

# The Flavor of Money:

## The Vanilla Industry and the Economy of Antalaha

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## **INTRODUCTION**

When you dig into a satisfying scoop of vanilla ice cream in the U.S., the tiny black flecks that seduce your taste buds with their sweet aroma most likely originated on a vine somewhere within the rainforests of Madagascar. Madagascar has long been the world's major provider of vanilla, furnishing more than half of global demand since 1997, and the U.S. is by the far the biggest consumer of vanilla, with the ice cream industry importing many tons a year (Ramandazafy, 2001). Before vanilla arrives in the U.S. to be added to a variety of sweet things or to be made into extract, it undergoes a series of transformations, evolving from an orchid to a shiny, aromatic, dried black pod, in a delicate process that takes many months and involves many people. Along the way, the pods accumulate value before they are exported and sold on international markets governed by the ever changing laws of supply and demand.

Vanilla cultivation was brought to Madagascar in the 1890s by French colonists. The plants thrive in the humid, wet climate of the rainforest that blankets the country's north-east coast, and vanilla took particularly well to the fertile, sunny soils of Antalaha (Rafalison, 2008). Since then, the vanilla industry has been the principal economic motor for the region, with production of green vanilla increasing from 4,000 to 10,000 tons between 1994 and 2004 (2e Atelier, 2006). However, due to lower prices, competition from synthetic vanilla and destructive cyclones, in 2007 Madagascar exported only 1,000 tons of prepared vanilla (Manceau, 2008).

Vanilla is currently the principal cash crop in Antalaha and its surrounding area—87% of farmers in the region grow vanilla, and they form the base of the vanilla industry (Raveloarijaona, 2001). Unlike other cash crops, like coconut palms, the vast majority of Madagascar's vanilla is not grown in monoculture, but is rather produced by small-scale, family operations, with the

average farmer cultivating 3,000 to 4,000 feet of vanilla, with between 15 to 20 vanilla vines per foot (PAD, 2006). In general, 1,000 feet of vanilla plants will produce 500 kilos of green vanilla, or 100 kilos of prepared vanilla. By default, all of Madagascar's vanilla is organic and farmers use little outside input when cultivating vanilla. When growing, vanilla requires a lot of shade, and is thus grown with *tuteurs*, trees used to provide the vines with support and shade. The most common trees used for this purpose in Madagascar are *Jatropha curcas* and *Glyricidia maculata*. Vanilla also lends itself well to *cultivation intercalaire*, growing interspersed with other crops destined for consumption by the farmer (Mémento de l'Agronomie, 1993).

Vanilla is a member of the orchid family and is native to Mexico. *Vanilla planifolia*, alternatively known as *Vanilla fragrans*, is the species most commonly grown in Madagascar for commercial purposes. The plant grows in vines and is harvested for its pods, which contain vanillin, the compound used to flavor and perfume products. The flowers must be fertilized by hand, since there are no natural pollinators in Madagascar. Vanilla is generally fertilized in November, and the vanilla beans will be mature seven to nine months later. In Madagascar, the fruit is usually harvested in June. When picked, the vanilla pods are green. After being submerged in hot water, dried in the sun and in the shade, the pods will take on their dark, dry appearance, after undergoing around seven months of preparation. In general, around 5 kilos of green vanilla are needed to produce 1 kilo of dried, prepared *vanille noire*, ready for exportation (Mémento de l'Agronomie, 1993). This process involves several players, beginning with the planter, who then either sells the green pods to a buyer or prepares the vanilla himself and then sells to an exporter, who in turn sends the prepared beans to buyers in North America and Europe.

### Location of Study

The research for this paper was conducted primarily in Antalaha, one of the four towns that make up Madagascar's SAVA region along the country's north-east coast (Appendix A). Antalaha was chosen as the base for my project due to its central role in Madagascar's vanilla industry and the dependency of its economy on vanilla. The SAVA region (Sambava-Antalaha-Vohemar-Andapa) is the heart of the country's vanilla industry, producing and exporting 81.6% of Madagascar's vanilla in 2006 (2e Atelier, 2006). The vanilla industry in Madagascar employs around 80,000 planters, with 70,000 located within the SAVA region (PAD, 2006). Within SAVA, many of the industry's 33 large exporters are located in Antalaha, helping the town earn its nickname as the world capital of vanilla. Antalaha has a population of 79, 538 and is comprised of 16 *fokotany*, seven urban and nine rural, which cover a total of 80 km<sup>2</sup> (Risy, 2008). Research was also conducted in the towns of Sambava, Marofinartra and Ambohitsara. Marofinartra is a rural commune within the district of Antalaha, located 24.6 km southwest of town, where approximately 2,000 people currently earn their living as vanilla cultivators. Ambohitsara is located 10 km outside of Antalaha, on the road towards Marofinartra, and houses a vanilla research station run by *Le Centre National de la Recherche Appliquée au Développement Rural*.

### Statement of Intent, Objectives

The objectives of my research were to understand how the vanilla exporting business has changed in Antalaha in recent years, to assess the impact of cash crops on people's livelihoods, to examine the benefits and drawbacks associated with vanilla cultivation, and to explore the economic impact of the vanilla industry on the town of Antalaha and its inhabitants. Through my research, I wanted to understand how the fruit of an orchid becomes the flavoring of ice cream, to look at the many processes and people involved in the vanilla supply chain. I was also interested

in getting to know how money exchanged hands and how and why vanilla gains in value as it is processed, and to see who in Antalaha really profits from the cultivation of this cash crop.

Thus my paper firsts presents an overview of the different players involved in the industry, who deal with vanilla as it passes from green pod to exportable product, and my research looks at the interactions between those involved with the vanilla supply chain at different stages. Next, I include an overview of the vanilla industry's economic history and its cycles of prices that rise and crash, and provide an exploration of the industry's current economic situation in Madagascar. I then present a discussion regarding the future of the industry, and point out potential ways to improve vanilla production. This section of the paper presents my recommendations alongside the goals laid out in the Madagascar Action Plan (the government's document to direct the country's future development), and I attempt to highlight the overlapping areas between the two.

The vanilla industry is in the process of undergoing significant changes, with global demand for vanilla appearing to be lessening and synthetic vanillin remaining a major competitor, so its future is unclear. Antalaha especially is producing less vanilla than in the recent past, due in part to the regularity in which it is devastated by cyclones, which has impacted the town's economy. In light of these changes, my research is significant since it is important to understand how and why vanilla prices are changing, and if there is hope for the vanilla industry to remain profitable in Antalaha. Any potential to revitalize vanilla production will greatly benefit the SAVA region, and Madagascar as a whole, since vanilla is still a big player in the national economy.

#### Methodology, Biases, Obstacles

The bulk of my research comes from formal interviews I conducted in Antalaha during the period of November 1 – 19. All of the formal interviews I conducted in Antalaha were done

in French, without the aid of a translator. I asked a set of pre-written questions and I recorded the responses with a tape recorder, which I later transcribed to ensure I had the exact words of my sources. I wanted to speak with people involved in the industry in different ways, so I interviewed exporters, preparers and government officials from several ministries in order to get a variety of perspectives and a clearer picture of who is involved in the process of vanilla production. I spent the weekend of November 8 – 9 in Marofinartra with vanilla farmers. My interviews in Marofinartra were conducted with the help of Rolin Naja, an ANGAP guide who accompanied me in order to translate from French to Malagasy. I had two day trips during my time in Antalaha, spending November 12 in Sambava and November 16 in Ambohitsara at the *Station de Recherche Vanilière*. In Ambohitsara, my advisor Aimé Risy, accompanied me and translated my questions from French to Malagasy.

In addition to interviews, the other methodologies I employed included periods of observation and participation, which I used mainly when visiting with farmers in Marofinartra. There, I was able to follow the farmers in their fields, and even had the chance to hand fertilize a few vanilla flowers (based on my performance, I now know I can cross vanilla farmer off my list of possible future careers). I supplemented my findings from the field with secondary sources. In Antalaha, I obtained a lot of documents regarding different financial aspects of the vanilla industry, and while very technical at times, these proved helpful in adding substance to my observations. I also consulted a variety of internet sources to fill in gaps in my understanding. With the combination of what I learned in the field and what I found in secondary sources, I hope to present as complete a picture of the economic impact of vanilla in Antalaha as possible given the time constraints I worked with.

The biggest obstacle during my research was a general difficulty in accessing the information I desired. Some of the people I tried to talk to were either out of town, or simply did



not keep records or statistics on things like how much vanilla their company exported annually. A visit to Antalaha's Chamber of Commerce, for example, yielded no information because they were in the process of redoing their records and updating their system, so no statistics or papers were available at the time. By the end of my research, I also realized that it would have been helpful to have spoken with an importer, to get the point of view from the opposite end of the supply chain and to flesh out my descriptions of the exporting process, and I think this omission on my part negatively affects my paper, since an important group is left out of my discussion. Aside from these frustrations, the majority of my sources gave generously with their time and provided a wealth of information. My results are biased in part from the people with whom I spoke – if I became friendly with one of my sources, I became more likely to consult them since I had a comfortable relationship established, but because of this, my research is not entirely objective or representative of the industry as a whole. For example, I did not speak to all of Antalaha's exporters, so my view of the role of exporters is restricted to those who made themselves available to me. My position as an outsider to Malagasy society has also influenced my research, especially in situations where I had to depend on a translator to convey information. I've found that no matter the competency of the person, details are invariably lost in translation, and the presence of a third person erects a barrier between interviewer and subject, which prevented me from really connecting with the person since I couldn't speak directly to them.

## **FINDINGS AND ANALYSIS**

### **I. Players in the Supply Chain**

#### **The Planters**

Vanilla farmers either sell their product green, or prepare the pods themselves before selling to a collector or to an exporter. Green vanilla is harvested starting in June, and is sold at

organized markets. Green vanilla is able to be sold at one time throughout the region, in an organized buying season held at markets, since the vast majority of the SAVA region's vanilla follows the same planting schedule and will thus be mature and ready for sale at the same time (Risy, 2008). Generally, planters come to a designated location with their crop and discuss with buyers on a price. This process can take hours, with buyers trying their hardest to lower the planter's asking price. In contrast, the sale of prepared vanilla does not follow a set schedule and is not done in organized locations. Planters will attempt to sell their crop as soon they finish their preparation, and since methods and attention to detail and quality vary, this means the vanilla is ready at different times. So instead of being sold at organized markets, collectors travel the region buying whatever quantities of prepared vanilla planters have available (Arinjaka, 2008).

The planters of Marofinartra with whom I spoke all said they were getting less money for their vanilla now than a few years ago. Rémi Juliette, who farms 3,000 feet of vanilla, said this year he received about 3,000 Ar/kilo for green vanilla. Between 2000 to 2002, he was selling his green pods for up to 80,000 Ar/kilo. There was a similar difference in prices for prepared vanilla. This year, he sold prepared vanilla for around 19,000 Ar/kilo, while during the height of vanilla's peak between 2001 to 2002, he was selling prepared vanilla for 400,000 Ar/kilo. On top of falling prices, the planters discussed the problems of cyclones and plant diseases that are killing their crop. Jao Fenozara, who farms 2,000 feet of vanilla in Marofinartra, said his crop was almost completely destroyed by cyclone Hudah in 2000, and has been damaged by the subsequent cyclones that hit the area in 2003 and 2006. A vanilla plant does not produce fruit until its third year, so cyclones present a significant set back to the farmer who loses all his plants. There is also a problem with plant sickness in the area that causes the maturing pods to rot. Juliette reported that this year his 3,000 feet only produced 200 kilos of green vanilla due to losses from sick plants, while under ideal conditions they would produce up to 1 ton of pods. Fenozara had

similar problems, and said that with the combination of sickness and the cyclones, he was only able to harvest 10 kilos of green vanilla from his plants. During past years, when his plants were healthy and producing well, he could harvest around 200 kilos of green vanilla from his 2,000 feet of vines.

In addition to vanilla, the farmers of Marofinartra also cultivated beans, coconuts, sugar cane, pineapple, bananas, rice, manioc and yams. Both Julette and Fenzara said they produce the majority of their family's diet, with rice and manioc as the staples. Julette farms 2 hectares of rice and Fenzara does 3 to 4. Both men said they burn a new area for rice cultivation on an annual basis, in order to open up new ground and attempt to increase their production. Unlike his rice cultivation, Fenzara has had his vanilla plants for over ten years and has never had to move the plants, burn land for them or change ground. The frequency of cyclones to hit the region around Antalaha has had great effects on their livelihoods and ability to provide for their families. When their vanilla crop is destroyed by a cyclone, they lose their buying power, and when their subsistence crops are destroyed, they lose their source of food, Fenzara explained. Food aid is occasionally received. Both Fenzara and Julette said they received rice after cyclone Hudah hit the region in 2000, but neither knew who was behind the food distributions and both said they have not received aid after subsequent, equally destructive cyclones. A cyclone that hit Marofinartra in 2007 destroyed Fenzara's vanilla and subsistence crops. The family got by on the small amount of manioc that survived the destruction underground, and Fenzara found work at a store in a nearby town, earning a small salary he used to purchase food.

The planters of Marofinartra were familiar with the Stabex project, an initiative financed by the European Union between 1996 and 1999 in response to the liberalization of Madagascar's vanilla market. The Stabex project aimed to improve the quality of Malagasy vanilla by training the planters in proper growing and preparation techniques, a goal that took the form of two

illustrated manuals, one on planting and one on preparation, that were distributed throughout the SAVA region to 12,500 planters (Appendix B). Based on my sources, results of the Stabex project were not as successful as hoped for. Nicolas Rafalison, who works for the mayor of Antalaha, said the project was not successful in helping planters produce higher quality prepared vanilla because the project only distributed manuals and focused on disseminating knowledge. They provided none of the equipment or materials necessary to properly prepare vanilla, so planters were not always able to adopt the manual's suggestions. Fenzara said he received a Stabex manual, but it was not helpful and did not lead to higher profit returns on his vanilla. Overall, he felt that that the manual gave a lot of technical advice that was not practical with his traditional culture methods.

### **The Collectors and Preparers**

Before being packaged and exported, the majority of Madagascar's vanilla passes through one of the SAVA region's estimated 6,000 collectors and preparers, who serve as intermediaries between vanilla planters and the exporting companies who sell the finished product (2e Atelier, 2006). In a typical set-up, a collector will either travel through out SAVA's green vanilla markets in June, purchasing pods to condition and prepare themselves at their own facility, or they will purchase vanilla beans already prepared by the planters, then finish conditioning the pods before selling them to an exporter. Fanja Arinjaka, the director of Etablissement Arinjaka, is a vanilla preparer based in Antalaha. In a typical year, he says he processes 60 tons of vanilla pods—20 tons of green vanilla that he prepares at his building in Antalaha, and 40 tons of already prepared vanilla that he collects from growers throughout SAVA. He estimates that he sells 80% of his product to Henri Fraise Fils et Cie, one of Antalaha's largest exporters of vanilla. Since most vanilla farmers only produce small quantities, he has collectors that travel throughout the SAVA region purchasing prepared pods from many farmers in order to satisfy the quantities requested

by the exporters. When he has the prepared pods back at his facility in Antalaha, his staff of 30 sorts the pods by size and continues the conditioning process, before the beans are sorted into bundles based on quality and length, to be packed and sold to exporters. Arinjaka said he has contracts with the exporters with whom he works, and they set the prices they are willing to pay for vanilla, which dictates the price he in turn offers to planters. There is always a period of bargaining, according to Arinjaka, so the planter will sell his vanilla to whoever offers the highest price. What usually ends up happening is the preparers will collectively put pressure on the planters to lower their prices, since they can only offer as much as the exporter is willing to pay them. As Arinjaka sums up the relationship—“It’s always the planter who loses, since we are only intermediaries and we have to follow imposed prices.”

### **The Exporters**

In 2006, there were 33 vanilla exporters operating in the SAVA region, with five considered “big producers” who exported more than 100 tons a year (2e Atelier, 2006). Madagascar’s vanilla exporters are governed by the *Le Groupement National des Exportateurs de la Vanille*—GNEV, an organization that seeks to represent the industry’s interests to the Malagasy government. GNEV is the vanilla industry’s only professional organization at the national level, and it’s main goal is to unite Madagascar’s exporters in order to create favorable market conditions for Malagasy vanilla, making the industry as profitable as possible for all involved (GNEV documents, 2005). Yet the organization itself recognizes that it is difficult to organize people who are essentially competitors in a narrow market—“this seems simple to formulate, but is certainly less so to realize!”, reads one of their reports from 2005, and GNEV is not intended to act as a strict regulator of the industry, as the state did prior to vanilla’s liberalization. These limits have made it difficult for GNEV to accomplish much in the way of establishing a common politic between exporters since the organization began in 1997. GNEV

meets two to three times a year at changing locations throughout SAVA to discuss problems and define a program for the upcoming vanilla season, yet decisions are rarely respected, said Benoit LeRoi, the director of Henri Fraise and the current secretary of GNEV. The organization is supposed to be financed by annual contributions from members based on the quantity of vanilla they export, but this rule is also rarely followed.

There are 11 members of GNEV who operate exporting businesses in Antalaha, and I spoke with the directors of Henri Fraise, Etablissement Arinjaka, Société Lomone, Sorex and Ramandriabe Exportation (Appendix C). They all expressed a sense of disillusionment with GNEV, saying there is a big gap between the stated purpose of GNEV and its reality, that the organization is hypocritical in its aims and the behavior of its members. “It’s really everyone for himself. Vanilla is completely liberalized, everyone works for their account, their interests...some work towards quality, others are interested in profit and ‘business as usual’, so we can’t all get along,” LeRoi said. In theory, GNEV could work to set prices exporters would pay to buy vanilla from planters or collectors, and then establish base prices for the sale of vanilla to importers outside of Madagascar. But in a competitive market where everyone is trying to turn a profit, there will always be someone who will go around the rules in order to make some money. While none of the GNEV members with whom I spoke felt that GNEV was doing anything to improve price stability on the markets, certain felt that GNEV fulfilled its role as intermediary between exporters and the government. “GNEV is a way to come together and discuss with the administration, in order to defend the interests of vanilla,” according to Michel Lomone, director of Société Lomone. Lomone said, for example, if the state were to fix a tax rate too high, GNEV would be the one to represent the industry’s interests during talks with government officials. Another element that emerged in discussions about GNEV was the difference between exporters based in Antalaha and those in Sambava, the other main vanilla

producing town in SAVA, located to the north of Antalaha. According to Clément, the director of Ramandraibe Exportation, the majority of exporters in Antalaha have long ties to the town, and several, including Ramandraibe, Société Lomone and Henri Fraise, have been in Antalaha since the 1900s. In contrast, the exporting industry is newer in Sambava—Clément said many got into the business when 95% of Antalaha’s vanilla was destroyed after cyclone Hudah in 2000—and this difference can translate into difficulties when GNEV attempts to integrate the interests of people in Antalaha and Sambava.

All of the exporters with whom I spoke worked with collectors, who purchased both green and prepared pods on their behalf. The majority of vanilla is bought already prepared and is conditioned by the exporter from anywhere between 1 to 4 months before being shipped off. Most of Antalaha’s vanilla is destined for either the United States or France and Germany. All of the exporters said they sell low-quality, industrial grade vanilla destined to be made into extract to the U.S., while their gourmet, high quality *belle vanille noire* is imported by countries in western Europe where there is a demand for whole vanilla pods that will be used directly for baking purposes.

The quantities processed by the exporters vary on an annual basis. As Clément, explained, “our production depends on many factors—the state of the market, the prices, the quality available, demand from clients.” The exporter is not paid up front for vanilla, so with prices that can change drastically in a short amount of time, there is a high level of risk inherent in the industry. In general, the season’s first prepared vanilla is ready around September, when it is purchased by preparers and collectors. It is then ready to be exported after 3 to 4 months of additional conditioning and refining done by the exporters. Exporters are then usually paid 1 to 2 months after the product’s arrival in the U.S. or Europe, beginning in January. So if vanilla prices change between September and January, the price difference will be felt by the exporter

(Clément, 2008). Risk can pay off, if prices rise and the exporter can sell the vanilla at a much higher price than purchase price, or that risk can translate into big loss if prices decline. While Ramandraibe has been one of Antalaha's biggest exporters, in the past sending out up to 300 tons of vanilla a year, this year Clément has chosen not to export any vanilla, since he is not willing to take the risk with a market where prices have been declining recently. This was a sentiment echoed by many of the people I spoke to in Antalaha, who had cut back on exports in face of lowered demand and prices on the global market.

### **The Government Actors**

While the sale and exportation of vanilla in Madagascar is now done through free markets ever since the industry's liberalization in 1995, there is still state involvement at the district, region and national levels. The state export tax on vanilla ended in 1997, but exporters must still pay *ristournes*, a type of rebate. *Ristournes* are collected for both green and prepared vanilla. The markets for green vanilla in the SAVA region are regulated by officials from the district, who collect a fee for each transaction—100 Ariary per kilo of green vanilla purchased. In Antalaha, this money goes into the district's public treasury, which is later responsible for distributing the funds to the various players involved, with parts of the collected money going to the rural communes where the vanilla was produced and part going to the budgets of the government at both the district and regional levels. In addition to this 100 Ariary fee, exporters must pay a fee for all exports. The export *ristourne* is 500 Ariary per kilo, and is collected in Antalaha by the *Bureau de Douanes*—responsible for collecting customs duties on all exports that leave Antalaha's port. According to the mayor of Antalaha, Aimé Risy, the 500 Ariary rate was established in June by the SAVA region's General Assembly, a lower cost than the previous 700 Ariary/kilo fee—a move made to show exporters that their government supports them, Risy said. Eventually, the *ristournes* collected by the *Bureau de Douanes* are funneled into the district's



public treasury, where they too await partition and distribution to Antalaha's communes, district and regional governments. This process is variable, and it can be a matter of days or months before government officials receive their portion of funds from the sale of vanilla (Risy, 2008).

The money generated from collecting rebates on vanilla provides an important source of revenue, driving regional and national economies. Around 15% of all Madagascar's exports are vanilla, and vanilla is the primary industry and source of income for many in the SAVA region (Raveloarijona, 2001). Between January to October of this year, the *Bureau de Douanes* saw 437.59 tons of vanilla be exported, collecting a total of 218,798,650 Ariary in *ristournes*. In Antalaha, for the first half of 2008, vanilla *ristournes* provided 13% of the commune's budget, with a value of 18,654,873 Ariary. The commune's biggest source of revenue during this period came from taxes collected from small merchants and artisans, through a tax attempting to bring them into the formal economy (Risy, 2008).

In addition to having to pay *ristournes*, exporters must pass sanitary and quality control inspections, carried out in Antalaha by the Office for Rural Development, under the Ministry of Agriculture. Thomas Ihoso, who works as a sanitary control officer, explained the process for exportation as three-fold: vanilla destined for the port must be certified as healthy and free of any rot or microbes, it must be checked to see if it meets basic quality standards, and it must be assured that the proper amount of money has been paid to the *Bureau de Douanes*, based on the weight of the product being exported. During sanitary inspections, Ihoso visits exporters' stores, and selects five crates to inspect per ton of vanilla being exported, a rate set by a state decree. Each crate contains 25 kilos of vanilla, so a shipment of 1 ton of vanilla is distributed in 40 crates, five of which will be selected at random for sanitary inspection.

### **Interactions Between the Players**

It was interesting to see how the economic assessment of the industry varied depending on the source of information. The exporters all pointed out that to improve the industry and to help the planters, the importing countries need to be targeted. The preparers emphasized their position as intermediaries; they follow the exporters and have little control over prices. The government actors said collection of *ristournes* needs to be more strictly enforced so that the commune actually benefits from the sale of vanilla. The planters expressed frustration with the devastation of cyclones and the continued lowering of prices offered for their pods.

All the players involved with the production of vanilla interact to varying degrees. With conventional vanilla, there is little interaction between the planter and the exporter, since the pods are transferred via an intermediary. The beans pass through several people before exportation, and at each stage, more value is added to the product. Several of my sources suggested that a shortening of the supply chain—cutting out the intermediaries—would be a good way to improve the quality of vanilla and increase planters' profits. A movement that is currently attempting to accomplish this and encourage vanilla planters to stay in the industry is the formation of planter cooperatives. Julette, the farmer from Marofinartra, is also the president of the commune's recently formed co-op, *Logibe* (essentially big vanilla pod in Malagasy). The purpose of organizing vanilla growers into a co-op, he explained, is to be able to export the vanilla themselves, without the intermediary step of selling to a collector or preparer. By preparing the vanilla and then either going directly to exporters or finding clients themselves, rather than submitting to a collector's asking price, Julette believes the co-op will be able to help planters take a greater share of vanilla's profits. "It's not worth it anymore to work with preparers. If we can export our prepared vanilla, then we will benefit more." The existence of a successful co-op would effectively eliminate the market for green vanilla, since the planters would prepare the green pods themselves—shortening the supply chain and linking planters directly with exporters.

The set up of *Logibe*, which Julette hopes will be up and running for the 2009 vanilla campaign, is relatively simple. The co-op will collect the dried, prepared pods from its members (who would have to pay an annual membership fee), then contact exporters to debate prices and attempt to make contracts. If the co-op does not find an exporter willing to pay their asking price, then they will attempt to export the vanilla themselves. *Logibe* was started in part by a microfinance loan from a branch of the local bank Otiv, and was legalized by the Ministry of Commerce last year, receiving a certificate allowing them to export their product. Others that I spoke with also brought up the idea of planter associations or co-ops as a way to unify planters, giving them power to demand fair prices, yet none of my sources knew of any successful planter co-ops. LeRoi, the exporter from Henri Fraise, said he has yet to see a co-op successfully negotiate with exporters. “Every year, we hear talk of planter associations. It would be good if it actually came about, but it’s a complicated process that takes maybe one to two generations to succeed.”

An alternative interaction between exporter and planter emerges with the production of organic vanilla, which also represents a shortening of the supply chain by cutting out intermediary collectors. While all of the vanilla produced in Madagascar is naturally organic, getting official certification costs a substantial fee and requires the exporter to monitor the product every step of the way, from flower to dried pod. The requirements to be certified organic demand a high level of traceability, so exporters are linked directly with the planters who supply their organic beans. In turn, these planters are paid a premium for their pods, though the rate is not fixed and depends on the market price for conventional vanilla. In theory, organic vanilla is supposed to sell for 30% more than conventional, but this does not always happen, since like all vanilla, prices are set by demand abroad (Chan, 2008). In Antalaha, there are three exporters who sell organic vanilla—Sorex, Henri Fraise and Etablissement Ranjanoro. Sorex, which has been

producing organic vanilla since 2006, uses the services of Ecocert, a labeling company with offices in France and in Antananarivo, to certify their product. They work with 67 planters, and visit their farms on an annual basis to ensure that all of Ecocert's requirements are being met. In addition to the organic premium they earn per kilo of vanilla, Sorex's organic farmers also have the option of discussing problems or asking advice of Christian Grosset, Sorex's employee in charge of organic production. The cost of organic certification is based on how many farms need to be certified, Grosset said. This year the cost to certify Sorex's 67 planters was 782,946,000 Ariary, which comes out to around \$6,873 per farmer. It is the costs associated with getting organic certification that prevent most vanilla farmers from earning the label, and the higher prices it can help a planter earn. Since 2006, Sorex has been producing 5 tons of organic vanilla a year, and while many farmers have expressed interest in producing organic for them, there has been no increase in demand and thus no need to step up production.

LeRoi of Henri Fraise also produces a few tons of organic vanilla a year, and sees the closer interaction between exporter and planter that comes with organic vanilla production as a way to promote rural development. "We do organic vanilla not because it earns a lot, but because we want to help the planters," he said. To this end, Henri Fraise has financed rice intensification efforts for its 600 planters spread over 15 villages throughout SAVA that produce organic vanilla for the company. These farmers then benefit from the organic premium as well as improved rice yields. While Henri Fraise is happy to be able to help some of its producers through agricultural development and by offering higher prices for organic pods, LeRoi is a businessman and there is only so far goodwill will take you in a free market, competitive environment like the vanilla trade. "With organic vanilla and rural development, you have to be careful. You can't be more Catholic than the Pope," he said, which I took to mean if the exporter knows his vanilla will be bought at say \$30 a kilo, this dictates how much the planter will be offered. There are noble

intentions in the exporter-planter organic vanilla relationship, but they are limited by prices established on the international market and the profit margin the exporter plans to collect.

In regards to the interactions between planter and collector, there seemed to be a sort of condescending relationship, in which the buyers look down upon those providing them with the vanilla beans. The preparers and exporters with whom I spoke invariably mentioned that a large part of their work was trying to salvage the pods that were prepared by the planters, attempting to condition them in a way that was suitable for export. The low quality of the planters' prepared vanilla was attributed to a variety of factors, and those that were invoked consistently were: lack of training, lack of necessary space and equipment to properly process the pods, and a desire for access to money that supersedes concern for quality. The preparer Arinjaka said that in his experience, planters pick the pods early, before they are fully mature and their vanillin content has had a chance to reach its maximum, which irreversibly affects the preparation process. He also mentioned that sometimes, in an attempt to earn more money, the pods prepared by planters are not fully dried, since the moisture in pods adds weight. While five kilos is usually the accepted amount of green pods necessary to obtain a kilo of dried beans, Arinjaka has had encounters with planters who take only 3.5 kilos of green vanilla to yield one kilo *vanille noire*, so the dried pods end up with a higher humidity and water content than desired. "When people want fast money, they sacrifice quality," he said.

Once the exporter has the prepared vanilla, the main interactions will now be with the government actors—passing inspections, paying taxes—and the importing clients. All of my sources, with the exception of the exporters, mentioned the existence of a particular interaction between exporter and importer in which the exporter manages to benefit from vanilla's low market prices. According to employees in Antalaha's Ministry of Agriculture, Chamber of Commerce and Mayor's Office, it is common practice for Madagascar-based exporters to be

linked directly with an importer in France or the U.S. Through this relationship, exporters willingly sell their product at a low price, and once in the importer's country, the vanilla is re-sold for a much higher price, and the profit is kept in a bank account there, where the exporter can benefit from First World interest rates and easy access to credit. "It's not a sale, it's a transfer of money," Risy, the mayor said. In these set-ups, the planter clearly loses. The exporter has no motivation to sell to their partner at a high price, while the planter has no choice but to sell at the low prices the exporter sets. The national economy loses as well, as the capital associated with vanilla exports is kept in overseas bank accounts, and is not funneled into Malagasy markets.

## II. Brief Economic History of the Industry

Vanilla is a cash crop, and is sold like a commodity on international markets where its price is dictated by supply and demand. As a result, its price fluctuates greatly depending on the production season and global demand. Madagascar is currently the world's leading supplier of vanilla, and the country's industry has undergone a series of transformations that have impacted its profitability. It is helpful to examine the history of the industry in a set of chronological phases that correspond with significant changes in how vanilla is produced and exported in Madagascar—the period of 1957-1995, when the state controlled exports and set price controls, the period of liberalization from 1995-2000, the period of rising prices that began with cyclone Hudah, from 2000-2004, and the period of 2004 to the present, a time characterized by declining prices.

In 1957, the Malagasy state established *La Caisse de Commercialisation et de Stabilisation des Prix de la Vanille*, which fixed prices for the purchase of vanilla from planters, owned the country's stocks of vanilla that had not been exported, and controlled all exports of vanilla. The *Caisse* set production quotas and taxed exports heavily. Between 1960 and 1990, the

price to export vanilla from Madagascar increased by almost 625%, an increase that caused the collapse of Madagascar's export industry and saw the country lose its prominence in the industry. While in 1970, Madagascar was providing 70% of the world vanilla supply, with the runaway increase in price caused by the policies and taxes of the *Caisse*, the country's share in world vanilla production dropped to only 30% in 1989. The 1980s and 1990s thus saw a lessening in demand for Madagascar vanilla, and in 1990 the state had 3,100 tons of unsold vanilla in its stocks (2e Atelier, 2006). The vanilla industry in Madagascar was floundering. Following recommendations from the World Bank and the International Monetary Fund, the industry was liberalized in 1995, a decision made official on May 9 1995 by Décret 95 346—*La Caisse* was disbanded, and Madagascar's vanilla market was now open and free to the forces of capitalism. The next few years saw a period of reform for the Madagascar vanilla industry. Initiatives were put in place to improve the quality of vanilla produced and to renew the industry. The European Union financed the Stabex project, which began in 1996 and attempted to train the country's planters on how to better cultivate high quality vanilla. The state's heavy export tax was eliminated in 1997. GNEV was founded in 1997 as a way to better organize exporters and as an attempt to unify them in order to work towards establishing fair prices. As a result of efforts like these, Madagascar vanilla began to regain some of its prominence in global markets, and in 1999 prices went up from \$16 to \$50 a kilo for prepared vanilla (2e Atelier, 2006). The industry had successfully been revitalized, with planters encouraged by high prices and an increase in amount of vanilla exported.

Then in 2000, cyclone Hudah passed over the SAVA region with devastating consequences, effectively destroying Antalaha's crop, and Madagascar's vanilla production fell to only 600 tons (Ramandazafy, 2001). After Hudah, the world supply of vanilla dropped and as a result, prices rose dramatically in response to the decrease in supply. The rising prices were

sustained by an increase in demand—Vanilla Coke was launched by Coca Cola around 2000—and another destructive cyclone in 2004. Between 1999 and 2003, prices for a kilo of prepared vanilla increased ten times, from \$50 to \$500 a kilo. To take advantage of these high prices and Madagascar’s feeble supply—Malagasy production decreased by 40% after 2000—other countries like Uganda, India and Papua New Guinea increased their production of vanilla (PAD, 2006). This greatly increased the supply available, so that in 2004 there was 2,400 tons of vanilla available. However, the rising price of vanilla was causing many importers to switch from natural vanilla to much less expensive synthetic vanillin, and as a result demand fell, from 3,000 tons in 1998 to 1,500 tons in 2004. The market was over saturated—there was an excess supply of almost 1,000 tons—so in 2004, beginning around July, the inevitable price crash came, and prices dropped from \$500 a kilo to \$25 a kilo by the beginning of 2005 (Manceau, 2008).

The situation followed a common trend of free markets—an over-reaction from suppliers in light of increasing prices causes a sharp drop in value—and conventional economic wisdom suggests that the degree of the supply increase will dictate the severity of the subsequent price depression; that is to say the larger the supply over-reaction, the longer the trough of declining prices will be (Manceau, 2008). Right now, vanilla prices appear to be stabilizing, but it remains to be seen whether they will decline further or if another contraction in supply will trigger a future price increase—the market depends on many factors difficult to predict, from cyclones in Madagascar to the demand and budgets of consumers in the U.S. When considering the economic situation of vanilla, the product’s purpose must also be factored in. Vanilla is not a necessary product, rather it occupies a niche market as a luxury good (as the exporter Roger Chan put it to me, “we only buy vanilla for its aroma, and now it’s possible to make an identical aroma for much cheaper”), so it is a good with inelastic demand, meaning prices will only increase so much in response to tightened supply. Since the product is non-essential, there is a limit to how much



people will be willing to pay. In contrast, a product with elastic demand, say wheat for example, does not have many alternatives and thus people are obligated to pay the market's rising prices. In the case of vanilla, its inelasticity became evident when prices topped out at around \$500 a kilo in early 2004 and people switched to synthetic vanilla in response, unwilling to pay any more for the pods.

Now, lower prices and the publicity efforts of Madagascar's vanilla industry, led by GNEV—attempts to market Madagascar origin vanilla as a gourmet, high quality brand—are causing demand for natural vanilla to slowly increase. Global demand was at 2,320 tons in 2006 (up from 1,937 tons in 2005), and Madagascar still remains the world's biggest producer, providing over 80% of the world vanilla supply in 2006 (Manceau, 2007).

### III. Current Economic Situation

The theme that permeated nearly all my discussions, from planters to exporters, was a lament about vanilla's declining profitability and the decline of the industry in Antalaha, which has in turn weakened the town's economic vitality. Everyone I interviewed spoke of the period prior to the price crisis of 2004 as the good old days, when vanilla was known as "green gold" and Antalaha was still referred to as the world capital of vanilla production. As Dasy Ibrahim, the Antalaha office chief for the non-profit CARE explained, "Before the cyclones and the price drop, vanilla was really positive, and Antalaha was special. Even in the rural communes, the planters had extra rooms in their houses, little radios. And now it is all gone, they sold everything." There are general feelings of unhappiness amongst planters of vanilla, who are no longer able to earn a profit from their vanilla crop like before. Christian Grosset, who works for the Antalaha based exporter Sorex and also cultivates his own vanilla, has started to diversify his plantings in light of vanilla's declining prices, adding bananas, pepper and cacao to his fields this

year. Fanja Arinjaka, the vanilla preparer, has a rather pessimistic (though he was not unique in his expression of the sentiment) outlook for the future of vanilla cultivation around Antalaha. “The planters are poor, and one day they will abandon vanilla completely if prices continue to drop. They’ll plant more rice or something else.”

Like the exporters expressed to me, vanilla prices in Madagascar’s free markets are subject to the laws of supply and demand, and as long as importers are asking for the cheapest prices possible, the industry will decline in its profitability. “It’s capitalism exploiting the planters,” Ibrahim said of the current system of vanilla prices. Though CARE is principally in Antalaha to provide relief and aid in times of cyclones, Ibrahim feels it is important to have CARE’s presence in order to help the area’s vanilla planters. “If you have vanilla, you will have vulnerable people. The planters can’t combat injustice, and they get paid the lowest prices while the [collectors] keep all the profit...so CARE has to intervene, to help these people.” Ibrahim added that a lot of international donors think of Antalaha as being rich from vanilla and thus not in need of intervention or help from the outside, an assumption that, according to him, is the opposite of true. My personal observations of Antalaha and my discussions with those involved with the industry confirm Ibrahim’s assessment, and it became evident to me that the wealth of vanilla is not evenly distributed in Antalaha. The difference between the planters responsible for producing vanilla and the exporters who reap the majority of the profit from their efforts is actually physically manifest in the layout of Antalaha, a difference summed up succinctly in a magazine article from 2001. “Today’s constructions date from colonialism’s urban plans, in which the prettiest houses and administrative buildings are located along the beach...while the most populous neighborhoods are relegated to the extreme west of town, where the people suffer from overcrowding. The gap that separates the haves from the have-nots is nowhere as obvious as in Antalaha,” (Ramandazafy, 2001).

The bottom line that emerged from these discussions was clear—for the industry to remain viable in Antalaha, planters need to be paid enough that the cultivation of vanilla remains profitable. Currently, the price differential for vanilla between the planter and the exporter is quite large and vanilla gains a disproportional value as it moves through the supply chain and becomes transformed. According to GNEV documents from the 2005-2006 vanilla campaign, green vanilla was bought at 1,260 Ar/kilo from planters, and eventually exported at 40,000 Ar/kilo, almost 35 times more than the original, starting price. When the pods have undergone their basic transformation—at this point known as *vanille vrac*, dried pods of all qualities mixed together—their value in 2005-2006 was up to 24,828 Ar/kilo, the price paid by exporters to buy the vanilla beans from intermediary collectors and preparers. Risy, the mayor of Antalaha, attributed the declining quality of the town’s vanilla to the underpaid planters. “The correlation is clear. The planters don’t have enough money to invest in their plants, to properly raise them, so the quality is less.” According to the mayor’s personal calculations, in 1960, planters received 12% of vanilla’s export price, and by 1992, received only 2% of the export price, with the preparers and collectors keeping the majority of the profit (Risy, 2008). In 2007, importing countries were paying between \$35-\$45/kilo for vanilla, while planters were getting paid around 3,000 Ar/kilo, which is about \$1.75 (\$1 equals approximately 1700 Ar). At those prices, planters were getting 5% of vanilla profits. Based on the prices available for the 2008 campaign—vanilla getting exported for \$30/kilo, green pods getting bought at \$2/kilo—planters’ share in the profits of the vanilla industry increase to 6.6%. Risy offered this assessment of the economic dynamic between the two groups: “The exporters take the whole cake, so no one is encouraged to be a planter.”

Yet the exporters of Antalaha all emphasized the point that they do not control prices, rather the market is in the hands of the importing countries, so if the industry is to change and

improve, efforts must be made to increase consciousness of the real costs of vanilla at the importer level. LeRoi and other exporters suggested establishing a base price—*prix de reference*—for green vanilla at the beginning of each season. This price “x” would be a legal minimum required to be paid to planters, and after the added costs of preparing and exporting are added on, price “x” would represent the minimum importers would be obligated to pay, to ensure that all involved in the vanilla’s production were properly and sufficiently paid. As LeRoi put it—“We can’t impose, but we need to explain to [importers] that vanilla costs this much to produce, so a reasonable price that is logical and reflects the structure of the industry is ‘x’. Anything under this price, there’s problems. Underpaid planters, underpaid collectors, and so on...but there is always someone who is willing to offer x-1, x-2, willing to lower the price and the quality of vanilla.” In 2001, a national conference on the state of the vanilla industry suggested that \$70/kilo for prepared vanilla would be the necessary base price to ensure that all involved in its production were paid a sufficient amount (Ramandazafy, 2001). Seven years later, at the beginning of the 2008 vanilla campaign, prepared beans were being exported at around \$30/kilo, while the green pods were sold at markets in September for \$2/kilo—an increase in value by nearly a factor of five. So it was costing exporters between \$25-\$30 to export a kilo of prepared vanilla, and the international market price for extract grade vanilla in September 2008 was \$32/kilo. So while planters were not getting paid as well, exporters are relatively satisfied with the prices of this year’s market. “The new crop is costing what the international market is offering: this is called stability, a non-vanilla like word” (Manceau, 2008). It remains to be seen what’s in store for the future of the market, but it seems that the vanilla campaign for 2009 and the next few years will hinge largely on the willingness of Madagascar’s planters to keep up their vanilla crop when receiving minimal financial benefits.

#### IV. MAP Goals and the Future of the Vanilla Industry in Antalaha

The state of the vanilla industry in Antalaha is currently in a period of transition, and its changing dynamic coincides with a time of transformation for Madagascar—the country is in the midst of President Marc Ravalomanana’s ambitious plans of rapid development, the blueprints laid out succinctly in his five year Madagascar Action Plan (MAP). The MAP began in 2007 and is scheduled to run until 2012, and outlines the main areas of focus for development. Throughout my time in Antalaha, I was often struck by the intersections between the changes necessary to improve the vanilla industry and the goals of the MAP, and it will be interesting to see if these overlaps will lead to tangible results.

##### **MAP Goal: The Green Revolution**

The Malagasy population is around 80% rural, so farming and agricultural activities are the livelihoods for the vast majority of Madagascar’s inhabitants. As a result, one of the MAP’s main goals is to improve agricultural production and encourage rural development. Since rice is Madagascar’s principal crop, rice intensification techniques are an important area of focus, and efforts to improve production are underway in Antalaha. Aimé Risy, the mayor of Antalaha, hopes that an increase in rice production for the rural inhabitants of Antalaha will translate into less dependence on vanilla as an income generator, since people will be producing this staple rather than purchasing it. Like the MAP stipulates, Risy said the commune is focusing on controlled water systems—essentially either irrigation or drainage canals, depending on the terrain—as a way to augment rice production. According to the MAP, rice production increased by 15% between 2004 and 2005 thanks to intensification efforts, and Risy hopes to replicate such results. The commune is currently in preparation stages, conducting studies in the field to

determine the best areas to target and holding explanatory meetings with Antalaha's farmers to explain intensified rice cultivation techniques, and efforts to actually construct canals will commence in January 2009. The effort will be financed in part by the state and in part by the commune, part of whose budget comes from vanilla *ristournes*. On top of rice intensification, the commune is also following the MAP's suggestions for distribution of improved seeds and promotion of agricultural diversification. Since vanilla is never a farmer's principal crop, and actually lends itself well to cultivation with other plants, it is possible and realistic for planters' to continue a small portion of vanilla alongside subsistence crops, just as the farmers of Marofinartra with whom I visited do. Ideally, diversification provides additional income to farmers, and by having subsistence and cash crops, people's vulnerability to changing commodity prices is reduced. However, the consistency of cyclones that ravage Antalaha leave the area's farmers vulnerable to famine, whether or not their crops are diversified, so it seems that the dependence on farming, and not a lack of diversification, is the real area of concern for the rural population of Antalaha; and so the development of additional economic activities is necessary to lessen complete dependence on farming, thus reducing the risk of losing everything in one of Antalaha's regular cyclones.

To further help the farmers of Antalaha and improve the area's principal cash crop, Risy envisions re-opening the vanilla research station located outside of Antalaha, in nearby Ambohitsara. The *Station de Recherche Vanilière* was opened in 1952 by the state's national center for applied research on rural development (the Malagasy acronym is FOFIFA) in order to focus research efforts on developing disease resistant strains of vanilla (Gastellan, 2008). Cassim Yssoup, a vanilla specialist who began working for FOFIFA in 1958, was part of the team that developed a hybrid of *Vanilla planifolia* resistant to *fusariose* plant sicknesses. The hybrid left FOFIFA's labs in 1986 to be vulgarised and distributed to the area's surrounding vanilla planters,

and is now the strain most grown by area planters. The research station distributed cuttings of its hybrids to planters, and also held training sessions with them to educate on new techniques and how to further protect their vanilla vines from disease, according to Yssoup. Currently, the station is closed and no vanilla research is being conducted. The station's budget was essentially eliminated during the country's political turmoil in the early 1990s, and its infrastructure was destroyed by Hudah in 2000. All that is left today is a small field of the vanilla hybrids created during the station's heyday, managed by Gastellan, a FOFIFA employee with whom I met. Yssoup, Gastellan and Risy all expressed to me desires to see the center's budget restored and its research activities resumed, but as of now, the government has not responded to their requests. They hope that now, with the MAP promoting a new, green revolution for Madagascar, funds, either from international donors or from the Malagasy government, will come to the *Station de Recherche Vanilière*. They feel that the re-opening of the center would benefit the area's vanilla planters by acting as a resource for information on cultivation techniques and practices, and by developing new strains of vanilla—working towards beans with higher vanillin content or resistance to different parasites, for example. “When the station functioned, it served as a window to the local population. If people saw successful production, they would want to copy the techniques, it was easy to persuade people to follow new models. Now, we have no funds and people don't think the center even exists anymore,” Gastellan said. The allocation of money and resources to help revitalize the *Station de Recherche Vanilière* would help revitalize the cultivation of vanilla in the area, encouraging planters and improving the overall quality of Madagascar's vanilla, Risy said, and the station could serve as a flagship for the country's industry, attracting researchers and global attention, and promoting Malagasy vanilla.

**MAP Goal: High Growth Economy**

In its desire to push rural development, the MAP also outlines the government's intent to improve financial infrastructure and to promote agribusiness. By opening up banks and encouraging microfinance in rural areas, people gain access to credit at low interest rates that can be used towards income generating activities—which segues nicely into the promotion of agribusiness. In agribusiness, focus is not just on cultivation of crops, but extends to market-oriented activities and the sale of agriculture based products that have been processed and can thus be sold at higher prices. The MAP includes plans to facilitate “the acquisition of equipment and tools for conditioning and processing agricultural products”—for the vanilla industry, this goal fills in the holes left by the Stabex project, which focused on technical knowledge of vanilla's drying process and provided none of the tools required. If planters had the necessary equipment to properly prepare their vanilla, and had easier access to microfinance loans, perhaps more planter co-ops like Julette's *Logibe* could form and succeed.

Currently, the majority of Madagascar's exports are non-processed commodities, and vanilla falls into this category. Though the pods undergo extensive conditioning in Madagascar, the dried beans do not represent the final stage, as vanilla can be further processed, further increasing its value. In fact, much of the vanilla exported from SAVA is industrial grade, destined to be made into vanilla extract upon its arrival in the U.S (Chan, 2008). If one of the MAP's goals is to increase the amount of value-added agricultural exports from Madagascar, developing an extract industry in-country would be a good place to start, as there are currently no factories in Madagascar that produce vanilla extracts. By filling this void, Madagascar would house the complete vanilla supply chain, from seed to bottled extract, and the country would benefit from more of vanilla's potential value. As Nicolas Rafalison, the mayor's aid, explained: “Without an extract industry in Madagascar, we cannot control or regulate prices. It's the importer who needs vanilla who will define the price, not the exporters or producers.”



Another aspect of the MAP's goal to jumpstart the economy (the document employs the phrase "quantum leap" to describe the desired progress with a surprising frequency) is through tax reform and increased administrative efficiency, an area that also came up in discussion with government actors involved in the vanilla industry. Antalaha's mayor described the collection of vanilla *ristournes* as tedious, and the commune often doesn't receive its due portion since the money first passes through the *Bureau de Douanes* and the Public Treasury before being distributed at the commune level. He said his office is currently attempting to get an elected official inside the *Bureau de Douanes* in order to monitor the distribution of funds to ensure they are properly dispersed. This desire, the creation of a *percepteur de douanes*, as the mayor put it, coincides with the MAP goal of public finance reform, accomplished through efforts like improving tax administration so it is easier for the state to collect revenue.

## CONCLUSION

The production and export of vanilla is a complex process that starts with a farmer somewhere in the moist lushness of the SAVA region, and ends with an exporter in an air-conditioned office making deals on a laptop with a buyer in the U.S. Along the way, there are many intermediaries involved and bargains to be made as the pods are conditioned and become drier, darker, more aromatic and more valuable. The history of the vanilla market reads like a roller coaster of price spikes and precipitous drops, and from my understanding, it is usually the planter who ends up losing the most. Since the laws of supply and demand that govern free markets often defy logic, it is difficult to predict what the future holds for Madagascar's vanilla. But in Antalaha, there is a general consensus that the industry is on the decline, due in large part to the planters' disenchantment with low prices. Vanilla reached its price ceiling in 2004—the market made clear that \$500/kilo was as high as people were willing to go—which leads to ask if

vanilla prices have now hit their price bottom. How low of vanilla prices can the industry support before planters throw in the shovel and give up on the orchid vines? In Antalaha, the players involved all point fingers in various directions to place blame for the industry's declining profitability—an exporter will talk about the need to increase awareness of vanilla's true cost in the importing countries, while a government official will criticize exporters for exploiting planters. However, the situation is not hopeless, and there are ways to improve the vanilla industry in Antalaha, several of which coincide with Madagascar's overall goals of development. Next year marks the MAP's mid-point, and many of Antalaha's own projects are scheduled to begin in 2009. It would be interesting for a future study to see if proposed improvements to the town's vanilla industry were actually carried out, to research the success of planter co-ops like *Logibe* and to see if rice intensification efforts improved the livelihoods of area farmers. Future research could also be directed towards examining the relationship between exporters in Madagascar and importers in Europe and the U.S., to study the dynamic in how the two groups attempt to bargain and set prices, to look at how relationships between exporter and client are established and to explore how each player tries to further their own interests. Additionally, after conducting my project, I would suggest research focusing on the publicity efforts of GNEV and Madagascar to promote Malagasy vanilla as a brand with its own label, as I think this area of study would yield valuable information about consumer awareness with regards to natural vanilla and could help to advocate and increase demand for Madagascar origin vanilla. It would also be beneficial to conduct feasibility studies regarding the development of a vanilla extract industry in Madagascar.

Vanilla is unique among cash crops and other commodities sold on international markets in that it is not a staple food and its exact aroma can be replicated, sometimes for as little as 1/100 of the cost of natural vanilla (Manceau, 2008). So a lot of the industry's future—regardless of

planter-exporter dynamics and the bargaining abilities of savvy collectors in Madagascar, and independent of the MAP's success in helping to revitalize production in the SAVA region—rests on the taste buds and consciousness of consumers in the U.S., the destination of 60% of vanilla exports in 2006 (Manceau, 2007). Is it realistic to think that consumers will be willing to pay a premium for natural vanilla in order to sustain the livelihoods of planters living a world away? If you ask the exporter Roger Chan or any other of Antalaha's doubters, the answer is no. "I am not optimistic. In capitalism, all that matters is the bottom line, and it's rare that consumers have consciousness about the products they eat." On the other hand, some like Christiane Rakotomalala, the director of Antalaha's Chamber of Commerce, see a future for natural vanilla, given the organic, socially conscious awareness gaining popularity in the West through movements like Fair Trade and the promotion of regional specialties, labels that demand higher prices but assure customers their consumption guarantees a fair wage to the producers of their food.

After three weeks immersed in Antalaha's vanilla industry, I now know more about these unassuming pods than I ever thought possible, though in researching this paper I've raised almost as many questions as I've attempted to answer. If anything, the most general conclusion to draw about the economics of the industry in Antalaha is that the business of vanilla is far less sweet and less subtle than the beans would suggest—I had not thought there would be so much deception and "he said, she said" involved in the sale of skinny little pods with such a delicate flavor—and that the industry's future, in Antalaha and in Madagascar in general, is about as stable and predictable as a melting scoop of ice cream.

**APPENDIX**

**A. Location of Study—Map showing SAVA Region**

Map removed to make file sendable

**B. Sample Pages from the Stabex Manual, 1999**

Images removed to make file sendable

### **C. List of GNEV members operating in Antalaha**

- Arome Etienne
- Authentique Shop
- Etablissement Arinjaka
- Etablissement Germaine
- Etablissement Ranjanoro
- Heng Thierry
- Henri Fraise Fils et Cie
- Mihary Trading
- Ramandraibe Exportation
- Société Lomone
- Sorex

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