

MARKET OUTLOOK – FEBRUARY 2011

Dear All,

Market prices continue to remain firm on a great number of raw materials and essential oils are breaking upward records.

The major macro-economic facts and events conditioning the prices over the next term are:

- The effects of the shortages accumulated in the second part of 2010, due to the climatic adversities which affected the major producing countries, such as China (droughts and flooding), Brazil (droughts), India (flooding), Indonesia (earthquakes, a tsunami and volcanic eruptions), Madagascar (flooding), and now also an Australian heavy flooding and hurricane, the Egyptian and, moreover, Maghreb political instability are rising new concerns.
- The internal demand for F&F raw materials in the emerging countries is still surging. According to the meeting held in DAVOS world economic Forum, this year we should expect emerging countries rising economies by 7%, USA by 3% and Europe by 2%. The consumption of F&F products is probably going to rise again consistently in 2011.
- The credit situation has slightly improved, compared to the second half of 2010, where the clouds of recession were over-shadowing European future and our central bank responded positively to the speculation over the economic crises of Spain, Ireland, Greece, at least for the time being. The FED in the USA has confirmed the program related to the new injection of liquidity to raise the stagnant economy. Only in China the interest rate on the Yuan has been slightly risen, in the attempt to cool down inflation.
- The currency war continues, and will definitely affect the price of all raw materials, as the US dollar tends right now to weaken (this week it reached 1,38 against Euro), and emerging countries producing their raw materials are adjusting the USD export prices proportionally to the USD devaluation.

As a consequence of the factors mentioned above, the following products remain in short supply :

Gum Turpentine and derivatives: the price of crude gum turpentine in February 2011 is around 4,200 USD m/ton, in August 2009 was around 900 USD per ton! Consequently, all derivatives such as Isobornyl Acetate, Camphor, Dihydromyrcenol, Beta-Pinene, Alpha-Pinene, Gamma Terpinene, Dipentene, Terpeneols MU & PG, Phellandrene will continue to remain very firm over the near future .

Chinese Essential Oils and derivatives: Eucalyptus (record high levels), Eucalyptol, Star Aniseed Oil, Anethol, all Mints and Menthols, Citronella Oil (record high level), Litsea Cubeba Oil , Natural Citral, Lavender Oil record high levels), Geranium Oil Chinese (taking the Egyptian quality in the surge), Garlic Oil .

Indonesian Essential Oils and derivatives: prices and quantities offered are improving a bit after having reached their highest level in December: Nutmeg Oil, Clove Leaf Oil, Clove Leaf Oil Rectified, Clove Bud Oil, Clove Stem Oil, Eugenol, Iso-Eugenol, Eugenyl Acetate , Patchouli Oil MD, Light & Dark, Citronella Oil.

All Indian Mints and derivatives: Menthol, Mints of all kinds and qualities remain firm.

Due to the scarce crop, Brazilian Orange oil and D-limonene, have reached the record high price level this weeks: from 8,90 to 9,50 USD /kg; Orange oil with FCC min 1,20 % Aldehydes is particularly scarce and offered at premium prices compared with the Orange Oil with Aldehyde max 0,90 % .

All Brazilian Orange derivatives have at least triplicated their market price level: we remind our clients that Oranges have been affected by drought and a short crop of only 272 M/boxes compared with the normal level of 335 M/ boxes, which, after a brief calculation leaves the world short of ca. 10,000 m/ tons of Orange Oil, D-Limonene, their derivatives and further down-stream derivatives such as L-Carvone etc..In Brazil the drought has as well reduced the production of Eucalyptus Citriodora Oil Brazilian which is also reaching new record levels .

Lemon oil: current situation of demand and supply is balanced; market price is stable for the time being.

Grapefruit oil: could run soon, (yes, again), into very big supply problems; worldwide crops are short, and particularly the Florida one .

To complete the list, the fine chemicals affected by high prices and short supply are: Eugenol, Iso-Eugenol, Carvacrol, L-Carvone, Aldehydes C-12 Lauric, C-11, C-10, C-8, Gamma Nonalactone, Gamma Decalactone, Gamma Undecalactone, Terpenyl Acetate, Styrallyl Acetate, Alpha-Hexylcinnamic Aldehyde, Geranium Oil Egypt, Cinnamic Aldehyde, Bacdanol, Linalyl Acetate, Linalool, Geraniol, Citral, Geranyl Acetate, Hydroxycitronellal, Citronellol, Natural Citral 96% and 92%, Para-cresol and, consequently, Anise Aldehydes.

In particular, this time we issue the "warning of extreme shortage" on the following items over the coming semester: Aldehyde MBDC (Lilial), Geranium Egypt, Blue Chamomile, Geranium China , Lavender Oils of all types, Orange Oil, D-limonene, Orange terpenes , and, in general, all Orange derivates, Citronella Oil, Litsea Cubeba Oil, Citral natural .

All flavours and fragrances containing the above mentioned products will suffer consistent price increases over the next semester, especially those related to Pine and Balsamic notes , Orange and Lemon notes , Lavender notes , Woody notes , Cloves , Geranium and Floral notes .

Moellhausen S.p.A. usually has all of the above specifically listed, as well as ca. 1200 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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