LIBERIA: RUBBER SECTOR OVERVIEW

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B. MONROVIA 251

C. MONROVIA 82

D. 08 MONROVIA 1003

E. 08 MONROVIA 880

F. 08 MONROVIA 242

G. 07 MONROVIA 547

1. (U) SUMMARY: Liberia's rubber sector provides 5.5% of its economic output, 85% of its exports and work for an estimated 50,000 Liberians. Roughly 40% of Liberia's rubber comes from small, Liberian-owned farms, with the remainder produced on large foreign-owned concessions. There has been

little new planting since war broke out in the 1980s; most farms and concessions are dilapidated and full of older, unproductive trees. Revitalizing the rubber sector will take years and producers face challenges from theft, land disputes and access to finance. Foreign-owned concessions have been the first to invest in large-scale replanting, but many concessions are just recently reverting to private management as the government seeks to renegotiate new terms on old concession agreements. Paragraphs 11-29 provide details on current foreign-owned concessions (Note: this information is business proprietary for U.S. Government use only. End note). Problems on GOL-managed plantations will be reported septel. END SUMMARY.

Background on Liberia Rubber Sector
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2. (U) According to IMF figures, global natural rubber production in 2006 was 9.2 million tons of which just over 100,000 tons (or roughly 1%) came from Liberian exports. Central Bank of Liberia data suggest that rubber production contributed 5.5% to Liberia's GDP in 2008 (down from 8% in 2006). Rubber still dominates Liberian exports, accounting for over 86% of total exports by value in 2008 (down from 95% in 2006). Initial figures for the value of rubber exports in 2008 are approximately $220 million. In December 2008, the IMF revised estimates for 2009 exports down to $135 million. According to the Ministry of Agriculture (MOA), there are an estimated 200,000 hectares of planted rubber in Liberia, roughly 40% on current or former concessions and 60% on smallholder farms. The sector provides employment for about 40-50,000 Liberians.

Small Farms Struggle
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3. (U) Years of conflict have taken a toll on rubber farms. Many were occupied during the war by combatants and "slaughter tapped" with little regard to sustainable management. There has been only limited organized replanting since the 1980s and most trees are past the normal productive life (25-30 years). Small farmers are now slowly planting new trees, often in partnership with larger plantations and processing facilities that provide seedlings in return for raw rubber supply. As part of its program to use rubberwood chips from old trees to fuel a new 35MW power plant north of Monrovia, Canadian firm Buchanan Renewables is also providing new seedlings and other assistance to those farmers who sell their older, unproductive to the firm (ref C). But until new trees begin to produce (usually at least 7 years), growth in rubber output will be weak, and the quality and quantity of production may continue to fall at a time when prices are

also dropping.

4. (U) Most Liberian rubber farmers sell unprocessed rubber to brokers or directly to buying stations managed by one of the firms capable of processing the rubber for export. Until 2007, there were only two processing facilities operating in Liberia: Firestone and the Liberia Agriculture Company (LAC). Deputy Minister of Agriculture James Logan told Econoff April 21 that the addition of processing plants at the relatively small Morris American Rubber Company (MARCO) in Margibi County and two stand-alone processing centers in Bong County (Weala restarted in 2007 and Lee Group opened in 2009) has recently created a glut of processing capacity.

5. (U) Expansion of small farms remains constrained by land disputes and a lack of access to capital. Leaders of the Rubber Planters Association of Liberia (RPAL) tell us the

long period between planting and production for rubber makes access to financing impossible. Liberian banks are generally unwilling to loan for terms longer than two years while revenues from newly planted trees start flowing several years later. Those farmers looking to expand are also finding it challenging to reassert control over farms that have been abandoned - and often occupied - during the civil conflict.

6. (U) Crime is also a threat. Illicit tapping to steal raw rubber has been a major contributor to lawlessness on many plantations and small farms, particularly when the price of rubber was high. In November 2008, in an attempt to protect local processors and discourage rubber theft, the GOL banned the export of unprocessed rubber and authorized rubber purchases only from licensed agents (ref D). The ban was targeted at the large number of unlicensed brokers who provided a market for stolen rubber, and to stop the flow of unprocessed rubber across the border to Cote d'Ivoire for processing. However, in response to complaints from rubber producers in the southeast where no processing facility exists (and in the context of lower prices that discouraged stealing), the GOL suspended the ban in March, 2009.

Rubber Alliance slow to perform
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7. (U) In 2007, the MOA, RPAL, Firestone and USAID signed a Memorandum of Understanding (MOU) to set up a Rubber Alliance with the purpose of creating commercial opportunities to increase smallholder incomes from rubber production and "intercropping" of other agricultural products on farms and

plantations. The Alliance failed to initiate any programs due to the lack of reliable data on sector needs and weak leadership from the MOA. In early 2009, the Alliance was re-activated with an expanded representation from other plantations, and USAID funded a consultant to draft a Rubber Sector Master Plan. The plan is expected to be completed in October.

Plantation concessions revised
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8. (U) Because only Liberians can own land, foreign investors in the rubber sector operate on government-licensed plantations. The GOL grants concessions in return for development commitments, social and employment undertakings, and the payment of land rent, taxes and duties. The GOL currently negotiates the terms and condition of each concession agreement separately, a time-consuming process that has created inconsistencies and opportunities for corruption. The revised Liberia Revenue Code currently before the legislature includes standard provisions for investments between $1m and $20m that would apply to rubber concessions. These would standardize and expedite the concession process and be granted without legislative approval.

9. (U) The GOL amended its concession agreement with Firestone in 2008 (ref F) and that agreement now serves as a model for other agricultural concession negotiations (and re-negotiations) currently underway. The GOL has focused on five priorities during concessions negotiations:

-- standardized agreements in accordance with Liberian law (particularly tax and revenue codes);

-- commitment to smallholder development within and adjacent to the concession area;

-- contributions to Community Development Funds;

-- a 'margin of preference' for Liberian firms and majority Liberian management; and

-- detailed terms and conditions for social infrastructure and development.

10. (U) The MOA has also proposed standard language that would require that concessionaires contribute 1% of the value of all rubber exports to fund the development of the rubber sector in Liberia.

11. (U) The following paragraphs provide updated information on current rubber concessions in Liberia. (Note: this information is business proprietary for U.S. Government use only. End note).

Firestone Natural Rubber Liberia
(Margibi County)
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12. (SBU) Firestone's plantation in Harbel is the world's largest contiguous rubber-producing estate at 118,000 acres, 77,000 of which are currently in production. Firestone signed a 36-year amended concession agreement in 2008 (ref F) and has commenced its largest replanting investment since the end of World War II. In addition to the rubber it produces on the estate, Firestone buys 75 million pounds of unprocessed rubber from private producers each year. The plantation employs roughly 9,500 workers, about 7,000 of whom are full time. The firm provides schooling to 17,000 children at 26 schools, along with two clinics and a new, modern hospital. Firestone recently completed a $5m water treatment project and a factory to process rubberwood for export, the first of its kind in Liberia.

13. (SBU) Firestone exports just over 60% of Liberia's total rubber exports and supplies roughly 15% of parent company Bridgestone's (Japan) input. Firestone uses all solid rubber exports at its plants in North and South Carolina and sells condensed latex on the open market. Despite having the most comprehensive social development projects in the country, the company is often the target of union and environmental groups due to its size and history in Liberia.

Liberia Agriculture Company
(Grand Bassa County)
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14. (SBU) LAC's concession is larger (300,000 acres) than Firestone's but there are fewer acres under production (32,000). The GOL and LAC concluded an MOU in December 2007 that ratified the plantation's development plan and included provisions for 7,500 acres of smallholder farms supported by LAC, along with increased housing, schools, clinics, and water sanitation. The MOU forms the basis for ongoing negotiations for a formal amended concession agreement that would be based on the new Firestone agreement.

15. (SBU) LAC was originally concessioned to Uniroyal but is now 100% owned by the Belgian Societe Financiere Des

Caoutchoucs (SocFin), which also has ties to Salala and Weala (see below). Because of its size, land rights have been an ongoing source of tension between LAC and surrounding residents, and opposition Liberty Party leader Charles Brumskine of Grand Bassa has been one of the loudest opposition voices to the LAC agreement. In late 2007, LAC's Belgian plantation manager was shot dead, apparently by local residents unhappy over the company's GOL-approved expansion plan.

Salala Rubber Plantation
(Margibi County)
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16. (SBU) Salala's concession dates from the 1960s and covers 21,000 acres of which 7,000 are planted. However, many trees are old and unproductive. The plantation is owned and operated by Salala Rubber Corporation (SRC), the product of a merger in July 2007 of a stand-alone rubber processing factory (Weala Rubber company) and the Salala rubber plantation.

17. (SBU) SRC is 90% owned by Agrifinal N.V. (Belgium), and Intercultures (Luxembourg), a subsidiary of SocFin, the same company that owns LAC. Salala is managed by SocFin Consultant Services, an affiliate of SocFin. SRC received a $10 million, 11-year loan from the IFC in 2008 to finance rehabilitation of the plantation. The loan is IFC's largest agribusiness investment in Liberia.

Cavalla Rubber Plantation
(Maryland County)
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18. (SBU) The Cavalla concession covers 20,000 acres, of which 15,000 are planted, mostly with older, unproductive trees. Cavalla is jointly owned by the GOL and Salala Rubber Investments Ltd (SRI) of the UK and managed since November 2007 by SRI. SRI broke ground in February 2009 on a new rubber processing plant on Cavalla and has settled salary arrears to be able to lay off 600 workers. The GOL has been negotiating since 2007 with SRI and Bakrie Sumatra Plantations (BSP) of Indonesia to sell its 50% share in the plantation.

19. (SBU) Cavalla belonged to Firestone from the 1920s to 1984 when it was turned over to the Cavalla Rubber Corporation (CRC), a 50/50 joint venture between the GOL and

Societe Internationale de Plantations et de Finance (SIPEF) of Belgium. The war forced SIPEF out of Liberia in 1990, and the plantation was abandoned until former President Charles Taylor installed Agrocom under the management of Harrison Karnwea (now at Cocopa) in 1997, and later GINOL from 2000-2003 when MODEL forces occupied the concession. After the war ended, Cavalla passed first to the Maryland County Legislative Caucus, then in 2005 to Liberian firm Agro Management, and later to the Pleebo Rubber Corporation. In 2006, after labor unrest over unpaid salaries, the GOL (with UNMIL assistance) repossessed the plantation. The RPAL assumed interim management from May 2006 to November 2007, when SRI purchased SIPEF's 50% share and took over private management under the original CRC name. In early 2008, SRI sold a portion to Cote d'Ivoire-based Internationale De Plantation D'Heveast (SIPH) of France, and repaired the road to the border to facilitate exports of raw rubber to the Cote d'Ivoire for processing.

Cocopa Rubber Plantation
(Nimba County)
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20. (SBU) Cocopa is owned by the Liberia Company (LIBCO), an American firm originally owned by Pan Am and Delta Sea Lines in the 1950s when LIBCO managed Liberia's port, airport, and regional Pan Am operations. Cocopa began as a cocoa plantation but shifted to rubber as being more profitable and suitable for the climate. The original concession is 175,000 acres but only 25,000 are planted, and only 7,000 acres are still in production. Cocopa has replanted 2,000 new acres of trees since 2002 and has plans to plant 400 acres per year. The GOL reaffirmed in 2007 LIBCO's concession agreement through 2029 based on a stipulation to renegotiate terms in 2009, and LIBCO is pursuing another round of OPIC financing. Cocopa does not have a processing plant, and sells most of its rubber to Firestone.

21. (SBU) After OPIC-supported expansion in the 1980s, government forces looking for Charles Taylor ransacked Cocopa in 1990, and the plantation was occupied from 1990-95 by Taylor-allied Nimba Rubber Company. In 1996, LIBCO's American manager, Charles Trippe, installed Taylor associate Roland Massaquoi as manager, who later ran against Ellen Johnson Sirleaf in the 2005 presidential race. After the election, the GOL sought to take over the plantation and install an interim management team. Trippe objected and the Embassy weighed in with President Sirleaf. Eventually the Supreme Court ordered the Ministry of Agriculture to remove the GOL interim management and return Cocopa to LIBCO. A deal was struck between the GOL and LIBCO at the February 2007 Liberia Investment Conference in Washington. LIBCO

arranged for LAC management to temporarily operate the plantation before reinstalling independent management under Harrison Karnwea (former Cavalla plantation manager and Nimba County Superintendent) in 2008. In July 2008, a rubber thief died while in custody of Cocopa security, igniting a series of violent incidents at the plantation. In February 2009, Cocopa dismissed 30 contract security forces who set up roadblocks around the plantation in response until disbursed by UNMIL and local government officials.

Sinoe Rubber Plantation
(Sinoe County)
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22. (SBU) Sinoe is the largest rubber concession in Liberia,

covering over 600,000 acres, 50,000 acres planted at peak, much of which are now past their productive cycle. Sinoe was the site of fierce fighting during the war, and has been largely unmanaged and ungoverned since. Housing and other social infrastructure are vandalized and dilapidated. Ownership and management of the plantation remains under dispute (septel will provide further analysis on Sinoe's situation).

23. (SBU) The original 80-year Sinoe Concession was concluded in 1953 with German-owned African Fruits Company (AFC). In 1973, AFC sold to Ernest Dennis who supposedly (this is currently contested in Liberian courts) sold to Mesurado Plantation Industries. In 1983, MPI leased to GOL-owned Sinoe Rubber Corporation for 20 years. MODEL forces occupied the plantation during the war, and after the war, former fighters led by Leon Worjlah ("White Flower") took control of the plantation through a local association called the Citizen's Welfare Committee (CWC) which "taxed" locals for access to the plantation. In June 2008, local citizens demanded removal of the CWC, and after a series of clashes, the local caucus and Superintendent dislodged "White Flower" and banned the CWC. Local authorities have since attempted to install their own management (the Sinoe Trust) but the MOA has blocked the Sinoe Trust and insisted on appointing a rival management team. By early 2009, neither IMT had established control. In March 2009, the GOL asked management from MARCO (see below) to temporarily take over management but to date there is no agreement on a new IMT.

24. (SBU) Meanwhile, in August 2005 the MOA issued a document confirming Monsurado's ownership of the plantation, but the ruling did not have attestation of the Ministries of

Finance or Justice. In 2007, the MOJ told the UN the plantation was owned by the Tolbert family. The GOL asked UNMIL to take control in 2007 so that an interim management team could be installed, but the UN requested that the GOL commit in an MOU that the plantation would not simply be turned over to another GOL-appointed IMT without any accountability for financial management and local community development. The GOL apparently does not want to be seen reclaiming the plantation from the combatants to hand over to the Tolberts, a prominent Americo-Liberian family. So for now, the UN won't go in, the GOL won't push the issue, and the plantation remains neglected. The press reported in April 2009 that the Tolbert family had filed for an official court ruling on the plantation's ownership.

Gutherie Rubber Plantation
(Bomi and Grand Cape Mount Counties)
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25. (SBU) Gutherie plantation totals 300,000 acres, of which roughly 22,000 are planted. Mismanagement by a succession of GOL-appointed IMTs produced periodic violent flare-ups, most recently in March 2009. There has been no new planting or investment in infrastructure since prior to the war. Most tappers carry out slaughter-tapping of trees and sell the latex to Firestone for quick cash. Those schools and health services that exist are provided primarily by NGOs. The Malaysian firm Sime Darby (which acquired the Gutherie Company - the original concession holder) expressed interest in 2007 for a revised concession agreement. Discussions were unproductive for almost two years until the resignation of Agriculture Minister Toe and worker unrest in March 2009 cleared the logjam on negotiations. The MOA and National Investment Commission say an agreement with Sime Darby is likely by May, 2009.

26. (SBU) Gutherie was originally concessioned to B.F. Goodrich in 1957. Goodrich pulled out of Liberia after the 1980 coup and the GOL then contracted with Gutherie Rubber Company (Malaysia) to manage the concession from 1981-2000. In 2000 Charles Taylor took control of the plantation and installed an interim management team. After the war, LURD ex-combatants occupied the plantation and the National Transitional Government of Liberia gave operations to the General Resource Corporation chaired by Ghazi Bazi until September 2005, followed by Agro Resources Corporation in early 2006. In August 2006, UNMIL took control of security and the GOL installed an IMT led by the RPAL. In January 2008 workers demanded higher payments and services and forced

the RPAL out, after which the GOL appointed a new IMT that reported directly to the MOA. Allegations of gross mismanagement and corruption under the MOA-appointed IMT led to violence on the plantation in 2009 and contributed to the resignation of Agriculture Minister Christopher Toe in March (ref B).

Decoris Plantation
(Maryland County)
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27. (SBU) Decoris was previously a government-owned 20,000-acre oil palm plantation financed partly by the African Development Bank. There has been no consistent management of the plantation since 1993. The GOL opened bids for the plantation in April 2009. Reportedly BSP and SIPH (also with interest in Cavalla) were among the bidders on what the GOL hopes will be a joint rubber and oil palm concession.

Morris American Rubber Corporation
(Montserrado County)
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28. (SBU) MARCO is the largest Liberian-owned operational rubber farm, with 10,000 acres of land, 6,000 of which are planted. The farm is owned by Bill Morris and managed by former RPAL Director, Keith Jubah. MARCO previously sold unprocessed rubber to Firestone but recently completed construction of a $2.5 million processing facility, financed by the Liberian Bank for Development Investment (LBDI) and guaranteed by the IFC. The farm employs 400 workers and is also the site of construction of a 35MW rubberwood-chip fueled power plant by Buchanan Renewables (ref C).

Lee Rubber Group Processing Factory
(Bong County)
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29. (SBU) Singapore-based Lee Rubber Group completed construction of a $50 million rubber processing facility in the Salala district of Bong County in January 2009. The facility does not yet have any plantation land but is in discussions with the GOL to acquire a nearby concession area. Lee Group has pledged to create more value-added products at its facility (including chairs and slippers) rather than exporting only block and liquid latex.

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