

February 2024 Market Report

Red Sea Crisis

Global supply chains remain hugely disrupted. Whilst the US and UK air strikes have reduced the frequency of attacks by Houthi rebels on commercial vessels, many shipping companies are still reluctant to risk sailing through the Red Sea in favour of the far longer route via the Cape of Good Hope. Vessels that were already in transit have been delayed several weeks, with the knock-on effect of even longer transit times for later shipments due to a scarcity of container space. Many of the re-routed vessels were those carrying buffer stock to cover the annual shortage during Chinese New Year; as a result, the already dwindling supplies within Europe have now run dry with replacement many weeks away. Shipping rates have increased considerably which has had an impact on material prices, particularly for low-value products.

ESSENTIAL OILS AND EXTRACTS

Aniseed Oil China Star

The total production for 2023 is estimated between 800-1000 mT which is historically low, however prices remain steady due to ongoing weak demand.

Processors are not incentivised to produce oil while the market price remains unattractive.

Buchu Oil

Production is in full swing and volumes are expected to be similar to last year. We are aware of some fluctuations in pricing as a result of one distiller in South Africa purchasing stolen biomass and selling at low prices internationally. Additionally, more hybrid qualities are appearing - these are either a straight blend or a naturally occurring hybrid species - the characteristics are more crenulata than betulina.

Betulina is a more difficult crop to cultivate hence the higher price point. Buyers should pay close attention to pulegone levels when analysing batches offered below market price.

Cassia Oil Chinese

The market is similar to that of aniseed oil, with the total output for 2023 estimated at 480-500 mT; for reference a typical harvest is around 800-1000 mT.

Davana Oil

Cultivation is underway and the oil is expected to be processed and entering the market at the end of March. It is too early to predict the yield or quality of the oil, however, we have heard that some of the plantations were damaged in the nursery stage due to heavy rains in November so this may have an impact.





Eucalyptus Oil

We mentioned in our last report the likelihood of an upward price correction and this has come to fruition. A tax policy adjustment has meant that producers buying crude oil via local traders are now having to pay an additional 3% tax, throwing the market into a state of volatility. Prices increased nearly 40% during Q4 after a very long period of stability.

Lemon Oil Argentina

Prices remain low and stable as a result of the ongoing oversupply to the market. With rising costs and weak pricing, some producers have reduced their crop size; the output for this year is expected to be down as a result.

Argentina's new President Milei has often talked about taking a chainsaw to what he sees as the country's broken economy, proposing a free-market revolution. If he gets his way, radical change is coming.

Key Lime Oil Distilled

The market remains short with prices for 100% pure oil at an all-time high. Various grades are being offered at different price points and, with reports of a large quantity of lemon oil being shipped to Mexico, samples should be scrutinised carefully for possible extension.

It is believed that a large portion of the Peruvian crop has been bought by a sizeable user which will put even more pressure on supply.

Litsea Cubeba/Citral EU Natural

Prices remain relatively low due to weak demand, however, the current level is not sustainable as it is not supported by adequate supply. We believe it is only a matter of time before the market turns.

Orange Oil/D-Limonene

Producers are maintaining high prices for orange oil in light of their increased planting and transport costs. Labour shortages are also having an impact. Concerns over the impact of the heat wave in São Paulo have led to harvesting finishing far earlier than usual this year, which will not only affect fruit development but also means there will be a significant gap in production before the 2024/25 season begins in July/August. Prices for CPOO have already increased slightly as a result.

The latest Fundecitrus report released 9th February predicts a total production of 307.22 million boxes which is unchanged from the previous report.



During 2023 d-limonene/orange terpenes pricing did not increase in sympathy so the price gap widened further, with processors having to decide whether to increase the costs for their folded oils and isolates or absorb the raw material price increase in their terpenes.

This long period of relatively low pricing has come to an end however, as an increase in demand over the past month and lack of availability from origin has caused the market to firm. Terpene pricing has jumped up as a result, with lead times longer than usual.

Tea Tree Oil

Global demand for tea tree oil was weak during 2023 so prices eased over the course of the year, despite the low figures from the previous crop seasons of the Australian crop.

An EU proposal to reclassify material hazards by constituents is putting many essential oils at risk, including tea tree. This is being challenged by the EFEO and supported by producers and ATTIA. More volumes are emerging from South Africa for both conventional and organic oil and processing is expected to start in the coming weeks.



AROMA CHEMICALS

Cis-3-hexenol and derivatives

Zeon and NHU's production are in full swing, prices are still not back to the previous level but have eased very slightly in recent weeks. Pricing for EU natural grades remains at a historically low level due to weak demand.

Vanillin/Ethyl Vanillin

There has been an uptick in pricing since the market bottomed out in December. With many European stockists running low inventory during 2023 the Red Sea crisis has led to buyers scrambling to find stock while shipments are afloat. Ethyl vanillin is particularly short due to production issues from one producer.

Talk to us

Should you have any questions regarding the materials we have discussed in this report, or indeed if you just fancy a chat, we're always pleased to hear from you. You can contact us in the following ways

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