

M. & W. HELLER

GEGRÜNDET 1871

Sisal Market Report update April 2024

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12.04.2024

BRAZIL

Exports of Sisal fibres and related products (baler twine, yarns, ropes, carpets etc.) in 2023 reached in total about 61.000 tons. Of total exports, raw Sisal fibre exports have a share of 45.200 tons. This is around 10.000 tonnes more than in the previous year 2022 (fibre exports in 2022 were total 35.000 tons).

In our last updates, we referred to the very remarkable increase in exports to China. This is now also reflected in the market share, which has risen from 62,5% in 2022 to 76.5% for 2023.

The major importing countries in 2023 were:
(the quantities are approximate)

China:	34.600 tons (76,5%) / (2022 approx. 22.500 tons / 62,5 %)
Portugal:	2.570 tons (5,6 %)
Algeria:	1.990 tons (4,4 %)
Mexico:	1.760 tons (3,8 %)
Spain:	870 tons (1,9 %)
Egypt:	700 tons (1,5 %)
India:	670 tons (1,4 %)
Indonesia:	620 tons (1,3 %)

A brief look at the first quarter 2024 show monthly exports to China are 30% below the previous year. One should wait and monitor further developments in the months of April to June - these were the months with exceptionally high exports last year (see previous market reports).

Feedback from the current market shows that Chinese importers continue to give preference to Brazilian Sisal - instead of African fibres. It is still too early to predict whether this trend will continue. The price difference between the standard qualities of Brazilian sisal and African fibres is still around USD 500 to 600 per ton.

Freight rates ex Brazil to Asia and the Far East have risen only slightly, despite the crisis in the Red Sea. However, transit times have increased. Transit times to many destinations in Asia and the Far East are now 70-90 days.

Due to the crisis in the Red Sea, all major shipping companies have changed their routing - which has led to significantly longer transit times in global trade. The hubs (transshipment ports) are often congested which leads to delays in transshipments.

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The last quarter of 2023 saw less rainfall in the regions where Sisal is grown - fortunately, this had no major impact on production. Weather conditions have improved in the first quarter of 2024 with plenty of rains all over the Sisal growing areas.

The biggest concern for the Brazilian Sisal industry, however, is the lack of labour. Brazil is recording its third annual increase in coffee production this year and many young workers are making their way from Bahia to the south to help with the coffee harvest.

This labour force is missing in Sisal, where only the elderly remain in the Sisal-growing regions. The result is a decline in production and rising prices for raw fibre from the field - correspondingly higher export prices.

The exchange rate of the Brazilian currency (the 'Real') to the US dollar has improved somewhat since the end of last year and has been at a level of around Real 5.0 per US dollar since March 2024.

In economic terms, the first year of the Lula government was not bad. In domestic policy, Lula achieved a comprehensive tax reform, which his government got through Congress with the help of votes from the opposition.

He can also point to economic and social policy successes. Last year, two million new jobs were created and the minimum wage was raised above the inflation rate. The West is increasingly distancing itself from Russia and China. Brazil is exploiting this gap and growing its economy alongside Moscow and Beijing.

During the opening ceremony of the first meeting of the National Council for Food Security (Consea), President Luiz Inácio Lula da Silva named the fight against hunger in Brazil as his government's top priority. The aim is to eliminate food insecurity by the end of his mandate in 2026, thereby fulfilling one of his election promises.

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KENYA

According to the Kenya Sisal Board (KSB), only about 23,000 tons of Sisal fibre and Tow had been exported in the period from January to December 2023. This is a very remarkable decrease of 20% compared to the previous year.

Exports of line fibre and Tows:

2019:	abt. 22.300 tons
2020:	abt. 28.770 tons
2021:	abt. 29.515 tons
2022:	abt. 28.900 tons
2023:	abt. 23.000 tons

(source: KSB / Kenyan Sisal Board / the quantities are approximate)

The major importing countries in 2023 were:

(the quantities are approximate)

Nigeria:	6.630 tons (29 %)
China:	2.750 tons (12 %)
Saudi Arabia:	2.560 tons (11 %)
Morocco:	1.850 tons (8 %)
Ghana:	1.370 tons (6 %)
Senegal:	960 tons (4 %)
Philippines:	800 tons (3,5 %)
Ivory Coast:	780 tons (3,4 %)
Spain:	740 tons (3,2 %)
Togo:	610 tons (2,6 %)
Benin:	575 tons (2,5 %)
Belgium:	550 tons (2,4 %)
Egypt:	530 tons (2,3 %)

There were some significant changes compared to the previous year.

Exports to Nigeria, in particular, have risen steadily over the past few years - most recently to over 11,000 tonnes in 2022. Last year down to 6600 tonnes - a decline of 40%. Nigeria (high inflation / currency devaluation) and other West African countries experienced slower economic growth over the past year. In addition, remittances in USD from many West African countries had become increasingly problematic (the State banks have no reserves).

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Exports to Ghana have fallen sharply. From around 3,300 tonnes in 2022 to just 1,370 tonnes last year - a decline of almost 60 %. Also exports to Saudi Arabia have dropped by around 30% compared to the previous year whereas exports to Morocco - as an exception to the downward trend - have almost doubled.

The construction industry (Sisal fibres are used for plastering / gypsum works) remains the most important sales market for Kenyan Sisal fibres. Exports to this industry account for more than 75% of the total exported Sisal fibers and Tow.

The Kenyan government has authorised the sale of 3,000 hectares of land belonging to a Sisal company. The Sisal plantation, located in the Rift Valley (one of the largest sisal estates in the world), was given the green light for sale after all environmental, health, safety and socio-economic concerns were met. The land is located on the strategic Voi-Mwatate road and the development/investment is expected to contribute to the economic growth of the community.

At the end of February 2024, the United Arab Emirates and Kenya signed a Comprehensive Economic Partnership Agreement (CEPA). "We will now seek to expand in all sectors, from food production and mining to technology and logistics," the UAE Minister of Foreign Trade said of the agreement. Kenyan State news agency WAM quoted Kenyan Trade Minister Rebecca Miano as saying that the agreement will play an important role in enabling Kenyan exports to access key markets in Asia and the Middle East and "stimulate investment inflows that will further develop our national capabilities".

Cargo volumes at the ports of Mombasa and Dar es Salaam have risen in the face of increased competition, with Mombasa highlighting its efficiency while Dar claims to offer favourable conditions. Container traffic in Mombasa, which serves several countries in the region, grew by 11.9 per cent in 2023 as trade and economic activity picked up, according to operator Kenya Ports Authority (KPA). In addition to Kenya, the port also handles goods to and from Uganda, Burundi, Rwanda, South Sudan, the Eastern Democratic Republic of Congo and Somalia.

In March 2024, Kenya granted UNOC (The Uganda National Oil Company (UNOC)) permission to import petroleum products via the port of Mombasa from June 2024. This overcame a long-lasting deadlock. During this deadlock, Uganda had also explored alternative routes via Tanzania.

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TANZANIA

The export volume of Sisal fibres and Tow from Tanzania has been continuously rising in the past years. A new high had been reached in 2023.

Exports of line fibre and Tows:

2020: 27,605 tons
2021: 28,900 tons
2022: 32,445 tons
2023: 36,290 tons

(source: TSB / Tanzania Sisal Board / the quantities are approximate)

This is another remarkable increase of almost 12% compared to the previous year. The production volume also increased from about 48,000 tonnes in 2022 to about 56,700 tons in 2023.

The major importing countries in 2023 were:

(the quantities are approximate)

China: 14.120 tons (38,8 %)
Nigeria: 5.155 tons (14 %)
Morocco: 4.660 tons (12,8 %)
Ghana: 3.500 tons (9,6 %)
Spain: 1.990 tons (5,5 %)
Saudi Arabia: 1.890 tons (5,2 %)
Philippines: 1.150 tons (3,2 %)
India: 545 tons (1,5 %)
Egypt: 500 tons (1,4 %)
Senegal: 400 tons (1,1 %)

About 45-50% of exports were destined for countries where Sisal fibres are used in the construction industry (e.g. Nigeria and other West African countries, Morocco, Saudi Arabia). Almost the other half goes to China for traditional industries such as spinning, weaving (carpet and cloth productions) and the paper industry.

The largest increases in export volume were recorded for destinations Morocco (up from about 2.200 tons in the year 2022 to about 4.600 tons in 2023) and Ghana (up from about 1.500 tons in the year 2022 to about 3.500 tons in 2023). The export volume to Nigeria remain almost unchanged. The most notable decline was in exports to Saudi Arabia, which fell from over 4000 tonnes in 2022 to only around 1900 tonnes in 2023.

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Early January, the Tanzania Ports Authority (TPA) presented its plans for the expansion of the seaports in Dar es Salaam and Bagamoyo. Bagamoyo is located about 70 kilometres from the capital Dar es Salaam on the coast to the north, while Zanzibar is less than 56 kilometres from Bagamoyo on the other side of the sea. Currently, the port of Dar es Salaam can accommodate ships with a maximum capacity of 8,000 TEU, while the largest container ships can now carry almost 25,000 TEU. There is therefore a clear need for an upgrade to accommodate these larger ships. Similarly, two more deep water berths are being built in the Bagamoyo harbours to handle the Ultra Large Container Carriers (ULCC). Tanzania is competing with Kenya to be the preferred gateway into the Eastern and Central Africa.

The Tanzanian government has also put Dar es Salaam's Kwala Dry Port into full operation, through which at least 60 per cent of goods are now handled. It is expected to rationalise handling in the port of Dar es Salaam. This comes at a time when the Port of Dar es Salaam is facing a huge increase in cargo volumes driven by the ongoing implementation of strategic projects and an improvement in mining and other economic activities in neighbouring countries.

Tanzania and Zambia have committed to jointly drive the establishment of a centre at Kwala Dry Port specifically dedicated to facilitating transit cargoes for Zambia. The aim is to facilitate business trade between the two SADC member states.

MADAGASCAR

Exports of Sisal fibre and Tow (according to statistics from Madagascar Customs) reached a total of approx. 5.200 tons for the period January to December 2023.

The major importing countries in 2023 were:
(the quantities are approximate)

China:	1.010 tons (19,6 %)
Spain:	1.000 tons (19 %)
Morocco:	995 tons (18,8 %)
India:	450 tons (8,5 %)
Ghana:	300 tons (5,8 %)
Senegal:	280 tons (5,3 %)
Philippines:	200 tons (3,8 %)
Oman:	150 tons (2,9 %)
Pakistan:	120 tons (2,3 %)

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The first four places in the ranking have remained unchanged for many years. The exported quantity is on similar level as the previous year. It is reported that there are increased exports of Sisal fibres via the port of Toamasina. In this connection, it is also reported that an increasing proportion of the Sisal fibres exported through this port are of dubious origin.

The south of the country (where the Sisal growing areas are located) has been suffering from persistent drought for years - with a negative impact on Sisal production. Yields per hectare (in dry raw fibre) have been reduced which makes it increasingly difficult to cover operating costs for the last remaining exporters.

Furthermore, the freight rates ex Ehoala are significantly higher compared to other ports of loading in East Africa where Sisal fibres are also exported from - such as Tanga, DaresSalaam, Mombasa or Nacala.

The aforementioned problems put exporters of Sisal fibres from Madagascar at a very serious competitive disadvantage - in an increasingly difficult market. It is therefore not surprising that many growers / exporters have already decided to stop production completely or at least temporarily.

Parliamentary elections are scheduled for May 2024. These will follow the boycotted and controversial presidential elections in November 2023, in which outgoing President Andry Rajoelina was re-elected.

Economic growth was mainly driven by domestic spending, while the contribution of net exports to growth was very low compared to previous years. Exports of minerals (nickel, cobalt) and gold (these were resumed after the suspension in 2020) are still moderately strong. Lower demand and lower prices for key Malagasy exports such as textiles, vanilla and spices have also dampened overall export performance in 2023.

Growth is expected to accelerate to an average of 4.6 % in the years 2024-26. This will support improved trade and tourism opportunities and a new impetus for private investment. This investment is expected as a result of effective structural reforms in key sectors such as mining, telecommunications and digital technologies, but the poverty rate is expected to remain high as job creation is likely to remain limited compared to population growth. It is therefore expected that around 24.8 million people in Madagascar will remain poor, a number larger than the total population of Burundi and South Sudan combined, where poverty rates are also very high.

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