VANILLA REALITIES AND WAY FORWARD.

At its request, Spices Board was permitted to undertake development of vanilla and is engaged in this endeavour to add another item to the spice export basket. It has only few exclusive vanilla related programmes and they are supply of subsidized planting materials and on farm curing aids. To overcome shortage of planting material it produces tissue-cultured plantlets in its own facility and gets rooted cuttings multiplied through farmers' groups and NGOs. The present price for planting material, the most important input in vanilla cultivation, being supplied by Spices Board is Rs.4 for rooted cuttings and Rs.1.50 for tissue cultured plantlets. This is being done to make vanilla cultivation a low risk low cost affair. However, it does not have the usual role assigned to Commodity Boards, with respect to Vanilla development. Generic export promotion schemes of the Spices Board apply for the export development of Vanilla.

Spices Board advocates intercropping of vanilla in already existing homestead gardens. As an intercrop about 1600 plants can be grown in one hectare of land. Cost of land can be taken at zero and of planting material at about Rs.6400 per hectare if rooted cuttings are used and Rs.2400 if tissue cultured plantlets are used. Organic cultivation is the preferred route for vanilla cultivation. Vanilla vines start producing in the third year at the latest and production stabilizes in the fifth year at around two kgs per vine and continues to give production for the next 12 years or so. Even at a price of Rs.150 per kg of green beans there is no crop available in India (including tea, coffee, rubber or cashew), which can give a comparable return per hectare even if more expensive cultivation practices are followed.

Economics of Vanilla Cultivation

The 'Vanilla – Status Paper' [Chapter 5] first published by Spices Board in 2000 establishes the viability of vanilla cultivation at an export price of less than Rs.900 per kg for processed beans (less than Rs.150 per kg for green beans) and shows that assuming normal conditions, at that level of prices, a farmer can get a net return of Rs.33,580/- per hectare from the fourth year onwards, Rs.108,950 in the fifth year and Rs.242,900 from the sixth year onwards till the 15th year.

Spices Board entered vanilla development in

a big way as part of its 10th Plan initiative in 2001, previous efforts being limited to promotion of experimental cultivation through conventional and tissue-cultured route. During the previous years the fob prices for the limited quantity of processed beans available for export are given below **(Chart 01)**

Thumb rules on Vanilla

- Between five to six kg of green beans are required to make one kg of cured processed and exportable beans.
- Taking into consideration curing charges, curing losses and overheads but exclusive of profits, the export price should be at least 6.5 times the price of green beans. Conversely to extrapolate green prices (if unknown) from cured bean prices, the prices of cured beans may be divided by 6.5.
- Madagascar is the major producer of vanilla and in a normal year accounts for about 75 percent of world production. Indonesia is the next biggest producer.
- World output of natural vanilla, in a normal year is around 2500 tonnes of cured beans and Indian contribution so far has been minuscule.
- The bourbon vanilla grown in Madagascar, Reunion and other 'bourbon' islands are the most popular varieties though some buyers have a marked preference for Indonesian vanilla.
- A grade vanilla are beans with length of 15 cm or more with typical characteristics, flavour and with vanillin content of 1.6 to 2.4 percent.
- While vanillin content is crucial, equally crucial is the flavour profile of the beans.
- Proper harvest and post harvest practices determine both vanillin content and flavour profile. However the agro climatic region where vanilla is grown can influence the flavour compounds, their abundance or

Chart 01

Year	*fob* US$/kg	Corresponding price for green beans
1999	20.51	3.16
2000	31.99	4.92

absence and inter se ratios.

◆ Indian vanilla is yet to be finger printed in terms of the major flavour compounds and their ratios. It is now being attempted with the help of the scientists at the Rutgers University in New Jersey.

◆ Vanillin content observed in Indian vanilla is comparable to the bourbon variety but this in itself is not sufficient to claim comparability with bourbon vanilla or to claim superiority over Madagascar vanilla.

◆ The identity of Indian vanilla is yet to be fully established.

The vanilla harvesting cycle

The vanilla harvesting season commences in Indonesia in April. Harvesting season commences in Madagascar in June in the costal belt and stretches to September in higher elevations. In India the harvesting season commences in late October in the plains and stretches to end December to early January of the next year in high elevations.

Therefore, before the harvesting season begins in India both the crop size and current price levels in Madagascar, the major producer and in Indonesia the second major producer will be known worldwide, cannot be the exclusive information of anyone and cannot be hidden by anyone. International prices for the season are thus set before the commencement of harvesting in India, depending on demand and availability.

Currently India provides less than two percent of the world vanilla output and cannot expect to play a role in price setting.

The vanilla curing cycle

Harvested vanilla takes about four months in curing. Therefore Indonesian beans will be ready for export from July onwards. Madagascar beans will be ready for export from October onwards. Indian beans will be ready for export from February of the following year onwards. Before Indian harvest commences export of processed beans would have commenced in major origins of Madagascar and Indonesia.

What is exported from India in 2005 will normally be the produce harvested in 2004 and what was exported in 2004 from India was vanilla beans harvested in 2003.

Green vanilla prices in India in 2003 and export of cured vanilla beans from India in 2004.

During 2003 the green vanilla beans skyrocketed from the already high levels of 2002 feeding on the frenzy created by reports of low availability in Madagascar and depleted stocks with processors. In Madagascar it had reached FMG 400,000 (in 2003 one dollar exchanged for 6000 FMG) and in India it reached Rs.4000 towards the close of the harvesting season.

Since 2001 Spices Board has been cautioning growers that the rapidly increasing vanilla prices were unnatural, the result of a cyclone (in 2000) which destroyed much of the productive capacity of Madagascar and would not last as Madagascar was rehabilitating their vanilla plantations with the assistance of the European Union and regain its position as principal producer by 2003-04. Some so called 'Vanilla leaders' and 'Vanilla experts' **misguided a large number of farmers not to sell green beans in 2003 when prices were highest and encouraged them to take highly speculative risks. Thus green beans which could have been sold at Rs.4000 per kg were not sold in 2003 and some farmers processed them. Processed beans, which could have been sold at about Rs.20,000 per kg., in early 2004 (February-April) when the international prices were the highest were not sold and kept over in foolish anticipation of further escalation in prices.**

As a result before the international prices came down to normal levels by June 2004, due to the prospect of a bumper harvest in Madagascar being known all over the world, very little vanilla could get exported from India from the 2003 crop during February-May 2004.

Details of export of processed beans from India during February 2004-May 2004 both months included are given in **Chart 2.**

Chart 02

Month/year	Qty (MT)	Average Fob (Rs/kg)	Total export realisation (Rs/lakhs)
February 2004	3.867	18557.13	717.60
March 2004	0.305	21134.96	0.64
April 2004	6.894	19284.68	1329.54
May 2004	3.347	19162.63	641.37
Total	14.413		2689.15

Source: Returns from Indian exporters

In contrast, once the Madagascar crop prospects were known in June 2004, the international prices declined sharply and the Indian fob prices and quantities exported are given in **Chart-3.**

Chart 03

Month/Year	Average Fob price/kg	Qty (MT)
June 2004	6243.36	2.886
July 2004	7275.79	1.033
August 2004	6891.89	0.794
September 2004	10626.10	0.079
October 2004	11500.00	0.020
November 2004	3004.98	0.220
December 2004	2311.55	2.490
January 2005	1618.26	0.941
Total		8.463

Source: Returns from Indian exporters

The import of cured beans into USA from all origins and the prices thereof during June 2004 to January 2005 also declined sharply and are given in Chart 04.

(d) If growers had sold beans, green or processed when prices were highest, at worst, the potential losses from unexported stocks could have been transferred to the exporters.

IMPORT OF VANILLA BEANS INTO USA AS PER USDA WEBSITE

(www.fas.usda.gov/ustrade)

Chart 04

Month	Average Rate/US$/kg Madagascar	all origins	Total Imports 2004	Total Imports 2003
May 2004	530.96	484.09	100.1	270.5
June 2004	329.84	287.28	60.0	148.1
July 2004	311.11	155.82	26.1	145.6
Aug 2004	116.36	158.66	14.9	125.5
Sept. 2004	69.33	129.75	55.5	80.6
Oct., 2004	41.27	56.71	15.5	89.0
Nov. 2004	36.96	41.97	63.4	64.00
Dec. 2004*	150.46*	119.13	57.8	104.09
Total			393.3	1028.2
			Imports 2005	
Jan. 2005	51.09	45.77	49.9	
Feb. 2005	33.44	35.14	131.2	
March 2005	36.38	37.55	121.5	

*Under clarification from USDA

The prices given in all the Charts are averages.

Following facts emerge from the above statements

(a) Since June 2004 both prices came down worldwide and more particularly in the US, the major market for vanilla.

(b) Assuming that the material exported from India during June 2004-January 2005 was green beans procured by processors in 2003 at prices ranging from Rs.3500-4000 per kg, the exporters would have suffered massive losses in their exports after May 2004.

(c) Had farmers not been encouraged to keep back green beans during the 2003 harvest season (October-December) when the prices were highest (Rs.3500-4000 per kg) or from selling processed beans to exporters during February -April 2004, the situation of their being loaded with processed beans in May 2004 onwards could have been avoided and the entire produce of 2003 could have been exported at high prices, well before the decline in prices in June 2004. This situation was brought about by the wrong advice of the so called "Vanilla leaders." and self styled "Vanilla experts".

(e) It is also true that some exporters who procured green beans during 2003 at high prices and who could not export in time suffered heavy losses and some of them totally withdrew from the market when the next harvesting season commenced in October 2004.

Thus there was an avoidable tragedy with respect to the 2003 crop, but it was brought about by speculative risk taken by growers who were urged on to do so by the 'vanilla leaders' in total disregard of good advice to the contrary from Spices Board.

COUNTRY WISE EXPORT OF VANILLA FROM INDIA –JAN – MAR 2005

(Chart 06)

COUNTRY	QTY (MT)	VALUE (RS. LAKHS)	FOB PRICE (RS /KG)	(US$ /KG)
FRANCE	5.627	152.76	2714.76	62.15
GERMANY	0.978	20.83	2129.85	48.76
JAPAN	0.225	6.32	2808.88	64.31
NETHER-LANDS	0.796	10.29	1292.71	29.60
U.S.A	16.304	302.96	1858.19	42.54
U.K	0.150	4.34	2893.33	66.24
TOTAL	24.080	497.5	2066.03	47.30

The sources of information on international prices available to Spices Board

Indian *fob* Prices

Quarterly returns filed by the exporters. Currently prices at which exports were made during January-March (both months inclusive) 2005 are available through returns filed by mid April 2005. It is presumed that exporters give correct information and have no interest in misleading the Board by showing lower prices when they can actually command higher prices.

International Prices

USDA

Since October 2004 (Not prior to that) Spices Board is tracking the information published by the US Department of Agriculture (USDA) at their website www.fas.usda.gov/ustrade which gives information on the quantities of and prices at

Chart 05

EXPORT OF VANILLA FROM INDIA DURING JAN-MAR 2005						
FOB PRICE	UP TO US $ 30	US $ 31 - 40	US $ 41 - 50	US $ 51 - 60	US $ 60 - 80	TOTAL
QUANTITY IN KGS	796	13005	2923	NIL	7356	24080
% IN TOTAL	3%	54%	12%	NIL	31%	100%
AVG. FOB IN INR	1292.37	1539.48	2091.47	NIL	3070.54	2066.03

which various agri commodities are imported into the US. The site is updated every two-three months. Currently information upto end of March 2005 only is available.

ITC reports

ITC reports are at least 1-2 year out of date.

Public Ledger

'Public Ledger' has a narrative and report section and another on commodity prices. The latter is found notoriously outdated as far as vanilla prices are concerned and often contradictory to its own current reporting. Our protestations vide the letter of 19.8.2004, and letter of 23rd March, 2005 pointing out that Public Ledger is not updating their price section on vanilla for months on end refers. The September 13, 2004 issue of Public Ledger in its price section mentioned that the *cif* price of vanilla in Europe was US$ 550 per kg while page 5 of the same issue reported that current prices are expected to slide drastically to around US$100 from the existing US$250. The price information given in Public Ledger in September 2004 was unchanged since January 2004. After our protestation the price section was corrected in October 2004 to *cif* Europe at US$200 and is being repeated ever since unchanged.

Spices Board sponsored visit to Madagascar in June-July 2004 and prices prevailing in Madagascar .

Spices Board led a delegation to Madagascar in the last week of June 2004 to study the cultural practices and marketing arrangements relating to vanilla. The delegation returned on the 3rd of July, 2004. The delegation discovered that in Madagascar,

(a) harvesting had already commenced.

(b) the quality of the 2004 output was poor (due to pollination of more flowers per bunch).

(c) there was poor buying support from processors and exporters.

(d) farmers were largely curing their vanilla beans on their own.

(e) trade sources reported that despite poor production in 2003 at about 500 tonnes as against a normal crop of 1800-2000 tonnes, about 250 tonnes of the 2003 crop remained un-exported.

(f) in addition there was some 250 metric tonnes of immature vanilla gathered from vines fallen during a cyclone (end March 2004).

(g) During 2004, a production of 1200-1500 metric tonnes from vines and regions not affected by the March 2004 cyclone was expected.

(h) prices were sharply declining.

(i) the export trade was pushing the Government to postpone exports from the 2004 crop as much as possible ostensibly to shore up prices but in fact to find a market and better prices for the un-exported stock of 2003.

(j) the middlemen processors were resorting to production of 'cuts' from the 2004 crop, for early curing to masquerade them as 'cuts' from the 2003 season which was open for export.

(k) the local currency had depreciated by about 50-55 percent and was selling at FMG 9600 or thereabout vis-à-vis FMG 6000 during 2003.

Actual green vanilla prices in Madagascar during 2004

As an ill conceived remedy against harvesting of immature beans, Madagascar vanilla growers have to wait for a presidential decree authorizing vanilla harvesting at a predetermined date.

According to the report in L'Express (7.6.2004) the 2004 vanilla season started with an opening price of FMG 60000 per kg equivalent to US$5.20 (236.70 rupees) for green beans.


L'EXPRESS

ÉCONOMIE

LES "CUTS" D' UN SAP

METTENT EN PÉRIL LE LABEL DE

campagne de la vanille verte a déjà commencé dans le triangle du Nord, mais les prix offerts sont de l'ordre de 50,000 Fmg le kilo de vanille vert

According to ETO AN (1.7.2004), another Madagascar journal, the green prices had slided to FMG 10,000 equivalent to US$1.65 (Rs.48.34). These reports were consistent with the factual observation of the Indian delegation.


ETO AN

Vidin'ny lavanila

Mitoraina ny mpamboly

According to e.mail received from the Indian Embassy, at Madagascar, on 1.9.2004, by close of the harvesting season the green vanilla prices had stabilized at around FMG 13000 equivalent to US$1.36 (Rs.61 or


-----Original Message-----

Subject: for CHAIRMAN JOSE

Spices Board from A

stand that the procurement

n of FMG 13,000 per kg. an

t price is said to be FMG 1

Regards

thereabout).

When the Spices Board delegation returned to India in first week of July, the Indian harvest season was till three months away.

What Spices Board revealed after the Madagascar visit

Spices Board stated that the international prices are declining drastically and that Indian vanilla growers can expect better prices compared to the Madagascar growers since the 2004 Madagascar crop quality was considered generally poor. However, it did not hazard any guess to what the exact prices would be in October 2004 since it does not determine prices.

Demand that Spices Board take charge of the unsold beans of 2003 crop.

Towards the end of May, Shri C Gopinath of Koppa, Chickmagalur, Karnataka and few others including some office bearers of 'Infact' met Chairman, Spices Board. At that time the last harvest season (2003) was over by five months and the next one (2004) was five months away. The delegation asked the Board to receive all stocks of unsold processed beans for disposal in the market, a task that was both fool hardy to attempt as well as beyond the capability of the Board to undertake. Chairman Spices Board reprimanded the delegation for misleading the farmers and preventing sale of green beans in 2003 when prices were the highest and not expected to last.

The build up for the repeat of the 2003 tragedy

The period between July and the onset of the ensuing harvest season in end October 2004 saw the publication of a number scurrilous and defamatory statements against Spices Board, claiming that in 2004, the same price level which existed in 2003 is operating internationally and that the contention of the Board that international prices have declined are not true. Some specimens are given below:

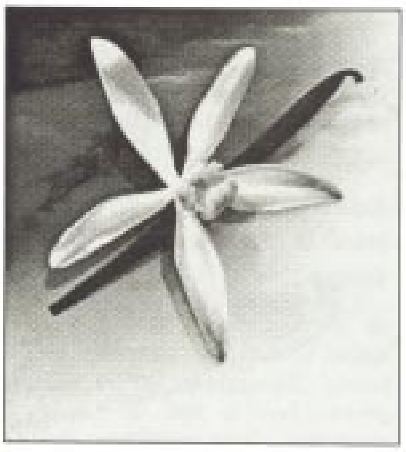
Shri John Mathew Pottamkulam of 'Infact' and member, Vanilla Coordination Committee stated in Karshakashree (July 2004) that the international price for cured beans was Rs.30000 and that there is a shortage of beans. He urged farmers not to sell green beans but to process them.

Since Indian traders and international traders are ganging up together to bring down prices"Vanilla growers should process the beans and hold back from the market at least 50 percent of their produce." - P R Muraleedharan in Karshakashree, July 2004.

"Farmers are being cheated by traders and companies who are making false propaganda that international prices have fallen. Processed beans can fetch Rs.20,000" Benjamin Easow and A A Ashokan of All Kerala Vanilla Growers Association, Malayala Manorama 23.7.2004.

"A mountain is made out of a mole hill of a marginal increase in the Madagascar production. A single vanilla bean should sell at Rs.300. An organized lobby is working to bring about an artificial fall in vanilla prices and Spices Board is assisting the same" Dr. M C George of Karshaka Coordination Committee, Malayala Manorama 22.7.2004.

"Since Spices Board refuses to fix vanilla prices, traders are not buying vanilla." Mangalam 11.8.2004.



"With the help of information technology growers can find out real vanilla prices. Traders are hiding the real vanilla prices and Spices Board is party to the same." P R Muraleedharan, 13.08.04

"Indian vanilla is 40 percent better than vanilla grown in other countries. Traders are trying to pull down prices by making up stories that there are problems in the vanilla market. Office bearers of Co-ordination Committee of Vanilla Growers Malayala Manorama, 13.8.2004.

"There is a concerted move to bring down vanilla prices" P R Muraleedharan & Johny Mathew, Deepika, 13.8.2004.

"An agency from Delhi by the name K R L S had agreed to buy green vanilla beans at Rs.1500 per kg from farmers of Ramamangalam and Koothattukulam. But this was torpedoed by some private companies."

"K R G Group of Delhi had informed Spices Board that they can buy vanilla green beans at Rs.1500 per kg. This information was leaked by Spices Board to private traders who have agreed to supply beans to KRG company at 50 percent of the agreed rate." Deepika 17.8.2004

"According to WTO, the requirement of processed beans is 14000 MT. Since Madagascar has banned export of vanilla the demand for Indian vanilla is soaring." Mangalam 20.8.2004.

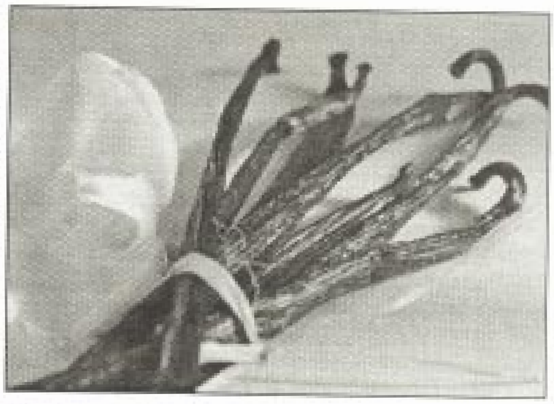
"Growers should not sell beans at the current prices. A representative of the association is now in London to find foreign buyers for Kerala vanilla. A representative is being sent to France also - Benjamin Easow, Vanilla Growers Association, Manorama 1.10.2004

"Vanilla green beans should not be sold at less than Rs.1500 per kg because at the current New York price for processed beans, reported in Public Ledger, green beans are worth Rs.2000 per kg - All Kerala Vanilla Karshaka

Sangamum, Deepika 24.8.2004

The revelations of Shri Javed Asgar

Meanwhile, egged on by Shri Gopinath, Shri Javed Asgar who was a member of the Spices Board delegation to Madagascar gave an interview to the Indian Express on 22nd July, 2004 to the effect that during the visit of the delegation green vanilla prices in Madagascar was US$5-25. A later issue of the 'Hindu' quoted a third party source saying that Shri Asgar had revealed to him that green vanilla prices during the visit of the Indian delegation was US$40. Shri Asgar claims that he has not given the later statements but refuses to write to the concerned dailies to put the record straight. Shri Johny Mathew Pottamkulam of 'Infact' who visited Madagascar reported in October 2004 in 'Malayala Manorama' that green business started in Madagascar in 2004 at US$25 but had come down drastically without explaining the level to which it had come down and remained silent even when the figures of US$40 and US$75 were freely quoted as the Madagascar price level for green beans in 2004.



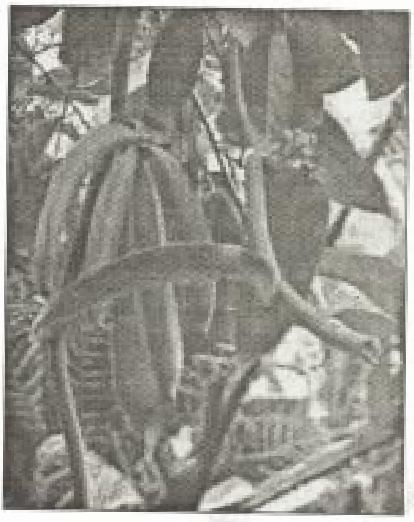
Emergence of VANILCO

Realising that the misinformation campaign is yet again likely to land the growers in serious difficulty, a meeting was organized in Spices Board with the office bearers of the INFAM, an organisation of the farmers of South India and representatives of the vanilla growers in August 2004 to educate them about the outdated information being published by the 'Public Ledger', the abundant 2004 crop in Madagascar and the normalization of international prices already underway. The saner elements among them understood realities and agreed to form a Producer company and whose shareholding would be restricted to vanilla growers. The company was expected to pool green beans, process them under technical supervision and export processed beans without involving middlemen and also enter into value added domestic marketing to the extent possible.

VANILCO was registered on 4.9.2004. Spices Board prepared the project report for the company and negotiated with the Union Bank of India for term loan and working capital arrangement which was sanctioned within 15 days. A proposal was also sent to the SFAC to provide equity support to VANILCO which has since been approved.

VANILCO has 120 individual shareholders and 1012 associate shareholders, all of whom are vanilla growers. There are also 14 vanilla growers' associations as associate members.

During the 2004 crop season which commenced towards the end of October, VANILCO pooled 45.68 metric tonnes of green beans and processed the same in the central processing facility operated by them and has with them about 5.55 metric tonnes of processed and exportable vanilla. Green beans were pooled at a floor price of Rs.250 per kg on the understanding that after deducting processing charges at Rs.55 per kg and overheads, all surpluses will be apportioned among those who have pooled the material once it is sold and losses if any will not be passed on to the growers.



In March 2005, a meeting was held in Spices Board with IIT, Mumbai to discuss the possibility of VANILCO using Technology developed on a pilot scale, by IIT for setting up a vanillin extraction unit. The IIT Technology is under evaluation.

Other profit sharing models

Different models with the participation of growers for better values have emerged elsewhere. For instance, in Udupi, in Karnataka, vanilla growers under the auspices of the Vanilla Development Trust have an arrangement with Trimeta of France according to which farmers were paid an advance at the rate of Rs.250 per kg of green beans on the understanding that 60% of the profit, if any, realised in exports, would be passed on to them and loss if any, need not be shared.

Involvement of non profit organisation

A number of non profit organisations have come up elsewhere notably the ECO-AGRI Research Foundation, Mysore, under the auspices of the ISKON in organizing farmers to process the beans and exporting the same. They were assisted to participate in the February 2005 Biofach in Germany to explore export market and have emerged as the top most exporter of vanilla beans in 2004-05.

Withdrawal of AVT McCormick and IFF

While AVT McCormick and IFF stayed away from the market during 2004, the former due to quality problems in their export of the 2003 crop and the latter continuing to be loaded

Chart 07

EXPORT OF VANILLA FROM INDIA

EXPORTER	COUNTRY	JAN - MAR 2005 QTY (MT)	2004-05 (APR-MARCH) QTY (MT)
AVT MCCORMICK INGREDIENTS PVT. LTD.			
NO.64, RUKMINI LAKSHMIPATHY SALAI	U.S.A	-	5.30
EGMORE			
CHENNAI			
TAMIL NADU			
EXPORTER TOTAL		-	5.30
AGRO PRODUCTS & AGENCIES			
PARAMBIL BUILDINGS	NETHERLANDS	0.80	0.80
OLASSA P.O.	U.S.A	-	0.15
KOTTAYAM	U.K	0.15	0.27
KERALA			
EXPORTER TOTAL		0.95	1.22
ENLSS AROMATICS (P) LTD.			
2/66 - A VELLIPALAYAM ROAD	FRANCE	0.14	0.14
METTUPALAYAM	GERMANY	0.98	0.98
TAMIL NADU	JAPAN	0.14	0.14
EXPORTER TOTAL		1.26	1.26
ECO AGRI RESEARCH FOUNDATION			
162, 4TH CROSS, 4TH MAIN,	FRANCE	2.00	2.00
BANNIMANTAP C LAYOUT, MYSORE	JAPAN	-	0.05
KARNATAKA	U.S.A	16.30	22.00
EXPORTER TOTAL		18.30	24.05
EUROVANILLE INDIA PVT.			
VADAKKIPALAYAM ROAD, R.PONNAPURAM	FRANCE	3.48	3.48
POLLACHI			
TAMIL NADU			
EXPORTER TOTAL		3.48	3.48
INTERNATIONAL FLAVOURS & FRAGRANCES			
1-5 SEVEN WELLS STREET	U.S.A	-	3.00
ST THOMAS MOUNT			
CHENNAI	U.K	-	0.03
TAMIL NADU			
EXPORTER TOTAL		-	3.03
KOTECHA AND COMPANY			
COMMISSARIAT BUILDING, 3RD FLOOR,	U.S.A	-	2.44
231, DR. DADABHAI NAOROJI ROAD,			
FORT, MUMBAI			
MAHARASHTRA			
EXPORTER TOTAL		-	2.44
PLANT LIPIDS (P) LTD.			
KADAYIRUPPU P.O.	JAPAN	0.09	0.09
KOLENCHERY			
ERNAKULAM			
KERALA			
EXPORTER TOTAL		0.09	0.09
PHALADA AGRO RESEARCH FOUNDATIONS			
NO.268, 7TH CROSS, 9TH MAIN	GERMANY	-	0.04
IDEAL HOMES TOWNSHIP, R.R.NAGAR,			
BANGALORE	U.K	-	0.12
KARNATAKA			
EXPORTER TOTAL		-	0.16
GRAND TOTAL		24.08	41.03

with beans procured at high prices in 2003 even after the prices declined, the private trade, notably an Indo French (Eurovanilla Pollachi) joint venture bought sizeable quantities of green beans for processing and export.

Increasing exports

Total exports during 2004-05 were 41.83 metric tonnes compared to 27.31 metric tonnes in 2003-04. In the first quarter of 2005 alone 20.59 metric tonnes of processed beans were exported at prices ranging between Rs.1292 per kg and Rs.3480 per kg.

However, the persistent misinformation campaign had encouraged some growers not to sell green beans during the 2004 season or processed beans thereafter.

Farmers trained in vanilla processing

To ensure that beans are processed scientifically, Spices Board published a protocol for processing vanilla beans, updated on the basis of information gathered during the Madagascar visit, distributed a CD-Rom detailing curing methods and conducted more than 150 training sessions in various centres before the commencement of the harvesting season of 2004. The stand of the Spices Board was that farmers should make informed decision to sell or process and

to those who want to process and store, Board will impart training.

Lack of material to exporters

During January 2005 the Indian exporters were having sizeable orders but again growers were dissuaded by the 'Vanilla leaders' from selling the beans. Meanwhile, international prices have come down further.

Why the current frenzied campaign ?

The situation had stabilised down since October through mid January, with most of the vanilla growers accepting ground realities.

VANILCO is the real target

The current misinformation campaign to the effect that international prices are high is also aimed at scaring away VANILCO from marketing the produce available with them. If VANILCO is not able to dispose off the available material, it will not be able to pay its constituents or to make a similar attempt at pooling in the coming year.

Thus a stage has come when those who attempted to perpetuate the myth of high international prices ruling in the 2nd half of 2004, finding that reality has overtaken them. To avoid giving answers to farmers whom they had fooled so far, they are now resorting to cheap gimmicks and mouthing empty words about 'conspiracies.' Unfortunately a statement made by a visiting dignitary from Delhi, in the last week of January 2005 provided added impetus!

Submitting false figures to Shri Deve Gowda

Towards the end of January, Shri Gopinath, ex-member of the Spices Board had the temerity to submit false figures relating to Vanilla prices to Shri Deve Gowda to show that the USDA website reported higher US import prices then what were commonly believed to have been. This was brought to the attention of the Government through letter No.DEV/EXTN/01/99-00 dated 3rd February, 2005 explaining that false figures were deliberately used by Shri Gopinath to mislead Shri Deve Gowda to write to Minister (C&I) and Minister (Agriculture).

A complaint was also made in the letter of Shri Deve Gowda that the reference of the Board to a 2000 publication of Spices Board showing that vanilla cultivation is viable even if the green prices were Rs.150 per kg, was an anti-farmer act and aimed at helping traders.

What the Karnataka Vanilla growers said about the cost of cultivations of vanilla

Ironically, a meeting of the Vanilla growers of various taluks of Karnataka, including Koppa from where Shri Gopinath operates met the Principal Secretary, Horticulture, Government of Karnataka in January 2005 and stated, as per the published minutes, that **"the cost of cultivation of vanilla beans was Rs.50 to 60 per kg and the prevailing price of Rs.250-300 was not at all discouraging".**

Launching of the 'Flavourit'

Spices Board has been planning the launching of consumer packs of top grade Indian spices including pepper (TGEB and MG-1), Cardamom (AGEB) and Vanilla under a brand created and registered by it to improve the domestic market for these products and for value added exports. The launching was postponed to suit the convenience of Hon. Minister (Commerce and Industry) and was eventually done on 5th March, 2005.

Judging that the launching of the 'Flavourit' would give a positive impression about Spices Board, on 5th March, 2005, Shri

Gopinath released to the Press the letter Shri Deve Gowda had written to Minister (Commerce and Industry) on the basis of his made up false figures. He also stated in his published interview that the Hon. Chief Minister of Kerala should not have agreed to launch 'Flavourit'.

Can these be the co-conspirators?

Out of 41.83 metric tonnes of processed Vanilla beans exported out of the country during 2004-05 AVT McCormick (5.2 metric tonnes) and IFF (3.93 metric tonnes) exported beans procured at high prices in 2003. They did not buy green beans in 2004 or process them. ***Out of the remaining 32.7 metric tonnes, 24.050 metric tonnes were exported by ECO-AGRI Research Foundation, a charitable trust promoted by ISKON and five others,*** Kotecha & Company, Mumbai (2.4 metric tonnes), ENCEE Aromatics Pvt Ltd, Mettupalayam (1.2 metric tonnes), Euro Vanilla (3.48 metric tonnes) and Agro Products and Agencies, Kottayam (1.2 metric tonnes) and Plant Lipids, Cochin (0.085 metric tonnes) exported the rest and the average *fob* price of the exports varied from Rs.1846 per kg to Rs.3012 per kg, hardly suggestive of any undue margins compared to green prices which prevailed. VANILIND and VANILCO together have some 15 metric tonnes of exportable material. VANILIND expects to liquidate their stocks by end of June.

Could there be an international conspiracy?

The outcome of the misinformation campaign is aimed at

- Preventing the success of a genuine vanilla growers collective, namely VANILCO.
- Ensuing that growers do not sell their produce when domestic prices are good and in the process are inflicted irreparable damage.
- Discouraging further development of vanilla cultivation in the country.

Judged by the outcomes of the misinformation campaign the possibility of a conspiracy cannot be ruled out and the perpetrators of the conspiracy are those who make up fabricated stories and pretend to be the well wishers of the vanilla growers so that their real motives are not disclosed to the public.

The need for an information campaign

Thus a situation had come when a group of people claiming to be well wishers of Vanilla growers were attempting to tarnish the image of the Board and in doing so were causing irreparable damage to the vanilla growers just as they discouraged farmers from selling beans or processed beans in 2003 and early 2004 when the prices were highest inflicting a collective loss of at least Rs.100 crores, to the farmers and export revenues. The same situation would have repeated itself again and again. Thus there was sufficient justification in terms of public interest for Spices Board to educate the growers as well as the general public about the various facets of the vanilla trade, including price levels, exports from India and prices thereof, quantities and prices at which exports took place from various countries through 2004 and 2005 so that they can take informed decision as to whether they should hold or sell their stocks. It was also necessary to convince farmers that vanilla cultivation is still a viable preposition. Equally important was to let the general public know about the success stories of farmers' groups who have entered into exports with the assistance of Spices Board, be they, PDS in Idukki, WSS in Wynad, HOPE in Nilgiris or Samanwita in Orissa and DWUS in Imphal. The general public was told also about the public private partnership promoted by Spices Board in such areas as tissue culture, hardening of TC plantlets and multiplication of planting material etc. If in the process, the mischief, lies and the underlying vested interests of some 'leaders' got exposed, it was unavoidable of the so called **'Vanilla leaders'.**

The way forward

Ninety Five Percent of the world demand for Vanillin is met from synthetic sources. Thus there is a huge potential market already existing for vanilla beans. However, the key to capturing the potential market is a price which will encourage users of synthetic vanillin to shift to natural vanillin. To achieve this end and to be competitive vanilla cultivation in India can and should be a low cost and low risk operation. Intercropping and organic production are ways to such a goal. India needs to move to the position of a substantial producer to be able to influence international prices. The identity of Indian vanilla would then be fully established. Both processing and value addition should be done scientifically, under close supervision and according to proven technologies. There are a number of Schemes operated by Spices Board which can be availed of by vanilla growers who want to enter into value added exports for better incomes. Of course, not relying on the self **'styled vanilla experts'** and **'vanilla leaders'** would be useful to make sound decisions 'to sell or to store'. The Board is with Vanilla growers and can always be trusted.