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Organización de las Naciones Unidas para la Agricultura y la Alimentación

COMMITTEE ON COMMODITY PROBLEMS

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

Rome, Italy, 14-17 December 2004

COMMODITY DEVELOPMENT STRATEGY

I. INTRODUCTION

1. At its Twenty-ninth Session in 1996 the Intergovernmental Group on Hard Fibres adopted a development strategy for hard fibres as contained in document CCP: HF 96/9. The strategy was developed in order to meet the requirement of the Common Fund for Commodities that projects submitted for funding be accompanied by evidence as to how they fit into an overall strategy for the commodity. At the same time, the development of a strategy was expected to serve a broader purpose for the Group, indicating its priorities and guiding the Secretariat in the work it undertakes in support of the Group.

2. The IGG on Hard Fibres reviewed its strategy document at its 32nd Session in Brazil in July 2003. While it concluded that the priorities of that strategy remain broadly valid, some suggestions were made for additional areas that might be included. It noted also that the strategy had nothing to say on the manner in which the Group might address its priorities. The Meeting requested the Secretariat to begin formulating a broader strategy to include also environmental, trade and social issues, encompassing a broader range of natural fibres and particularly looking at mechanisms by which the Group might pursue its objectives. With respect to the latter, it suggested that lessons might be learnt by studying how international commodity organizations operate.

3. The strategy was also considered by the Fifth Intersessional Consultation in March 2004. The Consultation made only limited progress towards transforming the existing list of priorities into a strategic plan. It did, however, stress the importance of developing partnerships between fibre producers and the industries which use, or potentially might use, natural fibres. It also agreed

that the strategy must take account of the different issues facing each of the various fibres, and it suggested new elements for the strategy.

4. The following draft is proposed by the Secretariat. It builds on the original document and reflects discussion at the 32nd Session of the IGG in Brazil and the 5th Intersessional Consultation. The draft also reflects the outcome of discussions with other International Commodity Bodies, including the International Grains Council (IGC), the International Sugar Organization (ISO), the International Rubber Study Group (IRSG) and the International Coffee Organization (ICO). These bodies have all faced problems of imperfect flows of information between producing and consuming countries, declining or variable commodity prices and increasing costs of production and, in different ways, have all sought to improve the viability of their commodity industries. All of the International Commodity Bodies visited undertake market analysis and provide market information to their Member States, and all endorse and supervise CFC funded projects. However, their activities in improving and stabilising market prices and enhancing production and market efficiency vary to a great degree. The IGC focuses primarily on analysis related to topical issues and the provision of daily snapshots of the market, as well as providing weekly and monthly reports to its Members. These enable importing countries to closely monitor the wheat and coarse grains markets. However, their involvement in market and production efficiency improvement project work is limited. The ISO also provides its Members with market data and information and analytical studies, as well as endorsing and supervising CFC funded projects that aim to improve production and processing efficiency in developing countries. The IRSG, in conjunction with the provision of market information and analysis, is currently undertaking a study into the feasibility of creating a rubber option market that would result in stabilising market prices. In addition, the Rubber Study Group works very closely with the industry in trying to find solutions to improve market conditions. The ICO, as part of their efforts to improve coffee prices that have recently slumped to an historical trough, focus on introducing a trustmark for quality for the mainstream coffee, entitled Common Code for the Coffee Community (CCCC). The code is aimed to improving price condition for green coffee by establishing a new understanding of quality through sustainable production methods that relate to social and environmental standards.

5. It had been hoped that achievable, time-bound objectives could be specified in the strategy. However, it proved difficult for the Secretariat to formulate such objectives without the express commitment of relevant sectors of the industry. The Secretariat could make commitments only on the basis of the limited resources it has at its disposal. This is an area which the Joint Meeting might wish to consider for further development.

6. The three major streams contained in the Strategy are to expand markets and improve returns to fibre producers; to improve production and processing technologies and reduce costs; and, while seeking to improve the economic viability of these industries, to ensure that social and environmental standards are at least maintained and are improved where possible.

7. The Meeting is invited to review the draft and to propose any changes which may be required in order for it to be approved.

II. DRAFT COMMODITY DEVELOPMENT STRATEGY FOR THE IGG ON HARD FIBRES

A. BACKGROUND

8. Each of the three major hard fibres (sisal, abaca and coir) is confronted by similar serious problems, the contraction of their markets due largely to the growth of synthetic substitutes, which, coupled with increasing production costs, threatens their viability. However, these fibres are not homogeneous materials going into the same end-products but, rather, they serve widely differing end-use markets. The bulk of sisal goes into harvest twine, although other outlets are absorbing increasing quantities of fibre. Abaca is used primarily in specialty papers, white coir predominantly in floor coverings and brown coir in rubberized pads and mattresses. Applications

of these fibres overlap only at the margins with sisal and abaca both being used in paper, sisal and coir in floor coverings and abaca and coir in ropes. In no case does any of the three fibres share a major end-use with another. Nor, for the most part, does any single country produce any significant quantity of more than one fibre, and modes of production differ significantly between fibres. In African countries, which account for a quarter of the world's production, sisal is produced essentially on single crop holdings. Brazil, which has well over 50 percent of the world's production, produces sisal as part of a mixed agricultural system so far as the climate permits. Abaca is grown largely in the Philippines as a secondary crop, while coir is produced by processors as a by-product of coconut oil, desiccated coconut and other coconut products almost entirely in India and Sri Lanka.

9. In cases where synthetics duplicate the technical characteristics of hard fibres and have a utilitarian function, they compete largely on price. Displacement has been fastest, for example, in cordage and twine applications. On the other hand, where hard fibres have properties which cannot be copied easily by synthetics or where they have a special consumer appeal, inroads into their market have been contained, and natural fibre products often enjoy a price premium. Such is the case for papers made from abaca and, in some cases, matting made from coir.

10. The aim of the development strategy for hard fibres is to strengthen the economic viability of the fibres industries in the face of a considerable loss of market in recent years. Measures which would lead to increased total production of fibre would, in the absence of a significant strengthening of demand, not be appropriate. A major part of the strategy is to expand consumption in non-traditional products with market potential and to check erosion of end-product markets. New and improved products should be developed, especially in applications where natural fibres have advantages over synthetics and where they can compete more successfully than those existing products which have been losing market share. Among these products are buffing cloths, geotextiles, carpeting, wall coverings, wire rope cores, non-woven products, handmade papers, building and packaging materials. At the same time, action is needed to promote the use of fibre products currently on the market in competition with synthetics.

11. One element to be featured in the promotion strategies for all natural fibres is their superior environmental friendliness vis-à-vis synthetics. Members of the Intergovernmental Group on Hard Fibres and a growing number of environmentally-conscious consumers have recognized that the damage to the environment, and the associated costs to the society, from disposing of synthetic end-products are considerably greater than those accruing from biodegradable products, such as hard fibres. The environmental advantage of hard fibres will not only be highlighted in promotion messages, but will also constitute an integral component of any research undertaken to improve the characteristics of traditional products or of the search for new ones within the overall strategy.

12. The strategy also emphasises the need to improve efficiencies of production and processing so as to reduce costs and improve product quality, thereby enhancing incomes, while it also aims at improving conditions of workers in fibre production, extraction and processing. It is becoming increasingly apparent that incomes in the industry might also be enhanced by finding ways to exploit these plants for products other than fibre, and by utilizing waste material for purposes such for biogas, stockfeed, etc, with the additional benefit, in many cases, of reducing environmental damage.

III. ELEMENTS OF THE STRATEGY

A. EXPAND MARKETS AND IMPROVE RETURNS

A1) Develop new outlets for fibre, particularly through the development of new products

13. Faced with the contraction in many traditional uses for fibre, one obvious way to recover aggregate sales is to find and develop new applications which can absorb increasing quantities of fibre.

14. Recent Progress: The Group's efforts to expand demand for fibres have concentrated on the development of new uses for fibre, including paper, building boards, geotextiles, etc, as these are seen as potential areas where natural fibres might have an advantage over other materials. The potential use of natural fibres as reinforcement in plastic composites in particular has attracted a lot of attention in recent years. The group's efforts have included a project in East Africa aimed largely at exploring the potential for using sisal for paper pulp; a seminar on Alternative Uses for Sisal and Henequen; a project on the development of building and packaging materials from coir; a fast-track project on the use of coir in composites; a new project on the use of sisal in building materials; and a review of the potential use of natural fibres in geotextiles.

15. These efforts have had a moderate degree of success, but they have not reached beyond the level of the development of technology. Further steps are needed to ensure that fibre actually reaches a market in these newly-developed areas.

16. Action: Identify new alternatives with most potential, particularly in composite materials. Seek and apply funding for further R&D and for market development as needed. Identify and work with partners in industry to promote the use of fibres in new applications.

A2) Check erosion of the market for traditional fibre products

17. Some traditional outlets for fibre have contracted markedly since the introduction of synthetic materials in the 1960s and 1970s. Sisal baler twine and jute sacks are among the most affected. As a result, the total global trade in sisal fibre and products shrank from 450 000 tonnes in 1980 to below 200 000 tonnes in recent years. Trade in jute fibre and products has almost halved during the same period. Aggregate levels of coir and of abaca traded have held up rather better during this period, although these markets have often provided limited remuneration to producers and exporters. The diverse range of coir products, including mats and mattings, continues to find a market, and abaca lost most of its traditional market for cordage long ago and now finds a steady outlet mainly in a range of applications for pulp.

18. Recent Progress: The promotion of traditional products has not, in practice, been given a high priority by the Group, which has felt that focussing on non-traditional applications was likely to be a more effective way to increase sales of fibre. There might, however, be ways to modify the rate of contraction in demand for sisal baler twine, and to strengthen demand for some traditional coir products. An approach to the manufacturers of hay baling equipment has been suggested, as the design of this equipment determines its suitability for sisal twine or substitutes. If they could be persuaded to market machinery which used sisal twine then some of the lost market might be recovered. Alternatively, promotion based on the environmental friendliness of natural fibre might increase sales.

19. Action: While the promotion of traditional applications will have a lower priority than development of new applications, the Group will take any opportunity available to reduce or halt the decline in these markets.

20. Note A1 and A2: In seeking to develop new markets and to strengthen old ones under strategies A1 and A2 above, the Group will seek to maximise the advantages provided by the environmental friendliness of these fibres. In order to capitalise on any advantage that exists, it may be necessary to ensure that this environmental friendliness is not compromised, and to ensure

that it is adequately demonstrated to the consumer. Action may be taken where necessary to improve the environmental attributes of hard fibres (See Strategy C below)

A3) Increase the flow of market information

21. Information on market conditions for fibres in international markets is important for producers, exporters and policy makers. One of the primary functions of the IGG is to facilitate the sharing of market information among its members. The FAO Secretariat has regularly provided market information and analysis to meetings as well as at various times between meetings in both printed bulletins and on the FAO website.

22 Recent Progress: The Secretariat collects statistical information which it disseminates together with market analyses. In recent years this information has become more readily available through electronic means, thus being more accessible to many members, while printed copies continue to be circulated.

23. Action: The Secretariat will continue to improve its collection and dissemination of market and trade information and analyses. In doing so, it will continue to rely on the support of member countries in providing information.

A4) Trade issues

24. Raw fibre is generally traded free of tariffs or other barriers, but imports of manufactured fibre products into some countries are taxed at high levels. These tariffs, together with shipping and other costs associated with exporting from one country to another, inhibit trade and significantly reduce the returns to the industry. While recognising that neither the IGG nor FAO have a direct role in the negotiation of trade policies, the Group will nevertheless monitor trade barriers and take what steps it can to encourage their reduction.

25. Action: The Secretariat will continue to undertake analyses and provide information to the Group on the impact of developments in trade policies.

B. IMPROVE PRODUCTION AND PROCESSING EFFICIENCIES, REDUCE COSTS

B1) Improve efficiencies of production and processing, including the development of improved agronomic practices and new or modified plant species, so as to reduce costs and improve product quality

27. While the primary focus of the Group's activities has been to strengthen demand for fibre, improving processing and reducing production costs remain an important part of the Group's efforts to improve the viability of the fibre industries. Improved fibre processing remains a priority especially for the coir industry which, in addition to reducing costs, seeks to improve product quality and thus strengthen demand. Improvement of agricultural production, particularly for sisal and abaca, is also a high priority.

26. Recent Progress: Project work, particularly on coir, has addressed processing technologies, and more project work will be undertaken to continue this work. Some progress has been made with agronomic practices in the East African sisal project and with plant species in the Abaca project.

27. Action: Resources will be sought for further efforts to reduce production and processing costs. The Secretariat will support research institutions and other bodies seeking funding to improve the efficiency of production and processing particularly for sisal and abaca.

B2) Investigate ways to exploit these plants for products other than fibre, and utilize material which would otherwise go to waste

28. Recent Progress: The CFC-financed project on sisal in East Africa has included a component to improve the utilisation of waste material as flume tow and as animal feed from sisal, and the potential for using fibre from the whole plant (not just the leaf) for pulp. A project on utilising sisal waste for the production of gas for fuel commenced in Tanzania in 2004. There is also potential to exploit the sisal plant for certain chemicals, but this has not been explored by the Group under this strategy. In the case of coir, the Group's concern does not cover the many products of the coconut, but only of the husk. Here, however, there are also by- products with economic value and an early project promoted the market for coir pith, a material that formerly went to waste.

29. Action: The Secretariat will continue to support the Group in its endeavours to obtain support for activities to increase the saleable material produced from these plants.

B3) Strengthen the institutional capabilities of the developing countries so as to be able to undertake their own research and development

30. Recent Progress: While no project has been proposed specifically to strengthen institutional capabilities, facilities have been established and upgraded and training undertaken in various projects – including those on sisal, abaca, coir building boards.

31. Action: Continue to seek to include capacity-building elements within commodity development projects.

C. SOCIAL AND ENVIRONMENTAL ISSUES

32. The strategy now calls for additional efforts to improve the conditions of workers in the fibre industries, particularly towards ensuring that children are not exploited; and for strengthening efforts to minimise any environmental degradation which results from the production and processing of these fibres.

33. Recent Progress: Some research has been undertaken to reduce the disposal of waste from sisal and to make economic use of coir pith, which have the double impact of reducing environmental damage while at the same time improving returns to producers.

34. Action: Concern for these issues will be shown primarily through the manner in which other strategic priorities are promoted, rather than as high-priority areas for action in their own right. The Group will ensure that all its efforts to promote the viability of hard fibre production are consistent with the maintenance of high environmental and social standards. Efforts will continue to establish the environmental credentials of natural fibres, and to identify areas where any action is needed to "clean up" production and processing.

IV. CONCLUDING COMMENTS

35. The Secretariat would expect to finalise the Strategy in the light of the consideration of this draft by the Joint Meeting. If necessary, a revised version would be presented to the next Meeting for final endorsement.

36. It is now eight years since the IGG on Hard Fibres first adopted its strategy. It is to be expected that a document such as this would need to be reviewed from time to time, in the light of developments in the global fibres economy. Thus the Meeting may wish to have the reconsideration of this document placed on its agenda in perhaps another six or eight year's time.