

# MARKET REPORT



*Rains have returned flooding several parts of the island, which should result in favour of better harvests this year. Local political instability continues, and as a result the Sri Lankan rupee has depreciated to reach an all time low against the US dollar, which will work in favour of the overseas buyers. Shortages in global markets have been curbed and the essential oil prices remain stable.*

- **May to September is usually the Southwestern monsoon season in Sri Lanka, where the spice growing areas experience most of the annual rainfall. This year as before in 2016 and 2017, the island nation experienced very heavy rainfall, on certain days exceeding 150mm, which resulted in heavy flooding. Though the heavy rains caused immediate raw material shortages for distilling at the time, it is expected to be in favour of better spice harvests towards the end of the year.**
- **Political and economic instability in the country continues. The weakening Sri Lankan rupee will work in favour of the overseas buyers. From April to June, the Sri Lankan rupee has further weakened from 156 to 161 LKR/USD.**
- **The current friendly weather in Eastern Asia, especially in Indonesia has had an impact on the availability of Indonesian essential oils, thus curbing the upward pressure on the global essential oil prices.**

## Cinnamon Bark Oil

From May till late November is the peak cinnamon harvesting season.

During the month of May raw material availability was limited due to flooding, but given the prevailing friendly weather raw materials are freely available in the market and the prices remain stable.

In early June, the Export Development Board of Sri Lanka jointly with the EU Trade Commission conducted several meetings with local producers to finalise Geographical Indication (GI) status for Ceylon cinnamon, which is expected to shine a spotlight on the cinnamon spice as well as allied products.

## Nutmeg Oil

Though major Harvesting season begins later this year, a smaller crop is available from some parts of the country.

Given the recent heavy rains, year-end harvests can be expected to be better this year.

Favourable weather conditions in Indonesia, has led to curb the prices of nutmeg oil in the global market as well.

Market prices can be expected to remain stable given the improvements in raw material availability as well as increased supply from Indonesia.

## Cinnamon Leaf Oil

Similar to bark oil abundant availability of raw materials have contributed to stabilise the availability as well as prices of cinnamon leaf oil.

Price of cinnamon leaf oil, which was locally trading at higher prices in the previous quarter have continued to decline.

Given abundant availability of leaves, small distillers are operating in full swing to produce cinnamon leaf oil.

## Clove Bud Oil

No crop is available till the end of the year. The limited availability of raw materials is exerting upward pressures on clove bud oil prices.

However, given the increased supply of clove bud oil from Indonesia, prices can be expected to remain stable.

## Citronella Oil

The heavy rains in May have impacted the availability of grasses to distil citronella oil quite favourably.

Given the lower prices of Javanese citronella oil, demand for Sri Lankan citronella oil continues to remain low.

Given the increased availability of raw materials and lower prices in the international markets for citronella, local citronella oil prices are not expected to vary significantly.

## Clove Stem Oil

Given current limitations in availability of raw materials and due to 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/>
3. The Daily Newspaper - <http://www.ft.lk/agriculture/Ceylon-Cinnamon--recognised-as-Geographical-Indications>

