



flavorchem®

&



orchidia®
fragrances

RAW MATERIAL MARKET REPORT



Q2 2022

Contents

- Overview
- Alcohol
- Citrus
- Cocoa/Coffee
- Essential Oils
- Logistics
- Packaging
- PG/DPG
- Starch/Sweeteners
- Vanilla/Vanillin



Overview

Raw material buyers hoped that prices would stabilize by the end of the first quarter but unfortunately, they haven't. Many raw material suppliers took price increases throughout 2021 while Flavorchem locked in pricing on many items allowing our customers to benefit from stable prices throughout 2021.

Hopes that prices would stabilize around Q1 levels are not being realized, as starches, sweeteners and commodity related items like orange oils continue to experience price inflation.



The Russian invasion of Ukraine has had a limited negative impact on availability with largest raw material impacted being sunflower oils. Rising energy prices are continuing to affect all supply chain and logistics costs which adds to the ongoing inflationary environment. The 12-month inflation index for food is up from 6.3% at the end of 2021 to 7.9% at the end of Q1 which is indicative of accelerating inflation both in the overall food index and the food at home category which has risen from 6.5% to 8.6%¹.

¹US Bureau of Labor Statistics



Logistics issues may be further complicated by negotiations for the Pacific Coast Longshore Contract which is set for renewal in July. This contract was last extended in 2017 and any potential work stoppage could set back port recovery to 2023.

In Europe, the supply chain pressure as measured by Bloomberg Economics' supply indicators, saw pressure accelerate beyond 2021 levels in the US and are now poised for another spike due to energy and wheat import restrictions from Russia while the war in Ukraine continues.



- In addition, COVID lockdowns in China are further restricting the flow of goods leading to additional inflation and volatility.
- We will continue to monitor these economic issues to determine how they will impact prices for the rest of the year.
-

Alcohol



- After large pricing increases in 2021, ethanol has stabilized while cane sugar alcohol is set for another Q2 increase. Leaf alcohol (Cis-3 Hexanol) supply continues to be tight and is not expected to ease until Q3 at the earliest.

Citrus



- Orange oil prices spiked due to reduced volume of oranges available for processing both in Brazil and Florida. Availability continues to be tight and spot purchasing rates are still climbing in Q2.
- Lemon oil has been stable and is expected to be flat in pricing throughout 2022.

Cocoa/Coffee



- Cocoa has come down from its 12 month high in January but still remains significantly higher than one year ago. Key factor for Cocoa to stabilize in pricing continues to be long lead times and availability.
- Coffee futures has seen its value surge more than 80% in 2021. The blame for the coffee spike falls in large part on severe drought and unusual frost conditions in Brazil, the world's largest supplier of coffee beans. New Crop availability in May could bring downward pressure on pricing which currently remains near its 5 year high.

Essential Oils



- Mint- Pricing has stabilized at current levels and may decrease if the current menthol pricing further deteriorates when the new oil hits the market in June.
- Chamomile- Good year of production and stable pricing
- Citronella- Pricing continues lower to flat despite lower outputs
- Eucalyptus- Crops are favorable but production processing costs driven by coal are leading to increases
- Lemongrass- Low crop yields and high demand are driving prices up significantly
- Nutmeg- Decreased crop output due to pests is limiting availability and driving prices up
- Soybean Oil- After a correction in Q2/Q3 of the previous run up in pricing, soybean oil is again near historic highs.

Logistics



- While Ocean freight is seeing some recent retreats from the historic highs of last year, the current index (from Drewry Supply Chain Advisors) remains 67% higher than the same time one year ago and nearly triple the 5 year average.

Packaging



- Resin pricing as well as labor shortages have hit multiple packaging suppliers which have implemented several price increases over the past 12 months, however prices are now stabilized and expected to remain flat for 2022.

PG/DPG



- Propylene Oxide (PO) is still very tight and pricing is still increasing but at a slower rate than over the past 12 months where it more than doubled. We expect pricing to stabilize after Q2.

Starches/Sweeteners



- Sugar pricing is stable but still near historic highs which is up 32% from one year ago.
- Aspartame/Monk Fruit/Saccharin/Sucralose- Pricing outlook has stabilized in Q2 after increases all the way through Q1.
- Maltrin- Demand is continuing to drive price increases but a slowing rate of increases is possibly indicative of stable prices later in the year
- Dextrose- Demand for dextrose has grown faster than supply leading to further price increases at the end of Q1 with more possible in Q2
- Corn Starch- Limited exports to China have kept prices from rising higher than current levels but any further reduction in pricing of corn could cause a larger buy from China which would ramp prices back up. New Crop in Q3 will potentially stabilize or lower pricing.

Vanilla/Vanillin



- Vanilla Beans- Pricing is stable and not expected to move much until the green bean market for vanilla beans opens in July. With some drought conditions in Madagascar, it is presumed the pricing will be level to slightly up.
- Vanillin/Ethyl Vanillin- After a large run up in pricing through Q1, prices are now stabilizing but not expected to decrease in Q2 until further declines in ocean freight are realized.

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