



VANILLA PROJECT OVERVIEW

Why Invest in the Vanilla Project?

Madagascar produces about 80% of the world production and is the major competitive supplier of vanilla.

However, Madagascar is not without its challenges – famine, politics, the scale of the plantations, logistical problems and supply chain problems. Madagascar has about 80,000 small farmers who cultivate very small plots usually up to 50 vines. A size just like India, PNG, Uganda and others.

Our Fijian enterprise will have a market edge consisting of quality and reliability being based close to the USA, the largest user of vanilla with Coca-Cola consuming about 10% of the annual production. As in the past, we will supply a number of international manufacturers and their suppliers. We already have some credibility with these buyers.

In short, our product will be superior.

Why you should consider Participating in this Project?

We are in the process of developing a substantial vanilla plantation which will have a planting density of 2500 vanilla vines per acre. This makes it a substantial producer, rather than a collector or aggregator of vanilla beans.

Fiji was a large producer in the late 1880s. Remnant vines still survive and we will participate in the selling of 5 to 10 t in total. Cultivated by small scale growers much like those grown in other regions around the world and identified previously. We will introduce important horticultural techniques including land management and particularly water management to Fiji.

Vanilla does not like to stand in water and it needs to be starved of water to induce flowering.

This includes significant desk top studies, visiting places of excellence including universities and talking to identified propagatists.

Your investment in Vanilla Plantations individually providing you with a pleasing return – an ROI of over 40%.

The Projects Competition

The principal producers of vanilla are Madagascar and Indonesia, followed by PNG, Uganda and India.

Our production size will allow us to introduce important innovations including laser levelling, three systems of applying water, a workforce which is solely focussed on the vanilla crop rather than sharing efforts with inter row cropping.

Importantly, we will not be relying upon "collectors" and "aggregators" to bring our produce to the market. Our former international trading partners will allow us direct access to them.

Why is the Investment being sought?

We are in "a ready to go" stage in the development process for the delivery of a rare and sought after product - vanilla. Vanilla is one of the most important flavouring ingredients in the world having application from chocolate through to drinks, yoghurt, ice cream and perfumes. The demand is increasing. The move by consumers to natural products and the new consuming nations such as China and Brazil have brought about a perfect storm.

Our skill sets and horticultural experience enables us to produce reliable and quality beans to Big Food and its suppliers.

With the support of investors, the Project will allow opportunities to expand. The areas and the current production in Fiji and quite possibly PNG meet existing demand. Traditional cultivation techniques need replacement.

What are our Products that the market need?

As we have done previously, we will embrace ISO 9000. We are not aware of any other vanilla producing region having such accreditation. We see this certification as widening our business. As in the past, we have been able to secure and widen market share because of internationally recognised certifications.

Similarly, we will obtain Kosher and Halal certifications.

Adopting such standards distinguishes us from all other vanilla producers. Vanilla is basically a food ingredient and we recognise the importance of such accreditations.

What is our Competitive Advantage?

We will be in a position to provide a superior quality product being a significant market advantage as set out above.

Market Dynamics of Vanilla & Vanilla Bean Supply

For some years now the global vanilla market has been undergoing very sharp and important changes. These can be best seen in the selected quotes that we have provided both here and in the Information Memorandum. There are several reasons why industry commentators have called it "vanilla fever".

There are many reasons set out throughout this document for why there is a worldwide shortage. As the respected magazine, **The Economist**, quips, "there is a reason why your favourite ice cream may be costing a bit more". Thanks to the rapidly growing Chinese demand and western consumers insisting on natural flavours the world seems to have developed an insatiable appetite for this fragrance spice.

One consequence of this has been that Madagascan farmers have been harvesting the crops before the beans are quite ripe. This means that the production of cured beans has fallen in quality and volume. Rising prices have also made small farmers in Madagascar harvest early to minimise theft.

These vanilla growers are now referred to in Madagascar as "**Vanillaires**".

Madagascar has now legislated against the dealing in unripened vanilla beans ("vrac").

Vanilla Worldwide Usage

Madagascar is the largest producer of vanilla (United Nations FAO).

Its nearest competitor, Indonesia.

Under the present conditions for growing, existing regions do not have the capacity to pick up the shortfall. This presents an ideal opportunity for Fiji and our Project,

As Director of an American based vanilla importing company says,

"Nestle, Unilever and General Foods are the three companies that control about 80% of the products on our supermarket shelves (North America) decided they wanted their mainstream products to feature natural products and ingredients in place of artificial labelling. It was almost a perfect storm to create an environment for higher prices" for vanilla.

Through one of our Director's contacts with Big Foods and IFFs, the project has a unique opportunity to supply vanilla beans having undertaken to meet all International Standards. A very important attribute which has been adopted in the past.

Big Food, flavouring and food companies have started a trend towards pure, natural and artisanal ingredients. Others are now following.

Other reasons for pressure on prices include hoarding by dealers in the hope of further price increases and also trading in unripened green beans. Madagascan farming traders have been doing this for some years.

All of these factors have driven the increasing pressure on supply resulting in pricing increases. Vanilla bean prices continue to rise. It is now in the order of US\$250 per kilo at source for Grade A-1 beans.

One respected global flavouring company has noted:

"The large scale demand from Big Food manufacturers and grocery chains has increased sharply as the food industry shifts towards pure, natural and artisanal (traditional food and drink) ingredients."

Nestle, as one example, has gone to "all natural flavours".

"Growing consumer expectations for pure and all-natural foods and ingredients have spurred global food manufacturers to embrace the use of pure vanilla in recent years, which has driven up global demand dramatically and resulted in massive price hikes...."
Craig Nielsen, Nielsen-Massey VP of Sustainability

A growing imbalance between supply and demand is apparent and is unlikely to abate quickly.

The whole vanilla sector is aware of the global market price for vanilla. The rush to reduce the number of intermediaries is quickly taking place. Wholesalers and traders are facing stiff competition whilst large users, multinational American, Swiss or German companies, are looking to acquire closer contacts with their source suppliers/growers. This means the opportunity arises for direct selling to end users. Direct selling is an important part of our business plan and a strategy successfully used in our previous agricultural enterprises.

Vanilla Scarcity Issue - what is happening in the vanilla market world?

There has been a consistent increase in the price of vanilla over the last 10 years. Why? This is largely due to the large multinational food and fragrance markets - Nestle, Hershey, Danone, Coca Cola, Pepsi Cola and Unilever.

These users and traders have corralled and otherwise tied up substantial important vanilla growing areas.

It has become common to attribute or blame price rises to shortages as a result of cyclonic or other adverse weather events. In fact, such events have always occurred regularly across the tropics, which is where vanilla grows. There is a lively demand for vanilla beans coupled with a relative flat production regime. The result being price increases.

Prices for vanilla, which is not traded on any exchange, has already surged over the past year thanks to speculative hoarding and rising demand as more consumers shun artificial flavourings and ingredients as well as China and Brazil consuming more vanilla.

*"The biggest issue will be quantity," said **Melanie Legris, sales and marketing manager at Eurovanille** "that is exerting more upward pressure on prices given large food companies including Nestle and Hershey have said they will use natural flavourings. This has led to a hurried search for new sources of natural vanilla flavourings."*

Liz Castello-Michael, Corporate Communications Director for Nestle stated, *"Nestle along with other multinationals are removing artificial additives from their products. From 2012 Nestle has engaged in a seven year research and development program which has led to more than 80 artificial ingredients being replaced with alternatives."*

"The amount of all the vanilla beans in the world is not sufficient to flavour everything that everyone wants to flavour with vanilla." **Says Carol McBride, US Vanilla Category Manager at Symrise. (Symrise is one of the world's suppliers of essence, flavours and ingredients)**

The Teams Expertise

The Managing Director of the Australian company has had considerable horticultural and primary industry experience.

One of his properties grew 149 million trees which were harvested annually and produced up to 250t of oil which was sold to Europe and North America. It was the largest biomass operation in the South Queensland market. In addition, two herds of cattle were maintained to manage vegetation as well as to secure a good source of income. Eels were sold live to Taiwan and Hong Kong.

A listed Australian company acquired our northern New South Wales property.

Vanilla is an orchid. Mr Gulson has grown orchids since the age of 12 and they helped pay for his education. He has a firm understanding of the horticulture and plant husbandry.

He will be moving to Fiji having obtained all the permits including residency status and will oversee the Project.

As always, the team identified and selected will be critical to the success of the Project.

The skill sets which members of the team have developed and will bring to the table are very important.

For example, as in the case of all orchids, cultivation composting is critical. Vanilla is a surface grower that originally grew in the rainforests of southern Mexico. One of our team has identified the methodology of hastening the composting and the ability to use green tops from sugar cane bagasse.

Water technology is an integral part of our horticultural management. This will be based on Israeli technology. Not only must water application be controlled prior to flowering, it is critical to get groundwater off the plantation within 24 hours. To that end, the plantation will be laser levelled and the groundwater pumped to an appropriate reservoir.

In short, we have an experienced team of people well qualified as horticulturists. They can look after the plantation ably and responsibly.

Financial Background of Vanilla Plantations Fiji Pte Ltd

There is a tax holiday of 13 years granted by the Fijian Government.

Capital Investment

Shareholders equity is substantial.

Current assets are substantial.

Over four years have been spent in developing this Project, including extensive desk top studies and speaking with executives within various IFF firms and important growers. Our previous relationships with some of the IFF firms has proven invaluable. The quality of our efforts has led to us being asked by the FAO to assist it with its enquiry into vanilla growing in Fiji.

Our previous relationships with IFF entities and the like have been invaluable. So too has access to selected growers and traders, principally in India. PNG is a major supplier of vanilla beans to Indonesia. Indonesia is regarded as the world's second largest vanilla producer.

Impact Investment

The Fijian Government, the United Nations Agricultural Organisation, together with the World Bank has recognised the opportunity presented to Fiji to engage in large-scale Vanilla Plantations. In fact, we have been asked to assist these organisations from time to time.

Just recently, the Pacific Trade Investment Organisation has encouraged us to become involved in the impact support program in Fiji. All of these organisations recognise a satisfying demand for vanilla worldwide. They also acknowledge that such activities will involve employment for rural women. Currently, very under representative in the workforce.

Our plantation will comprise almost universally of women.

Carbon trading may also be available. In late 2021, PNG, Fiji and Australia signed a partnership to this effect.

Our aim is planning for a viable business, with international clients together and a pleasing return and the opportunity to up skill. In addition, Fiji was chosen because of its level of education, it's common language, sound infrastructure and an excellent credit rating which is better than all the other producing nations. The credit rating was undertaken by international sovereign credit rating organisation, Moody's, together with Standard and Poors.

Our business plan is encapsulated in our information memorandum – some 60 pages which is available upon request.

Vanilla Grades and Pricing Differentials

There are many vanilla grades. They range from the highest grade being A-1 to the lowest grade of "cuts". Grade A-1 is preferred by Big Food - the international beverage companies, the multinational chocolate, ice cream and yoghurt manufacturers.

This grade is characterised by the length of the bean, its colour and absence of splits as well as its pliability. Paramount is its aroma. Without the appropriate aroma level, the international manufacturers would need to use a greater number of beans and compromise quality.

Grades are descending in order of diminishing characteristics together with **differential pricings**.

Almost all retail vanilla, whether extract or essence is obtained from the lower grades – see below.

Lower vanilla grades such as B-3 are used mainly in the culinary market – bakeries, pastry makers, restaurants etc.

Lower grades are also sold retail, either single beans or in batches of three or used in the making of vanilla essence, tinctures, selling of vanilla seeds, paste, powder and oils etc.

These products are packaged by local manufacturers (rather than multinational manufacturers).

Pricing of various grades

The highest quality and price are Grade A-1. In short, pricing depends on quality, the end-user and the quantities acquired. With the entrance of China and Brazil as significant consuming countries of vanilla, there is likely to be a further upward pressure on demand and therefore pricing. A table of the top 5 vanilla gradings follows:

GRADING CATEGORY	DESCRIPTION
GRADE A-1	Whole, thick, supple beans, with no splits, free from blemishes, possessing a uniform dark chocolate-brown colour and an oily lustre. The aroma is clean and delicate.
GRADE A-2	Similar to Grade A-1 but not quite so thick. Poorer quality appearance and aroma.
GRADE B-1	Thinner beans with a chocolate-brown colour and a few skin blemishes.
GRADE B-2	Thinner, more rigid beans with a slightly reddish chocolate-brown colour. Fair aroma.
GRADE C-1	Rather dry beans with a reddish colour and numerous skin blemishes. Ordinary aroma.
CUTS	Rejected beans used for the culinary and retail markets.

OVERVIEW OF PROJECT RETURNS (1)

2500 vanilla vines per acre

Yield of cured beans per vine is 3kg

Species type: *vanilla planifolia* known as 'Green Gold'

INVESTMENT SIZE (4)	NUMBER OF GARDENS	6 VINES PER GARDEN	COMBINED YIELD @ 3KG PER VINE	GROSS YIELDS @ US \$200 PER KG (2)
US \$12,400	4	24 vines x 3kg	72kg	US \$14,400 (3)

- (1) See IM for full details and after Year 2-3
- (2) Our direct price US\$200/kg. Price to 'Big Food' US\$250kg direct. Price to the International Flavour and Fragrance companies ("IFF's") who supply to Coca-Cola, Nestle, Danone, Hershey, Unilever and others.
- (3) Near recoupment of your investment by sale of first crop.
- (4) This is for 4 vanilla gardens which is the entry level investment. Up to 60 can be acquired. Enquiries for larger investments would be welcome.
- (5) Note that in 2021 the Madagascan Government has decreed a minimum export price of US \$250/kg.

SUMMARY

1. There is a worldwide scarcity of vanilla
2. Managing Director comes from a long line of agriculturalists. His company owned and managed substantial agricultural operations in the Northern Territory and New South Wales. From these properties the produce was sold to the PRC, Hong Kong, Europe and the USA.

The Managing Director will reside in Fiji.

All senior management have sound agricultural experience. As in relation to our Australian properties, the up skilling of employees is encouraged.

Refer to our Mission Statement in the Project Information Memorandum.

3. We would hope that a number of employees would commence their own vanilla gardens generating up to 100 vines in due course. World demand for vanilla will mean that their beans can be sold by us to a waiting international market. This is the first Project. Others will follow.
4. The Project promotes ethical gender equality. Indeed, the workforce will comprise predominantly of females. A situation which fits well with the FAO and World Bank Group's recent report on Fiji.
5. Vanilla cultivation is extremely intensive. It is the second most expensive spice in the world. It is known in the trade as "Green Gold".
6. The Project has the elements of an impact investor such as identified by the Pacific Trade Investment Australia, who encouraged us to apply for discrete funding to allow for some genetic diversity.
7. The Project has projected attractive internal rate of return of 58% from Year 3 through to Year 10. Each of these vines will produce about 3 kg of premium beans per vine and other lesser grades.
8. Financial projections have been based on a direct price to the IFF entities of approximately US\$200 per kilo, whilst the prevailing price is US \$250 per kilo – we are conservative horticulturalists.
9. The sale of the vanilla beans will be direct to the IFF companies (International Flavour and Fragrance companies) and their clients to such companies as Coca-Cola, Pepsi-Cola, Nestlé, Danone yoghurts, Hershey chocolates and the world's largest ice cream manufacturer, Unilever. Coca-Cola is the world's largest user of vanilla beans.
10. We have dealt with some of the IFF entities previously over the years. We will avoid the universal practice in other growing regions of farmers selling their beans to collectors and aggregators (a series of middlemen). The profits being consumed by these traders.

We have avoided these trading practices in the past and deal with the IFFs and others directly.

11. There is a Fijian tax holiday for the life of the Project.

12. Summary of Comparable Cropping Times:

CROP	FIRST HARVEST
Vanilla	2 to 3 years
Truffles	5 years on average
Avocadoes	4 to 5 years
Wine Grapes	Usually by Year 3

13. There will be opportunities to support trading and to participate in a Pacific Carbon market.

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