

MARKET REPORT

Winter 2020, Issue 04



Demand for essential oils continue to look promising. Prices remain firm and unlikely to ease in the first quarter given low crop and off-season. The US dollar has strengthened rapidly against the Sri Lankan Rupee, compared to previous quarter, which should benefit buyers.

- **Cinnamon is in off-season and clove crops were not significant this year. Cinnamon leaf oil prices continue to remain strong contradicting the usual price pattern observed in the previous years.**
- **The Sri Lankan rupee has depreciated significantly from 184LKR/USD in previous quarter to 195LKR/USD as at today.**
- **Occasional heavy rains especially in December though unusual for the period may contribute for better crops in 2021.**

Cinnamon Bark Oil

Given the abundance of raw material, exchange rate favouring the buyers as well as healthy global demand for essential oils, no price change was observed. Local prices trade around 240USD/kg.

However, given the offseason, which runs till late April raw material availability will decline and prices can be expected to rise till new harvest is received.

It is strongly advisable to enter into supply contracts or plan the procurement of cinnamon bark oil with the suppliers in advance.

Nutmeg Oil

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

Local market prices can be expected to remain low given abundance of raw materials as well as competition from Indonesia.

Local prices trade around 55USD/kg.

Cinnamon Leaf Oil

Cinnamon leaf oil prices have continued to remain firm and contradicts the usual price pattern observed in the previous years.

Local prices trade around 23.50 – 25USD/kg depending on lot sizes and quality.

Given the off season for cinnamon, no price adjustment can be expected till new season in April and it is advisable to plan the procurement especially for larger volumes.

Clove Bud Oil

The December harvest was not significant, which is usually the case as a better crop is received every other year.

Availability of raw materials remain constrained and clove bud oil of Sri Lankan origin will struggle against offers made by Indonesia.

Local prices trade around 34 – 36USD/kg.

Citronella Oil

Demand for Ceylon Citronella Oil appeared to have declined in the quarter. Prices locally trade around 21USD/kg.

The heavy rain during the quarter is conducive of crop growth and raw material availability.

However, given the lower demand and weak prices, production appears to have declined.

Stiff competition from Indonesian citronella oil continues to have a detrimental impact on the local industry of citronella oil production.

Clove Stem Oil

The crop received from November to January period was not significant enough to adjust prices of clove stem oil significantly.

Sri Lanka has to compete with Indonesian prices which is far more competitive in the international market, which has had a detrimental impact on the local industry.

Local prices trade around 22 – 23USD/kg.

“Sri Lanka is a tropical island abundant with natural beauty and resources.”

Sources:

1. Central Bank of Sri Lanka - <https://www.cbsl.gov.lk/>
2. Department of Meteorology - <http://www.meteo.gov.lk/>
3. Photo Credits – Gihan Beneragama



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