

RAW MATERIAL MARKET FORECAST

QUARTER TWO

APRIL 2025

Agenda

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Introduction

Overview of the main objectives

The volatility in Q1 has shed light on key risk areas for procurement. US tariff policies have introduced significant uncertainty, particularly concerning goods sourced from Mexico and Canada. The next deadline for updates regarding both countries is April 2nd. The situation is becoming clearer regarding the wide range of Chinese-sourced materials currently subject to a 20% tariff, with little expectation of a reduction in the near term.

Overall, inflation increased modestly to 2.8%, putting the expectation of regular rate cuts in question. The February CPI for food rose to 2.6% overall, with food at home increasing by a moderate 1.9% and food away from home seeing a sharper rise of 3.7%. The biggest drivers of food inflation were meat and eggs, up by 7.7%, and nonalcoholic beverages, which rose by 2.1%. While energy prices remain stable, higher housing and transportation costs are preventing consumers from experiencing real wage growth.

Consumer confidence is now at a 29-month low in March, down 22% from December. Given the large portion of the US GDP driven by consumers, recession is becoming more likely. The potential for recession, driven by US market uncertainty, is now between 25-40% according to Polymarket.

The European Central Bank is concerned that US tariffs could negatively impact the Eurozone, driving inflation up by 0.5% in 2025 and slowing GDP growth to just 0.9%. As of now, most of these trends are expected to reverse as trade policy gets ironed out.

Supply Chain Management

→ Logistics

Now that we are past the port strike and Chinese Lunar New Year, we are seeing Sea Freight returning to a more normal state. Transportation costs are beginning to stabilize with containers and freighters becoming more readily available.

→ Packaging

Manufacturers have made slight reductions in pricing for resin-based products. Steel prices have remained stable, though tariffs on items like steel sourced from Canada for the US market continue to pose a potential risk. Meanwhile, corrugated pricing is still gradually rising, driven by small increases in energy, raw materials, and transportation costs.



Aroma Chemicals and Solvents

→ Vanilla

- Vanilla Beans - Madagascar crop yields, coupled with an excess supply from previous harvests, have contributed to favorable pricing in the short term.

→ Vanillin

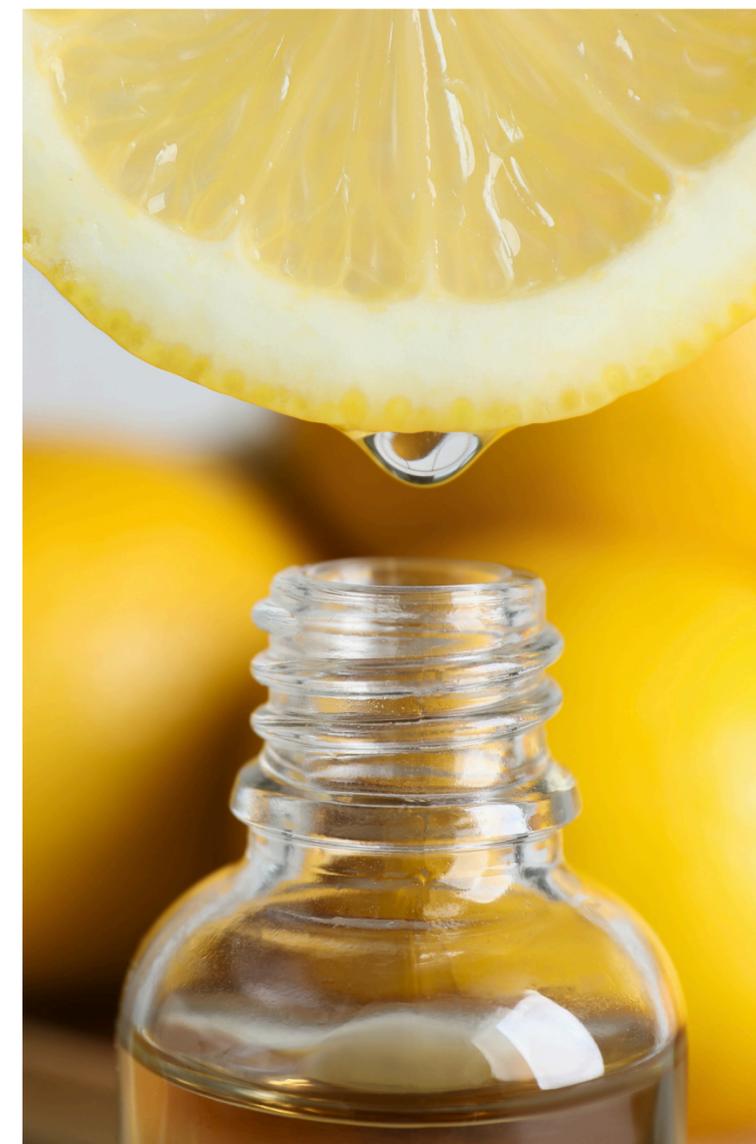
- Vanillin/Ethyl Vanillin - The first phase of the Countervailing Duty has been established and is currently in effect, with the final phase set to be implemented in late July. This has caused a surge in pricing from all the major producing regions outside of China. Availability has been a minor concern, with manufacturers occasionally withholding material for months at a time. However, it appears the industry is starting to recover from the panic buying that took place earlier this year and late last year. We expect pricing to remain at elevated levels for the remainder of 2025 and into 2026.



Aroma Chemicals and Solvents

→ Citrus

- Orange Oil - Final updates on the 2024 Brazilian crop showed a 3.4% increase in yield compared to what was expected. We are seeing juice concentrate prices easing with the expectation that cold pressed oil pricing will remain flat until the 2025 crop enters the market in May/June, which may cause a slight decrease in pricing along with more availability. The US has seen a sharp decrease in yield estimates due to unfavorable weather back in October. Current growing conditions are favorable in Florida with hopes that the yield will be better than expected. Mexico has had severe drought situations in the northeastern growing region, with total output being 40-50% less than last year. The mitigating factors in this situation include a significant reduction in fruit drop and a decrease in demand for fresh fruit, resulting in the amount of fruit available for processing being within approximately 10% of expectations.
- Lemon oil pricing is expected to remain firm and climbing throughout 2025 due to a healthy demand and supply. With virtually zero carry-over stock at origin, all processors are providing fresh oil to the market.
- Lime oil has been stable as both origins are not processing fruit currently. Slow demand is currently holding the market in check. Both Mexico and Peru will begin processing again in June and we expect to see pricing ease as availability increases.
- Grapefruit/Tangerine/Mandarin - Processing for Red and White Grapefruit Oils are decreasing due to shrinking demand and a higher return on investment by selling fresh fruit. Tangerine and Mandarin remain readily available.



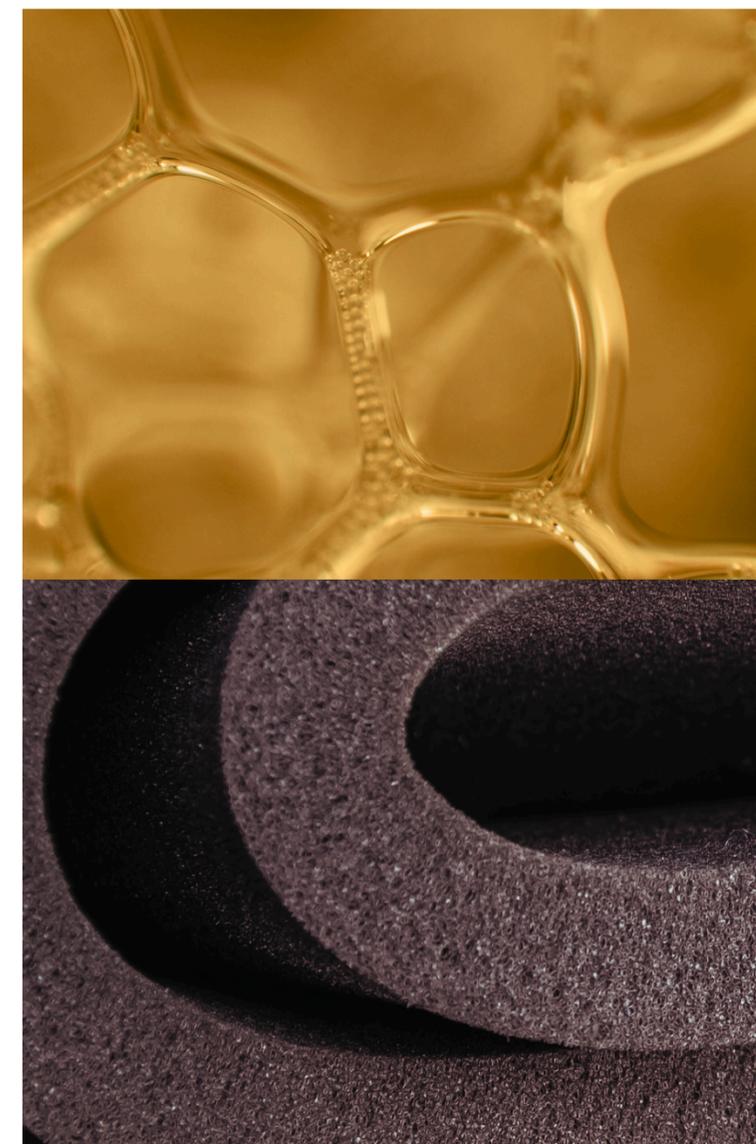
Aroma Chemicals and Solvents

→ Alcohol | Cis-3 Compounds

- We continue to see pricing on corn stabilize the Ethanol market. The Cis-3 market has improved over the past year and continues to be favorable.

→ PG | DPG

- Pricing is expected to be stable or slightly higher over the course of Q2.



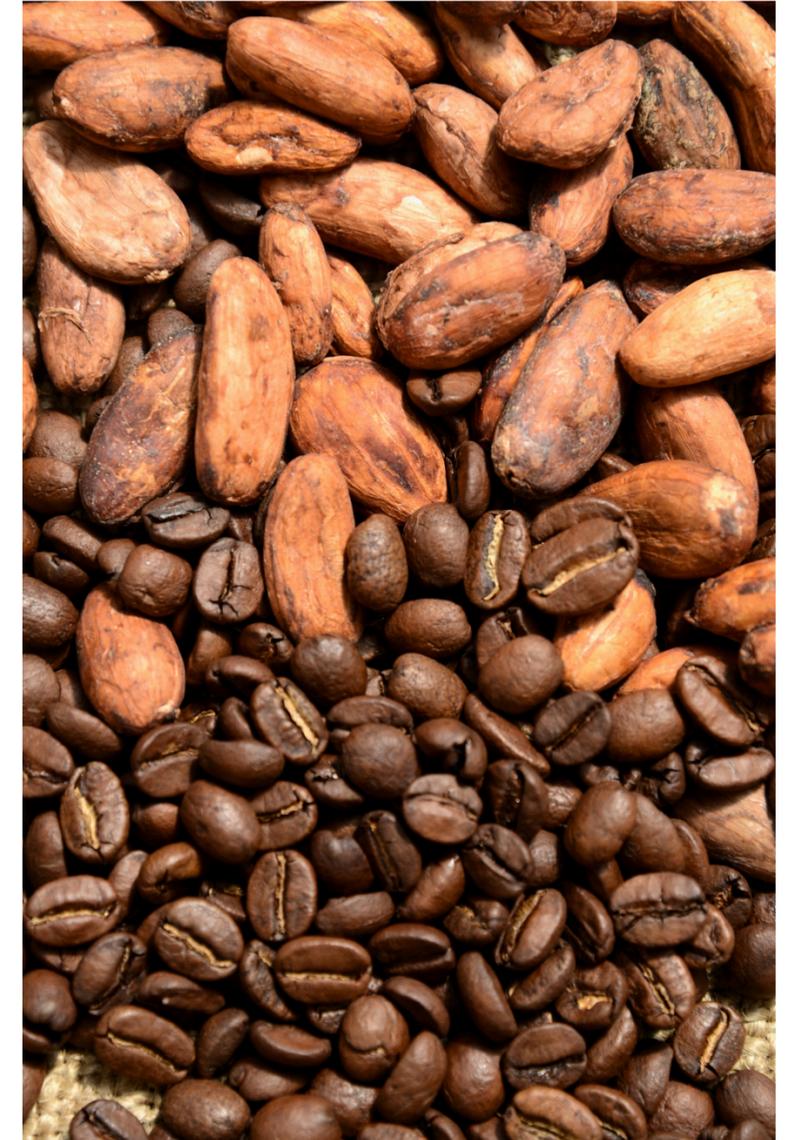
Cocoa | Coffee

→ Cocoa

- Cocoa is highly volatile and still trading at historically high levels. We have seen a slight dip in pricing which we do not expect to continue. The dip is likely the exit of speculative buyers, not a structural improvement in the market. On average, the market is covered for about six months. It is recommended to secure the next 7-8 months of supply now and plan to cover 2026 volumes once stock levels are replenished in the second half of 2025.

→ Coffee

- Coffee-growing regions in Brazil and Vietnam have faced severe droughts over the past two years, leading to a material shortage that is expected to persist into 2026. Additionally, adverse weather events in other coffee-producing regions, such as Mexico, Central America, and South America, are further exacerbating the supply decline. Farmers are also struggling to find labor, which has led to higher wages. Combined with increased operating costs, these factors are driving prices upward. As a result, we anticipate continued price increases throughout 2025 and into 2026, with pricing expected to rise in both Q2 and Q3.



Starches | Sweeteners

→ Starches

- Sugar prices have softened since December, driven by larger-than-usual carryover volumes from last year and a strong harvest. Steady demand has helped maintain price stability.
- Aspartame/Monk Fruit/Sucralose - Aspartame pricing has continued to be stable. Monk Fruit pricing remains on a slight upward trajectory due to high demand and poor supply. Sucralose pricing has hit a point where we believe it will remain flat or increase slightly over the course of Q2.
- Maltrin - Pricing and availability remains optimal.
- Dextrose - We expect the market for Dextrose to continue to be stable.

→ Sweeteners

- Corn Starch - Domestic availability remains in an advantageous position with pricing following suit. We expect stability on this through Q2.
- Gums - Xanthan gum is overstocked in the US and pricing has remained stable domestically. For Gum Acacia, availability and prices are 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 Q2 2025 due to this reason.



Essential Oils

- Mint - This year we did not see the normal price increase in January to encourage farmers to plant more. Due to this, farmers may decide to plant less since there is less return on growing and processing. We will not know for certain until the end of March. Carryover stocks of natural oil are negligible. The market for this item has the potential to increase over the remainder of the year.
- Chamomile - We expect the market to remain stable.
- Citronella - Pricing for both Chinese and Indonesian materials has started to firm. Chinese stock remains low, while heavy rains in Indonesia have disrupted collection and processing. We expect prices to remain elevated until Q3, when improved weather conditions will allow fresh material to enter the market.
- Eucalyptus - Pricing has decreased slightly since the beginning of the year, but this decrease has discouraged farmers from processing and will most likely be short-term.
- Lemongrass - We have seen pricing and processing react hand-in-hand with each other. As prices drop, so does cultivation, and vice versa. We expect pricing to remain fairly stable until the next processing season.
- Nutmeg - A decrease in pricing has been experienced in the market but is not expected to remain for the whole year as demand begins to pick up later in 2025. Now is a good time to cover yearly needs.
- 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 - After a period of continuous price increases, pricing is gradually decreasing, driven by expanded cultivation areas and stable demand. We anticipate this easing in prices to persist throughout 2025, though we must remain cautious of potential price volatility caused by early-harvested, lower-quality oil and local growers strategically restricting material flow into the market.





THANK YOU

FOR YOUR ATTENTION

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