flavorchem® & orchidia® fragrances

RAW MATERIAL MARKET FORECAST

Q4 2024

Contents

Overview

Heading into the end of 2024, inflation continues to subside with the potential for a steady stream of interest rate cuts in the US. The August consumer price index for food showed a modest improvement, with annualized inflation averaging 2.1%. Notably, the gap between at-home dining (0.9% annualized) and dining out (4.0% annualized) persists. Energy prices have also fallen for four consecutive months, driven by a decrease in gas and fuel oil costs.

The potential downside of reduced interest rates is the devaluation of the dollar against the Chinese Yuan. This trend could raise prices on imported food chemicals from China. The past quarter has not produced much change in crop-based raw materials.

The largest wildcard for production in the US market is the impact of the east coast port strike. A brief strike might lead to a slight increase in spot prices, whereas a longer disruption could drive up the costs of imported raw materials well into the first half of 2025.

The European Central Bank has reported a decline in inflation to 2.5%, with a forecast of 2.2% for 2025. This moderate inflation outlook is expected to be influenced by food and energy prices. Concurrently, the Bank is revising its GDP growth targets down to 1.3% for 2025 and 1.5% for 2026.

Logistics

We are seeing impacts in this space both internationally and domestically. Currently, there is a shortage of containers and space on sea freighters, causing delays to shipments from origin. Some vessels are still being rerouted due to safety concerns in certain disruptive areas. While there has been some relief in container pricing, we are still far from where rates were last year around this time. In addition, we have uncertainty around the impact due to the duration of the east coast port strike on October 1st. Predictions have been made that vessels arriving in the final weeks of September may be delayed by 1-2 weeks on receipt in the port due to congestion and the impending lockout strike. Each day of the strike is predicted to take weeks to reset to normal supply chain flow by the carrier DHL.

Packaging

Higher than expected export sales in conjunction with weather-related industry disruptions have led to a continued increase in resin pricing since our last report. We are seeing manufacturers raising prices to accommodate this increase now. Regarding steel pricing, we are seeing this favorably impacting drum manufacturers. However, corrugated pricing is gradually rising due to increases in energy, raw material, and transportation costs.

Vanilla/Vanillin

- Vanilla Beans: Cyclone activity in Madagascar was less destructive than originally anticipated. Crops were spared while roads and infrastructure took the most damage. This leaves favorable prospects for bean prices on the 2024 crop.
- Vanillin/Ethyl Vanillin: The US and EU markets are undergoing investigations for anti-dumping and countervailing duties on Chinese imports for both Vanillin and Ethyl Vanillin. Overall, the markets appear stable with no issues of availability. Ethyl Vanillin has seen a bit of an extended lead time and a 3-5% increase in pricing over the past few months from increased raw material costs. Due to the complexity of this situation, we cannot comment definitively on the likelihood of anti-dumping duties being adopted and priced into the market.

Citrus

- Orange oil: The Brazilian crop estimate was reduced and is now at 20% of the originally expected yield due to dry weather, elevated temperatures, and citrus greening. We are seeing a firm price currently with no expectations of it softening.
- Lemon oil: Processing in Argentina is in full swing and carryover stocks coupled with current yields are expected to leave us with stable future pricing.
- Lime oil: This remains at an elevated price due to poor crop availability during the current winter months in Brazil. The current limited fruit supply coupled with less processing capacity, due to orange processing, will leave the market short until at least mid-November.
- Grapefruit/Tangerine/Mandarin: We expect that pricing will remain stable with total output for 2024 being in line with that of last year.

Alcohol

- Corn prices are currently stabilizing ethanol prices, but transportation costs play a significant role in driving those prices.

PG/DPG

- We have seen higher spot and contract prices over the past few months as inventories have remained low due to production outages. Producers are expected to increase operations in September to alleviate this stress.

Cocoa/Coffee

- Cocoa has continued to be priced at elevated levels due to poor yields from Ghana and Côte d'Ivoire which comprise 70% of global production. We expect this to continue into 2025 and beyond.
- Coffee has yet to see any improvement in the market with droughts still wreaking havoc on supply from the largest growing regions globally. We do not see any improvements over the next few months.

Starches/Sweeteners

- Sugar stocks at the end of 2024 are higher than anticipated. This was a result of higher crop yields domestically and lower than normal exports. This will be adjusted in 2025 by the USDA and pricing is expected to stabilize over the coming months.
- Aspartame/Monk Fruit/Sucralose: Pricing has decreased to low levels and is expected to remain flat for the second half of 2024. Monk fruit prices have remained low despite rising demand; however, heavy rainfall is expected to affect the harvest and availability of raw materials, leading to anticipated price increases in the coming months. Sucralose prices remain stable and low for now, but Chinese producers are preparing for substantial price increases for 2025 materials. Significant increases are expected.

Starches/Sweeteners Cont.

- Maltrin: Availability remains in an acceptable position for both import and domestic materials. We expect pricing to remain stable.
- Dextrose: Pricing is expected to remain where it currently is with no issue of availability.
- Corn Starch: We are beginning to see pricing stabilize and expect this to remain until the end of the year.
- Gums: Xanthan gum continues to be overstocked in the US and pricing remains stable domestically. For Gum Acacia, availability and pricing is stable for now but can change if the geopolitical climate worsens in its growing regions.

Essential Oils

- Mint: Overall production and carryover stocks will provide a good supply of Mentha Arvensis Oil for the remainder of 2024 and into the start of 2025.
- Chamomile: Availability and pricing remain stable.
- Citronella: Both Chinese and Indonesian materials have experienced price increases since the last report, driven by heavy rains and the prolonged period of low pricing, which has prompted farmers and distillers to shift towards more profitable crops. A strong demand and limited supply will result in firm pricing for the rest of the year.
- Eucalyptus: Over the past month, we've observed a slight increase in pricing, and we anticipate that it will remain stable for the rest of the year. Producers tend to be cautious during periods of price downturns, such as the one we've recently experienced. However, this recent uptick in prices is likely to encourage greater production, helping to stabilize the market.

Essential Oils Cont.

- Lemongrass: We are beginning to see pricing level off after a 30% price increase since the beginning of 2024. While it is expected to remain in this area, there is a possibility of further price increases.
- Nutmeg: We see that pricing is stable after a brief increase. This is expected for the rest of 2024.
- Soybean Oil: Pricing is expected to remain consistent for the remainder of the year.
- Rose Oil: Since our last report, the market has stabilized, and we expect this to continue until 2025.
- Patchouli Oil: Unfortunately, the expected harvest did little to alleviate the ongoing supply issues and soaring prices. The lack of global reserves to offset these shortages, combined with crop and soil damage from adverse weather conditions, has led to a doubling of prices in recent months. Farmers and distillers are struggling to meet the high demand, as they cannot bring enough product to market.

Thank you!

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