flavorchem® & orchidia® fragrances

RAW MATERIAL MARKET FORECAST

Q1 2025

Contents

Overview

Looking forward into 2025, global politics are poised to have a larger impact on economics than we have seen in recent years. Overall inflation was up only slightly at 2.7% which puts the assumption of regular rate cuts in jeopardy. The November CPI for food ticked up to 2.4% overall with food at home at a reasonable 1.6% and food away from home at more than double, 3.6%. The largest contributors to food inflation are meat and eggs at 3.8% and nonalcoholic beverages at 2.8% while items like cereals and bakery products are 0.5% deflationary. Energy prices are continuing to decline from a year ago, however higher housing and transportation costs are keeping consumers from realizing real wage gains.

The political landscape in the US is starting to absorb the potential impact of a Trump presidency and tariffs that would affect Chinese goods while potentially helping European exports. Any resulting inflation would slow rate cuts. In addition to trade policy, supply chains are watching the conclusion of the suspended east coast port strike that could revive on January 15th if an agreement on automation is not reached.

The combination of trying to bring in materials before a potential strike and potential tariffs has ocean freight near full capacity. The past quarter has not produced meaningful change in crop based raw materials which should otherwise be stable in the next quarter.

The European Central Bank is reporting inflation declining to 2.3% with a forecast for 2.1% in 2025. Food inflation and energy inflation are projected to drive the future moderate inflation forecast. In tandem with lower inflation, the European Central Bank is also lowering GDP growth targets to 1.1% for 2025 and 1.4% in 2026.

Logistics

There are multiple international challenges currently with sea freight and logistics. The negotiations with east coast port laborers are still ongoing. If this is not rectified to both parties' satisfaction by January 15th, another strike will occur. Additionally, the Chinese Lunar New Year will also begin in late-January. Both situations are leading importers to bring material in early to avoid these delays at the port. Due to this, there is a significant increase in container space demand which will cause rates to increase. For now, these increases are minor but have the potential to continue their upward trajectory.

Packaging

We have begun to see manufacturers decrease pricing on resin-based items. Regarding steel pricing, we have not seen any major movement. Corrugated pricing is gradually rising due to slight increases in energy, raw material, and transportation costs.

Vanilla/Vanillin

- Vanilla Beans: Madagascar crop yields plus excess supply from previous crop cycles have contributed to favorable pricing in the short term.
- Vanillin/Ethyl Vanillin: The US has implemented a 27.33% countervailing duty on Vanillin (synthetic & natural) and Ethyl Vanillin. Within the first week of 2025 there will also be judgement on the antidumping duty. We are seeing pricing increase steadily and quickly as the market adjusts itself to the new Chinese-origin pricing. We expect this to continue until all duties are finalized. We expect availability from origin to be tighter than normal due to buyers importing as much material as possible before all duties are in effect.

Citrus

- Orange oil: Current predictions are showing a strong possibility that the Brazilian crop yield will be less than the previously thought. Poor environmental conditions continue to wreak havoc on crops in Brazil and abroad. Global pricing has continued to increase with companies resorting to hybrid orange oil products to replace them. Unfortunately pricing on those replacement items has increased heavily, with both sets of items remaining at elevated levels for at least the next few months.
- Lemon oil processing has concluded, and pricing is expected to remain firm throughout 2025.
- Lime oil is seeing a depression in pricing due to improved availability and a fresh crop going into processing.
- Grapefruit/Tangerine/Mandarin: Pricing and availability are expected to remain stable for each respective quality. White Grapefruit Oil continues to be difficult to source.

Alcohol

- Corn pricing continues to keep Ethanol in a stable price range but is influenced heavily by transportation costs as a price driver.

PG/DPG

- Pricing is expected to be stable or slightly higher over the course of Q1.

Cocoa/Coffee

- Cocoa is still an issue in the marketplace with expectations of increasing prices remaining throughout 2025.
- Coffee has continued to have poor crop yields due to drought and the marketplace is following suit. Prices are at 47-year highs with Arabica beans up 70% and Robusta beans at one point doubled in price. A combination of steady demand and speculators in the market will keep the prices high and volatile for the foreseeable future.

Starches/Sweeteners

- Sugar pricing is expected to remain stable due to good production yields. The USDA has estimated 2025 ending crops to be at 13.5% compared to the 16.9% currently which means that we will have a balanced market that will slowly tighten availability as 2025 goes on.
- Aspartame/Monk Fruit/Sucralose: Aspartame pricing has stabilized, and we expect that to continue. Monk Fruit pricing has begun to increase and will continue to do so as there is strong demand with heavy rains impacting harvesting yields. Sucralose manufacturers have aligned, and we are currently seeing major increases in pricing from major Chinese manufacturers. We expect pricing increases to continue into January 2025 to maintain a stable market and supply.

Starches/Sweeteners Cont.

- Maltrin: We do not see or expect any increases in pricing or issues with availability.
- Dextrose: We have seen pricing and availability remain the same as in our previous report and expect this to continue.
- Corn Starch: Domestic availability remains in an advantageous position with pricing following suit. We expect stability on this through Q1.
- Gums: Xanthan gum is overstocked in the US and pricing is remaining stable domestically. For Gum Acacia, availability and prices are staying stable for now but can change if the geopolitical climate worsens in the growing regions. There is an expectation that pricing could rise slightly in H1 2025 due to this reason.

Essential Oils

- Mint: Supply of oil remains in an acceptable position for the beginning of 2025.
- Chamomile: Availability and pricing remain stable.
- Citronella: We have seen firm pricing and availability in the market and expect this to continue.
- Eucalyptus: Unfortunately, we have seen production in China decline due to a weak demand and competition with Camphor Wood Oil to produce Eucalyptol. Farmers do not have enough incentive to collect and distill the leaves, so demand will continue to drive this current situation.
- Lemongrass: Prices have stabilized over the past few months but expect stable to very slight increases in Q1.

Essential Oils Cont.

- Nutmeg: We have seen slight price increases but expect this to level off and remain at the current level. No issues with availability.
- Soybean Oil: Pricing is expected to remain stable over the next few months.
- Rose Oil: The market is currently stable for this item.
- Patchouli Oil: Unfortunately, the anticipated harvest did not ease its poor availability and heightened price. The absence of global stocks to compensate for shortages, coupled with damage to crops and soil from adverse conditions, has doubled pricing over the past few months. Farmers and distillers cannot get enough material into the market to match the demand.

Thank you!

www.flavorchem.com | info@flavorchem.com | sales@orchidia.com

Headquarters
1525 Brook Drive
Downers Grove, IL 60515
(630) 932-8100

West (USA)
271 Calle Pintoresco
San Clemente, CA 92672
(949) 369-7900

Europe
Vasút utca 42 H-2144
Kerepes, Hungary
+ 36 28 509 105

Asia
Room 212, Floor 2, 696 Weihai Road
Jing'an Dist, Shanghai, China, 200041
+86 216 154 5903