



# QUARTERLY COCONUT INDUSTRY MARKET REPORT

**APRIL—JUNE 2020**

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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\$542/MT and US\$810/MT respectively. These prices were lower by 2.7% and 6.0% 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\$536/MT which is an increase of 3.3% compared to the preceding month. In May, it increased further by 0.7%, registering US\$540/MT, then increased again by 8.3% to US\$585/MT in June.

CNO opened the quarter by registering US\$800/MT in April, an increase of 1.8% compared to

the preceding month. It then decreased by 2.9% in May, registering US\$777/MT, but increased by 9.8% to US\$853/MT in June.

Although the current market conditions are experiencing fluctuations in price for both CNO and PKO there are positive signs prices may remain high through 2020 due to increase in the demand for lauric oils.

It has been reported that over fifty percent (50%) of CNO is used by the oleo-chemical industry according to the International Coconut Community Annual Report 2019.

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

	Jan	Feb	Mar	Apr	May	Jun
Copra (CIF NW US\$/MT)	607	545	519	536	540	585
Quarterly Average	557			542		
CNO (CIF Rott US\$/ MT)	974	826	786	800	777	853
Quarterly Average	862			810		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

**Figure 1: Average CIF Prices (US\$/MT) of Copra and CNO for 2019 (Jan-Dec) - 2020 (Jan-June).**

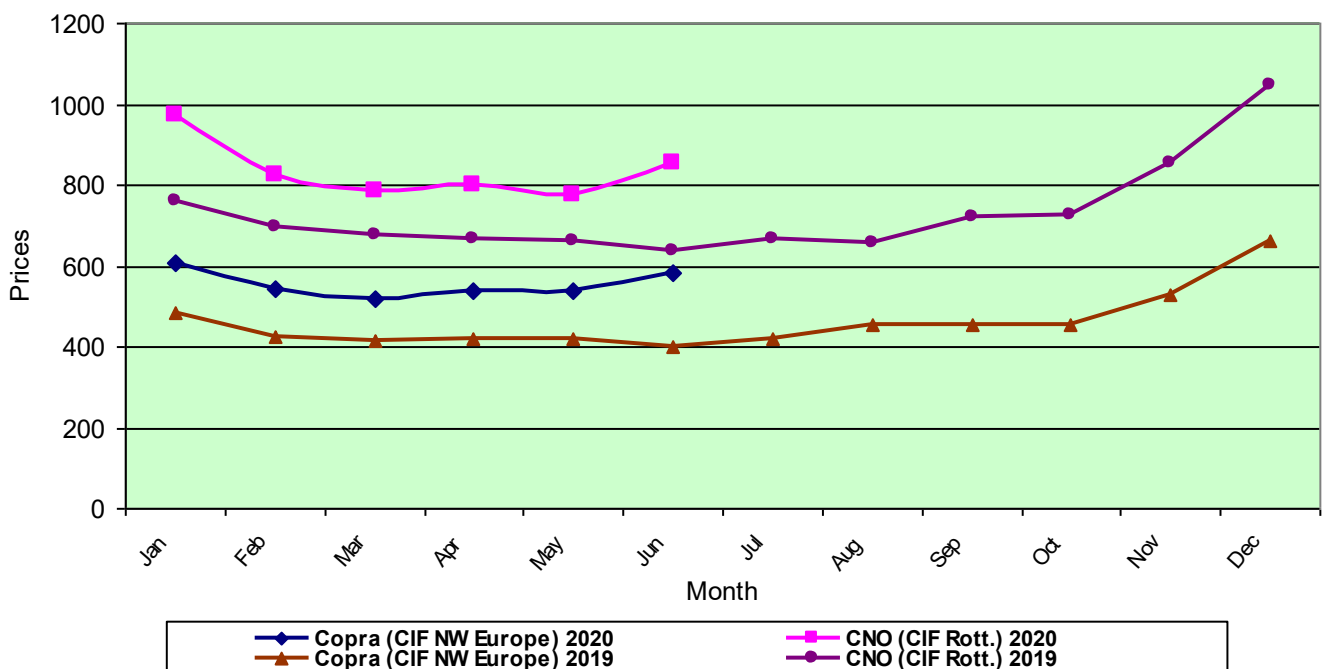
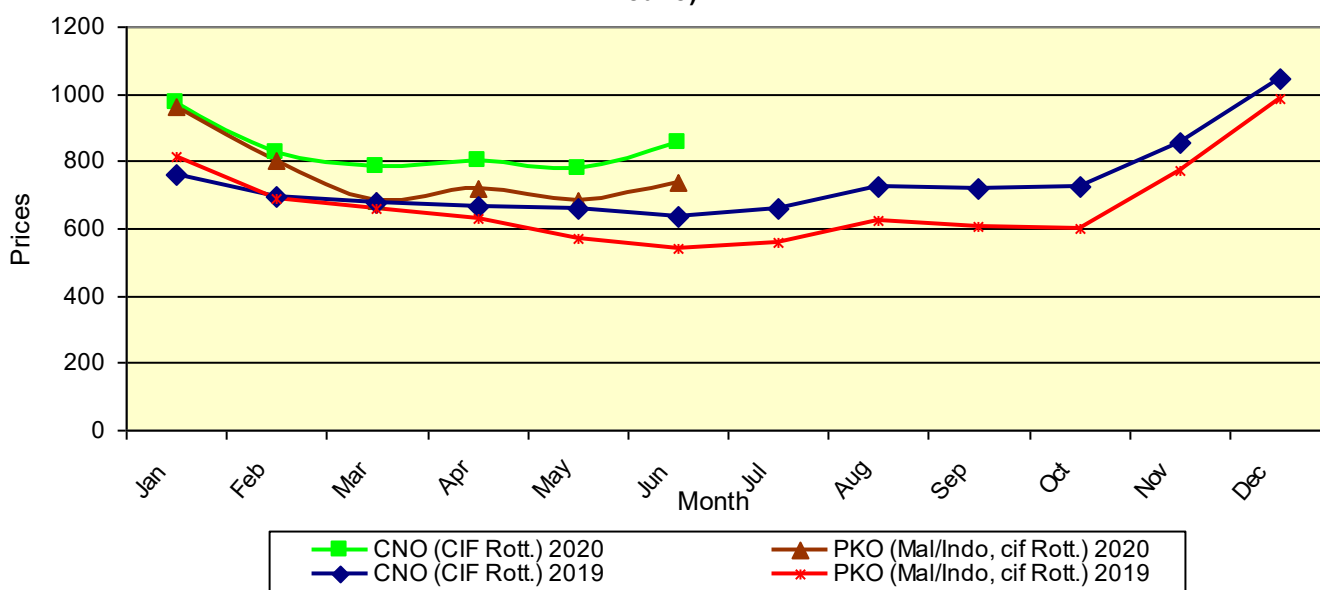


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2019 (Jan-Dec) - 2020 (Jan-June)



## 2. DOMESTIC MARKET DEVELOPMENTS

### 2.1 Total Copra Production

Domestic copra production in this quarter increased compared to the preceding quarter and aggregate registered 23,183 tonnes as shown in Figure 3. Total copra production for this quarter is higher by 9.1% compared to the aggregate volume registered in the preceding quarter.

The second quarter began production with 6,857 tonnes registered in April, which is 1.4% higher than the volume registered in the preceding month. Following on, May registered 7,917 tonnes which is an increase of 15.5%. It further increased by 6.2% to 8,409 tonnes. Total copra production for this quarter is higher by 9.1% compared to the aggregate volume registered in the preceding quarter.

The increase in level of production this quarter is attributed to the competition between buyers of copra, who are offering better prices to local farmers and producers for their copra which has encouraged more production of copra despite the decline in global copra prices.

### 2.1 Total Copra Production

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

Aggregate, Madang (8,309 tonnes) led the tally, followed by Rabaul/Toboï (6,503 tonnes), Buka (4,256 tonnes), Kimbe (2,776 tonnes), Kavieng/Namatanai (1,062 tonnes) and Alotau (277 tonnes) in descending order.

Madang began the quarter by registering 2,799 tonnes in April, a decrease of 11.2% compared to the preceding month. It then increased in May by 0.5% to 2,786 tonnes. But decreased again by 2.3% to 2,723 tonnes in June.

Rabaul/Toboï commenced the quarter with 1,937 tonnes in April, an increase of 17.0% from the preceding month. It decreased by 0.4% in May to 1,930 tonnes but increased again by 36.6% to 2,636 tonnes in June.

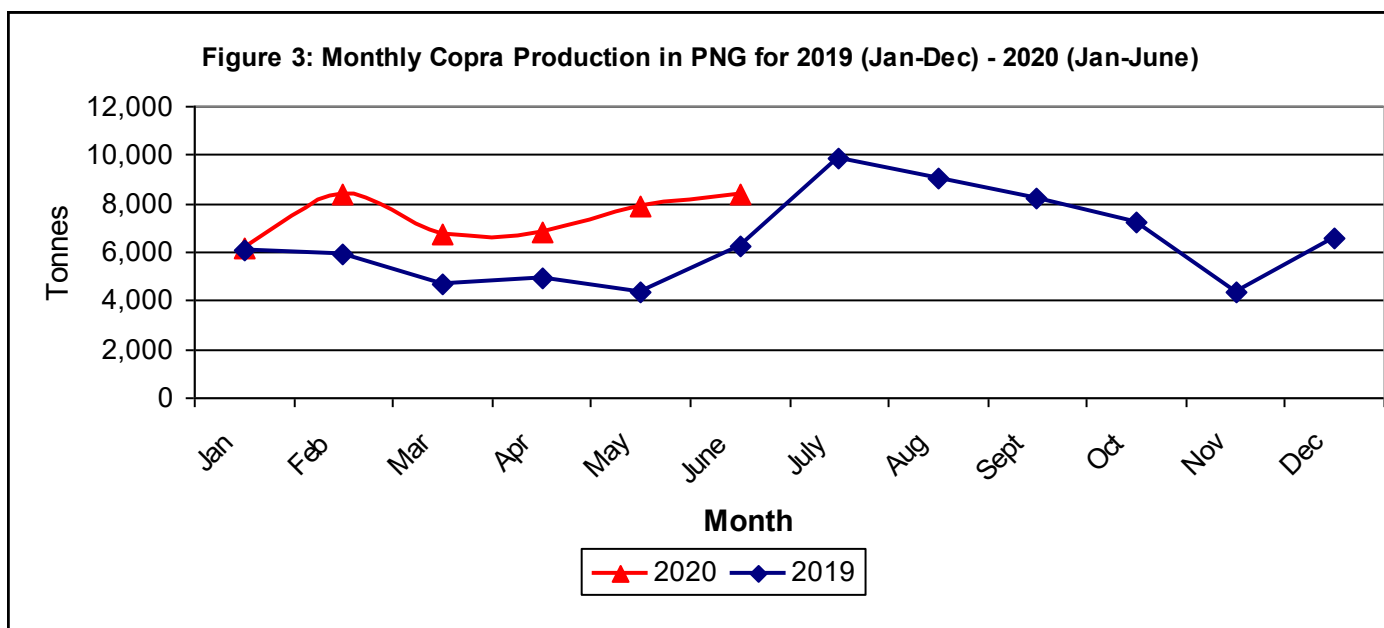
Buka commenced with 1,020 tonnes in April and increased by 63.9% to 1,672 tonnes in May but decreased by 6.5% to 1,564 tonnes in June.

Kimbe started with 785 tonnes in April and increased by 29.6% to 1,017 tonnes in May. It then decreased by 4.1% to 975 tonnes in June.

Kavieng/Namatanai began the quarter by registering 237 tonnes in April and increased by 69.2% to 401 tonnes in May. It further increased by 5.7% to 424 tonnes in June.

Alotau commenced with 80 tonnes in April, an increase of 25.0% from the preceding month. It further increased by 37.5% to 110 tonnes in May, but decreased by 20.9% to 87 tonnes in June.

Overall, this quarter saw an increasing trend in copra production.



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

Centre/Depot	Jan	Feb	Mar	April	May	June
Rabaul/ Toboi	2,115	2,129	1,655	1,937	1,930	2,636
Madang	1,667	3,743	3,151	2,799	2,786	2,723
Buka	1,537	1,656	1,152	1,020	1,672	1,564
Kavieng/Namatanai	221	293	201	237	401	424
Kimbe	556	475	539	785	1,017	975
Alotau	35	52	64	80	110	87
<b>Total</b>	<b>6,131</b>	<b>8,349</b>	<b>6,762</b>	<b>6,857</b>	<b>7,917</b>	<b>8,409</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 K990, K977 and K957 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K16 per tonne and the discount for the smoke grade is K27 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne and the discount price for smoke grade

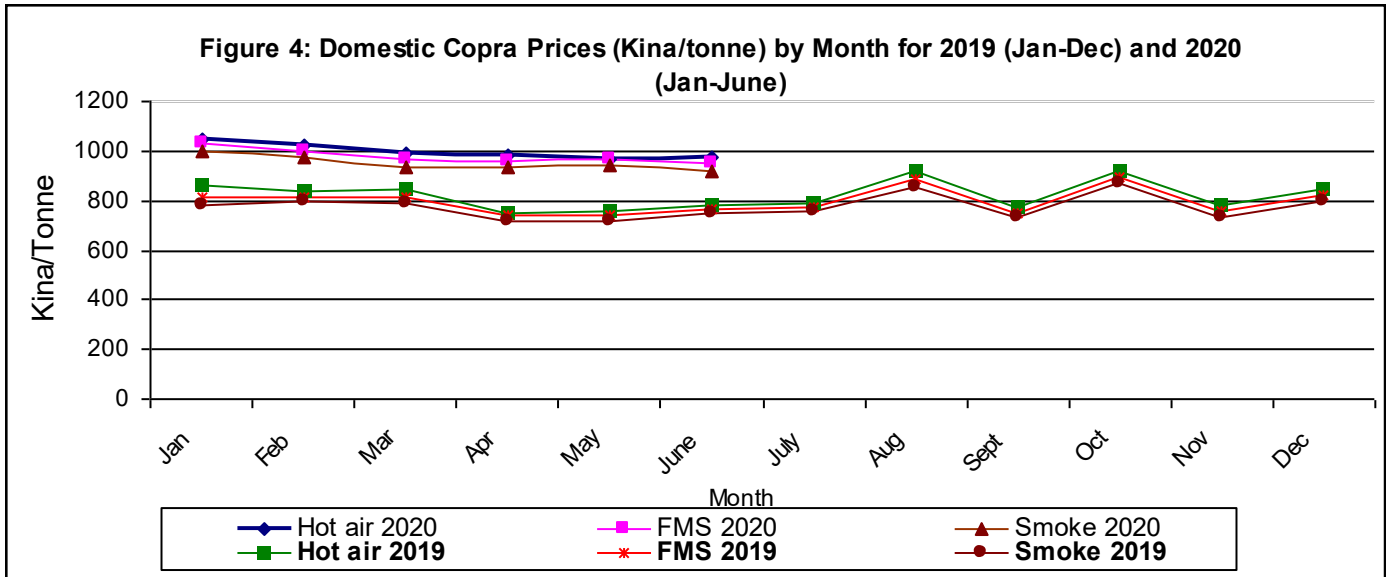
decreased by 30.4% and 3.6% respectively.

Monthly price fluctuations for 2019 and the first six months of 2020 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. April recorded K980/tonne for hot air copra which is 1.1% lower than the price of the preceding month. FMS decreased by 0.9% to K958/tonne and smoke also decreased by 0.2% to K934/tonne.

In May, price for hot air decreased by 1.3% to K968/tonne, FMS increased by 0.7% to K965/tonne and the smoke grade also increased by 0.9% to K943/tonne.

In June, hot air copra was priced at K977/tonne, an increase of 1.0%. FMS decreased by 1.1% to K954/tonne and smoke grade also decreased by 2.3% to K963/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 purchased copra, Madang offered the highest price for hot air, which was K1,191/tonne, a decrease of 9.6% compared to the price offered in the preceding quarter. FMS was priced at K1,155/tonne while smoke was priced at K1,133/tonne. These prices are lower by 12.7% and 14.0% respectively for FMS and smoke grades compared to the prices offered in 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.

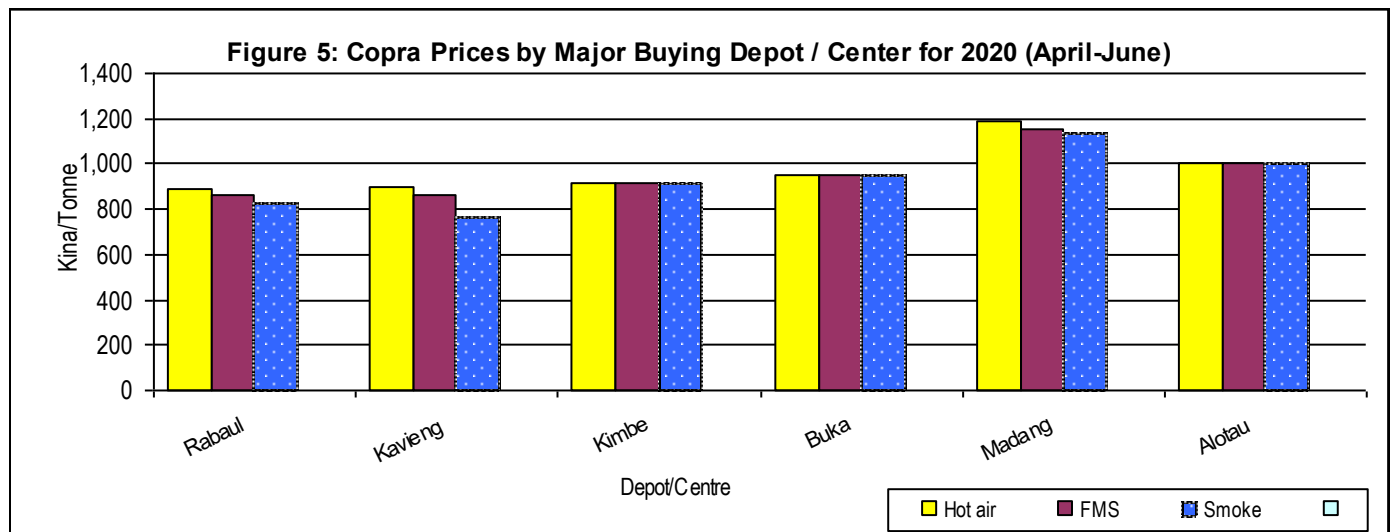
Following Alotau was Buka that priced hot air, FMS and smoke at K951/tonne. These prices are lower by 9.2% compared to the price offered in the preceding quarter.

Kimbe rallied behind Buka pricing all three grades at a flat rate of K917/tonne. This price is lower by 2.8% for all three grades respectively compared to the price offered in the preceding quarter.

Kavieng rallied behind Kimbe pricing hot air at K900/tonne, which is the same price offered in the preceding quarter. FMS was priced at K867/tonne while smoke at K767/tonne. Compared to the previous quarter, these prices are higher by 8.4% and 9.6% respectively for FMS and Smoke grades.

Rabaul offered the lowest price for hot air at K890/tonne, a decrease of 8.3% from the preceding quarter. FMS was priced at K866/tonne and smoke at K828/tonne, which are lower by 7.1% and 4.1% respectively compared to the prices offered in the preceding quarter.

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



## 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.

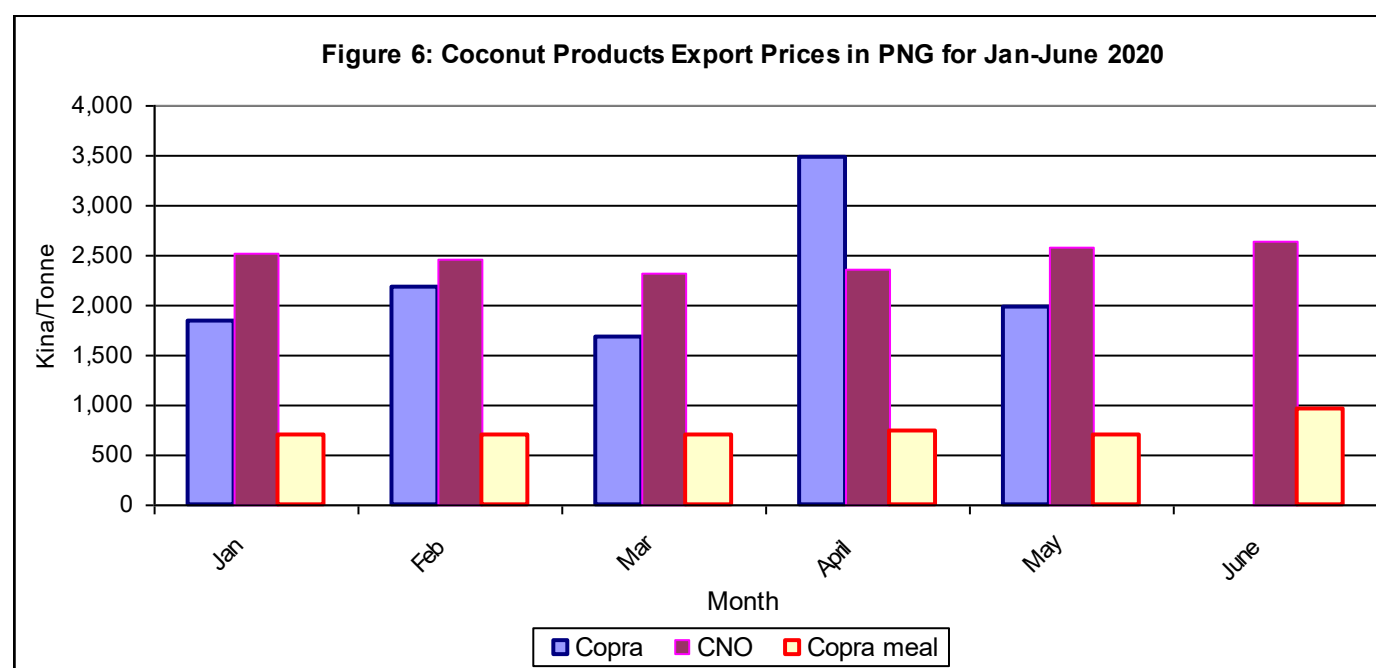
Copra prices fluctuated in this quarter. April registered K3,478/tonne, an increase of 35.9% from the preceding month. May registered K1,972/tonne which is a decrease of 43.3%. There were no exports undertaken during the month of June, therefore information on the export price for that month was not reported.

Price of CNO in this quarter began by registering K2,363/tonne in April, a decrease of 12.9% from the preceding month. In May, it increased by 9.1% to

K2,577/tonne, and further increased by 2.8% in June to K2,649/tonne.

Copra meal export price also experienced a fluctuating trend this quarter. It registered K737/tonne in April, an increase of 4.32% compared to the preceding month. In May, it decreased by 4.3% to K705/tonne, but increased in June by 36.6% to K963/tonne.

The fluctuating prices of export coconut products experienced since the first quarter of 2020 are anticipated to decline in the coming quarter given the current market scenario of unstable prices 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 equivalent FOB price in the international market increased by 3.6% from the preceding month and registered K1,839/tonne in April. It increased again by 1.1% to K1,860/tonne in May, and further increased in June by 8.8% to K2,024/tonne.

The mill gate price behaved in a different fash-

ion. April registered K958/tonne which is a decrease of 0.9% compared to the preceding month. In May, it increased by 0.7% to K965/tonne, but then decreased by 1.1% to K954/tonne in June.

The price trends both at the international and domestic markets have resulted in export margins of 47.9%, 48.1% and 52.9% 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) 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)
April	0.2915	536	1,839	958	881 (47.9%)
May	0.2903	540	1,860	965	895 (48.1%)
June	0.2891	585	2,024	954	1,070 (52.9%)

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.

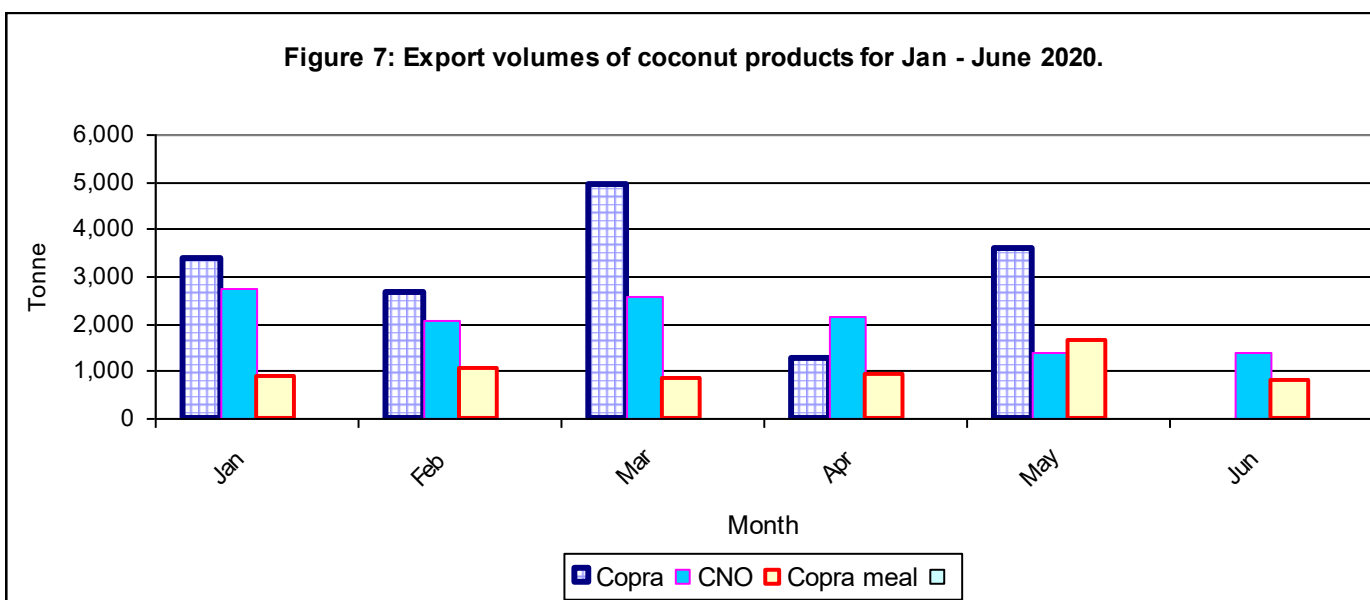
#### 2.5.1 Copra

In this quarter copra export in April was 1,265 tonnes. It increased in May by 184.7% to 3,601 tonnes. There was no export in June as no reports were submitted by the exporters.

Aggregately, this quarter recorded a total export volume of 4,866 tonnes of copra which is a decrease of 55.7% compared to the total export volume (10,990 tonnes) of the preceding quarter, and a decrease of 16.0% compared to the total volume (5,791 tonnes) in the corresponding quarter of 2019.

The decrease in copra exports this quarter, compared to the preceding quarter is due to the impact of the coronavirus (COVID-19) pandemic and its restrictions on international trade, resulting in only few exporters trading this quarter.

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



#### Export by destination

In this quarter, PNG exported a total of 4,866 tonnes of copra to two overseas markets namely Philippines and Bangladesh.

Of the total volume, Philippines purchased 74.0% (3,601 tonnes) and Bangladesh bought 26.0% (1,265 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) Over 50% of CNO is used by the oleo-chemical industry.

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 4,866 tonnes undertaken by three (3) exporters namely Coconut Products Ltd (CPL), Aero Ltd and Pacific Lama Traders.

Of the total volume, Aero Ltd led the tally by exporting 41.5% (2,018 tonnes). After Aero was Pa-

cific Lama with 32.5% (1,582 tonnes), and CPL with 26.0% (1,256 tonnes) in descending order.

The decrease in copra exports this quarter, compared to the preceding quarter, indicates two scenarios; either few exporters had to renew their licenses before exporting thus only three exporters traded this quarter, or the copra was converted and exported as CNO and meal.

**Table 4: Copra exports and market share for April—June 2020**

Exporter/Port	Second Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Aero Limited	2,018	41.5%
Pacific Lama Traders	1,582	32.5%
Coconut Products Ltd	1,256	26.0%
<b>TOTAL</b>	<b>4,866</b>	<b>100%</b>

### 2.5.2 Coconut Oil Exports

A total of 5,040 tonnes of CNO was exported from PNG in this quarter. The month of April registered an export volume of 2,158 tonnes, a decrease of 16.8% from the preceding month. May registered 1,393 tonnes which is a decrease of 35.5%, but then increased in June by 7.0% to 1,490 tonnes. Compared to the export volume (7,396 tonnes) of the preceding quarter, this quarter's total export volume decreased by 31.9%.

#### Export by destination

CNO exported in this quarter went to three overseas markets – Malaysia, Indonesia and

Pakistan. Malaysia bought 87.1% (4,392 tonnes), Indonesia bought 8.6% (432 tonnes), and Pakistan bought 4.3% (216 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 April—June 2020**

Exporter/Port	Second Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Globe Manufacturing	3,420	67.9%
Markham Farming Ltd	1,296	25.7%
Pristine Co.101 Ltd	324	6.4%
<b>TOTAL</b>	<b>5,040</b>	<b>100%</b>



### 2.5.3 Copra Meal Exports

In this quarter a total of 3,358 tonnes of copra meal was exported from PNG, which is an increase of 21.2% compared to the total volume (2,771 tonnes) registered in the preceding quarter. April began by registering 910 tonnes, an increase of 8.6% from the preceding month. It further increased by 80.5% to 1,643 tonnes in May, but decreased by 50.9% to 806 tonnes in June.

#### Export by destination

Copra meal exported in this quarter went to five destinations overseas namely Australia, United

States, United Kingdom, South Africa and New Caledonia. Of the total export volume, Australia bought 87.7% (2,669 tonnes), USA 9.7% (296 tonnes), UK 1.3% (40 tonnes) while South Africa 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 Globe Manufacturing Ltd, Pristine Co.101 Limited and Markham Farming Ltd and

**Table 6: Copra Meal Exports and Market Share for April—June 2020**

Exporter/Port	Second Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Globe Manufacturing Ltd	1,982	59.0%
Markham Farming Ltd	856	25.5%
Pristine Co.101 Ltd	520	15.5%
<b>TOTAL</b>	<b>3,358</b>	<b>100%</b>

## 3. EXPORT EARNINGS FROM COCONUT PRODUCTS

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

The aggregate export revenue generated from coconut products in this quarter is 46.8% lower than the total export revenue registered in the preceding quarter. This decline in revenue is attributable to the lower prices of coconut products offered in this quarter compared to the preceding quarter.

In comparison to the corresponding quarter of 2019, Copra revenue is lower by 13.3%, while CNO and meal revenue are higher by 42.1% and 23.5% respectively.

The aggregate revenue generated in the first half of 2020 is 58.0% higher than the revenue generated in the corresponding period in 2019. Despite the fluctuating price trend experienced this quarter, these prices are higher compared to those offered during the corresponding quarter in 2019.

**Table 7: Export earnings from coconut products for the second quarters of 2019 & 2020**

Coconut Product	April—June 2020 (Kina)	April—June 2019 (Kina)	Jan-June 2020 (Kina)	Jan-June 2019 (Kina)
Copra	11,820,890	13,629,818	40,836,807	34,620,344
CNO	12,633,733	8,893,593	32,456,070	12,847,472
Copra Meal	2,573,824	2,084,825	4,565,984	2,649,936
<b>TOTAL</b>	<b>27,028,447</b>	<b>24,608,236</b>	<b>79,189,596</b>	<b>50,117,752</b>

#### **4. CONCLUSION**

In general, copra & CNO prices both on the aggregate and average levels decreased in this quarter compared to the preceding quarter at the international market. Average prices of copra and CNO decreased by 2.7% and 6.0% respectively, compared to the preceding quarter.

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.

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 ex-

port volumes. Copra production increased in this quarter by 9.1% from the preceding quarter, however, there was a decrease in export volumes of copra and CNO. This is attributable to the impact of the global Coronavirus (COVID-19) pandemic and its restrictions on international trade during this quarter.

General export earnings of all coconut products recorded a decrease this quarter compared to the preceding quarter. The decrease in export revenue has also been attributable to the impact of the coronavirus pandemic as stated above.