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Uganda: Vanilla Gate Prices Hit By International Speculation

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Kampala — The farm gate price for vanilla has been slashed by sh1,000 to sh3,000 per kilogramme due to a drop in international prices. Philip Betts the managing director of Esco Uganda, one of the local buyers said the prices slowed down because international buyers are anticipating for a bumper harvest in Madagascar this year.

The prices had started rising mid this year due to low supply and the closure of China's synthetic vanilla extract companies over safety and environmental issues. Vanilla prices crashed five years ago after industrialists switched to the synthetic type.

The price of natural vanilla had surged to over \$500 per kg when cyclones ravaged Madagascar, the leading producer of the spice.

Hudda, Anita, Bondo, Clovis, Favio, and Indlala are the storms that batter Madagascar during the cyclone season. Vanilla prices were showing some resurgence after a gap of several years much to the relief of the growers.

However, the prices never regained the high level it once attained as Madagascar recouped production and global demand skewed towards cheaper synthetic vanilla. The natural vanilla prices sank to sh3,000 per kg in Uganda from sh250,000 in 2003.

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"The prices take an upward trend at a turtle speed and drop at a rocket speed. Farmers have learnt how to cope with the low prices because at sh3,000 per kg, vanilla is among the best paying crops," said one farmer based in Kasese. Kasese is now one the major growing district.

The supply squeeze had lifted the prices of the commodity to above \$20 per kg of cured beans and between sh4,000 and sh5,000 per kg for conventional and organic split beans. The premium quality beans are fetching between \$65 and \$100per kg in the market.

According to the Uganda Export Promotions Board, vanilla fetched \$6.2m from 422 metric tonnes in 2007. The export tonnage went up by 116% from 195 tonnes in 2006 to 422 tonnes in 2007. The value also increased by 30% from \$4.8m in 2006 to \$6.2m in 2007.

In a bid to boost production and stable supply, Uvan Uganda Limited, a firm owned by Aga Sekalala helping long term farmers to replant and improve quality by paying premium to the farmers who are practicing good farming methods.

Vanilla is grown mostly in Mukono, Kayunga, Kamuli, Jinja, Kiboga, Masaka, Mpigi, Kasese and Bundibugyo.

The low prices have, however, forced most farmers out and others abandoned their gardens after failing to pay loans.

"The price collapse was terrible news for vanilla farmers, microfinance institutions and car dealers who invested heavily into the cultivation of the spice. Today we have failed to recover monies that we lent to farmers because most of them fled to the islands," a credit officer who preferred anonymity said.

The high prices spurred other countries including Papua New Guinea, India, Costa Rica and Colombia to enter the vanilla business.

Their production came online between 2004 and 2005 just as Madagascar's returned to the market causing wholesale bean prices to collapse by almost 90% from their peak in Dec. 2003.

When prices reached \$500 for kg at point of origin, growing vanilla was as dangerous as growing drugs! The prices sparked off thefts and murders in the growing districts that forced the government to deploy the military.

There were security check-points set up along the highway that searched passengers in buses and taxis for stolen vanilla. In Madagascar, workers in the big processing houses had to change clothing when entering and leaving the workplace and were subject to pat-downs.

The vanilla was put into large containers and welded shut each night and then opened with a blow torch the next morning.

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