investments to increase juice and oil production. Oil production is now thought to be in excess of 5,000 MT and this figure could grow another 10% next year.

Fresh orange production during the last campaign was down slightly due to bad weather and some pests with the 335,600 hectares of planted areas yielding around 2% less fruit.

The orange campaign runs from November to October.

The state of Veracruz is by far the largest producer of oranges, with 50% of the planted area and 52% of production. Other producing states include Tamaulipas, San Luis Potosi, and Nuevo Leon. The majority of Mexican orange production is the Valencian type.

 USD 10.00 - 12.00 /kilo

LIME OIL DISTILLED  Mexico*Citrus aurantifolia*

2017 has been difficult for Mexican lime producers. The winter crop ending in February was small as producers scaled back production due to a lack of demand and healthy carry over supplies from 2016. That was unfortunate as the summer season has proved more challenging than anyone would have expected.

It is forecast that there will be a 22% reduction in fresh fruits (half a million tons less) with the processed market badly affected as their share has fallen to just 12% of production with the fresh fruit market being the preferred choice for most sales, both domestically and for export. By the end of the season no more than 220 MT of Key Lime Oil is expected to be produced, 37% less than a normal season.

The growing global demand for fresh fruits continues to be the biggest challenge for lime processors in Mexico.

Whilst this impact isn't felt today it is likely that later in the year the market will realise there will not be enough material to see us through until the next season and at this point prices could firm. With this in mind, consumers are encouraged to take a position sooner rather than later.

Although Key Lime production is year round, production in Michoacán targets the winter season (October to February), while production in Colima covers demand from May through September.

 USD 36.00 /kilo

ROSEMARY OIL Tunisia

Rosmarinus officinalis

The 2017 season started late March and finished early August. After a challenging couple of years supplies are once again healthier and with this we're seeing some softening in prices.

 USD 60.00 /kilo

OREGANO OIL Turkey

Origanum L.

The 2017 crop was considered good and similar to last which was itself up by 20% on 2015. Today, the market is stable with no real changes to be expected during this year. Prices vary depending on the carvacrol content and are around the same level as the same time last year.

 USD 65.00 - 75.00 /kilo

BASIL OIL METHYL CHAVICOL Vietnam

Ocimum basilicum L.

This year's crop will be down significantly as a large proportion of crops were destroyed during 'Severe Tropical Storm Talas' which hit the region mid-July. Harvesting usually takes place between September and December but may be a little late starting this year.

In a usual year, Vietnam produces 25-30 MT. It is feared that figure could be halved this year. With low stocks in the market, prices have already firmed 30-40% in recent months, with further increases likely depending on the final results of the crop.

 USD 42.00 /kilo

CASSIA OIL Vietnam

Cinnamomum cassia

Vietnam produce around 700 MT of cassia oil generally in the Yen Bai, Lao Cai region bordering with China. There are also some trees found in Quang Nam, Central Vietnam. The main harvest period runs from April to June. This period yields the higher cinnamic aldehyde content of around 85-90%. The second harvest period runs from September to November, which yields cinnamic aldehyde levels of 75-83%.

 USD 35.00 /kilo

Photo right

Flowering rosemary officinalis before harvesting

Photo left

Sliced Mexican Limes



ARTEMISIA TAURICA OIL  Russia*Artemisia vulgaris*

Hot weather conditions locally have all but decimated this year's plantations with very little oil expected as a result. Overall supplies also suffered in 2016 as there was a reduction in harvested areas with some areas difficult to reach in the south and southeast areas of Ukraine. Supplies remain limited for this thujone rich product so the advice is to cover quickly to ensure you have material.

 USD 70.00 /kilo

CLARY SAGE OIL  Russia*Salvia sclarea L.*

The 2017 clary sage harvest began and ended in July and delivered some reasonable results with slightly more oil produced this year when compared to last. That said, mosWt oil has already been committed as market demands increase and have a preference for the Russian quality over the French and Chinese. With this in mind, prices have remained similar to those of last year despite global production increasing.

 USD 165.00 /kilo

CORIANDER HERB OIL  Russia*Coriandrum sativum L.*

The 2017 season started and ended in June with reasonable volumes produced against forward orders. With some 2016 carry over stocks still visible in the market, demand was slightly weaker this year. For those who don't buy season to season, you should find enough material at origin to satisfy any off-season demands.

 USD 90.00 /kilo

CORIANDER SEED OIL  Russia*Coriandrum sativum L.*

We started 2017 with some of the lowest oil prices seen for 10 years - a stark contrast to recent times. It's almost impossible to justify these prices as given the maths they appear unsustainable and this may be a factor during 2017.

These low prices are a result of surplus seeds stocks existing as we approached the last winter period so farmers and collectors were keen to offload them, almost at any price. This gave the processors a chance to produce cheaper oil but at the same time take a risk, as market demand was also weak.

Seeds don't store well but oil can be stored without too many concerns, so in some ways it made economic sense to produce stock even given the weak demand. However, it may have set an unhealthily expectation with buyers who will be expecting more of the same this year.

But this may not be the case as every season is different and demand from the spice market appears to be returning, giving farmers a welcome boost and processors a new challenge as they may need to pay that little bit more for their seeds!



Some 'traders' had reported recently that the total growing areas had been reduced by 30% due to the low prices of seed discouraging farmers from maintaining their plantations - this is not true! In fact, the total growing areas grew during 2017, but whilst this means more seeds the hot weather has created a loss of oil yield. Therefore, to get the same amount of oil you need more seeds. Even if the price of seeds remains the same the oil production costs will higher which may lead to some higher prices. Seed prices would actually have to fall to compensate for this yield loss and that's not likely to happen.

Early new season oil prices look comparable to those of last season but you may start to see some price increases during Q4 as processors are unlikely to buy surplus seeds if oil yields are poor. This could mean fewer inventories at origin and a tightening of supply over the winter period. The advice would be to top up your stocks sooner rather than later.

 USD 60.00 /kilo

**DILL WEED OIL** Russia*Anethum graveolens L.*

The market was in healthily balance after a good 2016 season, which saw production increase on the back of near perfect conditions and demand also increase, leaving everyone happy. The 2017 crop wasn't as rich as the 2016 crop, as we couldn't count on the same perfect conditions, but in general it has been OK with production estimated to be around 45-50 MT. Prices remain stable, but we need to keep an eye on that growth rate in case it continues to develop at the same rate as it has over the past 12-18 months.

USD 38.00 /kilo

FIR NEEDLE OIL Russia*Abies sibirica* Ledeb.

It took a while to rectify but eventually, after months of the 2017 season, we have seen prices come back to slightly more tolerable levels, after shortages in supply last year saw them jump significantly. The higher prices during 2016 have encouraged the producers of the Taiga (Siberia) region to harvest more and as a result supplies have improved.

That said, for this time of year there aren't large amounts of inventory at origin and the question will be if there's enough to meet demand during the winter period. It could be that during this time prices start to rise again. Always better to buy from Siberia in the summer months as 'winter is coming'!

USD 36.00 /kilo

LAVENDER OIL Russia*Lavandula angustifolia*

There are only a handful of plantations left in the region that continue to be harvested for oil. Year-on-year we have seen a decline in production with little or no real investment in new plantations for some time. Most of what is produced is generally consumed domestically for the tourist markets and local aromatherapy brands.

This year's production was completed late July with just several tons of oil produced. Elsewhere locally in Ukraine there were another several tons produced of what is considered to be the same quality as over the border in Russia. It is understood most of this has already been sold.

Limited options remain for anyone interested.

USD 115.00 /kilo

South Africa is in the process of recovering from a terrible 2016 season, which can be attributed to severe drought conditions, which in some areas are still causing problems.

"Up but down" says one producer when it comes to the 2017/18 citrus season, which means better than last but not as good as it should be. In numbers value they indicated output would be up by 20% on last year but down 40% on past 'normal' year's.

"The 2016/17 MY production of citrus is estimated to increase as the country recovers from drought in the main growing regions. The current drought in the Western Cape growing region is only expected to impact the 2017/18 MY crop if insufficient winter rainfall is received this year." USDA July 2017 statement

LEMON OIL South Africa

Citrus limon (L.) Burm. F.

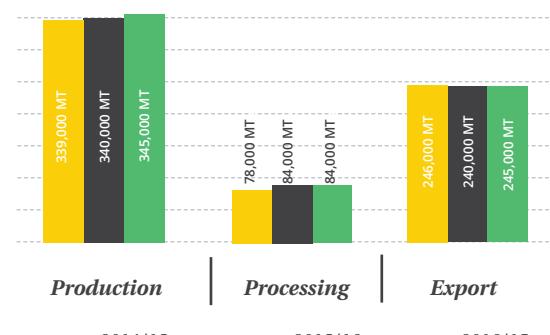
Fresh lemon production is predicted to increase by 15% to 355,000 MT in the 2016/17 MY, based on increases in area planted and normal rainfall levels in the main growing regions of the Eastern Cape and Limpopo. This is according to the USDA. These increases were partially offset by the mysterious fruit drop experienced in the Eastern Cape and, according to some data, will be consumed by the growing export demand for fresh fruit.

If we subtract the total amount of domestic and exported fresh fruit from total production it will once again leave only a limited amount of fruit for processing. Over the past few years this has been around 80,000 – 85,000 MT of which unofficial data suggest less than half goes for oil processing.

Currently, there is a drought in the Western Cape growing region but according to the USDA this is only expected to impact 2017/18 MY citrus production if insufficient winter rainfall is received in 2017.

After some initial delays to the start of the campaign the first new season shipments are expected from early September. Overall we expect to see some small improvements in oil supply when compared to last year's losses but nothing to suggest we will get back to the previous volumes of 2015/16.

LEMON DATA (USDA)



GRAPEFRUIT OIL South Africa

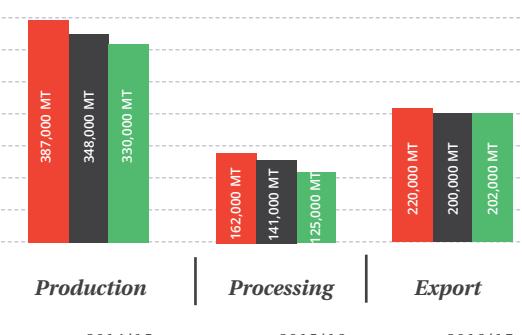
Citrus paradisi

South Africa's total growing areas increased 6% over the past 12 months increasing to 7,600 ha. This positive news follows a downward trend over the past couple of years. According to USDA figures, 2017 will see a production of 363,000 MT fresh fruits with 5,000 MT thought to be consumed domestically, 234,000 MT exported and 124,000 MT processed. This is an increase of 15% on last year's total fresh fruit production figures. The increase in production is thought to aid the export of fresh fruits rather than additional volumes for processing as demand for juice hasn't grown and without the juice market there will be no additional oil production either. Prices locally for fresh fruits have increased 35% in the past 12 months.

About 75% of the grapefruit in South Africa is produced in the Limpopo and Mpumalanga regions. With the season running from April to September, fresh oil supplies become available around July once the bulk of export markets for fresh fruit has been satisfied.

We have seen some fresh oil supply enter the market in recent months but it is limited. Whilst welcome for those who do buy this quality it has little impact on the overall global market, which remains extremely firm.

GRAPEFRUIT DATA (USDA)





ORANGE OIL South Africa

Citrus sinensis

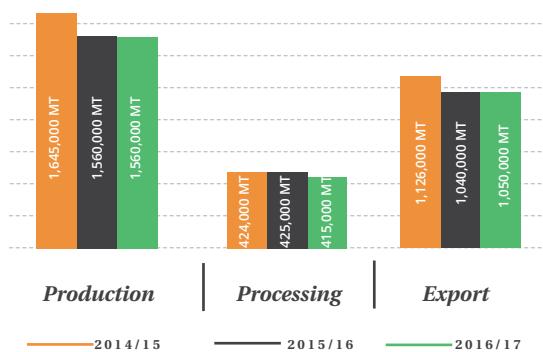
Last year wasn't the best for South African citrus growers as drought conditions throughout 2016 and a lack of spring rains (September to November) reduced output significantly – in some parts by as much as 30%. Overall the story was more mixed with some new plantations coming online to compensate for losses elsewhere but the official story tells us overall production was down 5%.

The bigger concern moving forward is the reduction in planted areas as many growers switch to soft citrus (tangerines, mandarins etc.) as export prices and demand yield better returns for farmers.

The 2017 season kicked off later than usual around July and expectations are for a slightly improved year compared to 2016. Local estimates are that the production of oranges will increase by 5% to 1.34 million MT in the 2016/17 MY, from 1.28 million MT in the 2015/16 MY, based on the recovery from the 2016 drought and normal rains received in 2017 in the main growing regions of Limpopo, Eastern Cape and Mpumalanga, which account for about 82% of the total orange production. The current drought in the Western Cape growing region, which accounts for 15% of the total orange production is only expected to impact the 2017/18 MY crop if insufficient winter rainfall is received in the second half of 2017.

Overall local fresh fruit prices have increased 50% in the past 12 months and it is expected that there will be 10% more fruit available for processing in 2017 versus 2016, but still less than half it was in 2015.

ORANGE DATA (USDA)



**EUCALYPTUS
RADIATA OIL**

South Africa

There continues to be a growing global demand and what feels like falling production from South Africa and other producing countries. Batch sizes are small and do little to fill the amount of enquiries. That said, efforts have been long under way in South Africa to improve this and 'significant plantings' should start to yield some results by 2018. How we continue to fill the gaps during 2017 is a challenge as no other eucalypt offers the same 'safe' values as *E. radiata*, which is lower in cineol than other varieties.

N/A

**EUCALYPTUS
CITRIODORA OIL**

South Africa

South Africa has become more active in this essential oil and is now well positioned to compete in the global arena against Brazil and China. Better-managed farms and sustainable planting allow an offering of around 20 MT per season and with the season starting earlier than China, this offers a small edge when it comes to supply. The 2017 season starts in June and runs until October. Currently some supplies remain from the 2016 season with a citronellol content above 80% and at an attractive price.

USD 23.00 /kilo

TAGETES OIL

South Africa

Tagetes erecta

The 2017 season resulted in the same positive vain as last year with favourable conditions resulting in a good yield. Rains at the correct times early this year helped the case and growers are more positive as demand seems to have returned to a healthier state.

USD 160.00 /kilo

TEA TREE OIL  South Africa*Melaleuca alternifolia*

Year-on-year South Africa continues to build momentum in its efforts to compete on the international stage for tea tree oil. It is fair to say that historically the South African material has had a stigma attached to it that due to the growing conditions and the average age of the plants the oil is somewhat different from the Australia standard. I think today we can dispel that myth as time and time again analytical results show it is identical to its Australian counterpart.

What is different is the harvesting methods as the South African tea tree is generally hand harvested (not mechanical) making most farms a community project as the process is very labour intensive. This adds cost even in an area with relatively cheap labour and many farms are also organic and can offer Fair Trade product, bringing many good marketing opportunities for end users and brand owners.

Their season runs during Australia's closed season (October to April) which can be both advantageous or problematic for the South African producers depending on the sort of season Australia has had and the market demands thereafter. Their last season posted some positive results with volumes increasing once again.

Representing around 15% of the global market, with about 140 MT (organic and conventional qualities), South African producers aren't the main influencers in this market but can certainly offer a point of difference when needed and with plans to expand significantly over the next 3 years it may be more of simple commercial decision for buyers in the future!

 USD 45.00 /kilo

**“ Knowledge is power
Community is strength and
positive attitude is everything! ”**

Lance Armstrong

LEMON OIL Spain

Citrus limon (L.) Burm. F.

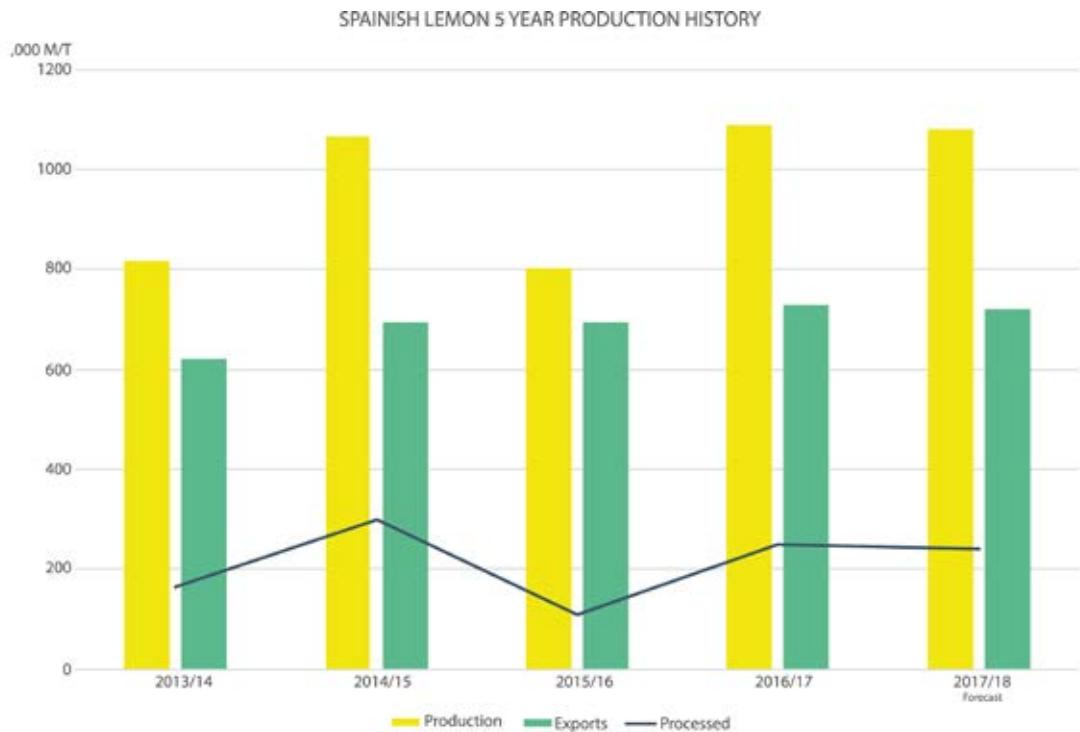
The first harvest estimate for the 2017/2018 campaign by the Lemon Interprofesional Organization (AILIMPO) predicts Spanish lemon production at 1,080,000 tonnes. This is a very similar figure to that reached in the current campaign, which will come to an end in late August, with approximately 1,090,000 tonnes of lemons harvested. This is an increased output of 100,000 MT compared with the one previously cited throughout the current campaign by all the official bodies. This is due to an extended season and additional fruits per tree, with the last of the fruits collected by the end of July.

It has been a good season for the Spanish processors who have seen a constant demand for their products since the start of 2017. There had been a good balance in the market until June when as the season drew to a close, a peak in demand returned on the back of worrying news from Argentina of a troubled season ahead. This put a late surge in demand and with it prices started to increase.

It is likely that during the off season we will see prices continue to firm unless demand falls or Argentina provides a better forecast and pricing than we have seen in recent weeks.

Although the new season will start in November, it is unusual to see much oil hit the market before Christmas, which given the current global conditions, seems a very long way away!

 Euro 38.00 /kilo



LAVANDIN GROSSO OIL  Spain***Lavandula hybrida***

The Spanish have been planting more and will look to grow production in 2017 (August crop) challenging the French producers by increasing capacity and offering at more competitive prices. Fighting talk from the Spanish! The reality is that they will not produce anything near what the French produce but they could look to fill the gaps the French leave if they're to have a less than satisfactory season, as in the past two years when French production was 120 MT short. The new season started well but at the time of writing it is a little early to estimate final numbers.

 Euro 32.00 /kilo

LAVANDIN SUPER OIL  Spain***Lavandula hybrida***

The market in the months leading up to August's harvest has been fairly flat with some carry over stocks still remaining from the 2016 season, when around 20 MT was produced. It is expected that demand may increase, given the poor lavender seasons many are experiencing, and at the time of writing the outlook for this season's crop was thought to be reasonable. More will be known by late September.

 Euro 45.00 /kilo

CYPRESS OIL  Spain***Cupressus sempervirens L.***

No change of late. The markets are stable with good supplies at origin. This is not expected to change any time soon.

 Euro 28.00 /kilo

ROSEMARY OIL  Spain***Rosmarinus officinalis***

Supplies have improved slightly aided by other growing countries also improving their contributions. As a result prices have relaxed a little but still remain firm.

 Euro 66.000 /kilo

**ORANGE OIL VALENCIA*****Citrus sinensis***  Spain

The 2016/17 Spanish orange season was ultimately better than expected. After a slow start to the campaign, due to poor weather in December and January, the season recovered to see growth levels close to 20% when compared to 2015/16.

The main Spanish orange producing areas are the regions of Valencia, Andalusia, and Murcia with an expected increase in orange production for MY 2016/17 of 19%, 17.3% and 18% respectively.

Naveline, Navel, Navelate, Salustiane, Valencia and Sanguinello are the leading orange varieties grown in Spain. Oranges are grown with the objective of being consumed fresh with 4 oranges of the Navel group being the most valued in the local market, especially Naveline and Navelate.

Valencia late varieties have a brighter colour, and are more appropriate for juice.

Current global essential oil conditions aside, there has been a continuous contraction in the Spanish orange industry over the past 5 years as poor returns have caused many Valencian growers (which are better for juice and oil processing) to pull up many orange groves in favour of other more profitable plants. In Valencia we have seen a decrease of almost 3,500 ha of orange production in the past 5 years. A trend we may see continue.

Today there is little oil available with the new campaign set to start in October.

 Euro 12.00 /kilo

THYME OIL RED  Spain***Thymus zygis L.***

The 2017 crop started in June and ended in early July and was considered by some to be much improved on previous years after significant new plantings yielded their first results. Today, there is less pressure in the market than we have recently experienced and with this some small softening in prices

 Euro 130.00 /kilo



GRAPEFRUIT OIL USA

Citrus paradisi

The shortages continue as the well documented effects of citrus greening continue to have a severe negative impact on supply.

The final 2016/17 season finished well below earlier season forecasts at 7.8 million boxes (1.5 million Red and 6.3 million White) down over 35% on the previous year, which itself was down 25% on 2014/15 – you see the pattern? This is not a trend that will change quickly as the number of fruit bearing trees continues to decline.

This is reflected in the processed markets, where oil prices continue to rise, without any signs of stopping with the greater pressure being on white oil.

The net effect of this season will make the history books headline ‘the worst season since the early 1930s’!

The first estimates for the 2017/18 season will be released by the USDA 12th October. This will give us the first insight as to what we may expect for the months ahead.

 Pink USD 120.00 /kilo+

White USD 140.00 /kilo+

LEMON OIL USA

Citrus limon (L.) Burm. F.

Californian lemon growers have filed a suit against the US Department of Agriculture (USDA) over its recent ruling to allow lemon imports from Argentina. In a press release, the US Citrus Science Council, which represents the majority of the state’s growers, said the move exposes US citrus growers to the possible introduction of invasive pests and plant disease.

In December 2016 the USDA announced that it would end its 16-year ban on Argentinian lemon imports.

There are some reasonable grounds for this concern, not only for the obvious increase in competition but also to prevent the possible introduction of HLB (Citrus Greening) as California continues to be on high alert for the disease, which has almost decimated the Florida citrus industry in recent years.

As recently as late July did the CDFA (California Department of Food and Agriculture) confirmed the detection of Huanglongbing (HLB) in Riverside County. The disease was detected in plant material taken from a grapefruit tree in a residential neighbourhood in the city of Riverside near I-215. According to the Citrus Pest and Disease Prevention Program, the infected tree has been removed and agriculture officials are moving swiftly on mandatory surveying in an 800-metre area.

This is just one case hitting a residential area but farmers will be concerned of any threat, like imports from other countries, impacting the \$2.5 billion worth of citrus trees in California.

Production across the USA for the 2016/17 season is expected to close at the same, or similar levels to those of last year. Today there is a lack of availability for oil, with most of the traded oil being Argentinian quality.

 USD 40.00 /kilo

ORANGE OIL USA

Citrus sinensis

You can see from our article on Brazilian Orange the contribution (or lack of it) the production in Florida has these days. Year-on-year we see a reduction of fruit bearing tree and with it fresh orange production and processing numbers.

The season ended close to 20% down on previous years, which was the lowest since 1963/4.

All in all, the picture remains unchanged with the devastating effects of the past few years really becoming the new reality. Citrus greening, it seems, has irrevocably changed the citrus industry in Florida, although we all hope new research can make some contribution soon towards rebuilding this depleted market.

The new season is still a couple of months away and fresh figures will be released by the USDA in mid-October. From here we can start to talk about future supplies but for today there are simply none to talk about.

 USD N/A

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