

MARKET REPORT



Extreme dry weather has continued. The US dollar remains strong against the Sri Lankan Rupee. Sluggish Western markets continue to create uncertainty in global markets.

- *While clove and nutmeg crops harvested end 2018 / early 2019 were expected to be significant, the clove crop turned out to be disappointing.*
- *The weakened Sri Lankan rupee has settled and stands at 176LKR/USD as at today. While there is an appreciation from the all time low rate of 184LKR/USD in December 2018, the current exchange rate is a 20% depreciation relative to the exchange rate, which prevailed in January 2018.*
- *The US-China trade war and political turmoil in Europe resulted in sluggish trading of commodities in the fourth quarter of 2018, has followed through to the first quarter of 2019 across several markets including the essential oils.*

Cinnamon Bark Oil

Over the months from January to March, availability of raw materials usually starts to decline as peeling is interrupted when it gets difficult to remove the inner bark from the wood, which is a common phenomenon during extreme dry weather.

However, big distillers and exporters are aware of this, thus maintain large stocks of oil in preparation for this annual period of limited raw material availability.

Given the exchange rate favouring the overseas buyers as well as stability in global essential oil demands, no price change was observed or is expected.

However, till May 2019 raw material availability will continue to decline till the commencement of peeling season, thus it is advisable to buy if immediate requirements exist. Also prices can be expected to rise till new harvest is received late in May.

Nutmeg Oil

Raw materials continue to be available from the year-end harvest received last quarter, and immature oil grade raw materials are still available.

Price of Indonesian nutmeg oil continues to remain low and stable, which is exerting pressure on Sri Lankan producers.

Local market prices can be expected to remain low given abundance of raw materials as well as competition from Indonesia.

Sources:

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

Cinnamon Leaf Oil

Limited cinnamon peeling is exerting supply limitations for cinnamon leaves required for distilling. However, given the lower than usual demand since December 2018, this has resulted in cinnamon leaf oil prices to remain low despite the limitations in production.

Clove Bud Oil

Clove crops harvested end of 2018 was not significant as expected, thus raw material availability is limited exerting pressure on raw material prices.

Sri Lankan clove bud oil prices cannot be expected to reach the rates quoted by the Indonesian competition in the near future.

Citronella Oil

While dry weather is supportive of production, it is not beneficial for the re-growth of grasses. The prices have slightly increased since the previous quarter but remain mostly stable.

While Javanese citronella oil continues to remain competitive, demand for Sri Lankan citronella oil was observed to be growing in the quarter.

However, it would be safe to assume that prices will not vary significantly in the immediate future.

Clove Stem Oil

December 2018 crop was not significant as expected, thus price adjustment for clove stems remain insignificant.

Therefore, it is safe to expect prices for clove stem oil to remain unchanged.

"Our concept of sustainability is not limited to conserving the environment we operate in, but extends beyond to support smaller stakeholders and industry partners".

