



Ultra International B.V.
Essential Oils, Ingredients, F & F



MARKET REPORT

WINTER 2015/2016

MARKET REPORT WINTER 2015/16

Recent studies have suggested that the **GLOBAL ESSENTIAL OIL MARKET IS SET TO REACH A STAGGERING USD 11.67 BILLION BY 2022**, today it is estimated to be at USD 5.51 billion. That's around a 10% year-on-year growth – good news for all you'd assume?

This growth is primarily based on a growing consumer awareness regarding the health benefits associated with natural and organic ingredients in personal care, beverages and household products. This continued trend of moving away from synthetic ingredients should ensure that we see year on year demand growth but with this trend the risks associated with dealing with natural products also increase. To ensure that we don't face future supply issues we need to continue to invest in projects at grass roots level, by trying to grow products in different countries and regions to reduce the risks of being dependant on any one area for one product. Only with greater diversity of supply sources will we be able to sustain this anticipated growth, which is why **ULTRA CONTINUES TO INVEST IN OUR SUPPLY**.

The **GLOBAL ESSENTIAL OIL MARKET DEMAND WAS ESTIMATED AT 165,000MT** in 2014 with orange oil leading the way accounting for 29.1% of total market volume. Orange oil's environmentally friendly characteristics make it suitable for use in perfumes, household cleaners and as a biological pest control agent. Also it is expected to be one of the highest growth essential oils products with forecasts of 9.7% year on year from 2015 to 2022. Bad news considering the immediate supply outlook in 2016 (continue reading details in 'Brazil')!!

It's not just orange which is facing challenges. Fresh **CITRUS FRUIT DEMAND IS GROWING** around the world in particular for lemon and limes. Taking into consideration that the oil market is a by-product of the fresh citrus market this could result in less fruits for processing, meaning less oil. Add to this the growing demand across the beverage markets then you can see potential unbalances in the years ahead.

Food & beverages is the dominant segment within the essential oil market commanding a demand share estimated to be over 30% in 2014. Growth of the food & beverages industry particularly in Asia Pacific is expected to drive this segment forward over the coming years.

Another emerging market is that of the aromatherapy sector in Europe and North America. Moving away from conventional drugs and medicines to alternative, natural remedies has created a huge market expansion with other regions yet to follow. This is also the case with the spa market particularly in South East Asia which has accounted for some significant growth in recent years and will continue to do so in future years.

EUROPE WAS THE LEADING MARKET FOR ESSENTIAL OILS with a market share exceeding 40% in 2014. This is attributed to a greater awareness amongst consumers regarding health benefits offered by natural and organic products. Asia Pacific is expected to witness the highest per annum growth of 9.2% from 2015 to 2022.

So whilst thinking about tomorrow's supply and how 2016 is shaping up, it is important to look at the bigger picture and think about our future. The good news is that we all have a future and with market growth there's plenty of room for all of us. How will you shape your business for the future? Here's our review of 2015 and our interpretation of the year ahead.

Ultra Team

ARGENTINA

Lemon Oil

Excess rain during the summer of 2015 delayed the lemon harvest and affected the fruit quality and yield but despite the slow start **LEMON PRODUCTION IS ESTIMATED AT 1.10 MILLION METRIC TONS**. This is an increase from 780,000 metric tons in 2013/14 but still down on previous years.

Argentina has a significantly bigger impact on the global processed lemon market owing to the fact they **PROCESS UP TO 85% OF THEIR LARGE CROP**. This figure in 2015 was 820,000 MT, 2.5 times larger than the combined lemons processed across the EU. This is why Argentina's crop is so important to our oil markets more so than the fresh fruit market.

Over the past 40 years Argentina's processed lemon volumes have increased significantly decade on decade, from an average annual volume of 80,000 MT in the 1970s, to 200,000 MT in the 1980s, to 540,000 MT in the 1990s and 900,000 MT since 2000. This is why today its contribution is very important to our markets.

Currently the second bloom (winter season) is underway. Production to date has been good but demand has remained high and as such most of the production is already sold. There are still some good offers available but it could be that soon the market turns back to European supplies and if they do they could be very disappointed.

 **Market prices USD 27.00 – 30.00 /kilo**

Mandarin Oil Green

The new season should start as early as January. The crop is looking modestly healthy but high global demand is likely to keep prices firm.

 **Market prices N/A**

Orange Bitter

Production of both green and mature fruits has been quite good. In view of some unusual climatic conditions, a very rare second bloom occurred in November and some extra processing has been carried over. Demand is expanding substantially for this material for both flavour and fragrance applications and with reduced availability from Italy and Ivory Coast demand remains firm.

 **Market prices USD 59.00 – 62.00 /kilo**

AUSTRALIA

Buddawood Oil

2015 will see buddawood oil sales surpass previous years as more perfumers are attracted to the deep woody note that is currently in demand, especially at a price point that is very competitive when measured against other woody notes like sandalwood oil.

Production capacity is scheduled to double during 2016 to meet demand and to build additional capacity into the system. Wood supply is strong and secured for at least the next 20 years without expanding the additional licenses.

 **Market prices AUD 550.00 /kilo**

Cypress Oil Blue

Supplies are slightly constrained due to increased demand, especially in the USA. Whilst it is planned to build additional capacity during 2016 it is unlikely that this will take full effect until the 3rd quarter, so booking stock early will be of significant benefit.

The plantation resource is secure and users can take comfort in knowing that there is plenty of resource to meet the growing demand. Prices are likely to rise slightly during the first 6 months of 2016.

 **Market prices AUD N/A**

Kunzea Oil

New production started in December and will dramatically increase capacity for this product. Gone are the days of a boutique aromatherapy product with volumes up to 400 kilos per annum, now we can expect multiple tonnages should the market desire. These new economies also bring new price benefits, which is likely to attract a wider market for more diverse applications.

We expect good supplies into 2016.

 **Market prices AUD 250.00 /kilo**

Sandalwood Oil WA

Q4 2015 has been extremely exciting as **THE FIRST COMMERCIAL OIL HAS BEEN DISTILLED FROM THE HUGE PLANTATION RESOURCE (MORE THAN 18,000 HECTARES) IN WESTERN AUSTRALIA**. The oil has an excellent odour profile and meets the ISO specification with the first batches offering an average 18% alpha santalol. Commercial production is expected in the second quarter of 2016 and as a natural plantation derived oil that has a long term supply capacity it will be in demand from brands that want to use a totally renewable oil.

Furthermore, the traditional wild harvest wood looks likely to be reallocated in June 2016 **ENDING THE SINGLE SUPPLIER POSITION** that has prevailed for the last 20 years. The market should look forward to a potential scenario where there will be multiple suppliers in addition to the new plantation oil. Current and potential end users can look forward to a new era of continuity of supply, with good qualities for the foreseeable future.

 **Market prices USD 1,800.00 /kilo**

Rosalina

New production will start early 2016 bringing a new quality and increased capacities into the market. This will come as a big relief for the aromatherapy market, which has endured a difficult time lately finding sustainable material especially at the correct quality point.

Today traditional quality availability is limited but by January / February we expect to see this new production sampled and quickly accepted into the market.

 **Market prices N/A**

Sandalwood Oil Indian

The plantation resource in Western Australia is starting to produce good quantities of oil. Press releases by one of the producers indicate that it will **INCREASE PRODUCTION BY MORE THAN 10 FOLD IN 2016** suggesting an additional 10 MT more of Indian sandalwood oil!

With the **ADDED INTRODUCTION OF A SECOND SUPPLIER** there will be a little competitive tension in the market and whilst the quality of the plantation oil is not quite up to the traditional Indian standard, it does appear to be of reasonably good quality. This will give perfumers a real chance to start using the oil again after a period in the 'cold' due to the wild harvest Indian sandalwood not being accepted as it had a high percentage of untraceable wood.

However, prices do remain high with one supplier currently asking US\$4,500 per kg but we expect this to change significantly during the first half of 2016.

 **Market prices USD 3,500 +/- /kilo**

Sandalwood Nut Oil

Production has increased significantly over the last 6 months to meet the demand starting to come from various markets across Europe and the USA. As more product development work started to be commercialised it is expected that during 2016 we will see the largest demand since the product's launch a few years ago. Clearly the properties of the oil are being recognised as hugely beneficial and with the oil coming from plantations there is the added security of long term sustainable supply.



Nuts from the spicatum tree


2015/16 harvesting starts this month and will carry through to until March 2016. As this has been a strong year for seed production, stocks will be plentiful should demand grow at a greater rate than predicted. Prices should be stable for the foreseeable future.

 **Market prices USD 150.00 /kilo**

Tea Tree Oil

It's generally good news for Australian tea tree. After a good season, most volumes are now sold with very few producers / traders holding onto any good quality volumes. This despite an overall increase in yields due to good farm management and favourable weather conditions which provided an **INCREASE IN VOLUME OF AROUND 150 MT**. This reflects an increase in global demand, which will please the local producers who continue to invest in better quality seeds and additional plantations.

There has also been a significant breakthrough in **CHANGING THE ISO STANDARD** to include the Chiral testing or terpinen-4-ol, which will help identify adulterated oil in the market. This has become a particular barrier for producers and traders offering pure material, as current ISO standards don't allow for sufficient testing to identify the presence of some synthetics or Chinese 'type' oil. This generally leads to a difference of around 15-20% in the selling price. This should take effect in 2016 and restore some balance to the market place. If this does reduce the global acceptance of adulterated oil we are likely to see an increased demand for the pure oil.

 **Market prices AUD 47.00 – 49.00 /kilo**

BRAZIL

Lime (Tahiti & Persian)

New production will commence around mid-February but forecasters are already predicting a poor crop. Continued droughts and a growing domestic demand for fresh fruit is keeping supplies tight and prices firm. It is expected that prices will continue to firm as oil demand are expected to continue given forecasted shortages elsewhere.

 **Market prices USD 30.00 – 35.00 /kilo**

Kumquat Oil

Supplies have slowly returned to normal after a shortage during Q3 due to early rains.

Good interest continues to grow for fine fragrance applications with the Far East market particularly receptive to its unique character. Expect to hear more about this oil in 2016!

 **Market prices USD 170.00 /kilo**

Orange Oil CP

In 2014 orange oil exports from Brazil became a **100-MILLION-DOLLAR BUSINESS** as average prices hit historical highs. During 2015 these trends continued but while total exports maybe down on last year, average export FOB prices continue to rise.

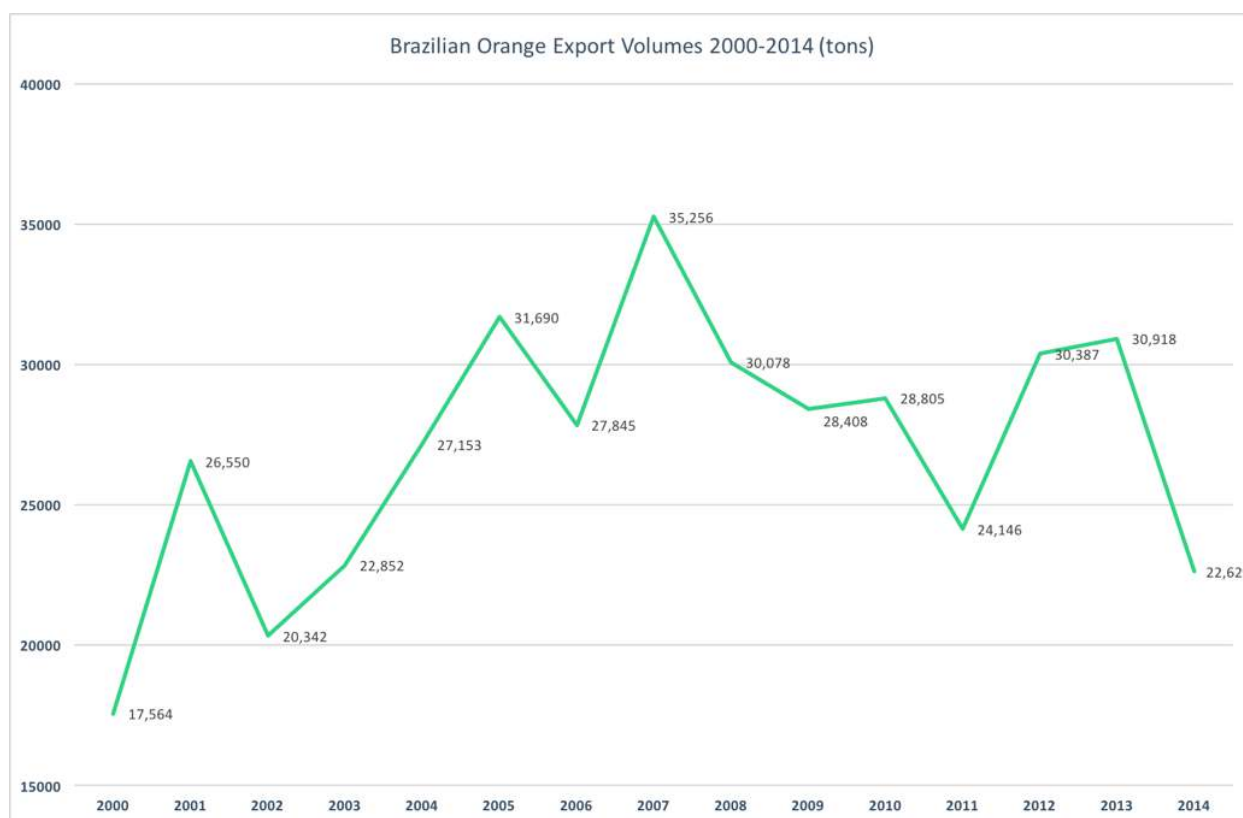
The highest monthly average export FOB price ever recorded was in July 2014 at **\$6.56 /kilo** but the average yearly prices peaked in 2015 (based on averages up to the end of Q3). Again in July the average prices were at their highest levels of **\$6.25 /kilo**. Since then average prices have fallen slightly but regardless of this 2015 will end showing historical high averages.

The fear at the moment comes from stories emanating from South America, which do not make for happy reading. So as we look towards 2016, what are the experts advising?

Earlier in the year *Fundecitrus* produced figures disclosing fruit estimates for the year, covering the growing areas along the citrus belt comprising the state of São Paulo and the Minas Triangle region in Minas Gerais. They calculated:

- Total number of oranges bearing trees is **174.13 MILLION TREES**
- Average projected productivity for the 2015/2016 season is 1.60 boxes of 40.8 kg per bearing tree.
- Estimated total production of oranges in the 2015/16 season: **278.9 MILLION BOXES** of 40.8 kg each

This estimate of 278.9 million boxes produced, is greater than the USDA's estimate earlier in the year of 245 million boxes but significantly down on previous years.

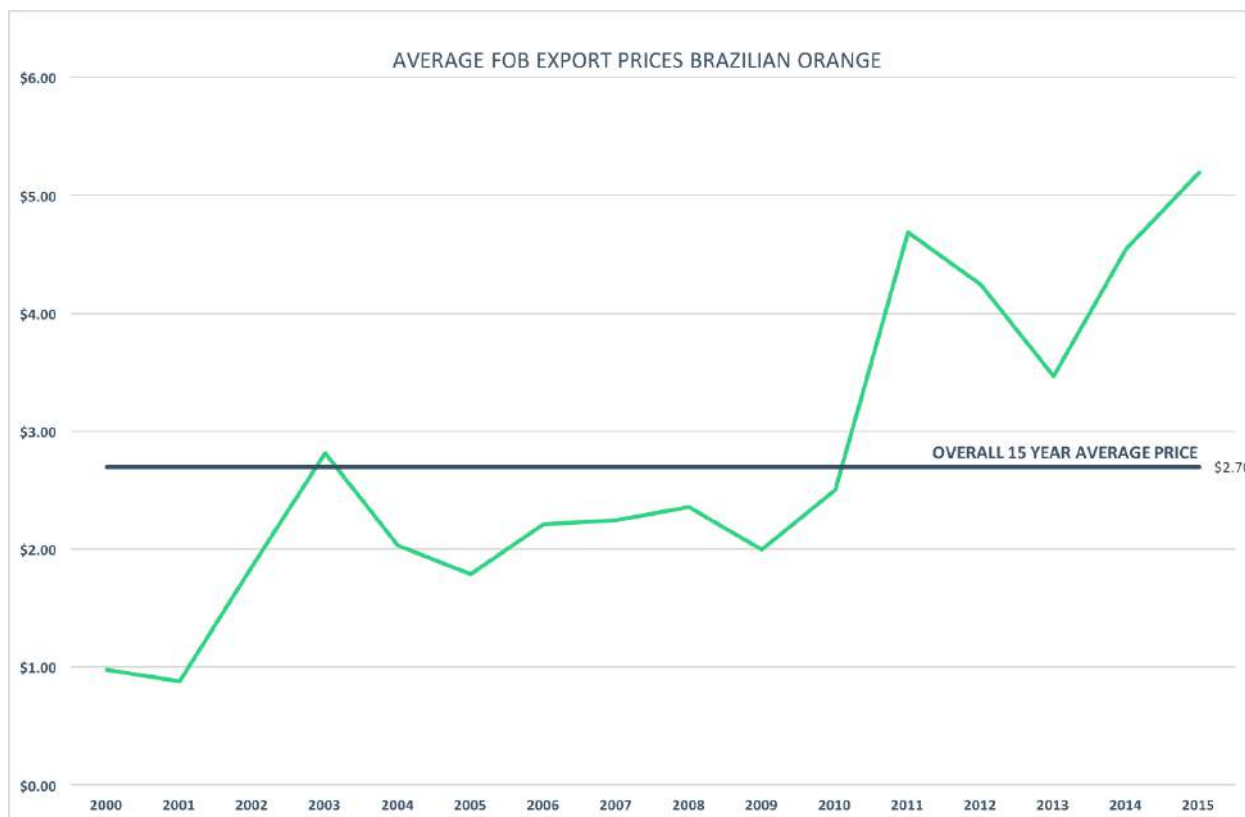


Unfortunately, 30% of the blossoming happened in fruits from the third and fourth bloom, which means a large part of the 2015/16 crop will be from late fruits, which have low juice and yields. Most of these are **COMMERCIALY UNSUITABLE FRUITS** for processing which may be why there has been so many delays or mixed messages from producers at origin as they come to terms with these changing conditions?

Today Citrus BR is reporting lower than average brix levels for current harvests due to **'ELEVATED RAINFALLS** observed during the summer and autumn of 2015 in the Brazilian Citrus Belt'. It also goes on to warn the market about the current threat of El Niño with the following statement: 'The weather forecast from several meteorologists are already predicting and weekly confirming that the influence of EL NIÑO will be observed in South America, from early September to January 2016. **EL NIÑO BRINGS HIGHER THAN THE USUAL AVERAGE PRECIPITATION FOR THE CITRUS BELT.**

The 2015/2016 orange crop was influenced by severe weather conditions from October – December 2014, when drought and high temperatures were observed in the whole State of Sao Paulo, generating several blooms on the trees and also hampering a uniform development of the fruits.'

It is evident that we are suffering a period of uncertainty and with it high prices and a continuing lack of availability.



Based on what we can see in today's market, depleted stocks at origin and the projections for the next 6 months, we do not expect the situation to improve. In fact, it may well get more difficult for those of us looking to secure our short to medium term orange oil supply.

Market prices USD 8.50+ /kilo

BULGARIA



Lavender Oil

The season closed with very little surplus stock remaining at origin despite a healthy season. Production was reportedly up by 60-70 MT on 2014 bringing the **TOTAL OUTPUT TO NEAR 200 MT**. This is a record season for the Bulgarians and plans are in place to continue that growth into the future.

There are still variations in qualities available which reflect the different ages and growing areas within Bulgaria. Many are able to batch and harmonise a standard quality but others don't have such a luxury.

Today the market seems well balanced but the question will be whether everyone has covered sufficiently until the new season next July / August as producers are generally sold out. We expect some tightening in supply towards the end of Q1 2016.

📈 Market prices Euro 90.00 /kilo

Rose Oil

To recap the 2015 season was nothing short of a disaster. The Bulgarian crop ended with up to **50% LESS PETALS THAN IN 2014**, which yielded approximately 650-750 kilos of oil.

It is too early to see if there will be any lasting damage to the plants ahead of next year's crop but it is clear that finding sufficient volumes will be a challenge from now until the next crop.

📈 Market prices Euro 12,000 /kilo

CHINA

Cassia Oil

A small second crop took place during October and November, which yielded some modest figures. With the market relatively flat there wasn't a huge push on production as prices still remain low and stable. We expect to see this continue into the first half of 2016.

📈 Market prices USD 33.00 /kilo

Citronella Oil

This season China had a bumper citronella crop with some estimates suggesting **TOTAL PRODUCTION OF 2,200 MT**. This is almost double that of 2014 and marks an unprecedented high. As a result, prices have softened slightly but still remain higher than those of other origins. Despite this, China remains the world's largest exporter.

YEAR	2015	2014	2013	2012	2011
Quantity (MT)	2,200	1,200	980	750	730


Expect the market to remain competitive and enjoy some possible price reductions in the New Year.

📈 Market prices USD 17.00 /kilo

Clary Sage Oil

It's difficult to assess the true output of the Chinese clary sage crop as it continues to be a net buyer rather than seller of this product. That said, some producers are taking advantage of the fact that some end-users have a preference for Chinese quality and are charging a huge premium to reflect the market shortage.

There is no quick fix for this although it is expected that a number of new plantations will come on line in 2016 – collective reports suggest an **EXPECTED OIL INCREASE PRODUCTION OF AROUND 15 MT**, but this isn't confirmed. Whether this brings any improvement to the global position will depend on the efforts of other producing countries to also increase output.

 **Market prices USD 220.00 /kilo**



Eucalyptus Oil

Supply and demand appear fairly well balanced but it is not unusual to see a slow down in production at this time of year.

It is estimated that this year's total production is in the region of 9,000 MT which is similar to that of 2014, but down on 2013. This overall downturn is maintaining pressure on supplies suggesting that we will not see prices fall any time soon.

 **Market prices USD 12.75 – 13.00 /kilo**

Garlic Oil

No change for this one. Prices remain firm as supplies dry up following a low yielding season, which finished back in June. Prices are expected to stay firm until the new season.

 **Market prices USD 250.00 /kilo**




Geranium Oil

After years of continuous production growth, this year's crop was considerably smaller than last year. Partly this is due to a slow down in demand following significant price rises last year.

2015 production is expected to finish around 60 MT, 30% smaller than 2014, and the lowest production since 2010.

Today prices remain stable after falls earlier in the year and are expected to remain at these levels into the New Year.

 **Market prices USD 160.00 /kilo**

Ginger Oil

Prices have started to rise a little due to a lack of oil in the supply chain. Most producers are manufacturing to order so when we see any demand hikes then prices tend to jump 5-10%. Otherwise the market is relatively stable but with the new season not far away we could see a small increase in production to help ease supplies.

 **Market prices USD 75.00 /kilo**



Lavender Oil

During the season (until October) local crude oil prices exceeded market prices for 'Bulgarian' type qualities therefore pricing the Chinese out of the more competitive export business.

Production was lower than usual and it isn't expected that the Chinese will become more aggressive in the export business during 2016. They are happy supplying domestically and as with other florals have become net importers rather than exporters.

 **Market prices USD 120.00 /kilo**



CROATIA

Helichrysum Oil

The government controlled summer season concluded on 15th August, with yields only reaching around 40% of 2014 levels. As there was no spring season the market was waiting for the summer crop and was largely pre-sold. Today there is very little material available and it is difficult to find offers. The next season opens around June 2016.


 **Market prices N/A**

EGYPT

Basil Oil Linalool


Production has been limited this year as an unknown disease in the plant reduced yields during the main production season over summer. A second smaller crop took place in October but this only yielded small amounts of oil, which isn't unusual for this late crop.

Today there are limited options available, even less of good quality oil, and as a result prices have firmed over 30% in recent months, which is a trend we expect to see continue into the first quarter of 2016.

 **Market prices USD 130.00 /kilo**


Blue Chamomile Oil

There are some stocks still available from the 2015 crop but they are reducing with time and it is expected that prices will rise on the back of the decreasing volumes available. This is likely to be the pattern until the new crop in March/April 2016.

 **Market prices USD 1400.00 /kilo**

Coriander Herb Oil

There is very little material available at origin, which is typical for this time of year. Egyptian production starts earlier than other origins and with its limited shelf life most reasonable volumes are made to order. If you need material today, there are some stocks available but it could be advisable to wait until later in Q1 2016 for fresh stocks and offers.

 **Market prices USD 170.00 /kilo**

Cumin Seed Oil

No real changes since our last report. The product remains stable with the general balance in the market being good and any price increases are unlikely at this stage.

As we keep stressing, it is worth noting that other 'cheaper' qualities continue to be sold from some Egyptian producers/traders at prices around 20% under today's market. We feel if you are paying under our guide price you may not be buying pure oil.


 **Market prices USD**
100.00 /kilo

Geranium Oil

The markets have remained relatively flat for this product despite the attractive price and as a result stocks remain

healthy with plenty of bargains to be had.

It appears the markets will remain relatively flat with the only real threat to prices being the Central Bank's revaluation of the local currency against the US Dollar. If this happens we could see export prices increase. Of course, there's always a chance that other local influences will impact on the price but it appears less and less likely at the moment.

 **Market prices USD**
70.00 /kilo

Jasmine Absolute

After an active start to the season the markets have quietened a little keeping prices stable and some stocks still available. Expect no real change in the short term but try to cover sooner

rather than later for the first half of 2016 as any rise in demand could quickly impact on the local stock situation and prices could rise as a result

 **Market prices USD**
4,000.00 /kilo

Neroli Oil

All 2015 season material has already been sold and as a result prices in the market are rising. We are unable to get any firm offers from origin. The new season starts around April 2016.

 **Market prices N/A**

Parsley Leaf Oil

No significant changes since our last report with supplies remaining limited as we're off-season and with little oil being produced this year due to overall weak demand.

 **Market prices N/A**

FRANCE


Clary Sage Oil

Most stocks at origin are now sold with farmers commanding some record prices due to the strong demand and disappointing yields this season.

Many expected more from the French producers this year and many contracts for fixed volumes were unable to be fulfilled due to the late Spring/ early Summer heat, which reduced the flowering.

It is estimated around **18MT WAS PRODUCED THIS YEAR** but this number seems large given the continued lack of availability. We estimate the figure could be nearer 15MT.

Turning our thoughts to 2016 there are again promises and talks of additional planting with many pre-booking volumes in anticipation. Whether we get more favourable weather conditions next Spring/Summer we do not know but there is a desire to increase volumes even if the reality is still unknown. All being well a fair price for 2016 material will be closer to Euro 160.00 /kilo should the **EXPECTATIONS OF PRODUCTION AROUND 20MT** materialise.

 **Market prices Euro 275.00 /kilo**

Lavandin Abrialis

Once the more dominant of the lavandins, abrialis today only represents around 5% of the total lavandins produced and this year production fell 15% on the previous year. This continuing demise will no doubt ensure that one day there will be no more abrialis to speak about.

Today all stocks are depleted and prices are firm with anyone holding small stocks.

 **Market prices N/A**

Lavandin Grosso

Grosso has the largest production of the lavandins representing around 82% of production. During the early season expectations were high, as conditions seemed favourable for a good harvest. Sadly this didn't prevail and in the end the total output was down around 5%. Whilst this doesn't seem a lot it does equate to around 50 MT of oil, which was already spoken for as many had pre-committed fixed volumes for regular clients.

This shortage put a little pressure on prices and over recent weeks we have again seen some firming of prices as later production from other origins also under performed. As a result we expect prices to edge upwards during the first few months of 2016.

 **Market prices Euro 30.00 /kilo**

Lavandin Super

It appears all stocks at origin are now sold after a disappointing year in which we saw prices increase to new levels. It is estimated that total production fell somewhere between 10-15%. What stocks are still available on the market are in the hands of traders which is again increasing the pressure on price.

 **Market prices Euro 45.00 /kilo**

Lavender Maillette Oil

Stocks at origin are now depleted. Production this year was average even if some other lavender types performed better than expected it certainly wasn't the case for Maillette. Whilst other lavenders showed modest growth of around 4% on average Maillette suffered. As a result prices finished on average higher than in 2014 as demand for this quality is always high.

 **Market prices N/A**




Lavandin Grosso harvest France July 2015

INDIA

Basil Oil Holy

The new harvest season has recently started but it is too early to gauge what the final output will be. Early signs appear to be reasonable so it is expected that supplies will improve following a difficult few months. Production will be complete in January and at that time we will have more updates for you.

 **Market prices USD 70.00 /kilo**

Cornmint Oil

There has been some stability in recent months despite production this year being 30% down on 2014. Having said that it is not expected that local stocks will be sufficient to feed the market until the new season so expect prices to possibly rise around February 2016, when it is expected this year's 30% reduction will be felt in the market.

 **Market prices USD 16.00 – 18.00 /kilo**

Davana Oil


No changes as we're off-season with no real availability at source. This will remain until the new season starts in February 2016.

 **Market prices USD 560.00 /kilo**

Lemongrass Oil

This year's crop was down around 30%, which has kept pressure on supply and prices firm throughout the year. It has been difficult to secure good quality oil with reasonable citral content and that trend is likely to continue through winter as it is typical for citral levels to drop at this time of year.

Expect prices to firm until conditions improve and we see plentiful material enter the market but this might not be until Summer 2016.

 **Market prices USD 19.00 – 20.00 /kilo**

Lime Oil Distilled (Key)

Major projects continue to progress with a view to standardising the local fresh fruit markets and increasing the capacity to receive more limes for processing. This will take time but it's likely to offer us more options for some small increased capacity during 2016.

Indian lime is a particularly good quality, similar to that of Mexican Key Lime but given current costs can be slightly more expensive. That said it is always good to invest in new origins and this one is no different. Better economies will come so it would be good to have this quality already approved and purchased.

 **Market prices USD 38.00 - 40.00 /kilo**


Palmarosa

After a quiet period demand has returned and prices have started to increase slightly. Prices had fallen due to sufficient stocks and slow demand which also stopped any major harvesting in 2016. Now these supplies have been exhausted and demand is returning you can expect to see some price movement.

 **Market prices USD 30.00 – 32.00 /kilo**


Pepper Black

Prices remain stable with good stocks at origin after a healthy 2015 production and strong carry over stocks. Expect no major changes in the near future.

 **Market prices USD 95.00 /kilo**


Peppermint Oil

Prices remain stable despite a poor 2015 production alongside weak demand. That said, there remains little material at origin so any return in demand could see prices rise quickly.

 **Market prices USD 36.00 /kilo – 40.00 /kilo**

Spearmint Oil

The crop has been lower than 2014 by around 35%, returning total output to the levels of 2013. Demand has been constant with no major changes expected in the near future.

 **Market prices USD 23.00 – 24.00 /kilo**

INDONESIA

Cananga Oil

Short term supplies will be difficult as there was no carry over stocks of oil or raw materials before we entered into the rainy season. This will keep pressure on prices for the next 3-4 months.

 **Market prices USD 65.00 /kilo**

Citronella Oil

There has been a **MAJOR GROWTH IN EXPORTS** this year as many end-users made the switch from Chinese origin material to Indonesia, largely due to the competitive prices. Supplies remain strong with fresh raw material coming from both the traditional Java as well as Sumatra.

Generally, the market interchanges Chinese and Indonesian material 1:1 but the higher content of citronellal in the Indonesian material is both a good and bad factor. Good because many people isolate this molecule and consider the higher the content the better the oil. Bad because if people have adopted an internal specification based on the Chinese oil, then the Indonesian quality could be too different and therefore rejected. Chinese oil typically has 35-40% citronellal, whereas Indonesian gives us something around 50%. You also have to consider that if the citronellal is higher then other components will be lower, once again making the product different from Chinese.

If quality controls can make the changes internally then it gives end-users more possibilities to have two origins approved and be able to use the better quality oil from Indonesia.

Expect Indonesian prices to remain competitive with the only swings coming from movements in the exchange rate between the Rupiah and the US Dollar.

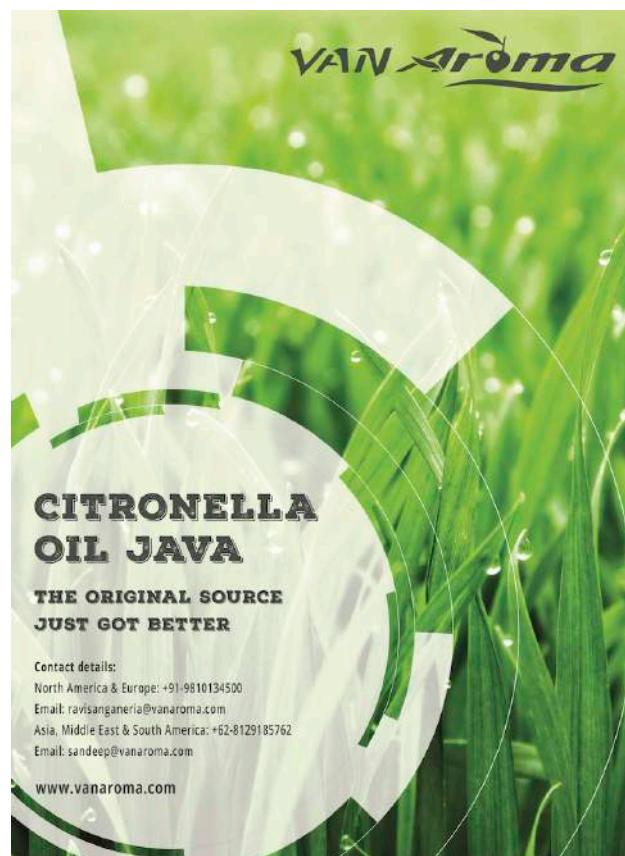
 **Market prices USD 15.00 /kilo**

Clove Oil

There remains a good balance in the market place with both supplies and exports continuing to stay strong. It was expected that prices could fall in the New Year but producers/processors and traders don't seem to want to make any first moves. Expect the situation to remain stable for the foreseeable future.

 **Market prices** Leaf 85% Rect.14.50 USD /kilo | Bud USD 22.00/kilo | Leaf Crude 73-82% 11.25 to 13.50/kilo | Stem USD 14.75 /kilo | Eugenol USD 16.00 /kilo

VAN Aroma



Clove Terpenes

Supplies are plentiful with prices being at record lows. Beta caryophellene is also available in good volumes.

 **Market prices USD 1.50 /kilo**

Ginger Oil Fresh

This product is starting to gain greater interest from the market, especially given the recent quality issues experienced with the Chinese variety. This particular quality has a fresh, volatile top note and is very clean. Also being somewhat more powerful in formulation than the typical Chinese type its usage cost can be very advantageous.

Volumes and capacities are growing so if you haven't yet seen a sample maybe its time to do so.

 **Market prices USD 100.00 /kilo**

Massoia Bark Oil

No real changes in recent months, as securing raw materials remains very challenging with any available supplies very expensive. It is unlikely that we will see any reprieve from this situation for the foreseeable future.

 **Market prices USD 350 - 800 /kilo**

Mace Oil

More production is starting to come on line for this item with market interest also gaining momentum. Expect prices and availability to remain stable as this item develops.

Mace is the red aril the surrounds the nut from the nutmeg fruit but its properties and characteristics differ from that of nutmeg. More information available on this soon.

 **Market prices USD 65.00 /kilo**

Nutmeg Oil

We remain of the opinion that today's prices, which have been steady for several months, are the lowest this product can fall too. Prices are discouraging collection and processors have all but stopped any major distillation until finished stocks are consumed.

It is thought that once demand returns to the market then prices will start to rise slowly, eventually returning the product to prices nearer USD 60.00 /kilo, but that could be another 4-6 months away. Our recommendation would be to cover 2016 now to ensure you continue to take advantage of today's weak market prices.

 **Market prices USD 45.00 /kilo - 50.00 /kilo**



COMMITTED TO
A SUSTAINABLE
INDONESIA

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Patchouli Oil

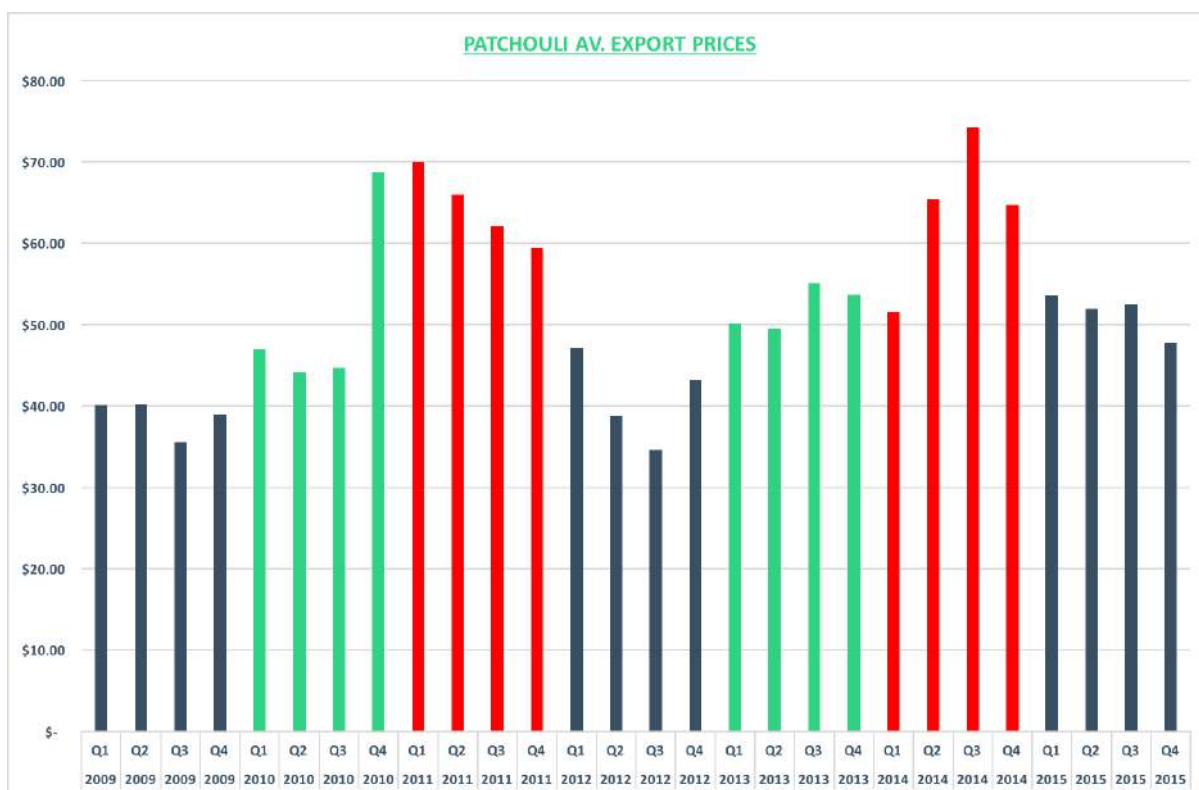
Prices have risen slightly over the past couple of months largely due to a prolonged dry spell during July and August which killed / stopped the growth of much of the young plantations in Sulawesi. This shortage of raw material put pressure on the markets but thankfully at a time when demand slipped away (during the European holiday period).

Now demand has returned the gap in supplies is adding some pressure but for now supply and demand appear to remain fairly well balanced, ensuring no sudden movements in price. Should there be any large spikes in demand then prices could firm. However looking ahead, raw material supplies are likely

to return to normal come April from Sulawesi, which could hopefully relieve any price issues at that time.

PT Van Aroma is continuing to invest in the welfare of the farmers we work with in Sulawesi and providing them with a fair and sustainable income remains our priority. Given our exports now account for around 60% of all Indonesian patchouli exports we hope that this in turn will bring stability to oil prices in our markets. Prices this year have been relatively stable despite many issues in dealing with raw material supplies. These efforts go on, unseen every day for the benefit of the market.

📈 **Market prices USD 50.00 – 70.00 /kilo**



Vetiver Oil

The short version of this story is that demand continues to rise on the back of more end-user acceptance and a growing pressure on Indonesia to fill the gap left by the shortages of other producing countries. Local prices have risen considerably over the course of 2015 and are **EXPECTED TO RISE BY ANOTHER 15-20%** from early New Year.

Despite the increase in price it seems Indonesian vetiver is still a good option for the market but we are close to having a scenario of a waiting list and months of back orders. Today it is just possible given the limited supply options to meet the market's expectations.

To give some perspective on the issues and another reason why demand for Indonesian oil is increasing we have the following update from Haiti.

In Haiti vetiver is simply not available, as the availability of raw materials and basic commodities for processing are short. October marked the end of the season with no carry over stocks remaining and a backlog of orders from February when limited production will start again. It is likely that it will take some months before supplies catch up with demand so expect price increases over the first quartet of 2016.

 **Market prices USD 200.00 /kilo (Crude) | USD 210.00 /kilo (Rect.) | USD 230.00 /kilo (M.D.)**


ITALY

Lemon Oil

This year's Italian fresh lemon production was down 2% on the previous year, with imports from Spain (55%) and Argentina (21%) increasing to support the domestic demand. Italy's processing capacities were hit hard last year with **16% LESS LEMONS PROCESSED** than the previous year.

While it is still too early to form a clear picture it appears most Italian producers are expecting similar numbers to last year, but in some cases, maybe less. Depending on the producer, the growing region and the type of lemon some crops will be reduced as a result of the hot weather experienced during June and July. Even if it is forecast that crops will be similar to this year the amount of lemons available for processing will be less due to the demands of the fresh fruit markets.

Local prices remain firm and demand for Italian lemon is growing as it is often regarded as a premium product. It appears that this is set to continue into 2016.

 **Market prices Euro 37.00 /kilo**

Mandarin Oil Green

The 2015 crop was **15% LESS THAN THAT OF 2014**, continuing the decrease we've seen in recent years. This is due to farmers turning their attention to other trees as the cost of harvesting and cultivating the fields is too high. Of the 17,000 MT crop estimate, around 10,000 MT will go for processing.

Today demand for oil remains high and prices could easily rise further during Q1 2016.

 **Market prices N/A**

Orange Oil Blood

Although it is a little early to predict it is hoped that the new crop will provide us with some relief after last year's disappointing output. **DOWN AROUND 45% ON 2014**, this year was particularly bad but we are hopeful that come February/March 2016 there is better news for us all.

Early suggestions are for an overall crop of around 1,050,000 MT of which 450,000 MT blond and 600,000 MT of blood orange, of this around 260,000 MT and 165,000 MT respectively will be processed.

Demand for Italian orange is strong as it is for all other origins given the issues surrounding supplies in Brazil. This will further push up prices ahead of the new season although no one is currently willing to speculate on new season prices.

 **Market prices Euro 6.50 /kilo**

MEXICO

Lime Oil Distilled (Key Lime)

The markets here are finely balanced at the minute and it's hard to see what may happen next. As we approached the start of the winter season (late November), prices had been starting to rise as local supplies were reducing. Now that the winter season is under way this should ease those tensions in supply but it appears unlikely it will have a dramatic effect. This will only be seen in another few weeks.


We are still in the hurricane season and although the large storm in Hurricane Patricia passed with little damage we are not out of danger yet. That coupled with the El Niño effects that are expected late December and into January we may see a few twists and turns

MOROCCO

Rosemary Oil

The market remains starved of oil despite some recent new batches hitting the market. Supplies are being drip fed into the market with no significant production expected until we reach the main season from May onwards.

Today we're seeing prices rise further and we expect this trend to continue into the New Year.

 **Market prices Euro 60.00+ /kilo**

NEW ZEALAND

Manuka Oil

Although at this time of year harvesting is generally limited (local summer time), stocks at origin have been built up in anticipation of a number of new applications going into production.

2015 has been a good year for the Manuka producers as investment in new harvesting and processing equipment, coupled with an increase in stocks and good marketing, has started to see their justified rewards.

We will be featuring this more in the New Year and expect to have a new report available in January outlining more of the technical details and the key benefits of why you will be seeing more and more of this product used in a wider range of consumer products in the future!

 **Market prices NZD 600.00 /kilo**

before we understand how the first half of 2016 looks.

2015 was deemed a normal year with production in Mexico recorded at 2,000,000 MT of Key Limes. The growing fresh fruit market took around 80% of this volume leaving 20% for processing. It is not expected that we will see much increase in overall production during 2016 (less if we encounter any unknown problems) but with a growing demand for fresh fruits we could see even less allocated for processing.

Today there is very little material at origin so until the winter season is complete the market could remain a little short.

 **Market prices USD 35.00 – 37.00 /kilo**

NEPAL

Basil Oil Linalool

Supplies are limited as we're now in the off-season with no concrete offers from origin. Prices are firm but may rise further should we see any off-season demand spikes.

 **Market prices USD 130.00 /kilo**

Chamomile Oil

Prices are firm as we await the start of the new season around mid-February 2016. Until then only limited batches are available from traders and at relatively high prices. It's now time to start planning your 2016 requirements!

 **Market prices USD 800.00 /kilo**

PARAGUAY

Cabreuva Oil

There is no change to previous reports, as supply still remains very tight. This is expected to continue into the foreseeable future.

📈 Market USD 45.00 /kilo

Guaiacawood Oil

Production continues to improve with good stocks now available at origin. This should remain in place for the rest of 2015.

📈 Market USD 23.00 /kilo

Petitgrain Oil

The situation remains unchanged. The market remain difficult, as supply cannot get back ahead of market demand. There are waiting lists for volume at the moment and market prices are increasing as buyers' struggle to secure their short-term needs. Pressure is likely to remain in place so it is advisable to plan ahead.

📈 Market USD 60.00+ /kilo



Petitgrain – (left to right) plantations – harvesting – storage – distillation

RUSSIA

Artemisia Taurica

Supplies at origin are now all sold. Additionally a lack of good transport companies and continuous political issues restricting the flow of goods from producing areas has meant that for this and some other products there have been some delays in goods reaching the market.

As this particular product is wild harvested from areas around Crimea and the South of Ukraine forecasting what 2016 brings is difficult. That said this year has been easier than last so we remain hopeful more normal conditions will be with us next year.

Unfortunately other origin qualities are different so keeping healthy stocks into 2016 to protect yourself is advisable.

📈 Market prices N/A

Clary Sage Oil

There is no change or let up on this product as demand remains very strong and despite a good crop there still remains **LIMITED SUPPLIES** available at origin. This is due to a **GROWING DEMAND**, the lack of output from other producing countries and the increased demand for sclaireol from China.

Today the major producers are stating that they are sold out with all material shipped or pending shipment to those customers who booked ahead.

It is clear that prices will remain firm this year and into 2016 when it is hoped that by late next summer both Russia and other origins will be producing more, which could bring some relief to this situation.

📈 Market prices USD 190.00 /kilo

Coriander Herb Oil

Generally, the markets are very quiet for this product, which is not unusual for the time of year. There are some stocks amongst traders and producers, which could be purchased at a good price, but remember this one has a limited shelf life. Expect prices to fall rather than rise during this off-season as most major end-users appear to be well covered and people will be keen to place what oil they are still holding in stock.

Although production was late in 2015 it was healthy with an unusual carry over due to the ability to produce more oil later in the season. It's too early to discuss the quality of the crops ahead of next season (starting around May/June) but if the seed markets are any guide then we could expect prices to start the season lower than they did this year.

📈 Market prices USD 100.00 /kilo

Coriander Seed Oil

2015 was best described as a confusing and unexpected year. Prices fell suddenly during the harvest period (around August) despite a strong demand and continuous high prices from the fresh seed markets.

It appears the more significant swings in the oil markets are down to one or two producers competing for market share, rather than a true reflection of the actual raw material conditions. This helped prices finish the year almost half the level of back in January 2015.

Future pricing will very much depend not just on the climatic and political conditions from the country but more so on the strategy of each producer. A sudden withdrawal by one or the other or a re-think in pricing could turn the market back on its head.

Our advice is to tread carefully. It's hard to see prices falling further but it's certainly been a buyers market over the last few months. How long this will continue is hard to say but keeping healthy stocks prior to the 2016 harvest next summer could be advisable.

 **Market prices USD 80.00 – 85.00 /kilo**

Fir Needle Oil

This one is fast becoming a quite desperate situation as there is an increasing shortage in the market as changes to local forestry laws have restricted harvesting. As a result, the major producers are only running at 50% capacity so with each passing month the situation appears to be getting worse. This is expected to remain the case for the immediate future until changes can be made in local legislation to increase the quotas for harvesting.

 **Market prices USD 40.00+ /kilo**

Lavender Oil

After another successive disappointing year for Russian lavender some producers have already destroyed their plantations to focus on other products, leaving the future of Russian production in doubt.

There is no doubt that volumes have been diminishing for years and the cost of maintaining plantations with a history of disappointment has become too much for some. There will still be some production in the territory and from neighbouring post-Soviet countries but it will be smaller in 2016 and insignificant when compared to the output of countries like Bulgaria.

 **Market prices Euro 85.00 /kilo**



Russian Lavender - are its better days long behind us now?

SOUTH AFRICA

Eucalyptus Oil Radiata

Production batches remain small and are a little hit and miss with regards reliability. There are several projects in place to change this but the reality is that demand will still be greater than supply for the foreseeable future. This in itself is restricting potential growth for the product in particular from the North American and European aromatherapy markets with some brands now looking for other eucalypts to fill the gap.

A small amount of production is expected in February/March but it's unlikely to bring any major relief to the global market.

 **Market prices USD 40.00 /kilo**

Lemon Oil

As the 6th largest producer of lemons globally South Africa is not always considered a large contributor, especially for oil, yet it proves to be very consistent and reliable.

Total production throughout the 2013/14 season reached 270,000 MT with almost 60,000 MT sent for processing. That is approximately 25% more than the previous year for oil production. South Africa can be very versatile when it comes to how many fresh fruits are sent for processing and so is capable of being in or out of the oil market as and when it is more commercially attractive to do so.

The season has started and there is some **CAUSE FOR CONCERN** after larger areas of plantation were assessed. Droughts conditions are being experienced due to unusually low rainfall and above average summer temperatures, which negatively affected the fruit sizes.

As a result, early forecasts are suggesting a **20-25% REDUCTION IN PRODUCTION** and although it is too early to estimate as to whether this will impact on the 60,000 MT destined for processing, it is safe to say it's most likely. This will impact the volume of oil produced and may in turn increase prices.

 **Market prices USD 30.00 /kilo**

Orange Oil

News just in from South Africa is disappointing to say the least. After many years of modest growth, it looks like this year could be very different.

Recently we have come to expect around 400 MT per year of South African orange oil, however the current droughts being experienced in the citrus growing regions are having a devastating effect. **BELOW AVERAGE RAINFALL AND ABOVE AVERAGE SUMMER TEMPERATURES** during the past season, especially during the fruit-sizing period has had a negative impact on fruit sizes.

As a result, early indications are suggesting as much as a **35-40% DECREASE IN FRUIT PRODUCTION**. While this may not be reflected in the same decrease in oil produced, it will certainly have an impact.

It is very early to fully assess the true impact, especially on the processed markets, but already prices have started to rise and are likely to continue to do so into the New Year as the harvesting period progresses.

 **Market prices USD 8.00 /kilo**



Tagetes Oil


No changes of late with prices stable and with some healthy supplies remaining at origin despite being in the closed season. The next crop will take place in May/June 2016 and it's expected that prices will remain at today's levels until closer to this date.

 **Market prices USD 180.00 /kilo**

Tea Tree Oil

It's off-season now with some modest growth reported during 2015. It is anticipated that more commercialised production will take place in 2016 as more co-ordination between local communities and growing areas takes shape but this will be more for organic oil rather than the more popular conventional type.

Today small volumes of organic tea tree are available with prices varying depending on quality.

 **Market prices USD 60.00 /kilo**

SPAIN


Lavandin Grosso

The Spanish season is complete with a rather disappointing season to report. There are stocks today but these aren't expected to meet the market demand. Prices have risen since 2014 with some Spanish producers becoming buyers and trading the oil from other origins to compensate,

 **Market prices Euro 32.00 /kilo**

Lavender Oil Spike

This year's production was disappointing just as in recent previous years. Supplies at origin are exhausted with any availability commanding high prices.

 **Market prices N/A**

Lemon Oil

Let's start with some good news which is in 2014/15 Spain's fresh **LEMON PRODUCTION INCREASED 30%** reaching 1,065 thousand MT, record levels both in production and exports. This increase has been attributed to good crop management (irrigation, fertilisation, treatments etc.) and favourable weather conditions during the flowering and fruit setting periods.

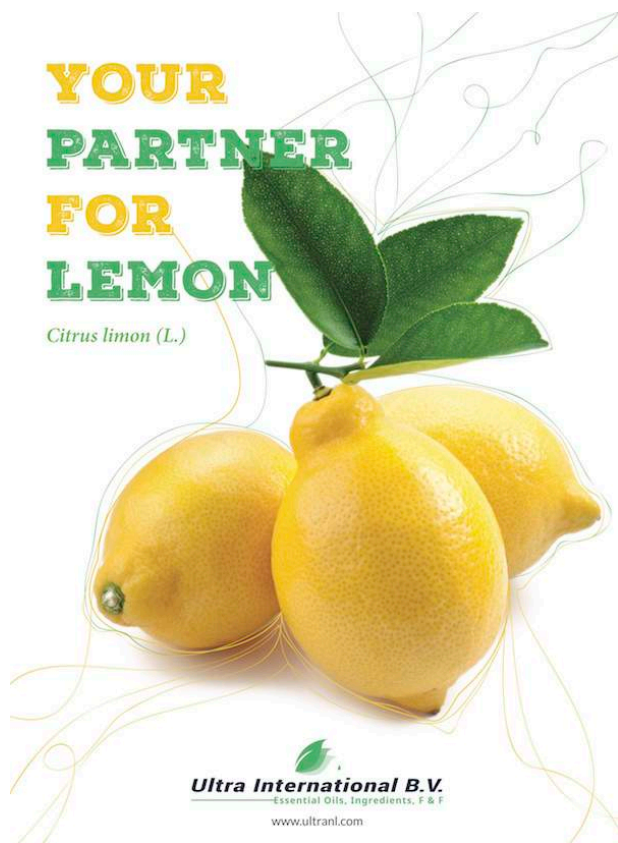
Today Spain's contribution to all EU production is around 65% so what happens in Spain generally makes the biggest impact of all producing EU countries. Production of the Fino variety is estimated at 800,000 MT while Verna is at 300,000 MT, with 35,000 MT of losses.

<i>Spanish Lemon (1,000) MT</i>	<i>2013/14</i>	<i>2014/15</i>
<i>Production</i>	818	1065
<i>Exports</i>	622	695
<i>Processing</i>	166	300

This increase of fresh fruit production also supported Spain's desire to fill the gap in the global processed fruit market, a hole left by Argentina following their disastrous 2014 crop. As a result, **300,000 MT OF SPANISH LEMONS WENT FOR PROCESSING**, almost double that of the previous year.

**YOUR
PARTNER
FOR
LEMON**

Citrus limon (L.)



Despite the increase in oil output the prices remained relatively firm as fresh fruit input costs for processing continued to rise as the global demand for fresh lemons increased, with Spain also exporting 10% more fresh lemons than in 2014.

So as we turn our attention to this season what are the prospects? Well that's were the good news ends as fresh fruit prices have doubled in recent weeks.

This is largely due to **DROUGHTS** and **HIGH TEMPERATURES** recorded during May, June and July which **DAMAGED** crops with the impact of this only recently being fully assessed. It appears the **REDUCED HARVEST COULD BE AS MUCH AS 25%** with farmers compensating for this loss with higher selling prices.

This figure is consistent throughout Spain with a crop reduction of around 25% in Alicante, Castellon 25% and 20% in Valencia anticipated for this season.

How this impacts on the amount of lemons processed, the relative input costs and the market demand for Spanish lemon oil is yet to be seen. A number of producers have some carryover stocks from earlier this year but these volumes are not significant and there's little to suggest that prices for any fresh oil production will decrease. As per usual trends the volume of lemons in the market come January will be significantly less and, depending on external pressures from other producing countries, we could see New Year oil prices rise and supplies tighten.

A 25% reduction in output would see Spanish fresh lemon production fall to levels below that of 2013/14, to somewhere in the region of 770,000 MT. Based on last year's fresh export figures of 695,000 MT and with demand growing, farmers will have the option to sell all their production into the fresh fruit markets leaving very little for processing, unless of course the processors can pay more for the fruits, which will only happen if oil prices rise. Watch this space!

 **Market prices Euro 34.00 /kilo**


Rosemary Oil

Limited volumes are infrequently available but with each batch comes a higher price. Such is the desperate state of Spanish supply, coupled with that from other regions is making rosemary oil a particular problem at the moment.

 **Market prices Euro 49.00 /kilo**

Thyme Oil Red

This one is another Spanish nightmare, as it seems most are at the moment! Supplies are already exhausted and the next crop won't take place until June 2016. Prices have already increased dramatically this year and are expected to continue to do so into the New Year.

 **Market prices USD 150.00 /kilo**

USA

Grapefruit Oil

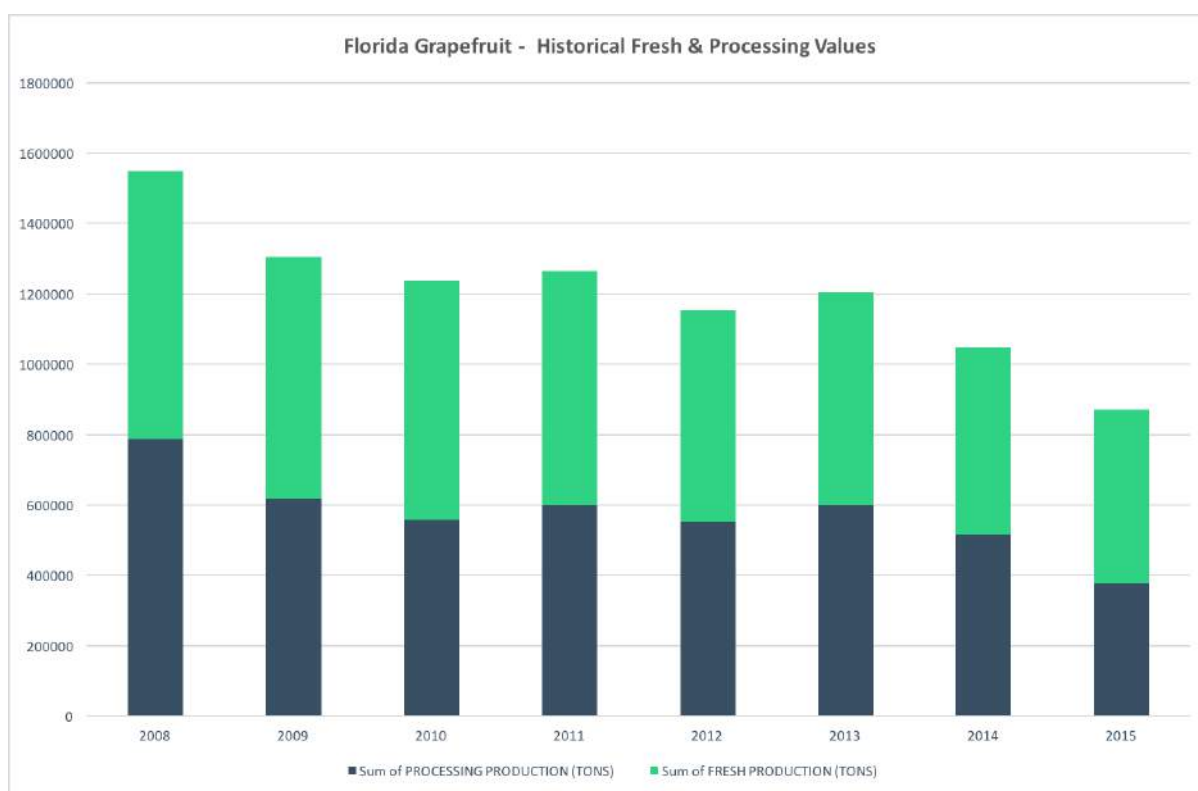
You can see from the chart that production in recent years has fallen and this year's forecast is set to be no different.

Recently the USDA revised their output figures once again to 12.2 million boxes, a further reduction of 100,000 since August. White grapefruit is forecasted at 2.7 million boxes while red (or pink) is unchanged at 9.5 million boxes. The current fruit size of white grapefruit is below the minimum while current droppage

is above the maximum. The current fruit size of red grapefruit is below average, while current droppage is above the maximum.

These reduced volumes continue to put pressure onto today's oil markets with prices increasing as a result. As we look ahead it is hard to envisage a situation where this improves quickly.

▲ Market prices USD 47.00 /kilo (White)
USD 38.00 /kilo (Pink)



Lemon Oil

California is the largest lemon growing state in the United States with 47,000 acres in production. Arizona is second with 8,300 acres. During the 2014-2015 season, **CALIFORNIA'S LEMON PRODUCTION INCREASED 9%** over the previous season and Arizona's lemon production was up 11%.

It is expected that this season California production will be stable while Arizona production is expected to be down between 15 and 20%.

Lemon acreage increased this year by 1,000 acres to 56,300 acres and processed fruit increased to 260,000 MT. It is expected that this season will be similar to that of last year with prices remaining relatively firm as demand continues to rise.

The United States is now importing more lemons than ever before. With a growing domestic fruit market and a relatively static local production this is a trend that is likely to continue.

▲ Market prices USD 35.00 - 36.00 /kilo

Orange Oil

We've been reporting for months of the prospects of a poor season in Florida and those pessimistic, but factual views have just been compounded with the latest set of results from the region.

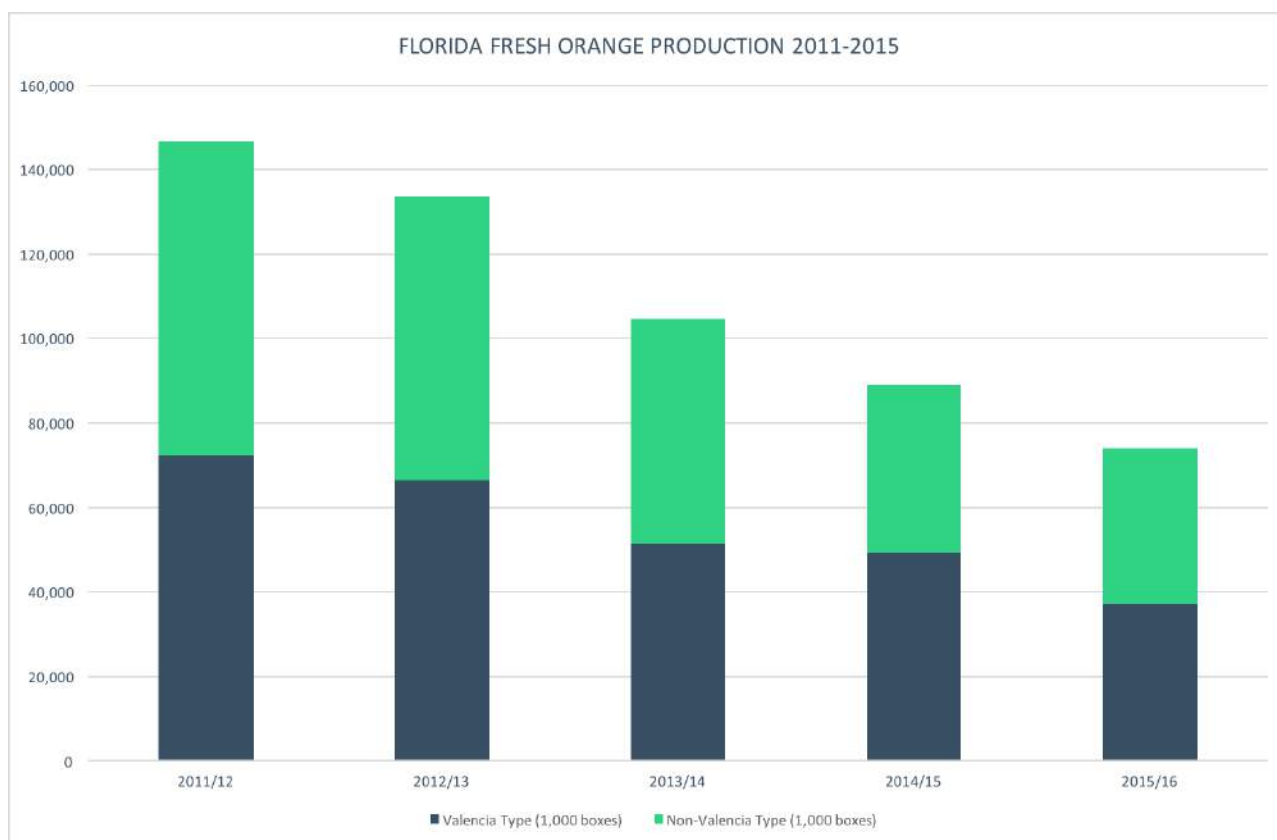
We did report that the crop is set to be the lowest in almost 50 years with an 8% reduction from last year and that this year's crop is expected to total 96.4 million boxes down from 104.7 million last year and 133.6 million boxes in 2012/13

However today (*press release from 10th November*) the USDA paints an even worse than expected picture with the **2015-2016 FLORIDA ORANGE FORECAST AT 74.0 MILLION BOXES, DOWN 6.0 MILLION BOXES FROM THE INITIAL**

OCTOBER FORECAST. If true, this forecast will represent **24 PERCENT LESS THAN LAST SEASON'S PRODUCTION AND THE LEAST SINCE THE 1963-64** season of 58.3 million boxes (including Temples)..

The forecast of non-Valencia production is lowered to 37.0 million boxes. Current size is below the average and projected to be near the minimum at harvest. Current droppage is above the maximum and is projected to continue above the maximum until harvest. The Navel forecast, included in the non-Valencia forecast, is unchanged at 1.1 million boxes. If realized, this will be the **LOWEST IN A SERIES DATING BACK TO 1979-1980** when separate Navel forecasts began.

📈 Market prices USD 8.50 /kilo



VIETNAM

Basil Oil Methyl Chavicol

Stocks at origin are depleted and while stocks are available with some traders, prices continue to sore. Sweet basil grows during Spring with the first harvests late April and lasting all the way through until September. Sadly until then we will see the markets continue to firm.

📈 Market prices USD 80.00 /kilo