

MARKET REPORT



Weather has been pleasant and consistent with traditional climatic patterns, which should result in favour of better harvests this year. Local political instability continues. The trade war between China and USA has resulted in rapid strengthening of the US dollar, which has effectively had a dual effect on the Sri Lankan Rupee, depreciating it further. Global 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. Over the months from July to September moderate rainfall with good sunny weather was prevalent, which is much in favour of spice harvests towards year-end.*
- *Political and economic instability in the country continues. The weakening Sri Lankan rupee will work in favour of the overseas buyers. From July to September, the Sri Lankan rupee has further weakened from 161 to 170 LKR/USD.*
- *The strengthening US dollar is a global phenomenon affecting all economies, especially in the Asiatic region.*
- *The devastating earthquake and tsunami in Sulawesi, Indonesia has killed over 1000 people, which may affect the supply of Indonesian essential oils in the coming months (specially patchouli oil), but it is hard to predict the complete effects yet.*

Cinnamon Bark Oil

Over the months from July to September, which is the mid point of cinnamon harvesting season, raw materials are usually abundantly available.

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

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.

Prices are expected to remain stable till the end of the harvesting season in December.

Citronella Oil

Citronella harvesting season is closely related to the Southwestern monsoon rain period, which is from May to September, thus it is safe to assume supply limitations in the coming quarter.

Price of Javanese citronella oil continues to remain low, as well as demand for Sri Lankan citronella oil continues to remain low.

Prices are not expected vary significantly in the immediate future, however towards the end of next quarter prices may increase noticeably.

Nutmeg Oil

A mid year smaller crop was available from some parts of the country, but was insignificant to curb the prices.

Given the continuing favourable weather, year-end harvests can be expected to be better.

Price of Indonesian nutmeg oil continues to be stable which is catering the global demand, but due to the effects of earthquake and tsunami prices may rise in the coming weeks.

Local market prices can be expected to rise marginally till the major harvest is received year-end for distilling.

Clove Bud Oil

Crop will be only available end of the year, thus price of raw materials have continued to rise.

Sri Lankan clove bud oil prices can be expected to remain firm and may rise further till the new crop is received.

Increased supply of clove bud oil from Indonesia is maintaining the global market prices stable.

However, with the effects of tsunami and earthquake, price of clove bud oil from Indonesia may rise in the coming weeks.

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 till new crop is received at the end of the year.

Sources:

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

