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COMMITTEE ON COMMODITY PROBLEMS

Seventieth Session

Rome, 7-9 October 2014

REPORT OF THE JOINT MEETING OF THE THIRTY-SEVENTH SESSION OF THE INTERGOVERNMENTAL GROUP ON HARD FIBRES AND THE THIRTY-NINTH SESSION OF THE INTERGOVERNMENTAL GROUP ON JUTE, KENAF AND ALLIED FIBRES AND THE EIGHTEENTH SESSION OF THE SUB-GROUP OF SISAL PRODUCING COUNTRIES

I. INTRODUCTION

1. The Joint Meeting (JM) of the Thirty-seventh Session of the Intergovernmental Group on Hard Fibres and the Thirty-ninth Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres was held on 5-7 November 2013 in Negombo, Sri Lanka. It was attended by 47 delegates from the following member countries: Bangladesh, Brazil, China, Dominican Republic, Germany, India, Malaysia, Nigeria, Philippines, Sri Lanka, Turkey and the United Republic of Tanzania. Observers attended from the Common Fund for Commodities (CFC), the International Jute Study Group (IJSJG), the International Natural Fibres Organization (INFO) and the London Sisal Association.

2. His Excellency, Honourable A.P. Jagath Pushpakumara, Minister for Coconut Development and Janatha Estate Development of Sri Lanka opened the JM on behalf of the Government of Sri Lanka. Other Government dignitaries included Hon. Douglas Devananda, Minister of Traditional Industries and Small and Medium Enterprise Development; Hon. Victor Anthony Perera, Deputy Minister of Coconut Development; and Hon. Laksman Wasantha Perera, Deputy Minister of Industry and Commerce. The opening statement was delivered by Ms Beth Crawford, FAO Representative in Sri Lanka, on behalf of the Director-General.

3. The Meeting elected Mr Nihal Somaweena, Secretary of the Ministry of Coconut Development and Janatha Estate Development (Sri Lanka) as Chairperson; Mr Wang Chaoyun (China) as First Vice-Chairperson; and Mr Eduardo B. Holoyohoy (Philippines) as Second Vice-Chairperson.

4. The Meeting adopted the Provisional Agenda CCP: HF/JU 13/1 and the Provisional Timetable CCP:HF/JU 11/Inf.2 with amendments.

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5. The JM decided that its report would be prepared by the Secretariat for adoption on 7 November 2013.

II. ECONOMIC AND POLICY ISSUES

A. CURRENT MARKET SITUATION AND MEDIUM TERM OUTLOOK

6. The JM reviewed the current market situation and medium term outlook with the assistance of document CCP: JU/HF/ST/2013. As data and market information updates from several countries were provided to the Secretariat, the Meeting agreed that document CCP:JU/HF 13/CRS 1 be revised and uploaded on the FAO website (<http://www.fao.org/economic/est/est-commodities/jute-hard-fibres/jute-hard-fibres-meetings/en/>). In summary, demand for most of the fibres declined slightly in 2013, except for sisal in Brazil, as markets adjusted to the high prices attained in 2012. Concern was expressed at the possible change in the supply structure of sisal in Brazil, the world's largest producer, as growers migrated to urban areas following consecutive years of drought to seek an improvement in their livelihood; some on a permanent basis.

7. To improve the collection and compilation of production and trade data, the JM recognized the significance of accurate data collection, be it from government agencies (customs, national statistics offices, central banks) and private sector operators, to supplement the annual questionnaires of the respective IGGs. JM members agreed to provide the Secretariat with the names and contact details of their country focal points to facilitate the efficient collection and compilation of relevant data and market information.

B. PRICE TRENDS FOR SISAL, ABACA, JUTE AND KENAF

8. The Meeting reaffirmed the standpoint of the Sub-Group of Sisal and Henequen Countries that forecasting price ranges was useful in providing information to guide farmers and traders in their production and marketing decisions as well as enabling governments to implement appropriate policies.

9. The Meeting adopted the Sub-Group's forecasted price trends as follows:

- Brazilian Type 3 fibres between USD 1 250 and USD 1 350 per tonne, f.o.b. Salvador; and
- East Africa UG fibre between USD 1 500 and USD 1 700 per tonne, f.o.b.

10. The Sub-Group was not able to forecast the price trend for Brazilian baler twine for the current season as the negotiations between the importers from the United States and the exporters from Brazil have not been concluded.

11. For jute, abaca and kenaf fibres, the Meeting forecasted the following price ranges:

- Bangladesh jute between USD 450 and USD 500 per metric tonne sight, for BWD grade fibre f.o.b. Mongla/Chittagong;
- Abaca, namely the average of S2, G and JK hand cleaned non Davao grades between USD 124 and USD 213 per bale of 125 kg f.o.b. Manila port; and
- Malaysia kenaf for water/bio retting fibre was USD 850 to USD 1 100; mechanical retting fibre from USD 580 to USD 750 per ton and for cutting fibre from USD 900 to USD 1 300.

C. REPORT ON SUBSIDIARY ACTIVITIES

- *Report of the Eighteenth Session of the Sub-Group of Sisal and Henequen Producing Countries*

12. The Report of the Sub-Group of Sisal and Henequen Producing Countries was presented, endorsed by the JM and is appended as Annex 1.

- *Report of the Consultation on Natural Fibres Policies*

13. The JM was informed of the outcome of the Consultation on Natural Fibres Policies held prior to its session which aimed at identifying policies and institutional arrangements to enhance the hard fibres and jute, abaca, coir, kenaf and sisal (JACKS) industries. The major recommendations were presented in document CCP:HJ/JU 13/CRS 6 and endorsed by the JM.

D. POLICIES AFFECTING TRADE IN FIBRE AND PRODUCTS

14. The JM examined this agenda item with the assistance of document CCP:HF/JU 13/2 and noted that accurate data and analyses were prerequisites to formulate effective policy options which influence economies in addressing poverty alleviation and improving food security and malnutrition.

15. The importance of science, financial and economic feasibility were emphasized. However, political will was also critical because policies were formulated and adopted by governments. Therefore, the JM recommended that the IGGs liaise more with Permanent Representatives in Rome so that the message is effectively conveyed to Geneva and New York.

16. The benchmark and conclusions presented by the Secretariat in document CCP:HF/JU 13/2 on production and trade policies and the priorities identified in document CCP:HF/JU 13/CRS 6 were adopted by the JM.

E. THE SISAL VALUE CHAIN

17. The JM considered this agenda item with the assistance of document CCP:HF/JU 13/3. In endorsing the report presented by the Secretariat, it was noted that since the involvement of private sector buyers, sisal has become a profitable cash crop in Tanzania, supplementing income from traditional food and cash crops, such as rice, chickpeas and other legumes. This farming system could be adopted by other JACKS.

18. The JM was informed that effective contractual agreements were key to the success of the smallholder scheme. It was critical to ensure that the rights and responsibilities of producers and processors/buyer were explicit and legally binding. Farmers' groups had been established to deal with buyers in a sustainable and equitable manner, thereby integrating farmers fully in the value chain and subsequently directly linking them to markets. This model would be replicated in all areas of the Sisal Smallholder Scheme.

19. In acknowledging the invaluableness of this type of analysis, the JM recommended that similar studies be undertaken by the Secretariat for other JACKS within the available resources of the Secretariat and the policy, analysis and value chain Working Group (WG). Member countries through the WG on Policy Analysis and Value Chain will inform the Secretariat the of order of priority these studies should be undertaken.

III. INTERGOVERNMENTAL ACTION

A. PRIORITIES

20. The JM was updated on developments of the WG on Standards and Certification by its Champion, who, in his presentation, requested funding in order for the WG to move forward. It was suggested that the participating delegations request their Government for financial assistance and self-funding be explored. In addition, other possible funding sources should be pursued, and the Secretariat could assist in identifying them. However, the concerns raised by the subject-matter specialist in FAO needed to be addressed and the requests tailored according to the potential funding sources.

B. COMMODITY DEVELOPMENT ACTIVITIES

21. The observer from the Common Fund for Commodities (CFC) informed the JM of the new project funding methodology that had been adopted by the CFC which was almost exclusively based on loans, rather than grants as donors were reluctant to provide voluntary contributions to replenish the fund that had been used to provide grants over the last 20 years.

22. Delegates expressed their disappointed because this change in funding policy would have a negative impact on commodity development initiatives. The JM expressed that switching to loans would eliminate public sharing of project results due to the proprietary nature of the loan mechanism and agreed that Member Governments should urge donors to provide voluntary contributions to replenish the fund.

23. The Secretariat briefed the JM on the achievements of Phase 1 of the German-funded project “Unlocking commercial fibre potential in developing countries (Haiti and LDC East Africa): strengthening global value chains for rural development, poverty alleviation and the environment” (GCP/INT/115/GER). The Secretariat explained the fundamental disagreements between the donor and FAO which resulted in Phase 2 not being implemented.

IV. WORK PROGRAMME AND OPERATIONAL PROCEDURES

A. INTERGOVERNMENTAL ACTION PLAN

- *Rearrangement of the Working Groups of the Intergovernmental Groups on Hard Fibres and on Jute, Kenaf and Allied Fibres (IGG/HFJU)*

24. In recognizing that the number of WGs was too large to effectively manage, the JM merged the priority activities into three main WGs as follows:

- WG on Research and Development, Certification and Harmonization
Champion: Sri Lanka (Dilip Tambyrajah)
Members: Brazil, China, India, Malaysia, Nigeria, Philippines, Tanzania, Turkey
- WG on Policy, Analysis and Value Chains
Champion: Tanzania (Salum Shamte)
Members: Bangladesh, Philippines, Sri Lanka
- WG on Promotion
Champion: Sri Lanka (Ms Vasula Heralb)
Members: Brazil, Germany, Philippines, Tanzania

25. The WG on Research and Development, Certification and Harmonization informed the JM of its intention to organize a meeting with scientists in 2014.

26. Document CCP:HF/JU 13/CRS 7 contains the plan of action and timeline of each WG and was adopted by the JM as its intergovernmental plan of action until the next JM.

B. EVALUATION OF THE INTERGOVERNMENTAL COMMODITY GROUPS

27. The Secretariat presented the recommendations of the Committee on Commodity Problems (CCP) on the evaluation of the IGGs. The JM indicated that all the criteria listed in the CCP report were met by the IGG/HFJU. However, the JM prepared a mission statement (document CCP:HF/JU 13/CRS 8) emphasizing the critically important functions of the IGG/HFJU and these need to be conveyed to the CCP, specifically: i) the relevance in terms of the development and sustainability of the JACKS global economy; ii) the core activities that are required to achieve the sustainability of i); and iii) some cost-effective measures that would further improve the efficient functioning of the IGG/HFJU.

V. OTHER MATTERS

A. ANY OTHER BUSINESS

➤ Definition of coir vs coconut fibre

28. The Secretariat informed the JM of the request from the National Agricultural Innovation Project of the Indian Council of Agricultural Research of the need to differentiate between coconut fibre and coir fibre. Sri Lanka and India would critically review the definition and inform the Secretariat of their findings.

B. DATE AND PLACE OF THE NEXT SESSION OF THE JM OF THE IGG/HFJU

29. The JM noted with appreciation that Colombia had informed the Secretariat of its willingness to host the next session of the JM, to be held in 2015. However, the exact date and venue would be determined by the Director-General of FAO in consultation with the Chairperson.

30. The JM agreed to meet in an intersessional meeting, to take place between the end of May and early July 2014, as there were several important issues that needed to be addressed, including a more accurate assessment of the sisal market and the permanence of the change in supply structure in Brazil as the situation would be better defined for analysis by then. In addition, the initial work of the three WGs needed to be assessed before further undertakings were made.

ANNEX 1
REPORT OF THE EIGHTEEN SESSION OF THE SUB-GROUP OF SISAL AND
HENEQUEN PRODUCING COUNTRIES

I. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON

1. The Sub-Group of Sisal and Henequen Producing Countries held its Eighteenth Session at the Jetwing Blue Hotel, Negombo, Sri Lanka, on 4 November 2013. It was attended by delegates from Brazil, Germany and the United Republic of Tanzania. An Observer from the London Sisal Association also attended.

2. Mr Alcides Lopes Leao (Brazil) was elected as Chairperson and Mr Beatus Alkado Malema (United Republic of Tanzania) was elected as Vice-chairperson.

II. ADOPTION OF THE PROVISIONAL AGENDA

3. The Sub-Group adopted the provisional agenda as submitted by the Secretariat.

III. PRICE TRENDS FOR SISAL FIBRE

4. The delegates reiterated the relevance of the Sub-Group in assisting producing countries arrive at a common position in setting indicative prices. However, as it has been misconstrued as "price fixing", the Sub-Group decided that it be reworded as "forecasting price trends".

5. The Sub-Group was not able to forecast the price trend for Brazilian bailer twine for the current season as the negotiations between the importers from the United States and the exporters from Brazil have not been concluded.

6. The Sub-Group forecasted the following price trends:

- Brazilian Type 3 fibres between USD 1 250 and USD 1 350 per tonne, f.o.b. Salvador; and
- East Africa UG fibre between USD 1 500 and USD 1 700 per tonne, f.o.b.

IV. ANY OTHER BUSINESS, INCLUDING DATE AND PLACE OF THE
NEXT SESSION

7. The Sub-Group expressed concern with the change in project funding policy of the Common Fund for Commodities and its negative impact on International Commodity Bodies.

8. The Sub-Group recommended that its Nineteenth Session be convened at the site and immediately prior to the Thirty-eighth Session of the Intergovernmental on Hard Fibres in 2015, possibly in Colombia. However, due to the instability and uncertainty in the market, it was suggested that a meeting be held earlier so that a more accurate assessment of the market be made. It was recommended that a meeting be held possibly as part of an intersessional meeting, in Rome in 2014, the exact dates to be determined by the JM.