



Vanilla – Market Report August 2016

With September approaching, we will see the beginning of substantial volumes of semi-cured “vrac” vanilla beans coming from the bush. The vast majority of this year’s crop in Madagascar is still available, yet the pressure on green vanilla and early “vrac” has hardly ever been higher. We expect 2000mt of cured vanilla yet a relatively low quality level, the latter is due to a high percentage of early picking and vacuum-packing. We remain convinced that from the first quarter 2017 there will be a physical excess of supply. Despite these prospects, the remaining old stocks as well as the new crop of Green Vanilla are traded at extremely high prices and approach the all-time highs of 2004. Some financially powerful multinationals seem to have a different vision of the market as they claim that there is no significant reduction in world consumption. We only hope that their acting will not result in a self-fulfilling prophecy. Currently, a handful of industrial companies are pumping a lot of money into the Madagascar circuit which is anything but helpful to cool down the market and the tempers and rather difficult to understand when we speak to our customers.

Let us bear in mind that meanwhile production was triggered again in alternative origins due to the price-incentives and that this will lead to a continuing increase of supply in the coming years. In our opinion, only a disastrous flowering in autumn in Madagascar could still extend the crisis – the next two months will clear the picture.

Today’s high prices make risk management very complicated for all involved. Part of the market participants already back out due to financing problems or due to precaution or be it purely due to common-sense. It is realistic that we are able to discuss initial purchases from new crop by mid-October (as we always do). It will be helpful (yes little likely) if buyers had the patience to await mid-October before panically trying to ensure volumes at this still early state in the season.

The experience from 2004 (price collapse within three weeks from US\$ 550 to below US\$ 80) is still in the minds of those who lived through that period in the vanilla business – it should be brought to the minds of those who were not there or those who do not recall.

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