



# QUARTERLY COCONUT INDUSTRY MARKET REPORT

**JULY—SEPTEMBER 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\$442/MT and US\$701/MT respectively, which were higher 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 July, copra registered US\$421/MT which is an increase 4.7% compared to the preceding month. In August, it increased by 7.6%, registering US\$453/MT. It remained at US\$453/MT in September.

CNO opened the quarter by registering US\$666/MT in July, which is an increase of 4.7% compared to the preceding month. It decreased by 1.7% in August by registering US\$655/MT, but increased again by 10.1% to US\$721/MT in September.

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-Sept)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Copra (CIF NW US\$/MT)	486	425	415	422	420	402	421	453	453
<b>Quarterly Average</b>	<b>442</b>			<b>414</b>			<b>442</b>		
CNO (CIF Rott US\$/ MT)	761	697	679	666	661	636	666	655	721
<b>Quarterly Average</b>	<b>713</b>			<b>654</b>			<b>701</b>		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

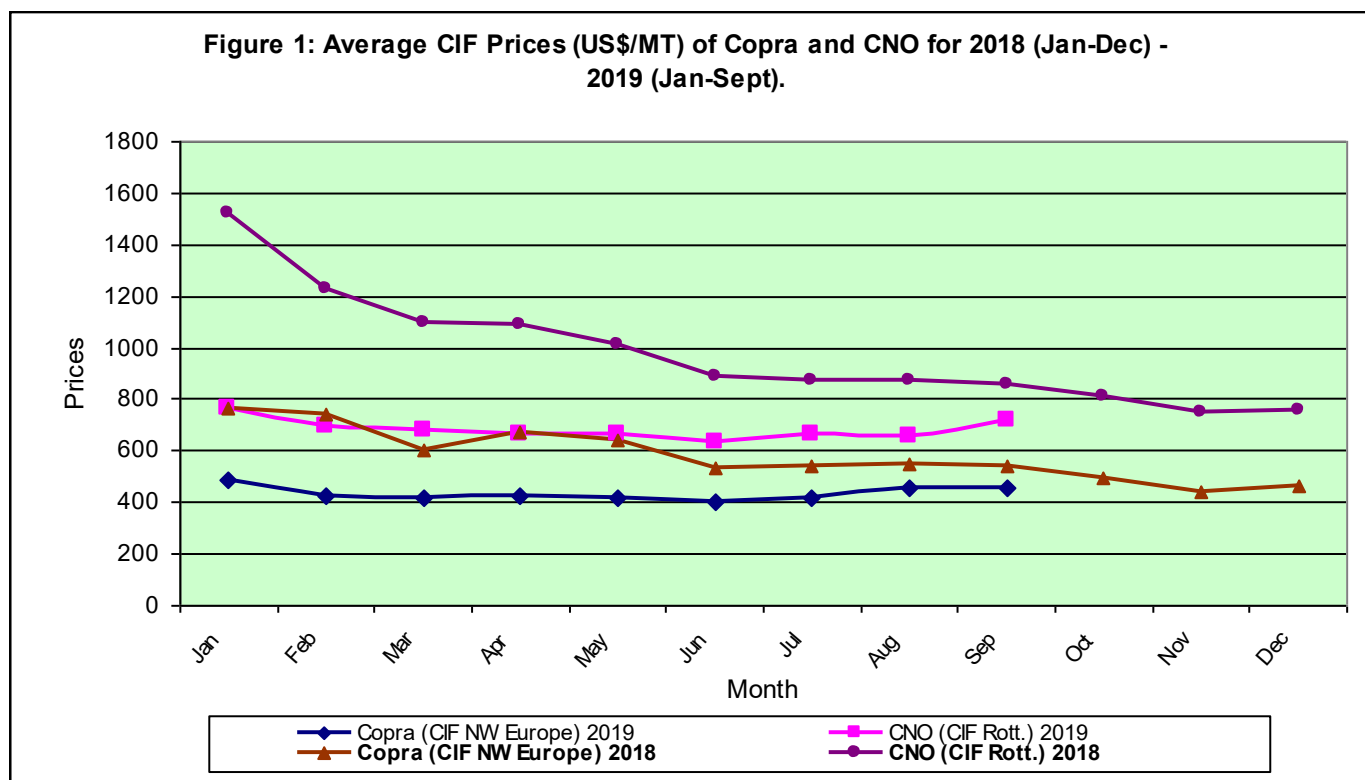
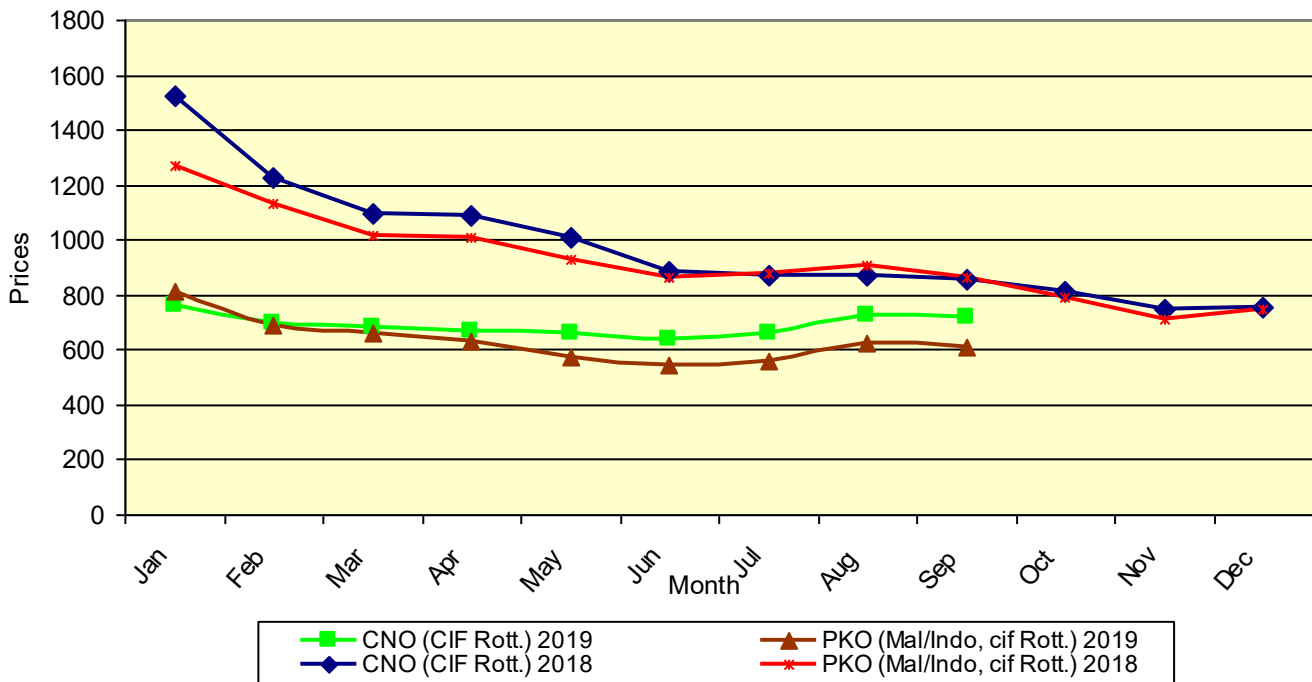


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2018 (Jan-Dec) - 2019 (Jan-Sept)



## 2. DOMESTIC MARKET DEVELOPMENTS

### 2.1 Total Copra Production

Domestic copra production in this quarter increased compared to the preceding quarter and aggregate registered 27,188 tonnes as shown in Figure 3. Total copra production for this quarter is higher by 21.8% compared to the aggregate volume registered in the preceding quarter.

The third quarter began production with July registering 9,854 tonnes which is 26.2% higher than the volume registered in the preceding month. Following on, August registered 9,077 tonnes which is a decrease of 7.9%. In September, it decreased again by 9.0% to 8,256 tonnes. The total production registered in this quarter is 10.8% higher compared to the total production (24,540 tonnes) registered in the corresponding quarter of 2018.

The high level of production in this quarter compared to the corresponding quarter of 2018 is attributable to the increasing prices offered in the global market which has influenced the domestic market prices. PNG farmers are price sensitive so the increasing prices of copra has resulted in high 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, Madang (8,341 tonnes) led the tally followed by Kavieng (196 tonnes), Rabaul/Toboï (5,236 tonnes), Buka (5,173 tonnes), Kimbe (2,158 tonnes), and

Alotau (476 tonnes).

Madang began the quarter by registering 3,012 tonnes in July and decreased by 4.7% in August to 2,869 tonnes but increased again by 14.3% to 2,460 tonnes in September.

Kavieng commenced with 1,931 tonnes in July and increased by 1.2% to 1,955 tonnes in August. It then decreased. However it decreased in September by 1.9% to 1,917 tonnes.

Rabaul/Toboï began with 2,025 tonnes in July and decreased in August by 21.1% to 1,598 tonnes. It then increased by 1.0% to 1,614 tonnes in September.

Buka commenced with 2,091 tonnes in July and decreased by 12.8% to 1,766 tonnes in August and further decreased by 25.5% to 1,316 tonnes in September.

Kimbe began the quarter by registering 621 tonnes in July and decreased by 22.2% to 759 tonnes in August. However it increased by 2.5% to 778 tonnes in September.

Alotau started with 174 tonnes in July and decreased by 25.3% to 130 tonnes in August but increased by 31.5% to 171 tonnes in September.

Rabaul/Toboï and Madang have consistently been the major players 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 Madang and East New Britain Provinces. The closest rival after Rabaul/Toboï and Madang is Buka.

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

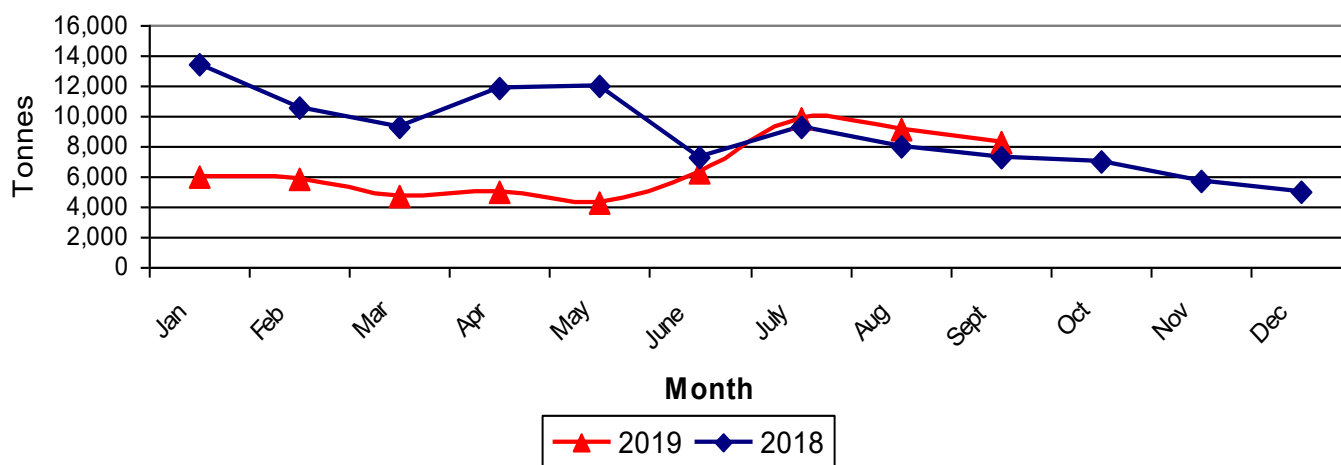


Table 2: Copra production (tonnes) by Major Buying Centers for 2019 (Jan—Sept)

Centre/Depot	Jan	Feb	Mar	April	May	June	July	Aug	Sept
Rabaul/ Toboi	2,317	2,102	1,849	1,739	742	2,459	2,025	1,598	1,614
Madang	1,695	1,678	1,776	1,284	1,686	1,754	3,011	2,869	2,460
Buka	1,458	1,626	1,518	1,491	1,487	1,425	2,091	1,766	1,316
Kavieng/Namatanai	205	-	-	-	-	-	1,931	1,955	1,917
Kimbe	296	446	562	338	265	471	621	759	778
Alotau	93	54	82	107	149	146	174	130	171
<b>Total</b>	<b>6,063</b>	<b>5,906</b>	<b>5,787</b>	<b>4,959</b>	<b>4,329</b>	<b>6,256</b>	<b>9,854</b>	<b>9,077</b>	<b>8,256</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.

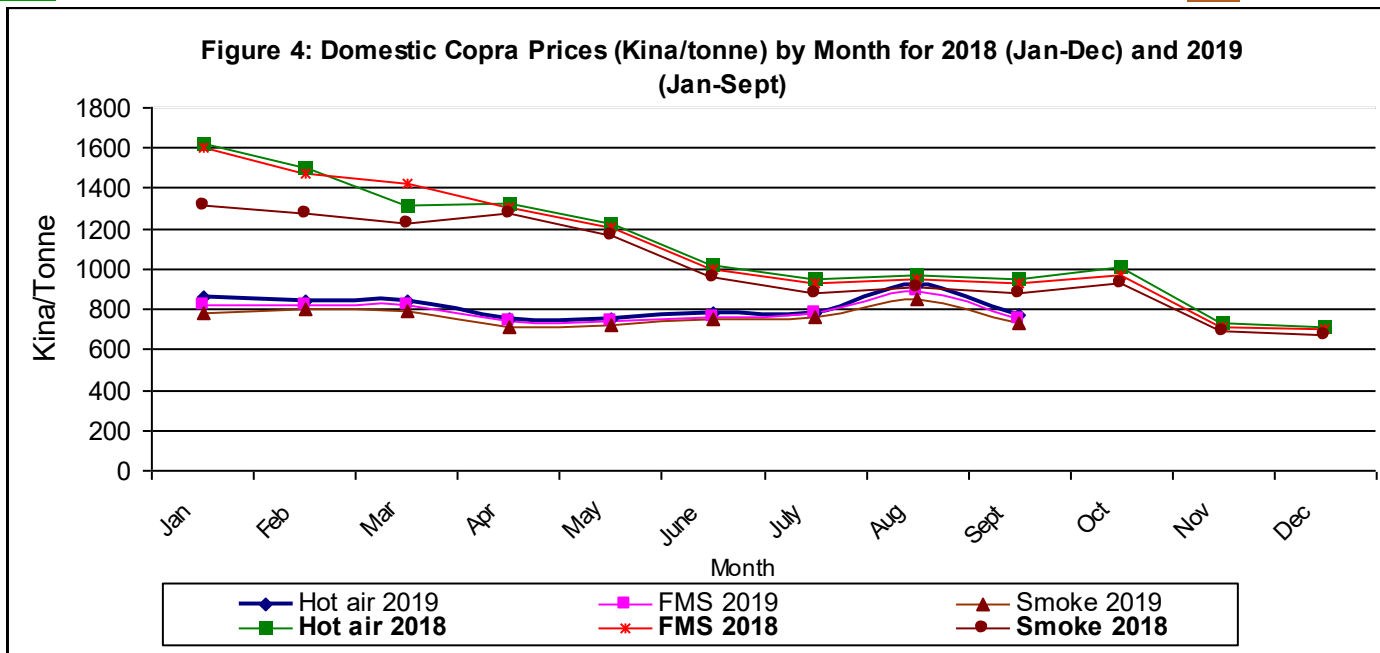
During this quarter, the average Hot Air, FMS and Smoke grade prices were K921, K890 and K859 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K31 per tonne and the discount for the smoke grade is K31 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne is the same (K31) while the discount price for the smoke grade decreased by 18.4%.

Monthly price fluctuations for 2018, the three quarters of 2019 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. July recorded K920/tonne for hot air copra which is 1.2% lower than the price of the preceding month. FMS decreased also by 0.4% to K894/tonne whereas smoke increased by 1.0% to K875/tonne.

In August, price for hot air increased by 0.2% to K922/tonne, FMS decreased by 0.6% to K889/tonne and the smoke grade decreased also by 2.6% to K852/tonne.

In September, hot air copra was priced at K921/tonne, a decrease of 0.1%. FMS decreased by 0.3% to K886/tonne and smoke grade also decreased by 0.5% to K848/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 K1,223/tonne, an increase of 1.7% compared to the price of the preceding quarter. FMS was priced at K1,165/tonne, an increase of 0.5%, and smoke was priced at K1,145/tonne, an increase of 2.2% 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.

Rabaul rallied behind Alotau pricing hot air at K867/tonne, an increase of 4.5%, FMS at K837/tonne,

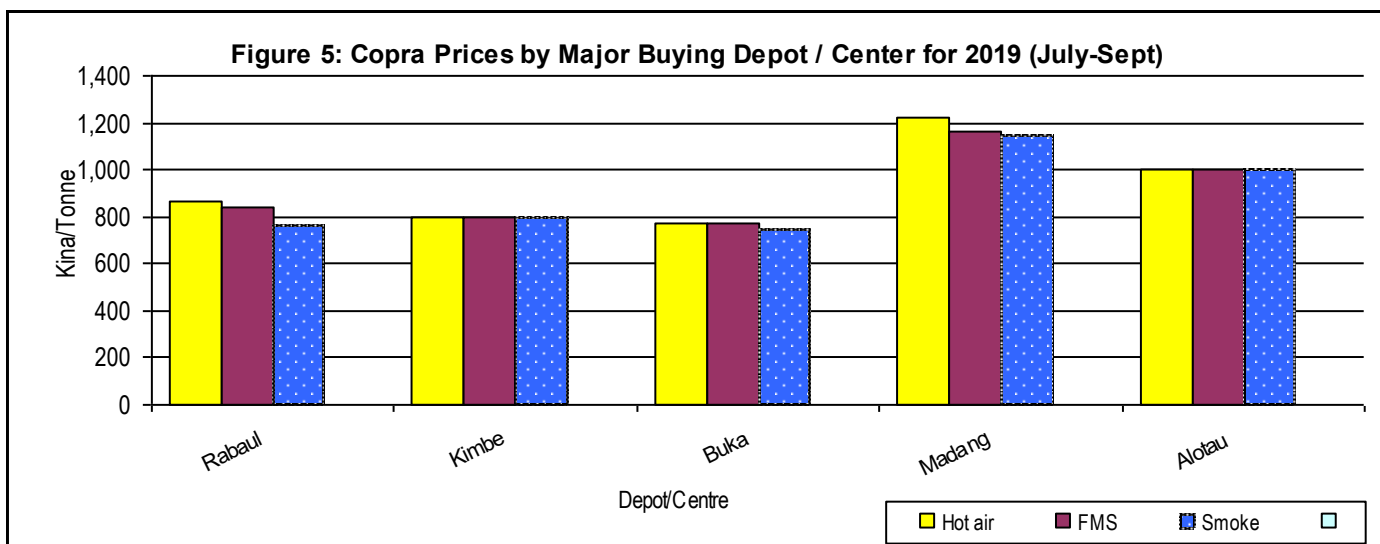
an increase of 4.8%, and smoke grade at K762/tonne, an increase of 2.1%.

Following Rabaul was Kavieng that priced hot air at K867/tonne, a decrease of 3.7%. FMS at K767/tonne, a decrease of 4.1%, and smoke at K700/tonne, which is the same price offered in the previous quarter.

Following Kavieng was Kimbe with hot air at K800/tonne, FMS at K800/tonne and smoke at K800/tonne also. These prices are higher by 5.5%, 7.8% and 10.3% for hot air, FMS and smoke respectively.

Buka offered the lowest prices. It priced hot air at K770/tonne, a decrease of 2.5%. FMS at K770/tonne, also lower by 2.5%, and smoke at K745/tonne, a decrease of 2.2%.

In general, prices offered in this quarter have slightly improved reflecting the slight increase in the global price trends.



**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. July registered K2,795/tonne, an increase of 20.5% from the preceding month. August registered K1,687/tonne which is a decrease of 39.6%, but increased again in September by 29.2% to K2,179/tonne.

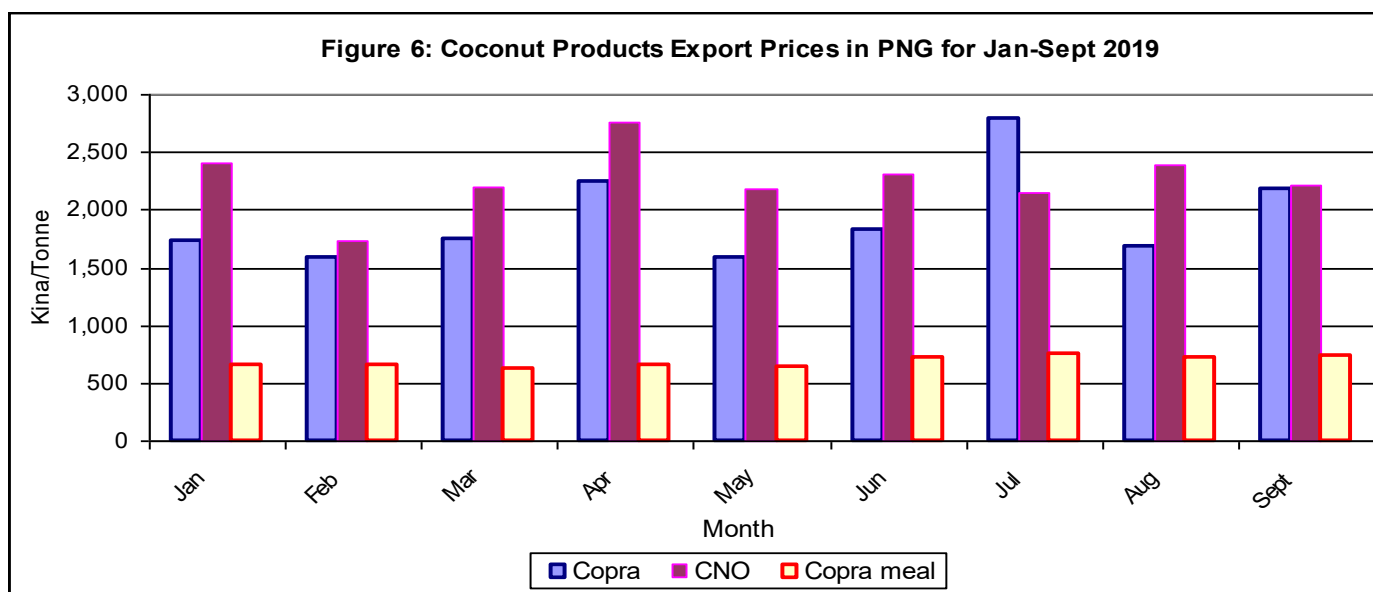
Price of CNO in this quarter began by registering K2,146/tonne in July, a decrease of 10.9% from the preceding month. In August, it increased by 11.3% to K2,388/tonne, but decreased again by

7.4% in September to K2,211/tonne.

Copra meal export price experienced a fluctuating trend this quarter. It registered K747/tonne in July, a decrease of 0.1% compared to the preceding month. In August, it decreased again by 2.4% to K729/tonne, but increased in September by 0.1% to K730/tonne.

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

The low 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.



**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 declined from the preceding month into this quarter. The kina equivalent FOB price in the international market has increased by 5.2% from the preceding month and registered K1,430/tonne in July. It increased again by 7.6% to K1,538/tonne in August and further increased by 0.2% to K1,541/tonne in September.

The mill gate price behaved in a different fashion. July registered K894/tonne which is a decrease of 0.4% compared to the preceding month. In August, it decreased by 0.6% to K889/tonne, and further decreased by 0.3% to K886/tonne in September.

The price trends both at the international and domestic markets have resulted in export margins of 60.0%, 73.0% and 73.9% respectively for July, August and September.

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) 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 & Percentage out of the FOB Price (Kina/tonne)
July	0.2945	421	1,430	894	536 (60.0%)
August	0.2945	453	1,538	889	649 (73.0%)
September	0.2940	453	1,541	886	655 (73.9%)

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 compared to the preceding quarter.

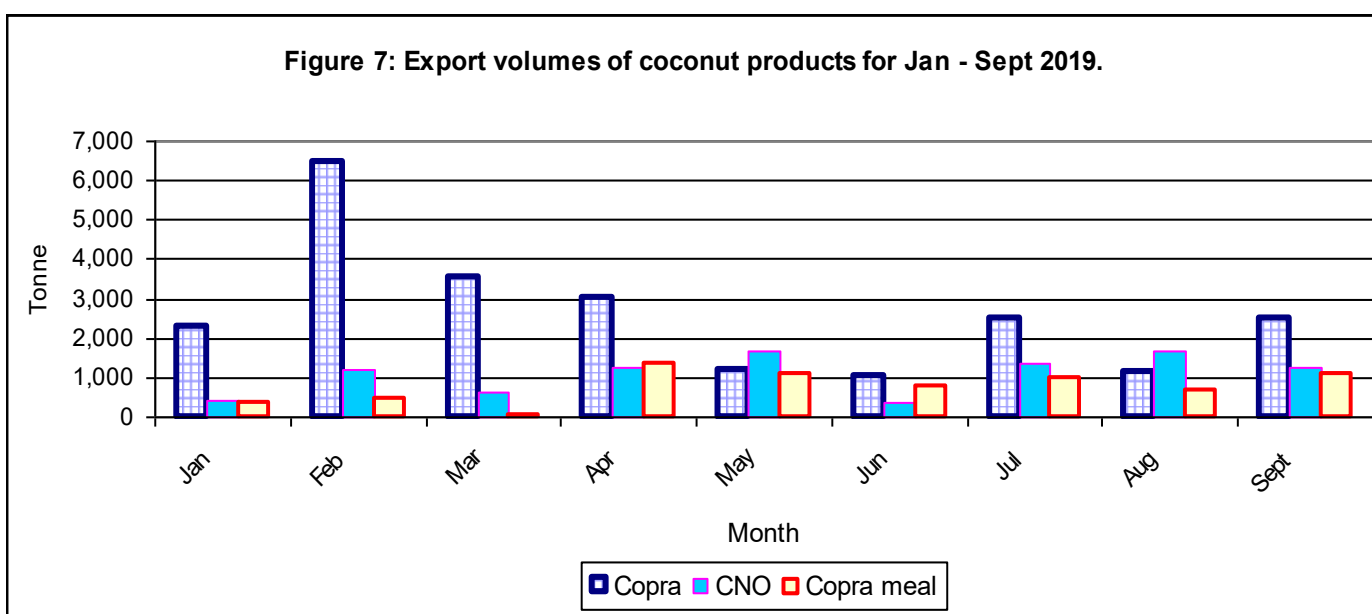
Aggregately, this quarter recorded a total export volume of 6,132 tonnes of copra which is an increase of 5.9% compared to the total export volume (5,791 tonnes) of the preceding quarter, but a decrease of 59.7% compared to the total volume (15,215 tonnes) in the corresponding quarter of 2018.

**2.5.1 Copra**

In this quarter copra export in July was 2,503 tonnes. It decreased by 54.4% to 1,142 tonnes in August, but increased by 117.8% to 2,487 tonnes in September.

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.

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



**Export by destination**

In this quarter, PNG exported a total of 6,132 tonnes of copra to two overseas markets namely Philippines and Malaysia.

Philippines bought 81.4% (4,990 tonnes) of PNG 's copra exports while Malaysia bought 18.6% (1,142 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 6,132 tonnes undertaken by five (5) exporters namely Pacific Lama Traders, Aero Ltd, Garden Enterprise, Kimbe Bay Shipping Ltd (KBSL), and Sankamap Ltd.

Of the total volume, Pacific Lama led the tally by exporting 29.8% (1,826 tonnes), followed by Aero

Ltd with 23.7% (1,453 tonnes), Garden Enterprise with 17.0% (1,040 tonnes), KBSL with 15.0% (917 tonnes), and Sankamap with 14.6% (897 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 July—September 2019**

Exporter/Port	Third Quarter 2019 Export Volumes (Tonnes)	Market Share (%)
Pacific Lama	1,826	29.8%
Aero Limited	1,453	23.7%
Garden Enterprise	1,040	17.0%
Kimbe Bay Shipping Ltd	917	15.0%
Sankamap Ltd	897	14.6%
<b>TOTAL</b>	<b>6,132</b>	<b>100%</b>

### 2.5.2 Coconut Oil Exports

A total of 4,306 tonnes of CNO was exported from PNG in this quarter. The month of July registered an export volume of 1,358 tonnes followed by August with 1,677 tonnes which is an increase of 23.5%, but decreased in September by 24.3% to 1,270 tonnes. Compared to the export volume (3,704 tonnes) of the preceding quarter, this quarter's total export volume increased by 16.3%.

#### Export by destination

CNO exported in this quarter went to six overseas markets – Malaysia, Bangladesh, Pakistan,

Indonesia, Sri Lanka and New Zealand. Malaysia bought 64.3% (2,769 tonnes), Bangladesh bought 23.3% (1,004 tonnes), Pakistan bought 5.1% (220 tonnes), Indonesia bought 5.0% (216 tonnes), Sri Lanka bought 1.7% (72 tonnes) and NZ bought 0.6% (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 4b: Copra Oil (CNO) exports and market share for July—September 2019**

Exporter/Port	Third Quarter 2019 Export Volumes (Tonnes)	Market Share (%)
Pristine Co.101 Ltd	757	17.6%
Global Manufacturing Ltd	2,663	61.8%
Markham Farming Ltd	886	20.6%
<b>TOTAL</b>	<b>4,306</b>	<b>100%</b>



### 2.5.3 Copra Meal Exports

In this quarter a total of 2,810 tonnes of copra meal was exported from PNG, which is a decrease of 13.7% compared to the total volume (3,256 tonnes) registered in the preceding quarter. July began by registering 1,007 tonnes and decreased by 69.2% to 697 tonnes in August, but increased again by 58.7% to 1,106 tonnes in September.

#### Export by destination

Copra meal exported in this quarter went to four destinations overseas namely Australia, United States, Great Britain and New Caledonia. Of the total

export volume, Australia bought 90.1% (2,533 tonnes), USA bought 6.3% (177 tonnes), Great Britain bought 2.8% (80 tonnes), and New Caledonia bought 0.7% (20 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, Globe Manufacturing Ltd and Markham Farming Ltd.

**Table 4a: Copra Meal Exports and Market Share for July–August 2019.**

Exporter/Port	Third Quarter 2019 Export Volumes (Tonnes)	Market Share (%)
Pristine Co.101 Ltd	437	15.6%
Globe Manufacturing Ltd	1,773	63.1%
Markham Farming Ltd	600	21.4%
<b>TOTAL</b>	<b>2,810</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 2018 and 2019 are summarised in Table 5 below.

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

Copra revenue registered in this quarter was lower by 45.1%, while CNO and copra meal revenue

were higher by 6.8% and 51.9% respectively, compared to the revenue registered in the corresponding quarter of 2018.

The aggregate export revenue generated from coconut products in this quarter is 26.6% lower than the total export revenue registered in the corresponding quarter of 2018.

The decrease in revenue registered in this quarter is attributable to the fluctuating prices at the global market since the beginning of 2019.

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

Coconut Product	July–Sept 2018 (Kina)	July–Sept 2019 (Kina)	Jan–Sept 2018 (Kina)	Jan–Sept 2019 (Kina)
Copra	22,146,189	12,157,560	94,078,495	45,218,667
CNO	8,994,913	9,605,917	42,473,675	21,591,842
Copra Meal	1,390,292	2,111,826	4,854,203	4,761,762
<b>TOTAL</b>	<b>32,531,394</b>	<b>23,875,303</b>	<b>141,406,373</b>	<b>71,572,271</b>

Source: Kokonas Industri Koporesen

#### **4. CONCLUSION**

Generally, prices of copra and CNO both on the aggregate and average levels increased in this quarter compared to the preceding quarter. Average prices of copra and CNO decreased by 6.8% and 7.2% 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 increased in this quarter by 21.8% from the preceding quarter, and this had an impact on the exports of both copra and CNO which recorded a decrease in terms of export volumes. Copra meal however recorded a decrease in export volume due to the increase in copra exports.

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 cause CNO prices to increase as well.