

# MARKET REPORT



*On going harvesting season for cloves and nutmeg in Sri Lanka. Local political instability heightened. The US dollar remains strong against the Sri Lankan Rupee. Sluggish Western markets continue to push global essential oil prices down.*

- *Beginning from late November, cloves are harvested in Sri Lanka, and for nutmeg immature oil grade materials are also harvested over the same period.*
- *Political and economic instability in the country continues. The weakening Sri Lankan rupee will work in favour of the overseas buyers. From October to December, the Sri Lankan rupee has continued to weaken and stands at 184LKR/USD as at today.*
- *The US-China trade war and political turmoil in Europe resulted in sluggish trading of commodities in the fourth quarter, which has followed through several markets including the essential oil markets.*

## Cinnamon Bark Oil

Over the months from October to December, raw materials are usually abundantly available, except over few weeks in between where peeling is interrupted due to seasonal leafing when cinnamon bark will not separate from wood.

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.

However, from late February 2019 raw material availability will decline and prices can be expected to rise till new harvest is received.

## Nutmeg Oil

Year-end harvest is being received, and immature oil grade raw materials are becoming abundantly available, but not promising as anticipated.

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.

## Cinnamon Leaf Oil

Similar to bark oil, abundant availability of raw materials has contributed to stabilise the availability of cinnamon leaf oil.

Prices have declined due to low demand and stands at a lower point.

## Clove Bud Oil

Clove crops are being harvested. However, too early for the market prices to adjust, as there is high demand from spice export industry for the fresh materials.

Sri Lankan clove bud oil prices can be expected to adjust by end January 2019.

Given the competitive prices offered by Indonesia, Sri Lankan distillers can be expected to maintain prices low.

## Citronella Oil

September rains have contributed to increase availability of grasses, thus the production remains healthy. The prices have also remained unchanged over the quarter.

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

Therefore, prices are not expected vary significantly in the immediate future.

## Clove Stem Oil

New crop has significantly increased availability of raw materials resulting in sharp drop in prices of clove stems.

Therefore, it is safe to expect lower prices for clove stem oil in the coming weeks from Sri Lanka.

## Sources:

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

