

When gazing into my “Crystal Ball” I recognize that conventional wisdom suggests that the overwhelming majority of the price increases experienced during 2011 should reverse, with those that have gone up the highest falling the fastest.

Contrary to this wisdom, we continue to see strength in the pricing for many essential oils. This is due to so many reasons that we wonder if the high prices represent a new normal. After traveling extensively in 2011, I see little carryover and a shared opinion among many producers of natural products that perhaps they have been undervaluing their products for decades.

Certainly, the internet has made it easy for all the participants in the supply chain, from farmers to consumer companies to gain accurate knowledge about the markets for specific products. With growers so well informed, and in many instances well financed, it is much easier for them to hold stocks in expectation of higher prices.

There is also a push by governments throughout the world to increase wages for laborers. Increases in wages are absorbed directly by pricing. As the citizens of the emerging growth countries consume more and more meat, there is an increased demand for grain as animals feed. This makes the farming of grain a credible low-risk alternate to producing essential oils.

This, of course, can be very tempting to producers. The more obvious reasons for increases, such as the continued weak US dollar versus many other currencies (though not the Euro), unpredictable crude oil prices, speculators in the market place, the WEATHER and probably above all else, the incredibly strong demand, continues to suggest that higher prices may be here for a while.



# Oleoresins

## Black Pepper

The black pepper market has increased, there appears to be no positive news from any worldwide sources of supply. Stocks in India are limited and all of the production is consumed domestically. However, this has been the norm for quite some time. The crop in Vietnam which will be available in February is already 80% sold out. The crop in Indonesia and Sri Lanka are smaller than in previous years. In the case of Sri Lanka, bad weather reduced the availability of light berries. This will have a negative effect on oleoresin black pepper processors going into next year. First and foremost we have cited in other reports that the global pepper market exceeds the current demand. According to the International Pepper Community (IPC) the world output of 310,000 tons vs. 316,000 tons in 2010. This is another reason why prices continue to increase.



## Capsicum

New plantings are well underway in all the major growing regions in India. Prices remain stable and in-line with the increases experienced in the latter part of 2010. We expect a better crop than last year but that doesn't necessarily assume lower prices as the demand is quite strong.



## Ginger

India is reported to have a slightly higher cultivation this year and the production in Nigeria is stable compared to last year, but the political situation in Nigeria is questionable. There is no carry over, the market price is stable.



# Oleoresins

## Paprika

In the spice arena, paprika is active and prices in India have elevated. Planting is complete in India and China and it is estimated that overall, 15% more paprika will be cultivated than last year. Presently, the price of low color paprika is stable; however, the price has increased considerably from 2010.



Higher color paprika continues to command a premium in the marketplace due to the higher consumption rates from the emerging markets. We think the weather will have the final word as all regions begin to harvest over the next 4-5 months! Once again, we cannot forget the weak US dollar versus the Indian Rupee. In the recent 2-3 weeks the US dollar has appreciated 7-8% against the INR.

## Turmeric

Turmeric is stable and the price is anticipated to decrease. It is reported that 20-25% increase in planting has taken place and the harvest volumes look promising. However, we are seeing robust demand and shortages in inventories in the United States. We recommend that you provide us forecasts to take advantage of the current market conditions.

