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COMMITTEE ON COMMODITY PROBLEMS

Seventy-first Session

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REPORT OF THE JOINT MEETING OF THE THIRTY-EIGHTH SESSION OF THE INTERGOVERNMENTAL GROUP ON HARD FIBRES AND THE FORTIETH SESSION OF THE INTERGOVERNMENTAL GROUP ON JUTE, KENAF AND ALLIED FIBRES (Bogota, 25–27 November 2015)

I. Introduction

1. The Joint Meeting (JM) of the Thirty-eighth Session of the Intergovernmental Group (IGG) on Hard Fibres and the Fortieth Session of the IGG on Jute, Kenaf and Allied Fibres was held from 25 to 27 November 2015 in Bogota, Colombia. It was attended by 28 delegates from the following member countries: Brazil, Colombia, Cuba, Kenya, Philippines, Poland, Sri Lanka and the United Republic of Tanzania. Observers attended from the International Natural Fibres Organization (INFO) and the London Sisal Association.
2. The session was jointly inaugurated by Mr César Oliveiros Cárdenas, Director, Ministry of Agriculture and Ms Cecilia María Vélez White, Chancellor, University of Bogota Jorge Tadeo Lozano. Statements were also delivered by Mr Luis Dussán, Finagro and Mr Julio Ramírez, Agriculture and Livestock Research Corporation. The opening statement was delivered by Mr Rafael Zavala, FAO Representative in Colombia, on behalf of the Director-General.
3. The Meeting elected Ms Jennifer Castillo (Colombia) as Chairperson, Mr Wilson Andrade (Brazil) as First Vice-Chairperson and Mr Deogratias Ruhinda (United Republic of Tanzania) as Second Vice-Chairperson.
4. The Meeting adopted the Provisional Agenda CCP: HF/JU 15/1 and the Provisional Timetable CCP:HF/JU 15/Inf.2.
5. The JM decided that its report would be prepared by the Secretariat for adoption on 27 November 2015.

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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:HF/JU 15/CRS 2 which contained production, trade and price tables and were compiled from statistics provided by members of the IGG on Hard Fibres and the IGG on Jute, Kenaf and Allied Fibres. As data and market information updates from several countries were provided to the Secretariat, the Meeting agreed that document CCP:HF/JU 15/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 increased in 2014 leading to higher prices, particularly for abaca used in the production of tea bags and coffee filters and sisal demanded by the construction industry. In addition, concern continued to be expressed at the possible change in the supply structure of sisal in Brazil, the world's largest producer, as growers migrated to urban areas due to hardship caused by drought, which is expected to intensify with the El Niño weather phenomenon.

7. As for the medium term projections, delegates provided some excellent insights to development programmes in their respective fibres subsectors which would allow adjustments in supply levels in line with rising demand. There were some reservations on the model used for generating the projections. The Secretariat took note of the JM's concern and welcomed offers to provide a better methodology and model that would improve projections. The JM noted that major gaps in data provided to the Secretariat were a major concern, and the Secretariat was not able to prepare its annual statistical compendium for the hard fibres, jute, kenaf and allied fibres before the Joint Meeting because data was incomplete. In acknowledging that it was extremely difficult to analyse the market because of lack of accurate data, the JM agreed to improve the provision of data to the Secretariat.

III. Price trends for sisal, abaca and coir

8. The Meeting reaffirmed the standpoint of the Sub-Group of Sisal and Henequen Producing 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 1 400 and USD 1 500 per tonne, f.o.b. Salvador; and
- East Africa UG fibre between USD 1 900 and USD 2 150 per tonne, f.o.b. Although this is the price range, there are some sisal sold particularly to the construction sector, which has attained up to USD 2 300 per tonne.

10. Abaca prices were provided by the Philippine delegation as follows (FOB USD/tonne):

Grade	2015	2016	2017	2018
S2	1767	1856	1949	2048
G	1585	1679	1768	1862
JK	1423	1505	1592	1684
Y	1271	1358	1452	1551

11. Coir prices in USD per tonne were provided by the delegate from Sri Lanka:

Year	Mattress fibre	Bristle fibre	Coir yarn	Twine	Pith
2014	383	401	782	707	318
2015 (to March)	365	510	715	1104	274

A. Report on subsidiary activities

i) Report of the Nineteenth 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.

B. Policy review

13. The JM examined this agenda item with the assistance of document CCP:HF/JU 15/2 and noted that accurate data and analyses were prerequisites to formulate effective policy options which influenced economies in addressing poverty alleviation and improving food security and malnutrition.

14. The JM noted that at its last session, the Secretariat was requested to modify its annual questionnaire to include a comprehensive database of tariffs and non-tariff barriers so as to have a better understanding of the policy environment influencing international trade. However, the JM noted that the response rate to the questionnaire was extremely low, even after direct follow-up by the Secretariat to members of the Groups. In addition, several delegates mentioned the difficulties of obtaining proprietary information from the private sector. To rectify this situation, the JM suggested that the Secretariat also send copies of the questionnaire to the representatives of the institutes that normally attend the JM to improve the response rate.

C. The fique value chain in Colombia

15. In her capacity as delegate of Colombia, the Chairperson presented the analysis of the fique value chain in Colombia. The JM noted with interest the developments that had taken place and suggested areas that could be improved.

16. Sisal is a plant in the *Agavaceae* family, genus *Furcraea*, originally from Colombia, which grows at between 0-3 000 masl. It is a late flowering plant classified as a hard fibre. The main producing departments are: Antioquia, Cauca, Nariño and Santander, which account for 80 percent of national production. Colombia has a planted area of 20 000 hectares and produces 18 000 metric tonnes (2014). The set-up cost per hectare is USD 2 300 and the output value per tonne is USD 700 (2014). Sisal fibre is used to make packaging, twine, geo blankets, crafts, paper, reinforced fibre, agglomerates and heat insulation. Solid waste products (bagasse) are processed mainly for organic fertilizers and animal feed concentrates – and sisal juice is mainly used to produce sapogenins, sugars, alcohol and pesticides, among other things.

IV. Intergovernmental action

A. Possible project funding sources

17. This agenda item was considered with the assistance of document CCP:HF/JU 15/Inf. 3 which identified and compiled lending criteria of several possible sources of funding. However, the JM was informed that without well-defined, robust project proposals, a thorough analysis of possible sources of funding could not be undertaken.

18. Several delegates mentioned that it was not helpful if funding was only available at the country level as most countries were already aware of this and had engaged donors accordingly for country-specific programmes. What was needed was funding for projects that would benefit the groups as a whole. The JM was informed that most of the funding sources contained in the document provided funding on a country-specific basis rather than through groupings such as the membership of the IGG/HFJU. The JM requested the Secretariat to do further work in this area.

B. Report of the working groups

19. The Observer from INFO tabled a document, *Now, the time to act!*, which contained the work of the Working Groups on Policy and Research and Development, as well as future areas of work that needed to be undertaken by the WGs. The JM endorsed the document and recommended follow-up.

V. Work programme and operational procedures

A. Terms of reference and rules of procedure of the IGG on Hard Fibres and the IGG on Jute, Kenaf and Allied Fibres and their relevance to the strategic objectives framework of FAO

20. The JM noted that implementation of FAO's strategic objectives for the next biennium (2016–2017) will begin on 1 January 2016. This JM was an opportunity to be fully involved in the planning and implementation of the JACKS programmes by prioritising the needs of these fibres and developing achievable targets and work plans in line with the strategic objectives (SOs) of the Organization (document CCP:HF/JU 15/CRS). The Groups reviewed their terms of reference with respect to their relevance in achieving objectives contained in the SOs and reiterated the need for the terms of reference (document CCP:HF/JU 00/7) to be as broad as possible in order to adapt to the changing environments. The JM also recommended that the CCP consider merging the IGG on Hard Fibres with the IGG on Jute, Kenaf and Allied Fibres in order to achieve critical mass, economy of scale and political relevance.

B. Intergovernmental action plan

21. The JM agreed to the priorities suggested under agenda item IV. B. being policy development and analyses, research and development, and sustainable development systems, including standards and medium term projections.

VI. Other matters

22. No other matters were discussed.

A. Any other business

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

23. The JM agreed that the Director-General would decide the date and place of the next session of the IGG on Hard Fibres and the IGG on Jute, Kenaf and Allied Fibres in collaboration with the Chairperson.

ANNEX 1

REPORT OF THE NINETEENTH 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 Nineteenth Session in Bogota, Colombia, on 25 November 2015. It was attended by delegates from Brazil, Colombia, Kenya and the United Republic of Tanzania. An Observer from the London Sisal Association also attended.
2. Mr Salum Shamte (United Republic of Tanzania) was elected as Chairperson and Mr Wilson Andrade (Brazil) 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. Matters for consideration by the sub-group and submission to the group

4. A review of current developments in the sisal sub-sector was provided by each delegation. The Secretariat has taken note of them, and they will be incorporated in the revision of its current market situation and outlook. In particular, the Sub-Group noted that the sisal prices remained firm, with forecast modest growth due to increased demand, particularly in the construction sector and the continued supply shortfall in Brazil in relation to demand.
5. Demand for sisal fibre from both Brazil and Africa has been in excess of production since the last session of the Sub-Group, pushing prices to unprecedented all time high levels. The Sub-Group agreed that the continued increase in prices would have a negative impact for some end-uses and would be detrimental to the whole sisal industry.
6. Since the middle of 2015, the demand for Brazilian sisal fibre primarily from China has dropped, and this, coupled with the movements in the exchange rate of the Real against USD, has impacted on the pricing level of all Brazilian grades. The collapse in the Chinese domestic market which has been a significant part of the export of raw sisal from Brazil is difficult to predict how long this is likely to be a factor but pricing has moved downwards from the high levels achieved during the first six months of 2015.
7. The African sisal market is still firm and for the moment it is not possible to predict if the decline in the Brazilian price could impact on the African market. As the fibre from each region is used for completely different end uses, the African market could remain at the current high pricing levels, but further increases are likely to be limited.

IV. Price trends for sisal fibre

8. 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".

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

- Brazilian Type 3 fibres between USD 1 400 and USD 1 500 per tonne, f.o.b. Salvador; and
- East Africa UG fibre between USD 1 900 and USD 2 150 per tonne, f.o.b. Although this is the price range, there are some sisal sold particularly to the construction sector, which has attained up to USD 2 300 per tonne.

V. Any other business, including date and place of the next session

10. The Sub-Group recommended that its Twentieth session be convened at the site and immediately prior to the Thirty-ninth session of the Intergovernmental on Hard Fibres, possibly in 2017.