Unsettled Markets

Climate changes are often the source of many excuses as to why essential oil prices increase; ‘too much rain’, ‘not enough rain’, ‘frost’, the list is endless and if it’s not the weather then the words ‘China’, ‘politics’ or ‘civil unrest’ are also synonymous with price increases and raw material availability.

The story gets more complex when we talk about aromachemicals with factors such as global demand; market consolidation and the impact of the multinationals all attributed to further price increases. The truth is these are the times we live in and today’s challenges facing our industry.

Globally these are a few of the Essential Oils suffering as a result of adverse weather conditions, causing availability issues and price increases which are likely to be sustained until the next season.

**Indonesia** – Clove Oil (Eugenol), Patchouli, Cajeput and Cananga
**South America** – Orange Oil (D’Limonene) and Eucalyptus Citriodora
**India** – Mints, Lemongrass Cochin & Palmarosa
**China** – Eucalyptus, Geranium and Pine Oil
**Europe & Nth Africa** – Lavender, Cedarwood Atlas and Geranium Egyptian
**Australasia** – Tea Tree and Manuka

*During times of short supply the number of adulterated oils that find their way into the market increases. Expert testing becomes even more important.*
Rosewood Brazilian

Since March 2010 Brazilian Rosewood (*Aniba rosaedora*) has been controlled under CITES with trade controls enforced in June 2010. Now this oil can only be traded with a permit and the resulting consequence is that limited quantities of legal oil are available in the market.

Planting for the future

2010 saw Australian Botanical Products embark on a new era. Not only did we restructure the business, we also set about ensuring we could secure the supply of many home grown oils with planting projects across Australia and the Pacific Islands. This vertical integration in many traditional and new essential oils will see ABP at the forefront of secure future supply and interesting new essential oils.

Eremophila Michellii

Often known as Buddawood this is the first success of ABP’s new policy on securing our own material supply. Although this oil may be known to some never before has anyone offered a sustainable source, which is now fully steam distilled. With the Governments support ABP have access to vast areas of trees available for harvest and will be able to scale up production, as the market requires. With its woody, tenacious odour, this oil blends well with patchouli whilst offering a natural fragrance fixative and potential enhancer or replacer for sandalwood. In flavour applications it offers a unique oak note for wines and meat flavours. In aromatherapy it’s known to be good for rhematic and muscular complaints.
**Australian Tea Tree**

Having seemingly survived the worst of the initial Queensland floods, the floodwaters and storms tracked south into Northern NSW, inundating many Tea Tree plantations. Whilst the survival rate in heavy waters is unusually high it had already been a couple of months since farmers could get on their paddocks to carry out necessary weed and pesticide controls. Only week’s later cyclone Yasi tracked through the northern Queensland growing areas, further damaging crops.

In addition to the challenging weather conditions a fungus named Myrtle Rust (*Uredo rangefi*) has been detected in the Northern NSW area. Although affecting other crops it’s unknown yet what effect it will have on Tea Tree and what the time frame will be. It was first detected in May 2010 and will not contribute to any addition loss in this year’s crop, despite recent market reports suggesting otherwise. The net result for this season will be a harvest of 260-280 ton (starting in May), a loss of around 150 ton over recent typical years.

**West Australian Sandalwood**

Global demand in 2011 has started to cause supply issues and prices have risen over 20% in two months. According to reports, commitments by one Australian producer has been made to supply an Indian based company with significant volumes of oil over the next 3 years, leaving gaps in the available oil to supply Europe, the USA and our local markets.

Auction prices for Indian Sandalwood have increased significantly as demand grows, with the impact of new plantation wood still a few years away.

ABP offer various grades of *spicatum* along with *austcoaledonicum* types of Sandalwood and although demand is high we hope to be in a position to support your ongoing needs as another new growing and distillation partnership yields strong results.
Lavender (*Lavandula angustifolia*)

After the well documented year on year poor seasons, including 2010, Lavender prices continue to rise as ‘genuine’ *lavandula angustifolia* becomes short. The next crop doesn’t start for another 4 - 6 months (various regions) and even with a good year only expect to see some stability rather than significant price reductions. As always this is a typical example of where adulterated oils find their way into the market including for therapeutical applications. Lavender is a key material for ABP and we can ensure you continue to use fit for purpose oils during this difficult time.

Vegetable Oils & Aromachemicals

Generally vegetable oil prices remain stable however Soya Bean Oil has risen 35% since 1st December and prices are changing daily due to a poor season in Brazil and Argentina, which makes for 45% of the World production. Also the availability of Jojoba over recent months has resulted in price increase but the new season should bring some relief come April.

Gum Turpentine prices continue to rise due to a shortage of Gum Rosin and CST affecting downstream products such as Geraniol, Citronellol, Citral, Pinene, Linalyl Acetate and Linalool. Increased labour costs across China and global demand is causing many other aromachemical prices to increase.

Next time……

We will be in Europe for the month of May talking to key growing partners about a variety of essential oils. May - July is a key harvest period for many oils and we’ll be in the field as usual ensuring we maintain the highest quality oils and most competitive prices. A full update will be in our next market report including new product highlights.