



QUARTERLY COCONUT INDUSTRY MARKET REPORT

APRIL—JUNE 2019

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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\$414/MT and US\$654/MT respectively, which were lower compared to the preceding quarter. Prices registered for copra and CNO in the second quarter are shown in Table 1 and the graphical illustration in Figure 1 below.

In April, copra registered US\$422/MT which is an increase 1.7% compared to the preceding month. In May, it decreased by 0.5%, registering US\$420/MT. It further decreased by 4.3% to US\$402/MT in June.

CNO opened the quarter by registering US\$666/MT in April, which is a decrease of 1.9% compared to the preceding month. It decreased by 0.8% in May by registering US\$661/MT, and further decreased by 3.8% to US\$636/MT in June.

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 2019 (Jan-June)

	Jan	Feb	Mar	Apr	May	Jun
Copra (CIF NW US\$/MT)	486	425	415	422	420	402
Quarterly Average	442			414		
CNO (CIF Rott US\$/ MT)	761	697	679	666	661	636
Quarterly Average	713			654		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

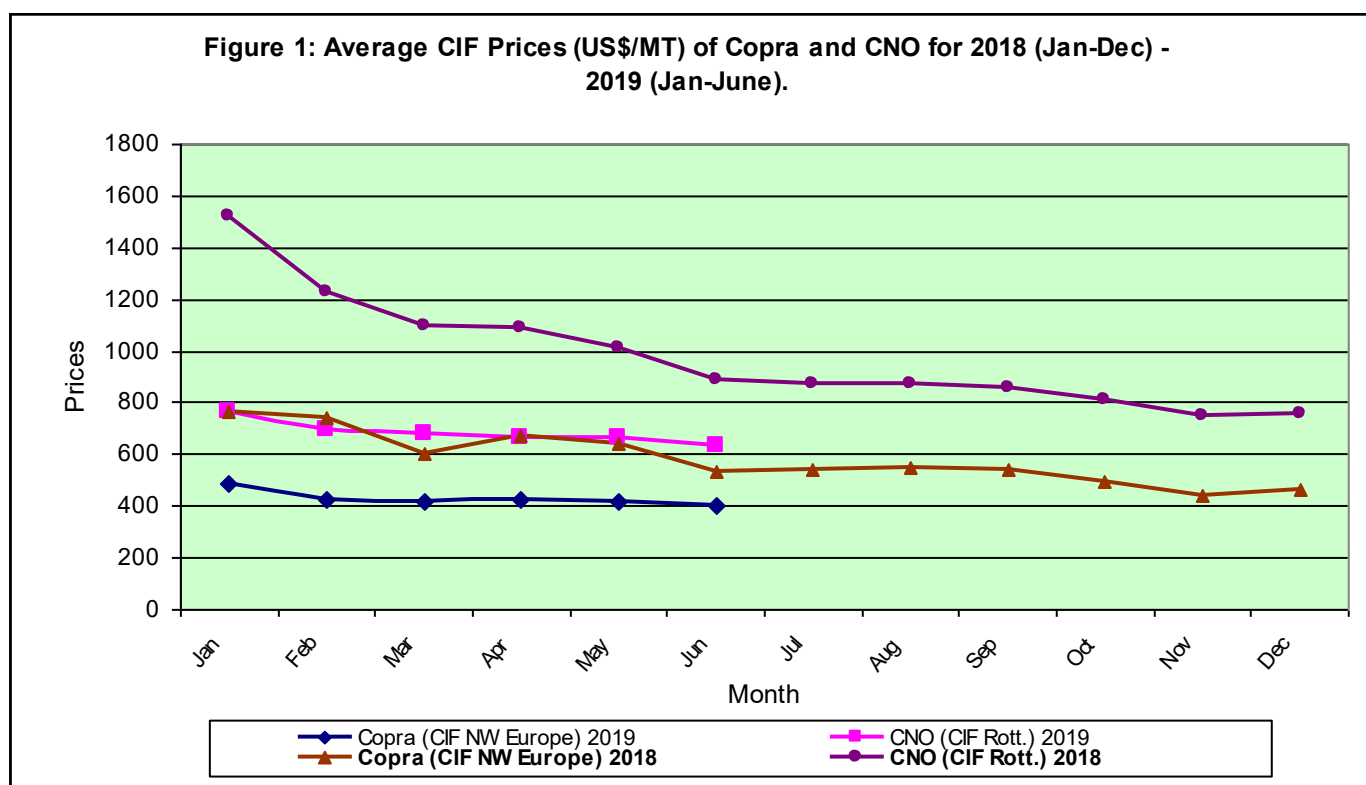
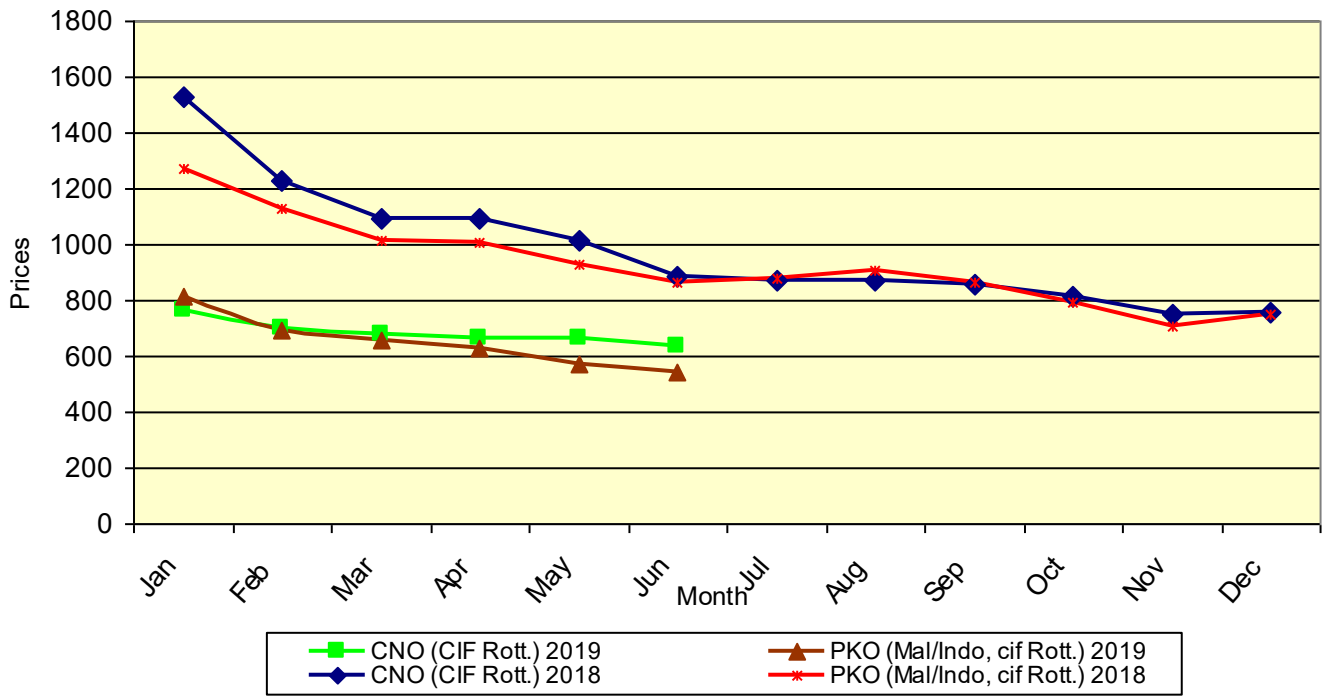


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2018 (Jan-Dec) - 2019 (Jan-June)



2. DOMESTIC MARKET DEVELOPMENTS

2.1 Total Copra Production

Domestic copra production in this quarter decreased compared to the preceding quarter and aggregately registered 22,329 tonnes as shown in Figure 3. The total production registered in this quarter is 28.5% lower compared to the total production (31,240 tonnes) registered in the corresponding quarter of 2018.

The second quarter began production with April registering 6,798 tonnes which is 45.5% higher than the volume registered in the preceding month. Following on, May registered 7,724 tonnes which is an increase of 13.6%. In June, it further increased by 1.1% to 7,807 tonnes. Total copra production for this quarter is lower by 34.2% compared to the aggregate volume registered in the preceding quarter.

The low level of production in this quarter compared to the corresponding quarter of 2018 is attributable to the lower 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.

Aggregately, Rabaul/Toboï (6,438 tonnes) led the tally followed by Kavieng (5,287 tonnes), Madang (4,724 tonnes), Buka (4,403 tonnes), Kimbe (1,075 tonnes) and Alotau (402 tonnes).

Rabaul/Toboï began the quarter by registering 1,739 tonnes in April and decreased by 28.8% in May to 2,239 tonnes but increased again by 9.8% to 2,459 tonnes in June.

Kavieng commenced with 1,839 tonnes in April and increased in May by 3.2% to 1,898 tonnes. However, it decreased by 18.3% to 1,551 tonnes in June.

Madang began the quarter by registering 1,284 tonnes in April and increased by 31.3% to 1,686 tonnes in May and further increased by 4.0% to 1,754 tonnes in June.

Buka commenced with 1,491 tonnes in April and decreased by 0.3% to 1,487 tonnes in May. It decreased further by 4.2% to 1,425 tonnes in June.

Kimbe began the quarter by registering 338 tonnes in April and decreased by 21.6% to 265 tonne in May. However, it increased by 77.7% to 471 tonnes in June

Alotau started with 107 tonnes in April and increased by 39.3% to 149 tonnes in May but slightly decreased by 1.4% to 146 tonnes in June.

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.

Figure 3: Monthly Copra Production in PNG for 2018 (Jan-Dec) - 2019 (Jan-June)

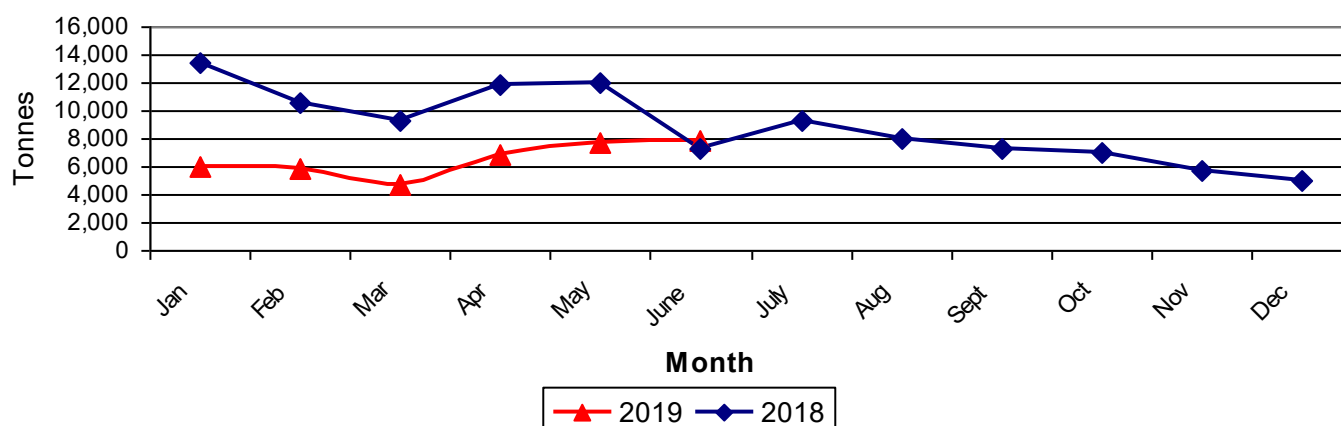


Table 2: Copra production (tonnes) by Major Buying Centers for 2019 (Jan–June)

Centre/Depot	Jan	Feb	Mar	April	May	June
Rabaul/ Toboi	2,317	2,102	1,849	1,739	742	2,459
Madang	1,695	1,678	1,776	1,284	1,686	1,754
Buka	1,458	1,626	1,518	1,491	1,487	1,425
Kavieng/Namatanai	205	-	-	1,839	1,898	1,551
Kimbe	296	446	562	338	265	471
Alotau	93	54	82	107	149	146
Total	6,063	5,906	5,787	6,798	7,724	7,807

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.

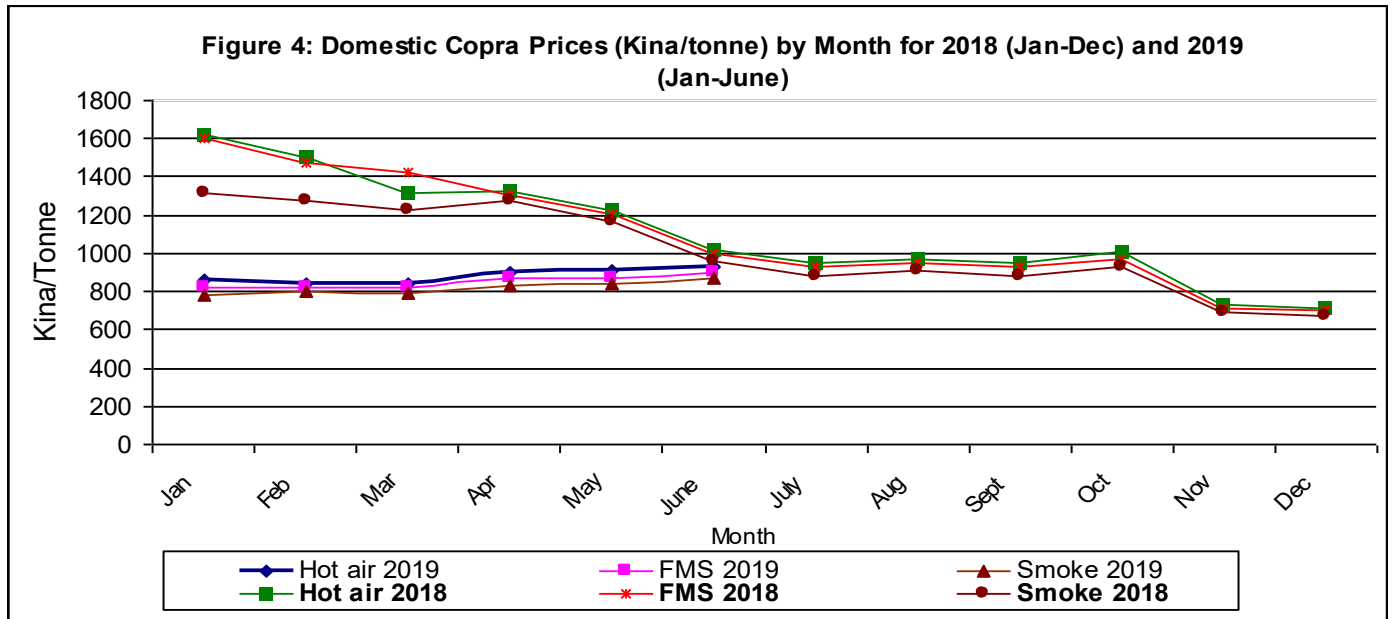
During this quarter, the average Hot Air, FMS and Smoke grade prices were K913, K882 and K844 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K31 per tonne and the discount for the smoke grade is K38 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne decreased by 3.1% and the discount price for the smoke grade decreased by 52.0%.

Monthly price fluctuations for 2018, the first quarter and this quarter 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 2018. April recorded K903/tonne for hot air copra which is 7.1% higher than the price of the preceding month. FMS increased by 7.0% to K873/tonne while smoke decreased by 4.3% to K827/tonne.

In May, the prices for the copra grades increased. Price for the hot air increased by 0.3% to K906/tonne, FMS increased by 0.1% to K874/tonne and the smoke grade increased also by 1.6% to K840/tonne.

In June, hot air copra was priced at K931/tonne, an increase of 2.8%. FMS increased by 2.7% to K898/tonne and smoke grade also increased by 3.1% to K866/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 K1,202/tonne, an increase of 1.2% compared to the price of the preceding quarter. FMS was priced at K1,159/tonne, an increase of 1.5%, and smoke was priced at K1,120/tonne, a decrease of 1.9% 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.

Kavieng followed Alotau pricing 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.

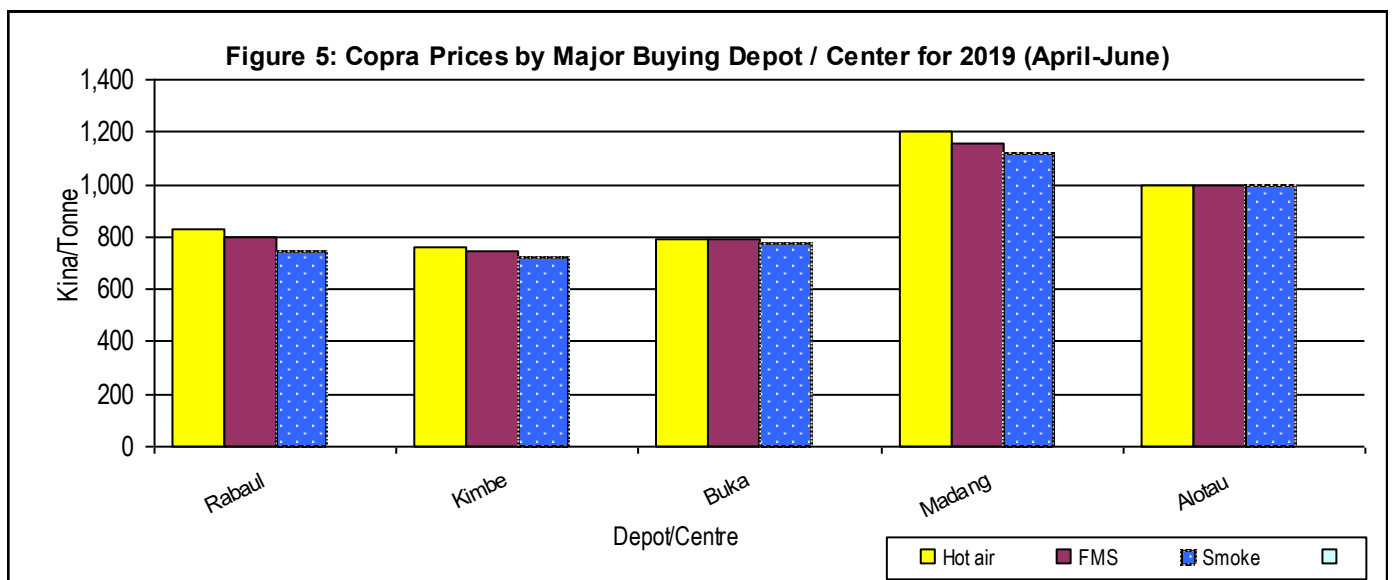
Rabaul rallied behind Kavieng pricing hot air at K830/tonne, an increase of 7.5%, FMS at K799/tonne, an increase of 9.5%, and smoke grade at K746/tonne, an increase of 8.4%.

Following Rabaul was Buka that priced hot air at K790/tonne, an increase of 6.9%. FMS at K790/tonne, an increase of 7.5%, and smoke grade at K774/tonne, an increase of 7.2%.

Kimbe offered the lowest prices. It priced hot air at K758/tonne for hot air, a decrease of 2.1%. FMS at K742/tonn, an increase of 2.3%, and smoke

at K725/tonne, an increase of 0.4%.

In general, prices offered in this quarter have declined reflecting the declining 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 K2,152/tonne, an increase of 23.1% from the preceding month. May registered K3,951/tonne which is an increase of 83.5%, but decreased again in June by 41.3% to K2,320/tonne.

Price of CNO in this quarter began by registering K2,766/tonne in April, an increase of 26.3% from the preceding month. In May, it decreased by 21.0% to K2,184/tonne, but increased by 10.3% in June to K2,408/tonne.

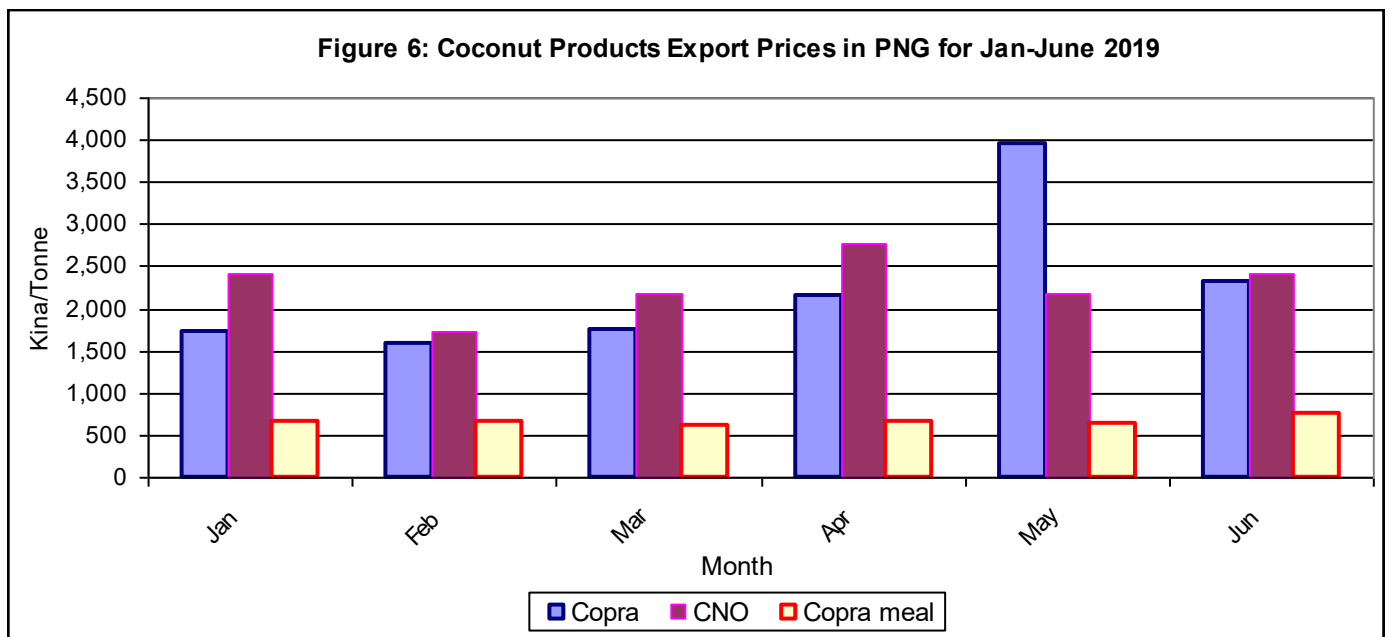
Copra meal export price experienced a fluctuating trend this quarter. It registered K655/tonne in April, an increase of 6.0% compared to the preceding month. In May, it decreased by 0.9% to K649/tonne, but increased in June by 15.3% to K748/tonne.

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 first quarter are anticipated to improve in the coming quarter

given the current market scenario of stable prices and growing demand at the international market.

Figure 6: Coconut Products Export Prices in PNG for Jan-June 2019



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 fluctuated from the preceding month into this quarter. The kina equivalent FOB price in the international market has increased by 1.9% from the preceding month and registered K1,425/tonne in April. However, it decreased by 0.2% to K1,421/tonne in May and further decreased by 4.4% to K1,359/tonne in June.

The mill gate price behaved in a different fashion. April registered K873/tonne which is an increase of 28.0% compared to the preceding month. In May, it increased by 0.1% to K874/tonne, and further increased by 2.7% to K898/tonne in June.

The price trends both at the international and domestic markets have resulted in export margins of 63.2%, 62.6% and 51.3% respectively for April, May and June.

This indicates two scenarios either the cost of making busi-

ness 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 (April—June) 2019

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 & Per- centage out of the FOB Price (Kina/ tonne)
April	0.2962	422	1,425	873	552 (63.2%)
May	0.2955	420	1,421	874	547 (62.6%)
June	0.2958	402	1,359	898	461 (51.3%)

Source: Kokonas Industri Koporesen

Exchange Rate Source: Bank of Papua New Guinea

2.5 Exports of coconut products

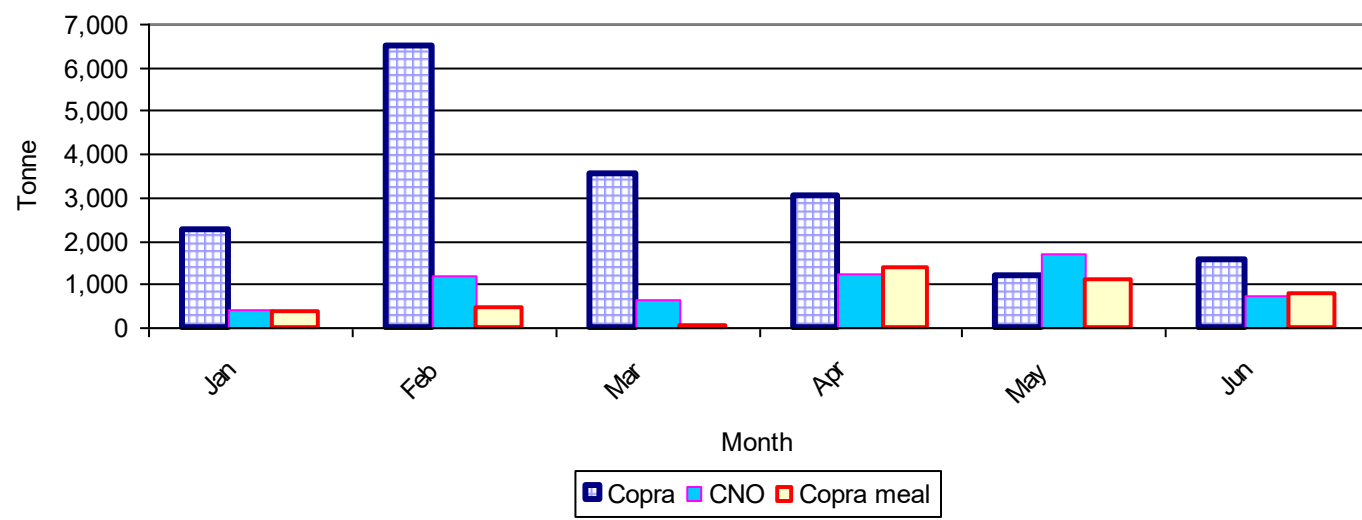
Figure 7 shows the volumes of the three coconut products exported from PNG in this quarter, namely, Copra, Copra Oil (CNO) and Copra Meal. The export volumes of copra, CNO and copra meal declined compared to the preceding quarter.

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

2.5.1 Copra

In this quarter copra export in April was 3,040 tonnes. It decreased by 61.3% to 1,177 tonnes in May, but increased again by 33.7% to 1,574 tonnes in June.

Aggregately, this quarter recorded a total export volume of 5,791 tonnes of copra which is a decrease of 52.9% compared to the total export volume (12,291 tonnes) of the preceding quarter, and a decrease of 64.8% compared to the total volume (16,470 tonnes) in the corresponding quarter of 2018.

Figure 7: Export volumes of coconut products for Jan - June 2019.

Export by destination

In this quarter, PNG exported a total of 5,791 tonnes of copra to only one overseas market namely Philippines.

Philippines bought 100.0% (5,791 tonnes) of PNG's copra exports. 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 5,791 tonnes undertaken by six (6) exporters namely Aero Ltd, Kimbe Bay Shipping Ltd (KBSL), Pacific Lama Traders, Garden Enterprise, Autonomous Bougainville Commodity (ABC) Ltd, and Sankamap Ltd.

Of the total volume, Aero Ltd led the tally by exporting 37.4% (2,167 tonnes). After Aero was KBSL with 17.9% (1,034 tonnes), Pacific Lama with 16.3% (942 tonnes), Garden Enterprise with 12.1% (703 tonnes), ABC with 9.3% (539 tonnes) and Sankamap with 7.0% (405 tonnes) in descending order.

The fall in price in the global market has had an impact on the domestic prices resulting in a fall in export volume.

Table 4: Copra exports and market share for April–June 2019

Exporter/Port	Second Quarter 2019 Export Volumes (Tonnes)	Market Share (%)
Aero Ltd	2,167	37.4%
Kimbe Bay Shipping Ltd	1,034	17.9%
Pacific Lama Traders	942	16.3%
Garden Enterprise	703	12.1%
ABC Ltd	539	9.3%
Sankamap Ltd	405	7.0%
TOTAL	5,791	100%

2.5.2 Coconut Oil Exports

A total of 3,704 tonnes of CNO was exported from PNG in this quarter. The month of April registered an export volume of 1,265 tonnes followed by May with 1,686 tonnes which is an increase of 33.3%, but decreased in June by 55.3% to 753 tonnes. Compared to the export volume (2,270 tonnes) of the preceding quarter, this quarter's total export volume increased by 63.2%.

Export by destination

CNO exported in this quarter went to five overseas markets – Malaysia, Bangladesh, Pakistan, Australia and Lithuania. Malaysia bought 76.9% (2,850 tonnes), Bangladesh bought 13.0% (483 tonnes), Pakistan bought 6.6% (245 tonnes), and Australia and Lithuania each bought 1.9% (63 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 4b: Copra Oil (CNO) exports and market share for April–June 2019

Exporter/Port	Second Quarter 2019 Export Volumes (Tonnes)	Market Share (%)
Pristine Co.101 Ltd	260	7.0%
Global Manufacturing Ltd	1,738	46.9%
Markham Farming Ltd	1,706	46.1%
TOTAL	3,704	100%

2.5.3 Copra Meal Exports

In this quarter a total of 3,256 tonnes of copra meal was exported from PNG, which is an increase of 271.3% compared to the total volume (877 tonnes) registered in the preceding quarter. April began by registering 1,373 tonnes and decreased by 19.5% to 1,105 tonnes in May, and decreased again by 29.7% to 777 tonnes in June.

Export by destination

Copra meal exported in this quarter went to four destinations overseas namely Australia, United States, Great Britain and South Africa. Of the total export volume, Australia bought 87.9% (2,861 tonnes), USA 7.8% (255 tonnes), Great Britain 3.1% (100 tonnes), and South Africa 1.2% (40 tonnes). Australia normally imports copra meal for feed stock for the livestock sectors while others import for various intermediary purposes.

Export market share

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 April–June 2019.

Exporter/Port	Second Quarter 2019 Export Volumes (Tonnes)	Market Share (%)
Pristine Co.101 Ltd	351	10.8%
Globe Manufacturing Ltd	1,850	56.8%
Markham Farming Ltd	1,055	32.4%
TOTAL	877	100%

3. EXPORT EARNINGS FROM COCONUT PRODUCTS

The export earnings from coconut products, namely copra, CNO and copra meal for the second quarters of 2018 and 2019 are summarised in Table 5 below.

In comparison to the corresponding quarter of 2018, copra, CNO and copra meal all registered a decrease in export revenue this quarter.

Copra, CNO and copra meal revenue registered in this quarter were lower by 54.4%, 50.6% and 0.3% respectively, compared to the revenue registered in the corresponding quarter of 2018.

The aggregate export revenue generated from coconut products in this quarter is 50.7% lower than the total export revenue regis-

tered in the corresponding quarter of 2018.

The decrease in revenue registered in this quarter is attributable to the declining prices at the global market since the last quarter of 2018.

Table 5: Export earnings from coconut products for the second quarters of 2018 & 2019

Coconut Product	April–June 2019 (Kina)	April–June 2018(Kina)	Jan–June 2019 (Kina)	Jan–June 2018 (Kina)
Copra	13,629,818	29,877,696	34,620,344	71,932,306
CNO	8,893,593	17,986,130	12,847,472	33,478,762
Copra Meal	2,084,825	2,092,003	2,649,936	3,463,911
TOTAL	24,608,236	49,955,829	50,117,752	108,874,979

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 6.3% and 8.3% 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 34.2% 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 cause CNO prices to increase as well.