



Madagascar eyes bumper vanilla crop despite storm

ANTANANARIVO: Madagascar, the world's top vanilla producer, expects a bumper crop this year despite a projected 10 per cent cut in output due to a tropical storm which has devastated parts of the Indian Ocean island growing the sweet-smelling commodity.

State radio put the death toll on Monday at 103 people, with 165 more missing and up to 120,000 made homeless by cyclone Gafilo which tore across northern Madagascar on March 7 and 8, before switching direction and thrashing across the south on March 10.

"Despite cyclone Gafilo's passage, vanilla production will increase dramatically. We estimate that the losses will be less than 20 per cent — around 10-11 per cent," said Claude Andreas, the president of GES, a national body grouping the country's vanilla producers.

"Before the cyclone, the forecast for production this year was between 1,600 and 2,000 tonnes. Following (the cyclone), the harvest should reach about 1,300 tonnes against annual output which usually oscillates around 1,000 tonnes," Andreas told Reuters in an interview.

"Madagascar remains the top producer and top exporter of vanilla in the world. "

The storm destroyed buildings, uprooted trees and flooded towns. Many of the dead drowned after being swept away by sudden floods when rivers burst their banks.

According to the World Food Programme, the tropical storm damaged an estimated 117,000 hectares (289,100 acres) of agricultural land.

Last year Madagascar, a giant island off southeast Africa, produced only 500 tonnes of vanilla. In 2002, it was the top exporter with 1,182 tonnes, followed by Indonesia with 325 tonnes, Comores with 92 tonnes, Uganda with 70 tonnes and India with 33 tonnes.

"The principal regions which produce almost 50 per cent of Malagasy vanilla are Sambava, Vohemar, Andapa, where vanilla production was not threatened by the cyclone," Andreas said.

Madagascar exports mainly to the United States, which buys about 600 tonnes of vanilla annually, as well as to France, Germany and Italy.

Andreas said he expected prices to change given the increase in output, but gave no forecast. "In 2003, average vanilla prices reached \$400/kg which encouraged farmers to produce more but a readjustment is likely this year, depending on supply and demand," he added.

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Vanilla Market Update – March, 2004

Madagascar

Madagascar picked and cured all the vanilla from the 2003/2004 crop. Most of the offers we received during the 4th quarter of 2003 ranged between \$500-\$525/Kg. Many buyers seem to resist and reject this price level. As most people know, the surge in price was due to the expectation that Madagascar's 2003/2004 crop would be significantly smaller than usual (indicating a possible shortage of supply in 2004).

On January 19, 2004, the GNEV (National Group of Vanilla Exporters) met in Antalaha, Madagascar. Basically, 2 relevant points came from this meeting, 1) The group agreed that the size of the 2003/2004 crop was approximately 450-500MT and 2) No vanilla from the 2004/2005 crop would be exported before January 15th, 2005 (this was not official with the Madagascar government, only the group's proposal). Many people feel that the January 15th proposal was a ploy, created by companies who hold vanilla stocks, to keep prices firm long enough for them to liquidate high cost inventory. Some companies holding stock say that they support the January 15th date in order to prevent early picking of the 2004/2005 crop. Thus, hoping to improve the overall quality of the crop. Nevertheless, at this time, the Madagascar government has not passed this January 15th proposal into law and it seems unlikely that it will become law. We started to see prices soften in January.

This brings us to the most recent significant event in Madagascar, Cyclone Gafilo. On the morning of March 7, this violent storm thrust itself with intense force on the island of Madagascar. It first made landfall by slamming the northeast coast of Madagascar (just south of Antalaha). The storm killed many people, injured others and left tens of thousands of people homeless. The damage to the vanilla plantations was mostly felt in the Antalaha region. Estimates from various sources (including different news agencies) estimate the damage to the Antalaha region to be anywhere from 75-90%. Fortunately, other large producing areas, such as Sambava and Vohemar, were relatively unaffected. While some holders of vanilla may try to use the cyclone as an excuse to manipulate prices higher, we and other vanilla professionals feel that there is almost no reason for market panic or price increases at this time. The production of vanilla from Sambava, Vohemar and other areas south are expected to supply an ample quantity. Despite the damage inflicted by the cyclone, sales in the USA and Europe continue to be slow and prices continue to decrease.

Indonesia

Exporters from Indonesia indicated to us in December, 2003 that the price of EP quality may reach \$450-\$470/Kg. We started receiving offers in mid to late January, 2004 at the aforementioned prices and the market did not accept them very well. Buyers rejected the excessively high prices and soon thereafter, prices started to decrease. Today, prices for this quality can be found around \$400/Kg (possibly less, if the exporter is motivated to sell). Grade C is the quality currently being picked. The blending of PNG vanilla with Indonesian vanilla is still a problem that must be monitored when buying directly from Indonesia. Estimates for the 2004 crop size (currently being picked) range from 200-250MT.

Papua New Guinea

We continue to receive many offers from this origin. There is no doubt that prices are down significantly from the highs we saw in December, 2003. The mix of Planifolia and Tahitensis continues to be an obstacle for most USA extractors. PNG is expected to produce a large quantity this year, some people estimate 200MT+. Many exporters are ready to ship now (lot sizes ranging from 100Kgs to over 1,000Kgs). PNG continues to be a good bargain, if you can use the Planifolia/Tahitensis blend.

India

We are receiving offers from this source, but they are very inconsistent. Some exporters offer as high as \$650/Kg, while other exporters offer under \$500/Kg. We have seen some lot representative samples and the quality seems ok. However, it's impossible to pay the prices they ask, especially since most other origins are much lower in price. India is estimated to have produced approximately 40-50MT from the last crop (2003).

Comores

Prices from this origin are not very competitive (similar to India). The 1st offers we received from this origin were as high as \$625/Kg! Since they were unable to sell at this level, they reduced their prices to more competitive levels. However, their offers are still too high to peak the buyers interest. The estimated quantity from the 2003 crop is approximately 70MT.

USA Import/Export Statistics

USA import statistics show that 1,500MT were imported from January to December, 2003 and 211MT were exported in the same time frame. The most recent USA statistics, January 2004, show that 68MT were imported and 43MT were exported in the same month.

Market Note

Many people are focusing on what the impact of cyclone Gafilo will have on supply from Madagascar. The impact may not be extremely significant or even felt this year. However, a potentially more important factor to consider is the reduction in world consumption of vanilla beans. As more companies reduce their usage of vanilla beans (due to excessively high prices), world consumption may continue to decrease and the quantity a country produces becomes a less important factor. In this scenario, supply could eventually exceed demand.

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Vanilla Market Update – May, 2004

Madagascar

Since our last update in mid March, there was a meeting of the GNEV (National Group of Vanilla Exporters) in Sambava on March 26. The main topic of concern to most people was the proposal for prohibiting exports between May 31, 2004 to December 20, 2004. As mentioned in our last report, the companies proposing these dates are trying to convince people that this restriction is necessary in order to obtain a better quality from the new crop. However, many people feel that the true reason for the proponents desire to control exports is because they have unsold stock they want to sell before prices crash. Thus, hoping to keep prices firm until their stocks are liquidated. If the market is left “free” and not manipulated, it should react naturally with the true supply and demand. When demand is slow, supply is abundant and there is no manipulation or prefinancing, as is the case now, the farmers have little incentive to pick early, thereby, producing a more mature higher quality crop. When the market is manipulated and prefinanced, prices tend to increase and farmers want to pick their vanilla early to prevent theft and capitalize on the manipulated market. That’s when the quality tends to suffer. To date, we are told that the Madagascar government has not approved any proposal that would interfere with the free trade of vanilla beans, nor restrict the normal flow of vanilla exports.

Last week, May 4th & 5th, there was another meeting of the GNEV in Sambava. This meeting was more formal as Ministers and other officials attended. Some of the topics discussed were: 1) National and international vanilla markets, 2) Opening dates for the green campaign, 3) Taxes on green and vrac vanilla, 4) The 2004 crop size, estimated between 1,300-1,400MT and 5) Security. We were told by different members who attended the meeting that the topic of restricting exports was never formally discussed at the vanilla workshop. The officials left the meeting with the proposals from the GNEV and we should know within a few weeks what proposals will be official. Until the Madagascar government officially decides and announces what is law, all the proposals and ideas rest in a state of limbo and remain possible.

Picking began a couple of weeks ago in the Ambanja, north west, area. Reports we received from people in that area said that the farmers initially wanted as much as FMG400,000/Kg of green vanilla (approx \$40.40/Kg at today’s exchange rate), but no one bought. Not seeing the usual buyers/collectors running to them with cash in hand anxious to purchase the green vanilla, the farmers decided to lower their prices. Days later, our sources reported that the farmers then offered to sell their green vanilla to the collectors at FMG50,000 (approx \$5.05/Kg) and the collectors did not accept. The collectors counter offered at FMG30,000 (approx \$3.03/Kg) and the farmers rejected. Since no mutual price could be reached, the farmers started to cure the green vanilla with hopes that they will be able to obtain better prices in the form of partially cured “vrac” vanilla. As of this week, we continue to receive news from Madagascar saying that the sale of green vanilla is very slow. If the slow buying trend of green vanilla continues into the other vanilla producing regions when their picking officially begins, we may see local prices decrease significantly and subsequently, export prices could follow.

At this time, the exchange rate is favorable for the US dollar. Today, the exchange rate is FMG9,918 / US\$1. This helps keep export prices lower.

Indonesia

There is not much new information to report from this source. Cured vanilla is available to purchase and like every other origin, they are looking to find buyers. As usual, one must be careful not to receive a mix of Indonesian and PNG when ordering 100% Indonesian. Buyers may see a wide price range for Indonesian vanilla. The more attractive lower priced offers tend to be a mix of Indonesian and PNG. We hear that some USA buyers have rejected deliveries of these mixed lots being sold as “Indonesian” vanilla.

Papua New Guinea

We continue to receive MANY offers from this origin. There is no doubt that prices keep decreasing on a regular basis. The mix of Planifolia and Tahitensis continues to be an obstacle for many USA extractors. However, the European market seems to welcome this quality for gourmet use, not to mention the significant price relief compared to Bourbon gourmet quality vanilla. Unfortunately, there is not enough consumption of gourmet quality to absorb the large quantity being produced in PNG (estimated at 200MT+ cured beans for 2004). Many exporters are ready to ship now (lot sizes range from 100Kgs to over 1,000Kgs). PNG continues to be a good bargain, if you can use the Planifolia/Tahitensis blend.

India

Some exporters from this country are becoming more serious about selling. There is some tonnage at source ready for immediate shipment. As with all other vanilla producing countries, we continue to see prices from India decrease.

Uganda

The picking of the green vanilla should begin in June. Many people are expecting prices to be much lower and quality much higher, since there is no prefinancing encouraging early picking. They are expected to produce over 100MT of cured vanilla.

USA Import/Export Statistics

USA import statistics show that approximately 238MT were imported from all origins between January to March, 2004. This is an average of approximately 79MT per month.

Market Note

Sales of extract quality vanilla beans in the USA and Europe remain very slow. Consumption of vanilla has decreased substantially. Sellers holding stock are unsure how to react and continue to reduce their prices hoping to generate sales. Taking into consideration the increased volumes being produced this year in Madagascar, PNG, Uganda, etc., and the significantly reduced consumption of vanilla world wide, supply should well exceed demand and prices are expected to continue their downward trend. In conclusion, compared to the historically low market prices seen in the 1990's, today's market prices still have a long way to fall.

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Vanilla Update – September, 2004

Madagascar

Local market activity seems to have slowed down lately, as some exporters/buyers are being more cautious. As a result, local prices have decreased. The overall quality of the 2004 crop is expected to be better than the 2003 crop. Offers are being made for new 2004 crop vanilla with shipment as soon as September. Prices vary, depending on the motivation of the seller.

Uganda

Uganda should be ready to export their new crop in September as well. While the initial offers for new crop material are significantly lower than prices seen earlier this year, they may not be as low as some people expect. However, if they are unable to sell, prices could decrease quickly.

India & Indonesia

Unsold stock is available in these countries. However, the prices we've seen are not competitive compared to other origins. In another month or so, India should start their 2004 vanilla season.

PNG

There is plenty of unsold stock available in this country. PNG prices seem to be the lowest, compared to all the other vanilla producing countries. However, their inability to completely separate the Planifolia from the Tahitensis still creates a dilemma. Some exporters are aware of this issue and claim they are trying to separate the 2 types. How successful with they be?

USA Import Statistics

The most recent USA import statistics report that approximately 439MT of vanilla were imported from all origins during the period of January to June, 2004. This is an average of approximately 73MT per month. If this pace continues throughout 2004, the total quantity imported will be approximately 878MT. We have not seen an annual import figure in the 800MT range since 1984. The USA export statistics report that approximately 176MT were exported from the USA during the period of January to June, 2004. Assuming these US Dept. of Commerce figures bear some accuracy, the difference of what was imported into the USA (439MT) and what was exported from the USA (176MT) is approximately 263MT (Jan-June, 2004). Theoretically, 263MT is the quantity that remained in the USA during Jan-June, 2004.

Market Note

The international vanilla market remains very slow. Occasional sales are being made, but the quantities are relatively small. Prices continue to drop as exports of the new 2004 crops from Madagascar and Uganda draw near and substantial quantities of the 2003 crops remain unsold. In conclusion, it seems that 2003 stock will carryover into 2004, supply will exceed demand and prices will continue decreasing.

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Vanilla Market Update – November, 2004

Madagascar

The local market prices in Madagascar have increased over the past month. Is it coincidence that prices started to increase around the time the vanilla workshop/meeting was held in Madagascar (mid October)? We think not, especially when numerous potential buyers visit a producing country. However, what is strange is that the prices in the USA seem to continue their downward trend at the same time prices at source are gradually increasing. Estimates for the 2004 crop size in Madagascar range between 1,300MT to 1,500MT (not including 2003 carryover stock). News is being spread that the flowering for the 2005 crop is smaller than usual, thus, resulting in a smaller crop size for 2005. Even if the 2005 crop is smaller, many people feel it should have little or no impact on the market (barring any efforts from speculators trying to manipulate the market, or disagreements from Mother Nature). It is no secret that there is quite a bit of poor quality, carryover stock from 2003.

Comores

At this time, prices in the Comores are higher than Madagascar prices. However, it is possible that prices in the Comores may come down in January/February. The quality of the new crop is good. Some certified organic vanilla is available, but at a premium. The quantity of the 2004 crop is estimated at approximately 90MT to 110MT (not including their 2003 carryover stock).

Uganda

Offers from this origin vary in price. Some prices are competitive with Madagascar and others are higher. Quality is expected to be better than the last crop. Different exporters in Uganda estimate the new crop size between 80MT to over 100MT (not including their 2003 carryover stock).

India

October was the beginning of their picking season. Estimates from India for the of the new crop size are between 50MT and 70MT (not including their 2003 carryover stock). It seems that many of the exporters are aware of the outside market conditions, but, the local farmers & collectors are having a more difficult time accepting the lower market prices. Currently, prices are somewhat competitive with Madagascar, and higher.

PNG

There remains plenty of unsold stock. PNG prices have a wide range. The exporters who have knowledge of the outside market are making favorable offers. Those who are not familiar with the outside market still offer at ridiculous prices. There seems to be a strong effort to separate the Planifolia from the Tahitensis. We have seen samples of the supposed 100% Planifolia and the odor seems quite good. However, receiving a shipment of totally consistent quality could be another story. If they can completely separate the Planifolia and keep the quality consistent, they may have a better chance of increasing their sales to the extract trade.

Indonesia

We are receiving more offers from Indonesia recently, but their prices are still too high, compared to Madagascar. Also, the quantities are relatively small. We are told from people at source that many collectors would rather hold and wait for higher prices. We say, good luck. Locals in Indonesia tell us that they expect the next crop to be between 200MT to 250MT (not including their 2003 carryover stock). Quality issues remain a concern with many buyers.

USA Import Statistics

The most recent USA import statistics report that approximately 480MT of vanilla were imported from all origins during the period of January to August, 2004. This is an average of approximately 60MT per month. If this pace continues throughout 2004, the total quantity imported will be approximately 720MT. We have not seen an annual import figure that low since the 1980's. The USA export statistics report that approximately 220MT were exported from the USA during the period of January to August, 2004. Assuming these US Dept. of Commerce figures bear some accuracy, the difference of what was imported into the USA (480MT) and what was exported from the USA (220MT) is approximately 260MT (Jan-August, 2004). Theoretically, 260MT is the quantity that remained in the USA during Jan-Aug, 2004.

Market Note

The US vanilla market remains abnormally slow, but more active than the past 6 months. It appears that buyers are being cautious and purchasing on an "as needed" basis. Demand in the US still seems to be way down. We expect to see carryover stocks from most, if not all, of the vanilla producing countries. This year, production/supply from all sources should well exceed demand, which could push prices lower. Despite the fact it's too soon to say with any accuracy, talk of a smaller 2005 Madagascar crop is being spread. Even if this is true, the decreased world demand AND the carryover stock from 2003 into 2004 and inevitably the carryover stock from 2004 into 2005, should keep market prices reasonable. However, this does not mean that the speculators who desire high prices will not occasionally be successful in manipulating the market. The market seems far from stable.

Available USA Stock

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