

# Thugs, Bugs and Vanilla

Madagascan politics and a virulent crop disease highlight vanilla's tenuous supply conditions\*

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Madagascar, a “continent of an island” as the advertising goes, is so unique that a large portion of its flora and fauna are strictly endemic, not to be found elsewhere. The same could be said of its politics, which are dominated by a tribe—the Merina—that originated in Indonesia pre-16th century. Citizens of African and Arab descent, who live mostly on the coasts, play a lesser role. For even though recent postcolonial rulers were not Merina, the tribe kept a secret grasp on power. This group controls most of local politics, which is characterized by centuries-long feuds centered on family problems.

These family problems are the source of the latest upheaval. The young mayor of Antananarivo (and now Madagascar's new president), Andry Rajoelina, and his longtime ally, president and food and beverage magnate Marc Ravalomanana (now deposed), have had a falling out over personal matters. Now the country is torn between the two men, splintered by factions, old rulers trying for a comeback, and mediators and donor agencies trying to reinstall democracy and peace. All of this in the country that produces more than half of the world's vanilla.

Thugs have been going on the rampage in vanilla country, the Sava region, sometimes emptying vanilla containers and attacking stores and traders—primarily those involved in the president's businesses. Despite this, the situation there is relatively under control as the International Monetary Fund and the European Union have worked to keep the area out of the sphere of politics.

## Bugs

The other key danger to Madagascan vanilla is *Fusarium oxysporum*, a fungus that continues to spread in the country, harming vanilla fields. Although said to have been always present in Madagascar, relating to humidity and the way farmers prepare fields and crops, *Fusarium* is not to be taken lightly. It has devastated the vanilla industry in India, and is preventing a number of others, including China's, from developing a proper one. An EU-financed study in Madagascar will be conducted this year—at last, one might say—in order to identify the disease and investigate its spread and potential remedies. Demeter conducted field surveys in December 2008 and February 2009, the results of which will be published

by press time.<sup>a</sup> One of the investigation's major findings is that the disease is spreading at a slower pace than previous periods, and that farmers are replanting elsewhere, in most cases. But even if *Fusarium* doesn't attack vanilla crops, the early and abundant flowering of plants is resulting in many flowers and beans falling, only to be attacked by snout beetles.



## Production Outlook

Altogether, the production of vanilla in 2010 should reach some 1,200 tons, but this is just an initial estimate. This means that not much vanilla is going to come out of producing countries this year, as Uganda is facing pricing and phenol problems and Papua New Guinea's prices and variety mix is insufficient to satisfy the market, leaving it clearly out of the supply zone. The ~2,000 tons that are to supply the market this year will meet a demand that is still growing. In 2008, for example, greater industry purchased 3,600 tons of vanilla and actually consumed between 3,000 tons and 3,600 tons, the difference being inventory building.

Simultaneously, the effects of the global financial crises are twofold. First, increased home cooking and baking will spur increased consumption as consumers scale back on dining out. At the same time, credit is nearly dead, which affects both the trade in producing countries, but also buyers, including traders and extractors that are limiting inventories and adopting zero stock policies. This should make the market and prices quite sensitive to all events. This is not yet reflected in the market, but it might change when news about the next crop is spread and buyers form strategies. One can assume they will eventually acknowledge that a market of more than 3,000 tons cannot be supplied by a mere 2,000 tons of production without an effect on pricing.

The question is when.

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\*Reported from Madagascar.

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