



Vanilla – Market Report - January 30, 2017

Madagascar – Vanilla Prices are at an all-time high while qualities continue to decrease from the major production country Madagascar. At the same time there is huge uncertainty and conflicting opinion about supply and world demand. Hardly anyone in the user countries holds stocks. The fights for market share in the flavor industry and the on-site presence of some major flavors companies in Madagascar have created new realities. A niche spice turned into a commodity. Industrial quick-curing and the extraction of Green Vanilla were introduced which is no good news for the tens of thousands of employees in the traditional vanilla circuit and no good news for overall qualities.

World Demand – Hand-crafted foods with vanilla are virtually not finding a market at current price levels. In addition, the worldwide demand of vanilla for smaller and medium-sized industrial applications is further collapsing. However, there are apparently still a number of big industrial users that continue to buy at current prices. This is good for the vanilla farmers in the short-term. Despite the early picking and their bad handling of vanilla pods during the curing stage they make money as never before. It is realistic to estimate that globally, 35% of consumption already got lost. This decline in usage will further accelerate at current prices. It will be clear to everyone soon that demand will have fallen below the offer - but we do not seem to be there yet.

Cultivation / Availabilities – The long lasting price hike ensures that worldwide cultivation is increasing constantly. It takes 3 years from planting to the first harvesting. This means the production volume will constantly increase during the subsequent years. There is also still unsold stock from the 2016 crop in Madagascar, but the farmers are not under pressure to sell. They prefer keeping a few kilos of vanilla pods sealed in plastic bags instead of trading it for further cash reserves. The flowering points towards another comparatively large crop in Madagascar in 2017. However, the high prices may predict an even earlier picking by farmers with disastrous consequences for the quality level.

Qualities – The majority of Madagascar vanilla (crop 2016) is of poor quality: little aromatic, low vanillin contents. Early picking (fear of theft in the fields) and the vacuuming of semi-fermented/“soaking wet”-pods are destroying the flavor and create keepability- and microbiological issues. This is not the case in other origins, but the production volumes from alternative sources are still limited.

Prices – Between December and January our purchasing prices have increased once again by 25%. The majority of market players is not expecting prices to lower this year. Giving good advice is merely possible. Is it reasonable to buy aromatically weak vanilla with keepability issues for approx. US-\$ 600/kg at source now or is it better to wait? This is puzzling us as it is puzzling our customers.

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