



Pacific Islands
Trade & Invest



Pacific Islands

EXPORTING VANILLA TO NEW ZEALAND



market brief

ABOUT THIS PAPER

This market brief has been prepared by the Pacific Islands Trade & Invest (PT&I) office in Auckland as part of a partnership project with the Food & Agriculture Organization of the United Nations (FAO).

This market report aims to give Pacific Island exporters (or potential exporters) an overview of the New Zealand market; key market trends; market requirements; and market opportunities. This report examines the vanilla market in New Zealand.

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September 2012

ACKNOWLEDGEMENTS

I would like to acknowledge the guidance and input from Jamie Morrison from the Food & Agriculture Organization of the United Nations; and Trade Commissioner, Adam Denniss (PT&I New Zealand) during the development of this report.

Additional acknowledgements for the kind assistance provided by:

Adimaimalaga Tafunai, Andrew Giarn, Anup Mudiliar, Barnaby Luff, Barry Hellberg, Bill Hall, Bobby Kumaran, Bridget Roberts, Chris Morrison, Gordon Hogg, Jefferey Turner, John Hunter, Nacanieli Waqa, Maria Jose Trogolo, Marion Wood, Michael Brown, Minoru Nishi, Paula Coombes, Papali'i Grant Percival, Patrick Killoran, Peter Lange, Phillip Singh, Rachel Barker, Sandra Mendez, Sam Yip, Sharon Tohovaka, Stanley Kalauni, Sima Afeaki, Steve Knapp, Theresa Arek, Tsutomu Nakao and Yogesh Punja

KEY WORDS: Vanilla, Pacific Islands, Export, New Zealand, Market Insights



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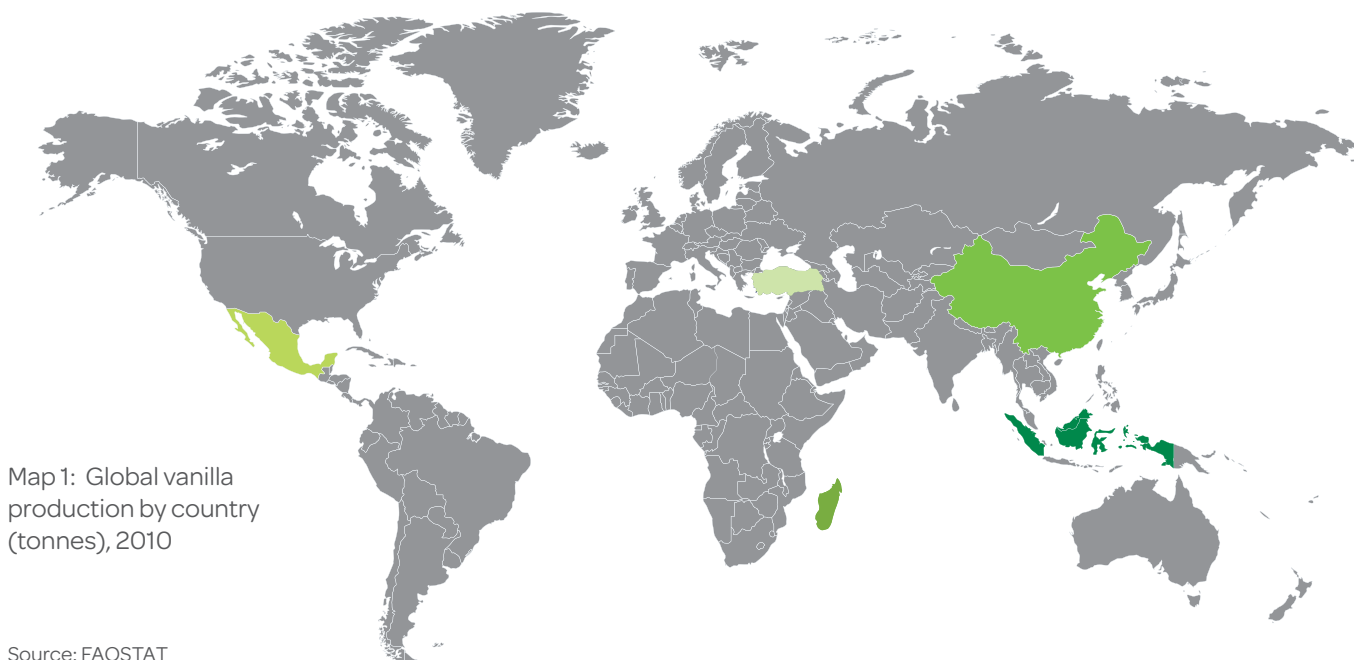
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Map 1: Global vanilla production by country (tonnes), 2010

Source: FAOSTAT

GLOBAL PRODUCTION

Vanilla is the name given to a genus of orchids that grow in tropical climates and to the flavour extract obtained from the fruit pods or beans of several orchid species. It is the second most expensive spice after saffron, primarily due to the intensive labour required.

Vanilla is one of the most labour intensive crops in the world, taking as long as five years between first planting the vine and producing aged extract. Due to the absence of native pollinators such as bees and humming birds, the crop is hand pollinated by local growers.

The global market for natural vanilla is considered to be small, by some estimates 2% of the global vanilla trade. Natural vanilla faces strong competition from synthetic vanilla which globally, accounts for more than 90% of the U.S. vanilla flavouring market and about 50% of the French market (the lowest national share). Low cost is the main advantage of using synthetic vanilla which is said to cost one-hundredth of the price of natural vanilla and not only substitutes for vanilla but it can also supplement vanilla extracts¹.

In 2010, world production of cured vanilla beans was approximately 6,600 tonnes according to FAOSTAT. The major producing countries are Madagascar, Indonesia, Mexico, China and Turkey. Notably Tonga was ranked the 6th largest producer of vanilla in the world, with an estimated production of 200 tonnes in 2010. Refer to Table 1 which shows the top 5 largest producers of vanilla in the world.

Graph 1 shows the trends in the global production of vanilla from 2000-2010. The global scale of vanilla production has increased dramatically since 2000 from 3,984 tonnes to 6,680 tonnes, an increase of about 67%. While continuous growth in production was seen over this period, there was a dip after peaking at 9,815 tonnes to 6,680 tonnes in 2010.

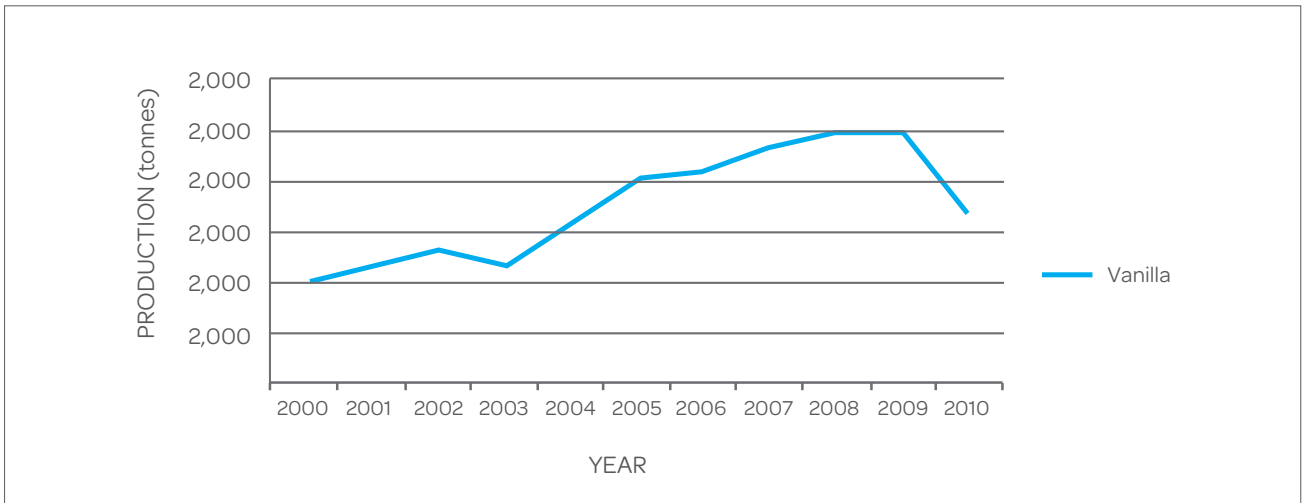
Table 1: Global production of Vanilla, 2012

Top producers	Tonnes
WORLD	6,680
Indonesia	2,400
Madagascar	1,900
China	1,300
Mexico	395
Turkey	270

Source: FAOSTAT

¹McGregor, A. (2005). *Diversification into High-Value Export Products: Case Study of the Papua New Guinea Vanilla Industry*. Rome: Food & Agriculture Organization of the United Nations.

Graph 1: Global production of vanilla from 2000-2010



Source: FAOSTAT

Over this period prices have fluctuated widely. In 2000, prices of vanilla were high resulting from a devastating cyclone in Madagascar which destroyed the majority of its crop. Price surges turned many importers and manufacturers to utilizing synthetic vanilla. Additionally, the high prices attracted many developing countries to produce vanilla such as Indonesia, India and Uganda.

Recent reports have cited that poor wages, increased competition from Asia and the growing popularity of synthetic vanilla, have resulted in local farmers in Madagascar abandoning their crops.



Vanilla vacuum packed in 1kg bag for export
Credit : © PT&I



GLOBAL TRADE

The world market for vanilla remains a small niche market with world consumption around 5,700 tonnes in 2009. The U.S was the largest importer of vanilla consuming about 31% of global vanilla imports. France, Canada, Germany and the United Kingdom were the other large importers of vanilla. Refer to Table 2 which shows the world's largest importers and exporters of vanilla.

Similarly according to FAOSTAT approximately 5,700 tonnes of vanilla was exported internationally, accounting for approximately 58% of total production in 2009. Exports from Madagascar accounted for about 35% of global exports. France, Indonesia, Canada and Germany were the other main exporters of vanilla in 2009.

Table 2 : Global Vanilla trade, 2009

Top importers	Tonnes
WORLD	5,723
United States of America	1786
France	942
Canada	574
Germany	532
United Kingdom	175

Top exporters	Tonnes
WORLD	5,769
Madagascar	2,048
France	643
Indonesia	404
Canada	327
Germany	315

Source: FAOSTAT

GLOBAL OUTLOOK

Vanilla is a volatile commodity and the past decade has seen prices fluctuate widely. Poor harvest in the main vanilla producing countries and holding reserves of vanilla bean stocks have been blamed for the recent surge in vanilla prices.

It is reported that harvests in the largest producing countries Madagascar, Indonesia, Mexico and India have fallen this year. The latter having lost an incredible 90% of its production.

The majority of buyers consulted in this study, expect prices to remain high as a result of continued speculation by food manufacturers, who generally use synthetic vanilla, as well as poor harvests in the main producing countries such as Madagascar. Despite these trends, buyers see growth prospects for vanilla exports from the Pacific Islands given their clean, green agricultural image and reputation for high quality vanilla products.



key global trends

A recent Deloitte's (2010) report highlighted some key global trends and their effect on business. These are summarized in the following points with additional references to New Zealand and the Pacific Islands exporters.

Table 3: Key global trends

	NEW CONSUMER REALITIES	FOOD SAFETY CONCERNS
DESCRIPTION	<p>Consumers continue to be wary of economic recovery. Reassessing their spending habits and priorities.</p> <ul style="list-style-type: none"> • Shift in spending to private label goods, searching for discounts and better value • Value aligned with personal values such as quality, sustainability, health and etc. 	<p>Increasing demand for transparency in the product's origin, nutrition and quality.</p> <p>Industries have responded by adopting more rigorous, globally accepted standards.</p>
WHAT THIS COULD MEAN FOR BUSINESSES	<p>Traditional market segmentation models have become rapidly out dated.</p> <p>Businesses need to reassess how they analyse the market.</p> <p>Investors are seeking higher levels of fact-based substantiation before making a case for investment.</p> <p>Collaboration between consumer product companies and retailers to develop product for the market.</p>	<p>Consumer education on product origins, recalls and food safety measures.</p> <p>Similar expectations have been placed on food & beverages companies.</p>
NEW ZEALAND MARKET TRENDS	<p>New Zealand consumers more aware of extending their credit line. Saving schemes such as Kiwisaver are enticing consumers to save².</p>	<p>Greater interest in the product ingredients and the process.</p>
PIC EXPORTERS OF VANILLA	<p>Research the market and develop your marketing plan and strategy.</p> <p>Devote a lot of attention to your price structure and strategy.</p> <p>Determine how you will market 'value' to New Zealand consumers. E.g. Premium quality? Origin story?</p>	<p>Improve product quality, packaging and labelling.</p> <p>Focus on developing a system or structure that will facilitate traceability in your production.</p> <p>Additionally certification and quality assurance programmes will be important. E.g. HACCP, Organic/Fair Trade certification.</p>

²New Zealand Retailers Association. (2012). *The Retail Market in New Zealand: An Analysis 2011/12*.

MANUFACTURERS SEEK SECURITY IN SUPPLY CHAIN

Growth in global population, expansion of middle class in key developing countries, depletion of food stocks, volatility in food prices.

Bottom line is squeezed and companies have felt the backlash of passing costs onto their customers.

- Strategic investments in vertical integration to secure raw materials, or
- Locking in primary suppliers into longer-term contracts

NZ buyers have vertically integrated in the Pacific Islands to strengthen the links in their operations.

E.g. Turners & Growers has established operations in Fiji and recently it exported pineapples to its New Zealand branch.

NZ buyers are interested in building long term relationships. Communication and coordination are important particularly during the trial shipments.

Schedule market visits to meet with your buyer face to face to discuss opportunities for improvement.

CONSUMER BEHAVIOUR

Online shopping and social media have reshaped consumer behaviour - consumers have taken charge of their shopping experience.

With greater access to information and online shopping, consumers have a wide range options to consider before purchasing.

Opportunities to reach a larger audience, gauge consumer awareness, product usage and attitudes.

Online shopping continues to alter consumer behaviour and expectations.

Consumers have taken charge of their shopping experience by making price comparisons, peer reviews and credit/debit card on smart phones.

E.g. Countdown supermarket launched their shopping iPhone app. in 2012.

Nearly half NZ adults made at least one online purchase in the last year and, on average, purchasing through this channel three times.

Research the vanilla consumers and their purchasing triggers.

Develop strategies that effectively market your vanilla products by emphasising its benefits – Is it organic? Premium grade vanilla? Certified organic? Certified Fair Trade?

PRICE STRATEGIES TO IMPROVE PROFITABILITY

High cost of raw materials and input costs such as oil which are squeezing margins across industries.

Consumers have learnt to wait for sales, expect every-day-low-prices, chase bargains and even expect discounts on luxury items.

Balancing price with product quality, size, costs and demand to protect margins.

Investment in technology, price analytics, and data management.

Global competition will drive up service standards.

A growing emphasis on offering value beyond price only therefore it is 'more about value and less about cheap.'

Retailers are seriously considering the brands they stock. They must also establish a point of difference in the market.

Develop a point of difference.

Consideration should also be given how you will promote in the stores as buyers/wholesalers will be interested to know what you will do to support product launch and in store promotion. Factors to consider include product range, price, terms of trade, quantities etc.

Source: Deloitte (2009), NZ Retailers Association (2010)

market overview

This research has identified vanilla as a product with good prospects for Pacific Island exporters in New Zealand based on the demand for high quality natural vanilla beans from buyers; the growing demand from consumers and current market trends.

Additionally it is a high value commodity that can be stored for lengthy period which provides Pacific Island exporters the opportunity to consolidate large volumes to mitigate the high freight costs.

MARKET STRUCTURE

Based on end usage, the New Zealand market for vanilla can be segmented into three broad categories: (1) Industrial (2) Food service and (3) Retail.

INDUSTRIAL MARKET

There is an existing demand for the industrial use of vanilla. It is used in the manufacturing of a wide range of products as flavouring for food such as biscuits, ice cream and cakes, various dairy products as well as beverages such as soft drinks.

It is also used in the production of fragrances using a combination of natural and artificial ingredients. Typically synthetic vanilla (vanilla essence) is used by manufacturers as it less expensive.

The requirements in this segment are stringent and highly technical. The main concern for companies is ensuring that quality standards are met and maintained throughout the process to produce and deliver a standardized product. Supply capacity, quality control, delivery systems, documentation and certification are important to industrial buyers. Companies in the industrial market for vanilla include International Flavour House, GS Hall, Langdon, Davis Trading, Tip Top and Coca Cola. There is also a demand for natural vanilla products from gourmet food manufacturers such as Kohu Road Ice Cream.

FOOD SERVICE MARKET

Demand for vanilla in the food service market comes from the hotels, restaurants, cafes and hospitality training institutes. New Zealand businesses supplying these customers are looking for high quality natural vanilla products therefore access to producers of consistent quantities and high quality vanilla is of great interest. Active companies in this segment of the market include Heilala Vanilla, Equagold, Gregg's, Hansells, Mrs Rogers, Vanilla Masters, Bidvest.

RETAIL MARKET

There are a few vanilla specialists in the New Zealand market such as Heilala Vanilla, Equagold and Vanilla Masters. Their products are sold in bulk to the industrial and food service sector; direct to consumers online and through retail stores. Main consumers of vanilla retail products have been identified as household bakers.

PRODUCT TYPES

Vanilla is used in an extensive range of goods for its flavour and aromatic properties. As a flavouring ingredient, vanilla is used in products such as confectionery, ice cream, beverages and cakes. For its aromatic qualities, vanilla is included in perfumes, cosmetics, lotions, detergents and air fresheners. The market for vanilla depends on its use. Commercial vanilla products include vanilla whole beans (or pods), vanilla extract, paste and powder.

³Hemphill, I. (2006). *Spice Notes And Recipes*. Macmillan Australia.

⁴Reference: *Country Calendar episode of Heilala Vanilla*.

⁵PITIC NZ. (2008). *Market Insights: Vanilla Destined for the New Zealand Market. Market Report, Auckland*.

WHOLE VANILLA BEANS

High quality vanilla beans have a great commercial potential and are in constant demand by New Zealand importers and distributors. Whole vanilla beans can be found on supermarket shelves but are mostly available through specialty food retailers who mainly specialise in gourmet food.

A good vanilla bean typically has a black or dark brown colour, moist texture, strong aroma and flexible as a liquorice³. Good quality vanilla beans should be able to be wrapped around your finger without breaking. By colour, gourmet vanilla beans are a very dark brown, almost black. Mark of excellent quality vanilla is a white crystal or line on the outside of it⁴.

Product quality assessments for vanilla are based on several factors:

- Visual appearance: Size, shape, colour, shine, texture
- Product attributes: variety, moisture content, vanillin content, seeds
- Sensory: aroma and flavour profile

Quality assessment details appear to vary between buyers therefore Table 4 is a general guide on quality parameters outlined by New Zealand buyers. For example one buyer was found to have a three-tier grading system while another had a four-tier system.

Grade A (Gourmet grade) and Grade B whole vanilla beans are generally earmarked for the gourmet and retail market while Grade C vanilla is used for processing vanilla paste, extract and other products.

VANILLA EXTRACT

As opposed to vanilla essence identified as the artificial vanilla, vanilla extract is the high quality product made from natural vanilla. Vanilla extract is used in various concentrations, known as folds (single, double and triple fold and etc.) which is in demand by manufacturers and individual consumers. There is a good demand for vanilla extract from household consumers over vanilla beans⁵.

VANILLA PASTE

Vanilla paste is noted to have good prospects in the market particularly the hospitality industry where chefs look to retain the full flavour and appearance of the vanilla seeds without the trouble of scrapping them out.

Other vanilla products on the market such as vanilla syrup, sugar and vanilla powder have been able to tap into market segments by application. For example, vanilla syrup can be applied to beverages such as cocktails and coffee as well as pancakes.

Table 4: Vanilla grading categories

VANILLA	CHARACTERISTICS
Grade A	Size: more than 17 cm. Visual: Blemish free, moist, shiny, straight, dark colour. Good flavour.
Grade B	Size: 15 – 17 cm. Visual: Blemish free, moist, shiny, straight, dark colour. Good flavour.
Grade C	Size: Less than 15 cm. Visually less attractive, less moisture, some blemishes and good flavour. Minor splits.

market overview

DEMAND FACTORS

The New Zealand market for vanilla is considered to be small. Demand depends on quality, the type product (use) and to some extent variety.

The main consumers of natural vanilla were identified in this research as retail consumers (household bakers) and the food service sector.

Despite the competition from synthetic vanilla, a number of drivers have strengthened the demand for natural vanilla products in New Zealand in recent years:

- Increasing health awareness and preference for natural products: The market for gourmet ice creams, which tend to use natural flavours exclusively, has grown in recent years driven by the growing demand for processed food which use new flavours and natural products.
- Driven by promotions and television shows such as Master Chefs which have helped grow consumer interest and subsequent demand for natural vanilla by promoting how to use the product and highlighting the benefits of using natural vanilla.
- Growing market for organic and fair trade products



Credit: PT&I - Chris Brimble

The market for certified Fair Trade and organic vanilla products is presently small however both markets have been identified as potential niche markets for Pacific Island vanilla producers.

In 2009, the New Zealand market for organic food and beverages was valued at \$315 million, an increase from \$210 million in 2007. Based on sales from specialty stores, organic sales mainly consisted of processed goods. OANZ (2010) found that there were more than 70 organic specialist stores in New Zealand⁶. The main stores included Commonsense Organics (Wellington), Huckleberry Farms (Auckland) and Piko Wholefoods (Christchurch).

The majority of their products were sourced locally with imports accounting for about 18% of the total stock. A significant difference from 2007, where OANZ found that 42% of organic products sold in specialty stores were imported. Organic buyers have indicated their preference for sourcing local products while the Pacific Islands were the next preferred supplier than other regions⁷.

Third party certification for organic and fair trade products is an important factor considered when supplying the specialist retailers. New Zealand consumers are increasingly making value based purchasing decisions. Research shows there is an increased support by mainstream supermarkets for organic and fair trade products.

Fair Trade data shows that more than three-quarters of New Zealand consumers agree that third-party certification is the best way to verify a product's claims⁸. Last year retail sales for Fair Trade certified products increased by 24% on the previous year to an estimated value of NZ\$45.5 million⁹.

⁶Organics Aotearoa New Zealand. (2010). *New Zealand Organic Report*. OANZ.

⁷Wood, M. (2012, April 27). J. Fuavao, Interviewer

⁸Luff, B., & Trogolo, M. (2012, May 2). J. Fuavao, Interviewer

⁹Ibid

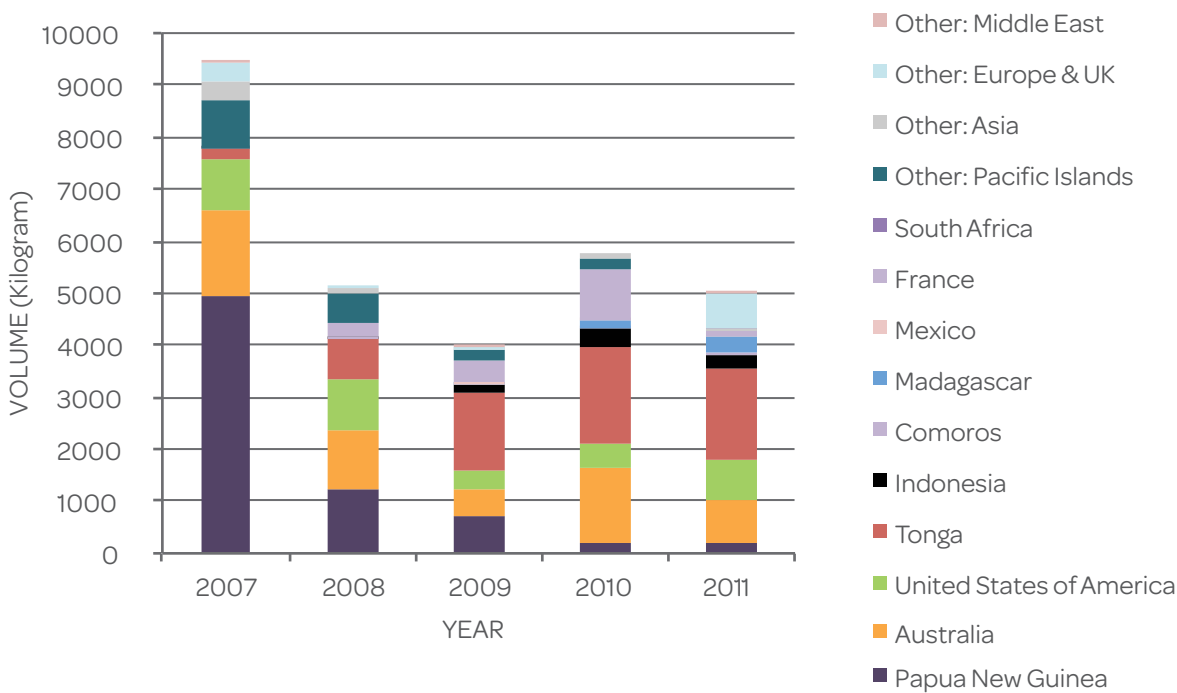
New Zealand statistics show that the market for vanilla is small with an average of about 6,500 kg of vanilla imported from 2007-11. Notably there is also a small production of vanilla grown in Tauranga, New Zealand by Heilala Vanilla the first organically grown vanilla outside of the tropics.

The past five years has seen the importation of vanilla into New Zealand decline dramatically by 43%. The most significant decline occurred in 2008 where vanilla imports peaked around 9,600 kg in 2007 before falling by 45% to 5,200 kg in 2008. Refer to Graph 2, where the most significant trend observed over this period was the decline in vanilla imports from Papua New Guinea and the growth of vanilla imported from Tonga and Australia.

The competitive landscape has changed. In 2007, the market was dominated by vanilla imported from Papua New Guinea which accounted for 53% of total imports. Australia and the U.S were other main exporters of vanilla to New Zealand in 2007, together accounting for approximately 28% of the market.

This differs from the overview of the market in 2011 which shows the main vanilla suppliers (in descending order) Tonga, Australia, U.S, Germany and Taiwan – Refer to Graph 3 below. Based on these statistics, Tonga and Papua New Guinea were the only Pacific Island countries which exported vanilla last year. Total vanilla imports show that Tonga presently possesses the majority share in the market with supplying about 32% of total imports followed by Australia (15%), USA (14%) and Germany (11%). Papua New Guinea only accounted for 3% of total vanilla imports.

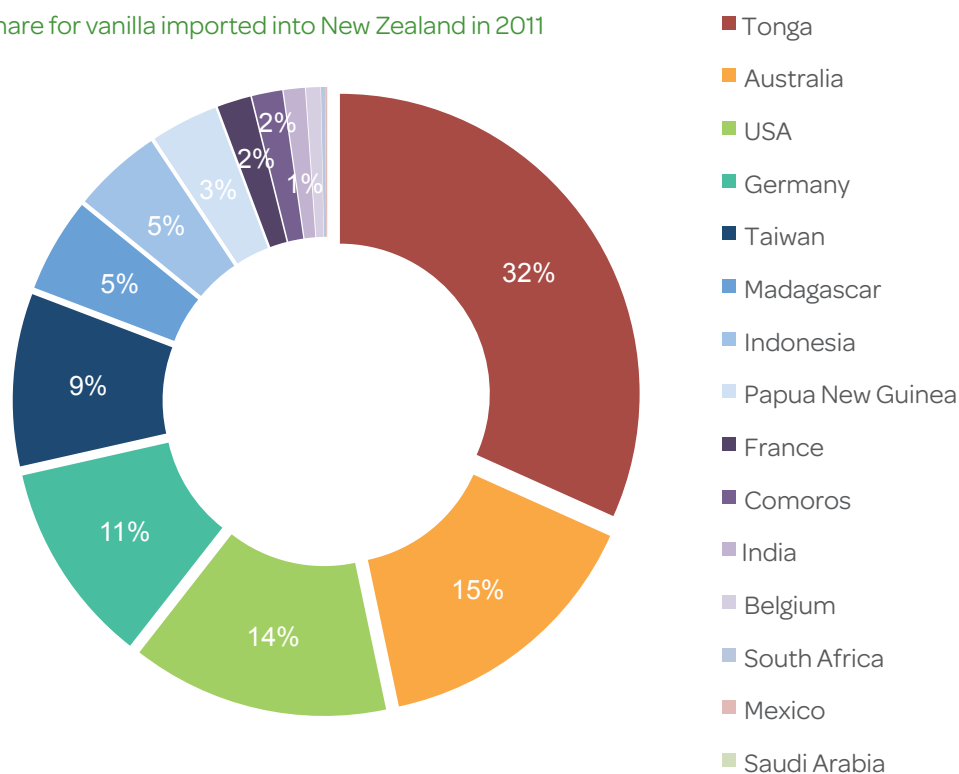
Graph 2: New Zealand importation of vanilla from 2007-11



Source: Statistics New Zealand

import statistics & information

Graph 3: Market share for vanilla imported into New Zealand in 2011



Source: Statistics New Zealand

VARIETIES

There are two distinct varieties of vanilla in the New Zealand market, Bourbon (*Vanilla planifolia*) and Tahitian Vanilla (*Vanilla tahitensis*)¹⁰. The following table summarizes differences between the two varieties of vanilla.

Bourbon vanilla (*V. Planiflora*) is the term used for vanilla from the islands in the Indian Ocean such as Madagascar, the Comoros and Réunion. While this variety is grown in Mexico, it remains synonymous with Madagascar. Bourbon vanilla is generally preferred over other varieties due its wide market appeal and high vanillin content. It is considered to be more suitable for vanilla extract and the common variety used by the industrial sector¹¹. Tahitian vanilla has a flavour profile generally described as ‘fruity, floral and sweet’. While this variety has lower vanillin content, it has a unique aroma and flavour profile that is highly sought-after by chefs¹².

Table 5: Differences between the two varieties of vanilla, Bourbon and Tahitian

BOURBON VANILLA	TAHITIAN VANILLA
More vigorous	Less vigorous
Higher yielding	Lower yielding
Wider market	Narrower market
Higher vanillin content	Lower vanillin content
More suitable for extract	Less suitable for extract
Needs a longer dry period to induce flowering	Needs shorter dry period to induce flowering
– is suitable to a narrower range of agro-ecological conditions	– is suitable to a wider range of agro-ecological conditions

Source: McGregor, 2005

¹⁰Uchida, J. Y. (2011). *Farm and Forestry Production and Marketing Profile for Vanilla (Vanilla planifolia)*.

¹¹Honolulu: *Permanent Agriculture Resources (PAR)*.

¹¹Yousef, A. (2012, May 17)

¹²Hemphill, I. (2006). *Spice Notes and Recipes*. Macmillan Australia.

TRANSPORTATION

Vanilla beans are exported by both air and sea freight primarily on a monthly basis. Vanilla is a high value commodity that can justify airfreight. Its lengthy storage life is a significant benefit for New Zealand buyers who are able to consolidate large quantities in a single shipment. Some small samples of vanilla from the Pacific Islands are imported by personal consignments.



Credit : © PT&I

market requirements

QUARANTINE REQUIREMENTS

Vanilla beans are considered to be a non-fruit fly host and therefore not subject to a Bilateral Quarantine Agreement (BQA).

According to the Import Health Standard (IHS) for 'Stored Plant Products for Human Consumption', the documentation accompanying the consignment will be inspected by a MAF inspector before the consignment is inspected for visible signs of pests and disease¹³. The document needs to clarify the details pertaining to the products' commercial processing and packaging especially if the product contains multiple ingredients or has undergone considerable processing.

A phytosanitary certificate is not required for imported vanilla beans. Relevant documents required to identify unaccompanied consignments include a bill of lading, airway bill or invoice which must be present to the MAF inspector. All the costs related sampling, inspection, transport and etc. is to be borne by the importer and agent where appropriate.

INSPECTION

Vanilla beans must be inspected for any visible signs of pests and diseases. The consignment must be stored at a transitional facility until the inspection takes place. The inspection process requires a separate sample to be taken from each lot within the consignment.

The inspection frequency of inspections can be reduced at the discretion of MAF if inspections of regularly imported commercial consignments have a good history of compliance. This can be on a same importer or supplier basis.

PACKAGING FOR EXPORT

All packaging and packaging material must be clean and free from soil and other contaminants.

The MAF inspector must be able to identify the product and to expedite the import process the labelling should be written in English and must not be damaged.

Vanilla beans are exported in bulk to New Zealand where the product is either repackaged for the retail market or processed. The vanilla beans are usually vacuum-packed into 1 kg bags then packed into cartons for export.



Credit: © PT&I

Photo 1: Vanilla beans vacuum packed for export. (L-R) Vanilla beans imported from Papua New Guinea were packed in 1 kg vacuum sealed bags. The larger pack is a 5 kg vacuum pack of vanilla beans from Madagascar.

¹³Ministry of Agriculture and Forestry. (2012). BNZ-NPP-Human: Importation into New Zealand of Stored Plant Products Intended for Human Consumption. Wellington.

market requirements

The present research has identified this to be the case for the vanilla beans imported from Papua New Guinea and Madagascar. A consolidated shipment of vanilla beans are exported from Tonga, the bundles are packed in cartons and vacuum packed in New Zealand. The size and shape of the package should also be designed to provide optimum use of the shipping cartons used.

Different packaging sizes were presented during the course of one discussion with a buyer who described the preference for the larger vacuum packed bag from Madagascar which is conveniently packed in wrapped bundles. See Photo 1 which shows vacuum packed bags from Papua New Guinea and Madagascar.

PACKAGING & LABELLING

In terms of packaging for retail, all value added food must comply with the packaging and labelling regulations in New Zealand. Packaging for retail must effectively address the following areas:

FOOD SAFETY ISSUES

The packaging must be able to protect its contents from deteriorating from heat and moisture. It must preserve the product's quality, freshness and appearance.

Vanilla is a flavourful and aromatic product therefore the packaging must be designed to preserve these qualities. For example, glass is comparatively better in preserving a product's quality than plastic bags. The packaging must be able to withstand rigorous distribution and handling.

CONVENIENCE

The product must be easy to use. Consumers should be able to gain access to its contents. Ease of storage, handling and display are important to retailers as they will look at whether the products will stand and stack on their shelves efficiently.

AFFORDABILITY

Consumers must be able to afford it as price is a critical determinant of purchase.

VISUAL APPEAL

The package design must be attractive in order to compete with the other products on the shelves. Retail shelf space is very expensive and highly competitive therefore it is important to make an impact on the consumer – the product should stand out. Visibility can be enhanced through the optimal combination of design, colours and shape.



Credit : © PT&I - Chris Brimble

market requirements

LABELLING FOR RETAIL

The distinction between natural and artificial vanilla flavours is regulated through labelling requirements.

Information that must be labelled on a packaged product includes¹⁴:

- A use by or packing date
- Product name or description
- Name and physical address of the manufacturer / importer / distributor: (A postal address alone is not enough)
- Warning and advisor statements: are required if certain ingredients have been used in the product¹⁵. The warning statement need to have specific words and must be at a height of 3mm or more. Certain ingredients such as eggs, gluten and nuts need to be declared as they can cause severe adverse reactions in some people.
- A list of ingredients: listed from the greatest amount to the smallest amount of ingoing weight including water.
- Use and storage instructions
- Nutritional information panel
- Country of origin
- Labelled in English – the information may be presented in other languages. However it must not be different from the information presented in English.

Importantly, the information presented on the labels must be legible and prominently displayed in contrast to the background. The information on the label must also be clear and accurate.



Vanilla products from Niue on display at the Fine Foods Australia 2012
Credit : © PT&I - Chris Brimble

¹⁴New Zealand Food & Safety Authority. (n.d.). Guide to comply with labelling requirements. Retrieved July 2012, 1, from New Zealand Food & Safety Authority. www.foodsafety.govt.nz/elibrary/industry/labelling-guide.pdf

¹⁵Ingredients such as aspartame, quinine, guarana, caffeine, unpasteurised milk and egg products etc.

The market for natural vanilla in New Zealand is small with only a few suppliers in competition. However this market is growing driven by several factors including the growing preference for natural vanilla over synthetic vanilla; greater access to the product; and the growing awareness around using vanilla products particularly driven by popular cooking shows.

Competition in the market for natural vanilla is primarily based on quality which is a significant determinant of price. To promote the quality of their vanilla products, companies have invested significantly in marketing and promotions to improve their brand recognition on the market and inform consumers of the product's benefits. The key messages in their promotions have focused on the origin of the vanilla, the quality of the product, and how it is used.

While demand is increasing, it continues to face pressure from cheaper synthetic substitutes available to industrial users.

KEY PLAYERS

The main players in the market include Gregg's, Equagold, Bidvest, Vanilla Master, Master Foods, Davis Trading, Bidvest, and Hansells. Refer to market structure section of this report.

Natural vanilla products are readily available in the supermarket chains where brands such as Hansells and Master Foods dominate the shelves; and specialty food retailers such as Nosh where brands such as Heilala Vanilla and Equa Gold are stocked.

Hansells and Masterfoods were observed to be the dominant brands on the shelves of the supermarkets. These companies have the capacity to fulfil the large orders of the supermarkets. Both companies provide a range of spices and most importantly occupy a large section of the ir category in the aisle. Vanilla pods and extracts were the main vanilla products on the shelves.

Most of the New Zealand buyers reported that the premium quality vanilla pods and specialty products such as vanilla paste and vanilla sugar can be found in specialty retailers such as Sabato. Heilala Vanilla and Equa Gold products were well represented in these retailers¹⁶. Both companies have been able to provide

stability in their supply chain by establishing long term partnerships with their producers. As a result of these partnerships, they have been able to mitigate the volatility in the global market.

There is also small market for certified organic vanilla products which are sold in organic retailers such as Huckleberry Farms and Wise Cicada. These include brands such as Chantal Organics and Singing Dog Organic¹⁷.



Credit : © PT&I - Chris Brimble

¹⁶ Heilala Vanilla sources vanilla from Tonga while Equa Gold sources vanilla from Papua New Guinea and Madagascar.

¹⁷ Singing Dog is a U.S company which sources its vanilla from Papua New Guinea.

competitive landscape



Credit : © PT&I

PRICES

The New Zealand buyers consulted for this research estimate the present wholesale price of vanilla to about NZ\$60 – NZ\$73 per kg .

The price of vanilla tends to fluctuate throughout the year. It is a commodity that is vulnerable to external shocks on the global market particularly those affecting one of the largest global exporters of vanilla – Madagascar. The country is prone to cyclones therefore adverse weather conditions in this country have an impact on the global price for vanilla.

Price is determined by quality – high quality beans attract a higher price. The key quality indicators that importers are interested in are mainly based on visual appearance, size and shape.



KEY SUCCESS FACTORS

RELATIONSHIP BUILDING: Competition in the market is intense therefore building relationships between the exporter and the buyer will help the product compete effectively in the market.

Exporters can benefit from timely information about the product's market performance. This will help exporters gain a better understanding of their consumers and subsequently develop strategies that not only position their products effectively in the present market but plan for future growth.

Once a relationship is established with an importer/ wholesaler it is important to build on this relationship and support the wholesaler with in-market promotions to increase sales in the market. The relationship can develop by maintaining regular contact; scheduling occasional visits to the market to visit the buyer; improving delivery orders. It requires commitment and professionalism.

¹⁶Boggiss, J. (2012, May 23). Yousef, A. (2012, May 17). J. Fuavao, Interviewer.

PRODUCT QUALITY

Delivering consistently high quality and reliable supply remain the main selling points for marketing and selling a high value niche product such as vanilla.

New Zealand buyers interviewed for the study identified harvesting and the curing process as key stages in production that impact on the vanilla's quality and areas that can be improved by Pacific Island producers. Substandard quality vanilla beans were noted to be the result of a premature harvest or curing the product too fast¹⁹. Grower education programmes targeting production were suggested.

Research into international methods of grading vanilla products, quality control, packaging options and marketing strategies for national and international markets would be highly beneficial for Pacific Island exporters. Similarly learning opportunities exist to engage with experienced growers to gain a better understanding of effective grading, quality, handling and storage techniques

PRODUCT DEVELOPMENT

Companies that specialise in the natural vanilla products have been able to grow the market by providing a range of products such as vanilla paste, vanilla extract and vanilla syrup. Innovative products that address consumer demand for convenience and quality provide Pacific Island exporters with good potential to attracting interest from New Zealand buyers.

Vanilla's mainstream appeal is an advantage. Its broad application demonstrates the potential for new product development and value-adding across

a range of product sectors. Vanilla has been used to flavour various products including alcoholic and non-alcoholic beverages. Further research and understanding around the best combinations for vanilla flavours can lead to new market opportunities.

MARKETING & BRANDING

There is a range of vanilla products available. It is important for an exporter to identify the target market(s) for each product it offers particularly if the vanilla products are earmarked for retail. The packaging especially its appearance and marketing needs to be tailored to suit. Key question – what is your point of difference?

New Zealand consumers generally buy on price however it was estimated that 60% of products are purchased on promotions. Vanilla market has grown based on the significant investments in consumer education and marketing as well as growing interest from consumers. The flavour profile and using vanilla products is promoted on various cooking television shows, cook books and cooking classes.

The vanilla's origin is commonly promoted in vanilla retail products. The story of the vanilla's origin can enhance its value and market potential of the vanilla. For example, where the vanilla is grown; how is it grown and how exporting vanilla contributes to the livelihoods of the farmers. Origin stories can be seen in the promotion of Fair Trade products. Some vanilla growing countries such as Mexico and Madagascar have been able to establish a unique brand for their product. To leverage similar advantages, product labelling should include country of origin, vanilla grade, promotional material and contact information.



Credit : © PT&I - Chris Brimble

¹⁹Yousef, A. (2012, May 17)

market entry strategies

STRATEGIC OPTIONS

Growth opportunities for the vanilla from the Pacific Islands were identified in:

(1) The New Zealand and Australia markets: Exporting is expensive and can be a complex process. One of the main challenges for Pacific Island exporters is the lack of business systems that can handle large orders. New Zealand presents a good testing ground for Pacific Island exporters to develop or improve their business systems and understanding of the export process before it can set its sights on Australia and other international markets.

(2) Value-added vanilla products: Research is required into the traditional and contemporary applications of vanilla which would benefit the development of value-added products. Identify the key markets for the vanilla; how it is used; and learn the packaging preference and marketing techniques applied in key markets such as Europe and USA.

(3) There is a demand for certified organic and Fair Trade products in New Zealand. Similar trends have been observed in the Australian market where consumers are increasingly making purchase decisions based on factors other than price alone such as the ethical practices in production. Origin stories have effectively promoted vanilla products by describing where the product is from; how it is grown; and how sales contribute to the livelihoods of producers.

Due to the high costs involved in producing vanilla, some growers on Reunion Island have developed complementary agri-tourism ventures that offer plantation tours and direct on-plantation sales²⁰. Similar agri-tourism ventures exist in the Pacific Islands such as the Heilala Vanilla tours to their plantation in Vava'u, Tonga. The prospect exists for vanilla producing countries in the Pacific Islands to explore complementary business ventures that can successfully tap into the agri-tourism customer who is looking for an authentic experience.

MARKET ENTRY OPTIONS

Entry into the New Zealand market for vanilla is effective through a commercial importer with the established systems and infrastructure required to handle and distribute the product effectively.

A structured approach to the market is recommended. Research the market prior to engaging in discussions to identify the opportunity and understand the process required for export. When approaching potential importers it is useful to have the information on your company and product readily available such as:

- Company profile
- Product range and profile
- How long you've been in business
- Export experience: current export markets if any
- Product specifications covering varieties available and any certifications
- Supply capacity: what quantities are available
- Frequency of supply
- Packaging: how the vanilla is packaged. E.g. vacuum packed bags (wholesale) or glass tubes (retail)
- Terms of trade (minimum orders etc.)
- Shipping/Freight schedules
- Price of your product range
- Business card with a list of all contact details

²⁰Exley, R. (2010). *Vanilla Production, Processing and Packaging*. Melbourne: International Specialised Skills Institute.





competitive landscape

It is recommended that samples of the vanilla product are provided to prospective buyers in order to confirm the grade and gauge interest in formal orders. Build relationships with buyer by maintaining regular contact, occasionally visit the buyer, improving delivery orders and support the wholesaler with any in-market promotion required for your product.

It is important that this importer also has a network of secondary (wholesalers) and tertiary (retailer) buyers that distribute the product so that end users can purchase the product .

- Company profile
- Product range and profile
- How long you've been in business
- Export experience: current export markets if any
- Product specifications covering varieties available and any certifications
- Supply capacity: what quantities are available
- Frequency of supply
- Packaging: how the vanilla is packaged. E.g. vacuum packed bags (wholesale) or glass viles (retail)
- Terms of trade (minimum orders etc.)
- Shipping/Freight schedules
- Price of your product range
- Business card with a list of all contact details

To further gauge the interest of prospective buyers or simply attain feedback, it is recommended that samples of vanilla products are provided.

Once a business relationship with a buyer is established, it is important to build this relationship by maintaining regular contact; scheduling market visits to meet with your buyer face to face to discuss opportunities for improvement'; improving delivery orders and support the wholesaler with in-market promotions required for your product.

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