

Pressure Looms on Costs Related to Raw Materials, Elixens Group Says

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The price of synthetic raw materials used in flavor and fragrance compounds is expected to remain stable, according to an [Elixens Group market report](#), but natural raw materials will fluctuate in direct correlation with supply and demand.

"Therefore we advise to watch carefully the combination demand/harvest levels/possible speculative phenomena," Elixens Group indicates in a research note. "All related costs to the raw material costs will be strongly inflated."

The report says reversals of market cycles in 2012 have had a beneficial effect on raw material prices. As a result of a sharp decline in economic activity in Europe and a general slowdown in Asia and America, prices have stabilized for many synthetic raw materials and commodities. This decrease in demand, combined with good crop results, have also caused prices to decline for certain essential oils, including key materials such as orange and lavender essential oil.

Unfortunately, the report notes, these same phenomena favorable to certain raw material costs were offset by upward trend factors resulting from demand from emerging countries, especially on basic natural raw materials, global world inflation driven by competing activities in the production of raw materials, natural disasters, and the structural rise in energy and transportation costs.

Meanwhile, new institutional factors result in even more inflation, the report says. Regulatory constraints applied to aromatic raw material producers and fragrance and flavor industrials were greatly magnified in recent months and now affect production costs significantly. Certification processes, particularly, generate extra costs.

To view Elixens Group's table of aromatic raw material 2013 estimates, [click here](#).