

MARKET REPORT

Autumn 2020, Issue 03



Demand for essential oils continue to look promising, yet raw material shortages, restrictions on international freight etc. are exerting pressure on availability and prices. Sudden demand ripples in the previous quarter continue to generate confusion in the local market, resulting in price hikes for some Sri Lankan origin essential oils.

- **Over the months from July to September, Sri Lank was returning to normality with the eradication of COVID-19 from the island. However, with the unexpected detection of individuals contracted with the virus from the community, the situation looks critical in the coming months.**
- **The Sri Lankan rupee settled, which settled at 184LKR/USD in June, continued to remain steady throughout the quarter.**
- **Sudden increase in demand in the previous quarter, especially for cinnamon leaf oil has had a lasting impact on holding the prices firm.**

Cinnamon Bark Oil

July – September months are generally good harvesting months, with abundant raw material availability.

However, due to intermittent rainy weeks over the quarter, crops went through leafing periods, which interrupted harvesting resulting in shortages of raw material required for distilling.

As advised in the previous quarter, the uncertainties about future due to the spread of COVID-19 is a growing concern. Also, the harvesting period is coming to close, which will also add pressure on the availability and prices, thus it is strongly advisable to enter into supply contracts or procure cinnamon bark oil.

Nutmeg Oil

Harvesting season will approach in fourth quarter, thus only material from old crop is available. Prices have risen since previous quarter and remain firm.

As predicted in the previous quarter raw material prices have reached the maximum by September.

However, given the more competitive prices offered by Indonesia, price of nutmeg oil has not risen relative to the rate at which raw material prices have increased.

Cinnamon Leaf Oil

Cinnamon leaf oil prices have remained firm after the rapid hike from previous quarter.

Local prices trade around 25USD/kg.

Given the uncertain future conditions and approaching off season for cinnamon, it is advisable to plan the procurement.

At present most of the stocks are held back by farmers or booked by regular customers.

Clove Bud Oil

Indonesia continues to dominate the clove bud oil market globally. However, with the recent rains and approaching off season, the fourth quarter may be hopeful for Sri Lanka.

The surge in global demand may also support some growth for Sri Lankan clove bud oil, which was observed in the second quarter as well.

Given the approaching harvesting season, end of the year, Sri Lanka may be able to win some global business with competitive pricing.

Citronella Oil

Demand for Ceylon Citronella Oil appeared to have grown moderately for reasons highlighted in our previous issue.

However, no significant change in price was observed as the increase in demand was not significant enough as earlier predicted.

Presently product is trading around 21USD/kg in the local market.

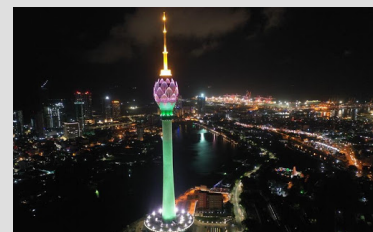
Clove Stem Oil

Given the surge in demand for clove oil derivatives, similar to bud oil, stem oil also has seen an increase in demand.

Given the approaching harvesting season over November to January period, Sri Lanka may be able to compete with the Indonesian prices in a high demand driven global climate for clove oils.

Sources:

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



Thursday, 15 October 2020