

EXIM BANK STUDY HIGHLIGHTS: VANILLA AND ITS POTENTIAL IN INDIA

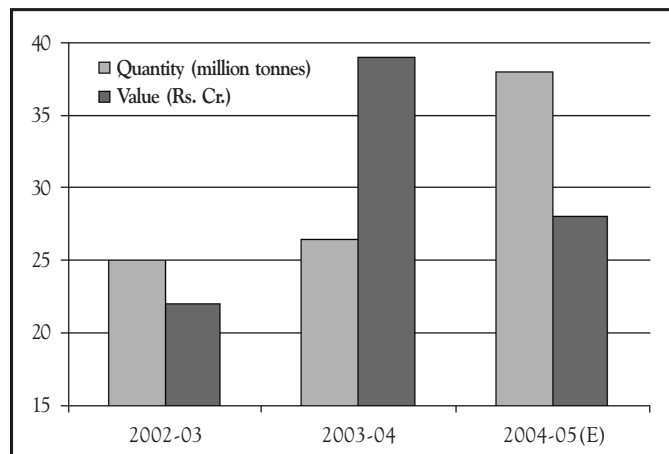
Exim Bank's latest study titled 'Vanilla and its Potential in India' observed that with certain policy intervention by Govt. of India and with more and more private and public partnership, India can emerge as significant player in the global vanilla industry. With highest price realizations amongst spices and comparatively low cost of cultivation, vanilla stands out as a highly profitable cash crop for Indian farmers when grown as an inter crop. Being a labour intensive crop, it is ideal for small and marginal farmers. Uncertainty of supply from Madagascar and reasonably high quality of Indian vanilla has driven importers in the developed countries to look at India as an alternative supply base of vanilla. Besides, India also has the potential to emerge as a key player in the organic or gourmet variety of vanilla. Cultivated mostly in Karnataka and Kerala and to a lesser extent in Tamil Nadu, Northeast Region, Lakshwadweep and the Andaman and Nicobar islands, India's vanilla production is currently about 131 MT from cultivated area of approx. 3543 ha.

Almost 90% of the world vanilla production comes from the Indian Ocean Island Nations - Madagascar and Indonesia. Madagascar, being the leading exporter, has a 70% market share followed by Indonesia, Comoros, and Reunion Island. With its modest annual supply of about 100 MT, India is currently the sixth largest exporter. USA is the major importer accounting for almost two-third of the world imports followed by the Netherlands, France, United Kingdom and Germany.

The price of cured beans of vanilla is conventionally administered by Madagascar; however, due to uncertainty of supply owing to political instability and frequent natural calamities, prices fluctuate tremendously. The current prevailing price of vanilla is in between US\$ 30 to US\$ 40 a kg. Wide price fluctuation has driven the user industries of natural vanilla switch to synthetic vanillin produced from wood, lignin and other sources because of its low price (almost one tenth) and easy availability.

The study observed that there is practically no demand for natural vanilla in the domestic market. India imports about 600-700 MT of synthetic vanillin annually, which is mostly consumed by food and beverages industry. In the absence of domestic demand, India exports almost its entire production in the form of cured beans without much value addition.

Vanilla Exports Trend from India



The study observed that the issue of price volatility affecting Indian farmers could be addressed through creating domestic demand for vanilla, which will require setting up of state-of-art extraction units for higher value addition, benefits of which can be passed on to the farmers. The study reviewed several initiatives taken by institutions like Spices Board, Central Food Technology Research Institute (CFTRI), Indian Institute of Technology (IIT), Mumbai etc. for development of the industry, particularly for accelerated curing technology and Super Critical Fluid Extraction and also identified various constraints faced by the industry and the farmers in vanilla cultivation.

In order to create sizeable demand for vanilla within the country, the study has recommended appropriate policy intervention by Govt. of India and enactment of laws for mandatory use of natural vanilla concentrates in the high price ice cream segment and introducing labelling requirements to distinguish ice creams using natural vanillin from synthetic ones. If through such measures, a mere 10% of the present synthetic vanillin consumption can be converted to natural vanillin, domestic demand of about 750 MT of cured beans can be created within the country, which is almost 8 times the country's present production.

Reference:

- Exim Bank's Working Paper 'Vanilla and its Potential in India'