

Insights into the global vanilla market

Due to harvest cuts in Madagascar and Indonesia, the vanilla market dropped to 7.1K tonnes in 2016. This while demand for vanilla continues to grow due to growing demand in the food and cosmetic industries. The supply shortage, which led to the shrinkage of the global vanilla market, also led to a record level price increase.



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The price surge provoked a significant increase in the vanilla market value from 2011 to 2016. In 2016, the market value reached \$ 854M, which is twice the level of 2015 and four times higher than the level of 2007.

The US and Indonesia remain the main consumers of vanilla

The countries with the highest consumption are the US (18%) and Indonesia (13%), followed by Papua New Guinea (6%), Mexico (6%) and France (5%), together comprising almost 47% of global consumption (IndexBox estimates).

Amongst the leading consuming countries, the highest level of per capita consumption was recorded in Papua New Guinea (53.5 gr/year), while the global average per capita consumption of vanilla was estimated at 1.0 gr/year in 2016. The other countries, which are listed above as the largest consumers of vanilla, also showed per capita vanilla consumption above the world average: France (5.6 gr/year), the US (3.9 gr/year), Indonesia (3.5 gr/year) and Mexico (3.2 gr/year). The high level of vanilla consumption in these countries is due to its widespread use in the food and perfume industries.

A moderate growth in vanilla consumption is forecast in the medium term

The world vanilla market largely depends on the production in Madagascar. In the medium term, production in Madagascar can fluctuate significantly due to crop losses. Speculation in the market exacerbates the situation by artificially inflating the vanilla price.

Significant consumption growth in terms of the vanilla market is not currently forecast. In 2017, it is expected that the world market will continue to shrink due to harvest losses in Madagascar after a strong cyclone, which reduced the crops by about 30%. However, by 2025 the world market is expected to grow by + 1.3% on average per year. By 2025, the market is expected to grow to 8.0K tonnes against the backdrop of the growing demand from the food industry for vanilla as a natural flavour.

A number of factors, including the impact of poor weather conditions on production figures, and price speculation, can both result in considerable market fluctuations, as noted in recent years.

Production of vanilla declined steadily over the last years

Global vanilla manufacturing illustrated negative dynamics in terms of production over the last few years. In 2016, the volume of production dropped to 6,530 tonnes, falling with a CAGR of -4.2% from 2007 to 2016. The reduction in world vanilla production is caused by a decrease in yields in Madagascar and Indonesia due to crop losses against the backdrop of poor weather conditions, drought and harvesting vanilla beans at an immature stage by small producers.

Madagascar was the key world vanilla producing country with an output of about 3,831 tonnes in 2016, which accounted for 49% of total global output. The other major producers were Indonesia (24%), Papua New Guinea (7%) and Mexico (5%).

Almost entire vanilla production volume is intended for exports

Vanilla is a widely traded commodity, with the share of exports in total global output at approx. 94% in 2016. The high trade intensity is determined mainly by the substantial distances between the main centres of vanilla production and the key consuming countries. In addition, the significant exports share in production is due to the fact that importers pre-stocked vanilla beans, in anticipation of a price hike and in 2016, exports increased.

In 2016, the volume of global exports totalled 6,137 tonnes, going down by -22% against the previous year level. Despite a significant drop in 2016, overall, the global vanilla exports indicated a pronounced growth from 2007 to 2016. The trend pattern, however, indicated some noticeable fluctuations throughout the analysed period. The total exports volume increased at an average annual rate of +0.4% over the last nine years. Over the period under review, the global vanilla exports attained its maximum volume of 7,577 tonnes in 2015. However, in 2016, the total vanilla exports declined to the level of 2009 and 2012.

In 2016, Madagascar remained the largest exporter of vanilla in the world, comprising 43% of total exports. It was followed by Indonesia (10%), France (9%), Germany (7%) and the U.S. (5%), Canada (4%) and Belgium (4%). From 2007 to 2016, the countries which increased vanilla exports to the international market most were Belgium (+14.2%) and the US (+11.0%). Exports from the other countries (including Madagascar) remained relatively stable over the period under review.

The US remains the largest consumer of global vanilla imports

The volume of global imports totalled 6,739 tonnes in 2016. Imports dynamics was generally in line with exports: these trade flows globally complement each other.

In 2016, the US (24%, based in physical terms) was the leading destination of vanilla imports. It was followed by France (13%), Germany (9%), the Netherlands (5%), the UK (4%), Belgium (4%) and Canada (4%). All these countries together made up 63% of global vanilla imports.

Among the major importing countries Belgium (+10.4%) gained the highest annual growth rates from 2007 to 2016, while the Netherlands (+4.9%) displayed more modest paces of growth.

The UK (-10 percentage points), the US (-7 percentage points) and Canada (-3 percentage points) saw their shares in global vanilla imports reduced. Meanwhile, the shares of the other countries remained relatively stable throughout the analyzed period.

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