

The Starting Point: Vanilla Sustainability in Madagascar

Seeking supply stability, ethical procurement practices, improved quality and more in one of the world's most important and challenging sourcing regions.

“Vanilla is too important to manage like a typical ingredient category,” says Oliver Nembach, business development director at Symrise, during a recent visit to the company's Holzminden, Germany, headquarters. “It's a make-it-or-break-it tonality for us,” he adds.

Vanilla is responsible for more than 20% of sweet flavor turnover for the company. By backwardly integrating vanilla, and connecting sales and business operations in the process, the company has sought to create sustainable profit for the entire value chain. Without sustainability, the supply stream comes under pressure, threatening markets even as vanilla's popularity continues to grow as ice cream and dairy desserts reach a growing number of emerging markets.

In discussing the intensive process of securing a sustainable supply of vanilla from Madagascar, Nembach is joined by Stephan Sielaff, senior vice president of global operations, flavor and nutrition, and Clemens Tenge, director of corporate communications. They explain that Symrise sources about 10,000 ingredients from approximately 100 countries, often in locations with delicate social, political and/or ecological environments. And so the concept of sustainability has evolved from a separate program to an integrated part of the company's overall corporate strategy. This requires it to act as a responsible employer, ingredient procurer and efficient operator. Sustainability has also challenged the company to focus on profitability, backward integration and portfolio diversification. In the context of vanilla, the sustainability strategy began with a product managing approach, but grew to include partnerships throughout the value chain, including select customers.

Vanilla: a Shared Value Approach

The company began its backward integration of Madagascan vanilla several years ago with the integration of Aromatics Madagascar S.a.r.L. The Symrise team says it became more engaged locally and soon realized that understanding the needs of the growers and other stakeholders required a presence “on the ground.”

This “shared value approach” directly engaged smallholder farms. Traditionally, these growers might produce about 300 kg of green vanilla beans each year, which, following processing by a collector, might yield 50 kg of dried black vanilla beans for curing. The result, even in good markets, was a small income. By selling the beans to a collector, the proceeds were being split, and then split again with a middleman who would deliver the black



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beans to exporters for final curing. Only then would a typical flavor or food manufacturer come in contact with the product.

This extended, low-transparency value chain has numerous inherent downsides, including a lack of traceability. Under this system, flavor and food manufacturers must rely on certifications to verify the ethical sourcing status of the final product. Without transparency and backward integration, the team says, it is very difficult to influence the ethical status or quality of any ingredient.

Nembach, Sielaff and Tenge explain that taking possession of green vanilla beans directly from smallholder farmers allows for better quality and value to the growing communities. In addition, it provides improved value for brands seeking to behave ethically.

Lessons from the Field

As many flavor, fragrance, food and beverage professionals may know, Madagascar vanilla (Bourbon vanilla, *Vanilla planifolia*) is produced on small farms in remote communities with little electricity, communications and transportation infrastructure. To engage in sourcing on the ground requires continuous presence, the Symrise team explains, to learn where the beans come from and what the farmers' lives are like.

While Symrise maintains a sales office in the Madagascar capital, Antananarivo, the company has established an extraction and warehouse site in the northern growing area of Voahemar. This will soon be moved even closer to the growers, who themselves tend to be established near rivers. Building or maintaining such a facility is a tremendous undertaking, due to the aforementioned lack of transportation and supply infrastructure. A single missing stainless steel screw, the Symrise team says, can derail a project.

Meanwhile, engaging with these farmers involves educating a small core of locals on fertilization, harvest and other farming best practices in order to improve yields. This core of farmers is then charged with spreading this education throughout local communities. Information is distributed verbally—using multiple languages, including French and at least two Malagasy dialects—and through illustrated brochures depicting best practices. Ultimately, this education reaches thousands of farmers, who are tracked via a database.

Relationships between sourcing companies and growers are tied with long-term agreements that encourage patient, diligent growing practices. Farmers are not obligated to sign contracts, but do receive rice credits to encourage patience in the growing cycle. This process is supervised with company representatives who live in the local growing locales.

The business, the Symrise team stresses, is built on trust and getting farmers invested in the project. Farmers treat their vanilla trees as their bank account, the core of their income. Without sustainable assurances, farmers are likely to harvest beans too early whenever they need money. In addition, price spikes can give rise to fly-by-night producing regions both in Madagascar and in other countries. These growers, pursuing short-lived pricing increases, tend to drop out of the market once prices moderate, creating further price and supply instability. Within Madagascar, growers facing plummeting prices may inadvertently worsen the situation by growing and harvesting more vanilla. In times of turmoil, some farmers will switch to alternative crops, including cocoa, clove and coffee.

Vanilla is essentially a gamble for Madagascar farmers, the Symrise team explains. Between the blossoming of the vanilla

flowers and the time the farmers receive their money from the sale of the green beans is more than a year. Pricing can change drastically in that time and encourage premature harvesting or even replacement of vanilla with other, more economically stable crops. Supporting farmers and paying a fair price prevents this. Under the backward-integrated process, farmers engage in significant caretaking of the crops during cultivation and harvest.

Meanwhile, growers have learned to interplant vanilla with crops such as cloves to maximize vanilla plant health and quality. They are also experimentally growing vetiver and bamboo.

The Symrise sustainable vanilla team stresses that the company is not a non-governmental organization (NGO). Instead, they see the establishment of a fair revenue stream and investment in schools, teachers, housing and infrastructure as a means of producing a stable supply of higher quality of vanilla for crucial multinational product segments. In addition, ethical practices add value to customers' products.



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What's Next

The company continues to apply the lessons it has learned to other core competencies, including mint, citrus, meat, taste enhancers, red fruit, vegetables (onion), lavender, ylang-ylang, vetiver and shea butter. These ingredients will find their way into the biggest application areas, including oral care, beverage, savory, sweet and dairy. This, says the Symrise team, is just the starting point.

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