



NIELSEN·MASSEY®

FINE VANILLAS & FLAVORS

CROP REPORT:

OCTOBER 2017



The Nielsen-Massey leadership team recently traveled to Madagascar where we toured several vanilla farms and met with growers, processors, distributors, exporters and government officials. We walked away from the trip feeling cautiously upbeat about prospects for the 2017 harvest, both in terms of its size and quality.

The 2017 vanilla growing campaign is nearing its conclusion, with this year's crop still undergoing curing and being processed for export. The aroma of the beans is good and their overall quality appears to be higher than last year. Even with the impact of losses from Cyclone Enawo, it now appears that the country will export between 1300 and 1600 tons of vanilla beans this year versus 1100 tons last year.

Many of the poor harvesting and processing practices that have plagued the island in recent years appear to have been curbed. We attribute this to improved discipline among buyers, stronger government oversight and a recognition that high-quality beans are in the best interest of the entire supply chain and Madagascar's fragile economy.



Vanilla vines require frequent inspections.

This year, more farmers left their beans on the vine to reach full, or near full, maturity, rather than picking them early before the complex flavor profiles could fully develop. This bodes well for both quality and yield. Buyers also acted more responsibly and avoided flooding the market early with money, which provides an incentive for farmers to pick their crop early or risk theft. Quick curing and green extraction practices also appear to have declined, and government-established pick dates, official dates for the opening of the VRAC markets and official exporting dates have been better enforced.

Scars remain from the significant damage inflicted by the storm. It's clear that the country's damaged infrastructure may take years to fully repair. Homes, schools and villages sustained varying degrees of damage. In certain areas, the canopy of trees that typically shades vanilla vines, serving as a scaffold for them to climb has been either severely damaged or destroyed by the storm, placing the vines and vanilla pods at greater risk of UV damage from direct sun exposure.



Cyclone Enawo inflicted significant damage to infrastructure.



Delicate vines were damaged by UV rays after tree canopies were damaged in storms.



A tour shows extensive storm-inflicted damage.



The good news is that we expect there will be sufficient supplies of high-quality vanilla beans available to the market this year. The only area where there may be tight supply is in organic vanilla. Global vanilla production will continue to be driven by what happens in Madagascar, however. Despite increased plantings of vanilla vines in other high-potential growing regions such as Uganda and India, it will take years for production to substantially increase to sufficiently meet the needs of growing global demand.

Because Madagascar is such an important source of supply for our company, we've formalized a relationship with a local representative who will provide us with greater access to farmers and suppliers, and improved visibility into crop trends, along with the evolving political, regulatory, economic or climatic factors that could have an impact on our business.

Our company is also continuing to step up our commitment to helping local vanilla growers and their families earn an attractive living to sustain the industry for years to come. We are expanding relationships across the entire supply chain from farmers and farmer groups to exporters. We're investing in programs that purchase and distribute new vanilla vines for planting, as well as distribute much-needed supplies such as flashlights, batteries, rain coats and boots, rice credits and solar panels. We also anticipate expanding our support for local school repairs and additions, and for programs to educate growers about sustainable growing practices.



The process of hand-pollinating a vanilla orchid flower is time consuming and labor intensive.

*Source: Manuel De Vulgarisation De La Culture Semi-Intensive De La Vanille
by Fonds Europeen De Developpement – Ressources Stabex
Republique De Madagascar*



The trip helped underscore how growing and producing vanilla is among the most labor, capital and time intensive agricultural processes on Earth. While each vanilla vine can grow as much as 10 centimeters per month, the plants themselves take several years to begin to bear fruit. To ensure the highest quality beans and to avoid stressing the vanilla vine, farmers typically pollinate about eight to 10 flowers on each vine using a painstaking labor intensive hand-held process perfected several centuries ago. It's not until 14-15 months later that the crop is completely dried, cured and ready for export.



Farmers only pollinate certain flowers to sustain the health and longevity of the vanilla vine.

This year, the Madagascar government has set October 15th as the beginning of sanctioned exports of vanilla. Already, vanilla vines have begun to flower, which signals the start of the 2018 campaign.

Despite this upbeat news, we expect vanilla prices to remain stable for the near future. Global demand for pure and natural vanilla remains strong, and it will take years for the sector to begin rebuilding depleted inventories. The entire supply chain will be watching with great anticipation in the coming months to see how the flowering of next year's Madagascar crop looks, as this is an important leading indicator about the potential size of the next harvest, and ultimately the long-term direction of prices.

Please join our email list to receive regular updates about how the evolving conditions in Madagascar will affect global vanilla prices, and availability. We're committed to working with customers to keep them informed and tailor our offerings to meet their unique requirements.

We invite you to submit questions, comments or concerns, and as always, we thank you for being invested in Nielsen-Massey Vanillas and the future of the vanilla industry.

Sincerely,

Craig Nielsen