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RAW MATERIAL MARKET FORECAST

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Q1 2024

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Overview

Happy New Year! Inflation in 2023 was tamed in the US with the help of the Federal Reserve rate increases which are expected to reverse at a slow pace in the latter half of 2024. The consumer price index from the past twelve months averaged 2.9% for food, with a disparity between food at home at 1.7% and food away from home at 5.3%. Energy prices in the form of natural gas and oil are benefiting from a warm winter and non-OPEC members offsetting OPEC member production cuts. Based on an overall drop in energy prices that started in October, consumers and manufacturers should benefit from lower inflation in the first quarter of 2024. This is evidenced by an increase of 0.4% in disposable personal income in November. Crops are still a mixed bag of good and bad news. On the positive side, US sugar beet harvest was so large it could not all be harvested.

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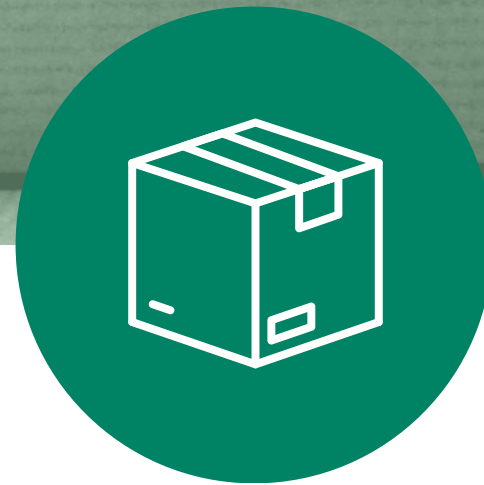
On the negative side, there are continuing issues with cocoa production due to a 25% drop in harvest in areas like the Republic of Côte d'Ivoire, Ghana and West Africa that produce 70% of global supply. The European Central Bank is also predicting a reduction in inflation from 5.4% in 2023 to 2.7% in 2024. A key issue to watch in Q1 is consumer optimism fueled by lower energy bills. In addition, any indications from the Federal Reserve that inflation has been mitigated to the point where rate decreases make sense could give consumers additional borrowing power that would increase demand for processed food.

Logistics



While fuel prices have been dropping since October, the containerized freight index reported by [Tradingeconomics.com](https://www.tradingeconomics.com) jumped 74% during the month of December due to a spike in global demand. It may take a month or two for supply and new workers to catch up to this incremental demand.

Packaging



Resin pricing in Q1 is projected to grow modestly with an increase of two cents per pound in January compared to December rates in polypropylene. This is driven by growing global demand. Corrugate pricing in Europe and the US are holding flat after improvement in the index during Q2 and Q3. The Producer Price Index for metal products including steel drums and pails is holding flat since improvement in the index in Q3.

Vanilla/Vanillin



- Vanilla Beans- Pricing going into 2024 is positioned to improve as the current inventory levels are historically high and new/cheaper competition from Uganda and Indonesia are putting price pressure on the market leader, Madagascar. In addition, crop yields are also up significantly from 2018 when prices peaked.
- Vanillin/Ethyl Vanillin- More competition is pressuring prices slightly downward from the highs in early 2022.

Citrus



- Orange oil- Low inventory is maintaining historically high prices and will continue through this current crop cycle.
- Lemon oil - Pricing has flattened after a slight uptick in pricing due to reduced crops.
- Lime oil - Pricing continues to stay inflated due to high demand and tight inventory levels.
- Grapefruit/Tangerine/Mandarin- All are seeing firm pricing driven by reduced production.

Alcohol



- Ethanol is stable as improved transportation costs are offset by increasing demand.

PG/DPG



- Propylene Oxide (PO) - Inventory levels are now matching demand and slight increases are hitting the market from recent lows hit in Q4.

Cocoa/Coffee



- Cocoa - Pricing is up 85% since November 2022 and the impact is starting to show up in reduced candy demand over Q3/Q4. As noted above, the reduced output from Africa is likely to maintain the high prices throughout most of 2024.
- Coffee – Crop from Columbia and Brazil are still seeing escalating prices as Brazil continues to suffer a poor crop due to drought and there is a spillover effect on pricing from other regions.

Starches/Sweeteners



- Sugar - Pricing has lowered to reflect strong sugar beet harvest results in the US. While good news, it is still up over 150% from May 2020 levels.
- Aspartame/Monk Fruit/Sucralose- Aspartame pricing is trending down in the short-term and Monk Fruit is benefiting from a strong harvest. Sucralose is at a low point in pricing and holding but may bounce back due to stronger demand after Q1.
- Maltrin- Supply is pushing prices slightly lower going into Q1.

Starches/Sweeteners Cont.



- Dextrose- Pricing climbed during Q4 but should see a reduction in 2024 as demand eases.
- Corn Starch- Corn prices have stabilized at current levels and some relief is expected from high Q4 levels.
- Gums- Xanthan gum supply is increasing which is leading to some improvement in pricing. Gum Acacia inventory is still tight from the ongoing conflict in Sudan and will continue to hold at the current high price levels for at least Q1.

Essential Oils



- Mint- While Q4 was low, pricing is expected to stay suppressed into Q1.
- Chamomile- Good year of production and stable pricing.
- Citronella- Reduced supply starting to drive price increases.
- Eucalyptus- Steady supply and weak demand are bringing the pricing down slightly.
- Lemongrass- Poor crops are holding the market tight.

Essential Oils Cont.



- Nutmeg- A small increase is expected going into 2024.
- Soybean Oil- Soybean pricing is holding steady into Q1 due to strong production.
- Rose Oil- Reduced production due to lower yields will drive prices up as a reaction to previous years lower pricing that drove farmers out of the market.
- Patchouli Oil- Pricing is rising in Q1 due to a global shortage coupled with plant disease.

Thank you!

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