



**KOKONAS INDUSTRI KOPORESEN**

# **QUARTERLY COCONUT INDUSTRY MARKET REPORT**

**APRIL — JUNE 2017**

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&

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**1. INTERNATIONAL MARKET DEVELOPMENTS**

Global prices of both copra and copra oil (CNO) in this quarter registered quarterly averages of US\$823/MT and US\$1,707/MT respectively which were lower compared to the preceding quarter. Prices registered for copra and CNO in the first and second quarters of 2017 are shown in Table 1 and the graphical illustration in Figure 1 below.

In April copra registered US\$816/MT which is a slight increase by 1.4% compared to the preceding month. In May, it decreased by 1.6%, registering US\$803/MT. It further decreased by 7.5% to US\$805/MT in March.

CNO opened the quarter by registering US\$1,588/MT in April which is a decrease of 14.0% compared to the preceding month. It increased by 4.7% in May by registering US\$1,662 and further increased by 12.5% to US\$1,870/MT in June.

Demand for both CNO and palm kernel oil (PKO) in the lauric oil market have both risen positively due to the

continuing expansion and demand increase of the oleo chemical, cosmetic and other manufacturing industries as reported in various issues of the Public Ledger in this quarter. However, CNO slightly had the upper-hand in terms of price mainly because Malaysia and Indonesia have undertaken massive palm oil production in the final quarter of 2013 that continued over the last three years and into this quarter, and that consequently created a situation of excess supply of PKO that influenced its price to dwell below.

Given the current market conditions, there is assurance that the current positive trend may prevail all through 2017. Major global producers of CNO namely Philippines and Indonesia have plans underway to increase the biodiesel blending from 2.5% to 5% and 7.5% to 10% respectively as reported in the Cocommunity Issue (ISSN 0215-1502). If these propositions come into effect, then the forecasted trend is achievable.

**Table 1: Average Monthly prices of copra and CNO in 2017 (Jan-Jun)**

	Jan	Feb	Mar	Apr	May	Jun
Copra (CIF NW US\$/MT)	893	870	805	816	803	851
<b>Quarterly Average</b>	<b>856</b>			<b>823</b>		
CNO (CIF Rott US\$/ MT)	1,748	1,725	1,847	1,588	1,662	1,870
<b>Quarterly Average</b>	<b>1,773</b>			<b>1,707</b>		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

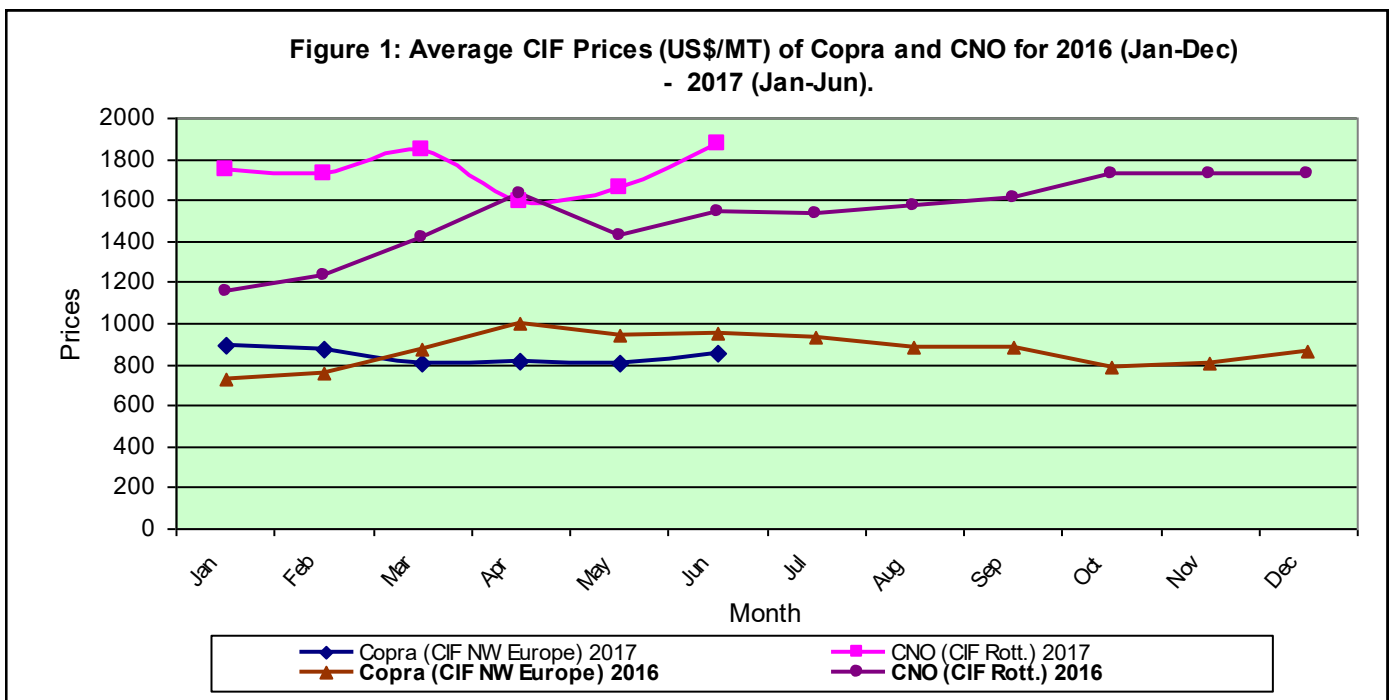
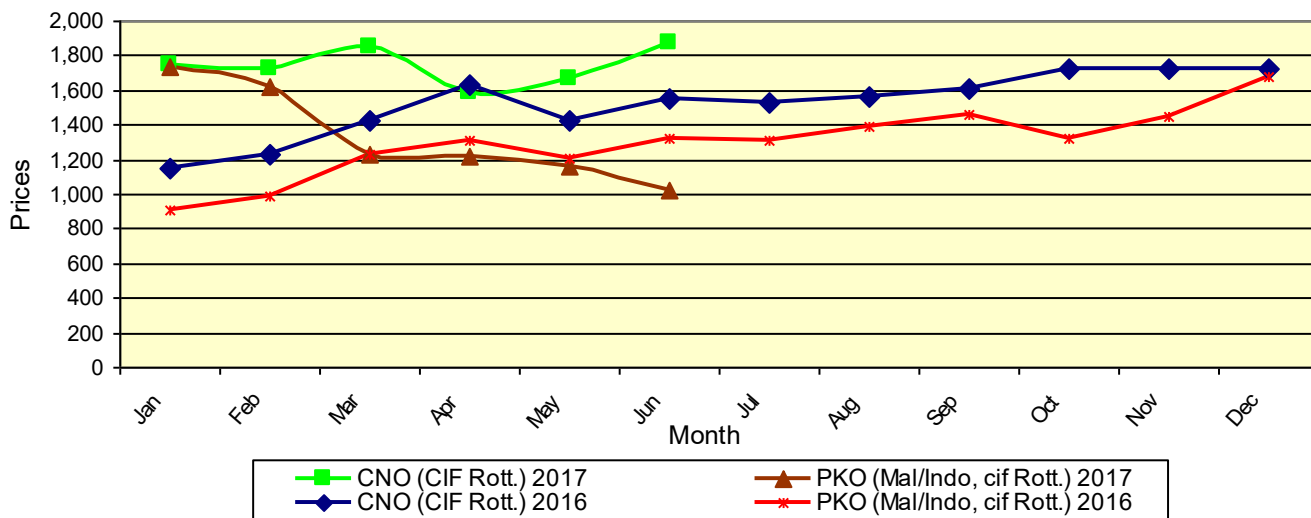


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2016 (Jan-Dec) - 2017 (Jan-Jun)



## 2. DOMESTIC MARKET DEVELOPMENTS

### 2.1 Total Copra Production

Domestic copra production in this quarter decreased from the preceding quarter and aggregately registered 31,593 tonnes as shown in Figure 3. However, the total production registered in this quarter is 23.9% higher compared to the total production (25,501 tonnes) registered in the corresponding quarter of 2016.

The second quarter began production with April registering 9,303 tonnes which is 17.5% less than the volume registered in the preceding month. Following on, May registered 10,613 tonnes which is an increase of 14.1%. In June production increased further by 10.0% to 11,676 tonnes. Total copra production (31,593 tonnes) for this quarter is lower by 3.5% compared to the aggregate volume registered in the preceding quarter.

The high level of production in the first two quarters of 2017 in comparison to the corresponding quarter of 2016 is attributable to the high prices offered in the global market which has influenced the domestic market prices. PNG farmers are price sensitive and so the high prices of copra has influenced the copra producers to continue producing.

### 2.2. Copra Production by Depots

The copra production by the major buying centres for this quarter is shown in Table 2 below.

Aggregately, Rabaul/Toboi (9,788 tonnes) led

the tally followed by Kavieng/Namatani (7,264 tonnes), Buka (6,323 tonnes), Madang (5,216 tonnes), Kimbe (2,512 tonnes) and Alotau (490 tonnes) in descending order.

Rabaul/Toboi began the quarter by registering 3,354 tonnes in April and decreased by 8.0% in May to 3,086 tonnes but increased by 8.5% to 3,349 tonnes in June. Kavieng/Namatani began the quarter by recording 1,746 tonnes in April and increased by 25.0% to 2,183 tonnes in May and increased again by 52.8% to 3,335 tonnes in June. Buka registered 1,936 tonnes in April and increased by 15.5% to 2,237 tonnes in May but decreased by 3.9% to 2,150 tonnes in June. Madang began the quarter by registering 1,280 tonnes and increased by 45.8% to 1,866 tonnes in May. It increased further by 10.9% to 2,070 tonnes in June. Kimbe commenced with 721 tonnes in April and increased in May by 41.3% to 1,019 tonnes but declined by 24.2% to 772 tonnes in June. Alotau started with 266 tonnes in April and decreased by 15.8% to 180 tonnes in May. There was no record for the month of June.

Rabaul/Toboi has consistently been the major player in terms of production and export of copra and that depicts the intensity of labour inputs into coconut farming in the East New Britain Province. The closest rivals after Rabaul/Toboi are Buka and Madang.

Figure 3: Monthly Copra Production in PNG for 2016 (Jan-Dec) - 2017 (Jan-June)

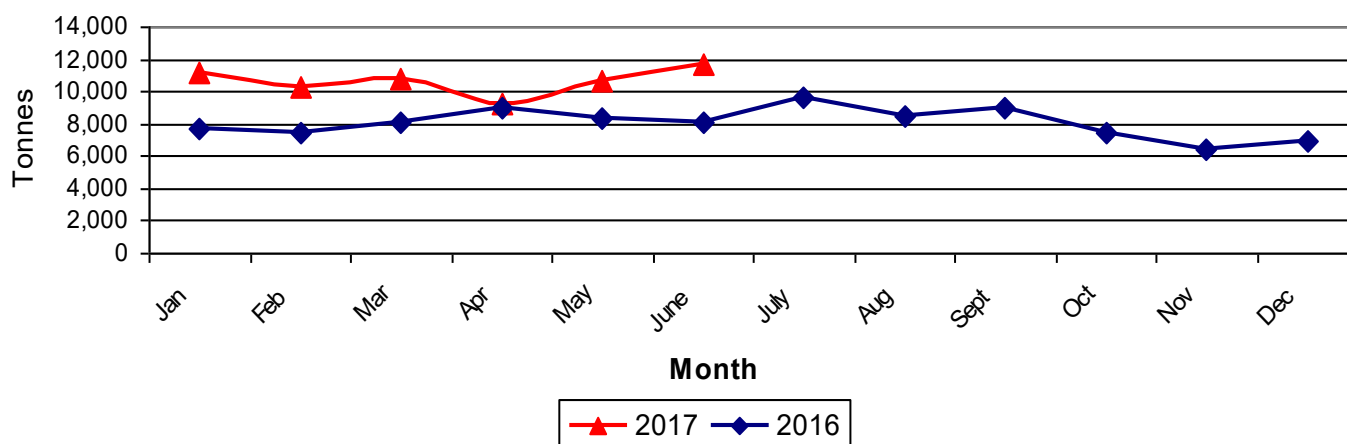


Table 2: Copra production (tonnes) by Major Buying Centers for 2017 (Jan—June)

Centre/Depot	Jan	Feb	Mar	Apr	May	June
Rabaul/ Toboi	3,606	3,276	2,067	3,354	3,086	3,349
Madang	1,667	1,574	1,404	1,280	1,866	2,070
Buka	2,643	2,456	2,256	1,936	2,237	2,150
Kavieng/Namatanai	2,319	1,972	1,998	1,746	2,183	3,335
Kimbe	786	852	3,269	721	1,019	772
Alotau	125	180	285	266	224	-
<b>Total</b>	<b>11,145</b>	<b>10,310</b>	<b>11,280</b>	<b>9,303</b>	<b>10,613</b>	<b>11,677</b>

### 2.3 Domestic copra prices

Movements in domestic copra prices reflect the general trend of copra prices in the world market. Copra produced in PNG is usually graded and bought according to three different grades namely hot air, fair merchantable standard (FMS) and smoke. The FMS price is the average price received by copra buyers at the major buying depots or centres, and this varies from one depot to another due to shipping and/ or transshipment costs. A premium is usually added onto this price for hot air copra and the price for the smoke grade copra is reduced by a certain amount set as discount.

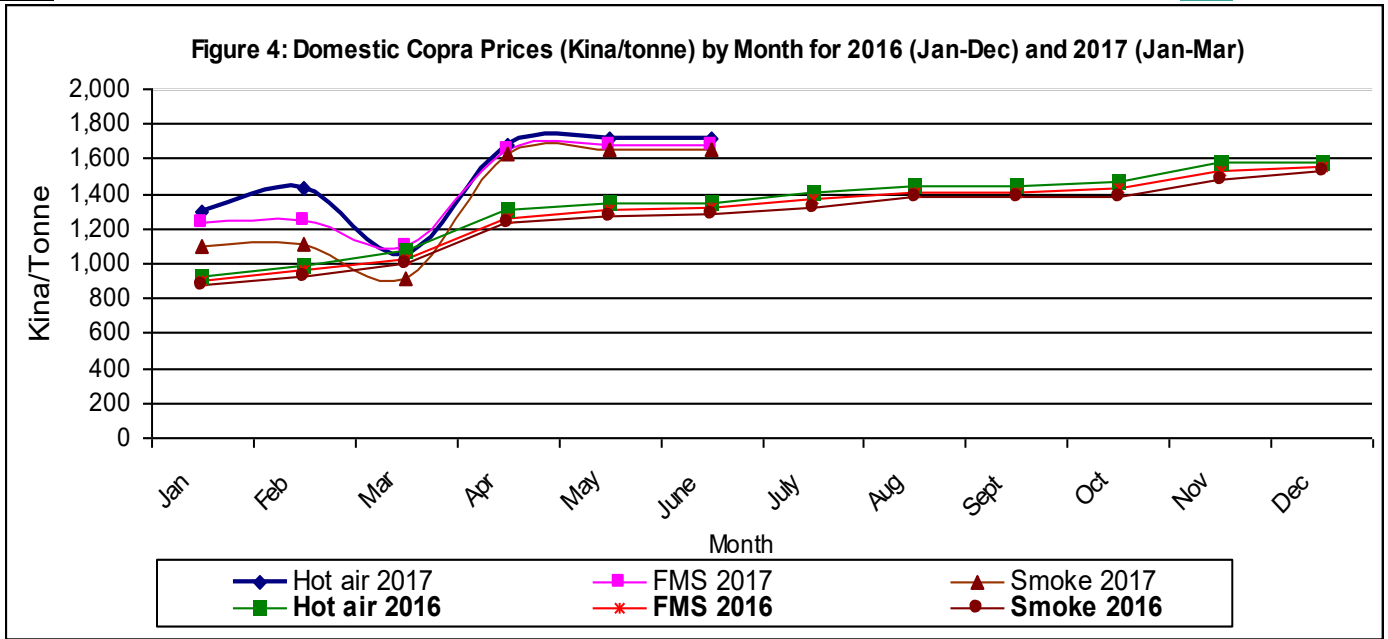
During this quarter, the average Hot Air, FMS and Smoke grade prices were K1,703, K1,671 and K1,643 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K32 per tonne and the discount for the smoke grade is K28 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne decreased by 51.5% and the discount price for the smoke grade also decreased by 82.8%.

Monthly price fluctuations for the first quarter 2016 and this quarter (2017) are shown in Figure 4.

As shown in Figure 4, the trend set in this quarter dwelled above the trend set in the corresponding quarter of 2016. April recorded K1,679/tonne for hot air copra which is 55.2% more than the price of the preceding month. FMS and smoke followed the same trend with increase of 46.3% and 118.2%, respectively.

In May the prices for the copra grades increased. Price for the hot air increased by 2.1% to K1,714/tonne, FMS rose by 1.6% to K1,680/tonne and the smoke grade improved by 1.9% to K1,656/tonne.

In June, hot air copra was priced at K1,715/tonne, an increase of 0.1%. FMS remained at K1,680/tonne and smoke grade decreased by 0.4% to K1,649/ tonne.



Prices offered for the three different grades by the major copra buying centres in this quarter are shown in Figure 5 below.

Of the six (6) major centres that bought copra, Madang offered the highest prices for hot air. It priced hot air at K1,911/tonne, an increase of 27.9% compared to the price of the preceding quarter. FMS was priced at K1,854/tonne an increase of 3.3% and smoke was priced at K1,838/tonne, an increase of 24.8% compared to the prices of the preceding quarter.

Following Madang was Kimbe that priced hot air at K1,895/tonne, an increase of 15.5%, FMS at K1,843/tonne, an increase of 2.6%, and Smoke at K1,792/tonne, a decrease of 4.2%.

Buka rallied behind Kimbe pricing all grades at a flat rate of K1,818/tonne.

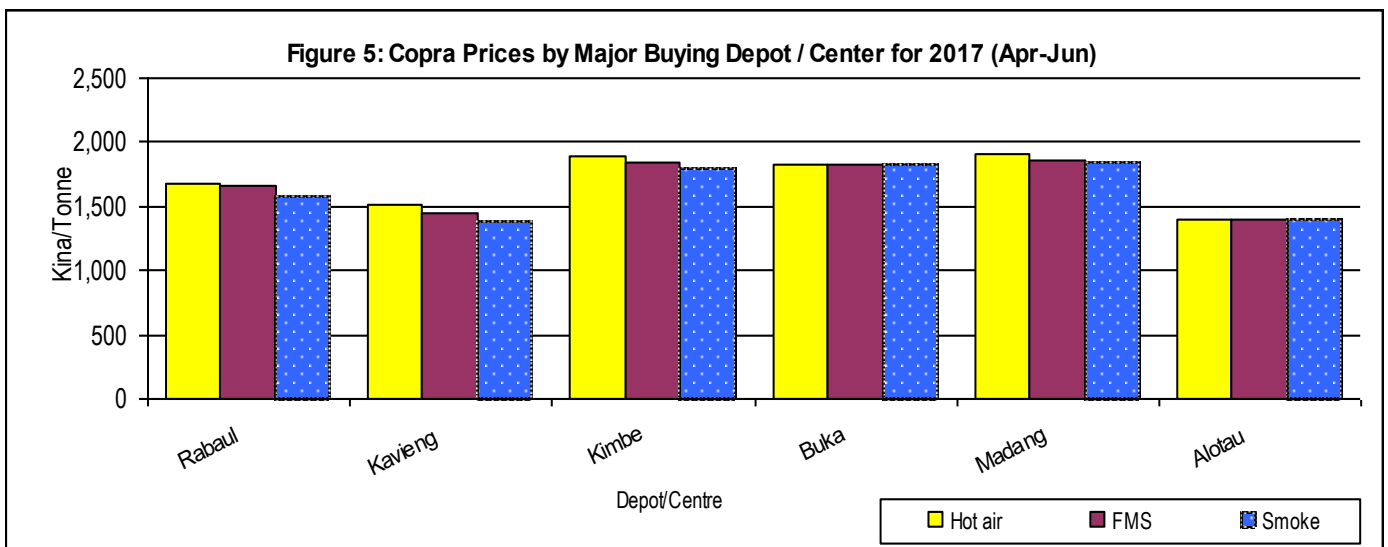
Rabaul followed Buka by pricing hot air at K1,676/

tonne, an increase of 10.1%, FMS at K1,661/tonne, an increase of 23.8%, and smoke grade at K1,579/tonne, an increase of 45.2%.

Kavieng followed Rabaul by pricing hot air at K1,517/tonne, FMS at K1,450/tonne and smoke at K1,375/tonne and these prices are higher by 83.7%, 89.5% and 90.7% respectively compared to the prices of the preceding quarter.

Alotau offered the lowest price at K1,400/tonne flat rate for all grades. This is due to the price support offered to the copra producers by the Milne Bay Provincial Government and that benefited the Alotau farmers well over the farmers in other centres. The same prices were offered in the preceding quarter.

In general, prices offered in this quarter have declined reflecting the decreasing price trend experienced in the global market.



## 2.4 Export Prices of Coconut Products in PNG

The coconut products exported from PNG highlighted in this report are copra, crude copra oil (CNO) and copra meal. Figure 6 shows the average export prices (FOB) of coconut products exported from PNG in this quarter.

In this quarter, Copra prices fluctuated. April registered K3,229/tonne, an increase of 50.9% from the preceding month. May registered K2,317/tonne which is a decrease of 24.8%, but increased in June by 5.4% to K2,558/tonne.

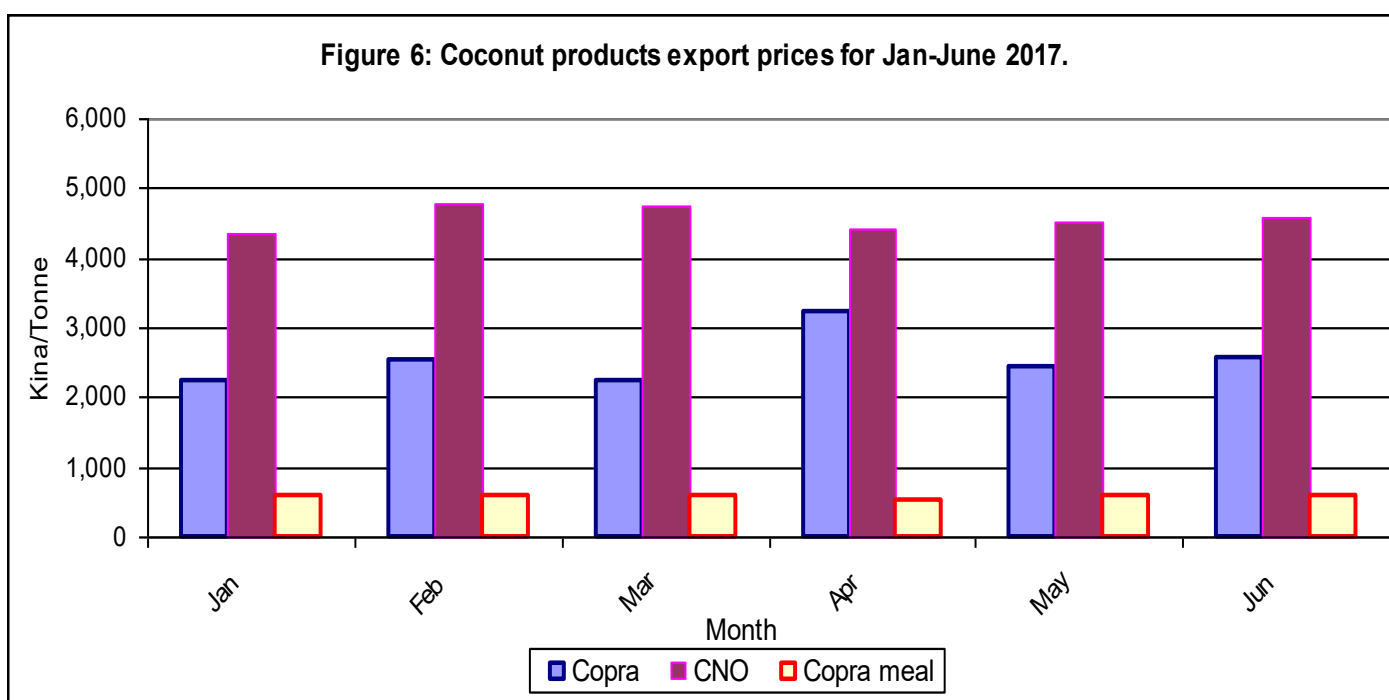
Price of CNO in this quarter began by registering K4,426/tonne in April, a decrease of 6.5% from the preceding month. May increased by 2.2% to K4,521/tonne, and further increased by 1.5% in June to K4,586/tonne.

Copra meal export prices experienced a fluctuating trend this quarter. It registered K538/tonne in April and increased by 11.5% to K600/tonne in May, while June however, registered K595/tonne, a decrease of 0.8%.

The actual FOB price in kina received by the exporters were less by some margin due to costs such as handling, shrinkage inter alia.

The high prices of export coconut products experienced throughout 2016 and in this quarter are anticipated to prevail in the coming quarter given the current market scenario of stable prices at the international market.

Figure 6: Coconut products export prices for Jan-June 2017.



### 2.4.1 Export Margins of Copra

The export margins for this quarter in kina value are shown in Table 3. The export margins depict the price difference between the FOB prices and the FMS mill gate prices as determined by costs involved such as handling, shrinkage and most importantly freight.

The kina value remained unchanged from the preceding month into this quarter. The kina equivalent FOB price in the international market has increased by 1.5% from the preceding month and registered K2,595/tonne in April. It decreased by 1.6% to K2,553/tonne in May but increased by 7.5% to K2,706/tonne in June.

The mill gate price behaved in a similar fashion. April registered K1,653/tonne which is a in-

crease of 46.3% compared to the preceding month.

In May it increased by 1.6% to K1,680/tonne, and remained at K1,680/tonne in June.

The price trends both at the international and domestic markets have resulted in export margins of 57.0%, 52.0% and 61.1% respectively for April, May and June.

This indicates two scenarios either the cost of making business in PNG is very high or the exporters of coconut products have inflated operational costs to make substantial profit.

Table 3: Copra Export Margin for the Second Quarter (April–June) 2017

Month	Exchange Rate (equivalent value of kina in US\$)	FOB (Copra) Price Export (US\$/ tonne)	FOB (Copra) Price Export (Kina/ tonne)	FMS (Copra) Price Mill gate (Kina/tonne)	Export Margin & Percentage out of the FOB Price (Kina/tonne)
April	0.3145	816	2,595	1,653	942 (57.0%)
May	0.3145	803	2,553	1,680	873 (52.0%)
June	0.3145	851	2,706	1,680	1,026 (61.1%)

Source: Kokonas Industri Koporesen

Exchange Rate Source: Bank of Papua New Guinea

## 2.5 Exports of coconut products

Figure 7 shows the volumes of the three coconut products exported from PNG in this quarter, namely, Copra, Copra Oil (CNO) and Copra Meal and the export volumes have declined compared to the preceding quarter.

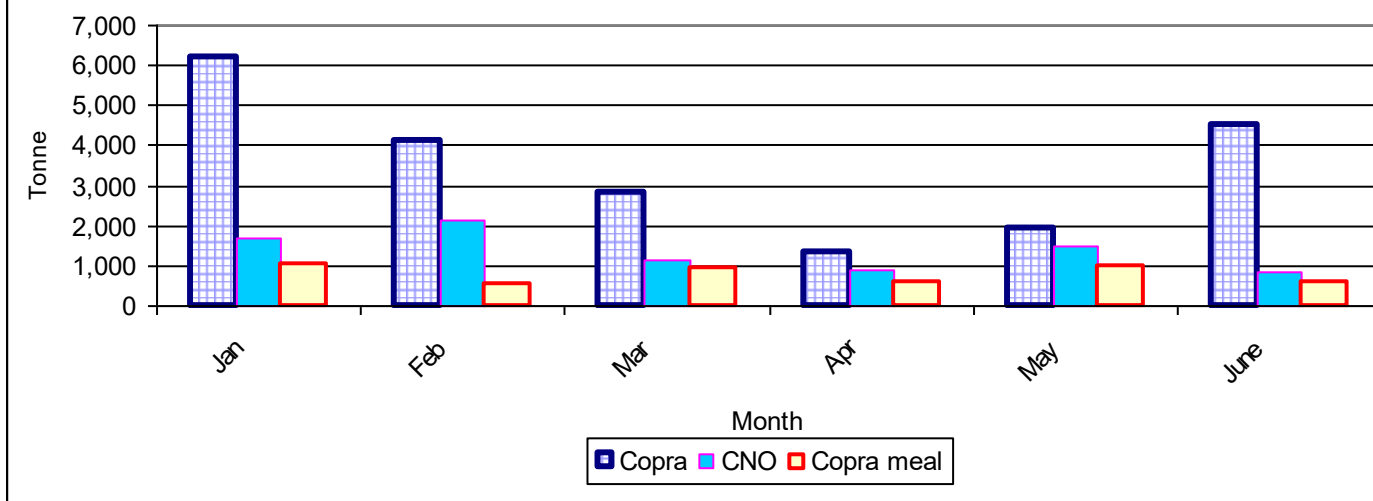
### 2.5.1 Copra

In this quarter copra export in April was 1,331 tonnes. It increased in May by 44.9% to 1,929 tonnes, and increased further by 134.1% to 4,515 tonnes in June.

Aggregately, this quarter recorded a total export volume of 7,774 tonnes of copra which is a decrease of 40.8% compared to the total export volume (13,121 tonnes) of the preceding quarter and increased by 13.1% compared to the total volume (6,873 tonnes) in the corresponding quarter of 2016.

The decrease in copra exports depicts the response of price sensitive farmers as influenced by the fluctuating price trend experienced during this quarter due to factors affecting global market price of copra and the movement of the exchange rates.

Figure 7: Export volumes of coconut products for Jan - June 2017.



### Export by destination

In this quarter, PNG exported a total of 7,774 tonnes of copra to three overseas markets namely Philippines, Bangladesh and Malaysia

Of the total volume, Philippines bought 66.1% (5,141 tonnes), Bangladesh 31.5% (2,447 tonnes), and Malaysia 2.4% (186 tonnes). Philippines continues to be the major buyer of PNG copra mainly because of the following reasons: (1) Philippines's domestic production

cannot fully cater for both internal and external demands; (2) The immense industrial needs from the manufacturers especially the oleo chemical industries in Philippines are constantly inflating; (3) Effects of the Super Typhoon Haiyan.

It is anticipated that Philippines will continue to be the major buyer as propositions are underway to increase the current Biodiesel blending from 2.5% to 5%.



### Export Market Share

The export summary of copra exports in this quarter is shown in Table 4 below.

This quarter recorded a total copra export volume of 7,774 tonnes undertaken by five exporters namely Coconut Products Limited (CPL), Sankamap Ltd, Aero Ltd, Pacific Lama, and Emirau Marine Products Ltd (EMP)

Of the total volume CPL led the tally by exporting 31.5% (2,447 tonnes). After CPL was Sankamap Ltd with

26.1% (2,026 tonnes), Pacific Lama with 22.9% (1,781 tonnes), AERO Ltd with 17.2% (1,334 tonnes) and EMP with 2.4% (186 tonnes) in descending order.

Reticent farmers have already awoken by the inspiring price trend that triggered production increase and that further had positive chain reaction effects on export.

**Table 4: Copra exports and market share for April—June 2017.**

Exporter/Port	Second Quarter 2017 Export Volumes (Tonnes)	Market Share (%)
Coconut Products Limited (CPL)	2,447	31.5%
Sankamap Ltd	2,026	26.1%
Pacific Lama Ltd	1,781	22.9%
Aero Limited	1,334	17.2%
Emirau Marine Products Ltd	186	2.4%
<b>TOTAL</b>	<b>7,774</b>	<b>100%</b>

### 2.5.2 Coconut Oil Exports

A total of 3,261 tonnes of CNO was exported from PNG in this quarter. The month of April registered an export volume of 911 tonnes followed by May with 1,484 tonnes which is an increase of 62.9%, however, decreased in June by 41.6% to 866 tonnes. Compared to the export volume (4,961 tonnes) of the preceding quarter, this quarter's total export volume decreased by 34.3%.

#### Export by destination

CNO exported in this quarter went to four overseas markets namely Malaysia, Indonesia, Sri Lanka and Germany. Of the total volume exported: 56.4% (1,840 tonnes) to Malaysia, 34.9% (1,136 tonnes) to Indonesia, 8.1% (263 tonnes) to Sri Lanka and 0.7% (22 tonnes) to Germany.

#### Export market share

The export of CNO in this quarter was undertaken by Pristine Co.101 Limited from its two copra oil mills operating in the country located in Madang and Buka and Globe Manufacturing Ltd from its Madang copra mill.

### 2.5.3 Copra Meal Exports

In this quarter a total of 2,190 tonnes of copra meal was exported from PNG which is a decrease of 14.3% compared to the total volume (2,556 tonnes) registered in the preceding quarter.

The quarter began by registering 607 tonnes in April and increased by 64.9% to 1001 tonnes in May however decreased by 41.9% to 582 tonnes in June.

#### Export by destination

Copra meal exported in this quarter went to six destinations overseas namely Australia, India, USA, New Zealand, UK and South Africa. Of the total export volume, Australia bought 39.9% (873 tonnes), India 35.9% (787 tonnes), USA 15.0% (328 tonnes), New Zealand 5.6% (122 tonnes), UK 2.7% (60 tonnes), and South Africa 0.9% (20 tonnes). Australia normally imports copra meal for feed stock for the livestock sectors while others import for various intermediary purposes.

#### Export market share

Most exports in this quarter were undertaken by Pristine Co.101 limited.



### 3. EXPORT EARNINGS FROM COCONUT PRODUCTS

The export earnings from coconut products, namely Copra, CNO and Copra Meal for the second quarters of 2017 and 2016 are summarised in Table 5 below.

In comparison to the corresponding quarter of 2016 copra and CNO registered an increase while copra meal registered a decrease in export revenue this quarter.

Copra, CNO and copra meal income registered in this quarter were lower by 34.9%, 35.4% and 12.7% respectively compared to the income registered in the pre-

ceding quarter.

The aggregate export revenue generated from coconut products in this quarter is 40.4% higher than the total export revenue registered in the corresponding period of 2016.

Revenue in the six months to June 2017 registered 52.8% higher than the revenue earned in the corresponding period in 2016.

**Table 5: Export earnings from coconut products for the second quarters and six months of 2017 & 2016**

Coconut Product	April–June 2017 (Kina)	April–June 2016 (Kina)	Jan–June 2017 (Kina)	Jan–June 2016 (Kina)
Copra	18,904,502	14,112,029	47,925,562	29,288,901
CNO	14,756,205	9,275,360	37,600,067	25,152,381
Copra Meal	1,241,124	1,470,584	2,662,995	3,278,365
<b>TOTAL</b>	<b>34,901,831</b>	<b>24,857,973</b>	<b>88,188,624</b>	<b>57,719,647</b>

Source: *Kokonas Industri Koporesen*

### 4. CONCLUSION

Generally, prices of copra and CNO both on the aggregate and average levels decreased in this quarter compared to the preceding quarter. Average prices of copra and CNO decreased by 3.9% and 2.3% respectively this quarter, however they are higher in comparison to the corresponding quarter of 2016.

At present, three coconut products are being produced domestically and traded in the global market namely copra, CNO and copra meal. which all recorded significant increase in terms of production and export volumes. Copra production decreased in this quarter by 3.5% from the preceding quarter, which had an impact on the exports of copra, CNO and copra meal which all recorded a decrease in terms of export volumes.

The increase in export revenue experienced during this quarter have mainly been attributed to the positive price trend that prevailed in the global market. The major determinant that influenced the price increase is because of the close substitute of palm oil price that pushed the price of the coconut products to go up as well.

There is assurance that the positive trend may prevail all through 2017 both at the international and domestic markets because the full recovery of the Philippines, the largest supplier of raw materials at the international market, is anticipated to require substantial amount of time. Consequently, supply is foreseen to be squeezed and that will create a situation of excess demand which will influence price to continue on this trend or increase. The propositions to increase blending of biodiesel from 2.5% to 5% and 7.5% to 10% for Philippines and Indonesia respectively are still been discussed and so once passed by their respective governments this will influence the price to increase.

Domestic prices of copra, CNO and copra meal are influenced by the price movements in the international market, thus the movement of prices will influence the domestic production of copra because our farmers are price sensitive.