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## OCCASION

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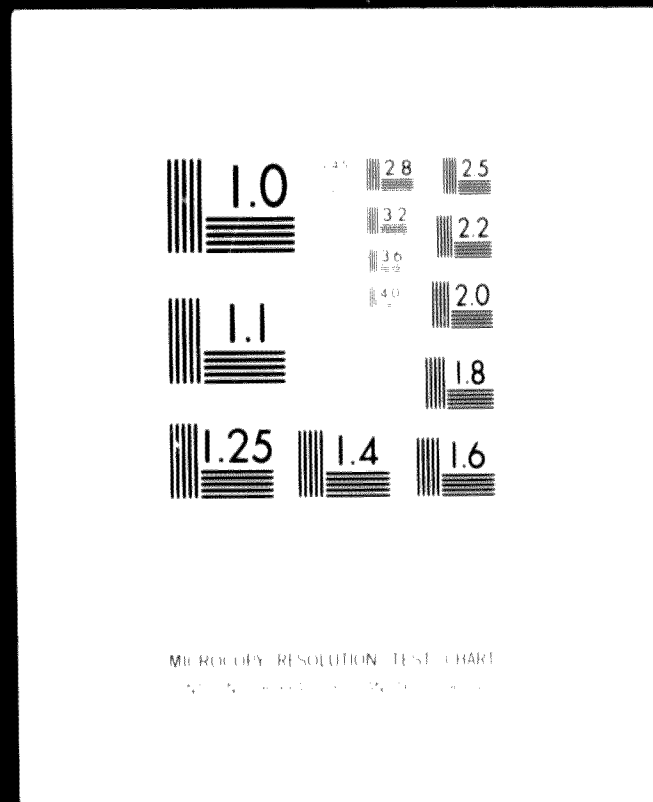
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PROJECT INFORMATION SHEET

United Nations Industrial Development Organization

PHI-16-71

SECOND ASIAN MEETING TO  
PROMOTE INDUSTRIAL PROJECTS<sup>1/</sup>

SINGAPORE, 3-11 November 1971



RAMIE FIBRE PROCESSING

COUNTRY	Philippines
PROJECT	Ramie Fibre Processing Plant Total investment: US \$2,000,000 (initially US \$635,000) Plant capacity: 20 tons per day decorticated dried ramie stalks (initially 6 tons per day)
FOREIGN CONTRIBUTION REQUIRED	- Equity participation - Loan/suppliers credit - Know-how and management of export marketing

<sup>1/</sup> Sponsored by: The Economic Commission for Asia and the Far East (ECAFE)  
The United Nations Industrial Development Organization (UNIDO).

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IMPORTANT NOTICE

The basic purpose of this meeting is to provide an Exchange or Market Place for the initiation of contacts on specific industrial projects between their proponents from the Asian countries and potential suppliers of capital, finance, equipment or know-how, as the case may be, from the industrialized countries.

This Project Information Sheet has been prepared as a basis for such contacts. Its purpose is not to present detailed information about the project but to provide the recipient with an outline sufficient to determine tentative interest in principle. Any further available information on the project will be furnished on request to interested parties at the Meeting.

Experience has shown that industrialists frequently prefer to carry out their own further investigations in detail into projects in which they are interested, but assistance from UNIDO in these matters can be rendered to the Asian country concerned on request.

This Information Sheet contains only the information supplied to UNIDO by the proponent of the Project. UNIDO can therefore take no responsibility for its accuracy.

RAMIE FIBRE PROCESSING

I. INTRODUCTION

. The Project

The proponent envisages the construction of manufacturing facilities for the production of degummed ramie slivers from locally available decorticated, dried ramie stalks. The process is based on a scientifically controlled degumming action whereby all the pectins, lignins and plant gums are removed by the action of bacterial phosphate enzyme fermentation and by hypochlorite detergents, followed by beating and carding treatment.

. Foreign Contribution Required

Know-how and export marketing management;

Loan/suppliers credit;

Equity participation, if so desired.

The actual financing plan is not finalized yet and is open for discussion at the Singapore Meeting.

. Government Attitude

The projected plant is a "pioneer-preferred enterprise" under the current investment laws and regulations in connection with its involvement with raw materials for long-fibre pulp and cellulosic staples for specialty pulp. The project is, therefore, eligible for the related investment incentive benefits provided for under the current investment laws and regulations in question.

II. COMMERCIAL ASPECTS OF THE PROJECT

- Proposed Plant Capacity

Initially 6 tons per day of dried, decorticated ramie stalks, to be increased to 20 tons per day over a five-year expansion plan.

- Domestic and Export Market

At present, there is only a small-scale ramie fibre processing plant in Manila (namely Ramitex) with a 2 ton per day processing capacity. The plant production is used to make the blend component of the plant's own brand of ramie fibre. No statistics are available on the handicraft processed ramie fibre which is used in hand-loom weaving machines to produce local "hablon" fabric and draperies.

Ramie is produced in the Philippines at present and exported mostly to Japan in the form of decorticated, dried ramie stalks, for processing into ramie slivers. These are basic fibres widely used to make strong automotive upholstery fabric, ramie-worsted wool, special bank notes, cigarette and certificate paper pulp, or simply used as top grade packing material for industrial or marine journal boxes and seal-lubricant moving parts. Export outlets for ramie slivers to be produced under the proposed project are, therefore, believed to be found especially in Japan, the USA, New Zealand, Australia and Europe, provided that the foreign partner renders some assistance in export marketing management.

- Prices

Dried ramie stalks, as raw materials, estimated to be in the range of US \$0.56/0.38 per kilo, depending on the grade of the product.

Ramie slivers estimated FOB US \$1.85 per kilo.

It should be noted further that the price of dried ramie stalks indicated above, refers to FOB price of ramie stalks, packed and inspected for export. Ex-factory prices for local processing are expected to be lower.

III. PHYSICAL ASPECTS

- Location

Proposed location within the Industrial Estate of Laguna Bay, Manila.

- Land

15,000 sq. m. of land to be purchased from the Laguna Bay Development Authority at a total estimated cost of US \$92,000 to be paid in equal annual installments over a ten-year period.

- Labour

About 100 to 150 workers. Labour is expected to be amply available at the project site. Wage scale - US \$1.25/1.40 per 8 hour-day for unskilled and US \$2.00/2.50 per 8 hour day for skilled workers.

- Raw Materials

Decorticated, dried ramie stalks in bales are available from the Mindanao Island (600 miles from Manila, transport by sea) and Southern Luzon (300 miles from Manila, transport by either road or railway). It is estimated that 0.70 kilo of ramie slivers could be produced out of every kilo of dried ramie stalk raw material.

- Infrastructure and Utilities

All infrastructure and public utilities are available within the Laguna Bay Industrial Estate.

IV. ECONOMIC ASPECTS

- Importance

The project is aimed at achieving a significant "value-added" from an existing primary commodity, traditionally exported without processing. On the basis of the proposed initial production capacity, namely 6 tons per day dried ramie stalks as input or 4.2 tons per day ramie slivers as output, the amount of foreign exchange earnings per 330 working days could be estimated at US \$260,000 instead of US \$87,000 if the corresponding raw materials are exported in dried, decorticated ramie stalks, as of today. In addition to the "value-added" and foreign exchange earnings indicated above, the availability of local ramie slivers is expected to induce the creation of ramie textile industries as well as further development of ramie plantations in the Philippines.

- Incentives

The project is expected to be granted "pioneer enterprise's" privileges under investment laws and regulations in force, in connection with its processing raw materials for long-fiber pulp and cellulosic staples for specialty pulp. The privileges in question include among others, accelerated depreciation plan, tax exemption on imported capital equipment, tax credit on withholding tax on interest, employment of foreign nationals, anti-dumping protection, exemption from taxes under the Internal Revenue Code, guaranteed remittance in foreign exchange of earnings and repatriation of foreign capital.

V. FINANCIAL ASPECTS

- The proponent suggests the following financial base subject to further discussion:

Composition of Investment (rough estimates in US \$)

	<u>Local Cost</u>	<u>Foreign Exchange</u>	<u>Total</u>
<u>First Stage:</u>			
Pre-investment costs	-	100,000	100,000
<u>Assets:</u>			
Land	29,500 <sup>1/</sup>	-	29,500
Buildings	110,000	-	110,000
Machinery	46,000	150,000	196,000
Working capital	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total	<u>385,500</u> =====	<u>250,000</u> =====	<u>635,000</u> =====

<sup>1/</sup> Present value of ten equal annual installments of US \$9,000 discounted at the rate of interest of 10 per cent p.a.

Final Stage (5th year): Total investment cost estimated to be expanded to US \$2,000,000.

No financing plan is proposed by the proponent at this stage. The subject is open for discussion. It is worth noting that under the present laws and regulations on foreign investment in the Philippines, it is possible for the foreign investor to have a majority share holding in the project, if so desired.

VI. OTHER RELEVANT INFORMATION

- Local Promoter

Pleno and Associates  
c/o Mayon Ceramics Corporation  
8th Floor, Magsaysay Building  
520 T.M. Kalaw Street, Luneta, Manila  
Philippines (Tel: 40 10 01 to 08)

The local promoter owns and operates a successful ceramic factory in addition to various interests in shipping business. He is, therefore, believed to have a good background in management and to be familiar with business in general.

- Investment Authorization

An application should be submitted to the Board of Investments after additional marketing and feasibility studies are carried out in co-operation with the foreign partner. No other documentation is yet available at this stage on the project.



- Proposed Legal Structure

A private corporation is to be constituted and registered with the Philippines Securities and Exchange Commission and the Board of Investments, Republic of the Philippines, under R.A. No. 5186 Investment Incentives Law.

It is envisaged that local and export marketing of products be assigned to a subsidiary of the private corporation in question, with the foreign partner's assistance in management.



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