



# The Vanilla Crisis Now

## Is this the eye of the storm?

When the current vanilla crisis accelerated in 2017, the combination of factors created what we called the perfect storm. Now nearly two years later, it's clear that the vanilla market continues to be challenged. Food and beverage companies are navigating supply concerns, fluctuating pricing and shifting quality. All this at the same time that vanilla flavors continue to be the most widely used flavor family in the industry. While the situation has improved for 2019, the outlook for 2020 reveals that this may just be a brief lull in a much bigger storm — the eye of the storm, so to speak.

Let's take a look at the vanilla market, with an eye towards current options and opportunities to secure long-term solutions.



## Consistent Consumer Interest

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Consumers are drawn to vanilla and find safety and security in their vanilla choices across the food and beverage market — not to mention the pull of indulgence and nostalgia inherent with vanilla consumption. Consumer Product manufacturers have been working hard to manage taste and price within their finished products. Many have changed the formulation of the products to reduce the reliance on pure vanilla extract. This means the demand of vanilla extract has softened slightly compared to the peak demand in 2017. Label compliance and regulatory alignment often still leads to use of vanilla extract. Vanilla remains a critical element needed in the product developer's tool box.

# The Factors at Play

## 2017: Decreased Quality, Increased Prices

### Vanilla Growing Cycle is Finicky

- It is a multi-step production process, with three years between planting and first flower, limited time to hand-pollinate, and time required on the vine to mature to get better yields

### Vanilla Supply Chain has Many Layers

- Conversion from farmers to extracts has as many as 6 layers
- Farmers -> Collectors -> Curers-> Exporters-> Importer-> Extractors

### Unbalanced Supply and Demand

- Before Cyclone Enawo hit Madagascar in 2017, many farmers had shifted away from vanilla due to low prices.

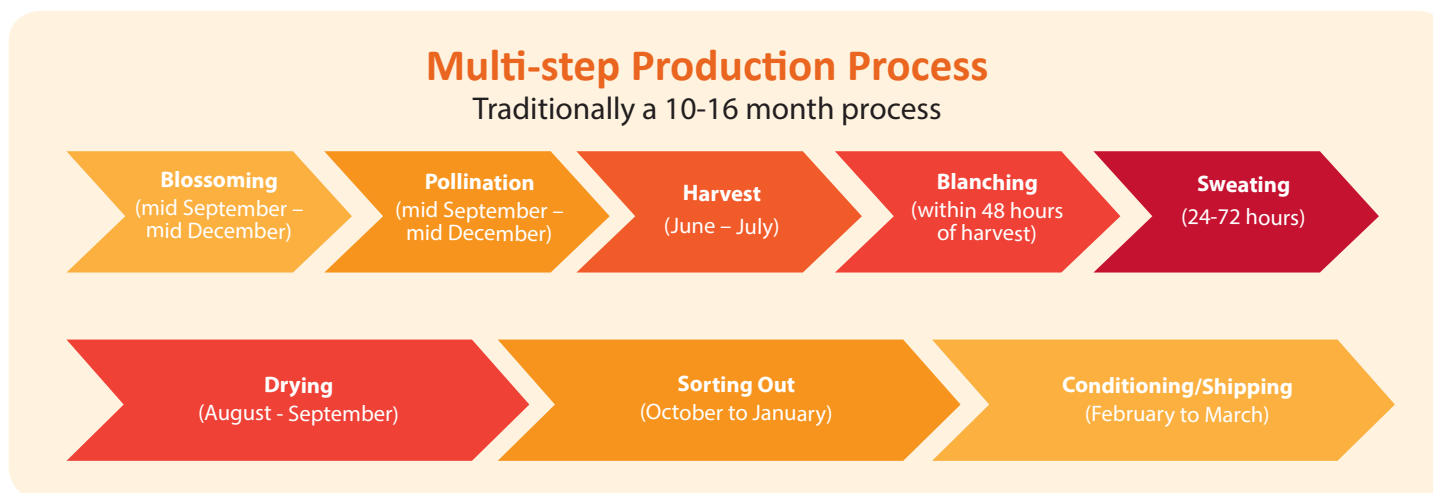
- At the same time, clean label interest grew and large CPG & Consumers sought out natural vanilla flavors and extracts.
- Demand outpaced supply, resulting in the pricing going up

### Quality Suffered

- Under pressure, some farmers adopted techniques that rushed the processing, adversely affecting quality.
- Techniques included picking immature "green" beans

### Environmental Conditions

- Continued significant weather events are impacting the growing cycle
- Late flowering results in the farmers having to wait longer to harvest and get paid





# The Factors at Play *continued*

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## 2018-2019: Improved Quality & Shifting Acceptability

- Prices more stable compared to 2017
- Quality improving over the crops of 2017
- Demand of vanilla extract decreased due to product reformulation
- Some vanilla suppliers shifted the “taste” acceptability of their extracts and provided the altered taste as the standard.

## 2020 Outlook: Late Flowering & Decreased Production

- Late flowering in Madagascar is concerning and will likely impact the quality of the 2020 crop
- Some suppliers are forecasting decreases in production around 25%, and a reduction in quality
- It will be essential for CPG formulators to identify and secure solutions to reduce long-term product risk

## Leave the Worries Behind. *It's Time to Secure Price- Stable Taste Solutions*

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Don't lose momentum. Build for the future. Vanilla is challenged in the short AND long-term. Our technical expertise and collaborative approach allows you to build replacer tools and plans for the fluctuating vanilla market today and tomorrow.

Count on side-by-side collaboration, and solutions that are label friendly, cost effective and protect the taste your consumers are expecting in your products. We have sustainable, price-stable solutions for your clean label products.

With a true taste solutions partner, this storm is no match for you. Avoid long-term risk, and secure your future growth.

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