
China Spearmint Oil Market Report

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Prepared for:

Far West Spearmint Oil Administrative Committee

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Prepared by Zhang Zhe Consulting Services.

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Key points

Production dropping, price going up...

In summer of 2016, national production dropped to less than 50 tons from 100 tons of 2015. Low production caused by decline in number of growers in key production areas as well as drought which hit Henan, Shandong and Xinjiang.

Consequently oil price goes up as expected. Oil dealers' current selling price is RMB280/kilo. It is expected to go higher by the end of 2016 through early 2017 before the Chinese New Year.

Oil dealers' inventory level before harvesting was again close to zero. And for the past few weeks the four major oil dealers already purchased in new oil at the price of 255-260yuan/kilo and each of them has an inventory of 5-7 tons in their warehouse. None of them want to sell all the oil right away, instead, they want to keep some for a while and sell at a better price.

Some local arvensis growers turned to grow mint.

It's noted that some arvensis growers from Anhui's Taihe, Mengcheng and Guoyang county, key production areas for arvensis in late 1990s, now turned to grow spearmint starting from last year. Industry sources believe that Anhui may become an important mint oil supplier again in the future.

Local arvensis is difficult to find a market due to strong competition from India. Current selling price of arvensis is approximately 120yuan/kilo, little if not zero profit for farmers. Turning to grow spearmint is one option for some growers, but most farmers in China seems to face a new way of life which they probably have to take due to higher cost of life mainly caused by kids' education and medical treatment. Young farmers flock to cities to work and the elderly have to take care of kids for them either in their rural homes or urban residence.

The number of genuine farmers in China has been dropping over the past decade and few of the younger generation know how to farm. Situation may get worse in the years ahead and China has to rely more on import of many agricultural products.

New flavor for toothpaste is coming to the market: Double action, spearmint and peppermint...

We noted that some leading toothpaste brands including Colgate, Darlie in Guangdong province, and Yunnan Baiyao in Yunnan province, all recommend their new products on net, a new flavor, stressed that it's a combination of natural spearmint and peppermint, "Double Action". Yunnan Baiyao combines peppermint with other Chinese herbs, claiming it can protect tooth enamel.

I. In-depth analysis on the current market

- A. With production dropping to less than 50 tons, growers and oil dealers may have no pressure to sell them. However to achieve the goal of getting NICE profit may still be a challenge for them.**

According to industry sources, natural mint oil is now mostly used for food industry, such as Chinese alcohol, chewing gums and bakery.

In the next few years, there may not be a strong demand from end-users for local natural mint oil due to a slow economy and strong desire to lower production cost, given the fact that synthetic arnone is so cheap.

Annual national production may keep at a level of less than 100 tons. The market demand keeps stable. We will not see many new players coming into this business as people have many other options to take. On top of that, the economy is slowing down, it is a hard time for any Business at this stage.

B. Production in 2016, from different production areas

Table I. below indicates that total production of 2016 is only one half of that in 2015. Xinjiang is still No. 1, Henan No.2 and Shandong No. 3, and followed by Anhui, a key production area 15 years ago, now recovering with potentials in the years ahead.

Table I. Estimated Mint Oil Production in China

2016

Unit: Metric Ton

| | |
|-------------------------|-------------------------|
| National (total) | Approximately 50 |
| Xinjiang | Close to 15 tons |
| Henan | Over 10 |
| Shandong | Less than 10 |
| Anhui | 5 |
| Other places | Less than 10 |

Table II. Mint Oil Prices

(2014-2016)

Unit: Kilo

| Spearmint oil price | 2014 | 2015 | 2016 |
|----------------------------|--------------------|--------------------|--------------------|
| 55°-58° crude oil | RMB260/kilo | RMB270/kilo | RMB280/kilo |

We believe that mint oil price may remain stable in case of no other factors cause great impact, such as policies and strong incentives or even new findings in ingredients of mint oil which is believed to benefit people's health -- such cases did happen in China which cause rocketing price for certain agricultural products such as ginger and garlic, tea is also a good example.

END OF REPORT