



QUARTERLY COCONUT INDUSTRY MARKET REPORT

JULY—SEPTEMBER 2020

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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\$608/MT and US\$900/MT respectively. These prices were higher by 9.8% and 11.1% compared to the preceding quarter. Prices registered for copra and CNO in the third quarter are shown in Table 1 and the graphical illustration in Figure 1 below.

In July, copra registered US\$592/MT which is an increase 1.3% compared to the preceding month. In August, it increased again by 1.3%, registering US\$600/MT. and further increased by 5.5% to US\$632/MT in September.

CNO opened the quarter by registering US\$836/MT in July, which is a decrease of 2.0% compared to the preceding month. It then increased by 7.2%

in August registering US\$896/MT, and further increased by 8.0% to US\$967/MT in September.

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-Sept)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Copra (CIF NW US\$/MT)	607	545	519	536	540	585	592	600	632
Quarterly Average	557			542			608		
CNO (CIF Rott US\$/ MT)	974	826	786	800	777	853	836	896	967
Quarterly Average	862			810			900		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

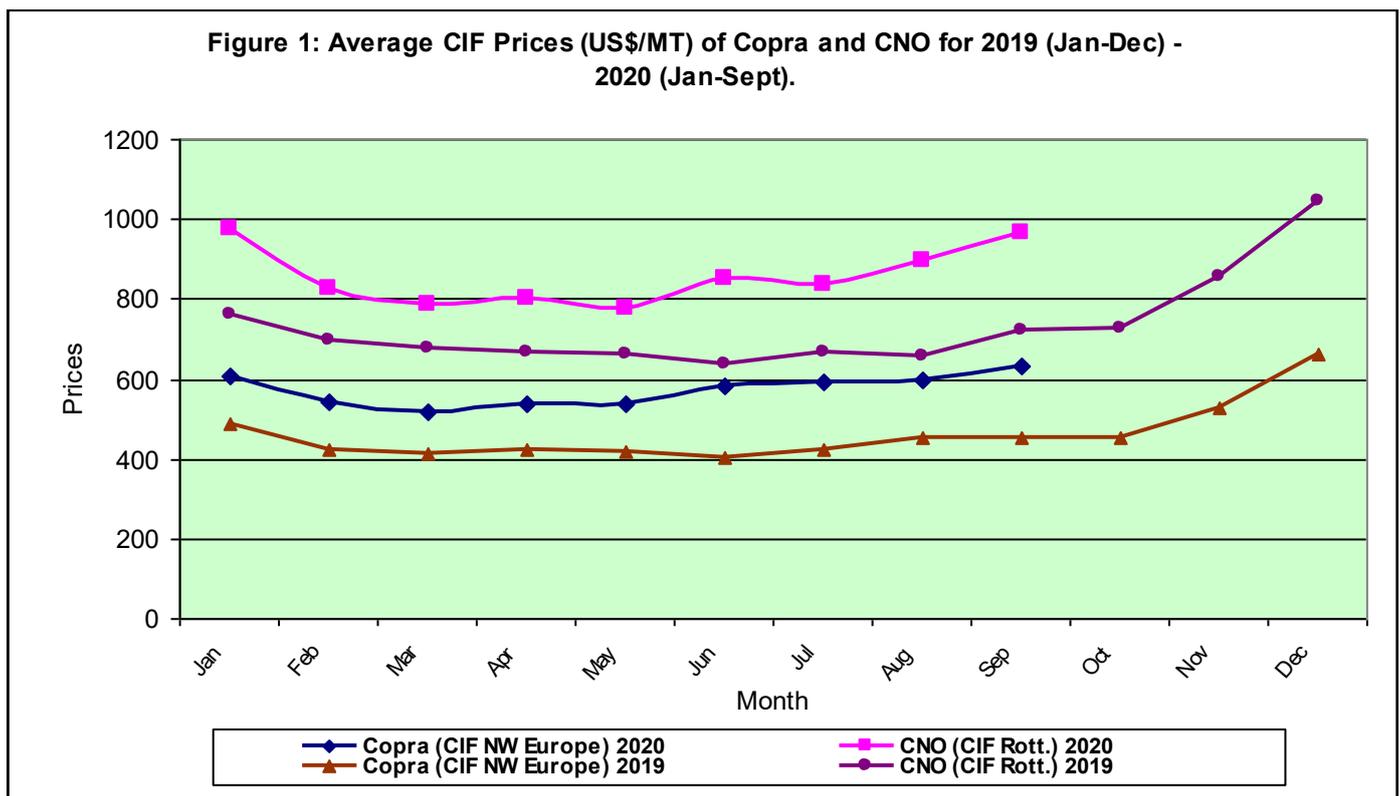
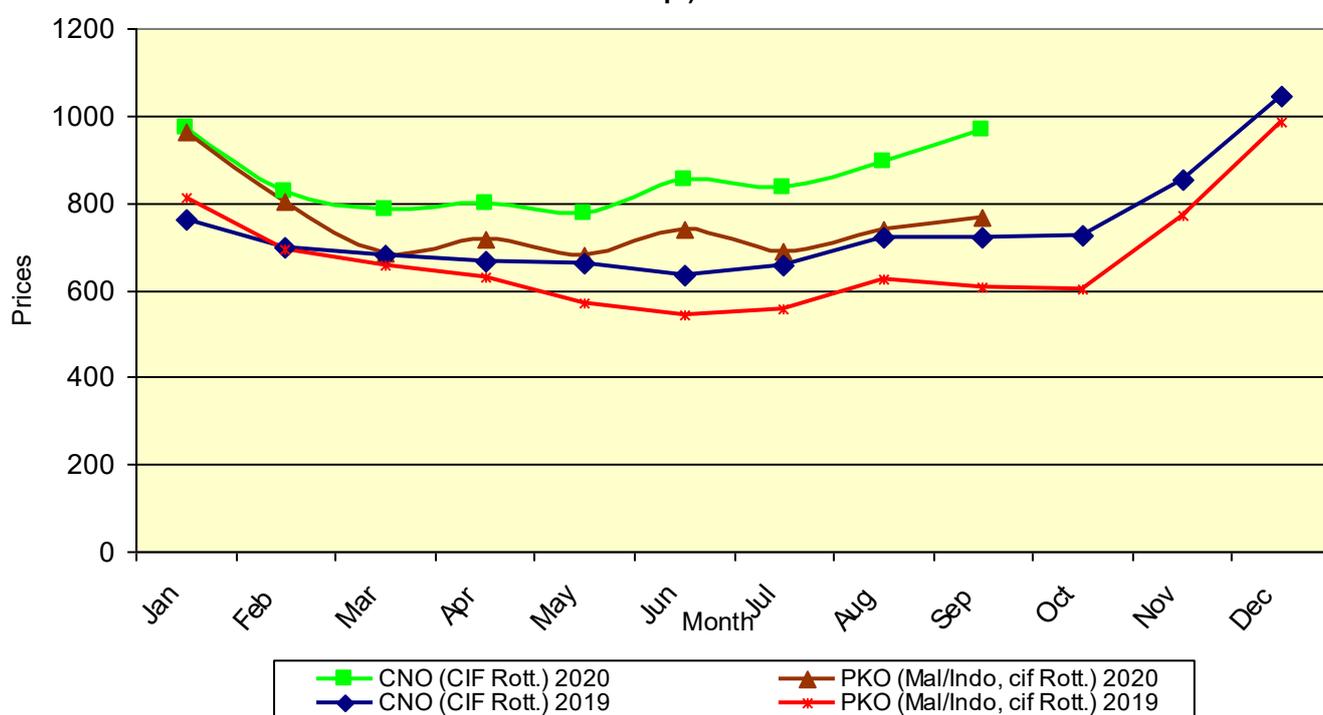


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2019 (Jan-Dec) - 2020 (Jan-Sept)



2. DOMESTIC MARKET DEVELOPMENTS

2.1 Total Copra Production

Domestic copra production in this quarter decreased compared to the preceding quarter and aggregate registered 22,750 tonnes as shown in Figure 3. Total copra production for this quarter is lower by 1.9% compared to the aggregate volume registered in the preceding quarter.

The third quarter began production with July registering 8,432 tonnes which is 0.3% higher than the volume registered in the preceding month. Following on, August registered 7,363 tonnes which is a decrease of 12.7%, and September registered 6,955 tonnes, a decrease of 5.5%.

Total copra production for this quarter is lower by 16.3% compared to the aggregate volume registered in the corresponding quarter of 2019.

The decrease in level of production this quarter is attributable to the impact of the COVID-19 pandemic with its restrictions on domestic movement and trade.

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 (9,103 tonnes) led the tally followed by Rabaul/Toboï (5,802 tonnes), Buka (5,125 tonnes), Kavieng/Namatani (1,293 tonnes), Kimbe (1,180 tonnes), and Alotau (247 tonnes) in descending order.

Madang began the quarter by registering 3,485 tonnes in July, an increase of 28.0% compared to the preceding month. It then increased in August by 20.2% to 2,780 tonnes. But increased again by 2.1% to 2,838 tonnes in September.

Rabaul/Toboï commenced with 2,324 tonnes in July, a decrease of 11.8% from the preceding month. It again decreased by 12.9% in August to 2,025 tonnes and further decreased by 28.3% to 1,452 tonnes in September.

Buka commenced with 1,614 tonnes in July and increased by 4.5% to 1,687 tonnes in August and further increased by 8.2% to 1,825 tonnes in September.

Kavieng/Namatani began the quarter by registering 495 tonnes in July and decreased by 19.5% to 399 tonnes in August. September also registered 399 tonnes.

Kimbe started with 415 tonnes in July and decreased by 8.4% to 380 tonnes in August. It then increased by 1.0% to 384 tonnes in September.

Alotau commenced with 98 tonnes in July, an increase of 12.5% from the preceding month. It then decreased by 6.2% to 92 tonnes in August, and further decreased by 38.1% to 57 tonnes in September.

Overall, this quarter saw a declining trend in copra production.

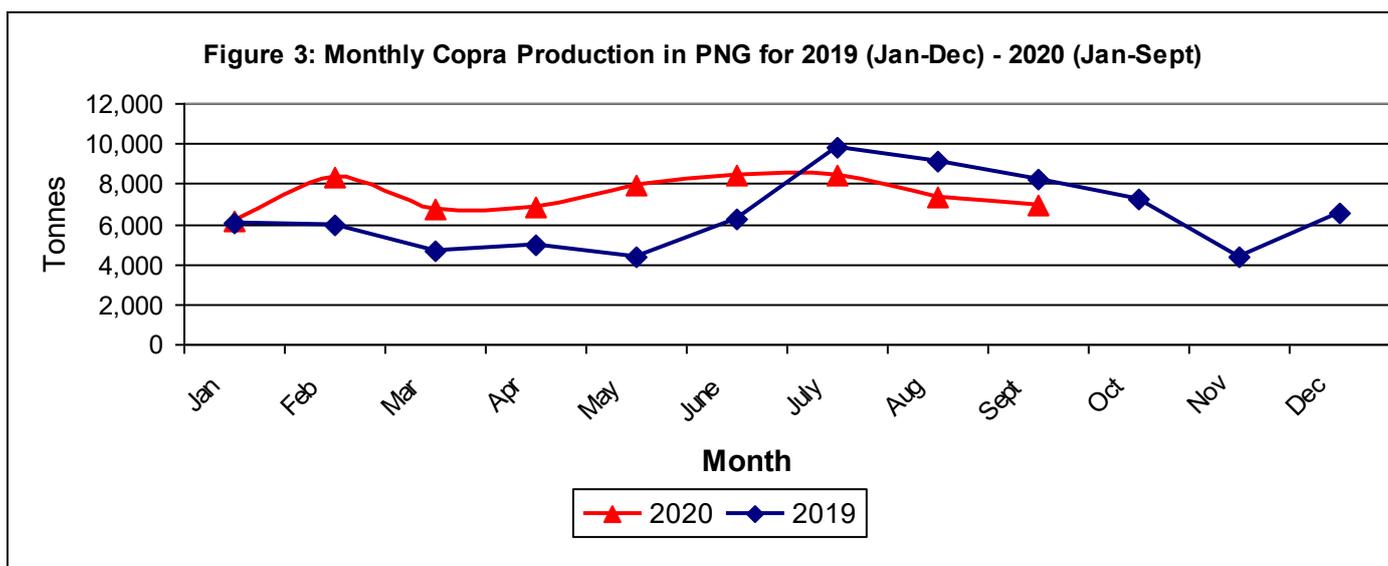


Table 2: Copra production (tonnes) by Major Buying Centers for 2020 (Jan—Sept)

Centre/Depot	Jan	Feb	Mar	April	May	June	July	Aug	Sept
Rabaul/ Toboi	2,115	2,129	1,655	1,937	1,930	2,636	2,324	2,025	1,452
Madang	1,667	3,743	3,151	2,799	2,786	2,723	3,485	2,780	2,838
Buka	1,537	1,656	1,152	1,020	1,672	1,564	1,614	1,687	1,825
Kavieng/Namatanai	221	293	201	237	401	424	495	399	399
Kimbe	556	475	539	785	1,017	975	415	380	384
Alotau	35	52	64	80	110	87	98	92	57
Total	6,131	8,349	6,762	6,857	7,917	8,409	8,432	7,363	6,955

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 K1,075, K1,041 and K1,011 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K34 per tonne and the discount for the smoke grade is K30 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne and the discount price for the smoke grade increased by 118% and 12.3% respectively.

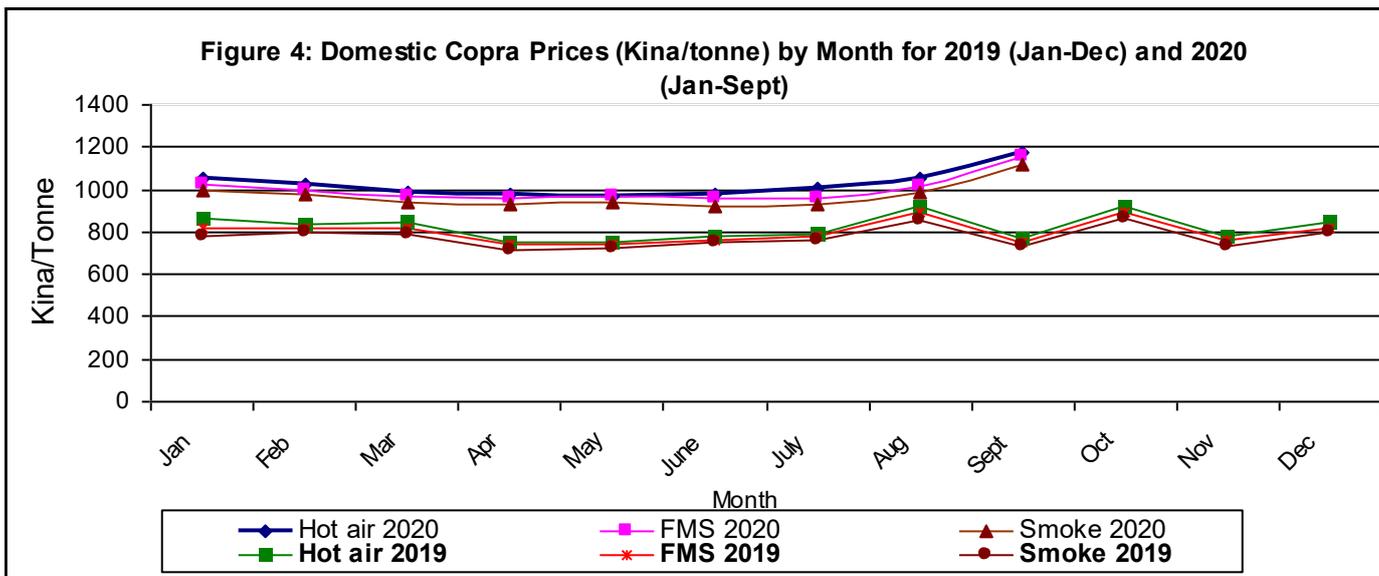
Monthly price fluctuations for 2019 and the first nine months of 2020 are shown in Figure 4.

As shown in Figure 4, the trend set in this quarter dwelled above the trend set in the corresponding quarter of 2019.

July recorded K1,001/tonne for hot air copra which is 2.4% higher than the price of the preceding month. FMS increased by 0.3% to K957/tonne and smoke also increased by 1.0% to K930/tonne.

In August, price for hot air increased by 4.7% to K1,048/tonne, FMS increased by 6.0% to K1,015/tonne and the smoke grade also increased by 6.5% to K990/tonne.

In September, hot air copra was priced at K1,178/tonne, an increase of 12.4%. FMS increased by 13.5% to K1,152/tonne and smoke grade also increased by 12.5% to K1,148/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 which was K1,309/tonne, an increase of 9.9% compared to the preceding quarter. FMS was priced at K1,254/tonne and and smoke at K1,196/tonne. These prices are higher by 8.6% and 5.6% respectively, compared to the FMS and smoke prices offered in the preceding quarter.

Following Madang was Kavieng that priced hot air at K1,117/tonne, an increase of 24.1% from the preceding quarter. FMS was priced at K1,017/tonne and smoke at K933/tonne, which are higher by 17.3% and 21.7% respectively compared to the prices offered in the preceding quarter.

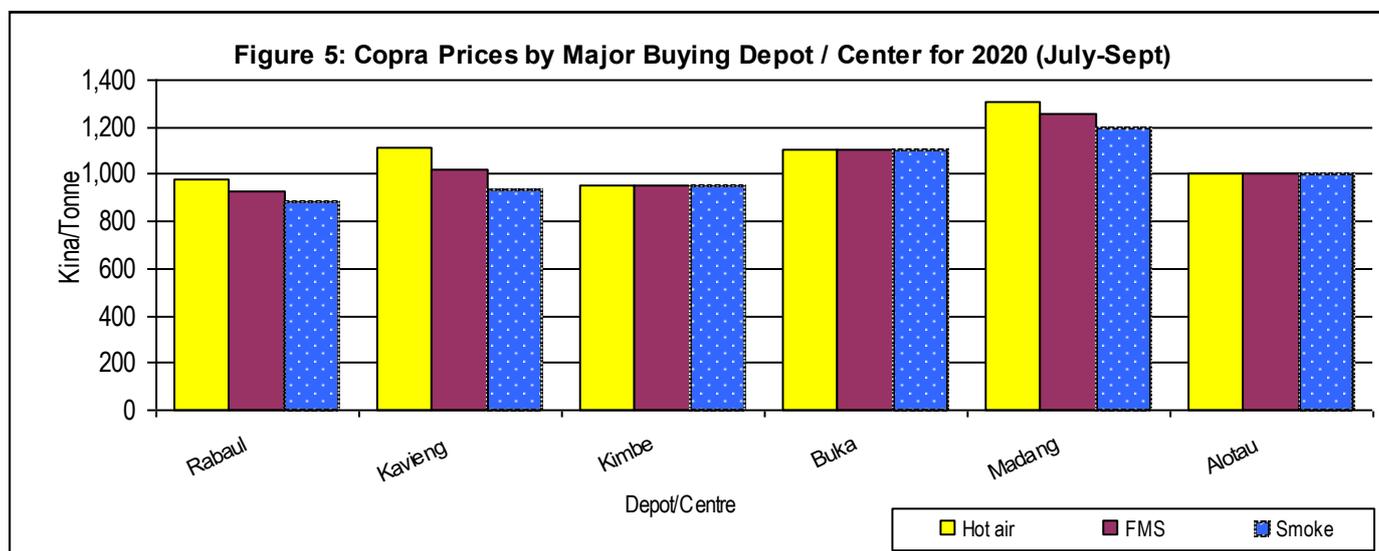
Following Kavieng was Buka that priced hot air, FMS and Smoke at a flat rate of K1,102/tonne. These prices are higher by 3.6% each for all grades compared to the prices offered in the preceding quarter.

Following Buka 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 K975/tonne, an increase of 9.5% compared to the preceding quarter. FMS was priced at K925/tonne and smoke at K887/tonne, which are higher by 6.8% and 7.1% respectively compared to the prices offered in the preceding quarter.

Kimbe offered the lowest price for hot air with K950/tonne. This price is higher by 3.6% compared to the price offered in the preceding quarter. FMS was priced at K950/tonne and smoke also at K950/tonne, which are lower by 3.6% and 3.6% respectively, compared to the prices offered in the preceding quarter.

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

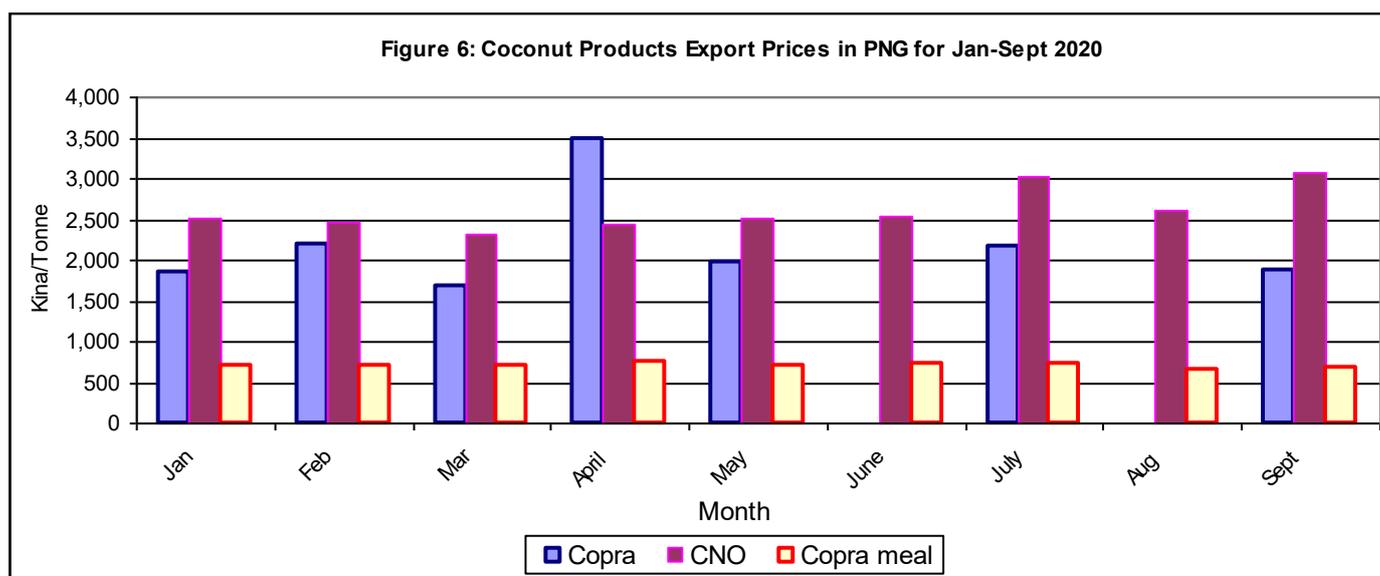
In this quarter, Copra prices fluctuated. July registered K2,179/tonne, an increase of 10.5% from the preceding month. There were no exports undertaken in August, therefore information on the export price for that month was not reported. September registered K1,888/tonne, a decrease of 13.4% from the price registered in July.

Price of CNO in this quarter began by registering K3,016/tonne in July, an increase of 13.8% from the preceding month. It then decreased by

13.5% to K2,609/tonne in August, and increased again by 17.9% to K3,076/tonne in September.

Copra meal export price experienced a fluctuating trend this quarter. It registered K720/tonne in July, a decrease of 25.2% compared to the preceding month. In August, it decreased again by 9.0% to K655/tonne, but increased in September by 5.5% to K692/tonne.

The fluctuating prices of export coconut products experienced since the first half of 2020 are anticipated to improve in the coming quarter given the shortage of supply in the international market as a result of 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 0.1% from the preceding month and registered K2,107/tonne in July. It then decreased by 10.1% to K1,895/tonne in August, and further decreased in September by 1.3% to K1,870/tonne.

The mill gate price behaved in a different fash-

ion. July registered K957/tonne which is an increase of 0.3% compared to the preceding month. In August, it increased by 6.1% to K1,015/tonne, and further increased by 13.5% to K1,152/tonne in September.

The price trends both at the international and domestic markets have resulted in export margins of 54.6%, 46.4% and 38.4% 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-September) 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)
July	0.2881	607	2,107	957	1,150 (54.6%)
August	0.2876	545	1,895	1,015	880 (46.4%)
September	0.2867	536	1,870	1,152	718 (38.4%)

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.

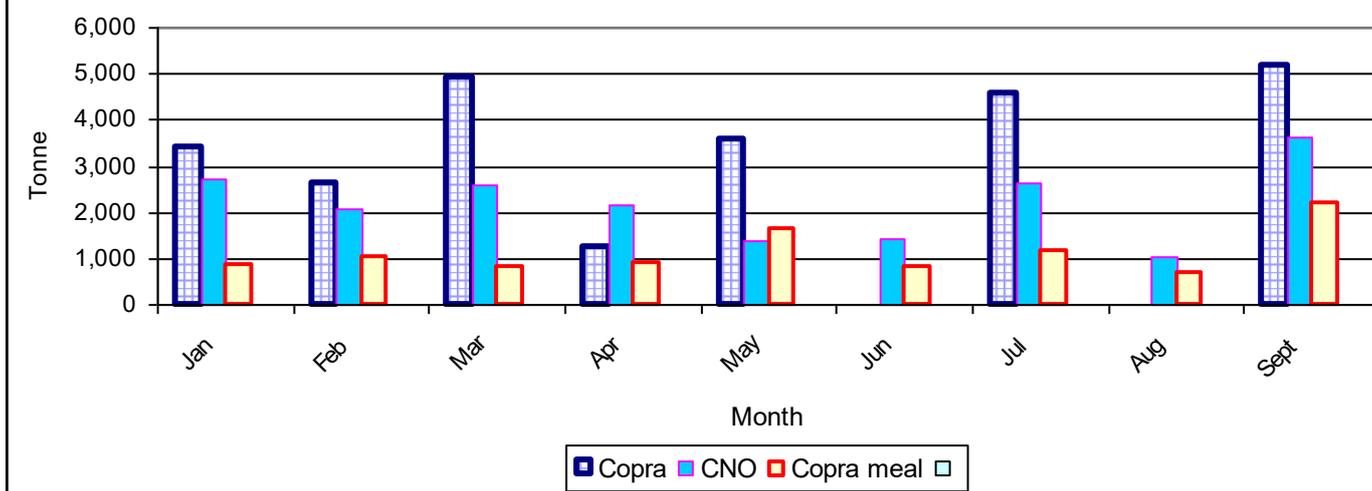
2.5.1 Copra

In this quarter copra export in July was 4,584 tonnes. There was no export in August as no exports reported by the exporters during this month. In September, copra export was 5,164 tonnes, an increase of 12.7%

compared to the export volume recorded in July.

Aggregately, this quarter recorded a total export volume of 9,748 tonnes of copra which is a significant increase of 100.3% compared to the total export volume (4,866 tonnes) of the preceding quarter, and also an increase of 59.0% compared to the total volume (6,132 tonnes) in the corresponding quarter of 2019.

The increase in copra exports this quarter, compared to the preceding quarter, is attributed to the increase in prices in the international market.

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

Export by destination

In this quarter, PNG exported a total of 9,748 tonnes of copra to two overseas markets namely Philippines and Bangladesh.

Of the total volume, Philippines bought 95.3% (9,292 tonnes) and Bangladesh bought 4.7% (456 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 9,748 tonnes undertaken by five (5) exporters namely Emirau Marine Products Ltd (EMP), Aero Ltd, Pacific Lama Traders and One You Sing (OYS) Ltd.

Of the total volume, EMP led the tally by exporting 32.4% (3,160 tonnes). After EMP was Aero

with 24.1% (2,353 tonnes), Pacific Lama with 23.3% (2,273 tonnes), Sankamap with 15.5% (1,507 tonnes) and OYS with 4.7% (456 tonnes) in descending order.

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

Table 4: Copra exports and market share for July—September 2020

Exporter/Port	Third Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Emirau Marine Products Ltd	3,160	32.4%
Aero Ltd	2,353	24.1%
Pacific Lama traders	2,273	23.3%
Sankamap Ltd	1,507	15.5%
One You Sing Ltd	456	4.7%
TOTAL	9,748	100%

2.5.2 Coconut Oil Exports

A total of 7,297 tonnes of CNO was exported from PNG in this quarter. The month of July registered an export volume of 2,631 tonnes, an increase of 76.6% from the preceding month. August registered 1,022 tonnes which is a decrease of 61.2%, but increased in September by a massive 256.7% to 3654 tonnes. Compared to the export volume (5,040 tonnes) of the preceding quarter, this quarter's total export volume increased by 44.8%.

Export by destination

CNO exported in this quarter went to two overseas markets – Malaysia and Sri Lanka. Malaysia purchased 93.3% (6,808 tonnes) and Sri Lanka purchased 6.7% (489 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 July—September 2020

Exporter/Port	Third Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Globe Manufacturing Ltd	3,946	54.1%
Markham Farming Ltd	1,728	23.7%
Pristine Co.101 Ltd	1,623	22.2%
TOTAL	7,297	100%

2.5.3 Copra Meal Exports

In this quarter a total of 4,021 tonnes of copra meal was exported from PNG, which is an increase of 19.7% compared to the total volume (3,358 tonnes) registered in the preceding quarter. July began by registering 1,148 tonnes, an increase of 42.5% from the preceding month. It then decreased by 40.7% to 680 tonnes in August, but increased significantly by 222.3% to 2,192 tonnes in September.

Export by Destination

Copra meal exported in this quarter went to seven destinations overseas namely India, Australia, United States, United Kingdom, New Zealand, South Africa and

New Caledonia. Of the total export volume, India purchased 50.7% (2,037 tonne), Australia 36.0% (1,447 tonnes), USA 7.8% (314 tonnes), UK 3.5% (140 tonnes), New Zealand 1.1% (43 tonnes), South Africa 0.5 (20 tonnes) and New Caledonia purchased 0.5% (20 tonnes) as well. 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 6: Copra Meal Exports and Market Share for July–September 2020

Exporter/Port	Second Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Globe Manufacturing Ltd	2,547	63.3%
Markham Farming Ltd	754	18.8%
Pristine Co.101 Ltd	720	17.9%
TOTAL	4,021	100%

3. EXPORT EARNINGS FROM COCONUT PRODUCTS

The export earnings from coconut products, namely copra, CNO and copra meal for the third 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 56.5%, 126.0% and 36.4% respectively.

The aggregate export revenue generated from coconut products in this quarter is 82.7% higher than the total export revenue registered in the corresponding quarter of 2019.

Compared to the revenue generated in the preceding quarter, this quarter's revenue is higher by 61.4%. The increase in revenue is attributed to the increase in prices in the global market.

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

Coconut Product	July–Sept 2020 (Kina)	July–Sept 2019 (Kina)
Copra	19,031,094	12,157,560
CNO	21,713,859	9,605,917
Copra Meal	2,879,902	2,111,826
TOTAL	43,624,855	23,875,303

Source: Kokonas Industri Koporesen

4. CONCLUSION

In general, copra & CNO prices both on the aggregate and average levels increased in this quarter compared to the preceding quarter at the international market. Average prices of copra and CNO increased by 9.8% and 11.1% 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.

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.

At present, three coconut products are being produced domestically and traded in the global market namely copra, CNO and copra meal. Copra production decreased by a slight 1.9% compared to the preceding quarter.

Copra, CNO and meal all recorded an increase in export volumes this quarter which resulted in an increase in general export earnings of all coconut products by 61.4% compared to the preceding quarter. The increase in export revenue has mainly been attributed to the increase in global prices in the international market.