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Abaca Market Report

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Introduction

Abaca *(Musa textilis nee)* or Manila Hemp, an indigenous plant in the Philippines, is a member of the same family as the banana and is grown for the production of fibre.

Abaca fibre has a variety of uses apart from its traditional use in cordage. It is used for the manufacture of casings for sausages and cooked meats, various kinds of speciality papers which are used for bank notes, tea bags and cigarette papers among others. Due to its non-slip properties ropes made from abaca find favour in the drilling industry and naval uses. It is also used in craft making.

Brief History

Abaca has been used in the Philippines for many centuries and until the present century the Philippines was the only country where commercial production was practiced. The traditional use for abaca fibre was in the manufacture of clothing and footware. In the 19th century its potential in rope making was recognised thus beginning the modern abaca fibre industry. In the 1920s abaca was introduced to Central America by the U.S. Department of Agriculture in order to reduce the dependence of the U.S navy on Philippine supplies. After World War II commercial trials were undertaken in Ecuador using the best of the Philippine varieties. Now Ecuador is the only other substantial commercial abaca producer in the world. Small quantities are produced in Costa Rica, Equatorial Guinea, Indonesia and Kenya. Malaysia once a producer no longer reports any production.

World market overview

With the development of synthetic fibres the market for abaca declined rapidly and after reaching a high of c. 250,000ha in 1980 the harvested area has declined to c115,000ha in 1998. Total production for these 2 years is given as 170,000 Mt & 90,000Mt respectively. The Philippine share of world production declined from 97% of the cultivated area in 1970 to 82% in 1998 and 95% of volume declining to 71% during the same period. Ecuador's share of the cultivated area during the same period increased from 1% to 14% but its volume share increased from just under 3% to 25% during the same period.

The volume of abaca fibre being traded on the world market has been steadily decreasing from a peak of 112,000MT in 1963 to 33,000MT in 1998 but has

been relatively stable since 1986. During that period the Philippine share of the world fibre market has been declining both in quantity and market share, falling from 105,000 MT to 20,000MT or from 95% of world market to 57%. During the same period exports from Ecuador have increased from zero to 11,000MT in 1980 and have further increased to 13,000MT in 1997. Ecuador now accounts for 39% of the world trade in abaca fibre.

Table 1: World Production in hectares of Abaca (Manila Hemp) 1970 to 1998

Area Harvested HA	1970	1980	1990	1998
World total	177,202	252,557	127,707	114,900
Costa Rica	950	1,000	1,000	1,100
Ecuador	1,850	13,807	17,700	16,380
Equatorial Guinea	1,000	1,400	1,800	1,800
Indonesia	200	480	510	620
Philippines	173,020	235,870	106,697	95,000

Table 2: World Production in metric tons of Abaca (Manila Hemp) 1970 to 1998

World	128,423	169,966	99,698	90,527
Costa Rica	950	1,000	1,000	1,100
Ecuador	3,600	11,046	17,198	23,287
Equatorial Guinea	400	480	510	500
Indonesia	700	251	500	600
Malaysia	373	0	0	0
Kenya	0	10	40	40
Philippines	122,400	157,179	80,450	65,000

During the 1970s new uses for abaca fibre were discovered and new market segments emerged. Abaca has now undergone something of a revival with relatively stable prices over the last 5 years. While the market is expected to continue to grow the Food and Agriculture Organisation (FAO) of the United Nations forecasts that the annual growth rate for the foreseeable future will average in the region of 2%.

Total fibre production in the Philippines in 1998 was 70,000 Mt., 48,000 of which was used for further processing by domestic industries. The domestic users are in three categories, namely pulp production, cordage and fibercrafts. In the ten years from 1989 to 1998 the overall growth rate was positive but the

usage for cordage declined. Table 3 gives the usage and overall market direction for the various categories.

Table 3: Production of manufactured product in the Philippines 1989 to 1998

Year	Total	Pulp	Cordage	Fibrecrafts
1989	36,899	17,238	14,896	4,765
1990	38,960	18,715	16,015	4,230
1991	40,190	21,971	14,205	4,014
1992	42,279	24,168	13,495	4,616
1993	42,871	23,926	13,846	5,099
1994	43,700	26,200	12,270	5,230
1995	44,240	24,870	12,100	7,270
1996	43,900	26,482	11,808	5,610
1997	44,935	26,650	12,520	5,765
1998	48,710	30,900	11,760	6,050
Average	42,668	24,112	13,292	5,265
% share	100	56.5	31.2	12.3
Growth rate	3.2	6.9	(2.4)	4.0

Table 4: Main export markets for Philippine abaca fibre and manufactured product in 1997

	Fibre	**Pulp**	**Cordage**
Total (metric tons)	**18,182**	**14,967**	**7,703**
Japan	6,570	5,725	
France		1,255	
Germany		6,610	
United Kingdom	6,759	151	273
United States of America	4,357	550	5,488

There are also some exports of abaca yarn, fabrics and craft work – mainly to Italy, Taiwan, U.K. Japan and USA.

Yields

Yields of abaca in the Philippines are low, averaging 700Kgs per ha. At current market prices of PHP15-20 per Kg this represents a gross income of PHP10,500 to 14,000 per Ha. Yields in the Philippines are now just half of what is being achieved in Ecuador.

Table 5: Yield (Kg/Ha) of abaca fibre in Ecuador and Philippines

World	724.7	673.0	780.7	787.9
Ecuador	1,945.9	800.0	971.6	1,421.7
Philippines	707.4	666.4	754.0	684.2

Conclusions and recommendations

While there has been a recovery in the world market for abaca fibres and manufactures the outlook for further growth is limited. The world supply and demand appears to be in equilibrium and demand for increased production would appear to depend on expansion of existing uses or on the discovery of new uses. There is manufacturing over capacity in the Philippines at the present time even though there are supposed to be plans to build a new processing plant which will increase capacity further.

Yields in the Philippines are 40% of what is considered achievable and 50% of what is achieved in Ecuador. There are a number of programmes in the Philippines to improve productivity and if these are successful they are likely to cater for any increase in demand in the short term.

One encouraging area is that the growth sectors are in the higher value products. Traditional hand woven cloth such as T'nlak which is woven by the T'boli indigenous people is poorly positioned in the market and commands very low prices for the weavers with a ten meter piece, which represents about 3 months work, being traded for PHP1,200 (US$30). Proper marketing could improve this position.

There are now entrepreneurs who are attempting to industrialise the weaving process in order to increase productivity and improve the incomes of the weavers. If outputs can not be increased there is a serious danger that weavers

will find it totally uneconomic. These entrepreneurs are introducing non-traditional designs which are specified by exporters of fashion goods. According to the buyers in manila demand for this type of product is strong and the limited supply is inhibiting market penetration.

There are also other weaves used in other areas of the Philippines. Further investigations will be conducted into the relative merits and strengths of each.

The programme has made some inquiries into the availability of technology which might improve the productivity of weavers. To date these inquiries have not yielded any results.

Hand made speciality papers is another potential export growth market.

Whether these outlets can be developed sufficiently is not clear at this time. Fashion and novelty goods are a higher value product than the bulk uses and could offer opportunities. Fashion and novelty items are often very cyclical and demand can go down as fast or faster than it went up.

Abaca prices are strong at the moment but that may have more to do with depressed production following the *el nino* phenomenon than any increase in overall demand. The situation needs to be watched carefully.

At current yields and prices abaca is not a high value crop. Hand stripping is laborious and often produces an inferior quality product. Traders who buy abaca and offer a stripping service usually charge 25% of the prevailing fibre price for the service.

The incidence of virus disease is high and can devastate yields. Where new plantings are being conducted the importance of disease free planting material can not be over emphasised.