

MARKET REPORT



While dry weather, political instability, and shortages in global markets are driving the prices up, the depreciation of the Sri Lankan rupee will work in favour of the overseas buyers.

- **December to February is usually the Northeastern monsoon season in Sri Lanka, where the spice growing areas do not experience much rainfall. The inter-monsoon season, which begins in early March, has also been delayed this year. Given the continuing dry weather many spice harvests will arrive late as well as the crops can be expected to be lower this year.**
- **Recent local government elections held in February this year have led to political and economic instability in the country. The weakening Sri Lankan rupee will work in favour of the overseas buyer. From January to March the Sri Lankan rupee has weakened from 154 to 157 LKR/USD.**
- **The inclement weather in Eastern Asia, especially in Indonesia has had an impact on the availability of Indonesian essential oils, thus exerting upward pressure on the global essential oil prices.**

Cinnamon Bark Oil

January to mid April is generally the off-season for cinnamon.

Limited raw material availability is exerting upward pressure on prices.

Continuing dry weather has resulted in less than usual availability of raw materials this year.

Prices can be expected to remain firm and limited availability of oil till mid May this year.

Nutmeg Oil

Harvesting season for nutmeg begins later this year, so currently no crop for distilling is available.

Given the ongoing dry weather crops can be expected to be lower this year.

Inclement weather conditions in Indonesia, has led to limited availability of nutmeg oil in the global market.

Market prices can be expected to stay firm or go up given the limitations with raw materials as well as increased demand.

Cinnamon Leaf Oil

Similar to bark oil lack of raw materials are affecting the availability as well as prices.

Price of cinnamon leaf oil, which was trading at lower prices in the local market in early January, has continued to rise quiet sharply.

In expectation of higher prices, distillers are holding onto stocks, which is exerting further upward pressure on the prices.

Clove Bud Oil

A good crop is harvested every other year.

The clove harvest in 2017 was not significant; a better harvest is expected for late 2018.

Current availability of raw material is on the decline and farmers are holding onto stocks in expectation of better prices.

Prices of clove bud oil can be expected to rise from current trading prices.

Citronella Oil

Continued dry weather is having a major impact on the availability of grasses to distil citronella oil.

However, given the lower prices of Javanese citronella oil, demand for Sri Lankan citronella oil has remained low in the recent years.

Since December, the price of citronella oil in the local market has remained stable.

Under the current circumstances, prices are not expected to vary significantly.

Clove Stem Oil

Given limited availability of raw materials due to lower crop in late 2017 and farmers holding onto stocks of stems, the prices can be expected to stay firm or rise further.

Sources:

1. Central Bank of Sri Lanka - <https://www.cbsl.gov.lk/>
2. Department of Meteorology - <http://www.meteo.gov.lk/>

