CBI Product Factsheet:

Vanilla in Europe
Introduction

Opportunities are available in the European market for suppliers from all countries of origin able to deliver high-quality vanilla. A special opportunity exists for suppliers who apply sustainable practices or hold an organic or Fairtrade certification. The challenge for exporters from developing countries will not so much be to find buyers but to secure supply in a scarce market.

Product description

There are two main types of vanilla on the international market:

- Bourbon vanilla, from *Vanilla planifolia* Andrews. This is the most popular cultivated variety, mainly cultivated in Madagascar. *V. planifolia* is the same variety that originates and grows in Mexico, but has become synonymous with Madagascar.

- Extract grade vanilla, from *Vanilla Tahitensis*. This is a weaker vanilla with ‘fruity, floral, and sweet’ flavours which is grown in Papua New Guinea and Indonesia.

In Europe, vanilla is sold as:

- Whole or ground natural vanilla, as a spice. Vanilla is most commonly traded in pods (i.e. beans), but vanilla powder can also be found in the market.
- Vanilla extract, used as a flavour in the food industry and as a fragrance in the cosmetics industry.

This study focuses on vanilla as a spice. The food processing industry, cosmetics and pharmaceutical medicinal industries are the main players in the European vanilla market.

Tip:

- For more information on vanilla extract, see our [study on vanilla extracts](#) for the food industry.

The statistical data in this document are based on various sources. Official production data and trade data are taken from various open source statistical databases such as Eurostat, FAOSTAT and ITC’s Trademap. These databases use Combined Nomenclature (CN) codes to classify production and trade of products. The CN uses Harmonised System (HS) codes to classify products. The HS codes used for this study are listed below.

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>0905.1000</td>
<td>Vanilla, neither crushed nor ground</td>
</tr>
<tr>
<td>0905.2000</td>
<td>Vanilla, crushed or ground</td>
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Other sources of statistical data for this study are market reports from various vanilla industry sources. These sources are especially well informed about production trends in countries of origin. In some cases, there are however large differences between these different sources. Although this concerns production, it also has an influence on how trade statistics should be interpreted. The reasons for the discrepancies are not fully known. They could be related to differences in product categorisation, reporting errors (intentional or unintentional), the moment of reporting (at harvest and after curing) or a combination of these factors. None of the possible reasons provides a full or coherent explanation of the differences. Where discrepancies exist, all relevant sources used are given in this document. The source of individual data items is clearly stated. Where possible, further explanation concerning the reliability of the information is given.

Product specification

Quality

*Product quality* is a key issue for buyers in Europe and includes food safety as well as product quality. The quality of vanilla is amongst others determined by the length, which in the commercial product varies between 10 and 25 cm.

- Grade A: also called gourmet or prime quality, is a pod full of seeds, with deep black coloration and moist, flexible pods. Grade A-1 beans have a deep, intoxicating aroma and are packed with Bourbon vanilla flavour. This vanilla is visually attractive so it can be a feature ingredient in gourmet cuisine. Grade A-2 beans have full A-1 flavour, but may be slightly drier or have slight visual imperfections.

- Grade B: also called extract Grade or manufacturing Grade, is widely used in the food, beverage, and flavour industries. The pods may be whole or split, with lower moisture than gourmet grades.
Further quality features preferred by most importers include vanillin content (minimum 2%) and a moisture content in the range of 20 to 30%. Vanilla is graded in accordance with the relevant national standard of the country of production. In addition, ISO standard 5565-1:1999 provides some general guidelines on the grading, handling and packing of vanilla.

**Labelling**

Incorrect labelling is a major source of frustration for European buyers. Therefore, you must be sure to do this properly. See our study on Consumer Packed Spices and Herbs in Europe for information on consumer packaging requirements. For bulk products include the following information:

- the name of the product
- details of the manufacturer (name and address)
- batch number
- date of manufacture
- grade of the product
- producing country
- harvest date (month-year)
- net weight
- any information that exporting and importing countries may require: bar, producer and/or packer code, any extra information that can be used to trace the product back to its origin.

**Packaging**

The grades of whole and split beans are subdivided according to size (length) and then put into bundles, each containing 70-100 beans and weighing between 150 and 200 grams. The bundles are packed into waxed-paper-lined tin boxes, which hold between 20 and 40 bundles. The tins have traditionally been packed into wooden boxes (48 kg) each holding six tins. More recently, cardboard boxes are being used. As vanilla is very sensitive to moisture, the packaging must under no circumstances be damaged by improper handling. The packages must therefore be handled with appropriate care.

Vacuum packaging of vanilla that is not completely dried yet has become more common in recent years, when prices were low. This type of packaging contains moisture content, weight and therefore increase price. Vacuum packing is not good for the quality of vanilla and many buyers will refuse to buy it. Therefore, it is important to avoid packing it in such a way or buying it. Vacuum packaging of vanilla that is sufficiently dried is no problem.

**Buyer requirements**

**What legal requirements must vanilla comply with?**

Please be aware that your product will have to comply with European legislation the moment it enters Europe. Compliance is therefore a must. Consequently, only consider exporting to Europe when you are able to comply.

**Food safety: Traceability, hygiene and control**

Food safety is a key issue in European food legislation. The General Food Law is the legislative framework regulation for food safety in the Europe Union. To guarantee food safety and to allow appropriate action in cases of unsafe food, food products must be traceable throughout the entire supply chain and risks of contamination must be limited. One important aspect for controlling food safety hazards is to define critical control points (HACCP) by implementing food management principles. Another important aspect is that your food products can be subjected to official controls. Products that are not considered safe will be denied access to Europe. Some products are subject to increased controls but vanilla is currently not on the list.

**Tips:**

- European buyers will often ask buyers to implement a food (safety) management system based on HACCP-principles (see under Common requirements).
- Check for increased levels of controls regarding your product. The list of spices and herbs and their supplying countries is updated regularly. Check the EUR-Lex website for the most recent list (see latest document under Amended by).
- Read more about HACCP in the EU Export Helpdesk.
Contamination of vanilla

Food contamination is a particularly important issue in Europe. Buyers will want you to comply with the increasingly stringent food safety requirements. Food safety issues include microbiological (bacteria, moulds), physical (plastic residues, metal, dirt), and chemical contaminations. No specific limits for mycotoxic contamination are set for vanilla in European legislation but food safety procedures have to be carefully followed in all post-harvest steps (e.g. especially drying) to ensure a safe product. The practice of vacuum packing vanilla to keep in the moisture not only leads to lower quality but can also cause mould formation.

Tips:
- Do not vacuum pack your vanilla, since this can lead to food safety and quality risks.
- Make sure that during transport, vanilla is either dried or there is sufficient ventilation. For more information refer to the website of the Transport Information Service.

Pesticides

The European Union has set maximum residue levels (MRLs) for pesticides in and on food products. Products containing more pesticides than allowed will be withdrawn from the European market. Pesticides are not used in the cultivation of vanilla in most countries of origin. Organic vanilla from Madagascar has however recently been found to contain permethrin and anthraquinone. One of the reasons was the application of mosquito nets containing these pesticides for the processing of vanilla. Although the levels of pesticides are below the limits set by the European Union for conventional pesticides, they were above those set for organic vanilla.

The amendment of the European pesticide Regulation 396/2005 came into effect on 18 May 2015. This amendment sets revised limits for pesticides found in vanilla and introduces a new limit for anthraquinone.

Tips:
- You can use the MRL database of the European Commission in which all harmonised MRLs can be found. You can search on your product or pesticide used and the database shows the list of the MRLs associated to your product or pesticide.
- Read more about MRLs in the EU Export Helpdesk.

Microbiological contamination

There are no specific salmonella requirements defined in European legislation for spices and herbs as there are for other products. However according to Article 11 of the General Food Law, food products placed on the European market must be safe. Therefore, vanilla is banned from the market if salmonella is found. In Europe steam sterilisation is the preferred method to combat salmonella as well as other types of microbiological contamination, especially for spices and herbs destined for the retail market. Although the threat of microbiological contamination (e.g. salmonella) is low for vanilla, steam sterilisation is important for European buyers, especially for vanilla destined for the retail market.

Tips:
- Salmonella can occur at all stages including growing, harvesting, processing, storage, packaging, and sale. The maintenance of good manufacturing and hygiene practices, together with appliance of HACCP principles, is therefore of great importance during growing, harvesting, and processing.
- Steam sterilising yourself can be costly but you can earn a premium. Working together locally with reliable service providers can be an option.
- Many buyers in Europe will expect a test report on microbiological contamination. Providing this service will make it easier to find buyers in Europe.
- Read more about contaminants in the EU Export Helpdesk.

Food additives and adulteration

Many of the spice and herbs rejected by custom authorities or buyers have undeclared, unauthorised or too high limits of extraneous materials. There is specific legislation for food additives (such as colours, flavours and thickeners) that lists which E-numbers and substances are allowed to be used. Spices and spice blends cannot contain added colours.
 Crushed and ground vanilla is often intentionally adulterated with such substances as tonka bean, coumarin, cheaper varieties of vanilla, synthetic substitutes and even metal particles. An important reason for intentional adulteration – which is a serious malpractice – is economic gain. Food adulteration is an important issue for European buyers. According to a panel of industry experts consulted for this study, this type of food fraud is quite common in vanilla. The European Union and national European governments are also becoming stricter in the enforcement of food fraud legislation. The Dutch government increased the fines on operators willfully tampering with food from € 4,500 to a maximum of € 810,000 in April 2015.

Tips:
- In case you use additives make sure it is legal and agreed with your buyers. Also make sure to mention them in the list of ingredients.
- You will have to build up a track record, provide transparency and references if you want to sell processed vanilla to European buyers. It is impossible for buyers to test spices and herbs including vanilla for every possible extraneous material. They will therefore tend to refrain from buying processed spices and herbs outside Europe or will buy only from suppliers they trust. The burden of evidence is on suppliers.
- Refer to the Adulteration Awareness document of the European Spice Association for further information on food adulteration.
- See our study on buyer requirements for natural food additives and the website of the European Commission for more information on requirements for food additives.

Irradiation

Irradiation of spices & aromatic herbs is allowed. It is a safe way to kill organisms and affects the taste of spices and herbs less than steam sterilisation. The maximum overall average, absorbed radiation dose is 10 kGy. Consumers generally prefer non-irradiated products. Therefore, this method is not widely used.

Tips:
- Please note that irradiation is less damaging for the taste of spices and herbs than steam sterilisation. However, consumers in Europe generally prefer non-irradiated products. Therefore, this method is not widely used. In other buying countries (for example the United States) there are fewer objections to irradiation. Ethylene oxide fumigation for combating microbiological contamination is prohibited in Europe. It is however allowed in the United States.
- Read more about irradiation on the website of the European Commission.

What are additional requirements buyers often have?

Food safety management and traceability

As food safety is a top priority in all European food sectors, you can expect many players to request extra guarantees from you in form of certification. Many European buyers (e.g. traders, food processors, retailers) require the implementation of a (HACCP-based) food safety management system. The most important food safety management systems in Europe are BRC, IFS, FSSC22000 and SOF. All the mentioned management systems are recognised by the Global Food Safety Initiative (GFSI), which means they are accepted by major retailers.

Tips:
- European market entry is more likely than not to include implementing a food safety management system, and it is therefore important to familiarise yourself with them.
- Different buyers have different preferences for a certain management system. Check which one is preferred (e.g. United Kingdom retailers often require BRC, IFS is more commonly required on the mainland).
- Read more on Food Safety Management Systems at the Standards Map.

Corporate social responsibility

European buyers (especially those in Western and Northern European countries) increasingly pay attention to their corporate responsibilities regarding the social and environmental impact of their business. This also affects you as a supplier. Important issues in the vanilla supply chain are fair payment for farmers, the use of child labour and the impact
on biodiversity. European companies have different definitions of CSR, and different priorities and ambition levels in this field. Hence, there is no single way to address CSR issues. The right approach could range from signing a code of conduct to ensure compliance with the most important requirements to mapping out and addressing all the CSR issues in your entire supply chain.

**Tip:**
- Exporters interested in supplying the European market should at least address the most important CSR issues. Many buyers already use this as a selection criterion for new suppliers. Prioritise CSR issues by considering your impact on various social and environmental factors, what you can feasibly do to improve your impact and what is appreciated by European buyers. List relevant CSR issues, [ISO 26000](https://www.iso.org/iso-26000.html) provides guidance.

**What are requirements for niche markets?**

**Sustainable product certification**

There is a growing market for certified products with well-known consumer logos. Organic products focus on land use and inputs. Fairtrade focuses specifically on improving the living conditions of smallholders in developing countries by paying them a premium. Rainforest Alliance, a mainstream sustainability scheme with a focus on social as well environmental issues has recently developed a standard for several spices and herbs. Processors and exporters can play an important role in the certification process by coordinating the activities of smallholders. If they handle certified sustainable vanilla, they will have to be certified themselves to ensure a reliable chain of custody. There are specific certifications for traders, such as Fairtrade’s [Trade Standard](https://www.fairtrade.net/en-trade-standard) and the Rainforest Alliance’s [Chain of Custody standard](https://www.rainforest-alliance.org/chain-custody).

**Tips:**
- To find companies in Europe or in your own country that supply organic spices and herbs: see The [International Trade Centre](https://www.itc.org/en/sections/foods/) and [Organic Bio](https://www.organicbio.org/). Refer to the Fairtrade [producer database](https://www.fairtrade.net/pd) to find certified suppliers. The [pricing list](https://www.fairtrade.net/pricing) will give you an indication of the price you will have to pay farmers for Fairtrade or Fairtrade/Organic spices and herbs.
- Refer to the ITC [Sustainable Spice Initiative Equivalency Tool](https://www.itc.org/en/sections/foods/spice-equivalency) for an explanation and comparison of sustainability standards.

**Supplier assessment**

As an alternative to product certification, European buyers conduct a supplier assessment. They use supplier assessment questionnaires that contain questions on both quality and CSR, for example on child labour. Such supplier assessments are used widely.

Suppliers can also assess their own compliance with a sustainability code of their buyer; for example, with Unilever’s [Sustainable Agricultural Code](https://www.unilever.com/sustainable-food/sustainable-agriculture/) (SAC) or the [Olam Livelihood Charter](https://www.olaminternational.com/sustainability/our-values/olam-livelihood-charter).

**Tip:**
- Refer to Unilever’s [Implementation Guides](https://www.unilever.com/sustainable-food/sustainable-agriculture/) for further information.

**Trade and Macroeconomic Statistics**

**Imports**

Imports of vanilla have continued to grow, even with rising global prices. However, when prices rise too high, food processors using vanilla will switch to natural or synthetic alternatives. This was clearly shown during the extreme price hike of 1999 and 2000, when vanilla demand fell by about 30%. This loss of demand takes some time to recover.
Tip:
- With global demand increasing it is becoming harder for European buyers to secure supply. It is therefore a good time to establish long-lasting relationships with serious buyers. Buyers are willing to pay higher price to suppliers that are able to help secure supply, comply with delivery times as well as food safety requirements. They will also be more willing to invest in your partnership.

Figure 1: European imports of vanilla, from 2011-2015, in 1,000 tonnes*

Source: Eurostat, 2016
* Countries other than European or developing countries are negligible and excluded from this graph. In 2015 these only accounted for 6.9% of total European imports.

European vanilla imports from developing countries amounted to 1,900 tonnes in 2015, representing a value of €119 million. European sources represent re-exports only, since there is no production of vanilla in Europe.

Tip:
- Prices at the farm gate have been very low until 2012. This has made many farmers terminate or reduce their farming practices. Therefore, it is important to invest in your suppliers to ensure your own supply.

Prices remained fairly stable until 2012, due to adequate supplies and stocks. The poor harvest in 2013 (with a fall in both the quality and the volume of vanilla produced) caused prices to rise. Despite a better harvest in 2014, prices remained high in 2015 and increased even more in 2016. A major factor behind these price increases is the uncertain situation in the leading producing and exporting country Madagascar.

The price of vanilla beans has increased by almost 50% for industrial grades and 15-20% for gourmet or food service grades since 2012. The particularly high rise in the price of industrial grade vanilla beans is due to the higher demand for this product. Industrial demand is expected to slow down because of the escalating vanilla prices, as food manufacturers have more and more natural alternatives at their disposal to create vanilla flavour. The long-term trend in the price of vanilla will depend on how successful producers in countries other than Madagascar are in expanding their production and on their willingness to continue cultivation of this crop (see Production below for further details).
Figure 2: Leading European importers of vanilla, 2011-2015, in 1,000 tonnes

Source: Eurostat, 2016

Of the leading importers in Figure 2, France and Germany have a higher share of imports from developing countries than the European average. Although it is a small vanilla importer, Switzerland imports a larger share from developing countries than most European countries. This indicates that these countries can be interesting markets for your vanilla. France and Germany are also the main re-exporters of vanilla.

At the same time, only 1% of Poland’s imports originated in developing countries. The country’s growing imports mainly came from European re-exporters.

Aside from the leading importers, several smaller European importers significantly increased imports of vanilla over the last five years. Examples include East European countries, such as:
- Slovakia (+224%)
- Romania (+133%)

**Tip:**
- Make a statistical analysis to get an insight into the differences between leading European importers. Create a free account for statistical databases such as Eurostat and ITC Trademap. Complement your statistical analysis with an analysis of your own position to ensure a strategic fit with your buyer concerning such matters as scale, level of organisation, product (mainstream or niche) and ability to comply with extra-legal food safety and sustainability requirements.

**Suppliers**

The European supply of vanilla is currently dominated by Madagascar. In 2015, this country accounted for 83% of European imports from developing countries. Supplies coming from other countries are much lower:
- Indonesia (4.1% of imports from developing countries)
• Jamaica (3.4%)
• India (2.8%)
• Uganda (2.0%)
• Comoros (1.2%)

The position of Madagascar is expected to remain strong in the coming years. The current high level of prices will attract other producing countries to increase vanilla farming.

Many buyers in Europe have in recent years gone directly to the source to ensure their supply. This provides an opportunity as well as a threat for exporters from developing countries. In some cases, European buyers will work directly with farmers or set up their own facilities in country of origin.

**Tip:**
- If you supply good quality vanilla that complies with food safety requirements in Europe, you will not have problems to find buyers. Your challenge and added value for European buyers will be to secure supply. Consider setting up collection stations yourself and do not encourage farmers to harvest vanilla too early in order to receive good quality vanilla.

Figure 3: Developing-country suppliers of vanilla to Europe, by level of processing, 2015, in 1,000 tonnes*

Source: Eurostat, 2016
* Excluding Norway, Switzerland and Iceland as data on whole and crushed vanilla is incomplete for these countries.

Most vanilla is still processed in Europe. Opportunities for increased processing in the country of origin are probably limited, as buyers will generally prefer to process this expensive product themselves and thus exercise more control over the process.

In 2015, Europe imported 1,000 tonnes of crushed/ground vanilla. Of that, 12% originated in developing countries. The largest suppliers of crushed/ground vanilla from developing countries are Madagascar and India. Both countries accounted for 4% of European imports of crushed/ground vanilla.

**Tips:**
- Processing vanilla is only interesting if economy of scale can be achieved. In any case first address quality issues as a way to add value.
- It is costlier to clean contaminated ground vanilla than those in whole form. Your buyer will transfer costs to you if your products do not comply with requirements.
- See our study on crushed and ground spices and herbs for more information.
Exports

European exports of vanilla in 2015 amounted to 2,000 tonnes, with a value of €88 million. The volume of exports was stable from 2011 to 2015. However, the value of exports grew by 32% in the same period, due to the strong increase in the global price of vanilla.

In 2015, 75% of all European exports of vanilla ended up in other European countries. The leading exporters in 2015 were:

- France (33%)
- Germany (21%)
- Slovakia (20%)
- Belgium (17%)

Until 2014, the Netherlands was the main exporter of vanilla, accounting for 43% of European exports. However, trade data show that Dutch exports decreased substantially from 2014 to 2015.

European exporters add significant value to imported products. Therefore, opportunities exist for exporters from developing countries that are experienced with supplying European countries. They can decide to focus on increasing their direct sales to buyers that rely on other European suppliers. This could be beneficial to increase profits and margins.

Tips:

- Investigate buyer requirements in your target market and deal with buyers’ potential reservations in advance. Buyers who do not deal directly with suppliers in countries of origin may have reservations regarding quality, food safety and supply security.
- Get references from your other European buyers. You should also be aware that you may be asked to provide the same service levels as European buyers (short supply times, small orders, steam sterilisation, further processing, etc.).

Production

**Figure 4:** Global production of vanilla, 2009-2013, in 1,000 tonnes

**Source:** FAOSTAT, 2015

**Figure 5:** Global production of cured vanilla beans, **Figure 6:** Exports by most important producers of vanilla, 2014, by source country
Inspection of Figures 4 and 5 reveals large differences between the production figures provided by FAOSTAT and those from Trimeta. This is probably due in part to the fact that FAOSTAT records the production of green beans, while the information from Trimeta refers to cured beans only. The curing process can reduce the weight of vanilla by a factor of up to 6. This is only part of the explanation, however. For example, it cannot explain the large differences in production in Indonesia, where FAOSTAT reports a volume of 3200 tonnes and Trimeta no more than 40 tonnes. Furthermore, FAOSTAT reports production in countries that are not mentioned by Trimeta and other industry sources. ITC (see Figure 9) provides data on the export of vanilla beans from various important producer countries. Since these countries export most of their produce, export figures also allow an estimate of production. The differences between Trimeta’s data and that of ITC are much smaller than those between FAOSTAT and Trimeta. This leads us to believe that the production volumes given by FAOSTAT (in particular those for Indonesia) are inflated for some reason. However, the differences between the volumes and the exporting countries quoted by Trimeta and ITC are still significant. According to ITC, Indonesia exported 271 tonnes in 2014 although Trimeta states that it only produced 40 tonnes. The stock levels maintained in the various producer countries cannot fully explain those differences. It is therefore important to take these uncertainties concerning the data into consideration and to be cautious in drawing conclusions. The analysis given below will focus on qualitative information on cured vanilla beans provided by industry sources.

From 2013 to 2015, vanilla was in short supplies while demand increased, leading to high prices. In 2016, the practice of mechanical ‘quick curing’ of green vanilla beans was introduced in Madagascar, as a way to increase processing speed and lower production costs. Vanilla trader Aust & Hachman expects this practice to lead to lower-quality vanilla, putting more pressure on the prices of high-quality vanilla in the coming years.

Madagascar is expected to remain by far the most important supplier in the coming years. However, the increasingly high prices are expected to boost vanilla production in other growing regions such as Papua New Guinea and French Polynesia. India shows the most promise as an upcoming new producer. Production of most upcoming new producers is not expected to have a large impact on the global market before 2017. However, Papua New Guinea and Indonesia are expected to increase their production levels in 2016 already.

Tip:
- Keep up to date on global production trends. An important indicator will be the success of the flowering of Malagasy vanilla, which should start in August/September 2015. Check the latest crop reports from such sources as Aust & Hachman, Trimeta and Eurovanille for further information.

Consumption

The level of vanilla consumption in Europe is unclear due to unreliable data on imports and exports. It is estimated at around 2,000 tonnes in 2015. Western European countries are considered to be the biggest consumers.

Whether European consumption will increase depends largely on supplies. European demand will increase in years when enough vanilla of adequate quality is available at a reasonable price. In view of the expected variation in supply, consumption levels are likely to fluctuate strongly.

Market Trends

Innovation in processing. The cultivation of vanilla is very labour intensive and is commonly done by smallholders. Curing is also very labour intensive and time consuming. A more industrial approach to grow vanilla on larger plots of land has been tried in recent years, but was not very successful due to vine diseases. Some international companies are curing green vanilla beans using ovens, however. This is done because the traditional drying and curing takes time and is costly. It leads to a more industrial product with an alleged lesser quality. Another practice that is taking place is extraction from green beans. This produces an extract with a high vanillin content that is widely used for baking, especially in the United States. It also has secondary applications, such as chocolate, ice cream and even tobacco.

Tips:
- Refer to our study on trends in the spice and herb market for more information on trends in the spices & herbs market.
- The innovations in processing of vanilla are not necessarily good for communities that rely on the production of vanilla and use traditional methods of processing. Neither is it good for quality of vanilla in the long-run. Therefore, it is an option to invest more in quality improvement of vanilla that is currently considered to be of sub-standard quality.
- Low prices in recent years have been bad for quality. Therefore, for high quality pay your collectors and farmers good prices. Also advice against them vacuum packing vanilla that it not sufficiently dried.
Steam sterilisation is an effective way to combat microbiological contamination and is increasingly required by European buyers. It can earn a significant premium for suppliers that are able to supply steam sterilised vanilla sterilised at source. Investment in sterilisation equipment can be very costly (up to €1 million). An important downside of steam sterilisation is that it negatively affects the volatile oil content, which produces the flavour. European buyers would switch to other methods if they would be just as safe, accepted by consumers and not too expensive. At the moment there are no alternatives that meet these requirements but research is being done on sector level.

**Tips:**
- Small operators with limited access to capital will likely have to find an alternative solution. Look for local sterilisation companies that are able to provide this service for you.
- Steam sterilisation is only effective when food safety is taken into account with drying, storage, processing (e.g. sieving, mixing, grinding/crushing), packaging and transporting. Contamination after the sterilisation step has to be avoided.
- Determine whether your (potential) buyers want steam sterilisation before considering providing the service.

**Sustainability on the rise:** sustainable sourcing is an important trend in Europe, especially in the United Kingdom, the Netherlands and Germany. As a supplier you will be increasingly faced with sustainability requirements from your buyer. One of the most important issues in the vanilla supply chain is the volatility of supply and prices. In addition, there is a fair amount of speculation from traders buying up large share of crops to control prices over a longer period of time. This unstable environment comes with high risks for farmers. In addition, vanilla production is very labour intensive and prices at farm gate are still low. Therefore, many farmers are not investing in sustainable practices to improve quality of harvest or are even terminating production of vanilla. The need for sustainable and long-term practices is recognised by several market players including Unilever, Symrise and General Mills. In 2013, they have set up different initiatives to set train current and future vanilla farmer sustainable practices. Important focus points are an increase of productivity and encouragement of crop diversification. In this way farmers can earn more, improve their food self-sufficiency and also sell other crops during lean periods.

**Tips:**
- Keep updated on the development of steam sterilisation alternatives GreenFooDec.
- Governmental and non-governmental organisations in developed countries often have programmes and subsidies available for investments in sustainability. You should therefore look for possible partners to promote sustainability with the aid of these funds. Further information is available on such websites as the Sustainable Spice Initiative, the Netherlands Enterprise Agency, the German Ministry for Economic Cooperation and Development and Cordaid.
- SMEs in developing countries will find it hard to operate independently in this field. A certain scale is often required to make certification economically feasible. European companies can help by investing in the training and certification of farmers. As small farmers often do not have the capacity to process, store and export their product, exporters can play a vital role in this process. Working with NGOs and national or international governmental organisations is also a good way of attracting capital.
- See our study on exporting Sustainable Spices and Herbs to Europe for further information on long-term expectations concerning the market for certified sustainable products.

**Market for certified products growing:** although still a niche market, demand for products certified according to sustainability standards is continuously growing. Many large vanilla buyers in Europe and the United States are working directly with farmers in the country of origin (especially Madagascar) to ensure their own supply. They are focusing on increasing the income of Malagasy farmers so they will continue farming vanilla. They are working less with exporters and processors. This makes Fairtrade certification of vanilla a priority. A big challenge for the market in certified sustainable vanilla in general is the fact that it has to be sold at a higher price to cover some or all of the certification costs. These premiums are paid in some niches; in large parts of the mainstream market, however, buyers appreciate sustainability but are unwilling to pay more for it. This has resulted in an ongoing debate in the sector concerning the best way forward in the implementation of sustainability in the mainstream market. The option of third-party certification is still under debate. As mentioned above, self-verification could become more common in the future in the mainstream market.

**Price**

*Figure 11: Indicative price breakdown of vanilla, sold in spices and herbs section of supermarkets*
Please be aware that this price breakdown for vanilla is only a general indication. It is influenced by many different factors. These include the country of origin, the current and expected future harvest situation, quality of the raw material, level of processing, level of demand and the trend in prices. All these factors make it difficult to provide a reliable price breakdown.

The global market price for Bourbon vanilla in February 2016 was between € 90 and € 150 per kg. It is not uncommon for the retail price of vanilla to be as high as € 1.75 per 2.0 grams, or € 875 per kilo. These prices are only paid for small consumer packages, typically containing only 1 pod.

Once the vanilla price is too high many buyers will switch to synthetic substitutes that are now widely available. This will prevent trade prices going up too high (e.g. import prices over € 450 per kilo) as it has done in 2003 when substitutes were not used as much.

Please be aware that the value of the Euro fell significantly in relation to the dollar in 2015. In 2016, this value picked up again. International prices are often given in US dollars. The changing value of the Euro thus affects European importers who have long-term contracts with their suppliers. Whether fluctuating exchange rates are beneficial for exporters from developing countries depends on the value of their own currency relative to that of the US dollar.

Tips:

- It is important to keep your eye on the development of prices. Search the internet for recent reports. Public Ledger is paid service that provides information on the vanilla market and prices.
- Due the fact that vanilla prices are high relative to other spices buyers want to keep prices low. However, a certain price level must be reached in order to encourage vanilla farmers to keep farming. Therefore, it is important to integrate fair pay practices to ensure your supply. This is especially relevant in times when prices are low and farmers are struggling.

Keep up to date on exchange rates with the aid of such websites as Oanda.

Useful sources

- European Spice Association - http://www.esa-spices.org - provides information on its national spice association members
- Food Ingredients Europe - http://www.foodingredientsglobal.com - important international trade fair for the food ingredient and health sector in Europe
- SIAL - http://www.sialparis.com - large international food fair held in France every year
- Biofach - http://www.biofach.de - largest European organic food trade fair held in Germany