



QUARTERLY COCONUT INDUSTRY MARKET REPORT

JANUARY—MARCH 2020

Prepared by

Alan Aku

&

Dora Tamate

1. INTERNATIONAL MARKET DEVELOPMENTS

Global prices of copra in this quarter registered a quarterly average of US\$557/MT, an increase of 1.6% compared to the preceding quarter, while copra oil (CNO) registered US\$862/MT, a decrease of 1.9%. Prices registered for copra and CNO in the first quarter of 2020 are shown in Table 1 and the graphical illustration in Figure 1 below.

In January, copra registered US\$607/MT which is a decrease 8.2% compared to the preceding month. In February, it declined by 10.2%, registering US\$545/MT and further declined by 4.8% to US\$519/MT in March.

CNO opened the quarter by registering US\$974/MT in January, which is a decrease of 7.0% compared to the preceding month. It decreased again by 15.2% in February by registering US\$826/MT, and fur-

ther decreased by 4.8% to US\$786/MT in March.

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 this quarter has declined from the last quarter of 2019 due to excess supply and this has had an impact on the price of CNO as well as copra. 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.

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.

Table 1: Average Monthly Prices of Copra and CNO in 2020 (Jan-Mar)

	Jan	Feb	Mar
Copra (CIF NW US\$/MT)	607	545	519
Quarterly Average	557		
CNO (CIF Rott US\$/ MT)	974	826	786
Quarterly Average	862		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

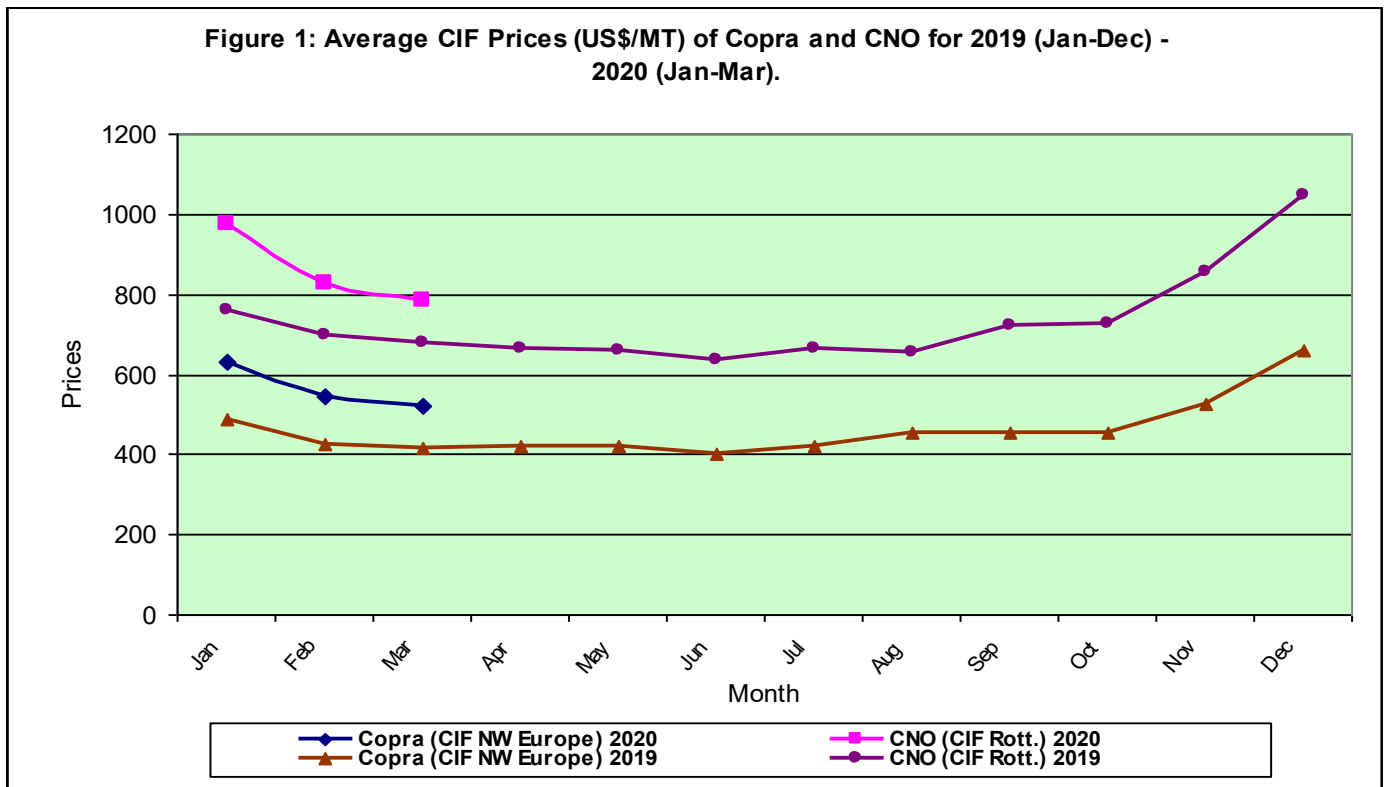
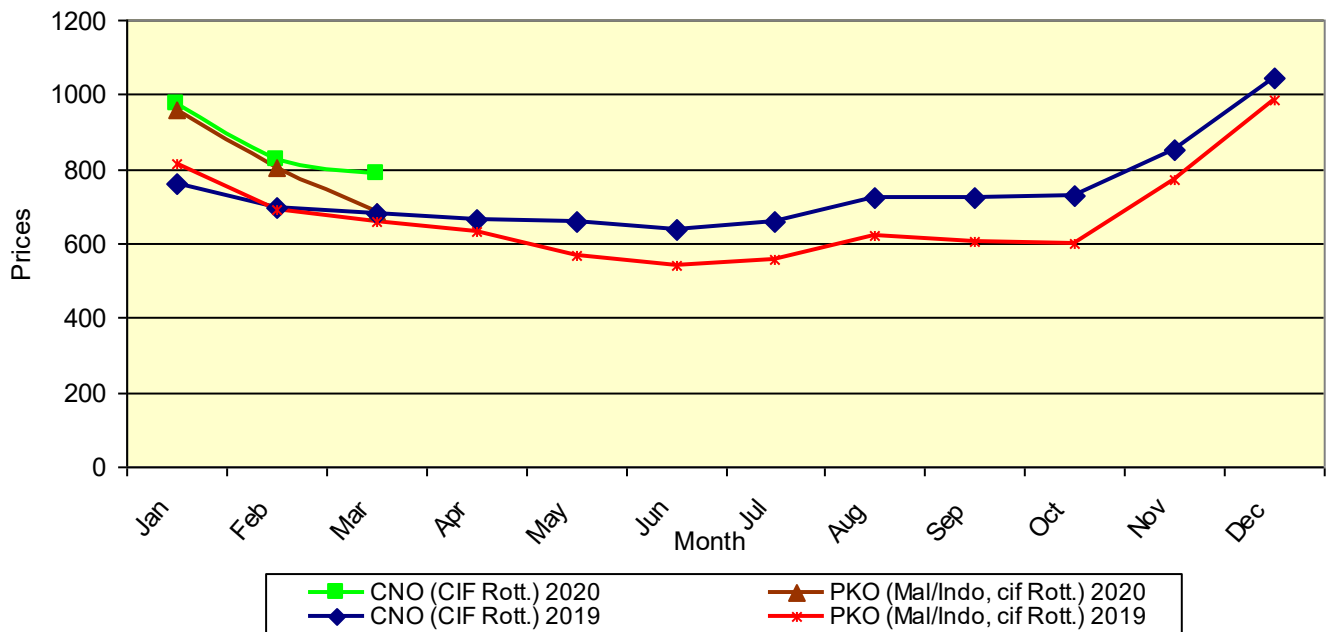


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2019 (Jan-Dec) - 2020 (Jan-Mar)



2. DOMESTIC MARKET DEVELOPMENTS

2.1 Total Copra Production

Domestic copra production in this quarter increased compared to the preceding quarter and aggregate registered 21,242 tonnes as shown in Figure 3. Total copra production for this quarter is higher by 17.7% compared to the aggregate volume registered in the preceding quarter.

The first quarter began production with January registering 6,131 tonnes which is 7.0% lower than the volume registered in the preceding month. Following on, February registered 8,349 tonnes which is an increase of 36.2%, however, in March it decreased by 19.0% to 6,762 tonnes. Total copra production for this quarter is higher by 27.6% compared to the aggregate volume registered in the corresponding quarter of 2019.

The increase in level of production this quarter, compared to the corresponding quarter of 2019, is attributable to the higher prices offered in the global market during this quarter which has influenced the domestic market prices. PNG farmers are price sensitive so the higher prices of copra has resulted in an increase in copra production levels.

2.2 Copra Production by Depots

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

Aggregate, Madang (8,560 tonnes) led the tally followed by Rabaul/Toboï (5,899 tonnes), Buka (4,345

tonnes), Kimbe (1,571 tonnes), Kavieng/Namatanai (716 tonnes) and Alotau (151 tonnes) in descending order.

Madang began the quarter by registering 1,667 tonnes in January and increased by 124.5% in February to 3,743 tonnes but decreased by 15.8% to 3,151 tonnes in March.

Rabaul/Toboï commenced with 2,115 tonnes in January and increased in February by 0.7% to 2,129 tonnes. However, it decreased by 22.3% to 1,655 tonnes in March.

Buka commenced with 1,537 tonnes in January and decreased by 7.7% to 1,656 tonnes in February and further decreased by 30.4% to 1,152 tonnes in March.

Kimbe started with 556 tonnes in January and decreased by 17.1% to 475 tonnes in February. It then increased by 13.5% to 539 tonnes in March.

Kavieng/Namatani began the quarter by registering 221 tonnes in January and increased by 32.6% to 293 tonnes in February. However, it decreased by 31.4% to 201 tonnes in March.

Alotau began the quarter by recording 35 tonnes in January and increased by 48.6% to 52 tonnes in February. It further increased by 23.1% to 64 tonnes in March.

Overall Alotau experienced an increasing production trend in this quarter while the rest experienced fluctuating trends.

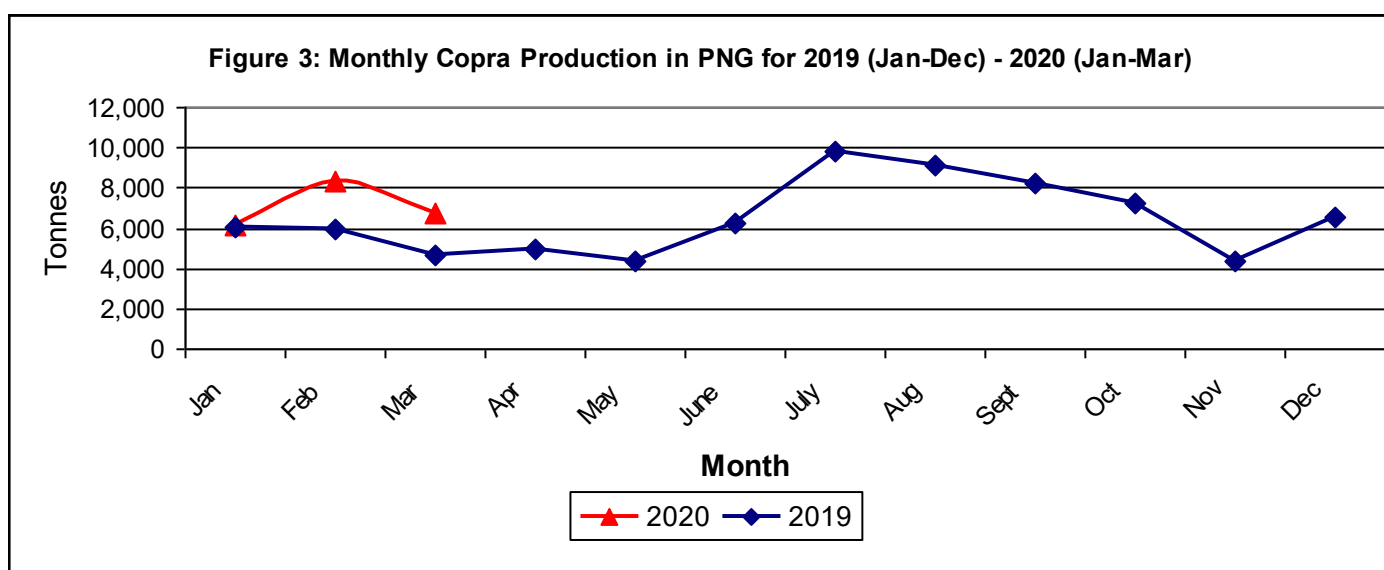


Table 2: Copra production (tonnes) by Major Buying Centers for 2020 (Jan—Mar)

Centre/Depot	Jan	Feb	Mar
Rabaul/ Toboi	2,115	2,129	1,655
Madang	1,667	3,743	3,151
Buka	1,537	1,656	1,152
Kavieng/Namatanai	221	293	201
Kimbe	556	475	539
Alotau	35	52	64
Total	6,131	8,349	6,762

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.

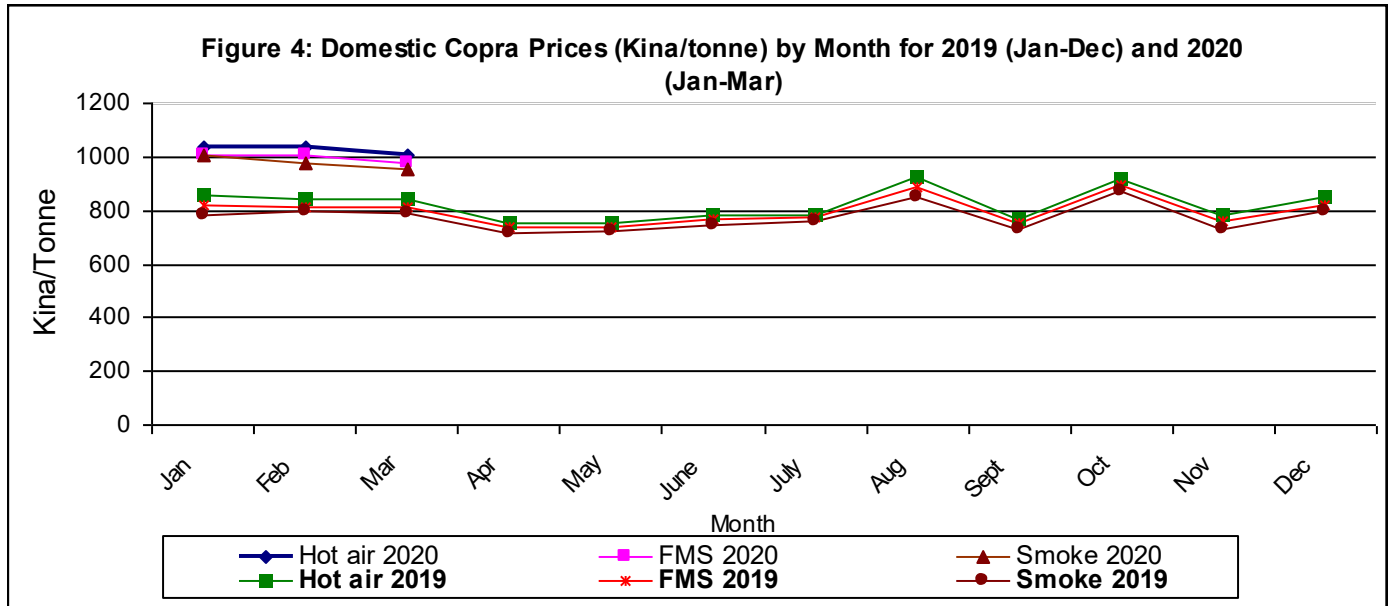
During this quarter, the average Hot Air, FMS and Smoke grade prices were K1,021, K998 and K970 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K23 per tonne and the discount for the smoke grade is K28 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne decreased by 4.2% while the discount price for the smoke grade increased by 3.7%.

Monthly price fluctuations for 2019 and this quarter 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 2019. January recorded K1,050/tonne for hot air copra which is 24.0% higher than the price of the preceding month. FMS increased by 24.9% to K1,027/tonne and smoke also increased by 25.5% to K1,000/tonne.

In February, price for hot air decreased by 2.6% to K1,023/tonne, FMS decreased by 2.6% to K1,000/tonne and the smoke grade also decreased by 2.7% to K973/tonne.

In March, hot air copra was priced at K991/tonne, a decrease of 3.1%. FMS decreased by 3.3% to K967/tonne and smoke grade also decreased by 3.8% to K936/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 K1,318/tonne, an increase of 2.5% compared to the price of the preceding quarter. FMS and smoke were also priced at K1,318/tonne each, an increase of 2.5% as well compared to the prices of the preceding quarter.

Following Madang was Buka that priced hot air at K1,047/tonne, an increase of 24.1%. FMS and smoke were also priced at K1,047/tonne, an increase of 24.1%, respectively.

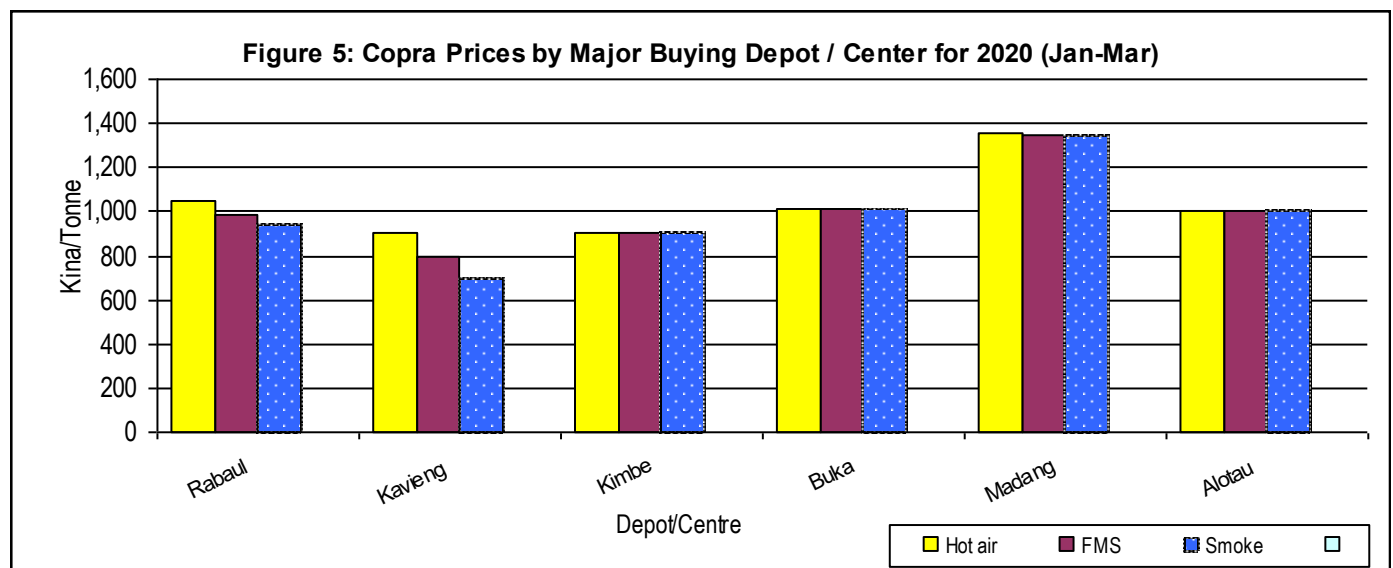
Alotau rallied behind Buka with K1,000/tonne flat rate for all grades. This is due to the price support offered to the copra producers by the Milne Bay Provincial Government and that benefited the Alotau farmers well over the farmers in other centres.

Following Alotau was Rabaul that priced hot air, at K971/tonne, a decrease of 8.5% compared to the price offered in the preceding quarter. FMS was priced at K932/tonne and Smoke at K863/tonne. These prices are higher by 9.4% and 8.8% respectively, compared to the prices offered in the preceding quarter.

Following Rabaul was Kavieng that priced hot air at K900/tonne, FMS at K800/tonne and smoke at K700/tonne. These prices are the same compared to the prices offered in the preceding quarter.

Kimbe offered the lowest price for hot air with K892/tonne. FMS and smoke were also priced at K892/tonne this quarter. These prices are also the same as the prices offered in the preceding quarter.

In general, prices offered in this quarter have improved reflecting the increasing 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.

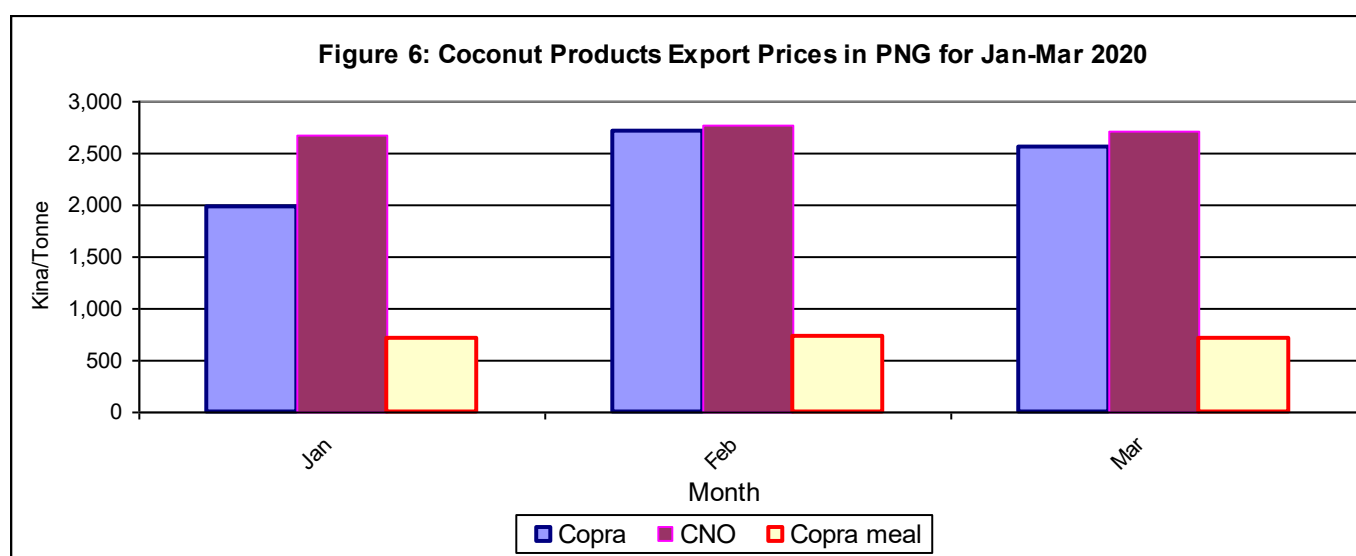
In this quarter, Copra prices fluctuated. January registered K1,982/tonne, an increase of 30.2% from the preceding month. February registered K2,707/tonne which is an increase of 36.6%, but decreased in March by 5.4% to K2,560/tonne.

Price of CNO in this quarter began by registering K2,672/tonne in January, an increase of 15.9% from the preceding month. In February, it increased by 3.8% to K2,774/tonne, but decreased in March by 2.2% to K2,713/tonne.

Copra meal export prices experienced a fluctuating trend this quarter. It registered K706/tonne in January, an increase of 0.1%, and increased again by 4.0% to K734/tonne in February. However, it decreased again in March by 3.8% to K706/tonne.

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

The fluctuating prices of export coconut products experienced since the last quarter of 2019 are anticipated to improve in the coming quarter given the current market scenario of shortage supply, especially CNO, and the impact of the coronavirus pandemic on international trade.



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 8.2% from the preceding month and registered K2,067/tonne in January. It decreased again by 10.2% to K1,857/tonne in February and further decreased by 4.4% to K1,775/tonne in March.

The mill gate price behaved in a similar fashion.

January registered K1,027/tonne, an increase of 28.7% compared to the preceding month. In February, it decreased by 2.6% to K1,000/tonne, and further decreased by 3.3% to K967/tonne in March.

The price trends both at the international and domestic markets have resulted in export margins of 101.3%, 85.7% and 83.6% respectively for January, February and March.

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 First Quarter (January—March) 2020

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)
January	0.2935	607	2,068	1,027	1,041 (101.3%)
February	0.2935	545	1,857	1,000	857 (85.7%)
March	0.2924	519	1,775	967	808 (83.6%)

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

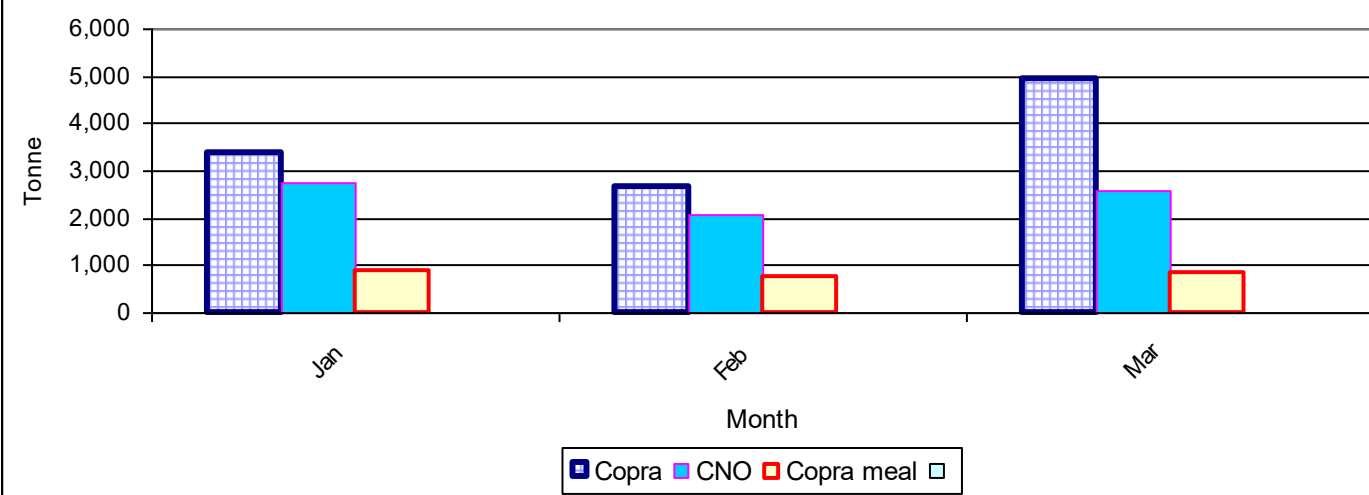
Aggregately, this quarter recorded a total export volume of 10,990 tonnes of copra which is an increase of 39.3% compared to the total export volume (7,891 tonnes) of the preceding quarter, and a decrease of 10.6% compared to the total volume (12,291 tonnes) in the corresponding quarter of 2019.

2.5.1 Copra

In this quarter copra export in January was 3,398 tonnes. It decreased in February by 21.9% to 2,653 tonnes, but increased in March by 86.2% to 4,939 tonnes.

The increase in copra exports this quarter, compared to the preceding quarter, depicts the response of price sensitive farmers as influenced by the higher prices offered during this quarter due to factors affecting the global market price of copra and the movement of the exchange rates.

Figure 7: Export volumes of coconut products for Jan - Mar 2020.



Export by destination

In this quarter, PNG exported a total of 10,990 tonnes of copra to two overseas markets namely Philippines and Bangladesh.

Of the total volume, Philippines bought 72.9% (8,014 tonnes) and Bangladesh bought 27.1% (2,976 tonnes). The 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.

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 10,990 tonnes undertaken by seven (7) exporters namely Coconut Products Ltd (CPL), Aero Ltd, Pacific Lama Traders, Sankamap Ltd, Kimbe Bay Shipping Ltd (KBSL), One You Sing (OYS) Enterprise and Emirau Marine Products (EMP).

Of the total volume, CPL led the tally by exporting 27.1% (2,976 tonnes). After CPL was Pacific Lama with 21.4% (2,347 tonnes), Aero with 18.3% (2,010 tonnes) KBSL with 16.2% (1,776 tonnes), EMP with 8.1% (815), Sankamap with 5.4% (543 tonnes), and One You Sing with 5.2% (523 tonnes) in descending order.

The increase in prices in the global market has had an impact on the domestic prices resulting in high production levels hence the increase in export volume.

Table 4: Copra exports and market share for January—March 2020

Exporter/Port	First Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Coconut ProductsLtd	2,976	27.1%
Pacific Lama Traders	2,347	21.4%
Aero Limited	2,010	18.3%
Kimbe Bay Shipping Ltd	1,776	16.2%
Emirau Marine Products	815	7.9%
Sankamap Ltd	543	4.9%
One You Sing Enterprise	523	4.8%
TOTAL	10,990	100%

2.5.2 Coconut Oil Exports

A total of 7,396 tonnes of CNO was exported from PNG in this quarter. The month of January registered an export volume of 2,736 tonnes followed by February with 2,065 tonnes which is a decrease of 24.5%, but increased in March by 25.6% to 2,594 tonnes. Compared to the export volume (3,994 tonnes) of the preceding quarter, this quarter's total export volume increased by 85.2%.

Export by destination

CNO exported in this quarter went to four overseas

markets – Malaysia, Indonesia, Pakistan and New Zealand. Malaysia bought 79.6% (5,883 tonnes), Indonesia bought 11.7% (864 tonnes), Pakistan bought 8.4% (621 tonnes) and New Zealand bought 0.3% (24 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, Globe Manufacturing Ltd and Markham Farming Ltd.

Table 5: Copra Oil (CNO) exports and market share for January—March 2020

Exporter/Port	First Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Globe Manufacturing	4,156	56.2%
Markham Farming Ltd	2,268	30.7%
Pristine Co.101 Ltd	972	13.1%
TOTAL	7,396	100%

2.5.3 Copra Meal Exports

In this quarter a total of 2,771 tonnes of copra meal was exported from PNG, which is an increase of 25.3% compared to the total volume (2,211 tonnes) registered in the preceding quarter. January began by registering 878 tonnes and increased by 20.2% to 1,055 tonnes in February, but decreased again by 20.6% to 838 tonnes in March.

Export by destination

Copra meal exported in this quarter went to five destinations overseas namely Australia, United States, United Kingdom, South Africa and New Cale-

donia. Of the total export volume, Australia bought 69.3% (1,921 tonnes), USA 24.8% (590 tonnes), UK 7.2% (200 tonnes) while South Africa 1.4% (40 tonnes) and New Caledonia bought 0.7 (20 tonnes) each. Australia normally imports copra meal for feed stock for the livestock sectors while others import for various intermediary purposes.

Export market share

Copra meal exports in this quarter were undertaken by Pristine Co.101 Limited, Markham Farming Ltd and Globe Manufacturing Ltd.

Table 4a: Copra Meal Exports and Market Share for January—March 2020

Exporter/Port	First Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Markham Farming Ltd	1,410	50.9%
Pristine Co.101 Ltd	720	26.0%
Globe Manufacturing Ltd	641	23.1%
TOTAL	2,463	100%

3. EXPORT EARNINGS FROM COCONUT PRODUCTS

The export earnings from coconut products, namely copra, CNO and copra meal for the first quarters of 2019 and 2020 are summarised in Table 5 below.

In comparison to the corresponding quarter of 2019, copra, CNO and copra meal all registered an increase in export revenue this quarter. Copra, CNO and copra meal revenue registered in this quarter were higher by 38.2%, 401.3% and 252.5% respectively.

The aggregate export revenue generated from coconut products in this quarter is 99.3% higher than the total export revenue registered in the corresponding quarter of 2019.

The increase in revenue registered in this quarter is attributable to the increase in prices at the global market since the last quarter of 2019.

Table 5: Export earnings from coconut products for the first quarters of 2019 & 2020

Coconut Product	Jan-Mar 2020 (Kina)	Jan-Mar 2019 (Kina)
Copra	29,015,917	20,990,526
CNO	19,822,337	3,953,879
Copra Meal	1,992,160	565,111
TOTAL	50,830,414	25,509,516

Source: Kokonas Industri Koporesen

4. CONCLUSION

Generally, prices of copra the aggregate and average levels increased in this quarter compared to the preceding quarter, while CNO prices decreased. Average prices of copra increased by 1.6% and while CNO prices decreased by 1.9% 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 increased in this quarter by 17.7% from the preceding quarter, and this had an impact on the exports of copra, CNO and copra meal which all recorded an increase 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 an increase this quarter compared to the preceding quarter. The increase in export revenue has mainly been attributed to the increase 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.