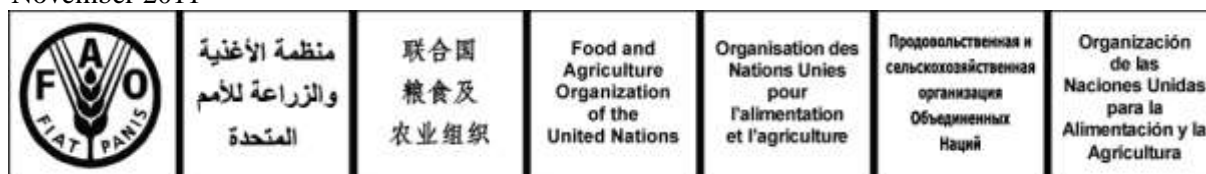


November 2011

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# COMMITTEE ON COMMODITY PROBLEMS

## SIXTY-NINETH SESSION

Rome, 28 - 30 May 2012

### REPORT OF THE 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 AND THE SEVENTEENTH SESSION OF THE SUB-GROUP OF SISAL PRODUCING COUNTRIES (Salvador, Bahia, Brazil, 16 - 18 November 2011)

## I. INTRODUCTION

1. The 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 was held on 16-18 November 2011 in Salvador, Bahia, Brazil. It was attended by delegates from the following member countries: Bangladesh, Brazil, Colombia, Finland, Germany, Guatemala, Malaysia, Nigeria, Philippines, Portugal and the United Republic of Tanzania. Observers attended from the Common Fund for Commodities (CFC), the International Jute Study Group (IJSG) and the International Natural Fibres Organization (INFO).
2. His Excellency, Eduardo Salles, Secretary of Agriculture, Government of the State of Bahia, opened the Joint Meeting on behalf of the Government of the Brazil, and the opening statement was given by Mr Kaison Chang, Secretary, Intergovernmental Groups on Hard Fibres and on Jute, Kenaf and Allied Fibres, on behalf of the Director-General.
3. The Meeting elected Mr Wilson Andrade (Brazil) as Chairperson, Mr Markku Vilkki (Finland) as First Vice-Chairperson and Mrs Cecilia Gloria J. Soriano (Philippines) as Second Vice-Chairperson.
4. The Meeting adopted the Provisional Agenda CCP: HF/JU 11/1 and the Provisional Timetable CCP:HF/JU 11/Inf.2 as presented by the Secretariat.
5. The Joint Meeting decided that its report would be prepared by the Secretariat for adoption on Friday afternoon, 18 November 2011.

## II. ECONOMIC AND POLICY ISSUES

### A. CURRENT MARKET SITUATION AND MEDIUM TERM OUTLOOK

6. The Joint Meeting reviewed the current market situation with the assistance of documents CCP: HF/JU 11/CRS 6 and CCP: JU/HF/ST/2011/1. Several delegates took the opportunity to update information pertaining to their countries.

7. The Meeting noted that since the mid-2000s the potential demand for natural fibres in innovative industrial uses had increased due to rising prices of synthetic substitutes and environmentally friendly properties of natural fibres. While production and trade of most fibres declined in 2008 and 2009, due to tight supplies and the slow-down in the global economy, markets began to recover in 2010 and, except for jute, might be poised for stronger growth in 2011 and 2012. In addition, with the sustained high prices of crude oil, it had become increasingly difficult for petroleum based substitutes, such as poly propylene (PP) to absorb price increases along the value chain, resulting in rising prices of synthetics and increased competitiveness of natural fibres.

8. The Meeting agreed that the regular assessment of the current market situation and medium-term projections were necessary in identifying potential growth markets and focused efforts at expanding demand of these fibres. The supply and demand analyses were also necessary for strategic planning and formulating enabling policies to support the development of the sub-sectors. Hence, the Meeting recommended that countries provide the information necessary to carry out the assessment as listed in documents CCP: HF/JU 11/CRS 6 and CCP:HF/JU 11/CRS 5, data required for modelling/projections and policy monitoring. The Secretariat was requested to liaise with the membership to facilitate this exchange.

### B. REPORT ON SUBSIDIARY ACTIVITIES

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

9. The Report of the Sub-Group of Sisal and Henequen Producing Countries was presented and endorsed by the Joint Meeting. The Report of the Sub-Group is appended as Annex 1.

#### *Report of the Consultation on Natural Fibres (Salvador, Bahia, Brazil, 14-15 November 2011)*

10. The Joint Meeting was informed of the outcome of the Multi-Stakeholder Consultation held prior to its session which aimed at heightening awareness of the technical, environmental, economic and social attributes of natural fibres, in particular sisal. It had provided a unique opportunity for fibre producers, processors, researchers and scientists and industry representatives to explore possibilities for working together towards more sustainable, environmentally friendly and commercially viable partnerships for the future. The Meeting noted that the Consultation was made possible with financial assistance from the Government of Germany.

11. The Meeting noted that the Consultation covered a wide range of topics including the role of natural fibres in innovative fibre products; environmental, sustainability and certification; waste management systems and developing country experiences. The Consultation stressed the need for continued collaboration among stakeholders as an important condition for mapping the road forward.

12. The major conclusions included: the need to integrate fibres into innovative uses on the basis of established and new technologies; pharmaceutical products and energy; aimed at zero waste in processing; harmonized standards and achieve cost-effective certification schemes; and involve smallholders in production enhancement.

### **C. INFORMAL PRICE ARRANGEMENTS FOR SISAL, ABACA, JUTE AND KENAF**

13. The Meeting reaffirmed the standpoint of the Sub-Group of Sisal and Henequen Countries that the setting of indicative prices 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.

14. The Meeting adopted the recommendations for sisal fibre and baler twine informal prices made by the Seventeenth Session of the Sub-Group of Sisal and Henequen Countries, held on 18 November 2011. These were as follows:

- The indicative price range for Brazilian No. 3 fibres should be set at USD 750 to USD 850 per tonne, f.o.b. Salvador;
- The indicative price range for East Africa UG fibre should be set at USD 900 to USD 1 200 per tonne, f.o.b.;
- The indicative price for sisal and henequen baler twine should be set at USD 28 to USD 30 per 18 kg bale of regular runnage, f.o.b. Salvador.

15. For jute and abaca fibres, the Meeting made the following recommendations:

- The indicative price for Bangladesh jute should be set at USD 300 per metric tonne sight, for BWD grade fibre f.o.b. Mongla/Chittagong;
- The indicative range of the indicator price of abaca, namely the average of S2, G and JK hand cleaned non Davao grades, should be increased by at least 25 percent to USD 160 to USD 233 per bale of 125 kg f.o.b. Manila port.

16. For kenaf the fibre price in Malaysia is monitored by the National Kenaf and Tobacco Board (NKTB). Indicative prices 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.

### **D. POLICIES AFFECTING TRADE IN FIBRE AND PRODUCTS**

17. The Joint Meeting recommended that the Secretariat actively engage in monitoring policy developments in trade and market developments, including their impact on countries and regions. To this end, the existing questionnaire should be modified to include issues addressed in document CCP:HF/JU CRS 5 and other emerging trade-related issues from the Consultation.

18. The Secretariat should work together with the Champions and other stakeholders to synthesize the numerous studies and make them available to Members. Develop partnerships among FAO, the Champions and other relevant stakeholders to improve information sharing and dissemination.

### **E. VALUE CHAIN ANALYSIS**

19. The Meeting emphasized that value chain analysis was a valuable tool that would provide a better understanding of the characteristics of the value chain to assist in improving the economic viability of jute and hard fibres and enhancing the participation of smallholders. However, analysis had to be done on each fibre rather than collectively.

## **III. INTERGOVERNMENTAL ACTION**

### **A. STANDARDS AND CERTIFICATION**

20. Delegates agreed that a holistic approach to addressing issues on standards and certification would be through sustainability certification. Discussions could be initiated to harmonize technical standards and increase market transparency.

## **B. EVALUATION OF THE INTERNATIONAL YEAR OF NATURAL FIBRES 2009**

21. The Meeting was informed of the evaluation of the International Year of Natural Fibres 2009 (IYNF) that was carried out for the FAO Conference in June 2011. Delegates noted the transition underway of the centralized effort to representative organizations of natural fibre industries which should secure sustainable success in relation to IYNF objectives.

## **C. COMMODITY DEVELOPMENT ACTIVITIES**

### *Strategy*

22. The Joint Meeting agreed that although all the elements of the strategy as described in document CCP:HF/JU 11/3 remained relevant, there was a need to focus on priority areas. These are reflected under the section on Intergovernmental Action Plan and included the following:

- Policy;
- Research and development;
- Analysis;
- Standards and certification;
- Value chain; and
- Promotion and networking.

### *Project funded by the Government of Germany*

23. The Joint Meeting was informed of the Project financed by the Government of Germany concerning *Unlocking Commercial Fibre Potential in Developing Countries: Strengthening Global Value Chains for Rural Development, Poverty Alleviation and Environment* (GCP/INT/115/GER). The project was scheduled to be completed in 2015 with funding of USD 620 000 in Phase I and USD 2.53 million in Phase II. It was noted that the project targeted farmers and vulnerable communities in some of the world's poorest countries, Haiti, Mozambique and Tanzania, but it would also establish opportunities for the commercial-led replication of integrated tropical value chains in other countries.

24. The Meeting supported the objectives of the Project and noted that a number of activities had already been initiated. These included the Consultation that took place prior to the Joint Meeting that laid a basis for raising awareness and helping to build partnerships. The Meeting also expressed appreciation for the Future Fibres website ([www.fao.org/economic/futurefibres](http://www.fao.org/economic/futurefibres)) that had been built under Phase I of the Project (Output 3) calling for a web-based portal to disseminate information to end-users, potential investors and policy-makers online.

25. The Meeting looked forward to being kept informed of developments under the Project which reinforced the priorities of the Intergovernmental Group on Hard Fibres.

### *CFC project proposals*

26. In reviewing the status of CFC-funded projects, the Meeting noted that the two ongoing projects implemented by INFO, *Developing a blueprint for sustainability certification scheme for hard fibres* and *Developing a foresight framework: growing together future forum 2020*, were progressing satisfactorily. The Meeting also noted that the project on *Preliminary feasibility evaluation for utilization of sisal liquid waste (juice) for the production of pesticides and veterinary drugs* was completed successfully and approval was given to develop a second phase. However, the project *Sisal development: Sisal replacing asbestos in cement composites* that was implemented by SEBRAE was abandoned without completion. The representative from the CFC advised that this project could be replaced by a proposal on the use of sisal for construction.

27. The Meeting endorsed the following additional three proposals that were formally submitted to the Group for its consideration: *Establishing the feasibility of industrializing a de-greasing solvent from fique juice*; *Enzymatic route of ethanol production from sisal*; and *Green coconut fibre products*:

*Opportunity for South South cooperation between Brazil and Africa around the creation of the socio-environmental Coconet (South South Coconet).*

28. The Secretariat informed delegates that the project *Upgrading sisal biogas to bio-methane for use as fuel in tractors and other vehicles*, which was endorsed at the last Joint Meeting would be resubmitted to the CFC.

29. The Meeting recommended that a panel of experts be established for the screening of all new project proposals, and delegates were urged to provide the Secretariat with names of experts from their countries.

#### **D. PROMOTION**

30. In indicating the continued need for promotion, delegates agreed to the creation of a working group to assist the Champion. The work of the Champion and the working group is described in full under the Intergovernmental Action Plan on promotion

### **IV. WORK PROGRAMME AND OPERATIONAL PROCEDURES**

#### **A. INTERGOVERNMENTAL ACTION PLAN**

31. Based on the Group's renewed strategy, the Joint Meeting devised and agreed upon the following intergovernmental action plan, which called for immediate progress to be made in all strategic areas. The Meeting also emphasized that the scope of the priorities could be amended as and when required. Unless indicated otherwise, the Secretariat will be responsible for implementing the Action Plan under the guidance and assistance of the nominated "Champions".

##### **a) Policy**

- Actively engage in monitoring policy in trade and market developments, including their impact on countries and regions. To this end, the existing questionnaire should be modified to include emerging trade related issues.
- Synthesize the numerous studies and make them available to Members. Develop partnerships among FAO, the Champions and other relevant stakeholders to improve information sharing and dissemination.
- Analyze policies which impact consumption of fibres.
- Governments to be involved with policy formulation related to fibres.

**Champion:** Mr Wilson Andrade (Chairperson), Mr Salum Shamte

##### **b) Research and development**

- Agronomic
- Processing
- Markets
- Programme on R & D will be developed by the Champions and submitted for consideration of the Groups by early February 2012. The Secretariat with the guidance and assistance from the Champions.
- Innovation and replication

**Champions:** Messrs Alcides Lopes Leão, Dilip Tambyrajah and Ms Ines Toro Suarez

##### **c) Analysis**

- Market outlook and projections of raw materials and products
- Foundation for model building
- Annual market reports
- Strengthen and improve data capability through FAO Representatives and other sources

- Mechanism for dissemination and analysis
- Greater focus should be given to market conditions and trends, including local and regional markets, the impacts of biotechnology on trade, demand for traditional products in emerging or lesser-known markets and opportunities for sisal and other fibres in the construction industry.

With the guidance and assistance from the Champions, countries should provide information necessary to carry out the work on analysis, including the regular market assessments and medium term projections.

**Champions:** Mr Hamisi Mapinda

**Members of the Working Group:** Colombian Chain of Value for Fique, Fiber Industry Development Authority, National Kenaf and Tobacco Board of Malaysia, Tanzania Sisal Board, The Jute Study Group, The London Sisal Association, The Philippine Coconut Authority and any others

*d) Standards and certification*

- The Champions will identify and review standards and certification requirements and advise the Secretariat of existing and continuing work in this area for dissemination to the Groups. Deadline: March 2012

**Champions:** Messrs Dilip Tambyrajah, Alcides Lopes Leão, Ahmad Bin Loman and Peter Clasen

*e) Value chain*

- Analysis of each fibre value chain which should also underpin research and development efforts to maximize plant utilization and identify options for improving smallholder participation in the value chain.
- Product/process development should aim at 100 percent utilization.

The Secretariat with the guidance and assistance of the Champion will coordinate and map the way forward for value chain analyses requirements of the Groups.

**Champion:** Mr Daniel Cruz

*f) Promotion and networking*

- The suggestion of the creation of a working group to assist the Champion was seen as being the way forward
- Natural fibres could be promoted through private sector companies that use natural fibres in their products (i.e. automobile industries) and greater use of the Future Fibres website to share information on available research
- The Committee on World Food Security (CFS) could collaborate with the IGG/HFJU, particularly in the area of job creation, poverty alleviation and increasing food security
- Promotion idea: natural fibres industry to work with plastic industries
- Logo needs to be improved, especially the sisal and jute plants
- E-groups/blogs
- Share information
- Advertise websites
- Prioritize

The Secretariat will liaise with the Champion to promote the work of the Group via the electronic forum to be included in the Future Fibres website.

**Champion:** Mr Wilson Andrade (Chairperson)

**Members of the Working Group:** Ms Cecilia Gloria J. Soriano, Messrs Dilip Tambyrajah and Alcides Lopes Leão

## **B. EVALUATION OF THE INTERGOVERNMENTAL COMMODITY GROUPS**

32. The Joint Meeting was informed of the work by the Committee on Commodity Problems (CCP) through an open-ended working group established under the guidance of the Chairperson of the CCP to evaluate the IGGs.

33. A detailed analysis of the role of the IGGs had been undertaken and the report had been made available to Permanent Representatives to FAO.

34. The Joint Meeting stressed that the IGGs performed a useful function and that adequate resources should be made available for the continuation of their valuable work programmes. For hard fibres, the IGG was the only body available to assist producing countries where the fibres had significant income and food security implications for poor rural populations. It also provides a forum for producers and consumers to exchange views. Attention was drawn to the information and development activities implemented by the IGGs, and the spirit of constructive collaboration that had grown between the scientific and policy communities, allowing countries to gain access to information regarding new technologies and research developments that would not otherwise be available to them.

35. With regard to working arrangements, the Meeting expressed the view that there was a need to find ways to institutionalize private sector participation to create additional value to the work of the IGGs. It was pointed out that interpretation requirements limited the possibility of poorer countries to host sessions of the IGGs and gain the benefits of direct exposure. As all the Joint Meetings of the IGG HF/JU held outside headquarters had been conducted in English, it was suggested that sessions might be convened in one language only.

## **V. OTHER MATTERS**

### **A. ANY OTHER BUSINESS**

36. Several delegates attending the Joint Meeting for the first time expressed appreciation and briefed delegates of developments in their respective countries.

### **B. DATE AND PLACE OF THE NEXT SESSION OF THE JOINT MEETING OF THE IGG ON HARD FIBRES AND THE IGG ON JUTE, KENAF AND ALLIED FIBRES**

37. The Joint Meeting noted with appreciation the offer of Colombia to host the next session, to be held in 2013. However, the exact date and venue would be determined by the Director-General of FAO in consultation with the Chairperson.

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

**I. INTRODUCTION**

1. The Sub-Group of Sisal and Henequen Producing Countries held its Seventeenth Session at the Catussaba Resort Hotel in Salvador, Bahia, Brazil, on 15 November 2011. It was attended by delegates from Brazil, Colombia and the United Republic of Tanzania. An observer from the Common Fund for Commodities also attended.

2. Mr Hamisi Mapinda (United Republic of Tanzania) was elected as Chairperson and Ms Ines Toro Suarez (Colombia) as Vice-Chairperson. The Sub-Group adopted its agenda as proposed by the Secretariat.

**II. MATTERS FOR CONSIDERATION BY THE SUB-GROUP AND SUBMISSION TO**  
**THE INTERGOVERNMENTAL GROUP ON HARD FIBRES**

3. The delegates reiterated the relevance of the Sub-Group in assisting producing countries arrive at a common position in setting indicative prices and agreeing on project proposals to be submitted to the Intergovernmental Group on Hard Fibres.

**A. RECOMMENDATIONS REGARDING PRICES OF SISAL FIBRE AND**  
**HARVEST TWINE**

4. In response to the Secretariat's query, the Sub-Group reiterated that the setting of indicative prices 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. The importance of this exercise was emphasized in the enactment of the Crop Laws Miscellaneous Amendment Act 2009 in Tanzania.

5. The Sub-Group made the following recommendations:

- The indicative price range for Brazilian No. 3 fibres should be set at USD 750 to USD 850 per tonne, f.o.b. Salvador;
- The indicative price range for East Africa UG fibre should be set at USD 900 to USD 1 200 per tonne, f.o.b.;
- The indicative price for sisal and henequen baler twine should be set at USD 28 to USD 30 per 18 kg bale of regular runnage, f.o.b. Salvador.

6. The Sub-Group was informed that the current price for Colombian fique was USD 700 to USD 800 per tonne, f.o.b.

**III. SISAL AND HENEQUEN PROJECTS**

7. The Sub-Group recommended that the following proposals be submitted to the IGG on Hard Fibres for consideration:

- "Sisal development: Sisal replacing asbestos in cement composites";
- "Upgrading sisal biogas to bio-methane for use as fuel in tractors and other vehicles";
- The second phase of the project "Preliminary feasibility evaluation for utilization of sisal liquid waste (juice) for the production of pesticides and veterinary drugs"; and
- "The use of fique juice for de-greasing".



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

**A. DATE AND PLACE OF THE EIGHTEENTH SESSION**

8. The Sub-Group recommended that its Eighteenth Session be convened at the site of and immediately prior to the Thirty-ninth Session of the Intergovernmental Group on Hard Fibres.