

MARKET REPORT



Pleasant weather with good rain conducive of spice crops expected to positively affect yields. Election of new president and caretaker government has been able to revive the economy and especially the agriculture sector with the new policies aimed at empowering farming communities. American and European markets starting to show signs of improvement, which is further encouraging the industry.

- **Over the months of October – December good rain with plenty of sunshine through the day required for spice crops was observed. Better year-end crops for cloves, nutmeg etc. could be expected.**
- **Election of the new president and caretaker government has had a positive outlook throughout the economy. The new president has indicated the implementation of policies focused on empowering the farming communities by offering a broad range of subsidies and government support to increase production of agricultural crops. Earlier in the quarter the Sri Lankan rupee was observed to weaken, but following elections given the positive public sentiment the rupee strengthened and stands at 181LKR/USD as at today.**
- **Over the quarter American and European markets have shown signs of growth, which is a sure sign of encouragement for farmers, producers and other stakeholders in the industry, especially in Sri Lanka.**

Cinnamon Bark Oil

Over the quarter, raw materials were abundantly available, except over few weeks in between where peeling was interrupted due to seasonal leafing when cinnamon bark will not separate from wood.

Given the abundance of raw material and relative exchange rate favouring the overseas buyer no price increase was observed. Further, lower than usual demand over the quarter was also a contributory factor.

However, from late January 2020 raw material availability will decline and prices can be expected to rise till new harvest is received in end of April. Therefore, limited availability of raw material to distil may exert pressure on prices of oil.

Nutmeg Oil

Year-end harvest is being received, and immature oil grade raw materials are becoming abundantly available, though was in short supply earlier in the quarter.

Price of Indonesian nutmeg oil continues to remain low and stable, which is exerting pressure on Sri Lankan producers.

However, given the approaching rainy season in Indonesia, demand for Sri Lankan nutmeg oil could be expected to grow if the Indonesian prices show signs of increasing.

Sources:

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

Cinnamon Leaf Oil

Prices declined to a recent low of 12.2USD/kg, which prompted many farm distillers to discontinue operations.

The limited supply is now exerting pressure on prices and the price today stands around 13.2USD/kg locally.

Limited availability of raw materials over the coming months and limited number of operating distillers could exert strong pressures on prices of cinnamon leaf oil. It is advisable to stock-up.

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 2020.

Given the very low prices offered by Indonesia, Sri Lankan distillers are left to wonder if demand in the early quarters of 2020 would increase.

Citronella Oil

Conducive weather throughout the quarter has increased availability of grasses, thus production remains healthy. The prices have also remained unchanged over the quarter.

The healthy demand, which was present earlier in the year was not observed towards the last quarter of 2019, which was disappointing for farmers, producers and exporters.

Prices of Javanese citronella oil continues to remain competitive, which could be a reason for demand for Sri Lankan citronella oil to continue to remain low.

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.

