

Product Note: Eucalyptus oil

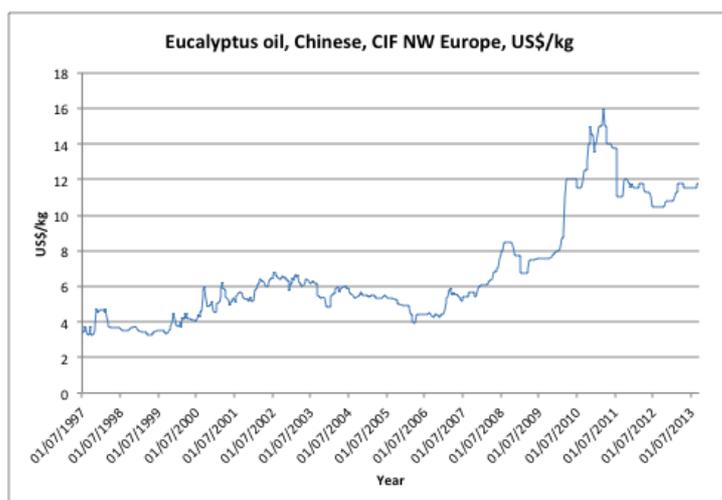
Eucalyptus trees are widely grown in Africa, but outside of South Africa there is little commercial distillation of the essential oil (from the leaves of the tree). Prices have risen steadily since the very low prices of the 1990's as the earlier major sources (particularly China) have cut back on production and exports. There is market demand for both conventional and organic oils, and small scale distillation fits well with operations for the production of timber poles (for example). However, it is essential to select the correct species to be cultivated if distillation is to be undertaken as the characteristics and yield of oil varies widely by species, and specific uses of eucalyptus oil require specific oil types.

There are 3 basic types of eucalyptus oil: the medicinal type (cineole rich); perfumery type (citronellal type); and the industrial type (piperitone type). All oils are primarily used as a source of their principal component compounds (but also find some use as the whole crude oil) and as a result global trade in the oils has reduced over recent years as origins have developed fractionation capacity and moved to the production and export of the chemical isolates.

Global production of the medicinal type oil has been estimated at around 3,500 tonnes, dominated by China (3,000 tonnes), South Africa (250 tonnes) and Australia (100 tonnes). Production of the perfumery type oil is dominated by China and Brazil, but in both origins domestic demand is taking an increasing share of production. Exports from China were in the range 1,000 tonnes but have now fallen well below this. Brazil was exporting around 300 tonnes. South Africa produces around 200 tonnes of the industrial type oil but has also developed fractionation capacity.

Total imports of eucalyptus oils (all types) into the US market have stabilized over the last 5 years at around 700 tonnes, and levels will be similar or higher in the EU. Oil prices have risen steadily over the last 10 years, and are currently around US\$12/kg

Eucalyptus Oil, Chinese, 1997-2013, US\$/kg



Source: Public Ledger