



KOKONAS INDUSTRI KOPORESEN

QUARTERLY COCONUT INDUSTRY MARKET REPORT

OCTOBER — DECEMBER 2018

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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\$468/MT and US\$772/MT respectively, which were lower compared to the preceding quarter. Prices registered for copra and CNO in the first, second and third quarters of 2018 are shown in Table 1 and the graphical illustration in Figure 1 below.

In October, copra registered US\$495/MT which is a decrease 9.0% compared to the preceding month. In November, it decreased by 10.9%, registering US\$441/MT. However, it increased by 4.5% to US\$461/MT in December.

CNO opened the quarter by registering US\$813/MT in October, which is a decrease of 5.4% compared to the preceding month. It decreased further by 7.7% in November by registering US\$750/MT, but

increased by 0.5% to US\$754/MT in December.

Demand for both CNO and palm kernel oil (PKO) in the lauric oil market have both risen due to the continuing expansion and demand increase of the oleo chemical, cosmetic and other manufacturing industries.

Global CNO price is determined or affected by the supply and demand situation of other vegetable oils, mainly close substitute, palm kernel oil (PKO). The price of PKO has been declining due to excess supply and this has had an impact on the price of CNO and copra as well, as reported in a statement made by the Philippine Coconut Authority (<http://www.pca.da.gov.ph/index.php/10-news/173-pca-s-statement-on-copra-price-fluctuation>). If the supply of PKO decreases, this will result in an increase in PKO prices which will then cause CNO prices to increase as well.

Table 1: Average Monthly Prices of Copra and CNO in 2018 (Jan-Dec)

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Copra (CIF NW US\$/MT)	763	741	605	669	638	536	542	550	544	495	441	461
Quarterly Average	703			614			545			468		
CNO (CIF Rott US\$/ MT)	1,525	1,225	1,095	1,090	1,011	887	870	873	859	813	750	754
Quarterly Average	1,282			996			867			772		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

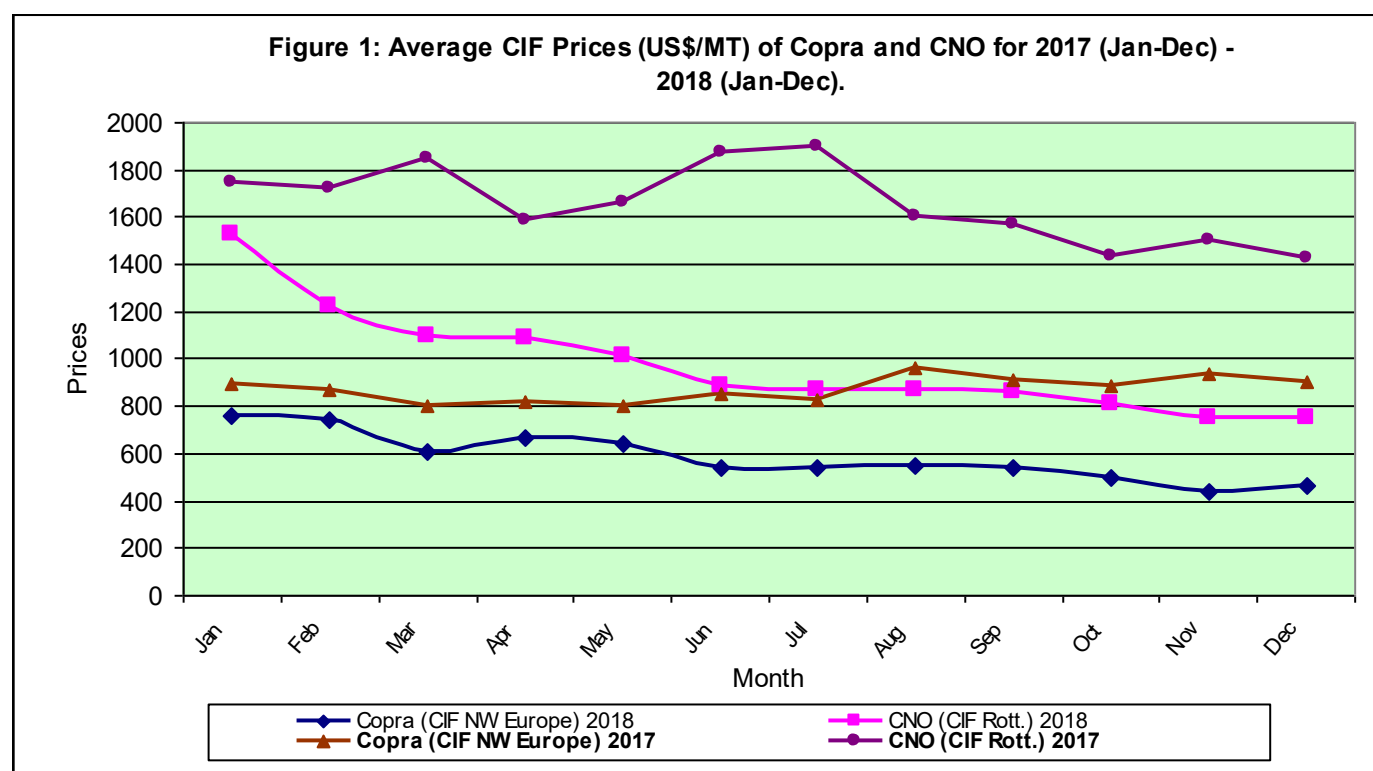
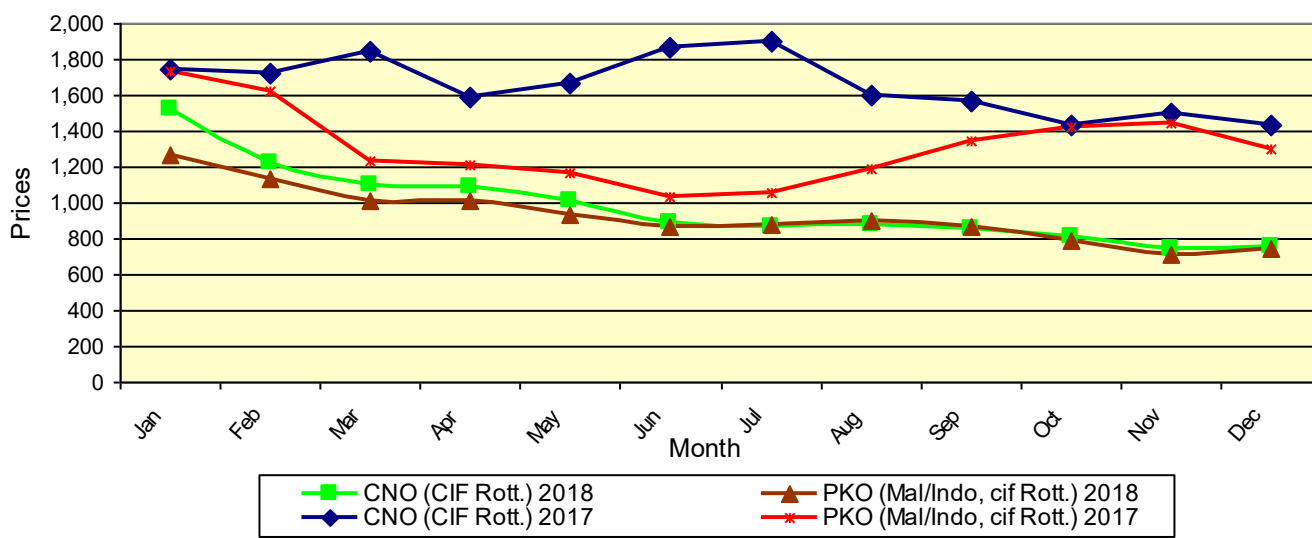


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2017 (Jan-Dec) - 2018 (Jan-Sept)



2. DOMESTIC MARKET DEVELOPMENTS

2.1 Total Copra Production

Domestic copra production in this quarter decreased compared to the preceding quarter and aggregate registered 17,781 tonnes as shown in Figure 3. The total production registered in this quarter is 30.6% lower compared to the total production (25,625 tonnes) registered in the corresponding quarter of 2017.

The fourth quarter began production with October registering 7,040 tonnes which is 3.5% lower than the volume registered in the preceding month. Following on, November registered 5,728 tonnes which is a decrease of 18.6%. In December, it decreased further by 12.5% to 5,014 tonnes. Total copra production (17,781 tonnes) for this quarter is lower by 27.5% compared to the aggregate volume registered in the preceding quarter.

The low level of production in this quarter compared to the corresponding quarter of 2017 is attributable to the low prices offered in the global market which has influenced the domestic market prices. PNG farmers are price sensitive so the low prices of copra has resulted in low copra production levels.

2.1 Total Copra Production

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

Aggregate, Rabaul/Toboï (8,007 tonnes) led the tally followed by Buka (4,551 tonnes), Madang (2,396 tonnes), Kimbe (2,193 tonnes), Kavieng/Namatani (350 tonnes), and Alotau (283 tonnes) in descending order.

Rabaul/Toboï began the quarter by registering 2,956 tonnes in October and decreased by 14.8% in November to 2,519 tonnes but increased again by 0.5% to 2,532 tonnes in December.

Buka registered 1,967 tonnes in October and decreased by 19.1% to 1,592 tonnes in November and decreased further by 37.7% to 992 tonnes in December.

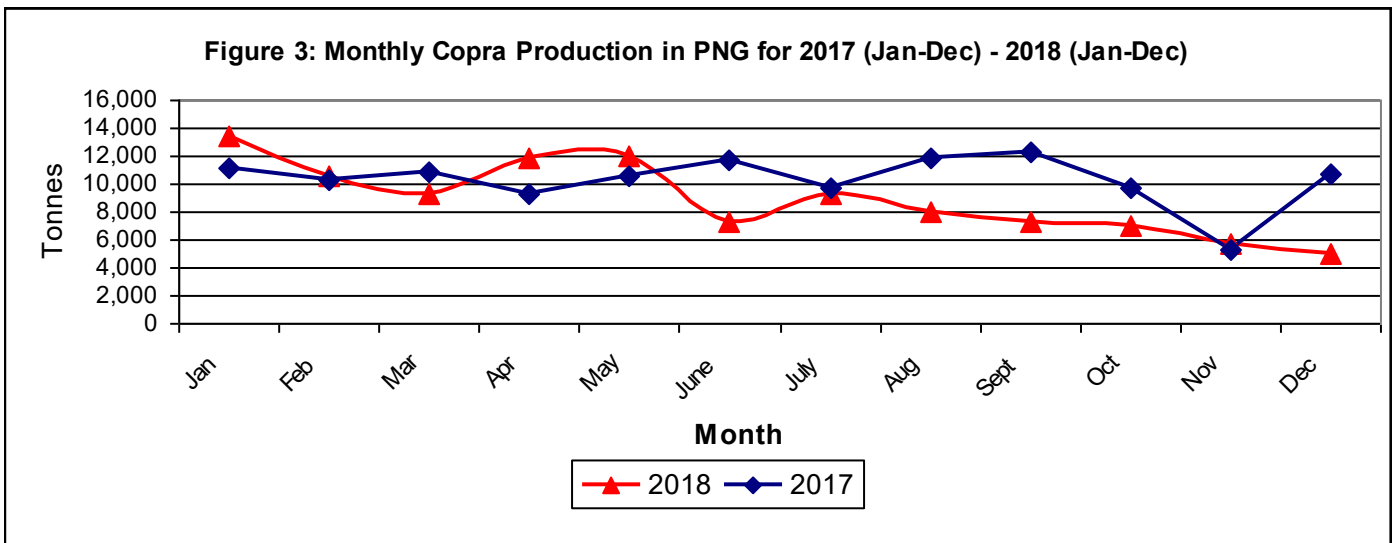
Madang commenced with 951 tonnes in October and decreased in November by 22.3% to 739 tonnes. It further decreased by a by 4.3% to 707 tonnes in December.

Kimbe began the quarter by registering 700 tonnes in October and increased by 15.4% to 808 tonnes in November, but decreased by 15.1% to 686 tonnes in December.

Kavieng/Namatani began the quarter by recording 350 tonnes in October. There was no production for the months of November and December.

Alotau started with 116 tonnes in October and decreased by 39.7% to 70 tonnes in November but increased by 37.1% to 96 tonnes in December.

Rabaul/Toboï 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, and also copra being one of the major income earning commodities beside cocoa and others in the East New Britain Province. The closest rivals after Rabaul/Toboï are Madang and Buka.



Centre/Depot	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Rabaul/ Toboi	4,470	3,209	3,186	4,040	3,828	2,638	2,862	2,125	2,094	2,956	2,519	2,532
Madang	2,496	2,267	1,142	1,871	2,443	847	2,314	2,150	1,970	951	739	707
Buka	2,950	2,585	2,117	2,477	2,478	1,856	2,116	2,076	2,019	1,967	1,592	992
Kavieng/Namatanai	1,238	790	876	748	700	578	469	470	276	350	-	-
Kimbe	2,015	1,386	1,562	2,338	2,034	1,016	1,108	961	791	670	808	686
Alotau	211	278	419	445	481	422	379	194	146	116	70	96
Total	13,379	10,514	9,300	11,919	11,965	7,356	9,268	7,976	7,295	7,040	5,728	5,014

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.

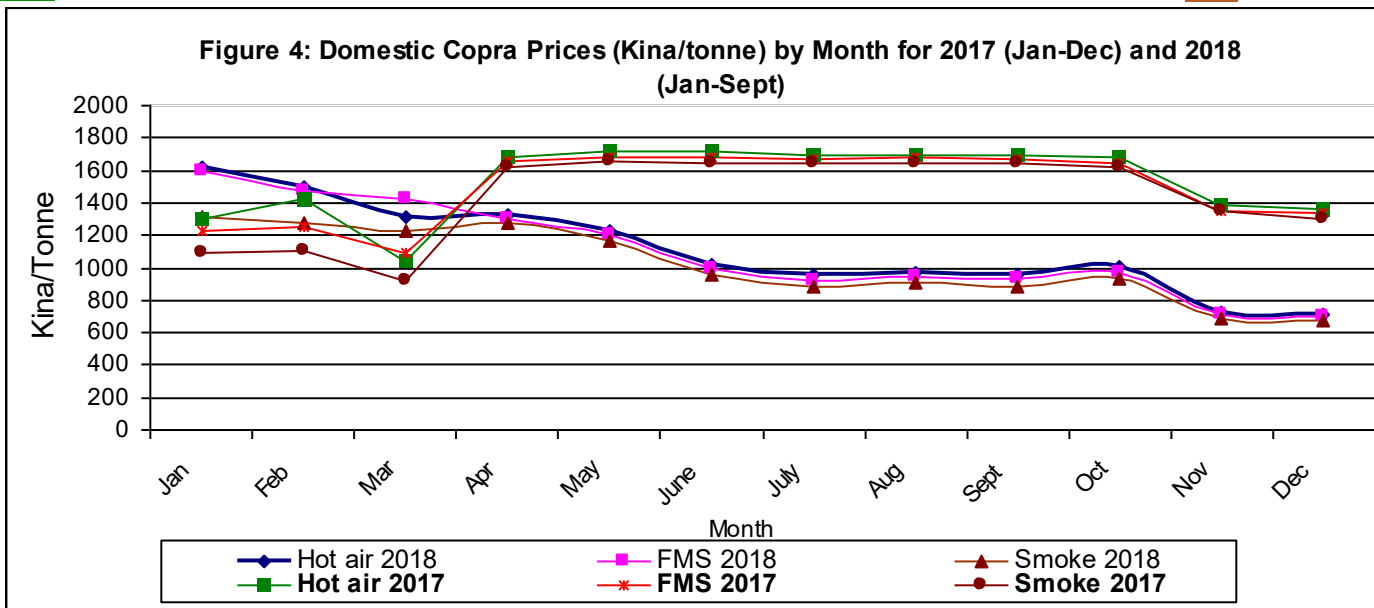
During this quarter, the average Hot Air, FMS and Smoke grade prices were K911, K889 and K857 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K22 per tonne and the discount for the smoke grade is K32 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne decreased by 12.0% and the discount price for the smoke grade decreased by 22.0%.

Monthly price fluctuations for 2017 and 2018 are shown in Figure 4.

As shown in Figure 4, the trend set in this quarter dwelled below the trend set in the corresponding quarter of 2017. October recorded K1,006/tonne for hot air copra which is 5.5% higher than the price of the preceding month. FMS and smoke followed the same trend with an increase of 4.8% and 5.7% respectively.

In November the prices for the copra grades decreased. Price for the hot air decreased by 13.0% to K875/tonne, FMS decreased by 11.9% to K857/tonne and the smoke grade decreased as well by 11.1% to K830/tonne.

In December, hot air copra was priced at K851/tonne, a decrease of 2.7%. FMS decreased by 2.2% to K838/tonne and smoke grade also decreased by 2.7% to K808/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 price for Hot air. It priced hot air at K1,398/tonne, an increase of 18.9% compared to the price of the preceding quarter. FMS was priced at K1,212/tonne, an increase of 3.8%, and smoke was priced at K1,096/tonne, a decrease of 5.5% compared to the prices of the preceding quarter.

Following Madang was Alotau with K1,000/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. This price is the same as the price offered in the preceding quarter.

Following Alotau was Rabaul that priced hot air at K913/tonne, a decrease of 4.0%, FMS at K877/tonne, a

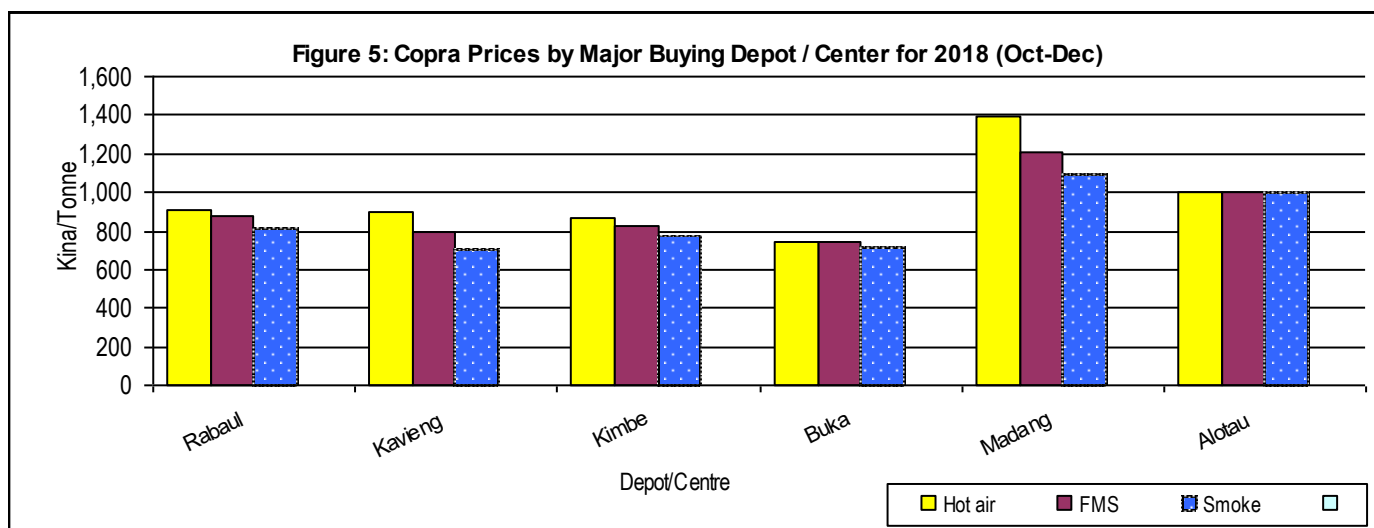
decrease of 5.2%, and smoke grade at K811/tonne, a decrease of 5.9%.

Following Rabaul was Kavieng that priced hot air at K900/tonne, an increase of 1.9%, FMS at K800/tonne, a decrease of 4.0%, and Smoke at K700/tonne, also a decrease of 4.5%.

Kimbe rallied behind Kavieng pricing hot air at K865/tonne, a decrease of 0.9%, FMS at K821/tonne, an increase of 0.7%, and smoke grade at K776/tonne, an increase of 2.6%.

Buka offered the lowest price at K743/tonne for hot air, FMS at K739/tonne and smoke at K710/tonne. These prices are lower by 14.8%, 14.6% and 16.2% respectively compared to the prices of 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. October registered K2,582/tonne, an increase of 62.5% from the preceding month. November registered K1,532/tonne which is a decrease of 40.7%, and further decreased in December by 4.5% to K1,463/tonne.

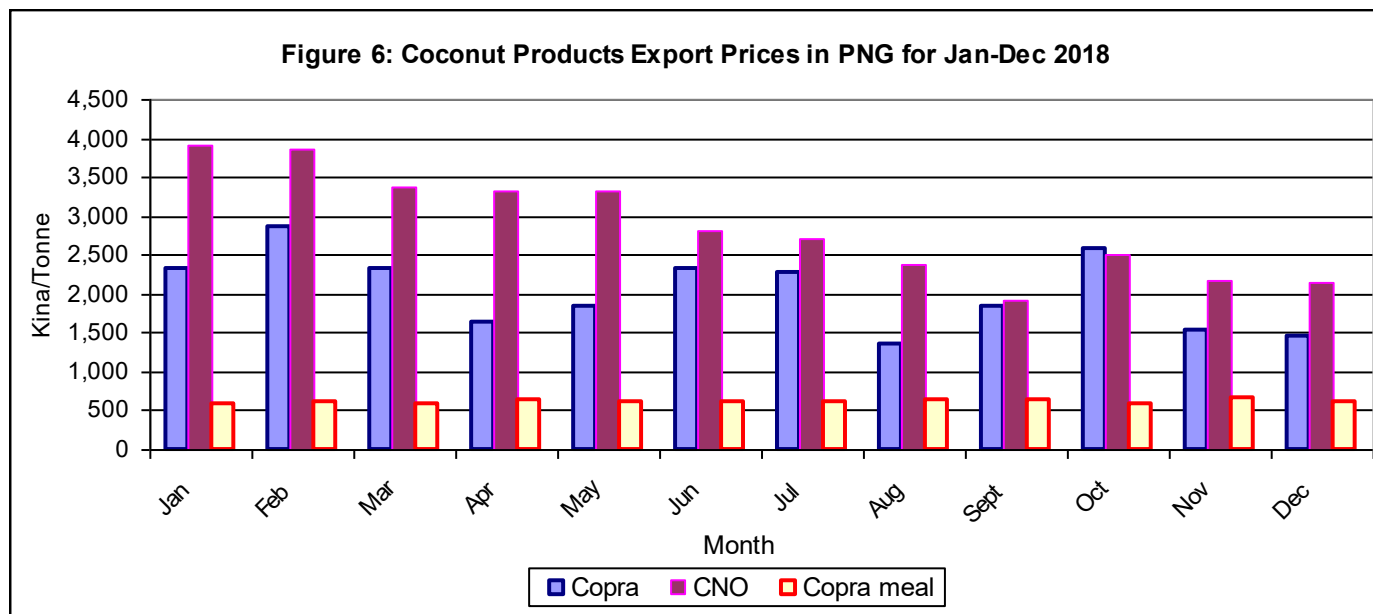
Price of CNO in this quarter began by registering K2,494/tonne in October, an increase of 29.6% from the preceding month. In November, it decreased by 13.1% to K2,167/tonne, and decreased

further by 1.4% in December to K2,136/tonne.

Copra meal export prices experienced a fluctuating trend this quarter. It registered K594/tonne in October, a decrease of 7.9%, and increased by 12.6% to K663/tonne in November. It decreased again in December by 7.1% to K616/tonne.

The actual FOB price in kina received by the exporters was less by K668 in October, K627 in November and K741 in December, due to costs such as handling, shrinkage inter alia.

The low prices of export coconut products experienced since the first quarter of 2018 are anticipated to improve in the coming quarter given the current market scenario of stable prices and growing demand at the international market.



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 depreciated from the preceding month into this quarter. The kina equivalent FOB price in the international market has decreased by 8.4% from the preceding month and registered K1,661/tonne in October. It decreased again by 10.7% to K1,484/tonne in November and but increased by 6.4% to K1,579/tonne in December.

The mill gate price behaved in a similar fashion. October registered K973/tonne which is a decrease of 7.9% compared to the preceding month. In August, it increased by 2.5% to K857/tonne, and decreased by 2.2% to K838/tonne in September.

The price trends both at the international and domestic markets have resulted in export margins of 70.7%, 73.7% and 88.4% respectively for October, November and December.

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 Third Quarter (July–Sept) 2018

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)
October	0.2980	495	1,661	973	668 (70.7%)
November	0.2971	441	1,484	857	627 (73.2%)
December	0.2970	469	1,579	838	741 (88.4%)

Source: Kokonas Industri Koporeesen

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. The export volumes of copra, CNO and copra meal declined compared to the preceding quarter.

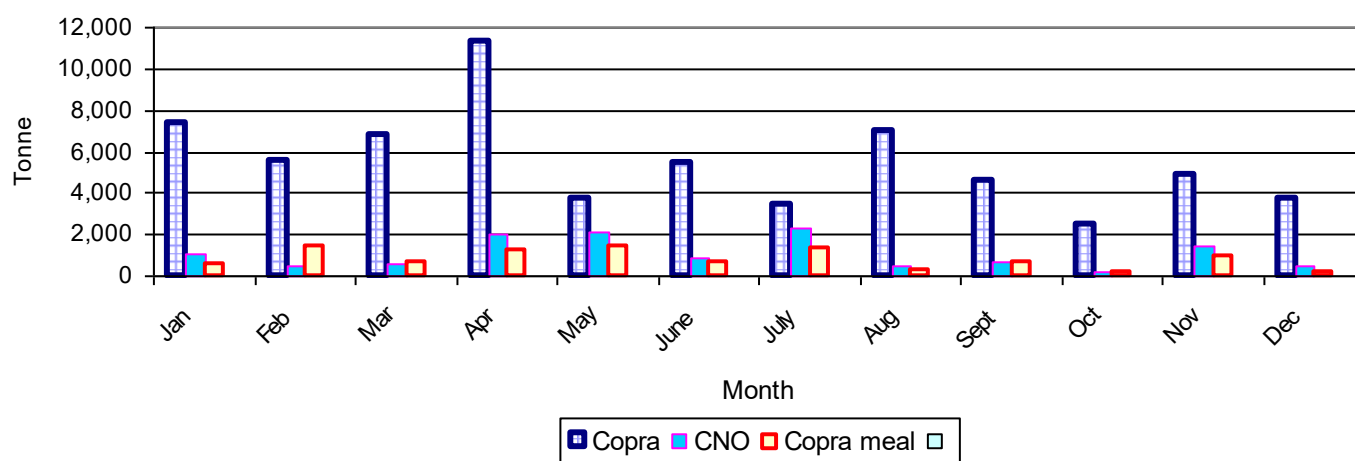
2.5.1 Copra

In this quarter copra export in October was 2,493 tonnes. It increased in November by 95.6% to 4,877 tonnes, but decreased by 22.3% to 3,787 tonnes in December.

Aggregately, this quarter recorded a total export volume of 11,157 tonnes of copra which is a decrease of 26.7% compared to the total export volume (15,215 tonnes) of the preceding quarter and a decrease of 34.8% compared to the total volume (17,104 tonnes) in the corresponding quarter of 2017.

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 - Dec 2018.



Export by destination

In this quarter, PNG exported a total of 11,157 tonnes of copra to four overseas markets namely Philippines, Bangladesh, Singapore and Malaysia.

Of the total volume, Philippines bought 67.8% (7,565 tonnes), Bangladesh 14.6% (1,634 tonnes), Singapore 13.9% (1,548 tonnes) and Malaysia 3.7% (410 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 11,157 tonnes undertaken by seven (7) exporters namely Kimbe Bay Shipping Ltd (KBSL), Coconut Products Ltd (CPL), Aero Ltd, Sankamap Ltd, Pacific Lama Traders, Autonomous Bougainville Commodity (ABC) Ltd, Samarai Murua.

Of the total volume CPL led the tally by exporting 31.5% (3,517 tonnes). After CPL was Pacific Lama with

14.8% (1,648 tonnes), KBSL with 14.8% (1,646), Aero Ltd with 13.9% (1,548), Samarai Murua with 11.3% (1,258 tonnes), Sankamap with 10.0% (1,117), and ABC with 3.8% (422 tonnes) in descending order.

Despite the price fall in the global market, there is competition among domestic buyers for copra. Those who offer a higher price to the farmers, get more volume. This has triggered production increase, and that further had positive chain reaction effects on exports.

Table 4: Copra exports and market share for October—December 2018.

Exporter/Port	Fourth Quarter 2018 Export Volumes (Tonnes)	Market Share (%)
Coconut Products Ltd	3,517	31.5%
Pacific Lama Traders	1,648	14.8%
Kimbe Bay Shipping	1,646	14.8%
Aero Ltd	1,548	13.9%
Samarai Murua	1,258	11.3%
Sankamap	1,117	10.0%
ABC	422	3.8%
TOTAL	15,215	100%

2.5.2 Coconut Oil Exports

A total of 2,054 tonnes of CNO was exported from PNG in this quarter. The month of October registered an export volume of 216 tonnes followed by November with 1,405 tonnes which is an increase of 550.5%, but decreased in December by 69.2% to 433 tonnes. Compared to the export volume (3,469 tonnes) of the preceding quarter, this quarter's total export volume decreased by 40.8%.

Export by destination

CNO exported in this quarter went to one overseas market only – Malaysia. Malaysia bought 2,054 tonnes of CNO from PNG in this quarter.

Export market share

The export of CNO in this quarter was undertaken by Pristine Co.101 Limited and Markham Farming Ltd.

Table 4b: Copra Oil (CNO) exports and market share for October—December 2018.

Exporter/Port	Third Quarter 2018 Export Volumes (Tonnes)	Market Share (%)
Pristine Co.101 Ltd	1,453	68.5%
Markham Farming Ltd	780	31.5%
TOTAL	2,054	100%

2.5.3 Copra Meal Exports

In this quarter a total of 1,297 tonnes of copra meal was exported from PNG, which is a decrease of 44.4% compared to the total volume (2,333 tonnes) registered in the preceding quarter. October began by registering 160 tonnes and increased by 473.1% to 917 tonnes in November, but decreased again by 76.0% to 220 tonnes in December.

Export by destination

Copra meal exported in this quarter went to four destinations overseas namely Australia, USA, UK and

South Africa. Of the total export volume, Australia 80.2% (1,040 tonnes), UK 12.3% (160 tonnes), USA 5.9% (77 tonnes), and South Africa 1.5% (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 and Markham Farming Ltd.

Table 4a: Copra Meal Exports and Market Share for October—December 2018.

Exporter/Port	Fourth Quarter 2018 Export Volumes (Tonnes)	Market Share (%)
Pristine Co.101 Ltd	880	67.8%
Globe Manufacturing Ltd	417	32.2%
TOTAL	1,297	100%

3. EXPORT EARNINGS FROM COCONUT PRODUCTS

The export earnings from coconut products, namely copra, CNO and copra meal for the third quarters of 2017 and 2018 are summarised in Table 5 below.

In comparison to the corresponding quarter of 2017, copra, CNO and copra meal registered a significant decrease in export revenue this quarter.

Copra, CNO and copra meal revenue registered in this quarter were lower by 10.1%, 49.8% and 41.0% com-

pared to the revenue registered in the preceding quarter.

The aggregate export revenue generated from coconut products in this quarter is 57.5% lower than the total export revenue registered in the corresponding quarter of 2017.

Total Revenue in 2018 registered 6.7% higher than the revenue earned in the corresponding period in 2017.

Table 5: Export earnings from coconut products for the fourth quarters & twelve months of 2017 & 2018

Coconut Product	Oct-Dec 2017 (Kina)	Oct-Dec 2018 (Kina)	Jan-Dec 2017 (Kina)	Jan-Dec 2018 (Kina)
Copra	40,534,838	19,909,090	90,929,734	113,987,585
CNO	17,729,485	4,519,615	59,808,872	46,993,290
Copra Meal	1,092,652	820,210	5,522,736	5,674,413
TOTAL	59,356,975	25,248,914	156,261,342	166,655,288

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 14.1% and 11.0% respectively, compared to the preceding quarter.

At present, three coconut products are being produced domestically and traded in the global market namely copra, CNO and copra meal, which all recorded a decrease in terms of production and export volumes. Copra production decreased in this quarter by 27.5% from the preceding quarter, and this had an impact on the exports of copra, CNO and copra meal which all recorded a decrease in terms of export volumes.

Domestic prices of copra, CNO and copra meal are influenced by the price movements in the

international market, thus the movement of prices also influences the domestic production of copra because our farmers are price sensitive.

General export earnings of all coconut products recorded a decrease this quarter compared to the preceding quarter. The decrease in export revenue has mainly been attributed to the decrease in global prices in the international market.

Global CNO price is determined or affected by the supply and demand situation of other vegetable oils, mainly close substitute, palm kernel oil (PKO). If the supply of PKO decreases, this will result in an increase in PKO prices which will then cause CNO prices to increase as well.