



NIELSEN · MASSEY

FINE VANILLAS & FLAVORS

CROP REPORT

August 2018

MADAGASCAR CROP 2018/2019

In July, Nielsen-Massey Vanillas' leadership team traveled to Madagascar to assess the state of this year's vanilla crop, meet with current suppliers and establish new relationships to strengthen our supply chain.

We were encouraged to see indications that this year's vanilla crop will be of higher quality and of similar size to recent years, thanks to stronger enforcement of mandatory government picking dates and overall improved harvesting practices.

One important area of progress is improved coordination between the government and farmers to protect the security of vanilla beans in the field. Police and collectors' organizations have made a concerted effort this year to establish checkpoints and confiscate stolen green beans, which appears to have deterred rampant theft.

Most of the beans we saw were light green or yellow and split, as opposed to very dark green. This indicates they are fully mature and contain the complete range of complex flavor compounds that make pure natural vanilla the world's most popular flavor.

Based on the feedback we received, we are estimating this year's crop at 1,400 to 1,600 tons.

MARKET UPDATE



VANILLA BEANS CURING IN THE SUN

There is no formal public vanilla exchange that publishes day-to-day price fluctuations, which means most buyers must rely on sources on the ground, who watch the patterns and observe buying and selling behaviors to make predictions. The good news is ample supplies of high-quality vanilla should be available.

We expect to have a better idea about the longer-term direction of vanilla prices in the next month or two, when we return to Madagascar for the opening of the vrac (partially cured beans) market.



RECENTLY PICKED VANILLA BEANS

Our visit came approximately one week after the official opening of the vanilla market. From our observations and conversations with growers and suppliers, it is likely going to take some time for a clear price trend to become fully established.

The initial listed prices for green beans were high, but offers were few, as large industrial purchasers remained on the sidelines waiting for greater clarity. As with any agricultural commodity that's produced in emerging markets and traded in ways that lack transparency, it is exceptionally difficult to predict what the price of vanilla will be over the next few months.

WEATHER

Thankfully, the most recent cyclone season in Madagascar was relatively quiet. While in Madagascar we visited a project, led by CARE, which has helped farmers plant trees as natural windbreaks to protect their crops. These trees can also create stronger canopies to support and protect fragile vanilla vines in future storms. The 2018-2019 cyclone season will begin in mid-November.

DAILY LIFE

Following several years of strong economic activity and high prices for vanilla, the Madagascar countryside is beginning to show evidence of increased investment in infrastructure, such as more brick and wooden structures versus traditional huts. Other indications of economic progress include the growing presence of solar panels and widespread availability of mobile money apps that allow easy electronic transactions.

However, there is no doubt that Madagascar remains a poor country, with many vanilla farmers and their families continuing to earn a basic living. Most are highly vulnerable to the effects of a significant storm, ill-timed borrowing transactions or other calamitous events that might set them back financially.

POLITICS

Like many countries, Madagascar faces political uncertainty, as a presidential election will take place this fall. The first round of voting is scheduled for November 7 and, if one candidate does not win 50 percent of the vote, the second round will take place December 19. More than 50 candidates have declared their intention to run; the three main candidates are all former rulers of Madagascar.

We will continue to monitor the political situation and its influence on how it might shape the future of the vanilla-growing industry.

SUSTAINABILITY COMMITMENT

Throughout our company's 111-year history, we've always placed a high importance on making a positive impact. Over the past two years, we've strengthened our commitment to corporate sustainability, embedding it into our company's vision.

We now define ourselves as "a family business committed to sustaining the plants, people and communities that supply our ingredients because our interests are inseparable."

Nielsen-Massey's formal sustainability plan was established in 2018 and consists of specific focus areas, chiefly assisting vanilla farmers in Madagascar and reviewing the environmental impact of our operations. These will build upon our 2017 accomplishments, which were largely in response to the devastation wrought by Cyclone Enawo.



**STRONG SUPPORT TREE WITH
VANILLA VINE GROWING**



**GREEN VANILLA BEAN WITH
TATTOO TO PREVENT THEFT**



NIELSEN-MASSEY TEAM VISITS THE VILLAGE OF ANDRANOVATO

To assist vanilla farmers impacted by the cyclone, we worked with CARE to provide 3,000 households with vanilla vines, to replace those lost to the cyclone, and vegetable seeds, to help promote food security. We also worked with one of our suppliers to give all 41 vanilla farmers from the village of Andranovato 500 new vanilla vines each, as well as raincoats, boots and flashlights, to help them protect their valuable crop from theft.

While in Madagascar, we met with CARE representatives to discuss the project's successes and we visited Andranovato to see its impact firsthand. We witnessed many newly planted vanilla vines and well-worn raincoats.

UGANDAN VANILLA UPDATE

As we continue to seek opportunities to diversify our supply of high-quality vanilla beans, Uganda has caught our eye as a market with significant potential. Earlier in the summer, as part of a delegation from the Sustainable Vanilla Initiative, we attended meetings with government officials. We are excited to continue supporting the development and growth of the Ugandan vanilla industry.

We anticipate a return trip this year. The quality of Ugandan vanilla is on par with Madagascar and we see it as an attractive source of high-quality vanilla for manufacturers and chefs seeking premium vanilla flavor.

Thank you for your continued interest in Nielsen-Massey Vanillas and the entire vanilla industry. We will keep you updated about progress in developing, nurturing and sustaining this exceptionally valuable industry in Madagascar and other vanilla-growing regions around the world.



VANILLA VINE GROWING IN UGANDA

Please let us know if you have additional questions, comments or concerns.

Sincerely,

Craig Nielsen
Vice President of Sustainability