

THE Mint Report

and Highlighted Industry Trends 2013



NATURALLY SINCE 1908

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For over 100 years, The Lebermuth Company has worked directly with farmers at the source to supply the highest quality essential oils to our customers. From our beginnings as a company in the Midwest growing region, to our current fourth generation of family ownership, we have enjoyed a strong position with peppermint and spearmint oils. Through the years we have expanded our reach to the Pacific Northwest and throughout the world. From our products to our customer service, our commitment to excellence has remained the same generation after generation.

Peppermint

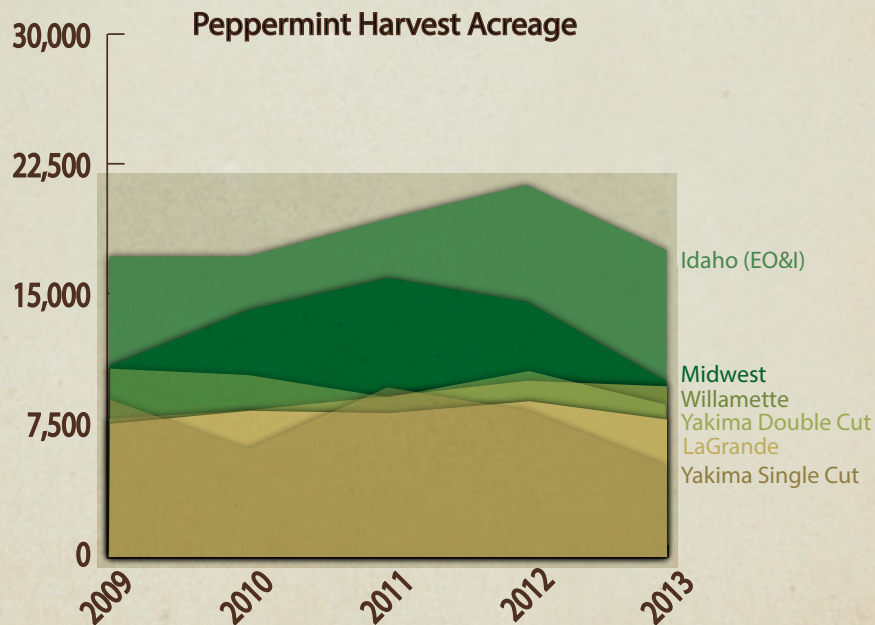


USA Peppermint

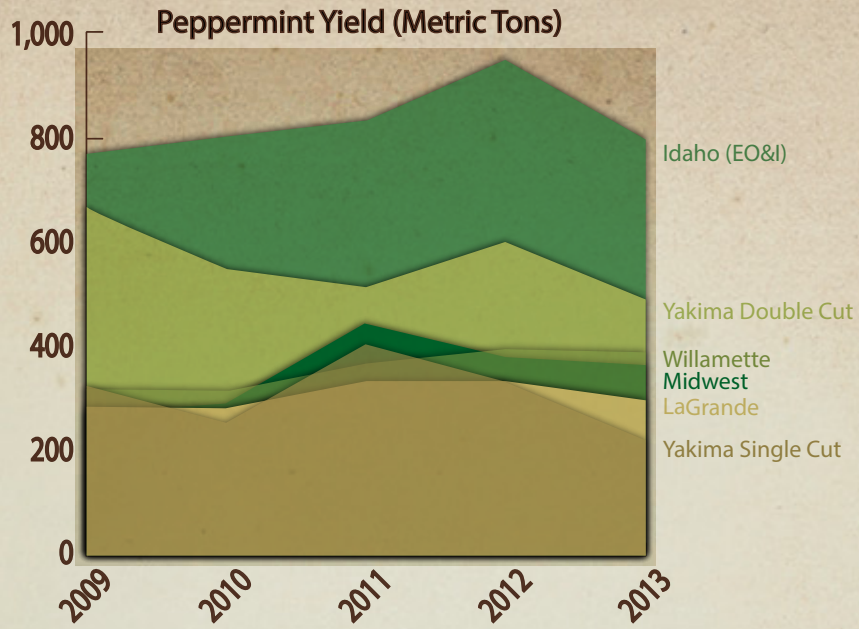
In early 2013, peppermint farmers in the US were jolted when they were informed by Colgate that their main processors/dealers would not be taking their contracted quantities. The news sent ripples of angst throughout the industry. Fortunately Colgate did come back into the market later in the year and took a significant quantity of what they projected. However, when farmers received the news early this year, it caused them to scale back on their production as presented in the graphs below.

Year over year, acres harvested and production from 2012 to 2013 is down. Carryover quantities are up, but not so high that they have caused any huge price declines in peppermint. Despite the fact that many farmers have reinvested in their mint farming equipment from the index contracts, they are still somewhat reluctant to grow excessive quantities of peppermint without future secure contracts. There are many reasons for their hesitation.

For more than four years, farmers have been conditioned to receiving lucrative index contracts. This coupled with the continued strong demand for corn and soybeans, contributes to the steady pressure on peppermint buyers to maintain good quality and stable supplies of American peppermint oil. Large buyers are aware of these pressures, and will need to continue to support the American farmer, if they wish to continue to receive a steady supply of this very important raw material.

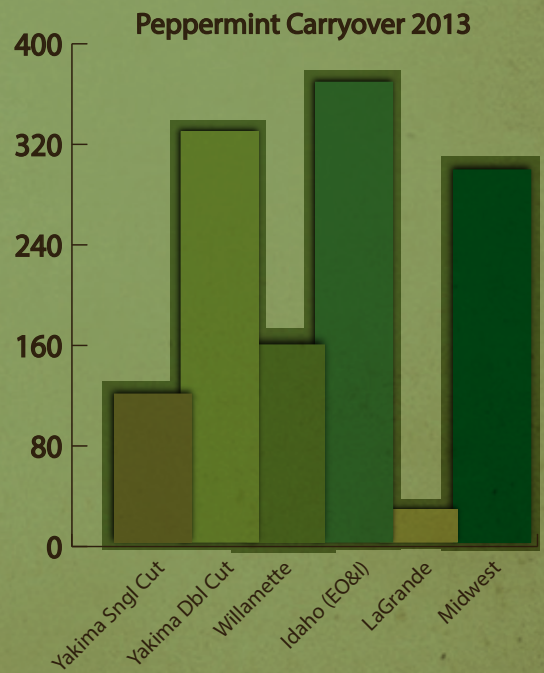


Peppermint Harvest Acreage (1000's)	2009	2010	2011	2012	2013
Idaho (EO&I)	17.2	17.2	19.3	21.2	17.5
Midwest	11.0	14.1	16.0	14.6	10
Willamette	8.0	8.5	9.3	10.2	9.8
Yakima Double Cut	10.9	10.5	9.3	10.7	8.8
LaGrande	7.7	8.4	8.4	8.9	7.9
Yakima Single Cut	8.9	6.1	9.7	8.3	5.1



Peppermint Yield (Metric Tons)	2009	2010	2011	2012	2013
Idaho (EO&I)	766	800	833	944	794
Yakima Double Cut	667	546	515	601	483
Willamette	308	313	371	392	387
Midwest	276	287	440	378	360
LaGrande	280	278	332	332	298
Yakima Single Cut	318	255	403	329	217

Peppermint Carryover	2013
Yakima Single Cut	121
Yakima Double Cut	330
Willamette	159
Idaho (EO&I)	370
LaGrande	30
Midwest	300



Peppermint



Black Mitcham Peppermint from a Lebermuth Partner Farm in the Willamette Valley.

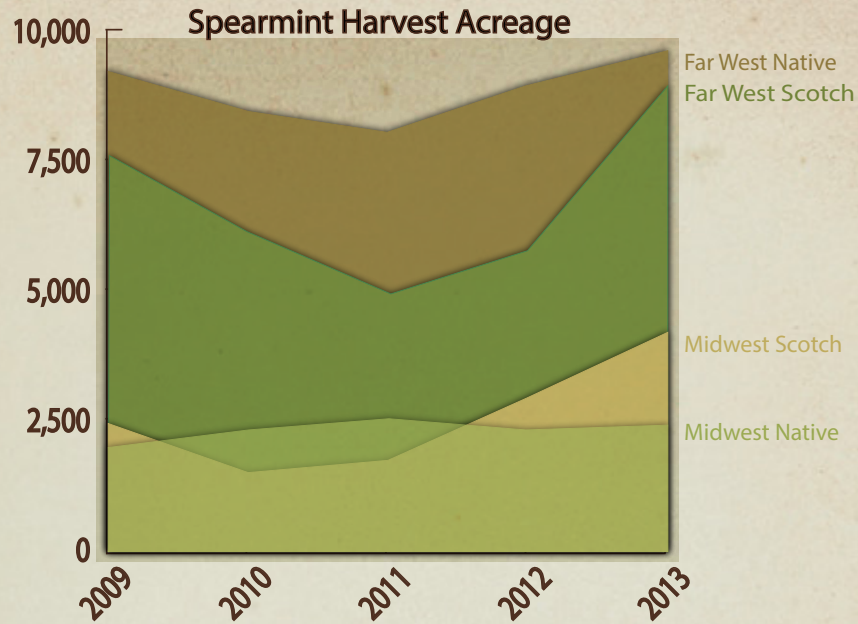
India Peppermint

The significant lack of demand in the US for Indian Peppermint in the summer has continued into the fall and winter months. Prices for piperita declined more than 20% from 2012 and continue to be depressed. The depressed Indian Rupiah further aggravated this decline. Buyers early on were able to cherry pick the qualities of oil. Unfortunately the desirable low furan oil has been consumed by dealers and traders leaving only the higher furan oil available at affordable prices.

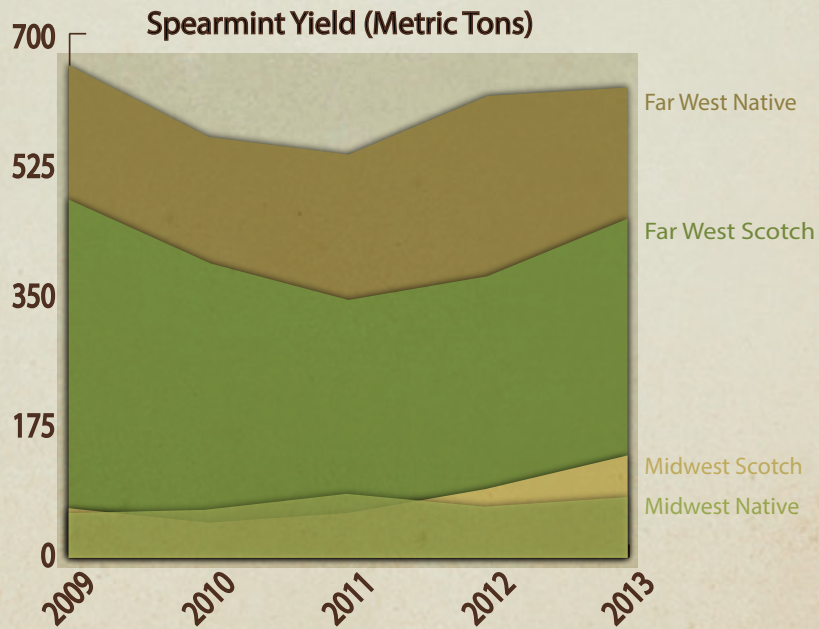
Arvensis (Cornmint) & Menthol Peppermint

Cornmint prices are down nearly 50% from 18 months ago. The main reason for this relates to the new synthetic production of menthol that is available in the marketplace. This situation was fully anticipated and the prices we saw in 2012 were unsustainable. India had a record crop of Arvensis in 2013 and this too put downward pressure on the price for the oil. Despite the record crop and the increased available supply of natural and synthetic menthol, we have not seen the declines in menthol that we would have anticipated. It is possible prices could decline another 10-15% assuming world demand continues at the 3% growth rate that we have seen over the last seven years.

Spearmint



Spearmint Yield (Metric Tons)	2009	2010	2011	2012	2013
Far West Native	9.2	8.4	8	8.9	9.6
Far West Scotch	7.6	6.1	4.9	5.7	8.9
Midwest Scotch	2.4	1.5	1.7	2.9	4.2
Midwest Native	2	2.3	2.5	2.3	2.4



Spearmint Harvested Acreage (1,000's)	2009	2010	2011	2012	2013
Far West Native	660	564	541	614	628
Far West Scotch	477	394	342	375	454
Midwest Scotch	63	46	57	87	135
Midwest Native	60	63	79	68	78

USA Native Spearmint

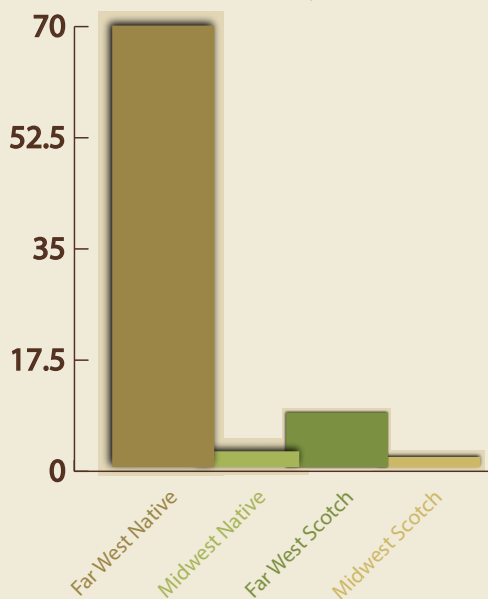
This past year, Native American Spearmint usage had been predicted to increase. One of the reasons for this was the growing demand for spearmint flavor in China. As internal consumption continues to rise, the harvest, which in the past has been predominately exported, is staying in the country. There is also a lot of pressure from Chinese confectionary and toothpaste companies to keep the flavor material cost down, however Spearmint continues to grow due to the option to add synthetic carvone to keep the price lower.

If the amount for native continues to increase (as we expect it to) the quantity of saleable native will undoubtedly be increased by the Spearmint Cooperative. Otherwise, the price will increase accordingly.

USA Scotch Spearmint

This year, demand for USA Scotch Spearmint increased more dramatically than we've seen in decades. The total acreage if this mint increased 31%! In late 2012, the saleable scotch went over 100%, underscoring the dramatic increase in demand for this quality. The spot price also increased for scotch, but not as dramatically as we had expected. The demand for this oil, with 20% more carvone, is expected to continue to be strong. USA Scotch Spearmint has very firm contracts in the field, so spot prices should also be expected to stay very firm.

Spearmint Carryover 2013



Spearmint Carryover	2013
Far West Native	70
Midwest Native	3
Far West Scotch	9
Midwest Scotch	2

Alan Brown, Vice President

Visiting one of our spearmint famers in the Pacific Northwest.



Growing Regions



Yakima Washington

The start of the mint season in Yakima was dry and the winter was milder than normal. However, the snowpack in the mountains and the availability of water was very good. These conditions are very good for production of peppermint and spearmint which lead to yields being pretty typical.

Willamette Oregon

2011 and 2012 in Willamette were very wet, however the weather in 2013 has been unusually dry. Fortunately most of the mint is planted on irrigated lands, so watering has not been an issue. Weather during the harvest was comfortable due to lower average temperatures. Despite a dry, colder year, yields were average to slightly above average.

Idaho and Eastern Oregon

The best way to describe the 2013 growing season in this region would be hot and dry. During this period, the precipitation was three inches below normal and some irrigation districts were short on water. Going into 2014, storage water in the irrigation reservoirs is very low. However, the overall quality of peppermint oil in 2013 is better than the 2012 crop but the average yield per acre is down compared to the last several years.

Midwest

While early summer started off colder than normal, overall the weather was good in this region for 2013. Because of the early cold, crops were not planted early like they were in 2012. The temperatures started to average out in August and the farmers found the ground to be dryer than normal, but farms with irrigated fields were not affected. However, the yields of farmers without irrigation were impacted on their second cuttings.

