

# market intelligence

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# welcome to ...

...Treatt is delighted to release its first combined edition of 'Market Intelligence' and 'The Good Oil', incorporating the latest market information for both Treatt's flavour and fragrance, and Earthoil's cosmetic and personal care audiences.

## Our report, September 2013

Over the past few months, more positive news has been reported on the global economy. China's manufacturing activity rebounded in August, which was prompted by measures introduced to boost domestic consumption. More welcome news has also emerged from the Eurozone, with recent reports suggesting that business activity grew at its fastest rate for more than two years in the month of August.

Demand for flavour and fragrance ingredients has continued to remain bullish over the summer months. Markets for many essential oils and aroma chemicals remain relatively stable, with the notable exception of several key citrus oils, which are currently experiencing a high level of volatility.

# citrus oils

## orange oil

As has been the case for the past few years, orange continues to be a challenging market. Indeed, it has been a roller coaster compared with the stability of the last decade. Consecutive years of small Brazilian crops, as well as a poor Florida crop, credit restrictions, a global destocking trend, and a dramatic increase in demand for both oil and d-limonene; all attributed to the high prices in 2011.

A large Brazilian crop in 2012 and a more optimistic economic climate allowed prices to return to more typical levels. However, when buyers re-entered the market, they found prices were increasing once again. The price surges in early 2013 were a result of heavy drop rates in Florida's groves due to the effects of greening, causing not only a loss in fruit for processing but also a loss in oil yield recovery.



Even though Brazil has been processing for almost three months, due to their small crop this year, there appears to be a reluctance to set prices. As a result, the market remains quiet. The official United States Department of Agriculture (USDA) estimate has not yet been released for Florida's 2013/14 crop, but recent forecasts indicate that this crop will be smaller than 2012/2013, leading to total supplies similar to levels in 2011.

However, the difference today is the demand, which remains steady for orange oil, but has decreased significantly for orange terpenes and d-limonene. The reformulation of numerous industrial products that used orange terpenes and d-limonene, as well as the shift to cheaper and less price-volatile substitutes (such as dipentene and soy methyl ester for non F&F applications), have certainly had a strong impact on today's unusual market conditions.

While we currently see orange oil prices well above the average compared to the last decade, we have seen a lack of upward movement for the prices of terpenes and d-limonene. Treatt continues to maintain a very watchful eye on this challenging market. We advise that it is more critical than ever for you to stay close to your Treatt Sales Representative, who would be able to provide the latest market intelligence.





## persian/tahitian expressed lime

This market has also firmed appreciably over the last two months. As with key lime, the Persian crop out of Mexico was also late, and with heavy demand, coupled with very limited carryover at origin, this has led to an increase in prices of more than 40 percent.



## key/distilled lime

There has been an increase in the price of distilled lime oil, both on the spot market and what is being offered from origin. The crop was almost 2 months late in Mexico this year, which resulted in increased demand. The late crop was subsequently a short crop, due to the damaging effects of greening, particularly in the Michoacan area, where growers saw significant losses of fruit. These factors, culminating at a time when the market demand for fresh fruit was very strong, led to the price of industrial fruit for processing to rise sharply – in fact a 50 percent year on year increase. Once this news had spread throughout the market, levels of buying activity increased, pushing market prices even higher. With the next bloom in Mexico, albeit smaller, expected in less than three months, we are optimistic that buyers will act with a cool head, and resist from adding fuel to the fire, by trying to purchase significant volume during this period.

## lemon

Tucuman, Argentina, the largest lemon processing region in the world, suffered extremely cold temperatures for lengthy durations, over three nights in late July. Although 70-80 percent of the area's lemon crop had already been harvested, much of the remaining fruit to be picked was damaged, leaving a decline in both oil yields and total crop. Being cited as the worst frost in thirty years, the impact is predicted to be most noticeable in next year's lemon crop, which is quite likely to be reduced. The market has responded to what was already a firming market, and with little carryover stock in other producing countries we expect the market to remain firm in the medium term.



# essential oils

## citronella

Prices of Citronella oil have softened, as a result of reduced levels of buying interest throughout the first half of 2013.



## coriander

The Coriander market is currently experiencing a period of volatility, as seed availability is more limited this year. As anticipated, the prevailing low market prices led to a decrease in planting this year. With limited carryover stock and apprehension in the seed market, farmers have been reluctant to provide forward offers.



## chinese ginger

The market price for Ginger oil has edged up slightly over the past few weeks, as a result of some of the ginger root stock having to be disposed of because the quality was not deemed fit for purpose for subsequent distillation.



## chinese garlic

Prices for Chinese Garlic oil remain at firm levels. Although garlic bulb prices have fallen in recent months, it is not anticipated that any significant new distillation campaign will start in the foreseeable future. Limited material is still available from the last major campaign in 2008, but we suggest that the quality is thoroughly checked before use.



## indonesian nutmeg

Over recent months, the availability of Nutmeg oil from Indonesia has improved. Prices, however, still remain firm, prompting a continued hand to mouth purchasing pattern.



## australian tea tree

Supply of PATTO (Pure Australian Tea Tree oil) remains relatively tight. Reports from origin suggest that global demand is increasing at a time when availability of the oil is proving challenging. Treatt remains close to its partner in order to best service our customers.



## ho wood

As a result of the sudden hot spell in southern China, the Ho Wood harvest has been delayed. We anticipate distillation to commence in the next few weeks.

# organic update

## vegetable oils

### avocado oil

A poor avocado harvest has led to very limited quantities of oil coming out of South Africa this year. However, thanks to the organic and fair trade project in Kenya, we have a secure supply chain with some availability. The first oil from this year's harvest is set to reach the UK towards the end of this year, so do not hesitate to let us know your requirements in order to secure stock



### muyao butter

East African shea nilotica - Difficult climatic conditions have affected the quantity of nuts that are being collected by the small-scale farmers in the Ugandan project. We have plenty of butter available now in the UK, but do be sure to let us know your requirements for the coming months.



## organic essential oils

### lime expressed

As a result of this season's reduced harvest, market prices for organic lime expressed have risen sharply. We expect prices to remain firm but possibly increase further should the market remain buoyant. We advise customers to stay close to their Treatt/Earthoil representative, for the latest market information.



### piperita/arvensis oil

Earthoil's organic and fair for life Mint has us planning at least 6 months in advance of the harvest, which contrasts the conventional market where the MCX is the driver. Our commitment to the farmers has enabled them to plant in the secure knowledge of a fair market price, and guaranteed income. For more information on this fair for life, organic project, please take a look at our video available at [www.earthoil.com](http://www.earthoil.com) (follow the link to media centre, videos).

Oil is currently being distilled and will be available to offer from stock in early October.



## lavender/lavandin

The Treatt/Earthoil team recently visited the Provence region of France. The main growing areas of Vaucluse, Drome and Alp House produce some 50 tons of Lavender and 1000 tons of Lavandin (both conventional and organic oils) per annum. The main species are Fine, Mailette Matherone and Diva Lavender in addition to Grosso, Abrialis and Raidauvent Lavandins. This year's harvest is very late as a result of the prolonged cold spell up until early June, so distillation is still on-going, and prices are not expected to be set until early September. Treatt can confirm that the Lavandin yield is also expected to be lower this year, due to the lack of sunshine hours. The Bulgarian crop this year was average, and coupled with high carryover stock from last season, prices remain competitive.



## rose

This year's Rose harvest was shorter than previous years with fewer flowers, which were very dry and pale in colour due to no rain in late spring/early summer and extreme temperatures above 35 degrees Celsius. As a result, the yield has been very poor, and several suppliers are advising that production this season could be reduced by nearly 50 percent, leading to a sharp increase in prices of this already very expensive oil. Further to this, there has been a significant interest this season in Rose buds for exporting to the Far East for use in tea. It is claimed that they are effective against several ailments, and it is fast becoming a very lucrative new business, resulting in reduced levels of Rose petals available for processing.



# treattarome®

## sugar

The biggest outlet for sugar in the past 3 months has been for ethanol production in Brazil, the largest grower and exporter of sugar, devoting close to 55 percent of its sugar volume towards the production of biofuel. However, a recent frost scare has driven prices higher, and currently the export market is bringing in greater returns for processors than domestic ethanol consumption. India, which is the world's second largest producer, is experiencing a similar situation. With the devaluation of both the Real and the Rupee over the past month, India is also targeting the export market for its sugar. India's harvest pre-season begins in October, and total production is predicted to be 24 million tons, just 1 million tons over domestic consumption. The USDA has agreed to begin buying sugar from growers under the "Sugar for Ethanol" programme due to the surplus of sugar produced by US growers this year. In addition, Mexico experienced a bumper harvest and has increased exports into the US under the North American Free Trade Agreement. While the global surplus of sugar (which was over 11 million tons at the beginning of this year) may see a slight increase in the coming months, the International Sugar Organization is expecting a significant decrease in the global surplus over the next year. This forecast comes as a result of lower planned output from sugar producing countries, in a bid to increase the value of the global sugar market

## coffee

Brazil, the world's largest producer of Arabica bean coffee, is set to have another bumper crop for the 2013-2014 season which begins in October. Current estimates put the upcoming crop at over 48 million bags, just down slightly from the 50 million that were harvested last season.



Back to back large harvests in Brazil have driven coffee prices to the lowest since 2011, and forced the Brazilian government to implement purchasing programmes, which will buy surplus coffee in order to aid struggling farmers. Better agricultural practices and favourable weather in Brazil account for the lack of traditional biennial "on and off" year cycles, that have resulted in a harvest of more than 40 million bags since 2010. Coffee Rust is still plaguing growers from Southern Mexico all the way to Peru, with countries like Honduras expecting a total crop reduction of 20 percent. While Central America only produces around 12 percent of the world's coffee, a large portion of beans for the high quality coffee market are produced there. Vietnam, which is the largest producer of Robusta bean coffee, is also set to have a bumper crop as well as Indonesia, the second largest producer.

## tea

The global market for tea has remained firm this year. Rising demand from emerging markets and large tea producing countries (such as India and Kenya) has resulted in significantly increased production of black tea in order to keep up. A severe drought is causing concern over loss of tea plantations in southern China, where record high temperatures have persisted over the past 2 months. Tea output in this region is expected to decline. However, the consequences for next year could be worse if tea plants have to be replaced, as it can take up to 4 years for a tea bush to produce quality tea leaves.



# aroma chemicals

Shanghai is in the midst of its hottest summer since records began 150 years ago. During last month temperatures ranged between 38 to 45 degrees Celsius. This extreme heat has hindered the transit of goods due their susceptibility to high temperatures

## eugenol & derivatives

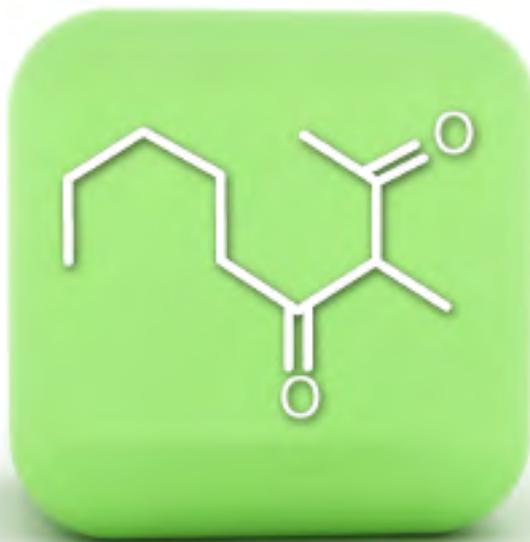
As seen over the past few years, the rainy season in Indonesia is yet again expected to end later than normal. This has resulted in the delayed collection of the Clove leaves, pushing up the price of Eugenol and derivatives (including Propenyl Guaethol and Iso Eugenol). Treat remains well placed to handle your enquiries.

## iso amyl alcohol & iso amyl acetate

As mentioned in our May Market Intelligence report, the availability of a major starting material (Fusel oil) continues to be short. The supply of Iso Amyl Acetate has remained largely unaffected, as manufacturers continue to produce this added value chemical.

## turpentine

Raw material prices have risen by 20 to 30 percent in the last few weeks. It remains to be seen if this trend will continue, and subsequently have an impact on the prices for materials that are derived from it. This comes at a time when high levels of competition are being experienced in the aroma chemical market.



## triacetin

Although pricing is currently stable, the cost of the key feed stock Glycerine is rising. This in turn could lead to higher prices of Triacetin over the next few months. It is reported that one of the major manufacturers is now producing Glycerine themselves in order to have more control over their cost drivers.

## cinnamic aldehyde

Demand for Cinnamic Aldehyde has increased leading to spot availability. As a result, prices have risen and could increase further over the coming weeks.

# specialty chemicals

Following on from our last market report, detailing site improvements at our UK production partner Endeavour Speciality Chemicals Ltd, we are pleased to announce

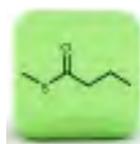
scale-up developments in the following products to allow us to meet growing customer demand:

## dimethyl sulphide A grade



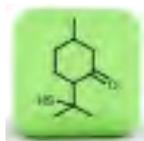
A powerful material with a raspberry top-note fading to sweet corn and vegetable notes.

## methyl thiobutyrate



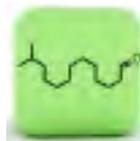
A classic material with a cheesy, fruity profile.

## p-mentha-8-thiol-3-one



A diffusive material with buchu, blackcurrant, tropical and minty notes.

## 12-methyltridecanal 10% in miglyol



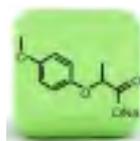
A fatty note reminiscent of beef tallow, perfect for meat and chocolate uses.

## 2-octen-4-one



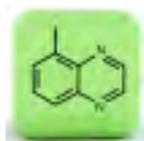
Has apricot and jammy notes, perfect for fruity flavours.

## Sodium 2 - (4-methoxyphenoxy) propionate



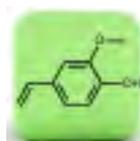
A sweetness inhibitor that allows for flavours to be enhanced in products typically high in sugar.

## 5-methylquinoxaline



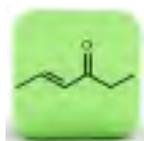
Its roasted and nutty odour makes it ideal for coffee and nut flavours.

## 2-Methox-4-vinylphenol



A sweet smoky bacon-like material, suitable for a wide range of flavours.

## 4-hexen-3-one



Characteristic of chicken fat with pungent horseradish and mustard-like notes, useful in a variety of savoury flavours.

# the colour purple



## analysing the future of lavender

Lavender is the common name for *lavendula*, a flowering plant consisting of 39 species. Originating in Southern Europe, the Mediterranean, South West Asia, South East Asia, Northern and Eastern Africa, as well as Cape Verde and the Canary Islands, the plant grows particularly well in hot climates. It is grown as both an ornamental plant and commercially, for the extraction of essential oil.

France produces more than 30 per cent of the world's lavender; visitors flock to the south of the country each summer to see the lavender fields. However, the industry has been facing many challenges over the last ten years and there are growing fears about the plant's future.

The damaging effects of climate change and pests have led to farmers uprooting lavender plots across France in order to save the remainder of the crop and are replanting to offset the loss. In spite of increasing prices in the lavender market, high consumer demand for lavender products and essential oil means that manufacturers must continue to buy the plant.

Although the French lavender industry is currently faced with several challenges, France does benefit from a strong supply chain, ensuring that farmers can guarantee supply to local customers. Suppliers such as Earthoil can also guarantee a fair and ethical price for lavender production, giving the farmers more financial security. Lavender is a favourite essential oil amongst consumers and so, as long as fragrance suppliers continue to support production, the future of the plant is secured and end user demand will remain satisfied.

# keep sesame on the street



## supporting sustainable sesame supply

Sesame (*Sesamun indicum*, L.), one of the earliest known crop-based oils, is a valuable commodity with significant market potential. Africa and Asia dominate sesame production. Myanmar, India and China are the top three producers closely followed by Ethiopia, Sudan and Uganda.

Exceptional stability and long shelf life make it a popular component of many cosmetic and industrial products.

Here, we look at the cultivation and trade of sesame oil, plus the specialist method used in its production. The article also examines the current market for sesame, the effects of recent political unrest on its quality and supply, and how an organic sesame project can help address the challenges that this discontent can bring. **To read the full article please visit [www.treatt.com](http://www.treatt.com)**

# meet the team

Come and meet the Treatt team at the following events:



29 September - 3 October 2013  
San Francisco  
<http://www.ifeat.org/>



19 - 21st November 2013  
Frankfurt. Stand 8J78  
[www.am-fe.ift.org/cms/](http://www.am-fe.ift.org/cms/)

For more information on all our products and services please visit our website.



# [www.treatt.com](http://www.treatt.com)