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## Spices

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**Spices World Report**  
**SW 24 – Number 5 of June 17<sup>th</sup>, 2005**

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## Overview

Yet another quiet month for trade in the spice market. Trade sources report that activity has been depressed by the need to check and re-check stocks. This follows the discovery of non-food grade colouring of Sudan dyes and Para Red in chilli products and paprika earlier in the year.

The disruption this adulteration has caused was highlighted by a recent press release from International Flavors & Fragrances, Inc (IFF) who blamed a slow down in orders and sales activity for products that include paprika, following discovery that it had taken delivery of compromised material and would need to test stocks. IFF said that 2<sup>nd</sup> quarter sales may be negatively affected by the slowdown in orders, as shipments were tested, and suggested that sales might be reduced by as much as \$10 million. In addition, IFF said it was allowing \$5million in costs related to the contaminated material, including write-off and costs of testing.

In the consumer markets of the US and the EU, spice customers, the manufacturers and packagers, are becoming increasingly demanding of the importers to ensure traceability and quality in the raw materials. In the EU, legislation, due in January 2006, will require all food businesses to have a food safety management system in place based on hazard analysis critical control point (HACCP) principles. In order to ensure compliance, the food business using spices will pass responsibility for quality back to the importer who in turn will have expectations of the exporters. The exporter's ability to provide assurances with the product, while still maintaining competitive pricing, will be critical to maintaining a position in the market.

In India, the Government has made it mandatory for all exporters involved in spices to register with the Indian Spices Board (ISB) in order to better monitor quality. The ISB has made sampling of all exports of chilli and chilli products compulsory with testing for Sudan I, II, III and IV as well as aflatoxin. Such moves recognise the damage that can be done by a single exporter handling poor quality or adulterated material: the origin as a whole acquires the reputation of the poorest supplier.

Mandatory testing at origin may be a sensible step, but how far should origins take the food safety and quality standard issues? HACCP, as a food safety system, is implemented by food businesses of a very different scale to those at origin. HACCP requires resources, time and expertise to implement and the decisions needed are not necessarily suited to the smaller spice producers and exporters. Those who can comply will improve their chances of success, but, given that traceability of supply is a key issue in HACCP, it is unlikely that any but the most integrated supply chain will achieve certification of this system. Note, that this is not the same as the incoming EU legislation on food traceability which requires that EU food businesses identify the immediate source of supply and immediate destination - one step forward, one step back.

The spice industry needs to address these issues urgently. If HACCP or other standards, which really were developed for large food businesses, are in fact impracticable in the real world of smaller producers and complex supply chains, another, possibly more flexible protocol, must be developed that will meet the needs. Simplifying HACCP may not be the answer; a more radical approach beginning from the producer is more likely to be successful.

### Exhibitions / Workshops / Seminars / Meetings 2005

Event	Date	Location
IFT Food Expo	17 <sup>th</sup> – 19 <sup>th</sup> July	New Orleans, USA
Fine Food Show	12 <sup>th</sup> – 15 <sup>th</sup> Sept	Melbourne, Australia
Anuga	8 <sup>th</sup> – 12 <sup>th</sup> Oct	Cologne
Ingredients Russia	8 <sup>th</sup> – 11 <sup>th</sup> Nov	Moscow
FIE Paris	29 <sup>th</sup> Nov -1 <sup>st</sup> Dec	Paris

**Pepper** – Traders report another dull month for activity. Among the producers there was a steadier tone in Vietnam. And in India the government lifted the ban on imports to allow the oleoresin manufacturers access to more raw material.

**Garlic** – One of the signs of life in the spice market this month. The outturn of Chinese dried garlic in 2004 fell short of the 2003 supply. Not only was production in some areas below normal, but also the domestic demand for fresh garlic is growing thereby reducing the availability of raw material for the driers. As a result, the Chinese exporters move towards the new crop season with no carry over stocks. Fears of delays in fresh supplies, while the processing itself takes time after the harvest, have driven prices 8-10% higher in the import markets this month.

**Cumin** – The indecisive tone in the market continues with prices easing and then moving up again. Even though the harvest is now coming in it is not yet clear which direction prices will follow. Objective forecasts of this year's crop are not yet available, though there are unsubstantiated reports circulating regarding a reduced crop in Syria. On balance, the sentiment in the market is tends to bullish: there is unsatisfied demand, and, in the stand-off between buyers and sellers, the consumers seem likely to blink first.

**Nutmeg** – Prices of Indonesian nutmegs have eased as the market moves into the quiet season for consumption. The use of nutmeg is concentrated in the winter months in the northern hemisphere, and, for now, the fears regarding a shortfall in supply, after the hurricane damage in Grenada, are receding.

**Saffron** - Iran's Customs Administration reported that 172 tons of saffron worth \$94.9 million was exported during March 2004-2005. Saffron exports rose 42.6% in value and 24% in volume over the previous crop year. The

United Arab Emirates (UAE) was the principal destination with 78.8 tonnes of saffron worth \$41.5 mln. Spain was the second largest with 56.4 tonnes worth \$31 mln.

## VANILLA – A REVIEW OF THE CURRENT MARKET

The very high prices of vanilla over the past few years have stimulated interest in this small-holder crop. Naturally, this has led to an increase in plantings in the traditional supply areas and in new origins. However, the subsequent sharp fall in demand, and the simultaneous collapse of prices, from over \$500/kg to under \$50/kg, has left the sector in turmoil; euphoria among producers has been replaced by gloom, with no clear position on current and future trends in demand and prices.

This review will look at how the present state of the market has arisen and how the future might lie. The current situation has to be seen within the context of longer term historical movements in supply, demand and prices. Four key periods can be identified: pre 1996; 1996 to 2000; 2001 to mid-2004; and late 2004 to date.

### 1. BACKGROUND

Vanilla has offered a high value / low volume product for the smallholder producers of the traditional production origins – the oceanic islands of the humid tropics. Madagascar, Indonesia and the Comores Islands have dominated global supply with production from the orchid species *Vanilla fragrans*. There are a number of other minor producers, but lately plantings in India and Papua New Guinea have become significant.

The vanilla plant yields two to three years after planting. The individual flowers are pollinated by hand and the pod (or 'bean') ripens over nine months. Harvesting again is by hand and the green beans must then be cured in a process that can take several months. Once cured, the pods are stable and can be stored for years.

Vanilla is best suited to production in small mixed cropping gardens:

- ⇒ cultivation is based around composting and management of shade rather than any requirement for use of artificial inputs
- ⇒ the high labour input around flower pollination and harvest is easily dealt with using family labour.

Market demand is dominated by the USA, and Europe (primarily France and Germany), and this review will concentrate on these western markets, although Japan is also a significant though smaller user. The dominant end use for vanilla is flavouring in the food industry, particularly ice-creams, but also in a range of other deserts, and cola (eg Coca-Cola) drinks etc. Most vanilla is extracted to give vanilla extract, and it is this extract that is then used by the food industry.

The quality of vanilla, then, is primarily assessed on the basis of the vanillin content, in terms of quantity and aroma profile, since this is the dominant ingredient sought by the end-users. The vanillin content is influenced by production and processing factors and vanilla from Madagascar, the Comores

and Reunion, the so called 'Bourbon' type, is taken as the industry standard for the high end market, against which other origins are graded. The low quality market is dominated by Indonesian vanilla.

As a flavour, vanilla is an important additive in the food industry, but much of this can be derived from synthetically produced vanillin available at much lower cost. However, the market demand for natural vanilla extract in the food industry has been secured by product label legislation: the use of particular words on a product label requires that natural vanilla, rather than synthetic vanillin, is used as the flavouring.

As a natural product produced in relatively few origins, variations in tropical weather patterns cause significant fluctuations in vanilla production from harvest to harvest. Conversely, the annual food industry consumption of vanilla does not vary substantially, as recipes tend to be maintained, though longer term trends in demand are seen. In these circumstances, with a relatively stable demand but a fluctuating supply, inevitably the price of vanilla can be volatile.

## 2. VANILLA SECTOR PRE-1996

Total vanilla imports to the combined EU and US markets, over the period 1989 to 2004 are shown in Table 1 and Figure 1. Imports to the EU market over the period 1988 to 2004 are shown in Table 2 and Figures 2a & b; imports to the US market over the period 1989 to 2004 are shown in Table 3 and Figures 3 & b.

From 1989 to 1995 imports to the western markets increased from around 1,500 tonnes per year to over 2,000 tonnes per year. A number of factors contributed to this increase in demand – including the development of frozen yoghurt deserts that used vanilla in the same way as ice-creams, and the marketing of the 'Vanilla Coke' drink, but also stable pricing and supply.

The principal supply origins to the EU and US markets (Tables 2, 3) were Madagascar, Comores Islands, and Indonesia. Development of the crop in Indonesia was driven by the US market – where a market niche defined by US label legislation required (or allowed) a low quality natural vanilla to be blended with synthetic vanillin. As a result, the Indonesian production sector was orientated towards 'early pick' vanilla, where vanilla beans were harvested 3 or 4 months before fully mature, to give a low quality, low priced product. Typically 75% or more of the Indonesian crop was low quality early pick, and over 90% of exports were to the US.

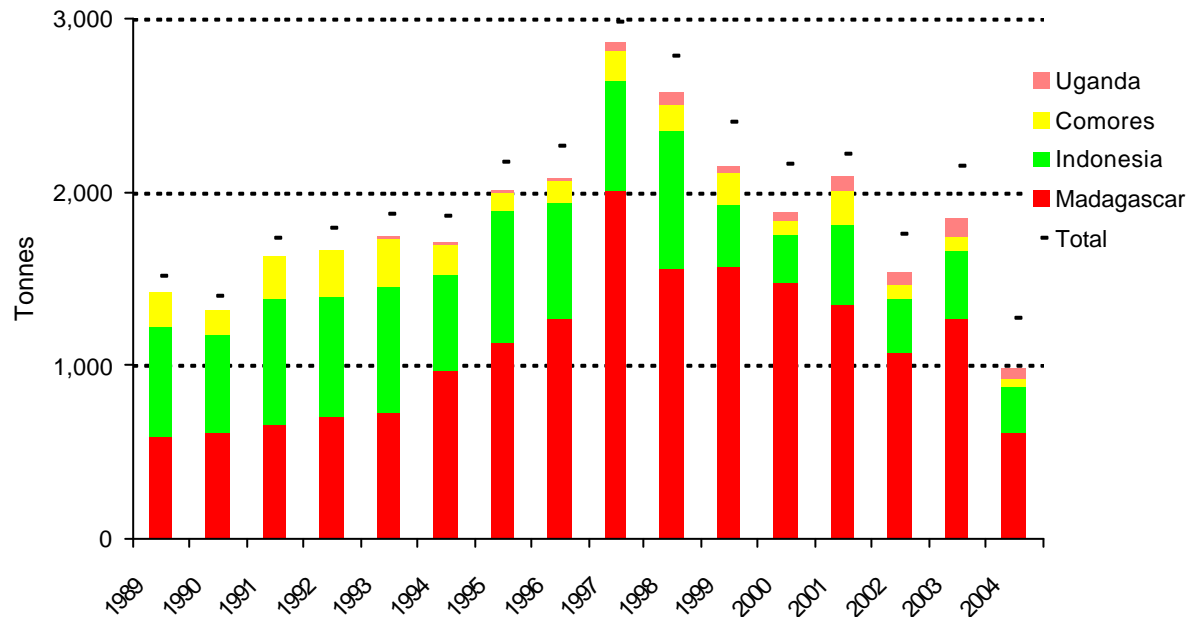
During this period, prices and supply to the market were regulated by an alliance of vanilla exporters, the Univanille cartel. The major buyers, and the Bourbon producers, principally Madagascan, would meet annually to determine demand (export volumes released to the market) and **export pricing**. Export prices were set artificially high, rising to around US\$74/kg in the early 1990s.

**Table 1: Vanilla: Combined imports to EU and US markets**

Source: FAS and EUROSTAT

Origin	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Madagascar	596	611	662	699	725	962	1,137	1,272	2,014	1,556	1,566	1,478	1,354	1,074	1,273	619
Indonesia	629	571	726	704	727	563	763	675	636	800	361	272	468	309	386	261
Comores	196	132	233	251	280	165	98	117	168	156	181	90	193	80	82	43
Tonga or NEC(96/97)	28	26	64	32	32	38	56	22	5	26	30	19	3	12	16	7
French Polynesia	11	7	5	6	8	9	12	6	10	6	8	6	6	8	9	8
Uganda or Other(96/97)	0	2	3	5	10	15	14	16	40	63	40	47	75	68	106	54
Papua New Guinea	0	0	0	0	0	0	0	0	0	0	2	9	10	19	105	106
India	0	0	0	0	0	0	1	1	0	1	11	44	27	31	31	26
Others	60	44	51	95	91	107	98	161	113	173	209	210	88	160	154	151
<b>Total</b>	<b>1,520</b>	<b>1,393</b>	<b>1,744</b>	<b>1,792</b>	<b>1,873</b>	<b>1,859</b>	<b>2,179</b>	<b>2,270</b>	<b>2,986</b>	<b>2,780</b>	<b>2,408</b>	<b>2,175</b>	<b>2,223</b>	<b>1,761</b>	<b>2,162</b>	<b>1,275</b>

**Fig 1 Total Vanilla Imports to EU and US**



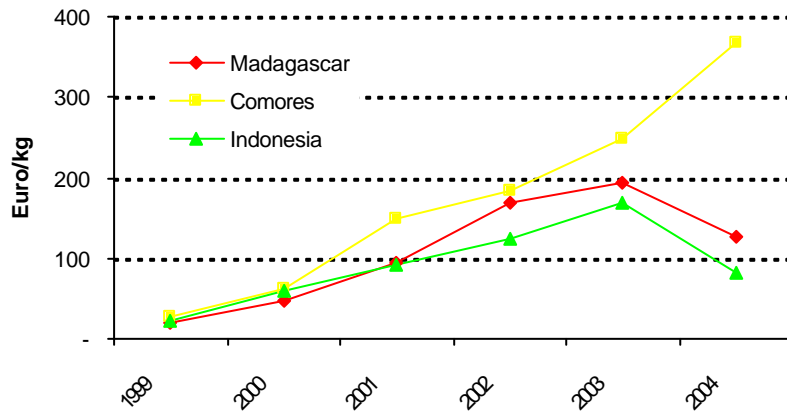


**Table 2: EU vanilla imports, by origin, 1988 to 2004, tonnes**

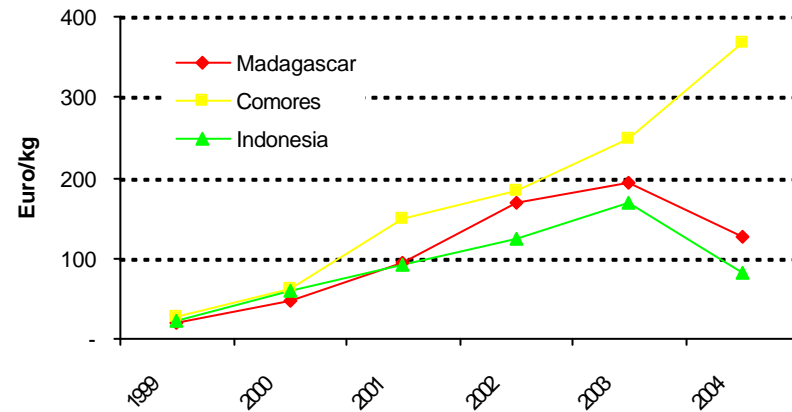
Source: EUROSTAT

Origin	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Madagascar	255	175	213	169	228	259	404	487	485	575	496	719	588	547	380	318	239
Reunion	13	11	11	7	12	21	7	4	1	0	0	0	0	0	0	0	0
Comores	59	89	73	105	103	124	57	58	45	86	133	109	55	100	56	60	10
Mayotte	5	5	4	9	13	3	5	2	2	2	7	0	2	0	1	3	0
USA	14	18	20	18	61	48	42	73	88	53	74	75	108	45	101	75	51
Indonesia	26	103	89	108	105	61	35	36	54	28	48	24	11	20	23	50	168
Tonga	0	0	0	8	0	0	1	10	8	0	3	10	5	0	4	0	2
French Polynesia	1	2	3	2	3	4	4	5	2	6	3	3	2	2	5	5	3
Uganda	0	0	1	0	0	0	0	4	0	0	9	2	12	16	14	19	12
India	0	0	0	0	0	0	0	0.7	0.9	0.2	0.9	0.3	0.5	4.1	3.1	7.3	3
PNG	0	0	0	0	0	0	0	0.1	0	0	0	0	0	5.5	16.1	78.3	54
Others	3	10	8	4	3	12	43	9	60	38	67	109	90	38	48	66	62
<b>Total</b>	<b>376</b>	<b>413</b>	<b>422</b>	<b>430</b>	<b>528</b>	<b>532</b>	<b>598</b>	<b>689</b>	<b>746</b>	<b>788</b>	<b>841</b>	<b>1051</b>	<b>873</b>	<b>778</b>	<b>651</b>	<b>682</b>	<b>603</b>

**Fig 2a EU Vanilla Import Prices, 1999-2004, Major Origins**



**Fig 2a EU Vanilla Import Prices, 1999-2004, Major Origins**

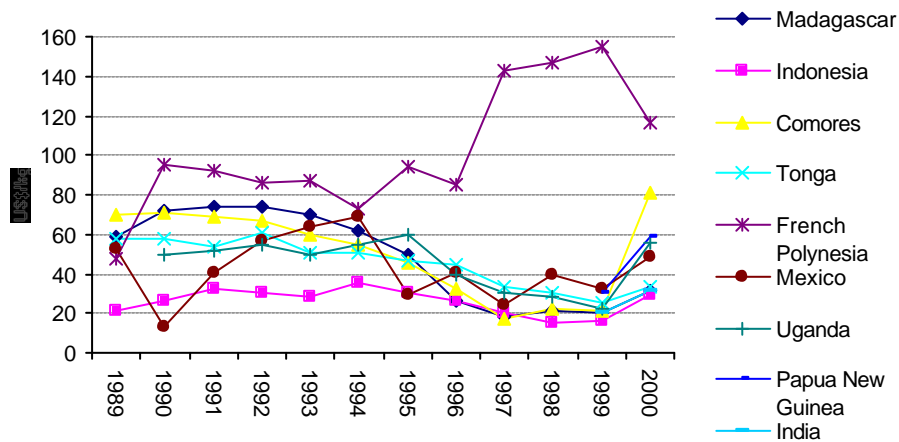


**Table 3: US vanilla imports, by major origin, 1989 to 2004, tonnes**

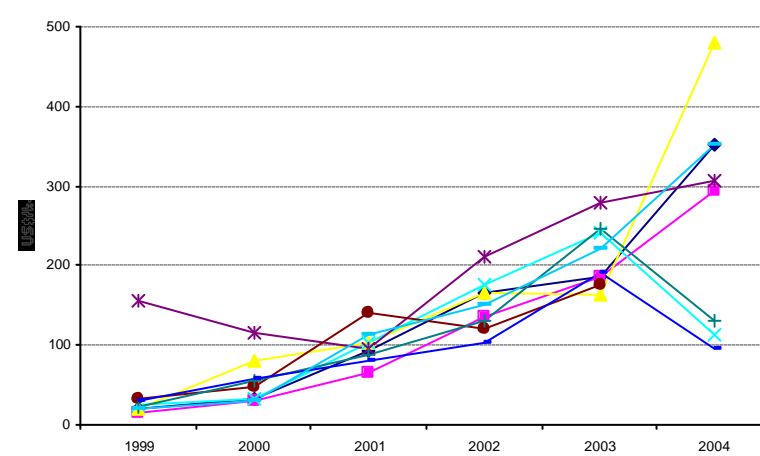
Source: FAS

Origin	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Madagascar	420.7	398	493	471	466	558	650	787	1,439	1,060	847	890	807	694	955	380
Indonesia	526.4	482	618	599	666	528	727	621	608	752	337	261	448	286	336	93
Comores	107.2	59	128	148	156	108	40	72	82	23	72	35	93	24	22	33
Tonga	28.4	26	56	32	32	37	46	14	5	23	20	14	3	8	16	5
French Polynesia	9	4	3	3	4	5	7	4	4	3	5	4	4	3	4	5
Mexico	15.6	2	13	6	7	6	6	6	19	2	5	2	4	10	6	0
Uganda	0	1	3	5	10	15	10	16	40	54	38	35	59	54	87	42
Papua New Guinea	0									0	2	9	4	3	27	52
India	0					4	4	4		0	11	44	23	28	24	24
Others	0	0	0	0	0	4	4	4	1	23	21	8	1	1	3	39
<b>Total</b>	<b>1,107</b>	<b>971</b>	<b>1,314</b>	<b>1,264</b>	<b>1,341</b>	<b>1,261</b>	<b>1,490</b>	<b>1,524</b>	<b>2,198</b>	<b>1,939</b>	<b>1,357</b>	<b>1,302</b>	<b>1,445</b>	<b>1,110</b>	<b>1,480</b>	<b>672</b>

**Fig 3a US Vanilla Imports, by major origin, 1989-2000**



**Fig 3b US Vanilla Imports, by major origin, 1999-2004**



The Government of Madagascar levied an export tax on its domestic exports, allowing it to finance the purchase and storage of vanilla not exported. Western buyers were therefore assured of their supply and stable pricing through the management of this buffer stock: in years when production was in excess of demand (the usual situation) the market was not flooded; in years when production was less than demand (after cyclones), product was released from store to meet requirements.

The Univanille cartel had been established in the 1960s after a cyclone devastated the vanilla crop and prices rose to over US\$100/kg (higher, in current value, than the peak prices seen in 2004). At that time, Madagascar was the dominant producer and all sides of the industry were able to find mutual benefit in an agreement that secured stability of supply through higher prices.

However, in common with other commodity agreements, the vanilla agreement provided a motivation for other origins to start or increase vanilla production. Any origin not party to the agreement, with no requirement to regulate export prices or volumes, was able to sell at a discount to Madagascar, but at a price that was still artificially high and highly profitable. Vanilla production was therefore boosted in Indonesia, restarted in Uganda, where early commercial developments had taken place in the late 1950s/early 1960s but had then stopped, and was started in India and Papua New Guinea. In the early 1990s, Uganda, for example, was exporting vanilla at prices in the range US\$50 to US\$60/kg.

While the buffer stock might have benefited Madagascan producers on a seasonal perspective, the longer term consequences were dire:

- ⇒ Madagascan exports lost market share
- ⇒ Excess production was consistently withdrawn from the market into store
- ⇒ The nation was financing the storage costs.
- ⇒ Domestic raw material prices (green bean prices) paid to growers were far below those in non-cartel origins.

The situation was not sustainable. Under pressure from the International Monetary Fund (IMF), price fixing was ended, the market was liberalised and the Univanille agreement finally ended in 1996. The IMF assumed that this would enable Madagascar to re-establish its position as the dominant supplier to the market; prices paid to growers would therefore increase significantly, growers would be encouraged to focus on increasing quality and production, and lower market prices would further encourage usage and therefore demand.

Through the 1980s and 1990s, the Madagascan crop was generally in excess of marketed demand. Annual crops were typically in the range 750 to 1,250 tonnes of cured beans. The high quality product was exported, and the lower qualities removed to store. The general industry price structure at the time reflected the divisions by origin and quality: Madagascar and the Comores supplied high quality vanilla in the range US\$60 to US\$75/kg; Indonesia supplied low quality in the range US\$20 to US\$30/kg; non-cartel high quality vanilla producers (for example Uganda) supplied in the range US\$50 to US\$60/kg.

### **3. VANILLA SECTOR 1996 TO 2000**

The immediate effect of the market liberalisation was the prospect of an estimated additional 2,500 tonnes of vanilla being released by Madagascar from store. While the release of these stocks was managed by the industry, prices immediately fell into the range of US\$15 to US\$25/kg, and remained in this range until 2000. In 1997, export prices for low quality Indonesian vanilla were reported at under US\$10/kg, while some high quality bourbon vanilla was selling for little more than US\$15/kg.

It is important to note that, while current 2005 prices have fallen dramatically from recent highs, they are still well above the levels seen in the last 10 years. Prices were driven down then by an excess of supply over demand, the same situation as the market is currently experiencing.

Prices stayed low over the period 1996 to 1999, only starting to rise above the US\$25/kg price barrier in 2000. Export volumes rose sharply to almost 3,000 tonnes in 1997-1998, though most of this can be attributed to the release of stores from Madagascar. Underlying market growth rates were probably little changed from pre-1996 levels.

At the end of this period, global output by two climatic problems: a drought in Indonesia caused a sharp fall in production, and a cyclone in Madagascar was reported to have caused significant damage to the standing vanilla crop. These two production constraints in the two major production origins, coupled with a consistent growth in market demand, set the base for a sharp rise in prices.

As the management of the export crop volume from Madagascar came to an end, the exports were no longer mostly high quality but began to include a wider range of qualities, each priced accordingly. Any assessment of import prices for Madagascan vanilla from the late 1990s (Figs 2 and 3) must take this into account, as average unit values will reflect the average of all qualities, and a significant proportion of Madagascan exports are now lower quality extraction grades (reds, cuts) rather than the top quality 'noire' beans. Comores Islands, by contrast, has maintained a focus on production of high quality beans, and average prices are therefore higher than those seen for Madagascar.

This period also saw the first commercial exports from India (around 45 tonnes in 2000) and PNG (around 10 tonnes).

### **4. VANILLA SECTOR 2001 TO EARLY 2004**

Prices increased sharply in 2001 as result of the fall in Indonesian production, with exports in the range 200 to 400 tonnes as opposed to earlier levels of 600 to 800 tonnes, coupled with the shortfall in the Madagascan crop as a result of Cyclone Hudah. Price levels for top quality vanilla rose into the range US\$100 to US\$150/kg, and continued to increase during 2002 and 2003 despite normal Madagascan crops. Prices for top quality vanilla rose into the US\$200/kg range in 2002, and into the range US\$250 to US\$300/kg in 2003. A further cyclone in Madagascar in early 2004 pushed prices up to dizzying levels of over US\$400/kg.

Vanilla prices were now far outside the typical range of US\$50 to US\$75 for good quality vanilla in the early 1990s before market liberalisation. Producing origins showed no sign of recognising industry's commercial problems with these prices. While new origins, notably India and PNG, were about to start producing significant quantities, each projecting crops of 100 to 200 tonnes/yr in the near future, the drive to develop production in these origins was based on the prospect of high and sustained pricing.

However, the end users had seen input prices rise 10-fold with no prospect of an immediate return to 'normal' pricing. Pricing of recipes was thrown into disarray: an ingredient that had cost \$50,000 might now be \$0.5mn. In addition such volatility upset budgeting for margins and returns yet holding of any stocks became prohibitively expensive even though the direction of the market was uncertain.

The market for vanilla flavours is dominated by low cost synthetic flavours (synthetic vanillin), at a fraction of the price of natural vanilla. The market for natural vanilla is a niche market, used in high value high end products. End users of natural vanilla are reluctant to reformulate a product to use synthetic vanilla flavours: consumer perception may be adversely affected, if only by the need to change product position due to label legislation in the major markets, which would, in turn, damage demand. However, at some stage the price differential between natural and synthetic vanilla flavours, and perception about future price levels and volatility and supply, will push users to reformulate their products and change from use of natural vanilla to synthetic flavours.

The high prices of 2003 and early 2004 resulted in a major fall in demand for natural vanilla as end users changed to using synthetic vanilla flavours.

#### **4. VANILLA SECTOR MID 2004 TO PRESENT**

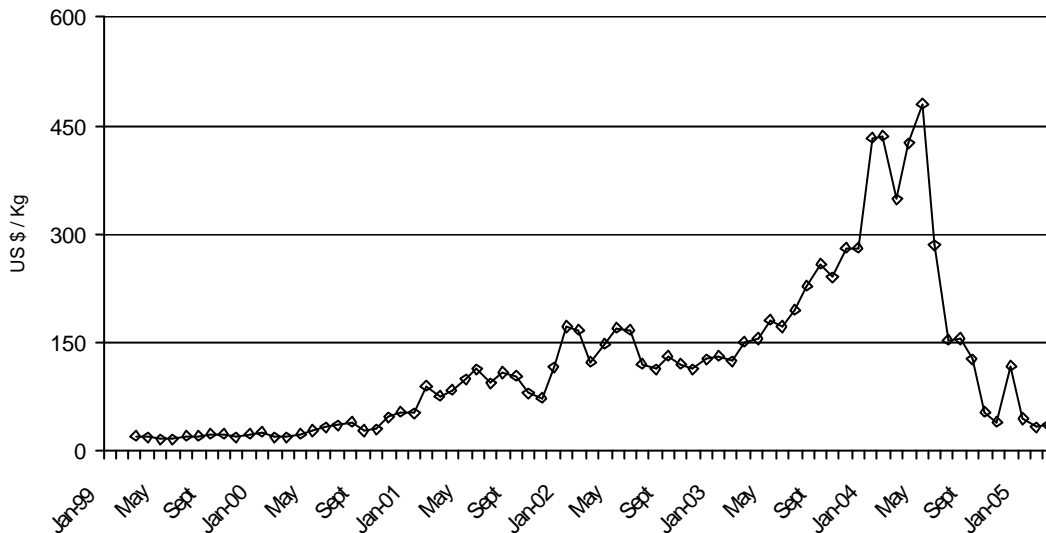
Demand for vanilla fell drastically as a result of the high prices of late 2003 and early 2004. Total imports to the western markets fell from over 2,000 tonnes in 2003 to under 1,300 tonnes in 2004. Now there was a significant overhang of supply on the market.

The 2004 crop was normal in all major origins, giving a total estimated cured bean production in the range 1,500 to 2,000 tonnes. The major marketing season for this crop is October/November 2004 to April 2005 (driven by the harvest season for most origins being in the window May to September). Total imports to the major western markets in the first quarter 2005 (Jan to March) are around 500 tonnes. Given the sharply lower import levels of 2004, it is likely that up to half the 2004 crop is still unsold, say around 750 tonnes, and the 2005 new crop harvest is about to begin.

The market moved to the start of the 2005 harvest with a likely overhang of around 500 to 1,000 tonnes of unsold product.. During the 2004 harvest in Madagascar, which accounts for around half total world vanilla production, a substantial proportion of the harvested green bean crop, probably around half, was not sold to processors but was retained and cured by the growers. It is reported that much of this material has strong phenolic notes, and is therefore of low quality and will be hard to sell, particularly when the 2005 crop becomes available. Its existence, however, is likely to continue to depress prices.

Prices in late 2004 and first half of 2005 have fallen drastically, and are continuing to fall. Average monthly US import values for the period March 1999 to March 2005 are shown in Figure 4 and clearly illustrate the price rises up to early 2004 and the very sharp decline thereafter. Average import prices for the first quarter 2005 are around US\$35/kg, and are still continuing to fall. Whilst these are average prices, across all grades, there is very little vanilla of any quality reported as being sold for over US\$40/kg.

**Figure 4: Average US vanilla import prices**



At the present time no floor price has been re-established in the market. Demand is sharply reduced, and supply is significantly in excess of demand. The prospect of returning to price levels of 1996-1999, in the range US\$15 to US\$25/kg, is quite possible unless supply and demand are brought into alignment, either through re-establishment of demand around the 2,000 tonnes per year level, or a significant reduction in supply.

The forecast for the 2005 crop is around 2,000 tonnes cured bean or more. The Madagascar crop is forecast as typical, around 1,000 to 1,200 tonnes, and both India and PNG are forecasting substantially increased production in the range 100 to 200 tonnes.

It is not yet clear what the average 2005 crop quality will be. There is potential for high quality, since buyers of the harvested beans (green beans) will all be waiting until the last moment, when the beans are fully ripe, before deciding how much to purchase and at what price. However, if there are insufficient buyers to purchase the whole crop, which is quite possible given the uncertain market demand, on both price and volume, for cured bean, or if growers are unwilling to accept low green bean prices, a substantial proportion of the crop might be retained and cured by growers. This will lead once again to poor quality.

The uncertain market demand for cured beans has already resulted in the total absence of the 'early pick' crop in Indonesia. With minor exceptions, the entire current

Indonesian crop is still unharvested and approaching full maturity. Clearly buyers in any origin that still have unsold 2004 crop, which would have been purchased at high prices that will realise substantial losses when eventually sold, will be unlikely to make significant crop purchases in 2005. Without clear indications from end users on demand and pricing many other buyers will be reluctant to enter the green bean market this year in what would, by definition, be a speculative basis. It is quite possible, therefore, that many growers will fail to find buyers for their 2005 crop, at any price, and will be obliged to cure the beans themselves.

The prospects for a substantial increase in market demand in the near future are not good. The sharp fall in demand resulted from:

- ⇒ a complete exhaustion of stocks in the market and delays in restocking;
- ⇒ end users minimising the use of vanilla;
- ⇒ end users reformulating products to end their usage of natural vanilla.

It is thought that the major loss of demand was through reformulation of products. The sharp fall in prices and good availability of all qualities of vanilla will allow the first two factors to be reversed in the short term and demand to be increased. It is not clear to what extent, and when, reformulated products might return to the use of natural vanilla, but it is certainly not likely to happen in the short term, and it is likely that most of these users will have been lost permanently to the market.

Some observers argue that new product development will increase demand driven by the consumers' preference for natural materials. However, the recent experiences of volatility and high prices will undoubtedly moderate the formulation of new recipes with such an ingredient.

Over the next few years, therefore, it is likely that total demand will be in the range 1,200 to 1,500 tonnes against current global production levels of at least 2,000 tonnes. Establishment of a floor price and subsequent rises above the floor price is unlikely to be achieved without a substantial reduction in production. High cost producers will be forced out of the sector, and the substantially reduced profitability of the crop will encourage others to change to the production of other crops.

#### Vanilla Glossary

Bean	Same as pod; the whole fruit of vanilla
Cured vanilla	Fruit that has undergone the appropriate treatment for developing the flavour
Cut Vanilla	Parts of pods deliberately cut or broken, often to removed damaged or spoiled pieces
Frosted	Pods showing crystals of naturally exuded vanillin
Givre	Exudate of pure vanillin on the surface of the cured pod, sometimes confused with mould
Green vanilla	Fruit that has reached the correct stage of ripeness but not cured
Pod	Same as bean; the whole fruit of vanilla
Red filaments	Fine lines of reddish brown colour along the pod
Split	Pod that is naturally opening longitudinally to release the seeds
Supple vanilla	Cured vanilla that is fleshy and flexible
Woody vanilla	Highly desiccated pods, no longer supple
Vanillin	The primary flavour component of the cured bean. Vanillin can also be produced synthetically.

**Prices in the market place - PLEASE REMEMBER THESE ARE ONLY PRICE INDICATIONS**

Grade = quality, grade, origin or other price related details.

**Spices**

All prices are quoted in US\$/Kg

PRODUCT	GRADE	USA			JAPAN			EUROPE			KUWAIT <sup>1</sup>					
		This Week	1 Month ago	1 Year Ago	GRADE	This Week	1 Month ago	1 Year Ago	GRADE	This Week	1 Month ago	1 Year Ago	GRADE	This Week	1 Month ago	1 Year Ago
Black Pepper	Spot	\$1.68	\$1.65	\$1.72	Sarawak	\$1.62	\$1.63	\$1.65	FAQ 500g/l	\$1.48	\$1.48	\$1.48				
	Tellicherry Extra Bold	\$2.43	\$2.43	\$2.64	Mal MG-1	\$1.81	\$1.87	\$2.10	FAQ 550g/l	\$1.63	\$1.59	\$1.55	MG1		\$1.80	\$1.95
	Nearby Delivery	\$1.68	\$1.65	\$1.67	Lampung Brazil				SteamTreated 550g/l	\$1.80	\$1.80	\$1.80	FAQ Vietnam		\$1.50	\$1.43
White Pepper	Muntok FAQ spot	\$2.54	\$2.54	\$2.86	Muntok	\$2.64	\$2.74	\$2.70	Muntok FAQ spot	\$2.60	\$2.55	\$2.63	FAQ			\$2.80
	Muntok nearby			\$2.82	Brazil				Brazilian spot	\$2.58	\$2.46	\$2.63				
	Vietnam	\$2.45	\$2.45		Sarawak	\$2.60	\$2.65	\$3.10	Steam treated Muntok spot Vietnam	\$2.80	\$2.15	\$3.00				
Aniseed	Whole China star	\$3.75	\$3.75	\$4.07				Syrian 1%	\$1.75	\$1.75						
	Turkish	\$2.31	\$2.09	\$2.02				FAQ			\$1.88					
Caraway	Canadian	\$1.28	\$1.28	\$1.21				FAQ			\$1.23					
	Dutch	\$1.43	\$1.43	\$1.43				Dutch	\$1.15	\$1.08						
Cardamom	Fancy Green	\$8.82	\$8.82	\$9.90	India AGS1	\$8.00	\$8.55	\$8.50	MYQ	\$2.33	\$2.18	\$3.30	No 1		\$6.75	\$9.50
	Mixed Green	\$2.87	\$2.87	\$3.41	India AGS	\$10.00	\$10.00	\$10.00					No 2		\$5.25	

<sup>1</sup> No prices are available this month from Kuwait.



All prices are quoted in US\$/Kg

PRODUCT	USA				JAPAN				EUROPE				KUWAIT <sup>1</sup>			
	GRADE	PRICE			GRADE	PRICE			GRADE	PRICE			GRADE	PRICE		
		This Week	1 Month ago	1 Year Ago		This Week	1 Month ago	1 Year Ago		This Week	1 Month ago	1 Year Ago		This Week	1 Month ago	1 Year Ago
Cassia	Korintji A 3.00 ML/SVO	\$0.95	\$0.95	\$0.95	China whole	\$1.50	\$1.50	\$1.50	Korintji B Br & Cl	\$0.85	\$0.80	\$0.67	China broken	\$0.90	\$1.27	
	Vera C/W AA	\$1.46	\$1.46	\$1.45	China broken	\$1.35	\$1.35	\$1.30								
	Vietnamese 5.0ML/SVO	3.86	n.q.		Vietnam QNV	\$2.18	\$2.20	\$2.20								
Celery	Indian spot	\$1.04	\$1.04	\$0.97	Indian	\$0.94	\$0.94	\$0.77	FAQ	\$0.90	\$0.98	\$0.92				
Chili	Indian S4	\$1.21	\$1.21	\$1.41	Indian Sannam	\$1.40	\$1.40	\$1.70	S4 grade	\$1.53	\$1.53	\$1.50	Indian powder	\$0.90	\$1.25	
	African fukien	\$3.97	\$3.97	\$3.96	Chinese			\$2.70					Pakistan powder	\$0.93	\$1.35	
Cinnamon	Ceylon H2	\$4.63	\$4.63	\$4.62	Sri Lanka C5 SP	\$11.50	\$11.50	\$11.00	Sri Lanka c5 cut	\$7.10	\$7.05	\$7.00				
Cloves	Sri Lanka hand picked	\$7.17	\$7.17	\$7.70	Madagascar	\$3.80	\$3.85	\$3.60	Comores / Madagascar	\$3.80	\$3.62	\$3.40		\$3.00		
	Zanzibar	\$3.86	\$3.92	\$3.08	Zanzibar	\$4.40	\$4.40	\$4.00								
	Indo stems	\$1.08	\$1.08	\$1.08												
Coriander	Bulgarian	\$0.66	\$0.66	\$0.66					98% East European	\$0.50	\$0.50	\$0.83	Indian	\$0.90	\$0.90	
	Canadian	\$0.77	\$0.77	\$0.81												
Cumin	Turkish	\$1.85	\$1.76	\$1.45					Turkish 98%	\$1.85	\$1.90	\$1.32		\$2.00		
	Syrian	\$1.81	\$1.72	\$1.43					Syrian 99%	\$1.90	\$1.73	\$1.20	Iran	\$2.00		
	Indian	\$2.03	\$2.07	\$2.09	Indian	\$2.30	\$2.30	\$2.20					Indian	\$2.15	\$1.95	
Dill	Indian	\$1.15	\$1.15	\$1.14					Indian 99%	\$1.05	\$1.00	\$0.88				

All prices are quoted in US\$/Kg

	USA				JAPAN				EUROPE				KUWAIT <sup>1</sup>			
PRODUCT	GRADE	PRICE			GRADE	PRICE			GRADE	PRICE			GRADE	PRICE		
		This Week	1 Month ago	1 Year Ago		This Week	1 Month ago	1 Year Ago		This Week	1 Month ago	1 Year Ago		This Week	1 Month ago	1 Year Ago
Fennel	Fancy Egyptian	\$1.37	\$1.37	\$1.34					Egypt 99%	\$1.10	\$1.05					
	Indian ASTA	\$1.46	\$1.41	\$1.30	Indian	\$1.30	\$1.30	\$1.20	Indian 99%	\$1.18	\$1.19	\$1.05	Indian		\$1.15	\$1.09
Fenugreek	Turkey	\$0.75	\$0.75	\$0.75					Indian 99%	\$0.60	\$0.59	\$0.63	Indian		\$0.49	\$0.59
Garlic	Ch. Powder	\$1.48	\$1.41	\$0.90					Flakes	\$1.45	\$1.30	\$0.90				
	Ch. Minced	\$1.70	\$1.63	\$1.12					Powder	\$1.05	\$0.95	\$0.55				
Ginger	Cochin	\$3.42	\$3.53	\$4.29	Cochin	\$3.55	\$3.60	\$4.00	Cochin	\$3.35	\$3.43	\$4.13				\$4.10
	Chinese sliced	\$2.76	\$2.91	\$1.96	Chinese sliced	\$3.20	\$3.20	n.q.	Chinese sliced	\$4.40	\$4.40	\$2.15	Chinese			\$2.01
	Chinese peeled	\$3.09	\$3.20	\$2.05	Chinese whole	n.q.	n.q.	n.q.	Chinese peeled	\$4.60	\$4.60					
	Nigerian	\$1.87	\$1.87						Nigerian	\$1.90	\$1.80					
Mace	Siauw No 2 siftings	\$9.04	\$9.04	\$7.70	Siauw whole	\$8.90	\$9.25	\$6.50	Indonesia	\$9.20	\$8.30	\$6.40				
Mustard	No 1 Yellow Canadian	\$0.71	\$0.71	\$0.77					Grenada							
	Brown oriental	\$0.71	\$0.71	\$0.79					Canada Yellow		\$0.53					
Nutmeg	W.I. whole	n.q.	n.q.	\$7.26	Indo 110's	\$7.65	\$7.85	\$6.10	India			\$0.68	Indian		\$0.55	
	E.I. cracked	\$5.84	\$6.17	\$4.51					Indonesia SS	\$7.30	\$7.55	\$4.78				
Onion									WI 110's	N.A.	\$8.00	\$6.95				
									Powder	\$1.05	\$1.10	\$1.50				
									Flakes	\$1.20	\$1.30	\$1.90				

All prices are quoted in US\$/Kg

	USA				JAPAN				EUROPE				KUWAIT <sup>1</sup>			
PRODUCT	GRADE	PRICE			GRADE	PRICE			GRADE	PRICE			GRADE	PRICE		
		This Week	1 Month ago	1 Year Ago		This Week	1 Month ago	1 Year Ago		This Week	1 Month ago	1 Year Ago		This Week	1 Month ago	1 Year Ago
Paprika	Spanish 120 ASTA	\$3.53	\$3.53	\$2.84												
	Spanish visual	\$1.54	\$1.48	\$1.43					Spanish 80 ASTA	\$2.20	\$2.20	\$2.35				
	Hungarian 120 ASTA	\$4.41	\$4.41	\$3.63					Hungarian 100 ASTA	\$3.00	\$4.80	\$2.85				
	S.A. 120 ASTA	\$2.98	\$2.54	\$2.31												
Pimento	Mexican	\$3.92	\$3.92	\$4.40	Mexican	\$4.10	\$4.10	\$5.10	Mexican	\$3.60	\$3.60	\$4.83				
	Guatemala	\$3.97	\$3.97	\$4.51					Guatemala	\$3.75	\$3.85	\$4.55				
	Jamaica	\$9.26	\$9.26	\$13.64	Jamaica	\$7.00	\$7.00	\$7.00	Jamaica	\$8.00	\$9.00	\$11.80				
Poppy	Dutch	\$1.65	\$1.70	\$1.58					Dutch	\$1.80	\$1.59					
	Australian	\$1.72	\$1.74	\$1.58					Turkish 99%			\$1.25				
Sesame	Indian Natural	\$1.17	\$1.17	\$1.39												
	Central American hulled	\$1.72	\$1.72	\$2.13												
	Indian hulled	\$1.37	\$1.37	\$1.56					Indian Hulled	\$1.25	\$1.25		Indian Hulled		\$0.90	\$1.23
Turmeric	Alleppey 5.5 circumin	\$2.05	\$1.98	\$1.94	Madras fingers	\$0.78	\$0.78	\$0.90	Madras fingers	\$0.90	\$0.95	\$1.00				
	Alleppey 5.0 circumin	\$1.96	\$1.92	\$1.83	Alleppey fingers	\$1.30	\$1.40	\$1.60								
	Indian ground	\$1.21	\$1.21	\$1.21	Indian Rajapuri	\$1.25	\$1.25	\$1.30					Madras powder		\$0.90	\$0.89
Vanilla	Extract grade			\$255.00					Bourbon	n.q.	n.q.	\$555.00				
									Bourbon Type	n.q.	n.q.					

Indian domestic market spice prices for the week ending 11<sup>th</sup> June 2005 are reported by the Spice Board of the Government of India are as follows: –

	US \$/KG
Black Pepper	1.46
Cardamom – Small	7.28
Cassia	1.14
Chili	0.39
Cloves	5.05
Coriander	0.41
Cumin	1.54
Fennel	1.23
Fenugreek	0.35
Garlic	0.29
Ginger	2.76
Turmeric	1.15

## Herbs

All prices are quoted in US \$/Kg

PRODUCT	USA				EUROPE			
	GRADE	PRICE			GRADE	PRICE		
		This Week	1 Month Ago	1Year Ago		This Week	1 Month Ago	1Year Ago
Basil	Egyptian FAQ	\$1.01	\$1.01	\$1.01	Egypt large cut	\$0.85	\$0.87	\$0.80
	Egyptian Extra Fancy	\$1.39	\$1.39	\$1.64	Egypt fines	\$0.70	\$0.72	\$0.65
Bay leaves	Turkish Fancy	\$2.31	\$2.31	\$2.31	FAQ	\$2.00	\$2.00	\$2.00
	Turkish semi select	\$2.54	\$2.54	\$2.53	HPS	\$6.00	\$6.10	\$8.00
Chervil					German	\$7.00	\$7.00	\$6.50
Dill weed	Egyptian	\$2.98	\$2.98	\$2.97				
	Californian	\$9.15	\$9.15	\$9.13				
Marjoram	Egypt fancy	\$1.83	\$1.83	\$1.47	Egyptian	\$1.60	\$1.65	\$1.05
Mint	Peppermint	\$5.07	\$5.07	\$5.06	Egyptian	\$1.20	\$1.20	\$0.90
	Spearmint	\$4.96	\$4.96	\$4.95				
Oregano	Turkish 30# Ex Fancy	\$2.76	\$2.62	\$2.68	Turkish	\$1.60	\$1.80	\$1.40
	Turkish FAQ	\$1.98	\$1.83	\$1.76				
	Turkish 30# Fancy	\$2.43	\$2.43	\$2.31				
Parsley	Israeli	\$5.18	\$5.18	\$5.17	Hungarian 4mm A-1	\$3.40	\$3.40	\$3.40
					Hungarian 2-3mm	\$2.80	\$2.80	\$2.80
Rosemary	Morocco	\$1.23	\$1.23	\$1.19	Morocco	\$1.65	\$1.65	\$1.65
	Spanish	\$1.87	\$1.87	\$1.87				
Saffron	Spanish	\$695	\$695	\$770	Iranian			\$520
Sage	Albanian	\$2.49	\$2.49	\$2.97	Turkish	\$2.00	\$2.00	\$2.00
Savoury	Albanian	\$1.98	\$1.98	\$2.20	German	\$3.60	\$3.60	\$3.60
Tarragon	Extra fancy French	\$14.33	\$14.33	\$14.85	German	\$12.00	\$12.00	\$12.00
Thyme	Spanish	\$2.31	\$2.31	\$2.31		\$1.90	\$1.90	\$1.85
	Spanish Extra Fancy	\$3.64	\$3.64	\$3.63				
	Moroccan	\$1.61	\$1.65	\$1.52				

## Abbreviations used in this report.

Indo = Indonesia    # = refers to mesh number    FAQ = Fair Average Quality

HU = Heat Units    ASTA = American Spice Trade Association

WI – West Indies    Del = delivery    Imp = Impurities

ASTA (paprika) = refers to colouring units as determined by ASTA method

sm = small    spec. = specification    ESA = European Spice Association.

USD = United States Dollars    G/l = grams per litre    Ch = Chinese

S.A. = South Africa    MYQ = Mixed Yellow Quality

Br & Cl = Broken and cleaned

## Rates of exchange (17<sup>th</sup> June 2005)

Exchange Rates 17 <sup>th</sup> June			
		US \$	Euro
Bahrain	Dinar	0.377	0.4611
China	Renminbi	8.277	10.123
Egypt	Egyptian pound	5.797	7.09
India	Rupee	43.525	53.233
Indonesia	Rupiah	9615	11760
Japan	Yen	108.975	133.282
Kuwait	Dinar	0.292	0.3572
Malaysia	Ringgit	3.800	4.648
Pakistan	Rupee	59.665	72.973
Saudi Arabia	Riyal	3.750	4.587
Singapore	\$	1.670	2.043
Sri Lanka	Rupee	99.95	122.244
Switzerland	Franc	1.2629	1.545
Thailand	Baht	41.095	50.261
UAE	Dirham	3.673	4.492
United Kingdom	£	0.5484	0.6707
Vietnam	Dong	15875	19416
	EURO	0.8177	

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12 European markets
- Weekly*                    **Cut flowers and Ornamental Young Plants**  
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94 varieties in 12 European markets (Cut Flowers)  
45 varieties in 5 European markets (Young Plants)
- Monthly*                    **Pharmaceutical Starting Materials/Essential Drugs**  
300 most used substances in the production of essential drugs  
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