

MARKET REPORT

Spring 2022, Issue 01



Despite favourable weather, Financial, Political and Social crisis have led to civil unrest and dire shortages of essential items. Continued disruptions to production, logistics and off the chart inflation will result in increasing prices of natural ingredients exported from Sri Lanka.

- Favorable weather and containment of COVID-19 not only had a positive impact on the agricultural industry but on the overall Sri Lankan economy, despite the underlying issues earlier in the quarter.
- The Sri Lankan rupee continued to hit record lows of 370LKR/USD, while in the grey markets was trading at over 400LKR/USD.
- The Financial, Political and Social collapse erupted earlier in May and developed into civil unrest. The lack of essential items including food, fuel and medicines have had a significant impact on production and logistics, resulting in higher prices across all natural ingredients.
- Due to crisis, buyers should expect longer lead times and entering contracts over spot purchases are highly recommended.

Cinnamon Bark Oil



Traditional cinnamon season kicked off mid-April.

However, given the chaos in the country, no large stocks of raw material appeared to be available.

Given the rising costs as a result of extraordinary inflation levels, approx. 30% rise in raw material costs were observed towards the latter of quarter.

Given the rising concerns and effects on production and logistics, we highly recommend and advise to enter into contract purchases over spot purchases.

Due to fuel shortages and import restrictions, logistical delays as well as vessels available for export are limited – resulting in longer lead times for all natural ingredient exports.

Nutmeg Oil



Crop received in December was insignificant to relieve pressure on prices of BWP grade nutmeg required for oil production. No crop is also expected till mid-year. Prices trade locally around 65-70USD/kg, which is an increase from previous quarter.

Sources:

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

Cinnamon Leaf Oil



As per usual trends the prices come down towards the end of Q1, but local prices have strengthened significantly.

Rising costs and logistical hurdles continue to make the export of product unviable.

At present, only consolation for exporter is the significant depreciation of Sri Lankan Rupee.

We strongly recommend stocking up via contractual purchases and to avoid spot purchases as much as possible.

Clove Bud and Stem Oil



Clove bud oil trades locally around 52USD/kg and stem oil at around 28USD/kg, which is expected to remain unchanged due to no fresh crop expectation till December 2022.

Citronella Oil



Trend observed in previous quarter continued through Q1, 2022, which has pushed prices further up from previous quarter.

Due to the local inflationary pressures combined with growth in demand for Ceylon citronella oil, locally trades around 30USD/kg.

“Keep us in your prayers – we will rise stronger from this crisis”.



Thursday, 19 May 2022