

June 2016

It seems many aroma chemical prices have reached their lowest points during Q2 of 2016. We are seeing prices increase due to various reasons:

- Chinese environmental concerns are affecting a lot of the smaller to medium sized producers
- Raw material costs are increasing after reaching extremely low levels
- Overall demand is good in the market. Additionally, as Asia continues to become a consumer market as well

We are also seeing strong demand on essential oils/naturals in the market. The word transparency has made all the way to the F & F business from the food world and we believe it is the dawn of a new age for the consumer. The millennials are the driving force in the marketplace currently and want to understand where things are from and how they are produced. This has affected the demand of natural aroma chemicals and essential oils in the same breath as both flavors and fragrances. Prinova can supply all your needs for essential oils and aroma chemicals.

AMYRIS OIL, HAITI

There is limited material available in the market currently. The global demand remains strong and supply remains tight. Our production remains fully committed, however, it may be a month or two before we can offer to new inquiries.

ANISEED OIL/ANETHOL NATURAL

The prices have recently increased due to availability of oil in the market. The market needs to be aware of the adulteration of Anethol Synthetic being added to either material. We expect prices to remain stable now as demand is good.

CARAWAY OIL, EASTERN EUROPE

The market remains stable as demand is normal. We expect more availability this summer and we should little movement in the price.

BENZALDEHYDE AND CASSIA OIL, CHINA

The prices are firming due to tight supply of production during the spring harvest. We expect numbers to continue upward as both items are very active currently.

CHAMOMILE OIL BLUE/GERMAN

The production season ended a month or so ago, and availability is good. Prices have decreased due to strong inventories and devaluation of the currency in Egypt. Production was less this year, but demand is currently weak.

CHAMOMILE OIL ROMAN, EUROPE

The market continues to be short of material and with production beginning soon, prices will remain firm. The reason is that most of this material is spoken for and there is no significant

production increase in France or Italy. We expect prices to remain at higher levels and nothing to change until 2017 at the earliest.

CINNAMON LEAF OIL, SRI LANKA

Prices have stabilized after the recent jump in April and May. We expect things to ease as production increases in Sri Lanka. The strong season for demand is the fall, and we will continue to monitor the market.

CITRONELLA OIL, CHINESE

Prices have been stable recently after a decrease since our last report due to lack of sales. China is trying to get more in line with Indonesian oil. Currently, prices from China are still higher than Indonesia but it is a lot closer than it was in April.

CITRONELLA OIL, JAVA

Prices have increased recently due to the currency appreciation in Indonesia. Demand has also increased due to prices from Indonesia being lower than the Chinese producers. Expectations are that prices will remain stable now as production has been very good recently.

CLOVELEAF OIL AND EUGENOL USP, INDONESIA

The prices are increasing slowly during this season as raw materials are in shorter supply than in previous years. We expect prices will continue to increase due to smaller crop. This year's production figures for the cloveleaf oil is around 4,000/mt as opposed to the 6,000/mt from 2015. The only other factor that we see as a potential issue is the IDR versus USD. We will also continue to watch the rainy season and how it impacts the production as well. We will have more info in the August report, so stay tuned.

CORIANDER SEED OIL, UKRAINE

Prices have come down from their highs in 2015 and have normalized at current levels. Production will begin in August and we will have to wait and see where prices go.

MENTHOL AND CORNMINT OIL, INDIA (MENTHE ARVENSIS)

In 2016, the crop size/area has increased by 20% as compared to the previous season/year. Additionally, this year's Mentha Oil is estimated around 36, 536 tons, approximately 20% more than last year. Those areas which have seen the decrease in crop cultivation in 2015 have grown significantly this year.

Arvensis Crop Survey (Comparison Between 2015-2016)

Mint Growing Area	Oil Production in MT				% Change in Production
	Year 2015 (A)	Year 2016 (E)	Year 2015 (A)	Year 2016 (E)	
Zone					Year 2016
Central U.P.	180	200	15,765	17,461	10.8%
East U.P.	65	86	5,358	7,314	37%
South U.P.	4.8	7.2	720	1,080	50%
West U.P.	51	66	5,001	6,139	23%
Rest U.P.	13	15.4	1,120	1,344	20%
Total - U.P.	314	374	27,964	33,339	19%
Bihar	14.0	16.8	1,225	1,470	20%
MP	12.0	14.4	900	1,080	20%
Punjab	3.8	5.8	432	648	50%
Grand Total	343	411	30,521	36,536	20%

CUMIN SEED OIL, EGYPT

The market has changed quite a bit from our last report in April. Prices for the seeds have sharply risen due this year's crop being short. Historically, prices are still lower than they were a few years ago, but we expect it to increase further in the coming months.

EUCALYPTOL/EUCALYPTUS OIL GLOBULUS, CHINA

The prices are increasing daily and it seems the availability in the USA and European markets is very tight, which is increasing the demand from China. The problem is that China isn't sitting on good stocks due to production problems faced this year in Yunnan Province due to the snow. We thought the seasonality of the product would allow some stocks to build up with the Chinese producers but it has not happened. The crude oil prices increase daily and factories that have stock are increasing their prices. Stay tuned on this one and be careful because we feel the prices could increase further.

EUCALYPTUS OIL CITRIODORA/LEMON

The prices are stable from both China and Brazil as demand is stable.

FIR NEEDLE OIL, SIBERIA

Production has begun and prices have come down since the high we saw during Q1 2016. We expect prices to remain at current levels as we go through this production season. We will continue to monitor the situation and keep you posted as production gets into the full swing.

FRANKINCENSE, SOMALIA

Prices should remain firm as the raw material continues to be the major issue for this material. As well, the demand for the product we believe has increased by a large amount in the various markets. We don't expect pricing to ease on this material.

GARLIC OIL, CHINA

The current availability of oil remains extremely tight. The production costs are very expensive these days due to the government increasing the amount of pollution control each factory must maintain. We expect prices to continue to increase as availability remains scarce.

CHINESE GERANIUM OIL

The production season is set to begin in August and expectations are for a good crop. The prices are firm due to availability of 7% Geraniol material in the market. The demand has been good among the traders in China which is causing a false demand in the market currently. We will know more as the summer oil becomes available.

GERANIUM OIL, EGYPT

The production season is set to begin next month and it seems speculators and farmers are trying to artificially increase the price before the new production begins. We expect things to stabilize this year due to the good size crop estimations. For now, prices are up a little at origin but inventories are very good in Europe and USA. We will update as the production season begins.

GINGER OIL, CHINA

Prices have been stable since the April production season. We have learned that the environmental concerns are going to force a lot of production to be halted and prices are expected to increase. We feel that fall production will be less due to the environmental concerns and the amount of potential fines factories could incur if they don't adhere to the standards in place. The prices should increase during the summer.

JASMINE ABSOLUTE EGYPT

The new crop begins next week and prices are currently stable. We expect prices to remain stable for the upcoming months.

LAVENDER OIL, BULGARIA

The crop expectations remain very good for 2016 production of a very large crop. It is still a little early to predict, as weather is the key. Weather has always been the defining factor, as it affects both size of crop and yield the farmers are able to receive from the Lavender. It seems

carryovers are not large, so even with a large crop prices could remain around current levels. Stay tuned until July and we will report live from Bulgaria.

LEMON OIL ARGENTINA

The crop began in Argentina in May, and expectations are good. It will be slightly smaller than 2015 and carryovers with some processors are small to non-existent. We expect prices to remain flat from Argentina as Lemon Oil from other parts of the world has been stable. There has been rain in Tucuman but it should not delay production too much. We will continue to update in the coming months and come back with more information as the summer progress.

LEMONGRASS OIL INDIA

The market is flat and expectations are that it will remain this way as demand is quite weak.

LITSEA CUBEBA OIL

Prices are currently stable and expectations are for a good crop this August. We will advise further information as we get closer to August and the new production season.

MARJORAM OIL, EGYPT

New crop production started two weeks ago and with a good crop, prices have softened. Demand is also quite weak which is helping drive prices down. We will update as the new crop is completed.

NUTMEG OIL, INDONESIA

Since our last report, prices have stabilized from the increase during April. It seems prices have found a good equilibrium in the market and customers are satisfied, as only one year ago, they were paying over \$90/kg. We expect prices to be flat for the coming months as availability is currently good.

ORANGE OIL AND ORANGE TERPENES, BRAZIL

The reports out of Brazil for the 2016 crop aren't great as far as yield and crop size. Most of the large processors are advising that prices will increase during the next 7-8 months due to a smaller crop and yield. We expect to maintain current prices until August when we can get a clearer picture of the production for 2016. The prices are also driven by reseller's positions and it seems there are local stocks in Europe and USA to help ease concerns of a smaller Brazilian crop. We will keep you posted on the market conditions.

PATCHOULI OIL, INDONESIA

Supply is stable currently and expectations are it will remain this way until the end of the year. The only real variable affecting this market could be the currency between IDR versus the USD. The total output this year is around 1,700/mt versus last year of 2,500/mt, but carryovers were good from 2015.

TEA TREE OIL, AUSTRALIA

The carryover stocks from 2015 are around 4-5 tons of material. Therefore, the carryovers will be very limited, making the 2016 crop very important. The supply and demand curves are equal

to the last few years. We have also had no major weather issues in Australia in the last few years allowing the prices to remain at very low levels. Our partner advises that crop estimates are on par with the 2015 crop. We expect prices to remain stable this year. The only unknown variable is the AUD versus the USD. It increased over 10% since last year's crop. .

YLANG YLANG OILS

We are coming into the season for the flowers but it seems there are going to be some production issues this year. For the time being, our partner is buying flowers, but there is speculation and a lot of momentum in the market to increase prices which makes it very difficult for our distiller to manage. This makes availability of oil limited for us to purchase.

In the meantime, we are working with the farmers and other distillers to keep the speculation to a minimum. We are hopeful that after a few months pass, the market will stabilize and speculation should subside.

WINTERGREEN OIL, CHINA

Prices have decreased slightly recently due to increase availability. We feel this is a short term issue, as availability of pure and natural oil is steadily decreasing. We are seeing some adulteration of oil in the market and buyers need to be aware of the quality they are buying. We expect prices to increase in the coming months.