



# QUARTERLY COCONUT INDUSTRY MARKET REPORT

**OCTOBER—DECEMBER 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\$548/MT and US\$876/MT respectively, which were higher compared to the preceding quarter. Prices registered for copra and CNO in the four quarters of 2019 are shown in Table 1 and the graphical illustration in Figure 1 below.

In October, copra registered US\$455/MT which is an increase 0.4% compared to the preceding month. In November, it increased by 16.0%, registering US\$528/MT, and further increased by 25.2% to US\$661/MT in December.

CNO opened the quarter by registering US\$726/MT in October, which is an increase of 0.7% compared to the preceding month. It increased again by 17.6% in November by registering US\$854/MT, and further increased by 22.6% to US\$1,047/MT in December.

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-Dec)**

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Copra (CIF NW US\$/MT)	486	425	415	422	420	402	421	453	453	455	528	661
Quarterly Average	<b>442</b>			<b>414</b>			<b>442</b>			<b>548</b>		
CNO (CIF Rott US\$/ MT)	761	697	679	666	661	636	666	655	721	726	854	1,047
Quarterly Average	<b>713</b>			<b>654</b>			<b>701</b>			<b>876</b>		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

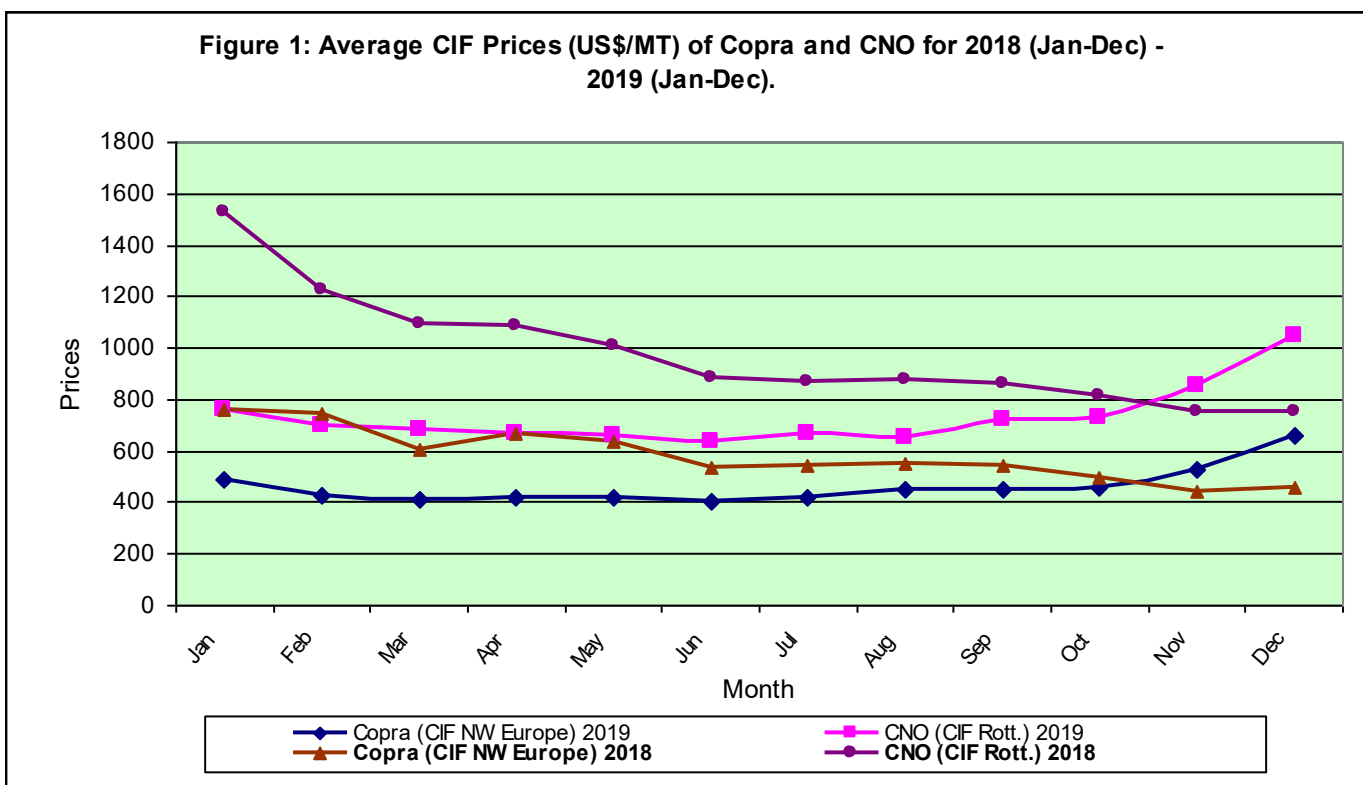
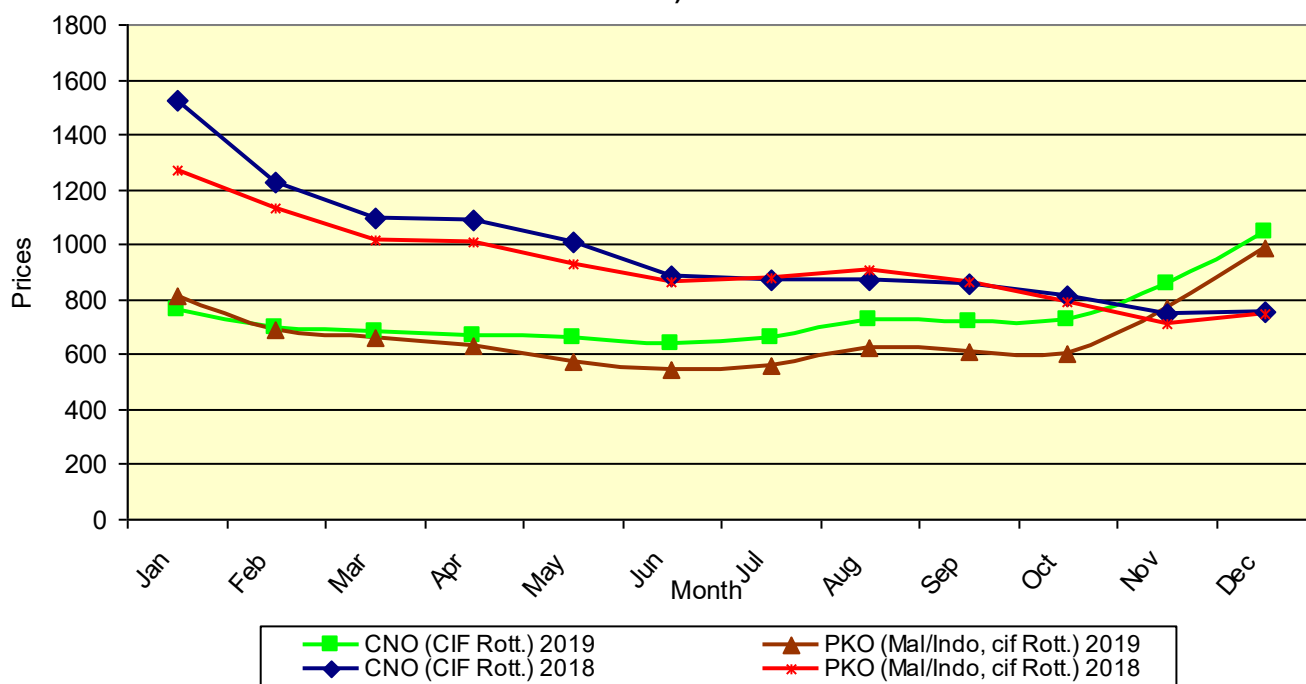


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2018 (Jan-Dec) - 2019 (Jan-Dec)



## 2. DOMESTIC MARKET DEVELOPMENTS

### 2.1 Total Copra Production

Domestic copra production in this quarter decreased compared to the preceding quarter and aggregately registered 18,185 tonnes as shown in Figure 3. Total copra production for this quarter is lower by 33.1% compared to the aggregate volume registered in the preceding quarter.

The fourth quarter began production with October registering 7,202 tonnes which is 12.8% lower than the volume registered in the preceding month. Following on, November registered 4,388 tonnes which is a decrease of 39.1%. In December, it increased again by 50.3% to 6,594 tonnes. The total production registered in this quarter is 2.3% higher compared to the total production (17,781 tonnes) registered in the corresponding quarter of 2018.

The low level of production recorded in this quarter despite the increasing global prices is due to incomplete data submissions from the producers. These figures are subject to change as not all copra producers and processors have submitted their quarterly production data. PNG farmers are price sensitive so the increasing prices of copra will likely result 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.

Aggregately, Kavieng (6,972 tonnes) led the tally followed by Buka (3,894 tonnes), Rabaul/Toboï (3,296

tonnes), Madang (2,012 tonnes), Kimbe (1,935 tonnes), and Alotau (76 tonnes).

Kavieng began the quarter by registering 2,128 tonnes in October and decreased by 3.9% in November to 2,045 tonnes but increased again by 36.9% to 2,799 tonnes in December.

Buka commenced with 1,354 tonnes in October and decreased by 29.2% to 959 tonnes in November. However it increased in December by 64.8% to 1,580 tonnes.

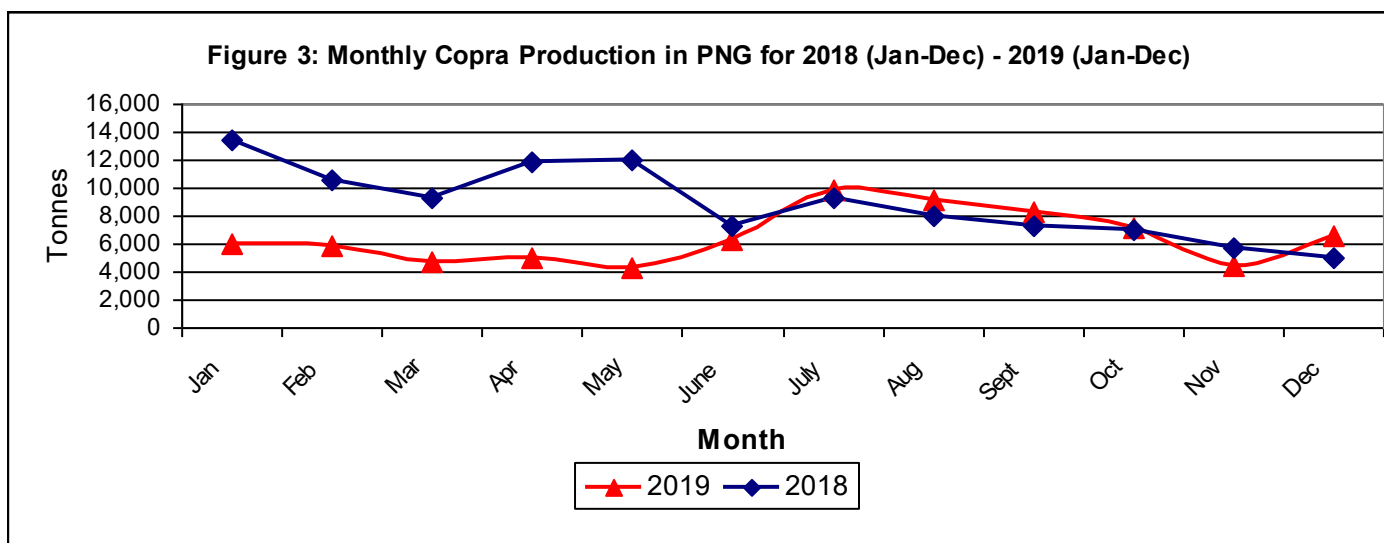
Rabaul/Toboï began with 2,025 tonnes in October and decreased in November by 86.2% to 310 tonnes. It then increased by 136.8% to 734 tonnes in December.

Madang commenced with 630 tonnes in October and decreased by 7.9% to 580 tonnes in November but increase again by 38.1% to 801 tonnes in December.

Kimbe began the quarter by registering 762 tonnes in October and decreased by 35.3% to 493 tonnes in November. However it increased by 37.9% to 680 tonnes in December.

Alotau registered 76 tonnes in October. There was no data for November and December due to nil data submissions from the copra producers.

The New Guinea Islands and Momase 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 these regions.



Centre/Depot	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Rabaul/ Toboi	2,317	2,102	1,849	1,739	742	2,459	2,025	1,598	1,614	2,252	310	734
Madang	1,695	1,678	1,776	1,284	1,686	1,754	3,011	2,869	2,460	630	580	801
Buka	1,458	1,626	1,518	1,491	1,487	1,425	2,091	1,766	1,316	1,354	959	1,580
Kavieng/Namatanai	205	-	-	-	-	-	1,931	1,955	1,917	2,128	2,045	2,798
Kimbe	296	446	562	338	265	471	621	759	778	762	493	680
Alotau	93	54	82	107	149	146	174	130	171	76	-	-
<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>	<b>7,202</b>	<b>4,388</b>	<b>6,594</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.

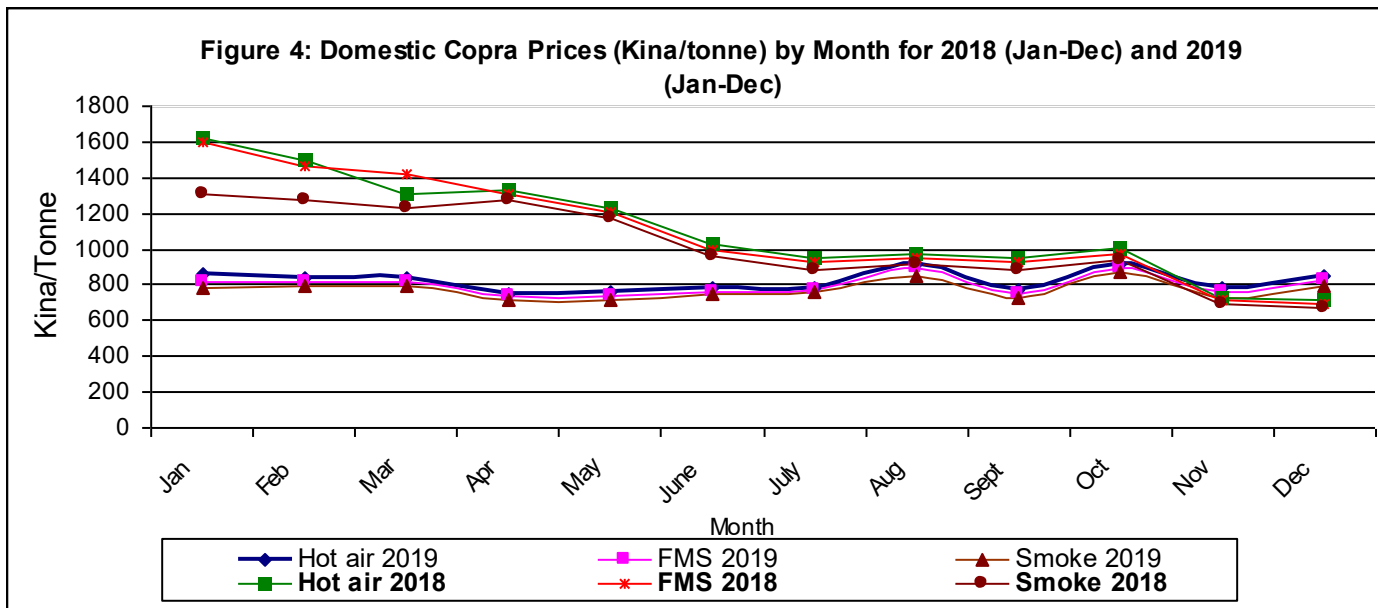
During this quarter, the average Hot Air, FMS and Smoke grade prices were K849, K825 and K798 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K24 per tonne and the discount for the smoke grade is K27 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne and the discount price for the smoke grade decreased by 22.6% and 12.9% respectively.

Monthly price fluctuations for 2018 and 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. October recorded K919/tonne for hot air copra which is 0.2% lower than the price of the preceding month. FMS and smoke both increased by 0.9% and 2.5% respectively.

In November the prices for the copra grades decreased. Price for the hot air decreased by 15.1% to K780/tonne, FMS decreased by 15.2% to K758/tonne and the smoke grade decreased as well by 16.1% to K729/tonne.

In December, hot air copra was priced at K847/tonne, an increase of 8.6%. FMS increased by 8.4% to K822/tonne and smoke grade also increased by 9.3% to K797/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 K1,286/tonne, an increase of 5.2% compared to the price of the preceding quarter. FMS and smoke were also priced at K1,286/tonne, increases of 10.4% and 12.3% respectively.

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. This price is the same as the price offered in the preceding quarter.

Following Alotau was Kavieng that priced hot air at K900/tonne, an increase of 3.8%, FMS at K800/tonne, an increase of 4.3%, and smoke grade at K700/tonne,

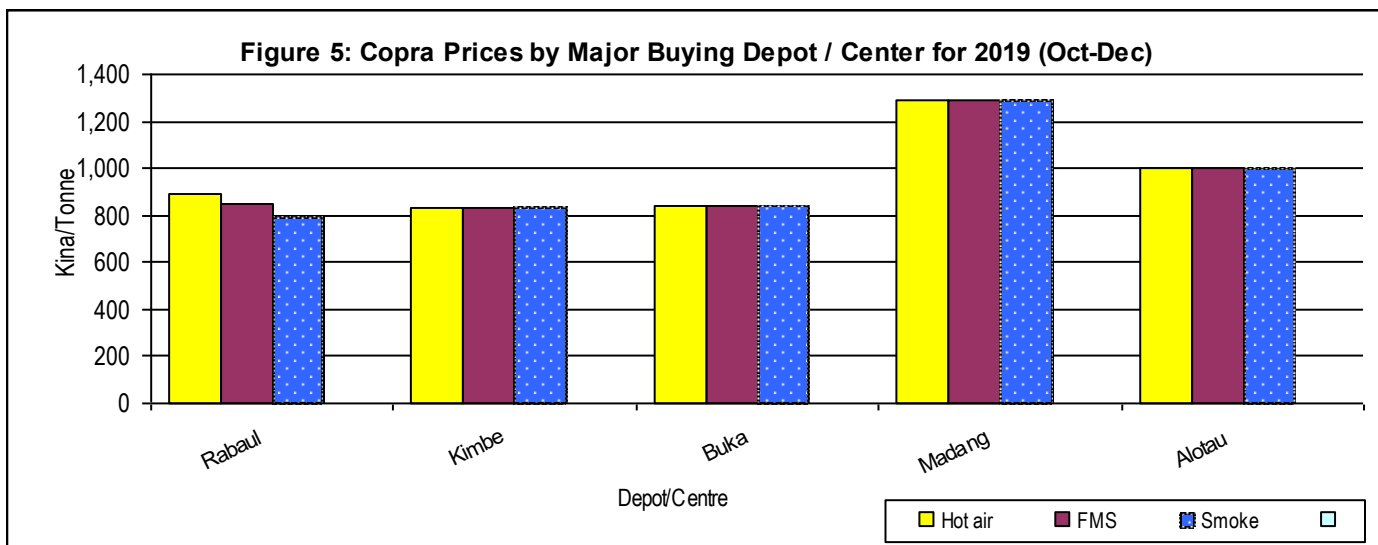
the same price offered in the previous quarter.

Following Kavieng was Rabaul that priced hot air at K895/tonne, an increase of 3.2%, FMS at K852/tonne, an increase of 1.8%, and Smoke at K793/tonne, also an increase of 4.1%.

Buka rallied behind Rabaul pricing hot air at K844/tonne, FMS at K844/tonne and smoke also priced at K844/tonne. These prices are higher by 9.6%, 9.6% and 13.3% respectively for hot air, FMS and smoke.

Kimbe offered the lowest prices. It priced hot air, FMS and smoke at K833/tonne. These prices are higher by 4.1%, 4.1% and 4.1% respectively compared to the prices of the preceding quarter.

In general, prices offered in this quarter have increased 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. October registered K1,856/tonne, a decrease of 14.8% from the preceding month. November registered K1,432/tonne which is a decrease of 22.8%, but increased in December by 6.3% to K1,522/tonne.

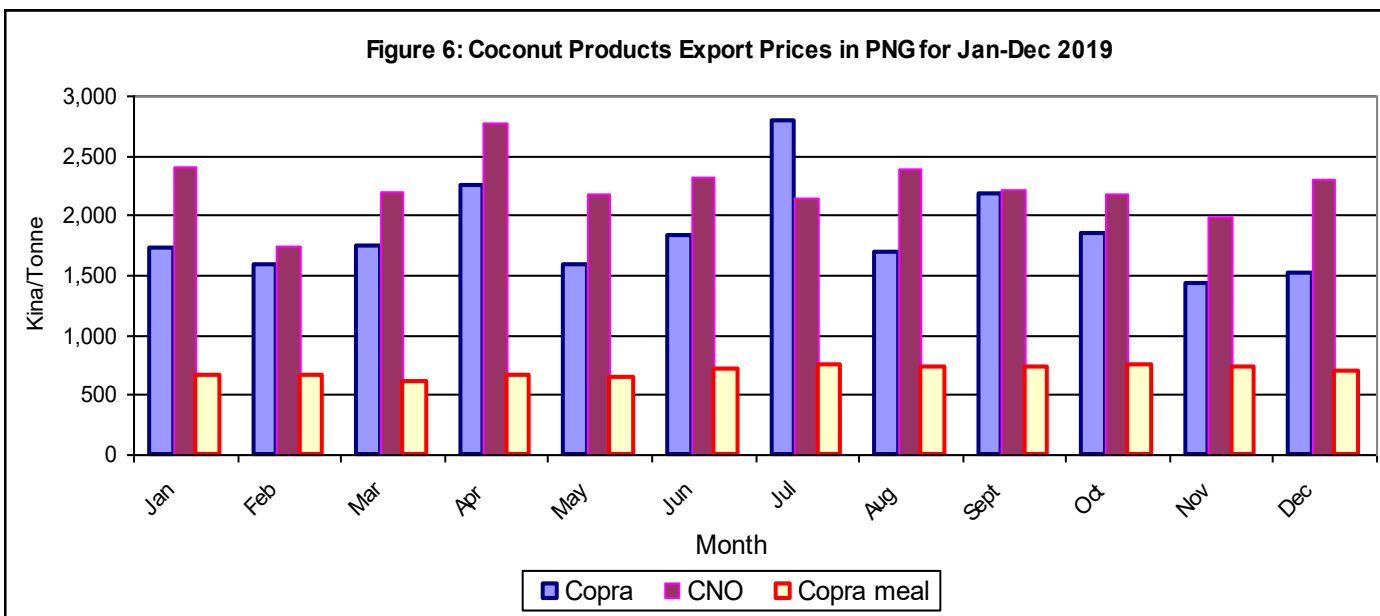
Price of CNO in this quarter began by registering K2,172/tonne in October, a decrease of 1.8% from the preceding month. In November, it further decreased by 8.7% to K1,984/tonne, but increased

further by 16.2% in December to K2,305/tonne.

Copra meal export prices experienced a fluctuating trend this quarter. It registered K747/tonne in October, an increase of 2.3%. However, it decreased by 2.9% to K725/tonne in November and further decreased in December by 2.8% to K705/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 of 2019 are anticipated to improve in the coming quarter given the current market scenario of increasing 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 depreciated from the preceding month into this quarter. The kina equivalent FOB price in the international market has increased by 0.5% from the preceding month and registered K1,548/tonne in October. It increased again by 16.0% to K1,796/tonne in November and increased further by 25.3% to K2,251/tonne in December.

The mill gate price behaved in a different fash-

ion. October registered K849/tonne which is a decrease of 4.2% compared to the preceding month. In November, it decreased by 2.8% to K825/tonne, and decreased further by 3.3% to K798/tonne in December.

The price trends both at the international and domestic markets have resulted in export margins of 45.2%, 54.1% and 64.5% respectively for October, November and December.

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 Fourth Quarter (Oct–Dec) 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)
October	0.2940	455	1,548	849	699 (45.2%)
November	0.2940	528	1,796	825	971 (54.1%)
December	0.2936	661	2,251	798	1,453 (64.5%)

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.

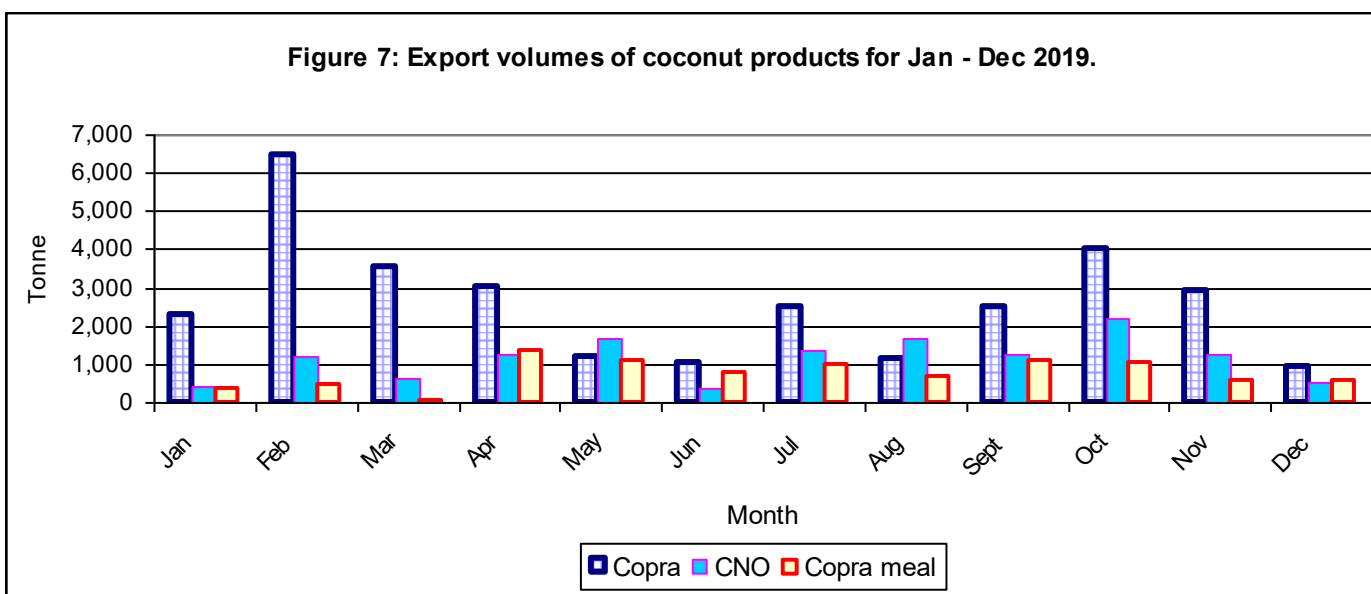
Aggregately, this quarter recorded a total export volume of 7,891 tonnes of copra which is an increase of 28.7% compared to the total export volume (6,132 tonnes) of the preceding quarter, but a decrease of 29.3% compared to the total volume (11,157 tonnes) in the corresponding quarter of 2018.

**2.5.1 Copra**

In this quarter copra export in October was 4,007 tonnes. It decreased by 26.4% to 2,948 tonnes in November, and further decreased by 68.3% to 935 tonnes in December.

The decrease in copra exports this quarter is due to incomplete and/or outstanding data yet to be collected from the exporters as not all have submitted records of their quarterly export volumes. The actual figures for the final quarter of 2019 are subject to change.

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



**Export by destination**

In this quarter, PNG exported a total of 7,891 tonnes of copra to two overseas markets namely Philippines and Bangladesh.

Philippines bought 89.5% (7,064 tonnes) of PNG 's copra exports while Bangladesh bought 10.5% (827 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 7,891 tonnes undertaken by eight (8) exporters namely Pacific Lama Traders, Aero Ltd, Garden Enterprise, Kimbe Bay Shipping Ltd (KBSL), Autonouse Bougainville Commodities (ABC) Ltd, Coconut Products Ltd (CPL), Samarai Murua and Sankamap Ltd.

Of the total volume, KBSL led the tally by exporting

31.8% (2,510 tonnes), followed by Samarai Murua with 14.7% (1,160 tonnes), Sankamap with 12.6% (996 tonnes), Aero Ltd with 11.5% (904 tonnes), CPL with 10.5% (827 tonnes), Pacific Lama with 7.1% (563 tonnes), ABC with 6.1% (484 tonnes) and Garden Enterprise with 5.7% (447 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 October—December 2019**

Exporter/Port	Fourth Quarter 2019 Export Volumes (Tonnes)	Market Share (%)
Kimbe Bay Shipping Ltd	2,510	31.8%
Samarai Murua	1,160	14.7%
Sankamap Ltd	996	12.6%
Aero Limited	904	11.5%
Coconut Products Ltd	827	10.5%
Pacific Lama Traders	563	7.1%
ABC Limited	484	6.1%
Garden Enterprise	447	5.7%
<b>TOTAL</b>	<b>7,891</b>	<b>100%</b>

### 2.5.2 Coconut Oil Exports

A total of 3,994 tonnes of CNO was exported from PNG in this quarter. The month of October registered an export volume of 2,197 tonnes followed by November with 1,256 tonnes which is a decrease of 42.8%, and decreased further in December by 57.0% to 540 tonnes. Compared to the export volume (4,306 tonnes) of the preceding quarter, this quarter's total export volume is lower by 7.2%.

### Export by destination

CNO exported in this quarter went to three overseas markets – Malaysia, Bangladesh and Indonesia. Malaysia bought 64.5% (2,577 tonnes), Bangladesh bought 24.7% (985 tonnes) and Indonesia bought 10.8% (432 tonnes).

### 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 October—December 2019**

Exporter/Port	Fourth Quarter 2019 Export Volumes (Tonnes)	Market Share (%)
Pristine Co.101 Ltd	433	10.8%
Global Manufacturing Ltd	2,481	62.1%
Markham Farming Ltd	1,080	27.0%
<b>TOTAL</b>	<b>3,994</b>	<b>100%</b>



### 2.5.3 Copra Meal Exports

In this quarter a total of 2,211 tonnes of copra meal was exported from PNG, which is a decrease of 21.3% compared to the total volume (2,810 tonnes) registered in the preceding quarter. October began by registering 1,042 tonnes and decreased by 54.2% to 571 tonnes in November, but increased by 4.6% to 597 tonnes in December.

#### Export by destination

Copra meal exported in this quarter went to five destinations overseas namely Australia, United States, Great Britain, South Africa and Mongolia. Of

the total export volume, Australia bought 82.0% (1,814 tonnes), USA bought 12.5% (277 tonnes), Great Britain bought 3.6% (80 tonnes), while South Africa and Mongolia bought 0.9% each (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 October—December 2019.**

Exporter/Port	Fourth Quarter 2019 Export Volumes (Tonnes)	Market Share (%)
Pristine Co.101 Ltd	660	29.9%
Globe Manufacturing Ltd	1,054	47.7%
Markham Farming Ltd	497	22.5%
<b>TOTAL</b>	<b>2,211</b>	<b>100%</b>

## 3. EXPORT EARNINGS FROM COCONUT PRODUCTS

The export earnings from coconut products, namely copra, CNO and copra meal for the fourth 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 39.3%, while CNO and copra meal revenue

were higher by 87.3% and 98.8% respectively, compared to the revenue registered in the corresponding quarter of 2018.

The aggregate export revenue generated from coconut products in this quarter is 12.2% 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 fourth quarters of 2018 & 2019**

Coconut Product	Oct-Dec 2018 (Kina)	Oct-Dec 2019 (Kina)	Jan-Dec 2018 (Kina)	Jan-Dec 2019 (Kina)
Copra	19,909,090	12,076,200	113,987,585	57,294,867
CNO	4,519,615	8,463,203	46,993,290	30,055,045
Copra Meal	820,210	1,630,224	5,674,413	6,391,986
<b>TOTAL</b>	<b>25,248,914</b>	<b>22,169,627</b>	<b>166,655,288</b>	<b>93,741,898</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 increased by 23.9% and 25.0% 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 33.1% 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 is a result of outstanding production and export figures yet to be submitted by the producers and exporters.

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.