

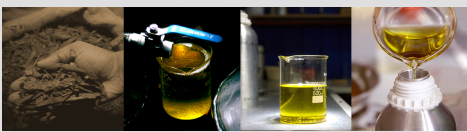
MARKET REPORT

Winter 2021, Issue 04

Weather conducive of crops throughout the quarter and higher than usual rainfall was observed in December. Government peg of Rupee against US dollar continues. COVID-19 situation has improved, and no more lockdowns were imposed in the island. Government imposed ban on chemical fertilizer and Agro chemicals were not well received by the farmers. A power and energy crisis is looming due to the Forex crisis.

- *The weather has been conducive of crops with ample rain via S-W monsoon beneficial for all crops. December was wetter than usual.*
- *The Sri Lankan rupee remains pegged at 200LKR/USD.*
- *COVID-19 was brought under control through vaccination drives, which has greatly supported production and export logistics.*
- *Government imposed ban on chemical fertilizers and pesticides have not been well received by the farming communities. This is also having an impact on harvests and crop availability.*
- *The Forex crisis in the country has led to a power and energy crisis which may impact future production schedules.*

Cinnamon Bark Oil



Cinnamon season ended in late November. From November to early April is usually considered the off-season due to dry weather for growing regions.

While raw materials were abundantly available throughout Q4, till new crop is received, shortages in raw material for distilling bark oil could be expected.

The situation of raw material shortages is exacerbated by fertilizer problems.

The LKR/USD peg by the Central Bank of Sri Lanka has not worked in favour of the foreign buyers. However, floating of the LKR will greatly benefit exporters as well as buyers due to expected significant depreciation of the LKR.

Cinnamon bark oil trades locally around 245USD/kg in the local market.

Nutmeg Oil



Due to the heavy rains in December, the year-end crop was not significant. Oil prices trade locally around 55 – 60USD/kg, which has been stable over the past few quarters.

Cinnamon Leaf Oil



Cinnamon leaf oil prices were observed to remain firm and stable throughout the quarter. Usual dip in prices were not observed in December 2021, where most buyer's shutdown for holidays. Given the off-season, and fertilizer related issues production of leaf oil will seize till new season.

Cinnamon leaf oil trades locally around 23.00USD/kg in the local market. Prices are expected to rise and sourcing large volumes will also be difficult till next season in April.

Clove Bud and Stem Oil



As predicted in Q3, December 2021 crop was not significant and the impact on pricing will not be great.

Clove bud oil trades locally around 52USD/kg and stem oil at around 28USD/kg, which is expected to remain unchanged.

Sources:

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



Wednesday, 19 January 2022

