



# Australian Botanical Products

*Specialists in the chemistry of essential oils*

## OCTOBER 2008 MARKET REPORT

Our Purchasing Manger Erika Reeves has just returned from this year's industry conference in Montreal, Canada. The conference was attended by many sectors of our industry both in terms of products and origins.

The overall feel from the conference is that we are going through a period of genuine uncertainty in regards to price and availability of many products. Numerous essential oils remain on the shortage list. Increasingly short supply of raw material feedstocks affects the availability of many aroma chemicals fundamental to our industry as they become progressively more difficult to obtain. With this shortfall in products and the exchange rate movements against the Australian Dollar there has been a significant effect on raw material costs over the past 3 months.

ABP are working hard with our key growers and distillers to ensure the continuity of supply of your raw material requirements.

### LEMON OIL

The problems seen in the lemon market will continue into 2009. The weather seems to have had some impact on all origins over the past few years and it appears that this year's production will still be low, indicating that pricing will remain at higher levels

### GERANIUM OIL

Indications from China are that many of the traditional geranium farmers are moving to crops with a faster rate of return, indications are that they have switched to planting grapes for the rapidly growing wine industry.

The reduction of available oil from within China is increasing the demand for Egyptian Oil and the prices at both origins are continuing to firm.

### LITSEA CUBEBA

Adverse weather conditions have had a significant impact on the yield of berries in the current crop. This has resulted in a substantial reduction in available oil (some sources are indicating as much as 25-30% lower than usual), along with a significant impact in the supply of natural citral (its derivative). Prices are firming.

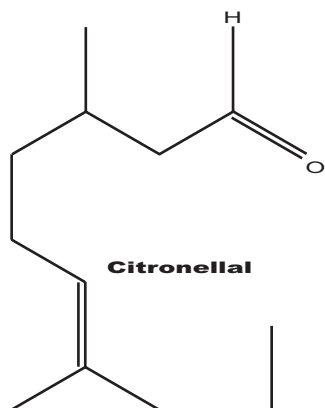
### ROSE OIL

Many origins planted additional fields of roses in 2008 and we were very hopeful that the volume of rose oil and absolute produced would be greater than the previous year. Unfortunately due to a reduction in available labour many of these blooms were not harvested and the amount of oil / absolute produced was lower than expected.

### LAVENDER OIL

In our last market report, we advised that the volume of lavender expected for the 2008 crop was comparable to the volume produced in 2007. Although the volume of the Bulgarian crop was of a similar quantity, the amount of oil produced at other origins is significantly lower than anyone expected and therefore worldwide production is not sufficient to meet global demand.

Unfortunately, we have heard that one of the side effects is that some commercial material is being marketed as an alternative to pure and natural Lavender oil.

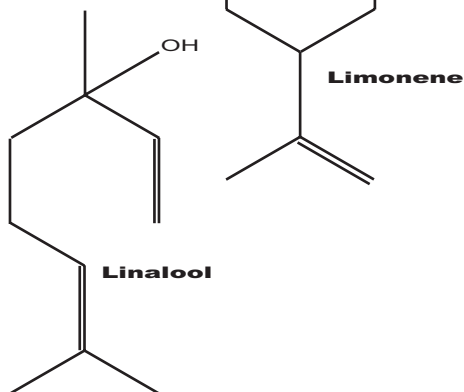


### AROMA CHEMICALS

A main producer of a key feedstock that produces many aroma chemicals has stopped/limited supply to downstream manufacturers which has in turn meant the supply of these key industry ingredients has become very difficult.

With the added pressure of the significant movement in the exchange rate many aroma chemical prices have increased by as much as 50% in the last 2 months.

The main topic of discussion around these chemicals was their limited availability.



### TEATREE OIL

The growers have been very reluctant to advise price and availability at this stage, we have had confirmation that the next harvests are due early-mid 2009. We do have some material available, but it is strictly subject to confirmation.

Organic Oil remains difficult but we have been able to obtain some product. Any interest in Organic material is also strictly subject to confirmation.

### PATCHOULI OIL

At last a product we can be positive about, the price of patchouli has reduced in recent weeks for the first time in over 12 months, the material appears to have gone through its traditional cycle. It is a good time to buy as the market can move from one extreme to the next quite rapidly.

We have just received fresh supplies of oil from our Indonesian distilleries, please contact us for pricing.

### IN SUMMARY...

Although this is a difficult time within the Industry, ABP are in a strong position and are hopeful that we can meet your requirements.

We have strong grower/supplier relationships and have developed strategic alliances with global businesses to support our supply base, not only in our traditional business areas, but also raw materials for the pharmaceutical and food / flavour industries.

