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# **A brief overview of JACKS+ current market situation and recent developments in commodity markets**

**IGG HF/JU Intersessional**

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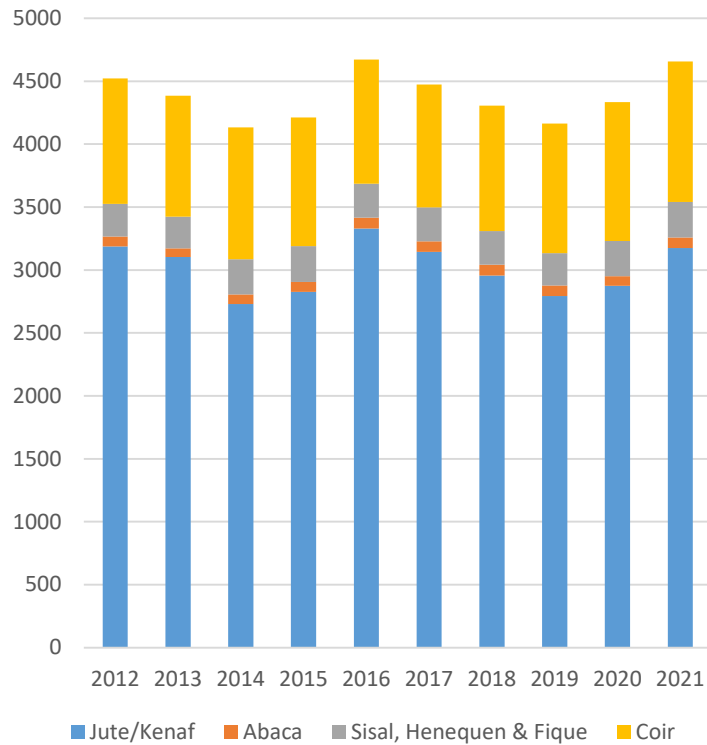
## Natural fibres: a key economic sector that creates jobs

- ✓ The sector of natural fibres is a key driver of economic growth, providing **employment and supporting livelihoods** and representing a major source of export earnings
- ✓ Around **7 million households** are involved in JACKS production
- ✓ Natural fibres production is generally concentrated in low- and middle-income countries
- ✓ This shows the potential role of the sector in contributing to the achievement of the **2030 Agenda for Sustainable Development and the SDGs**

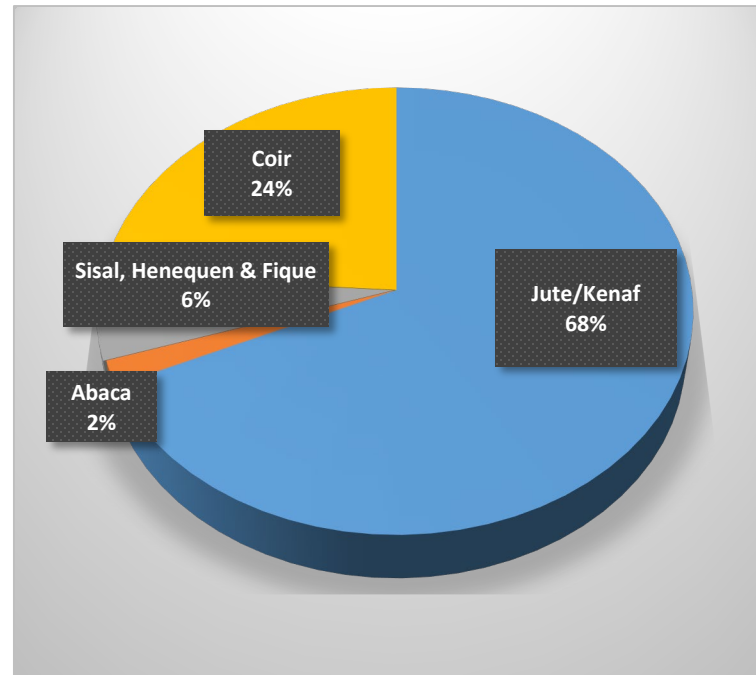
FAO's recent analysis of the medium term outlook for natural fibres indicates that changes in consumer preferences and positive trends will support a robust consumption growth in the next 10 years. Innovation, productivity and product diversification are key drivers for market expansion of natural fibres.

## Current market situation: Production

Production of JACKS fibres (thousand tonnes)



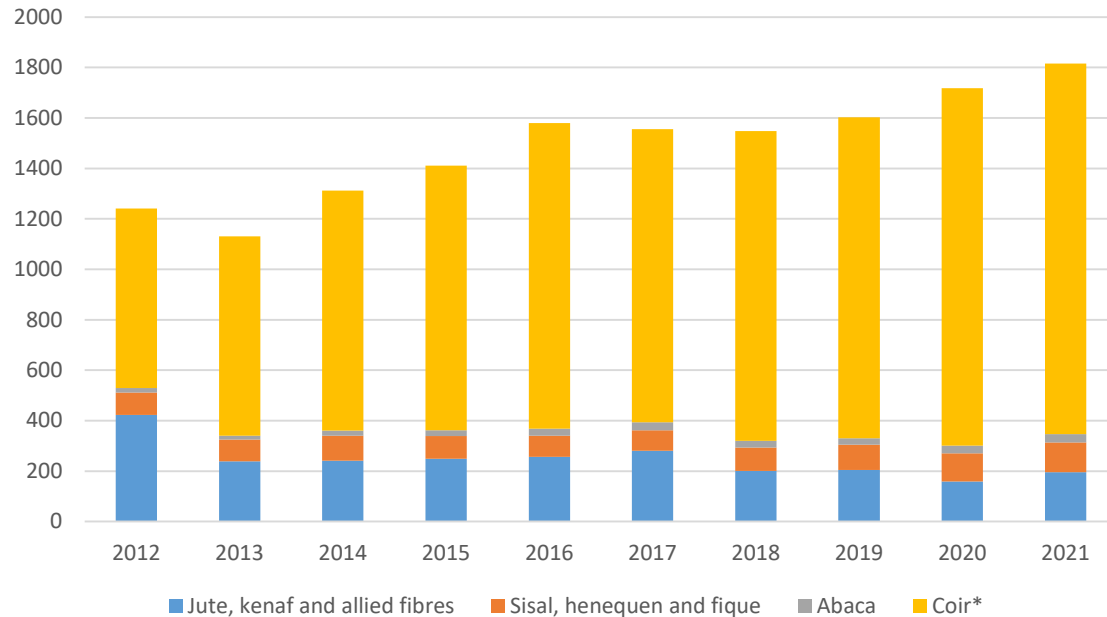
Share of JACKS production in 2021/2022



- ✓ **Global production of JACKS fibres increased in 2021/22**, with respect to 2020/21, on the back of improved weather conditions and higher yields.
- ✓ Total production reached 4.66 million tonnes in 2021/22, a **7.5 percent increase** from 2020/21
- ✓ Higher output levels were recorded for **all JACKS fibres**
- ✓ Jute and kenaf registered the major increase

## Current market situation: Trade

Exports of JACKS fibres (thousand tonnes)

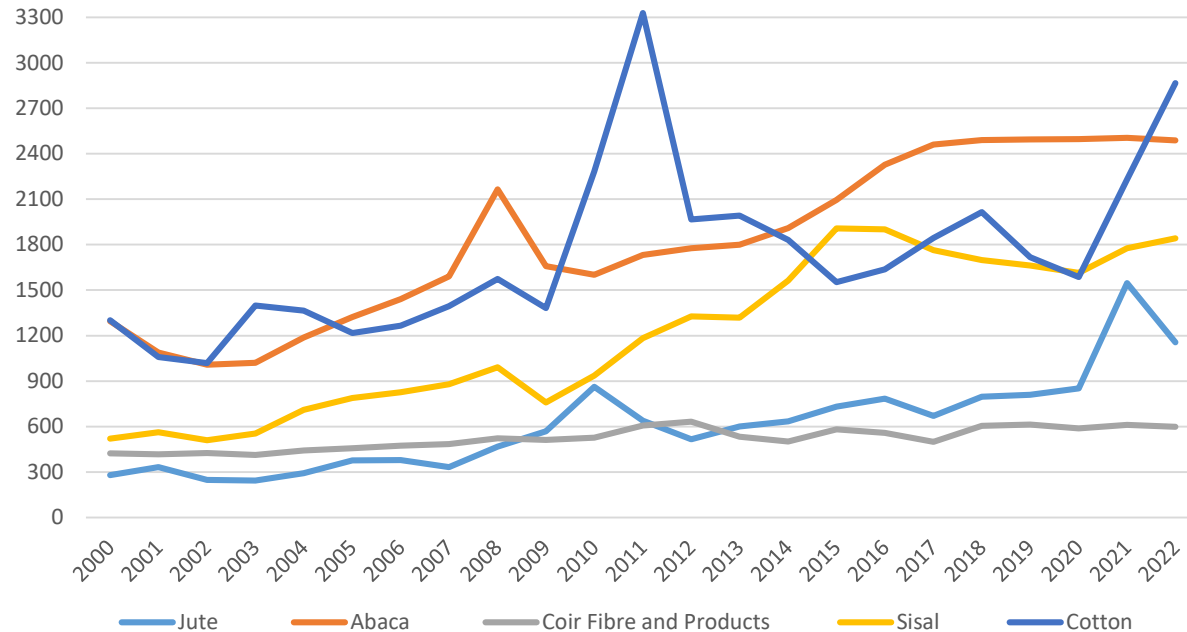


Coir data includes pith  
Source: FAO (2023).

- ✓ The supply-chain disruptions caused by the **COVID-19 pandemic** and the **Russia-Ukraine** conflict have had limited impact on JACKS fibres export
- ✓ World JACKS exports reached 1.8 million tonnes in 2021 - **coir accounted for the largest share of shipments (80.9 percent)**, followed by jute (10.8 percent), sisal (6.5 percent) and abaca (1.8 percent)
- ✓ **Demand for JACKS fibres remains strong** owing to their wide range of uses, from traditional to industrial and commercial applications.

## Current market situation: Prices

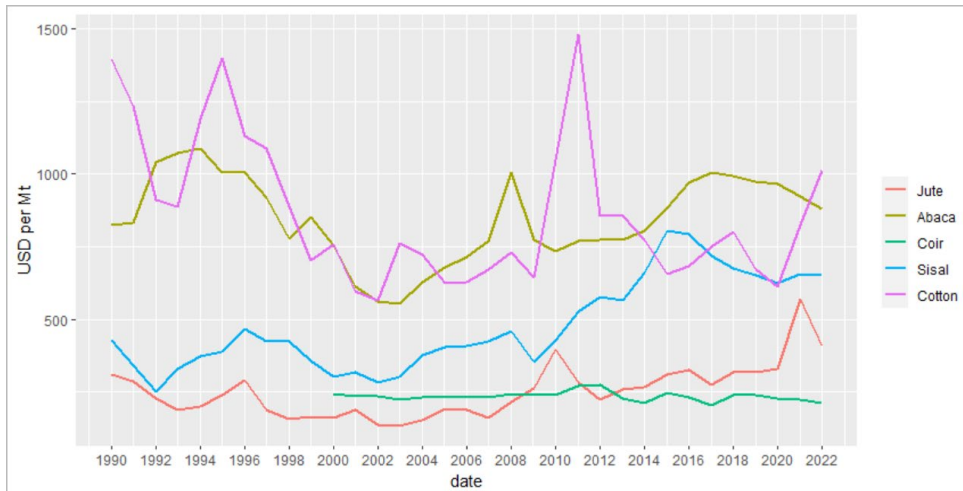
Prices of JACKS fibres and cotton (USD/tonne)



- ✓ Jute prices surged in 2021, **reaching all-time-highs in 2021 and 2022**, driven by a shortage of fibre and strong demand.
- ✓ Since 2016, average sisal prices declined steadily until 2020 (quotations still maintained high levels) before rising again in 2021 and 2022, underpinned by **strong demand for sisal in industrial applications** (particularly in the automotive and construction industries).
- ✓ In 2021 and 2022, **cotton prices** rose sharply mainly underpinned by improved world demand after the COVID-19 related contraction in 2020. No clear trend in prices

## Natural fibres: long-term price trends

Real prices of natural fibres (USD/Mt)

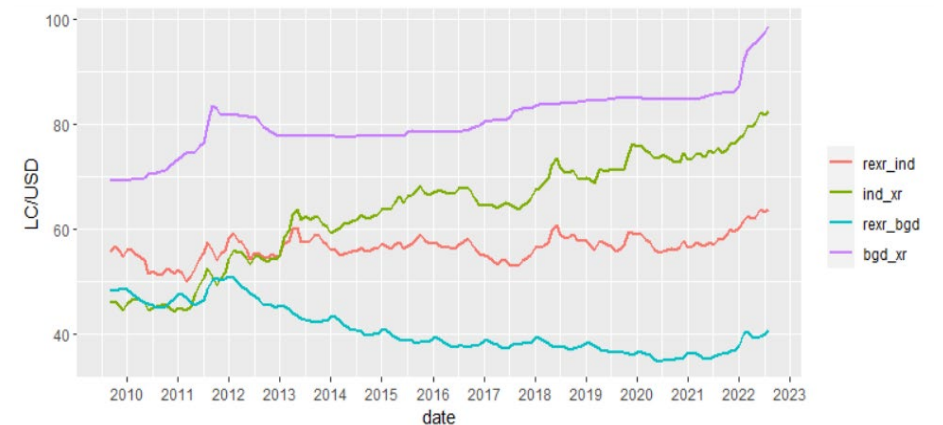


- ✓ Prices seem to follow **different patterns**, with Jute, Sisal and Abaca quotations on an upward trend for the past 20 years.
- ✓ In general, **competing synthetic fibres** and improvements in **production efficiency** pressure prices.

- ✓ Exports of fibres are influenced by changes in the value of the currency of major exporters vs USD

Source: FAO (2023).

Movements in exchange rates  
market rate vs real exchange rate (e.g. India and Bangladesh)

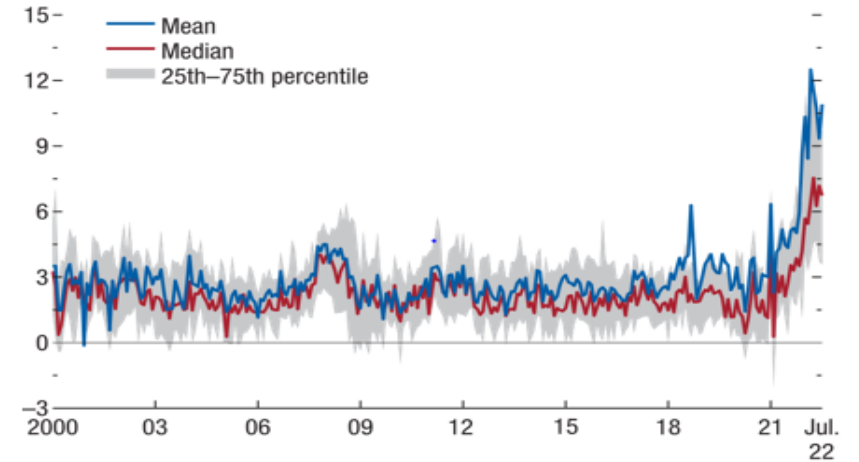




## Emerging issues that may change price prospects

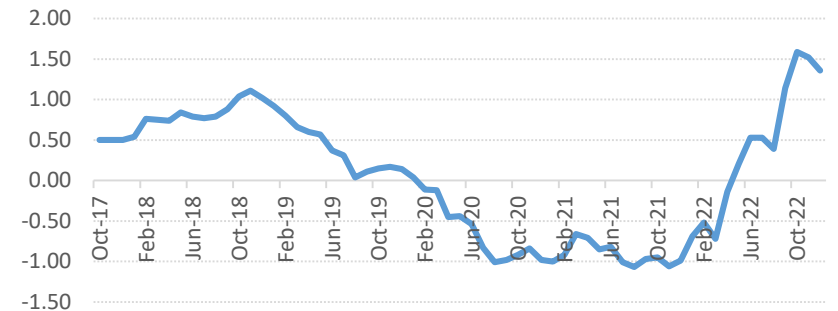
- Inflation has surpassed central banks target for some time.
  - ✓ Producers are facing a tightening price-cost squeeze
- Interest rates rising, hence pushing up the cost of borrowing.
  - ✓ Investment cost to increase
- Shift in consumers and governments' attitude towards commodity value chains
  - ✓ Commodity value chains to demonstrate their “corporate responsibility”

Core inflation and its distribution across countries (Annualized percent)



Sources: Haver Analytics; and IMF staff calculations.  
 Note: The set of economies includes ARG, BRA, CAN, CHE, CHL, CHN, COL, CZE, DEU, DNK, ESP, FRA, GBR, HKG, HUN, IDN, IND, ISR, ITA, JPN, KOR, MEX, MYS, NOR, PER, PHL, POL, RUS, SGP, SWE, THA, TUR, TWN, USA, and ZAF. The group represents 89.4 percent of advanced economy GDP, 75 percent of emerging market and developing economy GDP, and 81 percent of world GDP based on purchasing-power-parity weights. Economy list uses International Organization for Standardization (ISO) country codes.

10-year US treasury: real rates





## Given the importance of the sector, what are the strategies and the role of public policies?

- ✓ **Boost investments** at every segment of the value chain for productivity gains, while respecting the key principles of sustainability (See Action Plan document).
- ✓ Sustain performance by fostering a culture of **regulations, accountability, traceability, transparency** and **standards**.
- ✓ Work towards **policy coherence** and greater coordination among the value chain segments.
- ✓ Improve **fibre characteristics** to compete with synthetic fibres (e.g. public-private partnerships)





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# Thank you

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