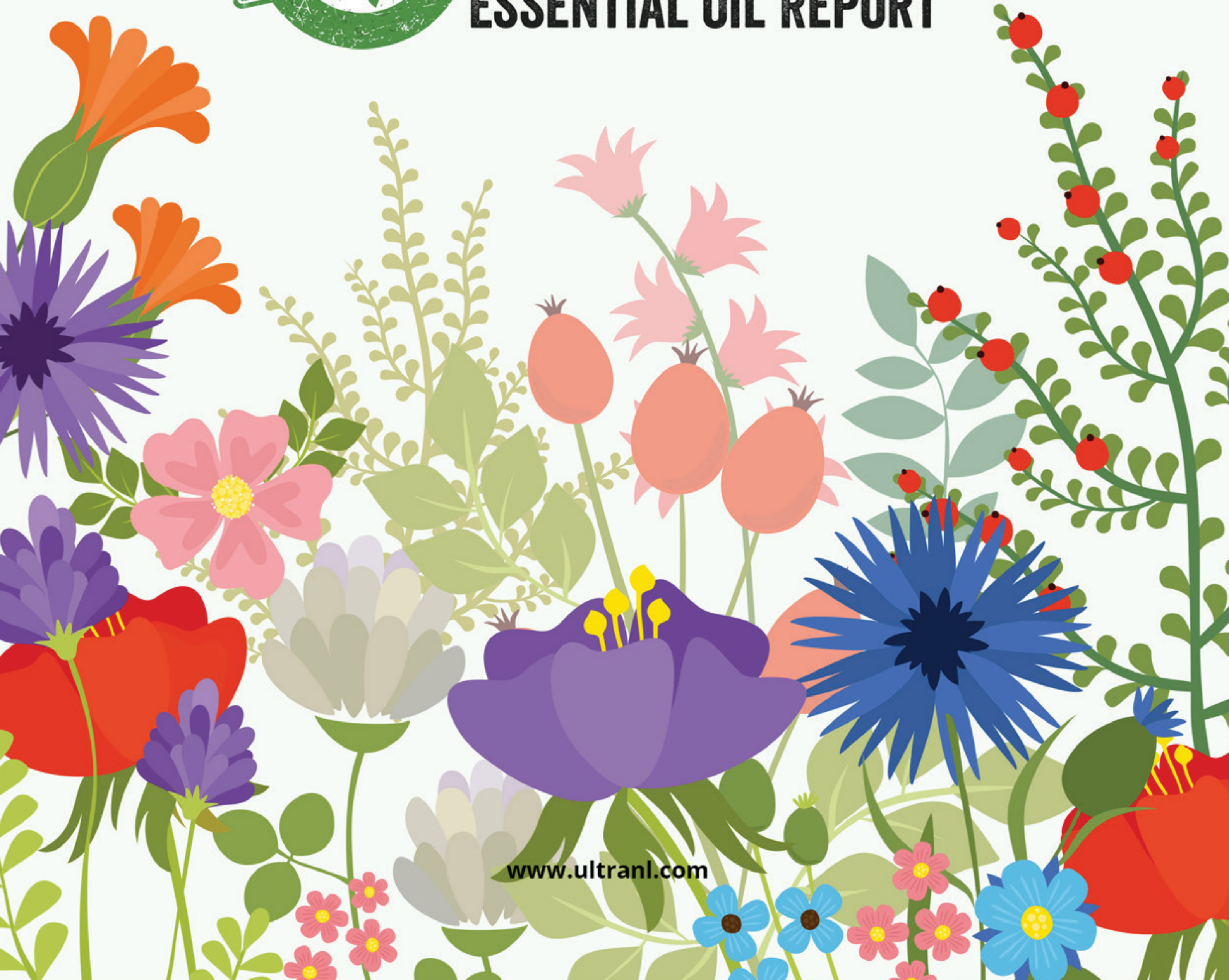
UltraOrganics
True Conviction

# GROWING WITH NATURE

ORGANIC

## ESSENTIAL OIL REPORT



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# WE ARE ORGANIC.

The continuous quest to find genuine organic oils with low pesticide content while being sustainable enabled us to launch Ultra Organics. The growing demand for organic pure and natural essential oils from food, aromatherapy, cosmetics and F&F companies cannot not be ignored.

From the inception of Ultra Organics, our sourcing strategy is based upon three key pillars:

**Low Pesticide**
Every organic sample we receive is sent to Eurofins

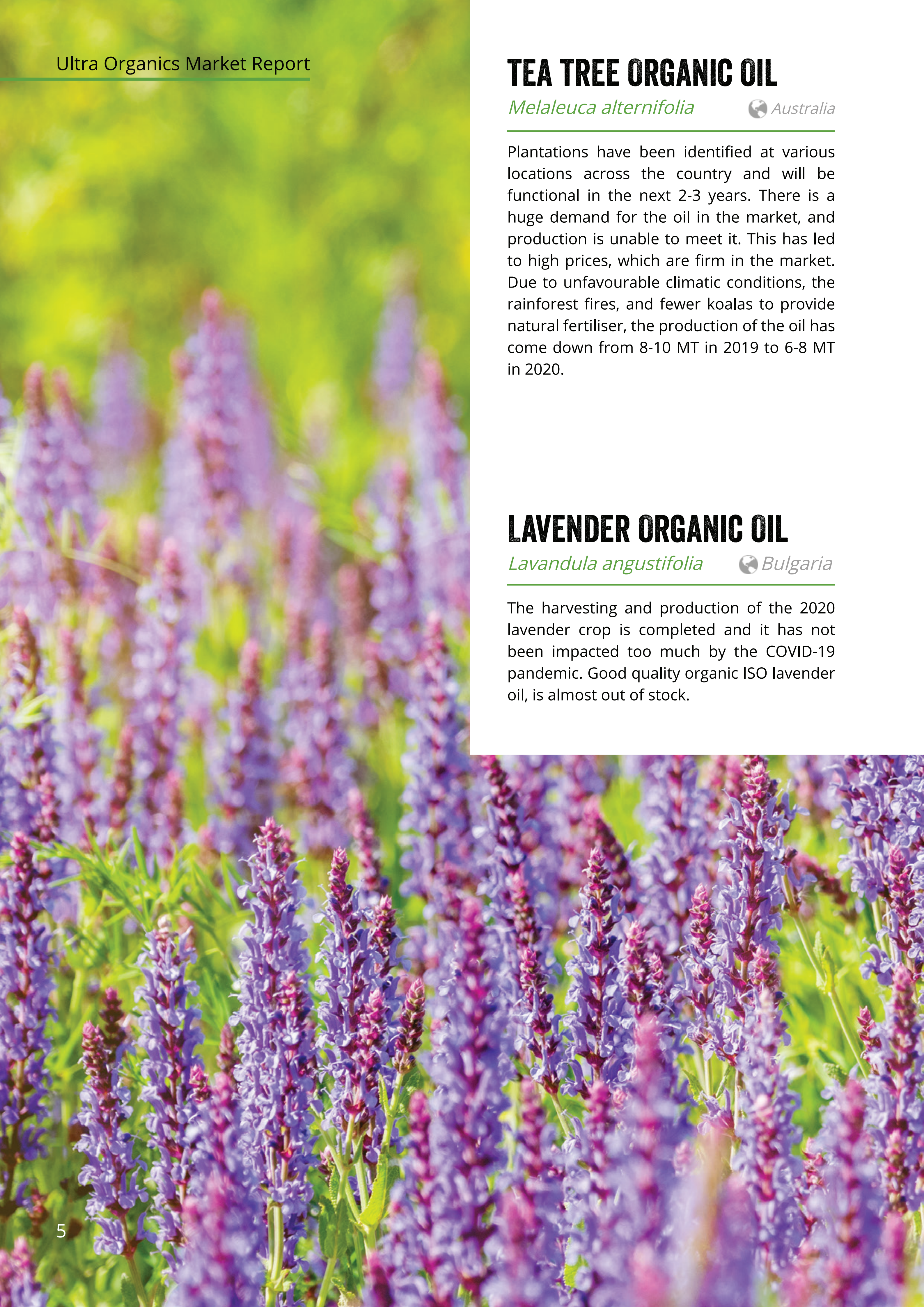
**Traceability**
We are in direct contact with producers all over the world

**Sustainability**
We only buy pure and natural organic essential oils that are sustainable

Essentially, organic oils are produced from plants or herbs that are grown using organic principles. With a conscience to protect the environment, keep toxic chemicals at bay,and retain the quality of soil, we present the Ultra Organic oils. With an eye on long-term sustainability, these oils are produced by reducing the usage of synthetic practices.

We have been certified by SKAL since 2018. This certificate is issued on the basis of Article 29 (1) of Regulation (EC) No. 834/2007 and Regulation (EC) No. 889/2008 for wholesale and retail trade. It strengthens our footing, and boosts customer confidence in Ultra Organics.

The evolution of organic sustainable products is never-ending. We are pleased to present the latest market information for some of our organic essential oils.



# TEA TREE ORGANIC OIL

*Melaleuca alternifolia* Australia

Plantations have been identified at various locations across the country and will be functional in the next 2-3 years. There is a huge demand for the oil in the market, and production is unable to meet it. This has led to high prices, which are firm in the market. Due to unfavourable climatic conditions, the rainforest fires, and fewer koalas to provide natural fertiliser, the production of the oil has come down from 8-10 MT in 2019 to 6-8 MT in 2020.

# LAVENDER ORGANIC OIL

*Lavandula angustifolia* Bulgaria

The harvesting and production of the 2020 lavender crop is completed and it has not been impacted too much by the COVID-19 pandemic. Good quality organic ISO lavender oil, is almost out of stock.

## BALSAM FIR ORGANIC OIL

*Abies balsamea* Canada

Producers have found that Balsam Fir oil can also be extracted from the distillation of the bark of the fir as well as from the needles. The essential oil distilled from the bark contains a higher composition of α-pinene. Increasingly being recognised for its effective anti-microbial and anti-inflammatory properties, the demand for this oil has escalated in the last few months. It originates in the Quebec Province of Canada. International orders are on the rise since balsam fir oil is increasingly being used in several protection and hygiene products. Stocks are currently limited but production has been stepped up to cater for increased demand.

## CEDAR LEAF ORGANIC OIL

*Thuja occidentalis* Canada

Cedar leaf oil is largely used in perfumery but of late the demand has slackened. Production is ready to ship. However, if the perfumery segment books lower volumes than earlier prices are expected to fall.

## PETITGRAIN ORGANIC OIL

*Citrus aurantium* — Paraguay

Production plans were on schedule until the lockdown was imposed on March 11, 2020. In the second half of April production activities restarted in a calibrated manner. A single shift was operating all this while, but recently production has resumed in two shifts. The quantities lost due to the lockdown restrictions for two months, won't be recovered this year. The last 5 years have seen a significant rise in demand, and production has been unable to meet this growing demand. Stocks are committed till the end of the year. Spring and summer deliver the best yield of organic petitgrain, but the oil is generally produced all through the year.

## EUCALYPTUS RADIATA ORGANIC OIL

*Eucalyptus radiata* — South Africa

The adequate rainfall in 2019 and the start of 2020 was extremely helpful in producing the required quantities of leaves. In certain areas excessive rain resulted in the felling of trees, but the scope was limited. Exports were impacted due to restrictions on transport and logistics imposed due to the COVID-19 pandemic. With restrictions being eased now, most backlogs at ports and airports have been addressed. The production quantities of organic radiata oil are similar to last year. Farmers have also delayed any price increase in response to the current global economic scenario.

## TANGERINE ORGANIC OIL

*Citrus reticulata* South Africa

New areas of production have been identified to meet the growing demand of the product. In a couple of years, the production and demand gap are expected to be bridged. At the moment, the price of the oil has doubled in the past year, since there is a lack of availability and also demand has increased too.

## LEMON ORGANIC OIL

*Citrus limonum* Spain

The quantity available in the market is more than the demand. Also, the Spanish raw material is more expensive than its Argentinean counterpart. Lemon oil organic season is starting in October. And the demand and production growing year on year.

## ORANGE ORGANIC OIL

*Citrus sinensis* Spain

Due to their competitive nature, production is focused on oils of South American origin. Demand for the Spanish variety is high too, and production has increased accordingly. Orange oil organic season is starting in October/November. And the demand and production growing year on year. The demand is higher than the offer.

# ORGANIC PRODUCT LIST

## USA
Grapefruit Oil
Tangerine Oil

## MEXICO
Orange Oil
Lime Oil Distilled

## ARGENTINA
Lemon Oil

## PARAGUAY
Petitgrain Oil

## BRAZIL
Lime Oil
Orange Oil CP

## FRANCE
Clary Sage Oil
Cypress Oil
Lavandin Grosso Oil
Lavender Oil

## SPAIN
Eucalyptus Oil
Lavandin Abrialis Oil
Lavandin Grosso Oil
Lavandin Super Oil
Lemon Oil
Rosemary Oil
Clementine Oil

## ITALY
Bergamot Oil
Tangerine Oil

## BOSNIA
Helichrysum Oil

## HUNGARY
Oregano Oil

## BULGARIA
Lavender Oil

## MOROCCO
Blue Tansy Oil
Cedarwood Oil Atlas

## SOUTH AFRICA
Eucalyptus Radiata Oil
Eucalyptus Dives Oil
Grapefruit Oil
Tea Tree Oil
Clementine Oil
Tangerine Oil

## EGYPT
Geranium Oil

## MADAGASCAR
Ylang Ylang Oil

## RUSSIA
Clary Sage Oil
Fir Needle Oil
Laurel Leaf Oil

## INDIA
Peppermint Oil
Patchouli Oil
Lemongrass Oil
Palmarosa Oil
Carrot Seed Oil

## SRI LANKA
Cinnamon Bark Oil
Cinnamon Leaf Oil
Clove Bud Oil
Nutmeg Oil
Citronella Oil
Vetiver Oil

## NEPAL
Wintergreen Oil

## INDONESIA
Clove Bud Oil
Clove Leaf Oil
Clove Stem Oil

## VIETNAM
Cajeput Oil

## AUSTRALIA
Tea Tree Oil
Sandalwood Oil
Sandalwood Oil Album

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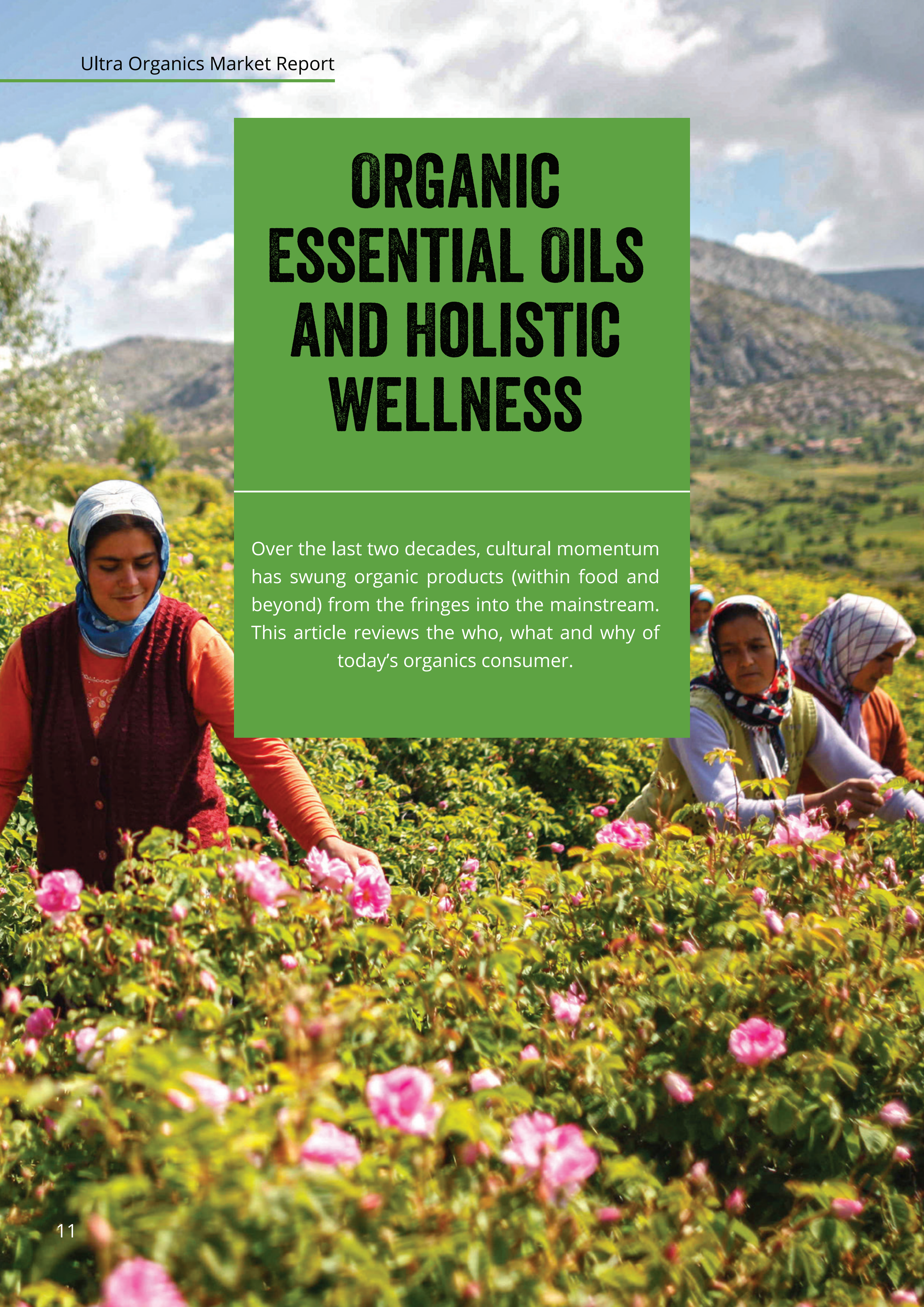


# ORGANIC ESSENTIAL OILS AND HOLISTIC WELLNESS

Over the last two decades, cultural momentum has swung organic products (within food and beyond) from the fringes into the mainstream. This article reviews the who, what and why of today's organics consumer.

With COVID-19 sharpening consumers' minds and wallets across the globe towards health improvement, conscious consumption and circular economies, the organics sector across all industrial applications is set to experience a boost above and beyond the steady growth that was already projected for the market. Whilst the footprint of organic farming philosophies and practices used to extend only within ultra-local and ultra-premium commercial spheres, education and excitement over the potential farmer, brand and consumer benefits of organic have expanded previously niche organic offerings into larger distribution channels, non-traditional arenas like consumer commodities as well as a mainstream topic of conversation over coffee tables and grocery aisles. Contemporary consumer insight reveals that the organics consumer of today is not just looking for organic labelling and proof of certification, but also transparency of operations deep into the supply chain and clear signposting of the function and impact that buying organic has on the economy and ecology of local communities. Organics may be riding a trend wave that won't break for at least another generation but understanding the updated demands of those buying organic is pivotal for long-term success in the field.

# MARKET OVERVIEW

According to a report from Fior Markets released mid-2019, the global essential oils market is expected to grow from a 2017 baseline of $7.9 billion to $16.2 billion by 2025, with a CAGR of 9.4% over the forecast period alongside similar positive percentage rates for drum demand, estimated at 247.08 kilotons for 2020. Following the curve is the specialist aromatherapy industry, comprising targeted therapeutic practices such as essential oil treatments for retail at spas and health clinics, that is predicted to experience a direct upswing from the COVID-19 crisis with a healthy growth rate of 6.5% over 2020-2027 and a projected size of $6.8 billion by the end of the forecast period.

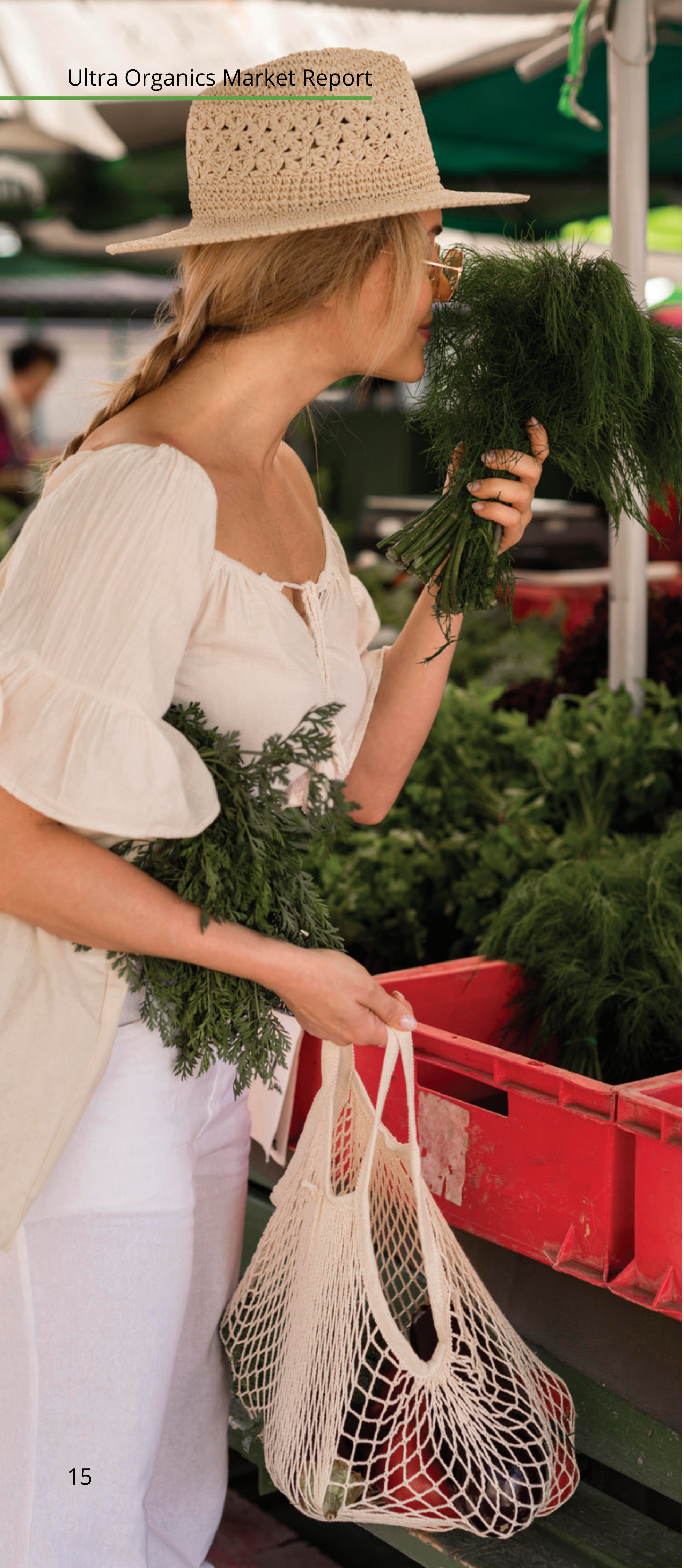
In the sub-class of naturals-only and naturals-predominant beauty, cosmetics are anticipated to grow from $34.5 billion in 2018 to $54.5 billion by the end of 2027, whilst the current niche of all-natural fine fragrance should see profits align with a growth rate of 5.03% to 2025.

Organics are closely connected to the all-natural sector in both consumer cohort and distribution models, and reflect an equally prosperous future with the United States Department of Agriculture quoting organic's consistent double-digit year-on-year revenue increases, amounting to 4% of total food sales in the USA.  Food and beverage dominates the organics market, with fruit and vegetables making up 40% of the EU's expenditure on organic products in 2018, paralleled by the 36% market share that classic supermarkets claim on the organics market.  Laura Batcha, CEO of the Organic Trade Association in the USA, recently revealed that sales of organic products jumped 50% in the initial stages of the coronavirus outbreak, then levelled to an overall 20% increase by the end of spring, backing up record organic sales of $55.1 billion in the USA in 2019 across all sectors.

When discussing consumer appetite and adoption of organic principles into traditionally non-organic spaces and routines, it must be acknowledged that food still drives the majority of brand organics' values, marketing and retail touch points, making discussions of consumer profiles in the food and beverage space highly relevant for companies of any sector working with organic ingredients. David Sprinkle, research director for insight provider Packaged Foods, told PR Newswire in 2020 that "millennials and younger members of Generation X tend to be the biggest users of organic foods, and are much more likely than average to agree that they especially look for organic or natural foods when they shop", paralleled in the skincare space by a 2019 Linkage Research study which found nearly a third of millennials report that they buy hair and skincare products with organic, sustainable or plant-based attributes, whilst another third say they aren't buying hair and skincare products with these attributes today but want to in the future.

Adding to the evidence is Statista's 2017 survey of organic consumers which revealed that almost 70% of US consumers aged 18 to 29 prefer natural and organic skin care products, in comparison to 60% for the 30 to 59 age group.

The US Natural Grocers' 2019 "Annual Organic & Other Lifestyle Choices" survey of over 500 produce consumers noted that 20% of millennials said they would buy organic food "all the time", whilst only 8% of Gen X and 7% of baby boomers could say the same. Also exposed in the survey was that health is still the number one reason to purchase organic, with 75% saying that it is their main reason. Next in line was "higher quality" (46%) and "better for the environment" (44%) as presiding justifications for selecting from the organic aisle. Speaking of the relevance of consumers' perception of natural, healthy and organic in the food space to the beauty space, Jamie Mills, Consumer Insight Analyst for GlobalData, offers that,

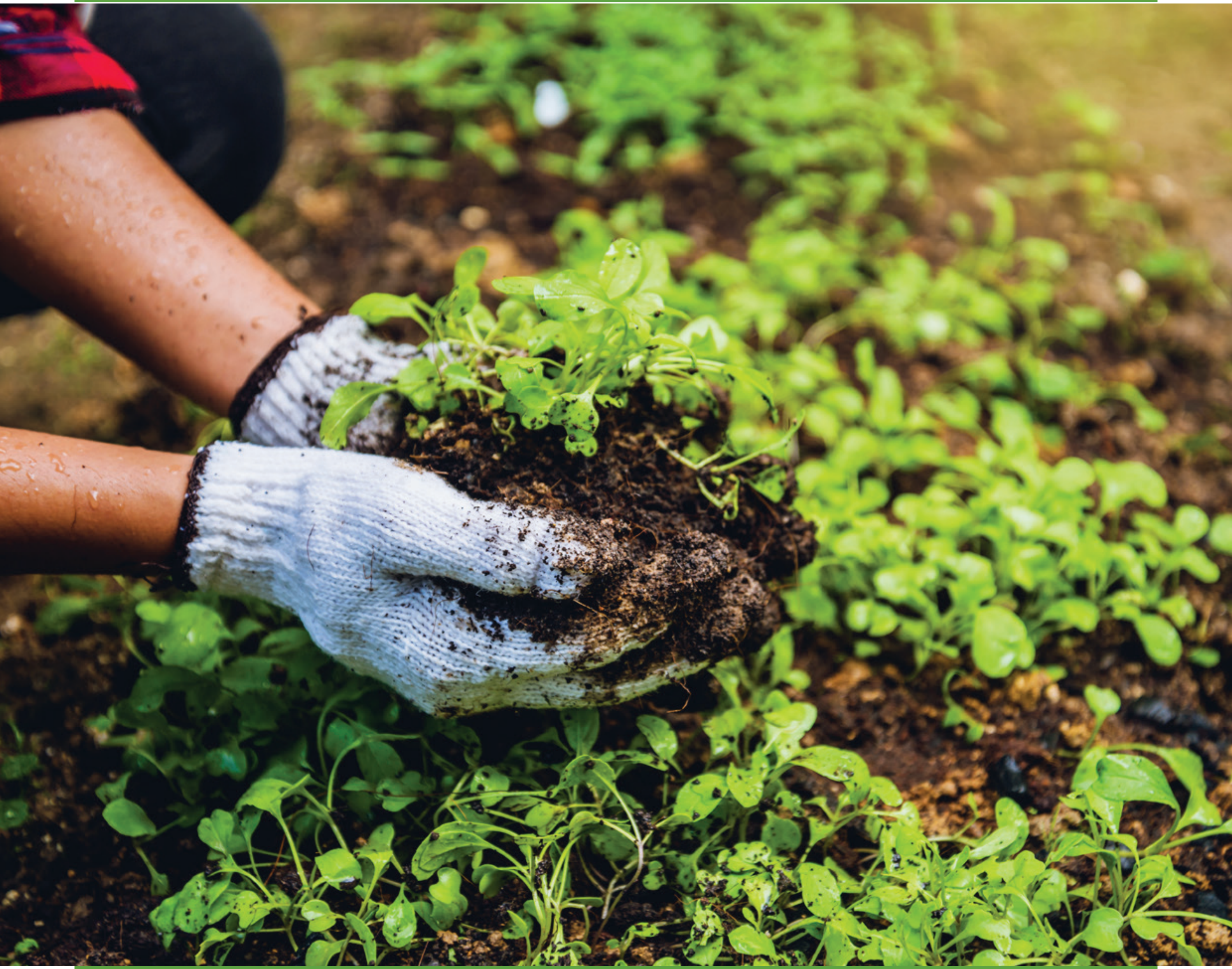


Many of today's consumers are moving towards more holistic approaches to beauty as the achievement of appearance-related goals becomes attached to wider concerns over personal health and overall wellbeing ... In the continued quest for natural among today's consumers, familiarity with ingredients found within food and drinks and which are already associated with being "good for you" can be used to appeal in the beauty and grooming space.

Consumer trends within food and drink are heavily influencing the direction of the wellbeing concept in beauty, with the perception that an ingredient or approach that is good for health on the inside must do the same on the outside ... The concept of "eating clean" is now synonymous with healthy lifestyles and while a central theme is eating naturally, it is interpreted differently depending on individual preferences. This therefore creates important opportunities for beauty and personal care brands to capitalize on this trend through inspiring their products with similar principles in order to align their brand with health-conscious consumers and their "clean" lifestyles.

It is the promise of holistic wellness that directly relates the organic food customer to the organic skincare customer through a spirit of scrutiny and transparency of everything you put on or in your body, held to the same standards and many similar expectations,chiefly that a product's ingredients must be "good for you", natural, as untouched and unprocessed as possible, environmentally friendly and sustainable. Organic hits all of those touchstones.

The food industry is accountable for most of the public's understanding of organic as wholesome, nutrient-dense and sustainable. Organic produce has been linked with lowering the risk of type II diabetes, hypertension and cardiovascular disease as well as boosting the health of infants and mothers during pregnancy. UK Soil Association executive Helen Browning noted in 2016 that

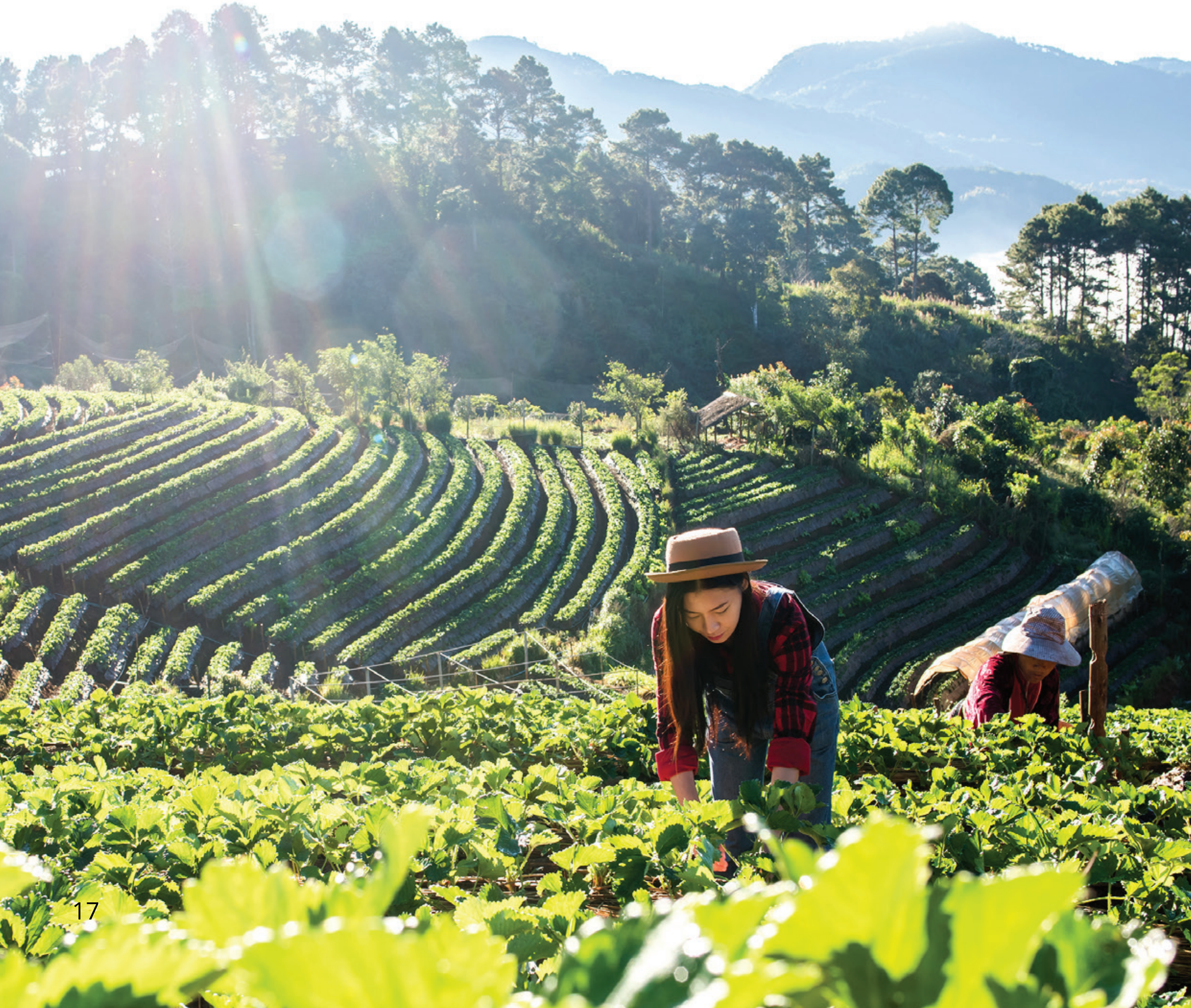


***"Global meta-analysis has shown that organic farming stores significant amounts of carbon in the soil over time, and is a very effective way of combating climate change", adding that "when the increasing use of non-renewable inputs is considered, non-organic farming is significantly less productive than organic, and the productivity of non-organic is failing because conventional farming is using more and more fertilizer inputs simply to keep yields level".***

# WHAT'S NEXT?

Organic essential oils present the solution for skincare brands wanting to appeal to young demographics' calls-to-action on climate change across the globe and the never-ceasing rise of naturals over the last 20 years in the consumer products sector. With the rise of organics in food and beverage acting as a catalyst to propel demand for organic in other sectors, and considering the increasing interest in cross-category products intended for holistic wellness with a strong experiential and sensorial angle, increasing the prevalence, communication and impact of organic essential oils in your next product launch could provide a pivotal edge that carries a hefty cultural weight set only to gain in gravitas and profitability as young millennial and Gen Z spending power increases.

*References on request.*



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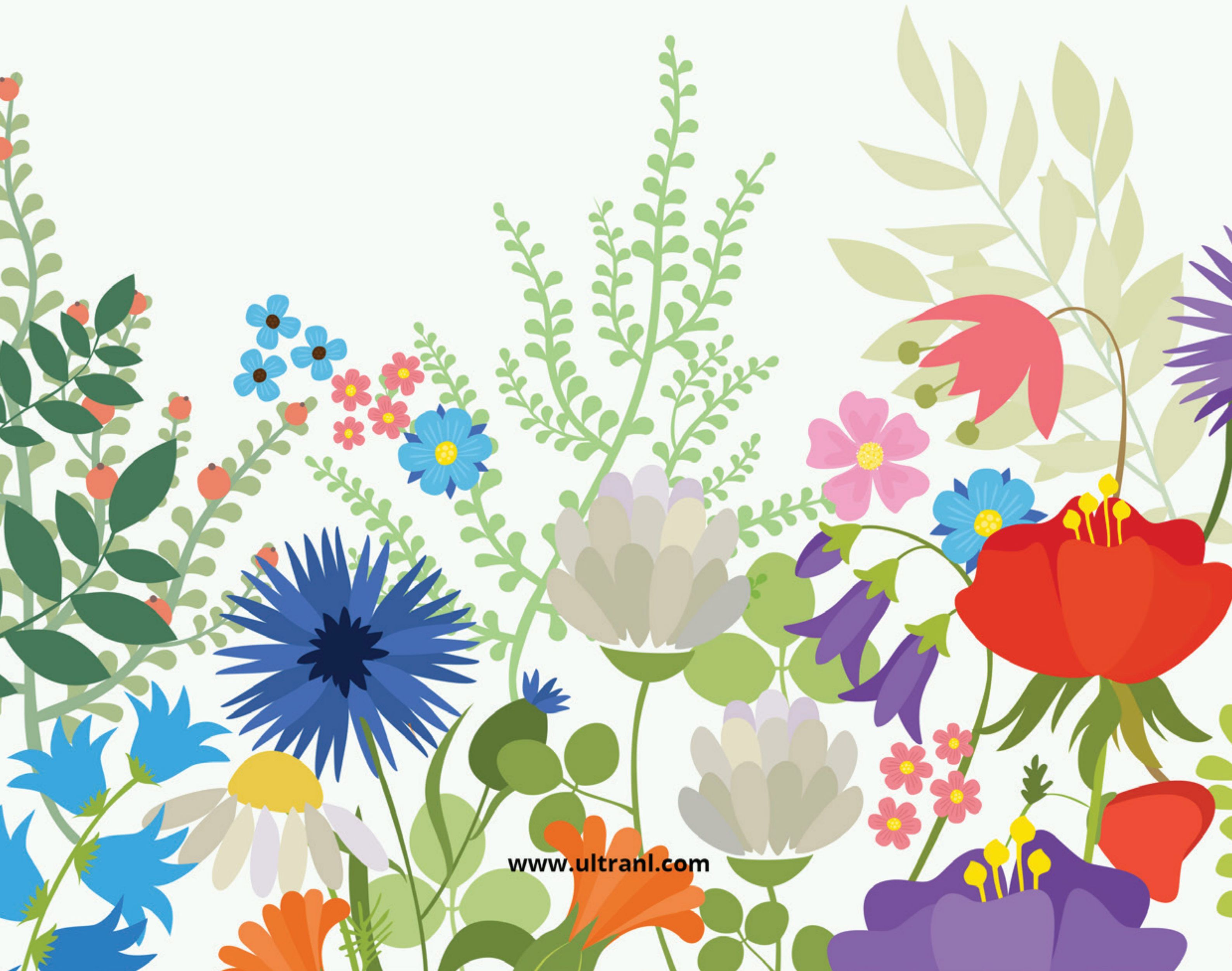

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