



# KOKONAS INDUSTRI KOPORESEN

The Statutory and Regulatory Institution for the Coconut Industry  
in Papua New Guinea

# MARKET REPORT

JANUARY - MARCH

2021

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## 1. INTERNATIONAL MARKET DEVELOPMENTS

Global prices of both copra and copra oil (CNO) have continued the upward trend that began in the final quarter of the preceding year due to the tight supply impacted by the global Coronavirus (COVID-19) pandemic and the inflating demand triggered by the expansion of the oleo-chemical, cosmetic and other manufacturing industries. Prices have inspiringly risen in the preliminary quarter and registered quarterly averages of US\$918/MT and US\$1,366/MT respectively for copra and CNO. Prices registered for copra and CNO in the preliminary quarter of 2021 are shown in Table 1 and the graphical illustration in Figure 1 below.

In January, copra registered US\$936/MT which is an increase 0.9% compared to the preceding month. In February, it declined by 5.6%, registering US\$884/MT

and but increased again by 5.7% to US\$934/MT in March.

CNO opened the quarter by registering US\$1,371/MT in January, a decrease of 3.0% compared to the preceding month. It decreased again by 1.7% in February by registering US\$1,348/MT, but increased by 2.4% to US\$1,381/MT in March.

Given the current market conditions, there is assurance that the current positive trend may prevail all through 2021. Major global producers of CNO namely Philippines and Indonesia have plans underway to increase the biodiesel blending from 2.5% to 5% and 7.5% to 10% for respectively as reported in the Cocommunity Issue (ISSN 0215-1502). If these propositions come into effect, then the forecasted trend is achievable.

**Table 1: Average Monthly Prices of Copra and CNO in 2021 (Jan-Mar)**

	Jan	Feb	Mar
Copra (CIF NW US\$/MT)	936	884	934
Quarterly Average	918		
CNO (CIF Rott US\$/ MT)	1,371	1,348	1,381
Quarterly Average	1,366		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

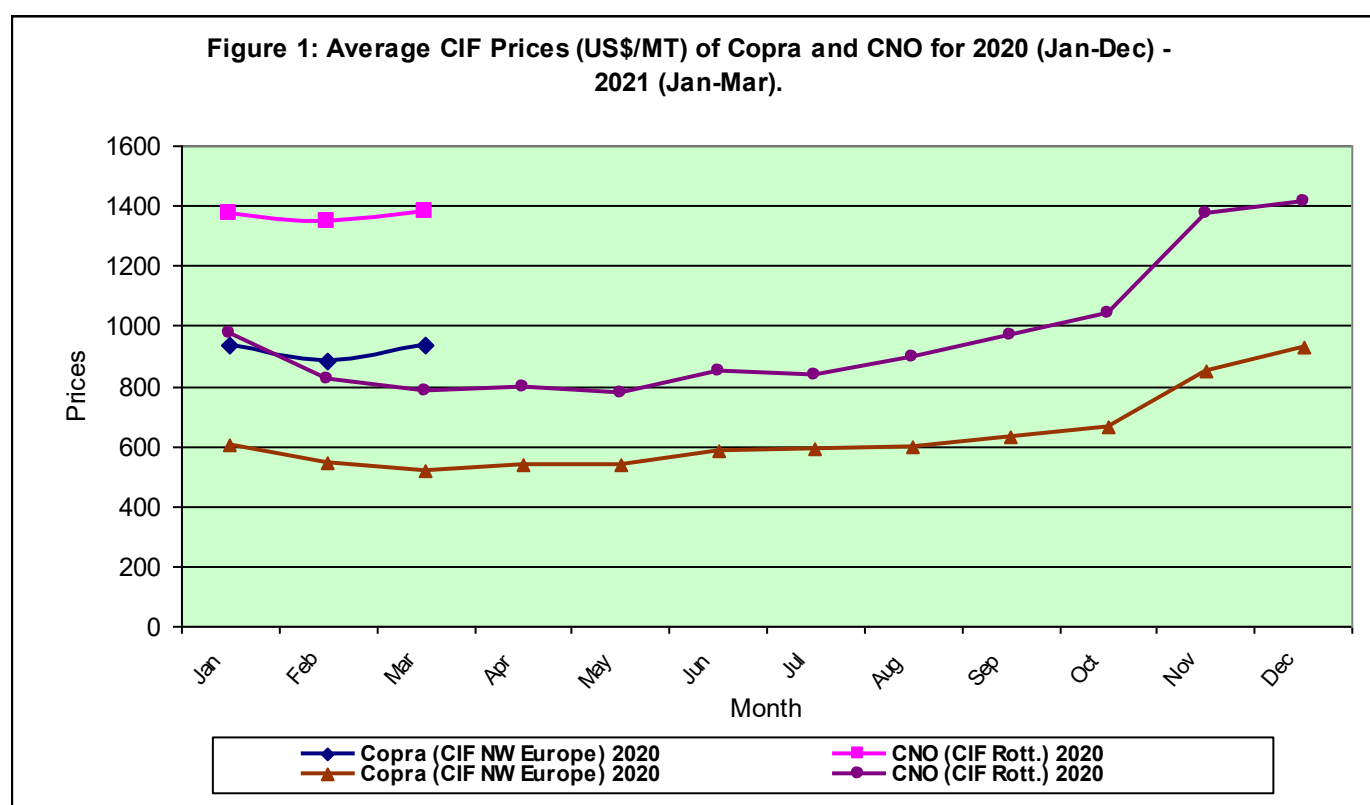
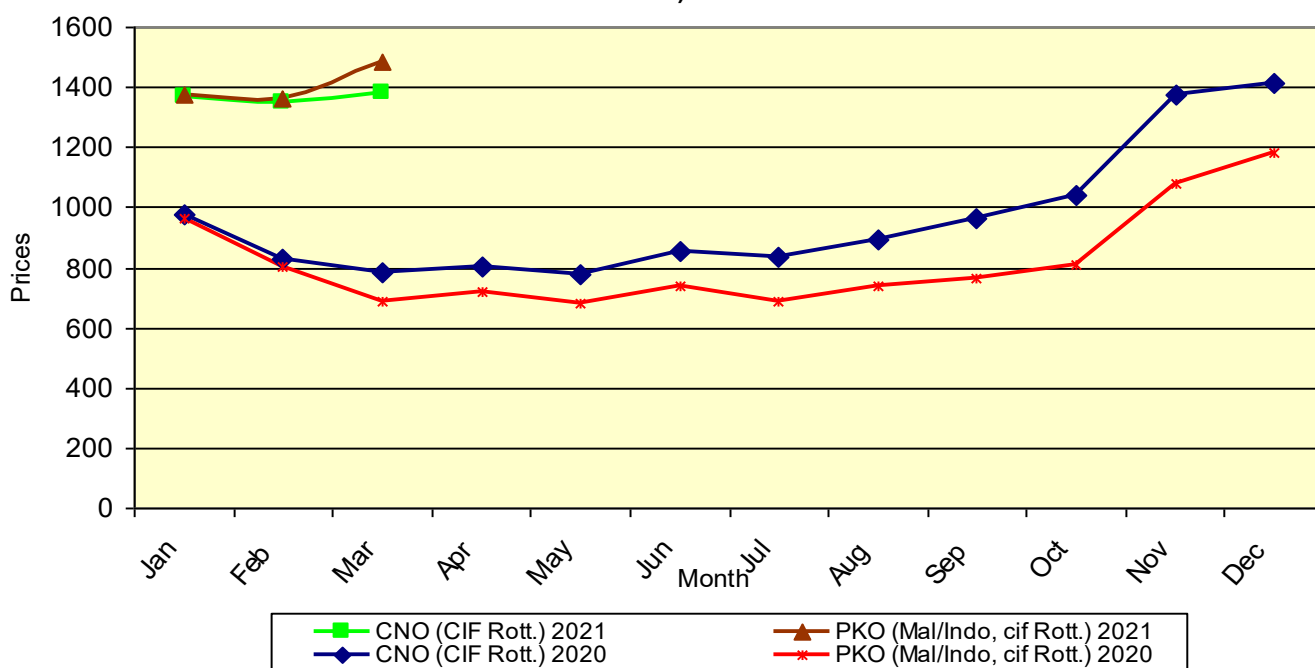


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2020 (Jan-Dec) - 2021 (Jan-Mar)



## 2. DOMESTIC MARKET DEVELOPMENTS

### 2.1 Total Copra Production

Domestic copra production in this quarter increased compared to the preceding quarter and aggregate registered 25,804 tonnes as shown in Figure 3. Total copra production for this quarter is higher by 42.2% compared to the aggregate volume registered in the preceding quarter.

The first quarter began production with January registering 7,936 tonnes which is 9.3% higher than the volume registered in the preceding month. Following on, February registered 7,822 tonnes which is a decrease of 1.4%, however, in March it increased by 28.4% to 10,046 tonnes. Total copra production for this quarter is higher by 21.5% compared to the aggregate volume registered in the corresponding quarter of 2020.

The increase in level of production this quarter, compared to the corresponding quarter of 2020, is attributable to the higher prices offered in the global market during this quarter which has influenced the domestic market prices. PNG farmers are price sensitive so the higher prices of copra has resulted in an increase in 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.

Aggregate, Madang (10,217 tonnes) led the tally followed by Rabaul/Toboï (7,067 tonnes), Buka (5,189

tonnes), Kimbe (1,921 tonnes), Kavieng/Namatanai (1,141 tonnes) and Alotau (269 tonnes) in descending order.

Madang began the quarter by registering 3,081 tonnes in January and increased by 8.5% in February to 3,334 tonnes and further increased by 13.5% to 3,794 tonnes in March.

Rabaul/Toboï commenced with 2,397 tonnes in January and decreased in February by 12.6% to 2,096 tonnes. It then increased by 22.9% to 2,575 tonnes in March.

Buka commenced with 1,569 tonnes in January and decreased by 4.3% to 1,501 tonnes in February but then increased by 41.1% to 2,119 tonnes in March.

Kimbe started with 462 tonnes in January and decreased by 11.7% to 408 tonnes in February. It then increased by 157.5% to 1,051 tonnes in March.

Kavieng/Namatanai began the quarter by registering 372 tonnes in January and decreased by 2.5% to 362 tonnes in February. However, it increased by 12.3% to 407 tonnes in March.

Alotau began the quarter by recording 55 tonnes in January and increased by 103.6% to 113 tonnes in February. However, it decreased by 10.0% to 101 tonnes in March.

Figure 3: Monthly Copra Production in PNG for 2020 (Jan-Dec) - 2021 (Jan-Mar)

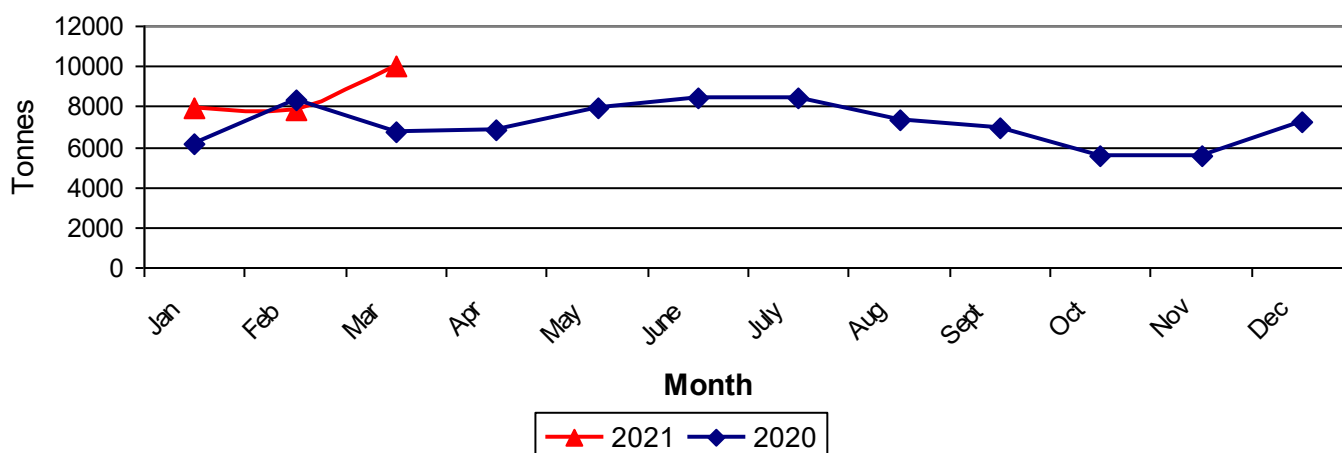


Table 2: Copra production (tonnes) by Major Buying Centers for 2021 (Jan—Mar)

Centre/Depot	Jan	Feb	Mar
Rabaul/ Toboi	2,397	2,096	2,575
Madang	3,081	3,342	3,794
Buka	1,569	1,501	2,119
Kavieng/Namatanai	372	362	407
Kimbe	462	408	1,051
Alotau	55	113	101
<b>Total</b>	<b>7,936</b>	<b>7,822</b>	<b>10,046</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.

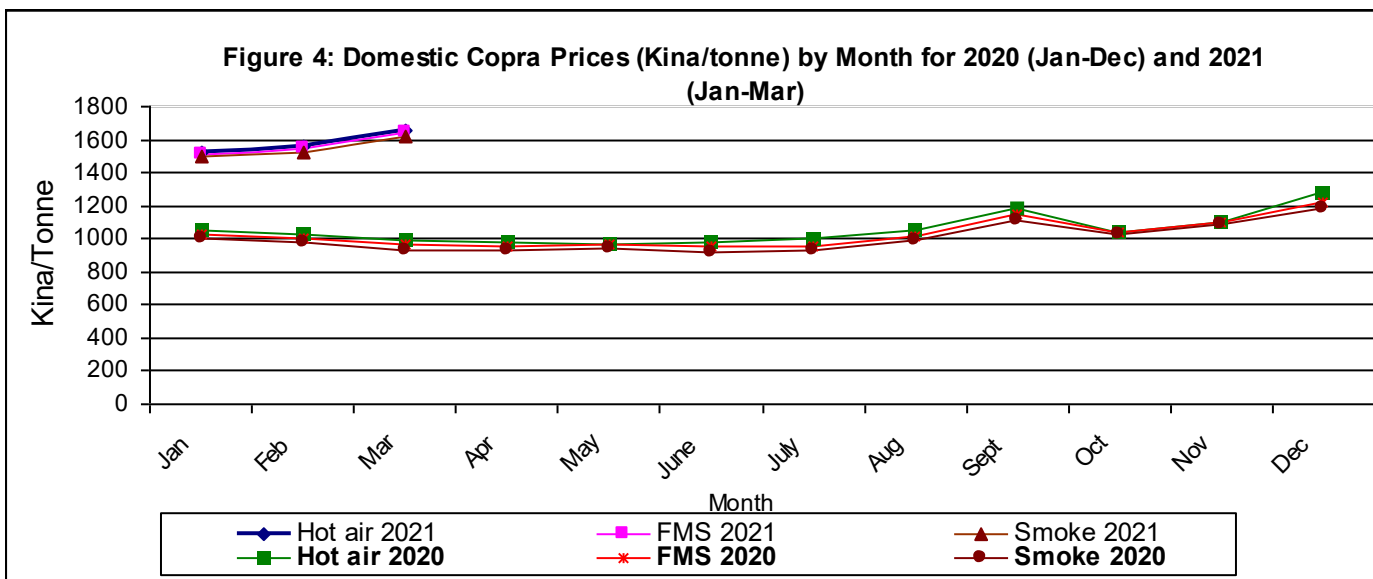
During this quarter, the average Hot Air, FMS and Smoke grade prices were K1,581, K1,570 and K1,544 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K12 per tonne and the discount for the smoke grade is K25 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne decreased by 59.8% while the discount price for the smoke grade increased by 33.6%.

Monthly price fluctuations for 2020 and this quarter 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 2020. January recorded K1,528/tonne for hot air copra which is 18.9% higher than the price of the preceding month. FMS increased by 24.7% to K1,516/tonne and smoke also increased by 26.7% to K1,493/tonne.

In February, price for hot air increased by 2.2% to K1,562/tonne, FMS increased by 2.1% to K1,548/tonne and the smoke grade also increased by 1.8% to K1,520/tonne.

In March, hot air copra was priced at K1,653/tonne, an increase of 5.8%. FMS increased by 6.3% to K1,645/tonne and smoke grade also increased by 6.6% to K1,620/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 K1,767/tonne, an increase of 23.1% compared to the price of the preceding quarter. FMS was priced at K1,726/tonne and smoke at K1,615/tonne, an increase of 21.0% and 14.6% respectively, compared to the prices offered in the preceding quarter.

Following Madang was Rabaul that priced hot air, at K1,715/tonne, an increase of 13.0% compared to the price offered in the preceding quarter. FMS was priced at K1,350/tonne and Smoke at K1,250/tonne. These prices are higher by 24.8% and 31.5% respectively, compared to the prices offered in the preceding quarter.

Following Rabaul was Buka, that priced hot air, FMS and smoke at a flat rate of K1,569/tonne. This price

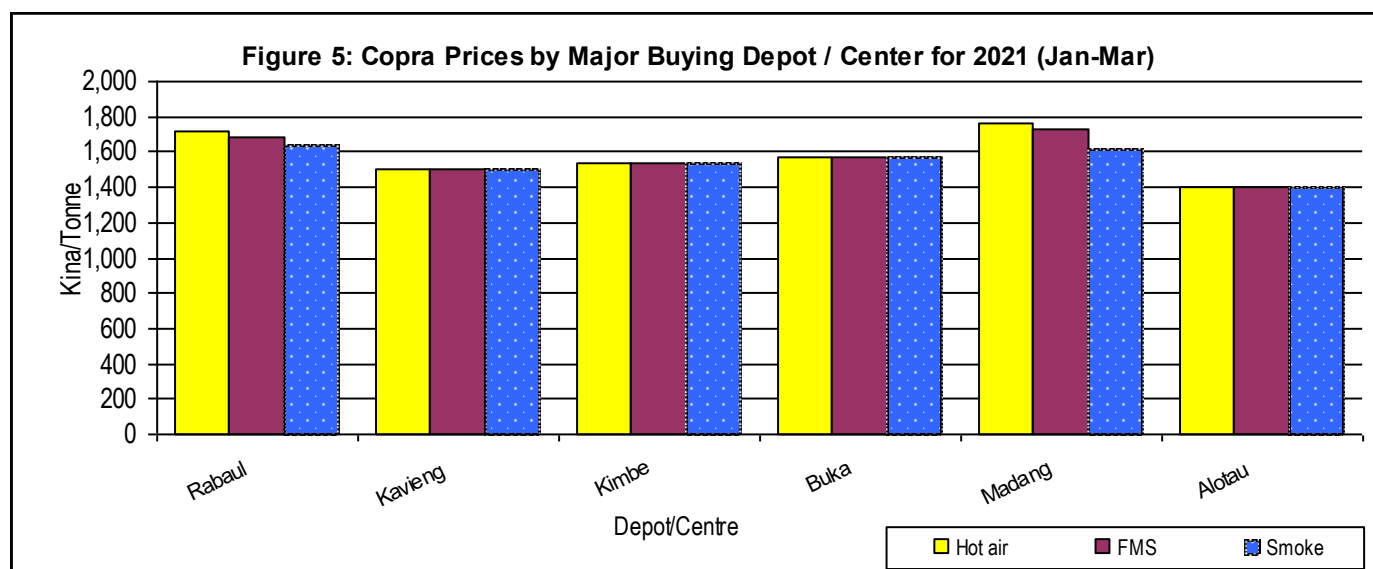
is higher by 14.9% compared to the price offered in the preceding quarter.

Kimbe followed Buka pricing hot air at K1,537/tonne, which was the same price offered for FMS and smoke grades. These prices are 31.7% higher than the prices offered in the preceding quarter.

Following Kimbe was Kavieng that priced hot air, FMS and smoke at K1,500/tonne flat rate.

Alotau offered the lowest prices with K1,400/tonne flat rate for all grades. This price is higher by 1.7% compared to the price offered in the preceding quarter.

The general increase in prices this quarter is attributed to the implementation of the Copra Price Support by the Kokonas Industri Koporesen as part of the PNG Government's Commodity Price Stabilization and Agriculture Intervention Program since the final quarter of 2020.



## 2.4 Export Prices of Coconut Products in PNG

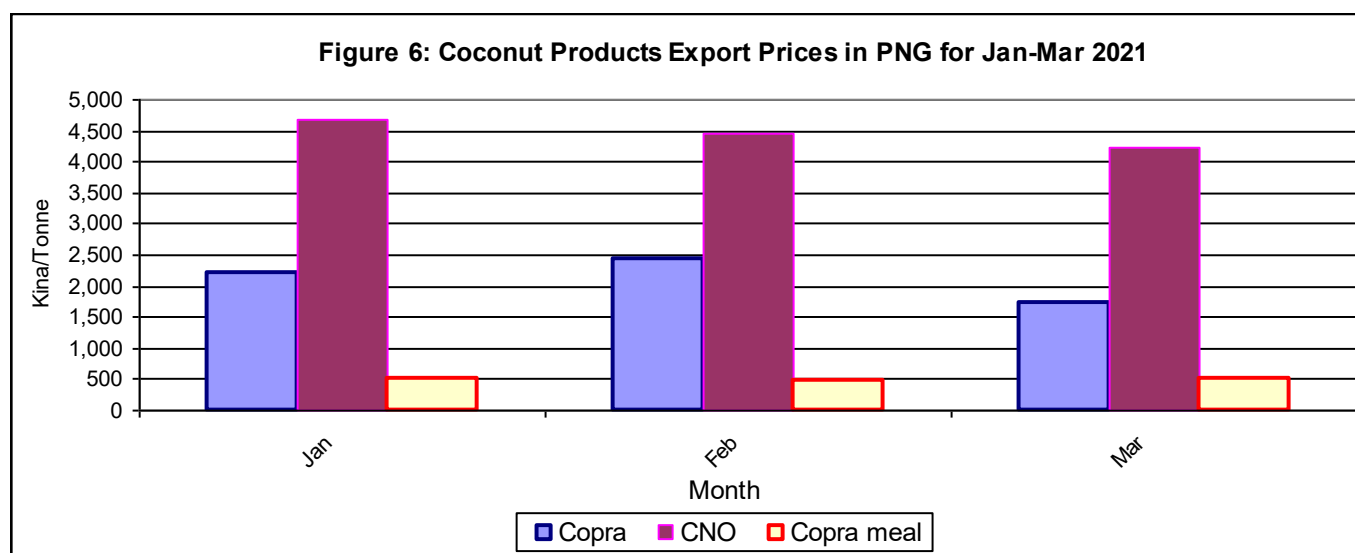
The coconut products exported from PNG highlighted in this report are copra, crude copra oil (CNO) and copra meal. Figure 6 shows the average export prices (FOB) of coconut products exported from PNG in this quarter.

In this quarter, Copra prices fluctuated. January registered K2,222/tonne, an increase of 7.5% from the preceding month. February registered K2,429/tonne which is an increase of 9.3%, but decreased in March by 29.2% to K1,720/tonne.

Price of CNO in this quarter began by registering K4,667/tonne in January, a decrease of 9.6% from the preceding month. In February, it decreased again by 4.7% to K4,449/tonne, and decreased further in March by 4.6% to K4,246/tonne.

Copra meal export prices experienced a fluctuating trend this quarter. It registered K500/tonne in January, a decrease of 35.0%, and decreased again by 5.2% to K474/tonne in February. It then increased in March by 5.5% to K500/tonne.

The fluctuating prices of export coconut products experienced since the last quarter of 2020 are anticipated to improve in the coming quarter given the current market scenario of shortage supply, especially CNO, 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 value remain unchanged from the preceding month into this quarter. The kina equivalent FOB price in the international market has increased by 3.8% from the preceding month and registered K3,379/tonne in January. It then decreased by 8.2% to K3,101/tonne in but increased again by 5.7% to K3,277/tonne in March.

The mill gate price behaved in a different fash-

ion. January registered K1,516/tonne, an increase of 24.7% compared to the preceding month. In February, it increased by 2.1% to K1,548/tonne, and further increased by 6.3% to K1,645/tonne in March.

The price trends both at the international and domestic markets have resulted in export margins of 55.1%, 50.1% and 49.8% respectively for January, February and March.

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 First Quarter (January—March) 2021**

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
January	0.2850	936	3,379	1,516	1,863 (55.1%)
February	0.2850	884	3,101	1,548	1,553 (50.1%)
March	0.2850	934	3,277	1,645	1,632 (49.8%)

Source: Kokonas Industri Koporesen

Exchange Rate Source: Bank of Papua New Guinea

## 2.5 Exports of coconut products

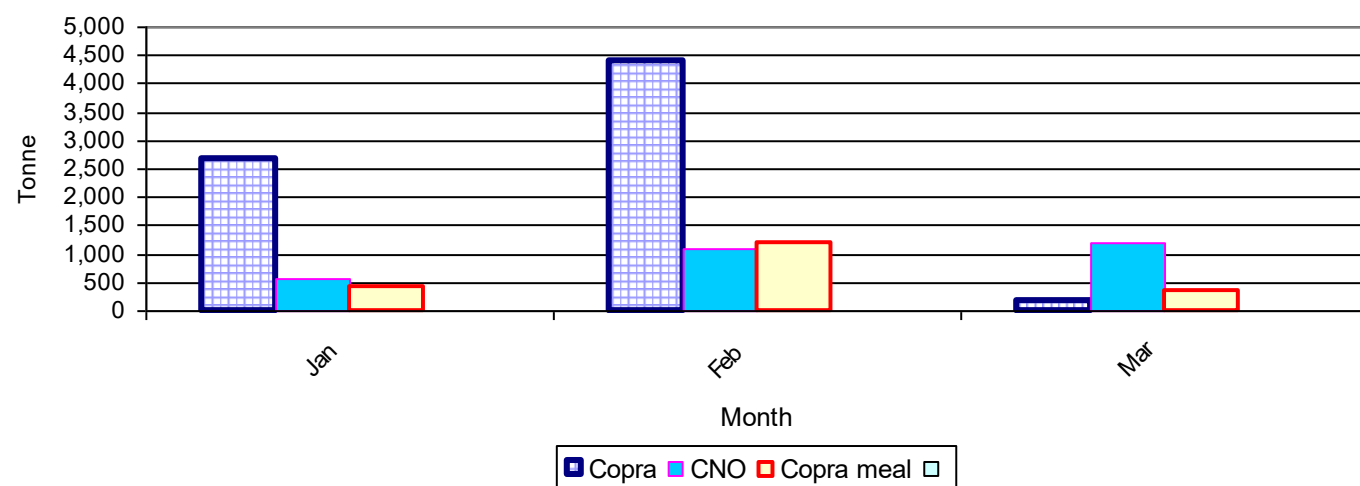
Figure 7 shows the volumes of the three coconut products exported from PNG in this quarter, namely, Copra, Copra Oil (CNO) and Copra Meal. The export volumes of copra, CNO and copra meal declined this quarter compared to the preceding quarter.

### 2.5.1 Copra

In this quarter copra export in January was 2,693 tonnes. It increased in February by 63.2% to 4,393 tonnes, but decreased in March by 96.3% to 161 tonnes.

Aggregately, this quarter recorded a total export volume of 7,247 tonnes of copra which is a decrease of 30.2% compared to the total export volume (10,388 tonnes) of the preceding quarter, and a decrease of 34.1% compared to the total volume (10,990 tonnes) in the corresponding quarter of 2020.

The decrease in volume of copra exports this quarter, compared to the preceding quarter, is attributed to less number of exporters trading this quarter, due to unknown reasons.

**Figure 7: Export volumes of coconut products for Jan - Mar 2021.**

### Export by destination

In this quarter, PNG exported a total of 7,247 tonnes of copra to two overseas markets namely Philippines and Bangladesh.

Of the total volume, Philippines purchased 97.8% (7,086 tonnes) and Bangladesh purchased 2.2% (161 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 7,247 tonnes undertaken by seven (7) exporters namely Aero Ltd, Pacific Lama Traders, Sankamap Ltd, Kimbe Bay Shipping Ltd (KBSL), Samarai Murua, One You Sing (OYS) Enterprise and Emirau Marine Products (EMP).

Of the total volume, Pacific Lama led the tally by exporting 39.7% (2,877 tonnes), followed by Sankamap

with 14.8% (1,069 tonne), Emirau with 14.7% (1,062 tonnes), Samarai Murua with 13.5% (976 tonnes) KBSL with 11.0% (799 tonnes), Aero with 4.2% (300 tonnes) and One You Sing with 2.2% (161 tonnes) in descending order.

The increase in prices continues to influence production and export despite a decrease in the latter.

**Table 4: Copra exports and market share for January—March 2021**

Exporter/Port	First Quarter 2021 Export Volumes (Tonnes)	Market Share (%)
Pacific Lama Traders	2,877	39.7%
Sankamap Ltd	1,069	14.8%
Emirau Marine Products	1,062	14.7%
Samarai Murua	976	13.5%
Kimbe Bay Shipping Ltd	799	11.0%
Aero Limited	300	4.2%
One You Sing Enterprise	161	2.2%
<b>TOTAL</b>	<b>7,247</b>	<b>100%</b>

### 2.5.2 Coconut Oil Exports

A total of 2,830 tonnes of CNO was exported from PNG in this quarter. The month of January registered an export volume of 562 tonnes followed by February with 1,080 tonnes which is an increase of 92.3%, and further increased in March by 10.0% to 1,188 tonnes. Compared to the export volume (5,638 tonnes) of the preceding quarter, this quarter's total export volume is lower by 49.8%.

#### Export by destination

CNO exported in this quarter went to two overseas markets – Malaysia, and Sri Lanka. Malaysia purchased

91.6% (2,592 tonnes) and Sri Lanka purchased 8.4% (237 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 January—March 2021**

Exporter/Port	First Quarter 2021 Export Volumes (Tonnes)	Market Share (%)
Markham Farming Ltd	2,160	76.3%
Pristine Co.101 Ltd	670	23.7%
<b>TOTAL</b>	<b>2,830</b>	<b>100%</b>



**2.5.3 Copra Meal Exports**

In this quarter a total of 1,993 tonnes of copra meal was exported from PNG, which is a decrease of 40.0% compared to the total volume (3,322 tonnes) registered in the preceding quarter. January began by registering 440 tonnes and increased by 171.2% to 1,193 tonnes in February, but then decreased by 69.8% to 360 tonnes in March.

**Export by destination**

Copra meal exported in this quarter went to five destinations overseas namely Australia, United States, United Kingdom, India and New Zealand. Of

the total export volume, Australia bought 63.1% (1,257 tonnes), USA 17.7% (352 tonnes), India 12.3% (244 tonnes), UK 6.0% (120 tonnes) and New Zealand bought 1.0 (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 Pristine Co.101 Limited, Markham Farming Ltd and Globe Manufacturing Ltd.

**Table 4a: Copra Meal Exports and Market Share for January—March 2021**

Exporter/Port	First Quarter 2021 Export Volumes (Tonnes)	Market Share (%)
Markham Farming Ltd	1,227	61.5%
Pristine Co.101 Ltd	724	36.3%
Globe Manufacturing Ltd	42	2.1%
<b>TOTAL</b>	<b>1,993</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 2020 and 2021 are summarised in Table 5 below.

In comparison to the corresponding quarter of 2020, copra, CNO and meal all registered a decrease in export revenue this quarter. Copra revenue registered in this quarter was lower by 45.7%, CNO revenue was lower by 37.0% and copra meal revenue was also lower by 49.2%, compared to the

revenue registered in the corresponding quarter of 2020.

The despite the higher prices offered in the global market, decrease in revenue registered in this quarter is attributed decrease in exports as a result of less number of exporters trading this quarter.

**Table 5: Export earnings from coconut products for the first quarters of 2020 & 2021**

Coconut Product	Jan-Mar 2021 (Kina)	Jan-Mar 2020 (Kina)
Copra	15,744,853	29,015,917
CNO	12,488,027	19,822,337
Copra Meal	1,012,360	1,992,160
<b>TOTAL</b>	<b>29,245,240</b>	<b>50,830,414</b>

Source: Kokonas Industri Koporesen

#### **4. CONCLUSION**

Generally, prices of copra the aggregate and average levels increased in this quarter compared to the preceding quarter, while CNO prices decreased. Average prices of copra and CNO increased by 12.8% and 7.0% 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.

Copra production increased in this quarter by 42.2% from the preceding quarter. Despite the in-

crease in production, there was a decrease in export volume as only a few number of exporters traded this quarter, due to issues unknown at the moment. This resulted in a decrease 36.9% in general export earnings of all coconut products this quarter compared to the preceding quarter.