

MARKET OUTLOOK – JUNE 2012

Dear All,

The major macro-economic- political facts that guide consumption and prices:

- The major facts: The European financial crises is still driving the attention of the markets and obviously reducing sensibly the demand of F&F raw materials, the demand has been quite weak in the period November 2011 to May 2012, with the lowest demand registered in April 2012. Timing would be now very favorable to buyers, but the uncertainty over European and USA economy's recovery remains great.
- The demand of emerging countries is reducing in speed, if compared to the booming period of 2011, and although forecasted to be still the driver for the consumption, over the next year the rhythm of growth may be reduced.
- Currencies: the Euro is, according to our opinion still far overpriced (currently 1,27/1) especially under the high probability of Greece exiting the euro zone. We consider it should be devaluated by at least 15% more, so close to an exchange rate of 1,10/1. USA and China are not looking too favorably at the appreciation of the USD against the Euro, but for the immediate it will be the only way for Europe to be able to recover its economy without setting the conditions for a revolution. A devaluation is the sole possible way to recover European competitiveness short term and will give an immediate a kick to growth. Buyers in USD currency may experience a decline in costs, whilst buyers in Euro may see cost more stable or rising.
- Weather and crops: during the last semester, generally, most of our F&F raw materials, based on good weather conditions worldwide, promise good yields in the next crops. Mint, Orange, Lemon, Pine oil and Turpentine are all having a positive output expectation, which, combined with the limited current demand, brings, as mentioned, a favorable moment for buyers.

As a consequence of the above factors, to our opinion, it is now a good moment to buy most of F&F products, such as the **Turpentine based products** which are now more competitive. Derivatives such as Dihydromyrcenol, Pinene, Camphor, Linalool, Linalyl Acetate, Isobornyl Acetate, Dipentene, Terpinyl Acetate, Terpineols MU , PG etc., have reached very attractive price levels.

Major Chinese Essential Oils and derivatives: Crop time of Eucalyptus, Eucalyptol, Star Aniseed Oil is nearing and prices are improving.

Indonesian Essential Oils and derivatives: Clove Leaf Oil, Clove Leaf Oil Rectified, Clove Bud Oil, Clove Stem Oil, Eugenol, Iso-Eugenol, Eugenyl Acetate, Patchouli Oil MD, Light & Dark are now all very attractively priced.

Whilst still remaining difficult and highly priced we see: **Nutmeg Oil and Citronella Oil.**

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All Indian Mints & derivatives: Menthol, Mint Arvensis: everybody is looking forward to the new crop, which is expected to be quite good, in order to fix new quantities. However, despite prices having been sensibly reduced from the peak reached in April, the market remains very nervous, and prices are still on the high side. Peppermint Piperita is not set for price reduction, as next crop will be short again.

Brazilian orange Oil/Limonene/ Orange Terpenes and all derivatives are now offered at prices sensibly reduced, if compared to three month ago, the forecast is currently favorable for buyers .

Lemon Oil and Lemon derivatives remain quite weak, prices fork between 14 and 18 USD/kg. , depending on quality; it is a good moment to book material.

Grapefruit Oil - Price is increasing, as well as for **Bitter Orange Oil!**
We have some stock in Europe, contact the office for booking material.

Guaiacwood Oil is short and prices are getting firmer, due to a drought affecting production and delaying obtaining CITES certificate for export. We have some CITES certified stock in Europe.

Moellhausen S.p.A. usually has all of the above specifically listed, as well as ca. 1650 other products in stock, in Europe or afloat and we invite our clients to contact our office for price and availability updates in order to secure material.

Kindly also refer to our website: www.moellhausen.com .

Best regards

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MOELLHAUSEN S.p.A.

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