

# Market Intelligence

February 2017

## Orange

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## Lemon

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## Tangerine

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A wooden crate filled with several whole oranges and one sliced orange, resting on a dark, weathered wooden surface. The crate is made of light-colored wood and is filled with straw. The oranges are bright yellow-orange. The background is a dark, textured wooden surface.

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# Welcome

Never has there been a more important time to understand what is happening in the world's markets. We have seen unprecedented volatility in citrus, previously unseen weather impacting Southern Europe and Eastern China, and changeable crop volumes all combining to make the last 12 months particularly challenging.

Our team of global buyers and strategic procurement specialists are best placed to support you during these changeable times. Committed to developing long-term, mutually-beneficial relationships, our people live and breathe the markets in which we operate, adding real value to our customers time and time again.

We have been making the world taste better since our foundation in 1886 and, since then, have been supplying our valued customers with industry insights that just can't be bought, but earned through years of experience. For more information on any of the markets included here, simply get in touch via our website.



# Citrus Oils

## Orange



### **Current situation**

We had hoped that the market had peaked towards the end of December 2016, but according to recent worldwide offers this doesn't appear to be the case.

Inventory is running low, not only with processors, but also orange oil, d-limonene and terpene buyers. Many of whom had hoped that prices would recede in the New Year, so let their stocks run down.

A disappointing crop from Florida, and another short crop from Brazil 2016/2017 (combined with conservative predictions for 2017/2018) is providing us with a market that is suffering a significant

lack of supply needed to keep up with the consistent, and in some places, increasing demand for orange oil and its derivatives.

This trend is also being experienced in the juice market, which is the typical driver for orange processing.

Low global inventories of juice had resulted in an anticipation of increased processing and price reduction for orange oil in the 2016/2017 season. Processing that's taken place across Brazil and Florida, in their respective seasons, has done little to arrest this situation.

### **Brazil**

The most recent official update on the 2016/2017 Brazilian crop was released over a month ago, suggesting a box count of 244 million boxes. This was only slightly lower (1.9%) than the forecast released in September 2016 but at this point, any reduction is being met with frustration and concern.

We do, however, have to recognise any positives we can in the current circumstances. Fruit droppage has been lower than originally projected, which is welcome news from a total crop perspective. Processors are taking advantage of this, and helping to perpetuate it, by increasing how quickly and efficiently they're working.

This droppage rate has been attributed to better management of HLB (Huanglongbing, Greening or Yellow Shoot Disease), the disease plaguing our orange industry for over a decade. Infected trees are being pulled out and growers are replacing them with young, healthy and disease-free trees. While this is a positive step forward, it is worth noting that it will be some years before the new saplings reach peak fruit bearing age. We should expect crop sizes to reduce before they start to improve.

Fruit sizes have increased due to good average rainfall across the whole citrus belt over the last six to seven months. This is positive news for farmers, but isn't necessarily the case for orange oil production. Less fruit is required to produce optimal amounts of juice. This equates to a lesser total surface area subjected to oil processing and therefore, a lower volume of oil is produced.

More than 90% of oranges from the 2016/2017 season have now been processed, with only fruit from the fourth and final bloom to be run. We believe this will be complete by the middle of February. The final crop number from this very difficult season will be released on the 10th April, 2017.

### **Florida**

The 2016/2017 all orange forecast was released by the USDA two weeks ago. It reported a decline of another 1 million boxes from the previous month which would represent a 13% decrease on the previous years' production. The forecast now stands at 71 million boxes, which will be the lowest crop since 1963/1964.

The current drop rate is 26% which is above average but is below last season's record of 32%. We are expecting these rates to remain high over the next few months, if not for the entire season. Processing started late November 2016 and is expected to last until May 2017.

### **Future outlook**

We have reason to believe the most difficult period for 2017 is yet to come. Between the months of April and May (when Florida finishes processing) and August and September (when Brazil's new crop will hit importers' shores), there is a high likelihood of increasing prices and decreasing availability.

Our expert team are advising customers to remain calm and avoid panic buying as reactions to even the slightest movements in this historically high market have been swift and severe, resulting in further price increases.

We strongly advise that customers consider coverage over the coming months to levels that are comfortable, while understanding the fact that diligent risk management has never been more relevant for buyers.

Support from the juice industry will continue to be important as we expect it will put additional pressure on processors to handle larger volumes of fruit to recover global juice inventories. The incentive is there, with orange juice future prices hitting an all-time high in November 2016. Although they have receded somewhat, they remain significantly higher than that seen for over five years (outside of the last six months).

In terms of looking further ahead, it is too early to look at the 2017/2018 Brazilian crop as tree stripping hasn't yet begun in earnest. However, we are seeing positive indicators for quite a good crop – good rainfall, average temperatures and better disease control which is in contrast to the conservative early crop estimates previously mentioned.

This market remains poised for more turbulence. We expect this to be the case for the next couple of years as we aspire, as an industry, to find that stable market where both the buyer and seller are more easily finding common ground.

Until then, stay close to those of us who are committed to helping our partners successfully navigate this ever-shifting landscape.



# Citrus Oils





## Lemon



We have seen stable lemon prices for months now. This is unusual in itself for citrus buyers as this isn't something we see all too often.

European production of lemon oil is ongoing, but some extremely low temperatures have been reported over the last eight weeks. However, temperatures haven't been cold enough to cause any lasting damage.

It is worth noting that these colder snaps can sometimes turn fresh lemons from being average to excellent quality. This can spawn increases in demand and price, which may lead to less availability for processing.

South Africa's lemon crop has been quite poor. Low production numbers here have been compensated for by

the increased production in Mexico. This, coupled with good lemon production in the USA, has been one of the key factors involved in keeping the market stable.

Argentina, by far the world's largest producer of lemon oil, will start production in the next three to four months. All indicators to date tell us that we should expect a good crop, but there's certainly time for this to change.

Last year, Argentina had to export a huge amount of its crop to the fresh fruit market to make up for the deficit from Spain. However, if the 2017 market can be covered by production in Europe, Turkey, Mexico and the USA, we could see a better year for Argentinian oil producers.

There are many factors to consider here, which lead to an interesting market, but we are hoping to hold on to some stability in the long-term.

## Distilled Lime



Processing has begun in Peru, but things are moving slowly, especially in Piura. The largest growing region had been experiencing a heavy drought, which was having a considerable impact. Rainfall towards the Ecuadorian border, where the mountains and rivers feed the Piura reservoirs, had fallen by 70% since November.

However, the drought has been broken with a nice accumulation of rain in the last couple of weeks, so the water levels in those reservoirs that feed irrigation sources are being restored.

There are still months of processing ahead in Peru, so we could see this problem facing us once again should rainfall totals come up short.

Fresh and processing fruit prices are still high in comparison to Mexico and previous years, which we are constantly monitoring.

As a result of greater investment at origin, there is now a greater peel recovery rate. This has increased the supply for Pectin production and as demand has not followed suit, prices for Pectin have dropped dramatically over the last six to eight months. This had forced the price of industrial fruit in Mexico down as processors were simply unable to recover the higher costs for the fruit with the steep decline in this revenue stream. As with every market though, it never goes one way forever, with fruit prices now back on the rise again and getting closer to that of Peruvian fruit.

As the new Mexican crop is still around three months away, there are uncertainties about what the weather will do during this crucial time. With the 2016 Mexican crop down 25% from 2015, it is still difficult to call this a stable market.

Offers from Peru have been quiet thus far. As many buyers are waiting for 2017 price indications, until these become more prevalent, they do not know what stance to take.

When taking the above into consideration, it is hard to believe that this market is actually quite stable at the moment, though it is also one that can change significantly in a short period of time.



# Citrus Oils

A top-down photograph of several blood oranges on a light-colored, textured wooden surface. One whole orange is in the top left. Several other oranges are sliced in half, showing their deep red, segmented flesh and white pith. The slices are arranged in a scattered pattern across the frame.



## Expressed Lime



We can report a good supply/demand balance on expressed lime. Prices have come down to levels only slightly above that of lemon oil. As the two share similar component levels, they can be interchangeable in certain applications.

We expect the Brazilian crop to be similar to that of 2016, but as the fruit continues to gain popularity throughout the world, more is likely to go to the fresh market for consumption, rather than processing. This would certainly apply additional pressure on prices in the coming year, but we will only know that as we gain a better understanding of the upcoming crop numbers. We expect these to be released mid-March to early April 2017.

Being the larger origin, and therefore having a more profound effect on the prevailing market prices, Mexico will only begin processing in June. As such, there is still some time until we are able to discern how this crop will be compared to years' past and then any impact on what the buyers' average costs will be this year.

## Grapefruit

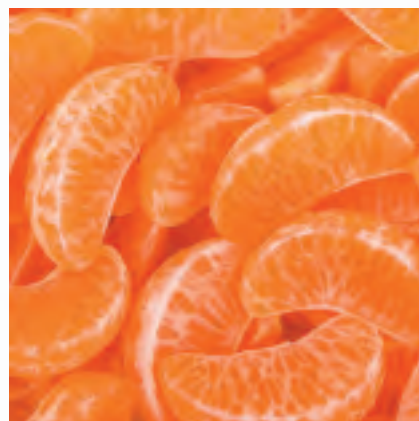


Grapefruit production in Florida is almost unrecognisable compared with just two to three years ago. It has dropped from 10.8 million boxes in the 2015/2016 season to a forecasted 9 million boxes for 2016/2017. This is almost a 17% reduction in just one year. From those 9 million boxes, 1.7 million are white and 7.3 million are pink/red.

There is very limited supply of cold pressed grapefruit oil in the market, especially white. Although we have been watching these numbers continue to decline over the last 10 years, demand has not. Due to the mismatch of demand and supply, we are seeing prices at a similar level to that following the disastrous 2004 hurricanes. Prices will continue to increase.

Now is the time to consider the importance of understanding your customers' requirements as our range of price-stable, high quality blended and nature imitating oils are available. Speak with one of our expert advisors for more information.

## Mandarin



Most of the Avana variety has already been processed. For green mandarin production, very little quantity of fruit has been left for processing.

The Tarvido variety became available in March, but most of the fruit has been harvested for green oil extraction, which has left little for juice and red oil production.

## Tangerine



Supply from California remains consistent and strong. Other varieties of tangerine have had smaller crops than anticipated, causing pricing to increase after otherwise remaining stable for a few years. Dancy is still the premium tangerine, with prices 30-40% higher than other varieties.



# Essential Oils

## Ginger Oil Chinese



Prices have risen steadily in the past eight months, with little hope of softening in the short term. The anticipated harvest is not expected to revolutionise the situation and due to the environmental protection orders, production is expected to remain limited.

Cost of production has increased as the gas used to fuel distillation boilers is said to be at least RMB40000-50000/MT more than the cost of coal. This was the preferred fuel used in production before the environmental protection order came into force.

Much of the oil being produced is on request, with very little inventory being held at origin. We are monitoring the upcoming harvest as it has been noted that beyond this period, the raw material reduces in availability which will add further pressure to supply and price.

## Coriander Seed Oil Russian

Last year saw a dramatic decline in demand for both the seeds and essential oil. This resulted in the lowest prices seen since 2007. According to our sources, the export of oil out of Russia has dropped in





excess of 40% compared to 2015, with some contacts reporting figures of over 50%.

We believe there is very little oil left at origin and, at this time, any production runs would have taken place before winter set in. Importers, however, are well-stocked and are happy to accept forward orders going out some way.

Planting for the 2017 crop will start in March and at this time we'll have a better view as to what can be expected in the New Year. One thing we are confident of is that prices we're seeing today aren't sustainable or conducive for the growers.

## Nutmeg Oil Indonesian



Good weather is integral for the collection and processing of the raw material for this oil.

Production figures were around 300MT, representing a 50MT decline from 2015 levels. Prices and availability fluctuated as a result, with levels increasing towards the end of the year as demand began to tip the scales against dwindling supplies.

Our sources have suggested that some suppliers have agreed large orders for the first half of the year, leaving the spot market with low availability. This could trigger a further price increase at origin.

## Cassia Oil Chinese



Torrential rain caused problems across most of Eastern China in the first half of 2016, including the Yunnan province – the main growing area of this raw material. The government is also encouraging farmers to grow other crops, such as cassava, rice, citronella and fruit trees. These factors have contributed to a shortage in crude cassia oil.

Although prices have softened slightly, expectations are that, with the next season a long way off, demand could start to outweigh supply. This could see prices pushing way above recent averages.

## Litsea Cubeba Oil/Citral Natural Chinese

Severe weather conditions are said to be the cause of a 40% fall in the raw material needed for this oil. This has caused many buyers to purchase in a frenzy, which only exacerbates an already difficult situation. As supply levels appear low for this time of year, prices are expected to remain volatile until the next harvest.

## Tea Tree Oil Australian



We have found that the current market is relatively buoyant. Our suppliers at origin are receiving multiple enquiries in spite of the fact that oil is now in short supply.

Given the 25% deficit in production this year, stocks have been rapidly sold on to regular customers and prices have risen accordingly.

We do not expect much to change until the new harvest. We expect a good crop this year as many producers hope to see the benefits of the robust planting regime over the last few years.







# Organic Vegetable Oils

## Rosehip

The current rosehip market is incredibly tight as volumes have reduced by half compared with two years ago. Harvesting the fruit is seasonal, unsteady and intensive, which has made it an unappealing line of work, especially in Chile.

Eastern European rosehip (*Rosa Canina*) has now entered the market, but supply is very small. As a result, we anticipate that rosehip will remain short this year.



## Grapeseed

The organic grapeseed harvest has been delayed in South Africa. This is primarily due to cool weather and an extended period of rain. Sunshine has returned and helped the plants to produce the necessary sugar in the grapes, needed to produce the oil. The grapes are now flourishing and the season, which runs until the end of June, is expected to be normal.

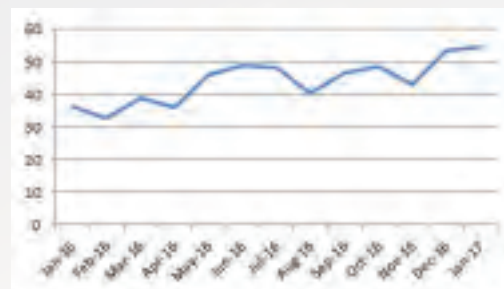




# Aroma Chemicals

## Crude Oil

Prices are on the rise with the cost now standing at \$54/barrel. This is a \$10/barrel increase since we last reported on the subject. We may see pricing increased for coumarin, phenyl ethyl alcohol and diphenyl oxide, all of which are derived from petrochemicals. We may see other products increase in price due to the rising costs associated with manufacture and shipping.



## Maltol & Ethyl Maltol

We have found that a major producer is running low on stocks, which is causing the market to become tight in some areas. This is compounded by a shortage of raw materials at origin, slowing production levels.

## Ethyl Vanillin & Vanillin

The market is tight and production has been reduced. This is due to a shortage of the raw material catechol, made by the hydroxylation of phenol. We have heard that some of the phenol producers in China were under pressure to slow production, which is potentially why the down-stream products are being affected.

## Sulfurol

The material is experiencing a period of instability as the main producing factory is undergoing an audit from the Chinese local Environmental Protection Authority. Availability is becoming short due to the tightening pollution regulations being set by them. Our sources say that the situation should settle in the coming weeks, with supply improving as a result.

## Citral Derived Products

We continue to see a restriction in supply of all citral derivatives, making availability somewhat limited. We have found geraniol, hydroxycitronellal, citronellyl acetate,

citronellol and beta ionone to be affected by the current situation.

## Triacetin

Prices are rising due to cost increases in the two main components, glycerine and acetic acid. Manufacturing costs are also on the up, which is impacting the overall rise. China's increased environmental regulations are having a direct impact here as a number of glycerine refineries remain closed until they can comply with legislation, while other producers are running at a reduced output.

## Raspberry Ketone

Supply continues to be a concern as there are ongoing pollution issues and tighter environmental controls in China having an impact.



# Aroma Chemicals

## Beta Pinene

## Turpentine

The market endured considerable price increases in its feedstock Turpentine, particularly in the first half of 2016. Hikes were up to 30% at points. Market pricing remained high through the rest of the year, driven by strong demand.

However, some signs in December suggested pricing has stabilised, albeit at a high level. As availability continues to be a challenge, we will closely monitor the situation through the year.

## Fatty Acids - Palm Oil & Palm Kernel Oil

The instability of the palm oil and palm kernel oil market has continued into the first quarter of this year. Pricing previously looked as though it had peaked, however our sources show a further increase that will take costs to an all-time high. In December, crude palm kernel oil was \$1,650/MT, up from \$850/MT at the same time in 2015. This continues to impact derivatives, like the fatty acids product range. C10 and C8 acids are seeing significant cost increases, with availability becoming more difficult.

The 2015/2016 El Nino resulted in long dry period, which affected the growth and yields of the palm trees. Reports suggest that this year's El Nino was the strongest since the 90s, resulting in a 30% reduction in yields of palm oil and palm kernel oil, compared to the previous year.

Palm oil production typically goes through 12 month cycles, with stronger production months being between August and October. Due to severe weather, last year's cycle was interrupted and we continue to monitor the situation closely to understand the impacts and reactions on the wider market.



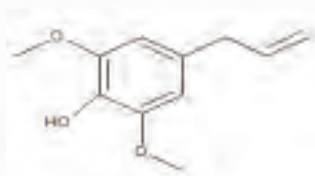
# High Impact Chemicals





The use of high impact aroma chemicals (HICs) continues to rise as flavourists recognise the value they offer. HICs often add the key characteristic to a flavour profile and would be sorely missed if not present, for example the sulphurous note of Grapefruit Mercaptan in a grapefruit flavour. With fusion cuisine remaining popular, HICs can be used in unusual formulations to give unexpected twists to a flavour profile and raise the flavour from home cooking to fine dining.

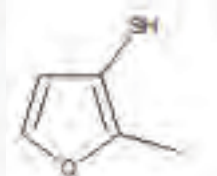
#### 4-Allyl-2, 6-dimethoxyphenol



##### **Fema 3655, Cas 6627-88-9**

Has a smoky, vanilla and bacon-like aroma. Try using 1ppm in a banana flavour to give ripe notes and creamy mouthfeel.

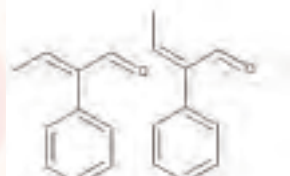
#### 2-Methyl-3-furanthiol



##### **Fema 3188, Cas 28588-74-1**

One of the most powerful meat/fish aromas known. At very low doses in dairy applications, especially in milk flavours, it rounds off the flavour profile with a lovely meaty, nutty note.

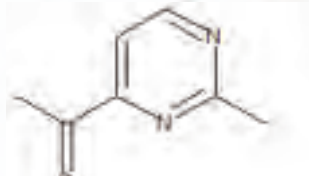
#### 2-Phenyl-2-butenal



##### **Fema 3224, Cas 4411-89-6**

More commonly used in honey and chocolate flavours for its cocoa and floral notes, but try tasting it at 1ppm in sugar water to see its potential in mint green tea flavours.

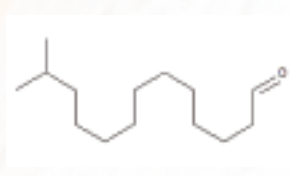
#### 4-Acetyl-2-methylpyrimidine



##### **Fema 3654, Cas 67860-38-2**

Has a pleasant popcorn and nutty aroma, but is excellent in meat flavours for a roasted beef note.

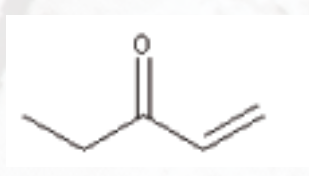
#### 12-Methyltridecanal 10% in Miglyol



##### **Fema 4005, Cas 75853-49-5**

Widely known for its beef tallow aroma, but it can also be used to give green waxy and fatty notes to citrus formulations.

#### 1-Penten-3-one 10%



##### **Fema 3385, Cas 1629-58-9**

Has a pungent peppery mustard aroma but helps bring out the peely character of citrus flavours at trace levels.



## Beyond Skin Deep

Earthoil is always on the lookout for upcoming trends in Personal Care to share with you.

As we move into another year, we focus on the upcoming trends that will have a growing impact in the personal care sector over the coming months and years. By working with customers and suppliers across the globe, we're finely tuned into what's happening on the shelves and what consumers see as **the next big thing**.

We have seen a significant shift in the emphasis consumers place on the importance of an all-encompassing healthy lifestyle. Showing no signs of waning, a holistic approach to health and well-being includes personal care as well as food, beverage, fashion and homeware. We look at what this means for new product development within our sector.



## Contemporary Citrus

Personal care products with implied health functionality are a key pillar of this broader 'healthy living' megatrend. Citrus is already a hero in this category, but we're exploring a more contemporary collection of ingredients as they gain momentum in the marketplace.



High in vitamin A, calcium and vitamin C, modern citrus variations inspire feelings of freshness and are attractive to consumers looking to experience unusual varieties and blends. We're seeing everything from Blood Orange body butters to Cedrat shaving sets and frothy Bergamot face washes invade the beauty pages of the latest magazines.

Our specialist team are working to bring a novel, zesty twist to our customers' new product development, offering everything from floral Neroli and Bergamot oils to rich and exciting Bitter and Blood Orange oils.

## Hydration

Once upon time, hydration alone was enough. Now, we want so much more. Different forms of hydration have become mainstream, with consumers taking inspiration from global cultures.



The need to quench the thirst of our skin is seen to have a host of benefits, including anti-ageing and pore minimising, which are viewed as essential to a broader age demographic of consumers. We're now looking for this performance from a range of products that are beyond our everyday creams.

Earthoil is working towards more effective forms of moisturisation, and consumers look to innovative brands to provide a convenient, but aspirational, skin and hair regime.

With everything from cleansing waters to mists, essences and serums, the moisturising landscape has expanded; giving personal care brands the opportunity to create diverse and appealing products that will capture consumers' attention. Cucumber ingredients work well in this space, as does Tea Tree essence. Both of these have hydrating properties and are effective when blended with a range of other fragrances.

## Superfoods

Consumers are seeking superfoods in personal care products to support a more holistic, integrated, approach to health and well-being.

Mainstream media coverage of superfoods in our everyday diets has broadened our awareness and acceptance, not only into the drinks category, but also skin and hair care. Consumers look for functional benefits and the compelling provenance and performance of superfood ingredients are proving increasingly popular.

We're seeing skincare featuring cacao, pomegranate body butters, avocado face masks, green tea mists and chia serum all changing the way we think about superfoods and cosmetics.

For more information, or to book a demonstration of our products, please get in touch with a member of our sales team by calling 01284 702500, emailing [sales@earthoil.com](mailto:sales@earthoil.com) or by visiting [earthoil.com](http://earthoil.com)





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