



VANILLA MARKET UPDATE MARCH / APRIL 2018

Since 2013, prices for natural vanilla have seen only one direction: upwards! Since 2015 the prices have reached levels above long-year-average and today prices are on an all-time-high. There are multiple reasons for this crisis: It started with a strong demotivation of farmers due to unsustainably low vanilla prices between 2004 and 2012 which led to neglect of vanilla-vines, loss of interest and a harsh reduction of production. Although it became clear by 2013 that production could no longer meet the world demand, additional pressure was added as –almost simultaneously- the worldwide trend for natural food ingredients started to boost the demand for natural vanilla significantly – a global trend that appears far from over today.

The large volatility of prices ever since liberalization of the vanilla market in the late 90s (from USD 75 to USD 20 then up to USD 550 then back to USD 20 between the years 2000 and 2004 only) and the fact that it takes 4 years from planting to marketability of initial vanilla pods kept worldwide farmers from jumping back into production. Nobody expected the current price-surge to last as long as it now proves to do.

Price-volatility, availability concerns and the trend of backward-integration and „showcase sustainability projects“ incited big users/flavour multinationals to install themselves in Madagascar. This fueled the crisis even further and turned the former vanilla market structures inside-out. It led e.g. to investments in industrial curing-technologies („quick-curing“) and the neglect of traditional know-how in Madagascar. Ever since, money from outside is being injected into Madagascar’s vanilla circuit to an extent that was never seen before. Speculators and newcomers entered the market – the incentives were too tempting! The result is disastrous to the users. They pay the highest prices ever for a vanilla that is of very poor quality. The damage to the world demand is done which is why it remains a surprise to many why the prices are still this high. After all, the production volumes in Madagascar are not that low compared to the pre-crisis period. But with farmers that have no pressure whatsoever to sell and in a market where nobody holds significant buffer stocks for obvious reasons that have to do with risk-management - it is hard to find a way out.

Global demand for vanilla is now going down due to reformulations that many for long hesitated to implement in the hope for better pricing. We see at least some sort of stabilization of prices with the vanilla pods. For formerly „cheap“ by-products from the vanilla extraction industry however (spent/extracted vanilla and vanilla seeds) the price surge is now hitting the market with strong effects. Demand for such is increasing overproportionally and stocks are rock-bottom.

Users and traders hope for lower price-levels while speculators and farmers might wish the „black gold“ may continue to increase their wealth still for long.

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