

November 2011

	منظمة الأغذية والزراعة للأمم المتحدة	联合国 粮食及 农业组织	Food and Agriculture Organization of the United Nations	Organisation des Nations Unies pour l'alimentation et l'agriculture	Продовольственная и сельскохозяйственная организация Объединенных Наций	Organización de las Naciones Unidas para la Alimentación y la Agricultura
---	--	--------------------	---	---	---	--

E

COMMITTEE ON COMMODITY PROBLEMS

JOINT MEETING OF THE THIRTY-SIXTH SESSION OF THE INTERGOVERNMENTAL GROUP ON HARD FIBRES AND THE THIRTY-EIGHTH SESSION OF THE INTERGOVERNMENTAL GROUP ON JUTE, KENAF AND ALLIED FIBRES

Salvador, Bahia, Brazil, 16–18 November 2011

GENERIC PROMOTION

I. INTRODUCTION

1. Generic promotion is defined as the cooperative effort to increase demand by producers of products that are more or less similar. Generic promotion aims at strengthening the market for the benefit of all producers in contrast to brand promotion that seeks to increase the share of the market for selected producers. The rationale for generic promotion is particularly strong where there are large numbers of producers responsible for a generally homogeneous agricultural product, and individual producers are unable to differentiate and promote their own products either for technical or economic reasons. Specific objectives of generic promotion are to increase sales and/or prices or contain reductions in both, and induce consumer loyalty because of the intrinsic values of the product as portrayed through generic promotion. In general, available assessments of the impacts of generic promotion expenditures indicate a positive return in terms of market growth, prices and earnings.

II. ESSENTIAL ELEMENTS OF GENERIC PROMOTION PROGRAMMES

2. Since formal generic promotion programmes are funded directly or indirectly by producers or traders of the products concerned, such programmes are based on a perception of shared identity and interests. Commonality of interests is more easily achieved within a national market than at the international level. Thus promotion activities in the export market tend to have large public sector components and funding. The difficulties in identifying common interests in the international market are compounded if the producers/traders are from several countries.

3. Successful generic promotion programmes require strong producer support, as this sector is usually called upon to provide funding either directly or indirectly. When products are sold mostly in

processed form, brand promotion is often preferred because of the benefits accruing from product differentiation.

4. The viability of generic promotion programmes also depends on a high level of industry participation to avoid the “free-rider” problem. In the national market, this condition is easier to achieve than in international markets where many smaller suppliers may be present. Internationally funded generic promotion requires a minimum level of participation that is compatible with the objectives of, and funding burden on, the members.
5. Market promotion activities need to be implemented over a number of years if their full benefits are to be achieved. Thus, predictable funding arrangements need to be in place. Such funding is easier to organize at the national level where often legislation authorizes generic research and promotion with funds obtained from obligatory producer assessments usually based on the volume or value of the products sold.¹
6. Aside from the above prerequisites for the establishment of generic promotion programmes, there are other aspects that need to be addressed once the programmes are in place. These include the credible evaluation of programme effectiveness, the undertaking of necessary research to obtain scientifically based testimonial of benefits or attributes as needed, and the development of efficient and cost-effective implementation arrangements.

III. IMPLICATIONS FOR HARD FIBRES AND JUTE

7. In a broad sense, one can identify a commonality of interest in maintaining or strengthening markets for hard fibres and for jute, particularly as regards the need to resist inroads from synthetics in both national and international markets. This commonality is, however, less evident if one considers producers/exporter participation and possible funding arrangements.
8. Production of fibre is generally fragmented among many small growers, although for some fibres such as sisal, production is more concentrated at an estate level. The fibres are produced in some of the poorest areas in developing countries, and the returns obtained from cultivation represent an important share of household incomes. Exports of raw fibres have declined to very low levels as a result of competition from synthetic fibres and the closure of spinning and other processing activities in importing developed countries. Hence, neither the raw fibre production nor export sectors are able to sustain the expenditures needed for funding generic promotion activities.
9. At the manufactures level, production and exports are organized in a variety of ways, ranging from large processing industries with public sector participation to individual private sector industries, sometimes grouped into associations or other statutory bodies. Some producing countries are not only exporters, but also importers of fibres and products. In others, the domestic market constitutes the major outlet for production. Finally, some non-producing countries are re-exporters of fibre and products. It is therefore difficult to define a commonality of interests among producers and traders of fibre manufactures that would provide a basis for supporting international measures, along with the related financial commitments, to strengthen demand in national and world markets.
10. While international consensus seems a priori difficult to achieve, at the national level there have been some notable efforts to influence demand. In light of the significant employment, income and social implications of the industries concerned, there has been a tendency for government support to be provided for the development of markets, administered through parastatal marketing agencies or through targeted efforts of public sector processing industries. Generally, such programmes have been undertaken by individual countries rather than through cooperative efforts. Nevertheless, it is evident that public resources are potentially available for market promotion initiatives. The extent to which a portion of these might be directed to international efforts would clearly depend on the extent to which such programmes might meet the needs/expectations of individual producing countries and their fibre sectors.

¹ Even at the national level, efforts to ensure predictable funding through mandatory check-off systems (obligatory producer assessments) have been challenged, as for example in the United States and Germany.

11. The promotion activities that have been undertaken by various national institutions (occasionally jointly with other countries drawing upon support from international organizations and/or funding agencies) have tended to concentrate on the environmentally-friendly attributes of the natural fibres with particular reference to traditional products. It is very difficult to evaluate the impact of generic promotion programmes (and not only for these fibres) because of the numerous factors that can intervene to influence changes in demand. Nevertheless, national promotion activities may have contributed to halting the downtrend in demand for traditional products, the markets for which have generally remained stable over the past decade.

12. Efforts to implement internationally coordinated generic promotion programmes for agricultural commodities have been largely confined to food products, making use of various health-related messages to strengthen consumer demand.² The products involved are clearly identifiable by consumers, an aspect that facilitates delivery of the promotional messages.

13. On the contrary, the situation is far more complex when the product is an industrial raw material that reaches consumers in a much transformed manner. As contended in the case of wool types used in blending³, it appears implausible that promotion can have much effect on prices of fibres used in composites where substitution with synthetics is simple. In addition, the relevance of quality-based messages needs to be carefully examined for markets where demand is largely determined by price (as in cases where synthetics offer strong competition).

IV. CONCLUSIONS

14. In light of the above considerations as well as of the priorities of the IGGs on Hard Fibres and Jute, Kenaf and Allied Fibres in maintaining traditional markets for raw fibres and manufactures, and enhancing demand for fibres in innovative industrial uses, any effort to develop an internationally coordinated generic promotion programme would need to carefully explore i) availability of a commonality of interests; ii) conditions of competition in the target market; and iii) suitability and potential impact/relevance of messages for the target audiences. Such assessments should also take account of possible alternative uses of the resources involved, for example expenditures for research and product development.

² A notable example was the program on Tea and Human Health spearheaded by the FAO Intergovernmental Group on Tea with support from the Common Fund for Commodities (CFC) that led to the dissemination of an extensive, scientifically verified body of information regarding the health benefits of tea consumption. However, despite the success in modifying consumer perceptions regarding the value of tea consumption, it was not possible to arrive at an internationally coordinated and self-funding generic promotion program.

³ Dr. Alistair Watson, "Promotion: Albatross or salvation of the wool industry?", *Agribusiness Perspectives Papers 1997/98*, paper 17.