



Sisal market report update December 2024

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BRAZIL

Export statistics for Sisal fibres from Brazil show a total of about 33.370 tons for the period January to November 2024 (worldwide destinations).

Between June and November, the quantities exported to China were on average around 2.000 tonnes per month - slightly below the average for the first half of the year. This is due to the high volumes recorded in April (3.600 tonnes) and May (4.800 tonnes). Overall, China (as the most important individual market) accounts for around 70% of the exported volume, followed by Algeria (around 9%), Portugal (around 6%), Mexico (around 3%) and India (around 2.8%).

While prices rose by around 10% between April and July, there has been a slight decline since October of this year. The development of the exchange rate is the decisive factor here - which has improved since the end of October / beginning of November from 5.70 reals per US dollar to a value of over 6 reals per US dollar (peaking at over 6.15 on 17 December). With regard to the price trend, it should be noted that prices in the domestic market - that is, at the producer's side - remain at a high level.

There is still a shortage of labour in sisal production and the higher prices paid to small farmers, since several months, have not yet led to a significant increase in production. Also, since November (until March / April), the season for baler twine has started again, which has led to increased demand from spinning mills.

Unfortunately, the shortage of labour in the countryside, in sisal production, is an ongoing issue, which becomes even worse during the coffee harvesting season (as we have seen it earlier this year). The weather conditions in the regions where sisal is grown have been quite favourable in recent years - there have been no significant periods of drought (as used to be the rule)

In the course of the year, freight rates ex Salvador / Bahia to Asia and the Far East changed only slightly - contrary to the trend in many other trade lanes, which recorded very significant increases. However, transit times are between 60 and 80 days, as practically all transshipment ports are congested.

In mid-December, Brazil's central bank raised its key interest rate by more than the expected 100 basis points and announced that it would make corresponding increases at its next two meetings. In doing so, the central bank signaled that it will not weaken its resolve in the fight against inflation. President Luiz Inácio Lula da Silva's government's eagerly awaited package of expenditure cuts fell short of expectations and undermined confidence in the government's ability to tackle rising public debt.

By end December Brazil took extraordinary measures to stem a collapse in its currency that's quickened in recent weeks - as investor concern mounted about the government's soaring budget deficits. The central bank sold over \$3 billion in local markets in back-to-back auctions in order to stop the sharp selloff that's pushed the real down more than 20% this year to a record low.

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In the third quarter of this year, the country's gross domestic product (GDP) rose by 0.9% - mainly due to growth in investment and private household consumption. The percentage is the same as in China in this period.

China's President Xi Jinping and his Brazilian counterpart Luiz Inacio Lula da Silva met at the end of November. This upgrades the status of diplomatic relations and agreements were reached on infrastructure, energy and agriculture - with the aim of strengthening relations between two of the world's largest developing countries. The state visit to Brasilia marked the end of a regional trip by Xi, which highlighted Beijing's growing diplomatic influence during the difficult change of administration in Washington.

Lula announced that Brazil and China have decided to strengthen their partnership and raise it to the level of a 'community of shared future for a fairer and more sustainable world', even without joining the New Silk Road (Belt and Road Initiative). Nevertheless, the Brazilian president emphasised his desire to expand and diversify trade with China, Brazil's most important trading partner since 2009, with a record volume of 157 billion dollars in 2023.

KENYA

Kenya's GDP is projected to grow at 4.7% in 2024, slower when compared to 5.6% in 2023 and closer to the country's pre-pandemic average of 4.6% per year between 2011-2019, according to the latest Kenya Economic Update. Agriculture rebounded, and services grew moderately. On the supply side, services accounted for 69% of the growth and agriculture for 23%, while on the demand side, household consumption accounted for 70%. Kenya's annual inflation rate rose to 2.8% in November 2024 from 2.7% in the previous month, marking the first advance since August. Still, it remains comfortably below the central bank's target range midpoint of 5%

Statement by IMF Deputy Managing Director Nigel Clarke at the Conclusion of His Visit to Kenya in December 2024: *"The Kenyan authorities face a difficult balancing act of fulfilling the aspirations of the Kenyan people by delivering on priority social and developmental needs even as debt servicing obligations consume a large share of government's revenues. In this context, we continue to encourage them to remain engaged with all relevant stakeholders and friends of Kenya on the path forward and effectively communicate to and engage with the people of Kenya on the policy options to strengthen public trust."*

Youth unemployment in Kenya poses a significant challenge, with nearly 75% of the population under 35 facing limited job opportunities. By equipping young people with the skills and resources to start their own businesses, the nation can create jobs and drive local economic growth. A youth employment program in Kenya (the Kenya Youth Employment and Opportunities Project - KYEOP - supported by the World Bank in Kenya) has benefited over 155,000 young people, allowing them to launch 86,000 businesses, creating 125,000 jobs, and increasing incomes by 50%.

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Kenya moves to halt the loss of cargo business to Dar es Salaam and initiated a series of measures to revitalize its cargo business at its ports, as this has been challenged by competition from the port of Dar es Salaam.

Mombasa and Dar es Salaam ports have registered an influx of ships by mid of December due to longer routes and end year cargo deliveries. Mombasa recorded 21 ships waiting at convenience compared to 38 ships at Dar es Salaam port. The influx has resulted in Mombasa port cancelling scheduled leave days for staff working in operation and cargo handling departments. According to KPA (Kenyan Port Authority), the increase in the number of vessels docking at the facility follows increased intervention to boost economic activities by the government.

Additionally, the increase in the number of vessels docking at the facility has been boosted by the onset of the festive season, coupled with the cashew nuts exporting season in the neighbouring Port of Mtwara in Tanzania.

Export statistics from the KSB (Kenyan Sisal Board) will be available early next year - the next market report will again contain a corresponding analysis (export volumes / markets etc.)

TANZANIA

Tanzania's growth has remained resilient, accompanied by low Inflation. Fiscal and current account deficits are narrowing, driven by improved tax collection and strong trade performance. The medium-term outlook is positive, with GDP growth expected to align more closely with its long-term potential (estimated at around 6%), supported by ongoing structural reforms and an improved business environment. The primary driver of overall growth is the service sector, which expanded by 7.3 per cent, fuelled by robust economic activities in the financial and insurance, transport and storage, and trade and repair subsectors.

The Tanzanian Shilling has gained more than 3% against the US-Dollar in the last two months - reaching a ten-month high by mid of December (the Shilling also appreciated against the Euro and the British pound). Projections indicate that the shilling will likely maintain its strength until first quarter next year. One of the reasons is certainly the stabilization of the US economy and the lower interest rates in the US.

With regard to the price trend for Sisal fibres, we see exactly the opposite effect compared to the development of the Brazilian real against the US dollar. Producers and Sisal spinning mills in Tanzania have cut back production and prefer to wait and see the coming weeks, as the markets (especially China, that takes almost 40% of the exported fibres) are not yet prepared to accept higher prices (due to increased production costs).

It is still too early to predict how significantly the exchange rate will impact Sisal production and exports in the months to come. Export statistics from the TSB (Tanzania Sisal Board) will be available early next year - the next market report will again contain a corresponding analysis (export volumes / markets etc.)

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Tanzania has achieved 128% food security, allowing it to export surplus produce to neighbouring countries, according to President Samia Suluhu Hassan. She announced this development on 31 October at the World Food Prize Norman E. Borlaug International Dialogue in Iowa. Tanzania has also reached a new milestone by becoming a processor and net exporter of cashew nuts, a rarity among African countries as cashew nuts are typically processed in Asia. In addition, Tanzania has made remarkable progress in rural electrification, with nearly 100% of its 12,300 villages now connected to the grid, according to President Samia Suluhu Hassan. Supported by investment from the African Development Bank, Tanzania's job creation for youth and women programme is targeting the country's 65% youth population with training in agriculture, farming, animal husbandry and arable farming.

Tanzania has completed one of the longest bridges in East Africa on the southern shore of Lake Victoria (construction began in December 2019). The 3.2-kilometre-long bridge, which connects the districts of Misungwi and Sengerema, was built by the Chinese companies China Civil Engineering Construction Group and China Railway and serves as an important transport link between Tanzania and its neighbours Rwanda, Burundi and Uganda. Originally named the Kigongo-Busisi Bridge, it was later renamed in honour of former President Magufuli, who initiated the project before his death in 2021.

MADAGASCAR

In our last market reports, we already referred to the ongoing climatic problems (lack of adequate rainfall) in the south of the island. Unfortunately, the situation has not improved and so there are increasing concerns about a possible (temporary) stop of production - so as not to further damage the weak plants. In general, the yields per hectare (in dry raw fibre) have been reduced over the past years which makes it increasingly difficult to cover operating costs for the last remaining exporters.

Another ongoing issue for several years are the extremely high freight rates (imposed by the CMA-CGM) from the port of Ehoala. In comparison to other ports in East Africa (Tanga, DaresSalaam, Mombasa or Nacala) the costs from Ehoala are three to four times higher.

The problems described above represent a considerable competitive disadvantage for exporters of sisal fibres from Madagascar - in an increasingly difficult market

Madagascar's growth is expected to remain stable at 4.2 percent in 2024, before accelerating to 4.6 percent in 2025. Ambitious policy reforms are needed to raise more fiscal revenue and make space for higher public investment and social expenditures, while preserving macroeconomic stability and limiting fiscal risks. Improving governance is key to delivering higher and more inclusive growth.

Madagascar's water and electricity shortages, deteriorating infrastructure, and governance issues could fuel popular discontent. Climate shocks also threaten food price stability and security.

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By the end of September the Board of Directors of the African Development Bank Group approved a loan of \$67.3 million to Madagascar - to implement the first phase of its economic growth-inducing Financial Management and Resilience Support Programme for 2024-2025.

The IMF emphasises in a statement released at the end of October: ... “priorities include, in particular, ensuring legal stability, enforcing existing laws, effectively protecting property rights and enforcing contracts, ensuring a level playing field, and establishing effective grievance redress mechanisms. The preparation of a new anti-corruption strategy for the period 2025-2030 is an opportunity to accelerate momentum in this area and the IMF will support the authorities’ efforts with a diagnostic governance assessment to be finalised in 2025”.

Building climate resilience should be a government priority. With support from the Resilience and Sustainability Facility and the World Bank Group-IMF Enhanced Cooperation Framework for Climate Action, Madagascar should develop a national climate finance strategy to attract climate related investments.

As soon as data on this year's Sisal exports are available, these figures will be analysed and be part of the new market report following early next year.

MARITIME TRANSPORT

Transit times for container shipments have risen sharply worldwide (in almost all trade lanes) since the middle of the year. This is not only due to the diversions around the Cape of Good Hope, but also to congested harbours, strikes by port workers, extreme weather and a shortage of containers.

But even trades that never passed through the Red Sea before the security crisis are seeing a sharp increase in transport times. Unfortunately, the security situation for ocean-going vessels in the Red Sea has still not improved and all major shipping companies are still avoiding the Suez Canal route, which is so important for global trade - ships are being routed around the Cape of Good Hope at the southern tip of Africa.

The diversion of vessels has created congestion at major transshipment hubs, including Singapore and key Mediterranean ports, as rerouted traffic overwhelms port capacity. Global vessel demand has grown by 3%, while container ship demand is up by 12%, intensifying strain across supply chains.

The latest disruptions in maritime traffic (longer transit times, exaggerated fluctuations in ocean freight rates, elimination of stopovers and reduced reliability) have pushed many companies to change suppliers and production sites.

Given the globalisation of recent decades, it is surprising that maritime transport, especially container transport, is still dominated by European parent companies. Four European shipping companies are among the top 5 (MSC, Maersk, CMA-CGM and Hapag-Lloyd). Unfortunately, the transition to more environmentally friendly shipping is proceeding extremely slowly. The IMO (International Maritime Organisation) has drawn up guidelines and made commitments, but only half of new ship orders are for

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ships that can run on alternative fuels. Due to the current high demand and rising freight rates, older ships continue to dominate.

Natural fibres and their products have a relatively low commodity value compared to other commodities. The level of freight rates is therefore a key factor in price trends. Freight rates are currently developing very differently around the world. Freight rates from East Africa to the Far East (especially China) are at an extremely low level - while freight rates from the Far East to Europe and freight rates for shipments within Asia have risen again.

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