



NIELSEN · MASSEY

FINE VANILLAS & FLAVORS

CROP REPORT

November 2022



NOVEMBER 2022 CROP REPORT



MADAGASCAR

A HEALTHY VANILLA CROP, AMPLE SUPPLIES AND GOOD QUALITY



A vanilla farmer hand-pollinates a flowering vine at his family's vanilla farm in Madagascar's Ambodivoangibe region

With COVID-19 travel restrictions lifted, our leadership team recently made a trip to Madagascar and the Comoros Islands to assess the state of the most recent vanilla crop and hold meetings with partners, suppliers and farmers. These conversations, along with others we've had with our regular sourcing partners across key vanilla growing regions, give us cause for continued optimism about the current state of the global vanilla supply and its quality.

Flowering for the 2022 Madagascar crop began later than normal and lasted until the end of January. This year's crop is now mature with a large percentage of longer beans thanks to abundant rain during the growing season and the decision by farmers to pollinate fewer flowers to avoid stressing their vines.

Harvesting began in early July and is still underway in the mountainous areas of the island. Over time, vanilla production has begun to expand further down the southeastern coast of Madagascar – as climate change expands the areas suitable for cultivation.

Years of increased plantings of vanilla vines are beginning to result in increased supply, as vines planted five years ago when prices were high are now entering their most productive period. Many of the former practices used to rush crops to market such as early harvesting and "quick-curing" are no longer widely prevalent in Madagascar, which bodes well for continued quality.

Early indications are for this year's crop to come in within the range of 2,400-2,700 metric tons, between 20 and 30 percent lower than last year's exceptional crop of 2,800-3,000 metric tons. While this represents lower production, it is well within the range of prior-year harvests.

We also believe that inventory carryovers from the 2021 harvest range between 200-400 metric tons. Additionally, based on export figures from last year's crop, it is believed a number of global buyers bought long last year due to the uncertainty of how the government would act for the 2022 harvest. In fact, early purchasing of the green crop was



Vanilla beans curing in the sun in Madagascar

overall down compared to last year. As of the end of October, the government has still not announced an official opening date for the season. Normally, exports of the new crop beans are allowed to start in the middle of September.

PRICING

The Malagasy government continues to enforce its \$250 per kilo export price for all grades of vanilla. Additionally, this year they instituted a minimum price for green vanilla beans, just harvested, of 75,000 ariary per kilogram, as well as minimum prices for farmer-owned, partially cured vanilla known as VRAC. Recently, the government has begun cracking down on exporters who sell beans below the officially sanctioned price and has reduced the number of accredited vanilla exporters from 150 to 70. It has also mandated that all foreign currency remittances from vanilla sales be repatriated within 90 days.

While most major international buyers remain committed to Madagascar as their primary source for high-quality vanilla beans, some large flavor companies have announced plans to move their vanilla procurement out of Madagascar entirely into other markets where they can procure similar quality beans at a lower global market price. This may create issues with flavor consistency as different vanilla producing regions have different flavor profiles based on soil and curing methods.



Cured beans ready for market in Ampohibe, Madagascar

With a strong dollar and inflation beginning to take its toll, life in Madagascar remains a struggle for many of its citizens. Infrastructure remains tenuous and most roads are difficult to traverse, even during the dry season. Despite government subsidies, fuel prices have risen to near U.S. levels, which, for one of the poorest countries in the world, is a burden. Fears are rising that an economic recession is coming, which, combined with presidential elections in November, means uncertainty about the future is growing. Madagascar is also entering its cyclone season, which poses increasing potential risk to its crops during an era of climate change.

OTHER VANILLA GROWING REGIONS



COMOROS

Our team also visited another vanilla growing area, the Comoros, a group of islands at the northern end of the Mozambique Channel of the Indian Ocean, between Madagascar and the southeast African mainland. In recent years, Comoros has emerged as an attractive vanilla supplier. While Comoros remains a small player in the global vanilla growing sector, it is continuing to expand production of high-quality bourbon vanilla rivalling that of Madagascar with a similar quality and flavor profile. Comoros expects to produce between 50 and 60 metric tons of vanilla beans this year. As a volcanic archipelago, the soil of Comoros is distinct from Madagascar and its climate is dryer, which reduces the amount of time required to cure beans.



INDONESIA



In Indonesia, a crop of vanilla vines grow on metal structures inside a shaded, irrigated tent

As the second largest vanilla producer after Madagascar, Indonesia is an important supplier of vanilla. Reports are that the 2022 vanilla crop is going well, with production estimates of about 300 metric tons. As with other countries, the vanilla farmers are battling rising fuel costs and inflation. However, we expect pricing to remain stable for the upcoming six months. Our team will be planning a trip to Indonesia in the next few months and will include a more comprehensive report on conditions there in an upcoming Crop Report.



UGANDA

Uganda's climate supports two vanilla growing seasons each year. The current crop has experienced favorable growing conditions and the 2022 harvest is projected to come in at a range of approximately 150 metric tons. While the quality of Ugandan vanilla has improved in recent years, and the country has remained number 8 among the top 10 vanilla producing countries in the world, its exports have been on a downward trend in recent years and quality problems remain. However, we have seen good improvement since the VINES program was implemented.

To strengthen the vanilla growing sector in Uganda, our partners at the Sustainable Vanilla Initiative (SVI) have been supporting the Vines Project (VINES), a five-year (2021-2025) coalition between the U.S. Department of Agriculture (USDA) and Food for Progress (FFPr).

VINES' goal is to increase and improve the supply of high-quality vanilla in Uganda by improving the productivity of vanilla-based agroforestry systems with 16,200 farmers and to enhance vanilla quality and compliance with food safety standards with 30 vanilla processing firms, who are organized as the Uganda Vanilla Exporters Association (VANEX).



Inspecting cured beans for quality in Uganda



TAHITI

With the 2022 crop just coming to market, the quality remains good but, as usual, the crop is very small at approximately 4-6 tons. Due to the small crop, pricing remains very high—2-3 times the cost—in comparison to other markets. Tahitian vanilla continues to be popular among pastry chefs for cold

applications such as ice cream, custards and crème brûlées because of its unique flavor profile that includes notes of deep stone fruit, floral and cherry. Tahiti represents less than one percent of worldwide vanilla bean production.



MEXICO

The ancestral birthplace of vanilla remains a small player on the world market, producing less than 50 metric tons annually. The quality of the crop harvested last December was good. The farmers are also fighting rising inflation and fuel prices, so we have seen pricing creeping up. All signs to date point to a good quality crop to be harvested in the next few months.



Vanilla orchid on the vine in Paplanta, Mexico

SUSTAINABILITY



Newly completed solar-powered clean water system in the village of Ampohibe, Madagascar

Nielsen-Massey has for many years actively supported vanilla farmers in villages where we source our beans. A recent example of this is the village of Ampohibe, which recently celebrated the completion of a three-year project to install a solar-powered clean water system serving the needs of its 3,300 residents. This project will help reduce the incidence of water-borne illnesses from contaminated water that previously was the village's source of drinking water. At the ceremony celebrating this exciting milestone, the village Mayor excitedly commented, "Bye Bye, Dysentery!"

Another area that Nielsen-Massey is supporting on its own and in collaboration with the Sustainable Vanilla Initiative is an initiative to help vanilla farmers improve their livelihoods through the planting of indigenous trees such as cacao, cinnamon, clove or mango, which can be planted alongside their vines to serve as a canopy, and which can produce additional cash crop income for the family.

Like many other developing countries in subtropic regions, Madagascar has suffered the loss of much of its old-growth forest to logging, harvesting for firewood and rice paddies during the past six decades. Research shows that fallow-derived

vanilla agroforestry can support the restoration of biodiversity in agricultural lands and provide a profitable alternative to further expansion of farming into old-growth forests.

We are working with Catholic Relief Services to develop several la pepiniere, or tree nurseries, to provide farmers with trees—both indigenous and cash crop trees—that they can plant to expedite the reforestation of Madagascar. This will also provide them with alternatives/additions to vanilla, which will enable them to earn a living wage and better provide for their families.

CONCLUSION

The key takeaway from the trip is that global supplies of vanilla are plentiful, and quality is good. While Madagascar remains the undisputed global leader in the production of high-quality vanilla beans, the government's mandated minimum export price of \$250 per kilo remains well above global market prices. As Madagascar's production grows, inventories build and alternative sources of high-quality vanilla beans proliferate, it will be interesting to see what happens to Madagascar's share of the world market, as buyers move to diversify their vanilla sourcing into lower cost markets.

Our focus, as always, remains securing the world's highest quality vanilla beans and building and sustaining strong relationships with the communities and farmers around the world with whom we do business.

HAVE QUESTIONS ON HOW THE CURRENT VANILLA CROP IMPACTS YOUR OPERATIONS?

We are happy to help. Email hello@nielsenmassey.com to start the conversation.

Thank you for your continued interest in Nielsen-Massey Vanillas and in the global vanilla industry.

NIELSEN·MASSEY®



FINE VANILLAS & FLAVORS

Current customers: sales@nielsenmassey.com
Additional questions: info@nielsenmassey.com