

# Market Update

Oct'2026



## INDIAN LEMONGRASS OIL

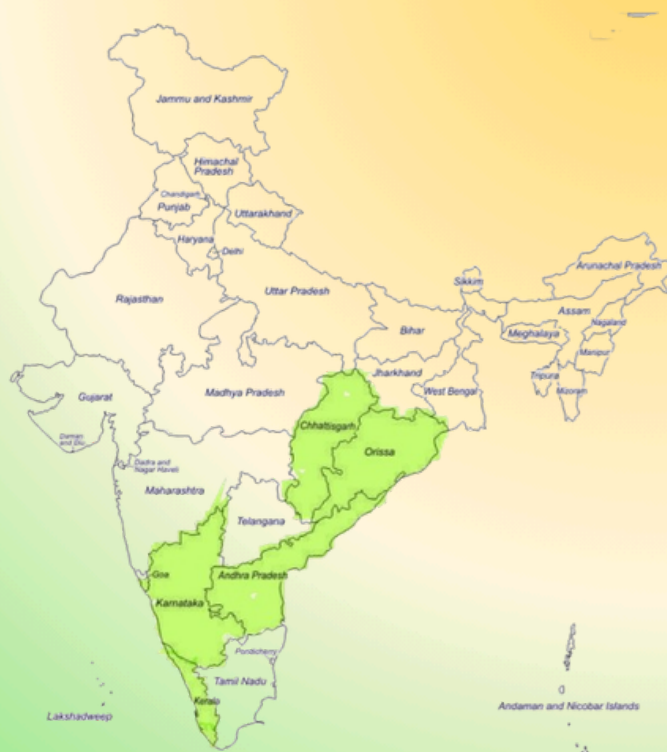


## Crop & Market Profile

Lemongrass Oil is obtained through the steam distillation of fresh/dried leaves and stems of the lemongrass plant belonging to species *Cymbopogon flexuosus* (East Indian Lemongrass) and *Cymbopogon citratus* (West Indian Lemongrass). The plant is rich in Citral, that gives the oil its strong citrus-like aroma, making it relevant to commercial applications.

Thanks to the 'Aroma Mission' project led by the Council of Scientific & Industrial Research-Central Institute of Medicinal & Aromatic Plants (CSIR-CIMAP), India is currently the largest producer of lemongrass oil in the world, contributing up to 80% of the global supply. East Indian lemongrass is the major variety cultivated in India, due to its high Citral content. Total oil production in India is estimated to be in the range of 600 to 800 Metric tons annually, almost four-fifth of which is exported to international markets. The crop is mainly cultivated in the states of Andhra Pradesh, Odisha, Karnataka, Chhattisgarh and Kerala. Uttar Pradesh also cultivates at minor scale. Distillation happens throughout the year, which generally makes lemongrass an all time-available product.

Global demand for lemongrass oil is primarily driven by the increasing requirement for aromatherapy and natural wellness offerings, along with the growing use in cosmetics, personal care, homecare and pharma industries. Regionally, Europe dominates the consumption (~40%), followed by North America (~27%) and Asia-Pacific (~17%). LATAM and Africa are emerging markets with growing domestic demand.



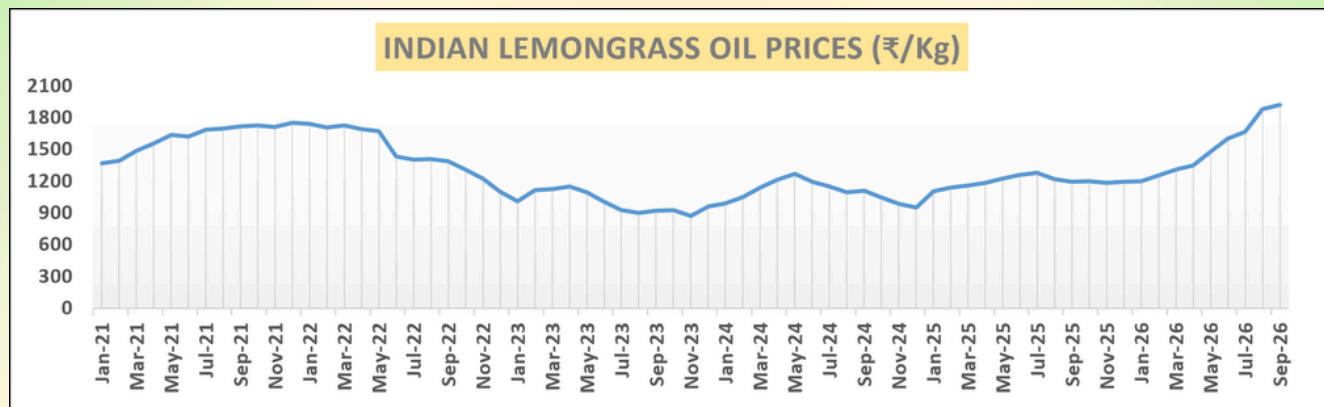
## Historical Price Situation

Lemongrass oil prices in India follow an erratic trend, which is driven by the variations in agro-climatic patterns in the growing regions, economic factors including global market demand variations and availability of farmer support in terms of government incentives. Competition arising from synthetic substitutes (synthetic citral) and cheaper botanical substitutes (*Litsea cubeba* from China) also impact the price variations from time to time.

Price movements in the last five years reveal a V-shaped trend. Typically, lowest prices are observed during October-November every year, aligning with the peak market arrival time. From the higher price levels above \$22/kg that existed during the COVID-19

phase (June 2021-May 2022), market had gradually corrected towards \$12-\$14 during these peak arrival periods in all the subsequent years till the end of 2024. Unfavourable monsoons causing intermittent stoppages in production coupled with steady and consistent demand have been pushing the prices up since the start of 2026. Historically, market has seen price peaks upto \$26/kg, over the last fifteen years.

Price movements over the last 5 years have been illustrated below.



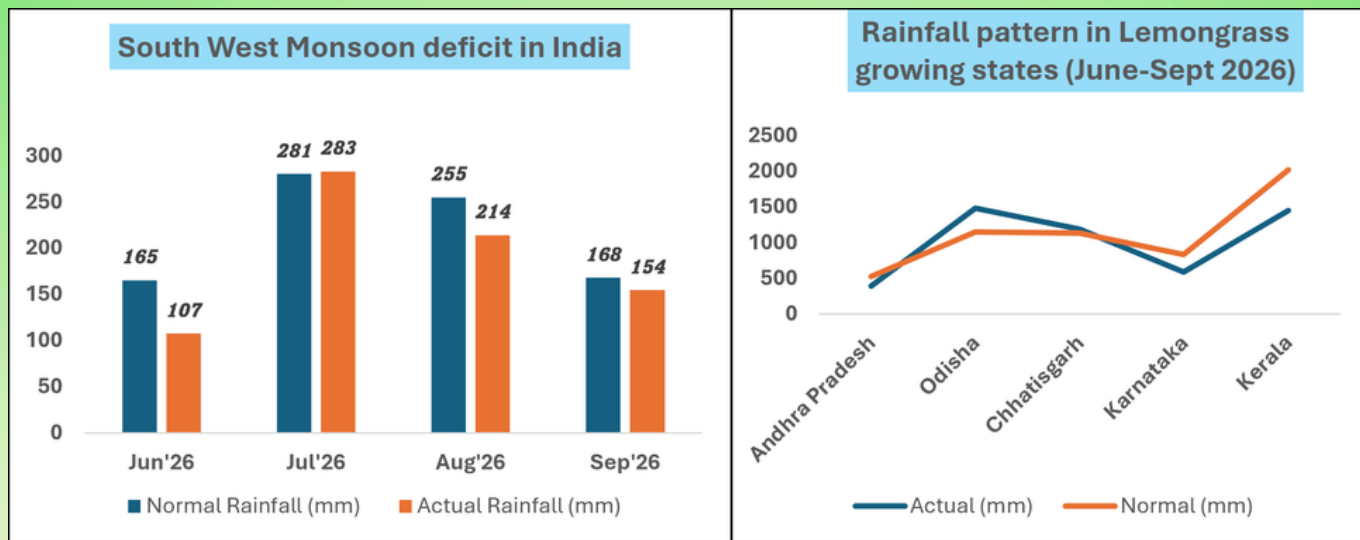
## Current Market Scenario

Adversity in the climatic conditions and the associated reduction in crop yields leading to the shortage of high-quality raw material are continuing to keep the prices North. Cultivated areas usually receive monsoon rainfall during the period July-September every year. Good rainfall available during this phase helps in better crop yields, facilitating sufficient raw material arrivals during October-November that in turn helps to meet full year buying demand. Against this desirable requirement, the country received the lowest seasonal southwest monsoon rainfall this year in over a decade, possibly due to the El Nino impact.



Monsoon rainfall deficit is estimated to the tune of 13% at a national average. Gaps in rainfall and intermittent dry spells during July-Sept have limited the extent of distillation possibilities at farmyards across all the major growing areas. Material availability continues to remain short on account of this.

As seen on the map, most of the cultivated areas are in red, illustrating rainfall deficit experienced during June-Sept. Andhra Pradesh received 25% lower rains compared to normal, while the drop in Karnataka and Kerala recorded 30% and 28% respectively.



Reduction in the crop acreage is another critical factor that is keeping prices high. Tribal farmers who used to traditionally cultivate lemongrass had switched to alternative crops including Oil palm, Corn, Watermelon etc, owing to lower price realisations during previous years. This transition has happened across a larger farmed area to the tune of 2000-3000 acres, effectively reducing the availability of raw material for oil distillation. Oil palm being a perennial crop, once the crop switch has been made, it is difficult to get back to lemongrass cultivation.

Stocks available with farmers were already sold out. The limited availability of carry forward stocks and the reduced output from this year's crop output against an increased demand from the market have moved the lemongrass oil prices steeply up in recent weeks. Currently, market is at \$23/kg FCA Cochin. Market sources expect the upward trend to continue atleast for the next 2-3 months and estimate the prices to even touch \$25/kg levels, getting closer to historic highs. It is noteworthy that a stronger US dollar against the Indian rupee is holding the prices lower. An exchange rate parity of these two currencies with last year same time would have easily taken the price up by 8-10% now otherwise.

Another collateral effect of the shorter crop and the higher prices is the trend of adulterating oils with various type of contaminants. This makes the collection of pure oils challenging, demanding the requirement to externally test multiple batches for naturalness, forcing additional cost to the tune of \$400-500 every batch.

## Future Outlook

The current market is not leaving any indications of prices easing till the next crop harvests. As we move into the next season as well, climatic conditions are expected to play a large role in determining the price levels. Drastic reductions are anyway not expected due to two factors – possibility of aggressive market entry by buyers who would cover less and postpone their buying due to higher prices this season, and the difficulty in switching back to lemongrass cultivation by farmers who had already moved to other crops, especially oil palm. This is despite the possibility that switching

back from annual crops like Maize and watermelon are likely to happen due to better price realisation from lemongrass cultivation.

In the light of current market situation, it is recommended to cover only the immediate needs now.



***Current field images from Alamanda area, State of Odisha***

## References

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