

June 2021 Market Update

The regular weather patterns usually associated with the tropical Indonesian climate have somewhat evaded us this past 18 months. The rainy seasons which are commonly followed by the dry seasons have been prolonged in part to a La Nina situation and an unusual cluster of cyclones. The lack of any dry season in 2020, followed by the stop-start rains over this supposedly 'dry' season is contributing to some of the strain on raw material supplies which in turn increasing pressure on prices.

As we write in late June we would have expected to be well within the dry season with reasonable stocks of raw materials starting to build. This simply isn't the case but hope remains that July to September can help change the situation. By how much we can expect improvements is something we are all trying to judge as we plan ahead our needs.

Other strains are also impacting supplies from Indonesia. It's fair to say Covid-19 conditions are a factor, restricting some movements and normal production capacities but we are also experiencing severe delays and capacity issues when shipping, especially with dangerous goods. Prices have increased 3x over the course of 2021 with FCL prices to Europe increasing from \$3,000 per shipment to \$10,000. Put this in the price per kilo terms, that's a \$0.60 - \$1.00 /kilo increase to the price of Eugenol, just on freight when shipping 10-16MT! There are also long delays in availability which can add several weeks to the shipping times.

There was much optimism which led to confusion earlier in the year when expectations of a good, dry season were muted which sent prices falling based on future pricing speculation. Although not yet a reality many processors booked a lot of forward capacity at low prices but this price reduction was short-lived. Farmers did not agree with some of the low pricing and quickly the outlook of a long dry season started to diminish and as quickly as prices had fallen, prices had risen again. Much of the market may have missed this sharp and sudden change but it has resulted in some confusion, especially for those who maybe following the export statistics in recent months.

The reality today is one of caution and buying decisions will need to be considered based on individual stock positions. Raw material prices may ease in the next couple of months but there is also limited capacity short term with processors who are already fully booked.

Clove Oil

Widely impacted by the prolonged rainy season. The prospect of a short dry season this year will not be enough to ensure we get long term cover to support better pricing later this year and in the early part of 2022, with many buyers turning to cheaper origins like Madagascar.

Patchouli Oil

This is finely balanced now as there are some expecting price decreases in the coming weeks whilst others are not so optimistic. Farmers are more aware of the market dynamics and will try to prevent huge price decrease in the raw materials even if we enjoy a good dry period. We are seeing a lot of un-matured plants being harvested in certain regions which yields a low quality essential oil which then needs further rectification, therefore increasing the price. Good quality material is hard to find which is why we are starting to see a widening gap in price between entry level oil and premium oil.

Nutmeg Oil

The wet conditions delayed the new crop by over a month which resulted in some increased pricing from April. It is expected that prices will remain firm at today's levels until later in the year when we would hope a new crop around October will help improve the situation. A word of caution as always in that when nutmeg prices increase the quality standards can decrease as some distillers have been known to add terpenes from turpentine which compromises the oil.