



QUARTERLY COCONUT INDUSTRY MARKET REPORT

OCTOBER—DECEMBER 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\$814/MT and US\$1,277/MT respectively. These prices were higher by 33.9% and 42.0% compared to the preceding quarter. Prices registered for copra and CNO in the fourth quarter are shown in Table 1 and the graphical illustration in Figure 1 below.

In October copra registered US\$665/MT which is an increase 5.2% compared to the preceding month. In November. It increased again by 27.5%, registering US\$848/MT, and further increased by 9.4% to US\$928/MT in December.

CNO opened the quarter by registering US\$1,044/MT in October, which is an increase of 27.5% compared to the preceding month. It then increased by

31.7% in November registering US\$1,375/MT, and further increased by 2.7% to US\$1,413/MT in December.

The increase in copra prices in the global market has been influenced by constraints in supply as an impact of the global coronavirus (COVID-19) pandemic.

Demand for both CNO and palm kernel oil (PKO) in the lauric oil market have both risen as well. It has been reported that over fifty percent (50%) of CNO is used by the oleo-chemical, cosmetic and manufacturing industries, according to the International Coconut Community Annual Report 2019.

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

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Copra (CIF NW US\$/MT)	607	545	519	536	540	585	592	600	632	665	848	928
Quarterly Average	557			542			608			814		
CNO (CIF Rott US\$/ MT)	974	826	786	800	777	853	836	896	967	1,044	1,375	1,413
Quarterly Average	862			810			900			1,277		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

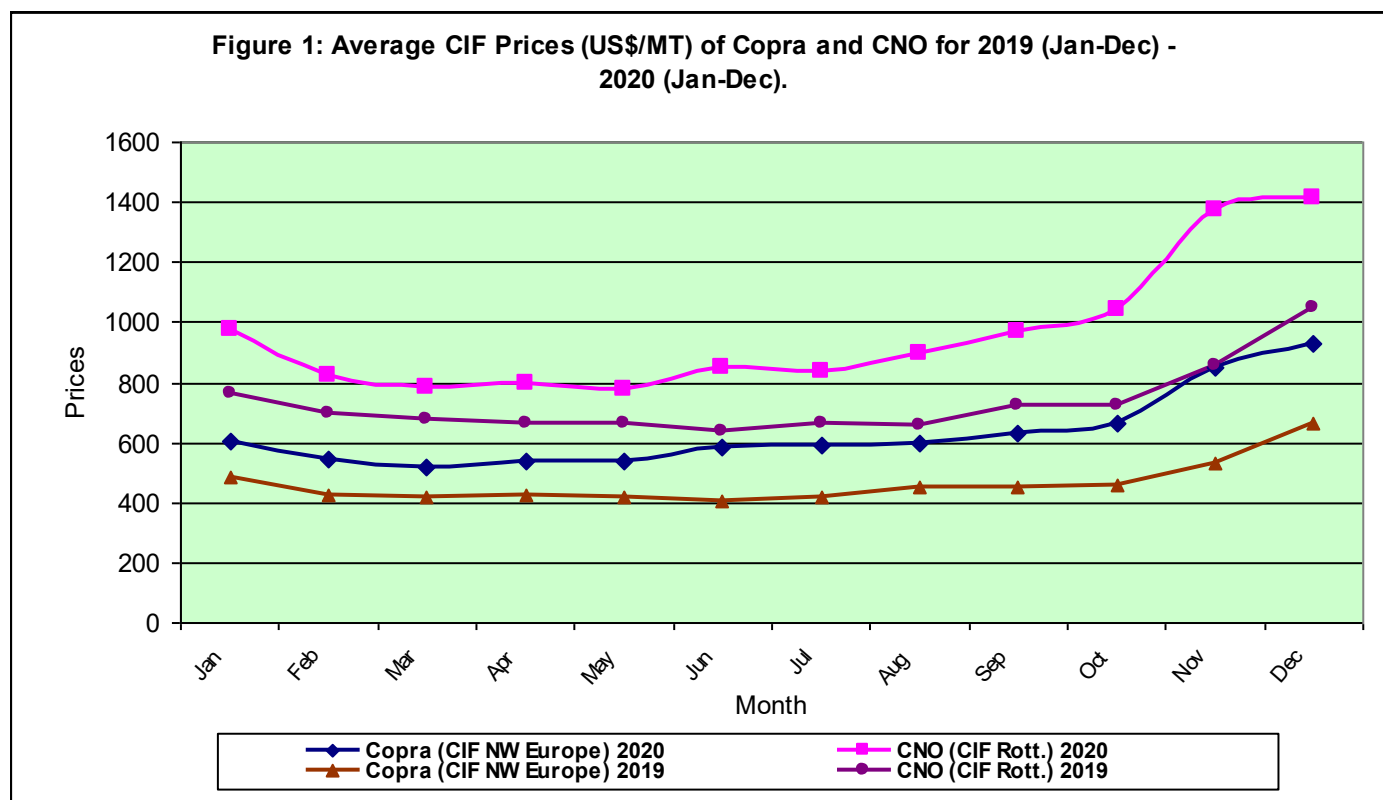
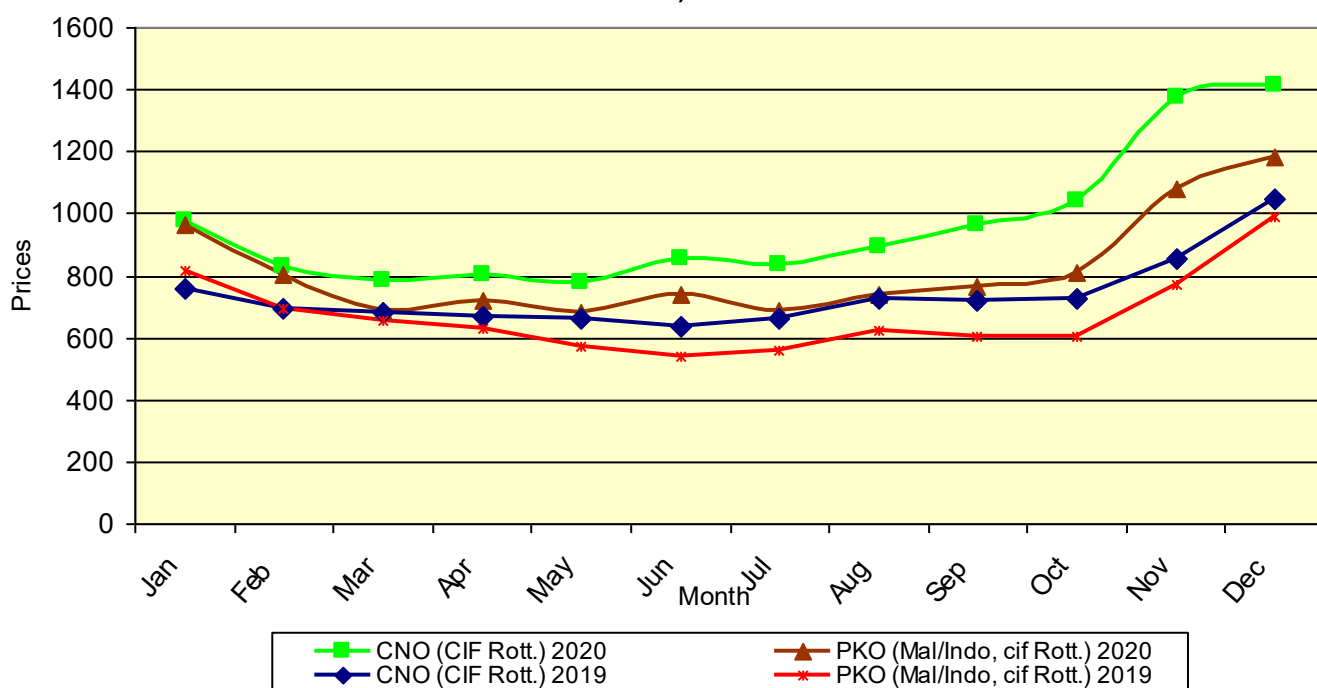


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2019 (Jan-Dec) - 2020 (Jan-Dec)



2. DOMESTIC MARKET DEVELOPMENTS

2.1 Total Copra Production

Domestic copra production in this quarter decreased compared to the preceding quarter and aggregately registered 18,143 tonnes as shown in Figure 3. Total copra production for this quarter is lower by 19.0% compared to the aggregate volume registered in the preceding quarter.

The fourth quarter began production with October registering 5,585 tonnes which is 19.7% lower than the volume registered in the preceding month. Following on, November registered 5,585 tonnes which is the same volume as the preceding month. In December, it increased by 30.0% to 7,260 tonnes. The total production registered in this quarter is 1.4% higher compared to the total production (18,185 tonnes) registered in the corresponding quarter of 2019.

The decrease in production this quarter despite the increasing global prices is due to incomplete data submissions from the producers/buyers. 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.

2.2 Copra Production by Depots

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

Aggregately, Madang (8,873 tonnes) led the tally followed by Buka (4,429 tonnes), Rabaul/Toboï (3,979 tonnes), Kimbe (989 tonnes) and Alotau (87 tonnes).

Madang commenced with 3,253 tonnes in October and decreased by 15.1% to 2,760 tonnes in November but increase again by 3.6% to 2,860 tonnes in December.

Buka commenced with 1,183 tonnes in October and increased by 1.0% to 1,195 tonnes in November. It further increased in December by 71.8% to 2,052 tonnes.

Rabaul/Toboï began with 811 tonnes in October and increased in November by 57.3% to 1,275 tonnes. It further increased by 48.5% to 1,893 tonnes in December.

Kimbe began the quarter by registering 300 tonnes in October and increased by 6.2% to 319 tonnes in November. It further increased by 15.8% to 369 tonnes in December.

Alotau registered 38 tonnes in October and decreased by 4.8% to 37 tonnes. It then increased by 137.5% to 87 tonnes.

There was no production data for Kavieng as nil reports were submitted by the buyers/producers.

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.

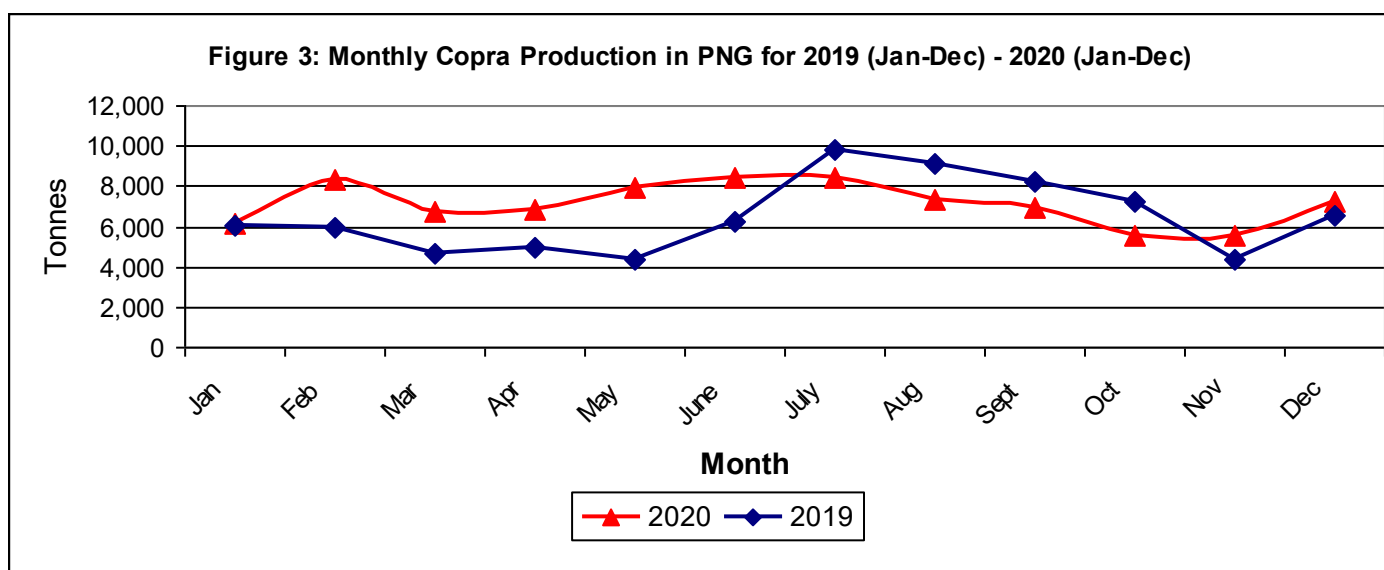


Table 2: Copra production (tonnes) by Major Buying Centers for 2020 (Jan—Dec)

Centre/Depot	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Rabaul/ Toboi	2,115	2,129	1,655	1,937	1,930	2,636	2,324	2,025	1,452	811	1,275	1,893
Madang	1,667	3,743	3,151	2,799	2,786	2,723	3,485	2,780	2,838	3,253	2,760	2,860
Buka	1,537	1,656	1,152	1,020	1,672	1,564	1,614	1,687	1,825	1,183	1,195	2,052
Kavieng/Namatanai	221	293	201	237	401	424	495	399	399	-	-	-
Kimbe	556	475	539	785	1,017	975	415	380	384	300	319	369
Alotau	35	52	64	80	110	87	98	92	57	38	37	87
Total	6,131	8,349	6,762	6,857	7,917	8,409	8,432	7,363	6,955	5,585	5,585	7,260

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.

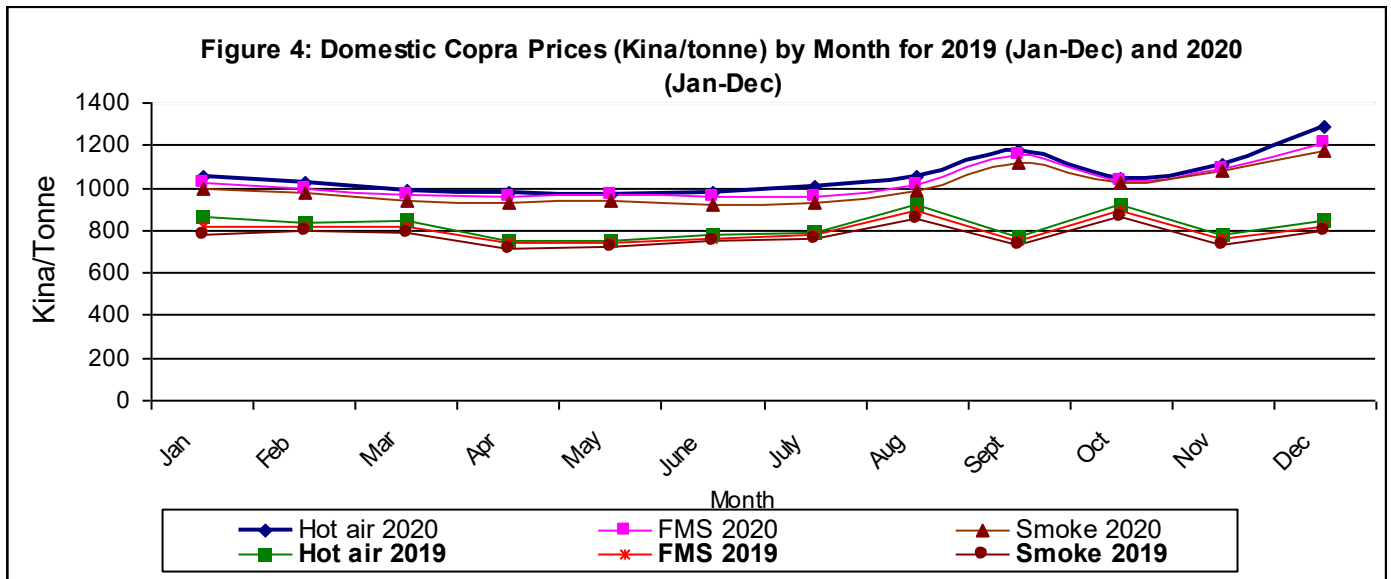
During this quarter, the average Hot Air, FMS and Smoke grade prices were K1,143, K1,114 and K1,095 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K29 per tonne and the discount for the smoke grade is K19 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne and the discount price for the smoke grade decreased by 14.2% and 35.2% respectively.

Monthly price fluctuations for 2019 and 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. October recorded K1,041/tonne for hot air copra which is 11.6% lower than the price of the preceding month. FMS and smoke both decreased as well by 10.3% and 8.0% respectively.

In November the prices for the copra grades increased. Price for the hot air increased by 6.1% to K1,105/tonne, FMS increased by 6.0% to K1,094/tonne and the smoke grade increased as well by 5.6% to K1,082/tonne.

In December, hot air copra was priced at K1,285/tonne, an increase of 16.3%. FMS increased by 11.1% to K1,216/tonne and smoke grade also increased by 8.9% to K1,178/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, Rabaul offered the highest price for Hot air. It priced hot air at K1,517/tonne, an increase of 55.6% compared to the price of the preceding quarter. FMS was priced at K1,350/tonne and smoke at K1,250/tonne, increases of 45.9% and 41.0% respectively.

Following Rabaul was Madang that priced hot air at K1,435/tonne, an increase of 9.6%, FMS at K1,426/tonne, an increase of 13.7%, and Smoke at K1,409/tonne, also an increase of 17.9%.

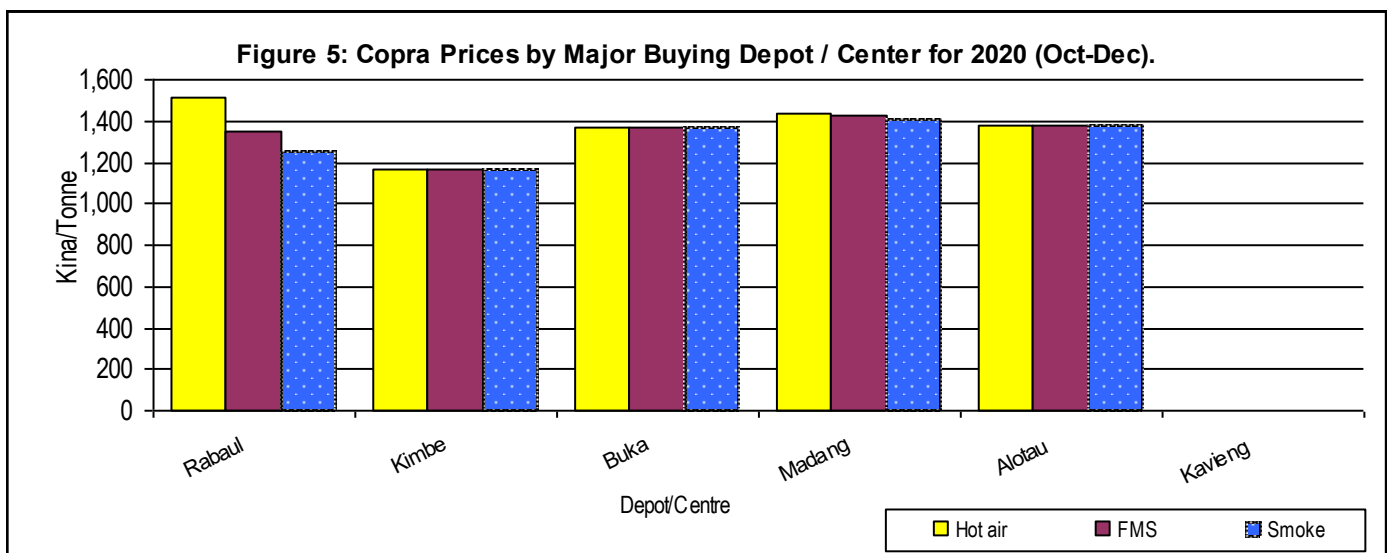
Following Madang was Alotau with K1,376/tonne flat rate for all grades. This is due to the price support offered to the copra producers by the Milne Bay Provincial Government and that benefited the Alotau farmers well over the farmers in other centres. This price is the 37.6% higher compared to the price offered in the preceding quarter.

Following Alotau was Buka that priced hot air, FMS and smoke at a flat rate of K1,366/tonne, an increase of 24.0% compared to the price offered in the preceding quarter.

Kimbe rallied behind Buka pricing hot air at K1,167/tonne, an increase of 22.8% compared to the preceding quarter. FMS and smoke were also priced at K1,167/tonne each. These prices are higher by 24.0% as well compared to the preceding month.

There was no prices records submitted from Kavieng thus it will not be reported in this quarter's market report.

In general, prices offered in this quarter have increased reflecting the increasing price trend experienced in the global market. Also, the PNG government had allocated around Four Million Kina (K4million) to the coconut industry for Copra Price Support as part of its Commodity Price Stabilization and Agriculture Intervention Program. This had also influenced the increase in the domestic price of copra 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.

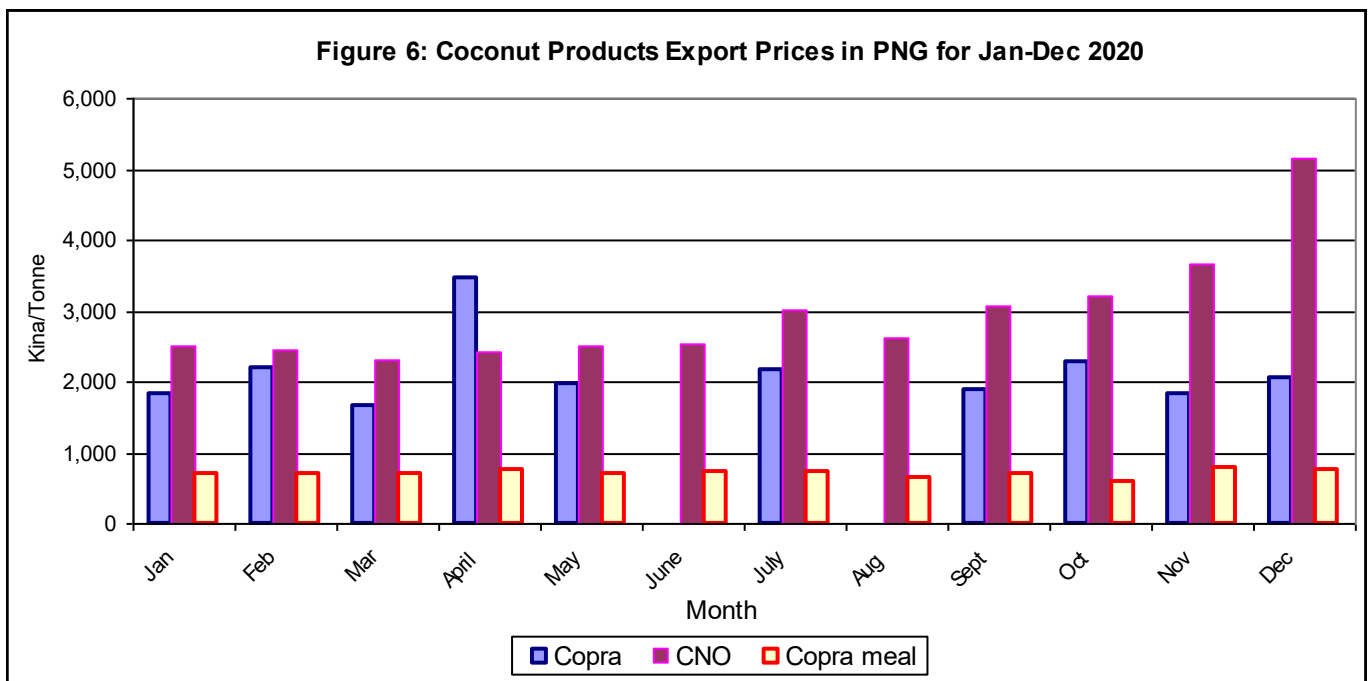
In this quarter, copra prices fluctuated. October registered K2,294/tonne, an increase of 21.5% from the preceding month. November registered K1,830/tonne which is a decrease of 20.2%, but increased in December by 12.9% to K2,067/tonne.

Price of CNO in this quarter began by registering K2,774/tonne in October, an increase of 4.0% from the preceding month. In November, it increased

by 14.1% to K3,652/tonne, and increased further by 41.5% in December to K5,166/tonne.

Copra meal export prices experienced a fluctuating trend this quarter. It registered K579/tonne in October, a decrease of 16.2%. It then increased by 34.3% to K778/tonne in November and but decreased again in December by 1.3% to K769/tonne.

The increasing prices of export coconut products experienced since the third quarter of 2020 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 24.3% from the preceding month and registered K2,325/tonne in October. It increased again by 27.7% to K2,970/tonne in November and increased further by 9.6% to K3,256/tonne in December.

The mill gate price behaved in a different fash-

ion. October registered K1,033/tonne which is a decrease of 10.3% compared to the preceding month. In November, it increased by 6.0% to K1,094/tonne, and increased further by 11.1% to K1,216/tonne in December.

The price trends both at the international and domestic markets have resulted in export margins of 55.6%, 63.2% and 62.7% 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) 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 & Per- centage out of the FOB Price (Kina/ tonne)
October	0.2860	665	2,325	1,033	1,292 (55.6%)
November	0.2855	848	2,970	1,094	1,867 (63.2%)
December	0.2850	928	3,256	1,216	2,040 (62.7%)

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.

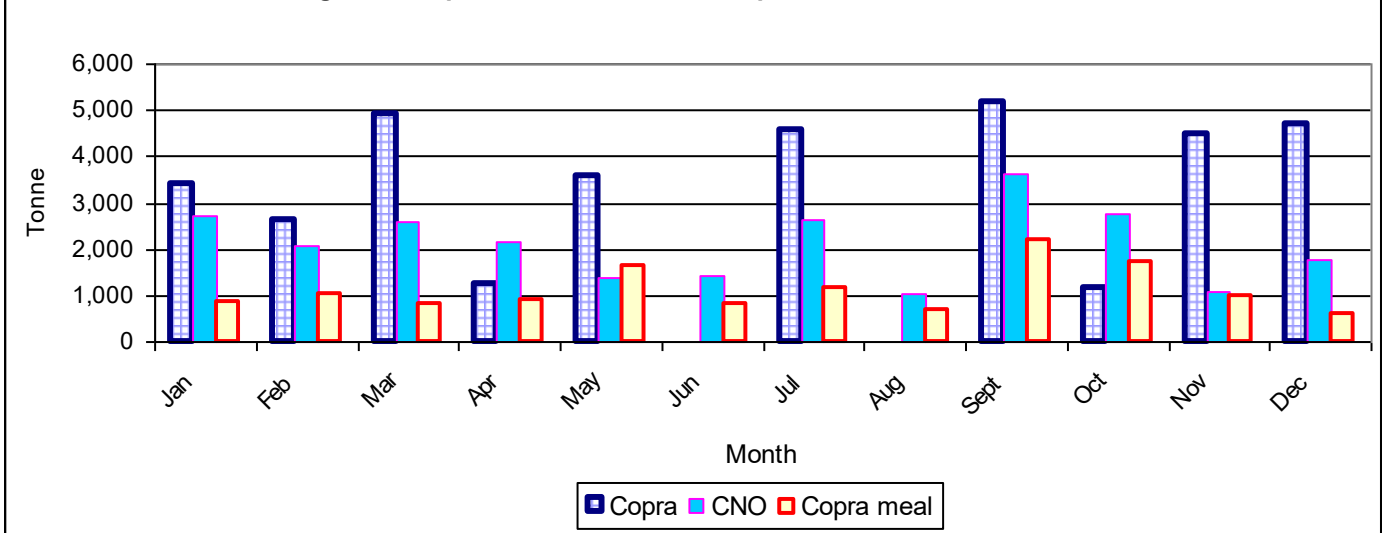
Aggregately, this quarter recorded a total export volume of 10,388 tonnes of copra which is an increase of 6.6% compared to the total export volume (9,748 tonnes) of the preceding quarter, and also an increase of 31.6% compared to the total volume (7,891 tonnes) in the corresponding quarter of 2019.

2.5.1 Copra

In this quarter copra export in October was 1,186 tonnes. It increased by 278.0% to 4,483 tonnes in November, and further increased by 5.3% to 4,719 tonnes in December.

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-Dec 2020.



Export by destination

In this quarter, PNG exported a total of 10,388 tonnes of copra to two overseas markets namely Philippines and Bangladesh.

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.

Philippines purchased 96.9% (10,066 tonnes) of PNG’s copra exports while Bangladesh purchased 3.1% (322 tonnes).

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%.

The Philippines continues to be the major buyer of PNG copra mainly because of the following reasons: (1)

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 10,388 tonnes undertaken by six (6) exporters namely Pacific Lama Traders, Aero Ltd, Kimbe Bay Shipping Ltd (KBSL), Sankamap Ltd, Emirau Marine Products Ltd, and One You Sing Ltd.

Of the total volume, KBSL led the tally by exporting 33.8% (3,508 tonnes), followed by One You

Sing with 17.8% (1,851 tonnes), Sankamap with 17.0% (1,762 tonnes), Pacific Lama with 14.2% (1,475 tonnes), Emirau with 8.7% (906 tonnes), and Aero with 8.5% (886 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 October—December 2020

Exporter/Port	Fourth Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Kimbe Bay Shipping Ltd	3,508	33.8%
One You Sing Ltd	1,851	17.8%
Sankamap Ltd	1,762	17.0%
Pacific Lama Traders	1,475	14.2%
Emirau Marine Products Ltd	906	8.7%
Aero Ltd	886	8.5%
TOTAL	10,388	100%

2.5.2 Coconut Oil Exports

A total of 5,638 tonnes of CNO was exported from PNG in this quarter. The month of October registered an export volume of 2,774 tonnes followed by November with 1,090 tonnes which is a decrease of 60.7%, but then increased in December by 62.8% to 1,774 tonnes. Compared to the export volume (7,297 tonnes) of the preceding quarter, this quarter's total export volume is lower by 22.7%.

Export by destination

CNO exported in this quarter went to two overseas markets – Malaysia and Sri Lanka. Malaysia purchased 61.3% (3,455 tonnes), and Sri Lanka purchased 38.7% (2,183 tonnes).

Export market share

The export of CNO in this quarter was undertaken by Globe Manufacturing Ltd, Markham Farming Ltd and Pristine Co.101 Limited.

Table 5: Copra Oil (CNO) exports and market share for October—December 2020

Exporter/Port	Fourth Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Global Manufacturing Ltd	3,477	61.7%
Markham Farming Ltd	1,512	26.8%
Pristine Co.101 Ltd	649	11.5%
TOTAL	5,638	100%

2.5.3 Copra Meal Exports

In this quarter a total of 3,322 tonnes of copra meal was exported from PNG, which is a decrease of 17.4% compared to the total volume (4,021 tonnes) registered in the preceding quarter. October began by registering 1,726 tonnes and decreased by 42.8% to 988 tonnes in November, and further decreased by 38.4% to 609 tonnes in December.

Export by destination

Copra meal exported in this quarter went to

only one overseas market; India

India purchased the entire 3,322 tonnes of copra meal exported during this quarter.

Export market share

Exports in this quarter were undertaken by Globe Manufacturing Ltd, Markham Farming Ltd and Pristine Co.101 Limited.

Table 6: Copra Meal Exports and Market Share for October—December 2020

Exporter/Port	Fourth Quarter 2020 Export Volumes (Tonnes)	Market Share (%)
Globe Manufacturing Ltd	1,938	58.3%
Markham Farming Ltd	896	27.0%
Pristine Co.101 Ltd	488	14.7%
TOTAL	3,322	100%

3. EXPORT EARNINGS FROM COCONUT PRODUCTS

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

In comparison to the corresponding quarter of 2019, copra, CNO and meal all registered an increase in export revenue this quarter. Copra revenue registered in this quarter was higher by 79.2%, CNO revenue was higher by 164.8% and copra meal revenue was higher by 42.1%, compared to the revenue registered in the corresponding quarter of 2019.

The aggregate export revenue generated from coconut products in this quarter is 109.2% higher

than the total export revenue registered in the corresponding quarter of 2019.

The increase in revenue registered in this quarter is attributable to the increase in prices at the global market during this quarter.

In terms of the total annual revenue generated, the 2020 aggregate revenue is 79.1% higher than the annual revenue generated in 2019.

The increase in revenue is attributed to the increase in prices at the global market during this year, which were higher compared to the prices offered in 2019.

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

Coconut Product	Oct-Dec 2020 (Kina)	Oct-Dec 2019 (Kina)	Jan-Dec 2020 (Kina)	Jan-Dec 2019 (Kina)
Copra	21,644,110	12,076,200	81,512,011	57,294,867
CNO	22,411,322	8,463,203	76,581,261	30,055,045
Copra Meal	2,316,493	1,630,224	9,762,378	6,391,986
TOTAL	46,371,934	22,169,627	167,855,650	93,741,898

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 33.9% and 42.0% 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. Copra production decreased in this quarter by 19.0% from the preceding quarter, and this had an impact on the exports of copra. Despite the decrease in production, copra recorded an increase in export volume while CNO and meal recorded a decrease 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.

General export earnings this quarter saw an increase of 6.3% compared to preceding quarter, and an increase of 109.2% compared to the revenue generated in the corresponding quarter of 2019. The increase in export revenue has mainly been attributed to the increase in global prices in the international market.