



KOKONAS INDUSTRI KOPORESEN

COCONUT MARKET REVIEW

FIRST QUARTER

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THE AGRIBUSINESS DEVELOPMENT & MARKETING PROGRAM.

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1. INTERNATIONAL MARKET.

This quarter's world copra prices in USD averaged \$1,041/MT and CNO prices \$1,096/MT. On a monthly basis, the average world market price of copra dropped by 2.8% from \$1,060/MT in January to \$1,030/MT in February but recovered by 0.3% to \$1,034/MT in March (Table 1). At the same time, world CNO prices averaged \$1,077/MT in January, increased by 3% to \$1,109/MT in February but saw a marginal decline by 0.7% to \$1,102/MT in March. This reflected the relatively steady

demand and supply balance between the CNO and its complementary competitor, the PKO. The monthly CNO prices for this quarter averaged \$1,096/MT, a considerable drop by 48.6% from \$2,131/MT in the corresponding quarter of 2022.

Overall, both products' prices remained relatively low during this quarter due to the balancing demand and supply conditions at the global market.

Table 1: Average Monthly Prices of Copra and CNO (January – March 2023).

	Jan	Feb	Mar
Copra (CIF NW US\$/MT)	1,060.00	1,030.00	1,034.00
Quarterly Average		1,041.00	
CNO (CIF Rott US\$/MT)	1,077.00	1,109.00	1,102.00
Quarterly Average		1,096.00	

Note. All figures have been rounded up to one decimal place.

The world market price of CNO is closely correlated with the demand and supply of its close substitute products, especially Palm Kernel Oil (PKO), and other vegetable oils¹ at the global market. The declines in the prices of both products were attributed to an increase in the supply of vegetable oils, which in turn pushed their relative prices lower.

In particular, the price of PKO was \$911/MT in January this quarter, declining by 2.3%, to \$891/MT in February. It experienced a slight rebound by 1.4% to \$903/MT in March. Overall, the prices of CNO remained relatively stronger than those of PKO despite the relatively minor fluctuations in the prices of both products.

The demand for CNO is expected to experience a gradual recovery over the course of the year. This movement may

be slow due to the economic uncertainty in Europe which has negatively impacted the European markets for lauric oils. It is anticipated that the influence by major PKO producing countries such as Indonesia and Malaysia on the demand and supply balance conditions will be the key factor in terms of determining how the world prices for both CNO and PKO will move throughout the year.

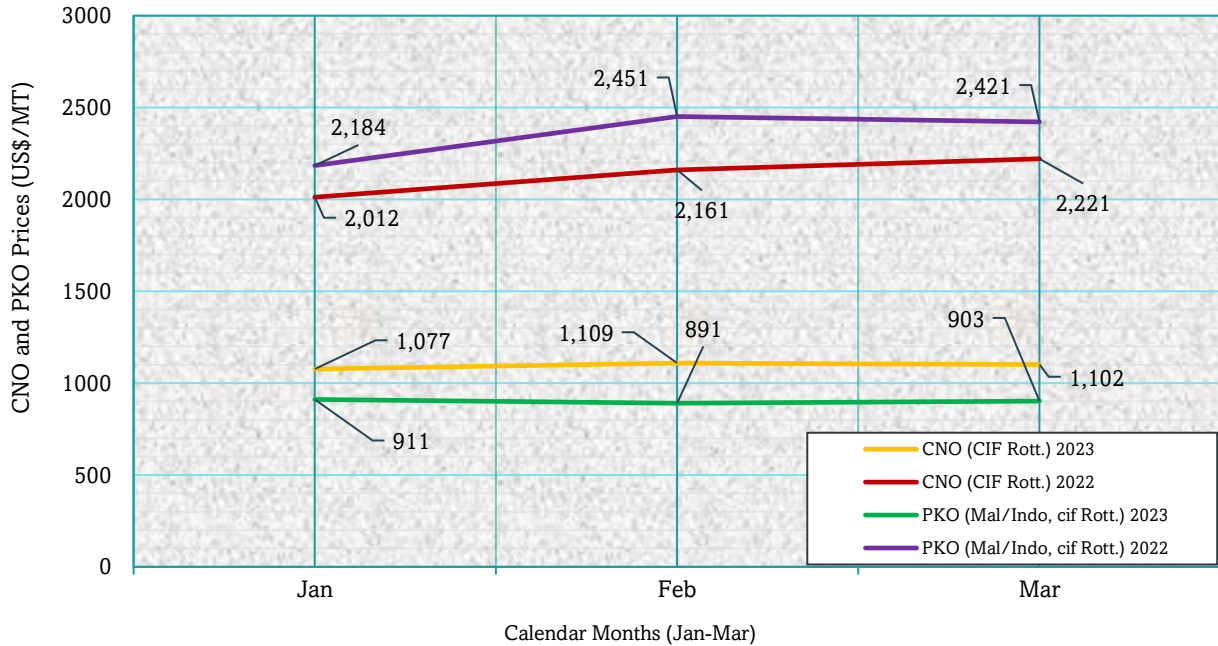
In comparison with the corresponding quarter of 2022, the prices of lauric oils remained relatively stable this quarter. As reflected on **Figure 1**, they closely tracked each other, with the CNO price premium remaining relatively stronger than that of the PKO throughout the period under consideration.

¹ *From the supplier point of view:* a rise in the price of CNO would be expected to result in reduced supply of PKO as more sellers switch to selling more of CNO due to its higher price. The opposite occurs if the price of PKO rises. This situation recurs in the PKO and CNO lauric market. *From the consumer's point of view:* an increase in the demand for CNO would be expected to result in an

increase in the price of PKO. In other words, if the consumer price of CNO increases, it would increase the demand for PKO as more consumers eventually switch to consuming more of PKO. In general, substitute goods are expected to provide choices and alternatives for consumers while creating competition and lower prices in the marketplace.

² CNO normally has a slight premium over PKO

Figure 1. Average CIF Prices (US\$/MT) of CNO and PKO: (Jan- Mar) 2022 & 2023.



Source:KIK

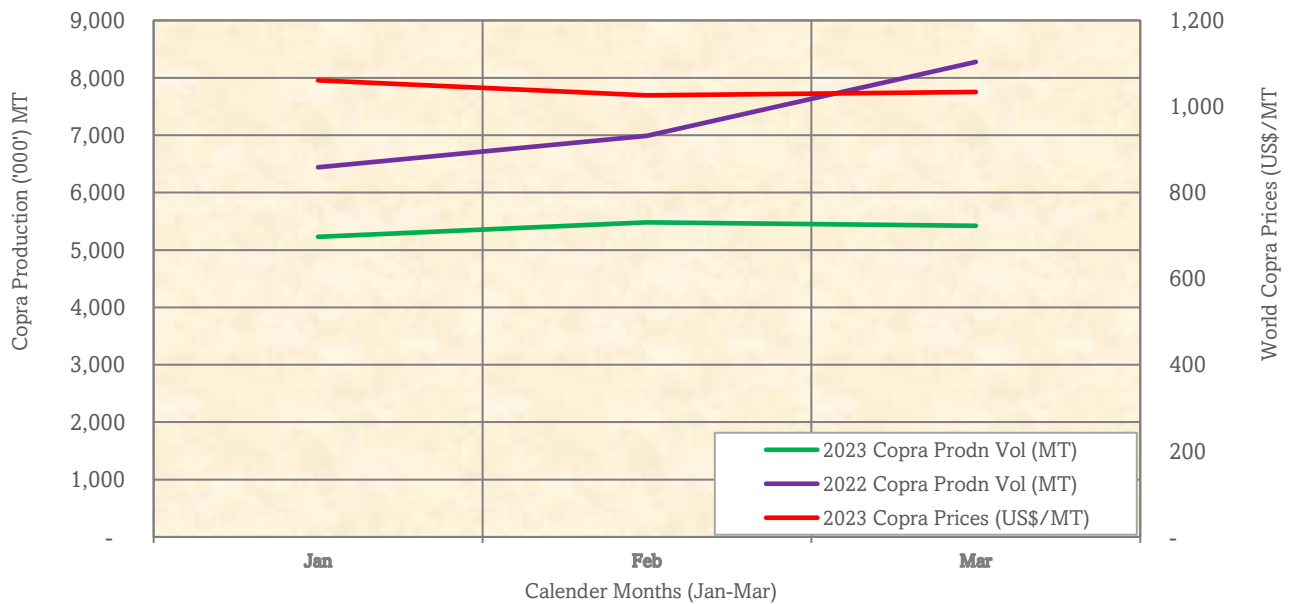
2. DOMESTIC MARKET.

2.1 Copra Production.

Figure 2 depicts the domestic copra production trend versus the world copra prices. Copra production this quarter averaged 5,377 MT, a drop by 28% from 7,469 MT compared with the corresponding quarter of 2022. On a monthly basis, copra production registered 5,230 MT in

January. It increased by 4.8% to 5,482 MT in February, however, saw a slight drop by 1.1% to 5,421 MT in March. Overall, monthly copra production this quarter experienced slight changes of <5% consistent with movements in world copra prices.

Figure 2: Monthly Copra Production in PNG Vs World Copra Prices (US\$/MT (Jan-Mar, 2023).



2.1.1 Copra Exports by Buying Centres.

Table 2 presents the volume of copra exports by major buying centres in the country. The aggregate export volume figure was 4,819 MT.

Table 2: Exports of Copra by Buying Centres.

Depot Centre	J	F	M	Total
Buka	-	879	-	879 (18%)
Rabaul	811	1,409	291	2,511 (52%)
Kimbe	-	1,429	-	1,429 (30%)
Total	811	3,717	291	4,819

Note: In the parenthesis () are percentage shares of production by export ports out of the quarterly total copra production of 4,819 MT.

In terms of export volume by ports, (Table 2) Rabaul recorded the highest volume of copra exports with 2,511 MT, followed by Kimbe (1,429 MT), and Buka (879 MT).

In January, only the port of Rabaul recorded exports of copra, amounting to 811 MT, while Buka and Kimbe

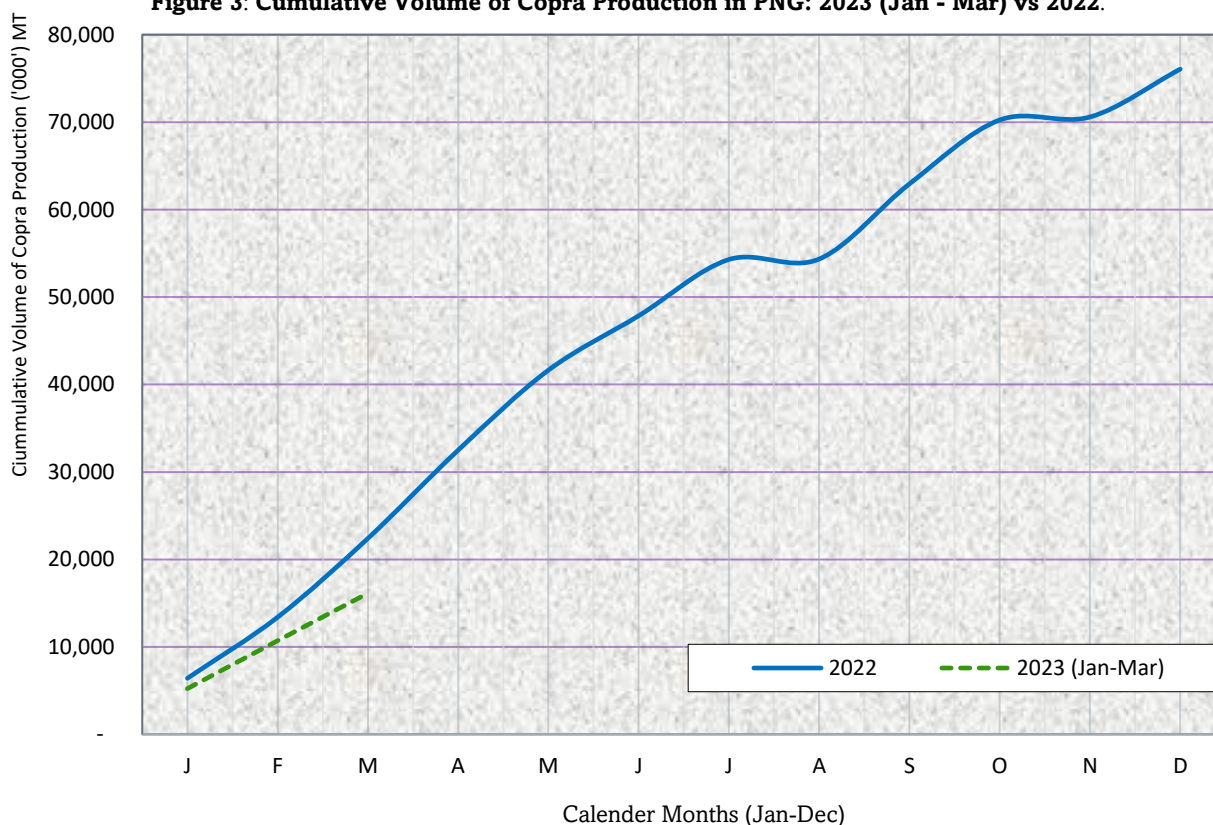
reported none. In February, the ports of Buka, Rabaul, and Kimbe collectively accounted for a total export volume of 3,717 MT of copra. In March, only the Rabaul port reported copra exports volume of 291 MT, a drop by 1-fold from February.

The monthly export trend reflect the variable nature of copra exports across the different domestic ports in response to domestic and international market conditions.

2.1.2 Cumulative Volume of Copra Production.

Figure 3 displays the cumulative growth of copra production from January to March' 2023 compared with the same in 2022. It depicts the production trend rising at an increasing rate but remained relatively weaker compared to the corresponding period of 2022.²

Figure 3: Cumulative Volume of Copra Production in PNG: 2023 (Jan - Mar) vs 2022.



Source:KIK

² The export volume of copra is normally expected to be lower than that of copra production due to a combination of factors, notably, (1) stock holding by exporters being carried over into the following month/ quarterly period, (2) domestic conversion of

copra into copra oil (CNO), and (3) the effect of shrinkage² on the weight of exportable copra.

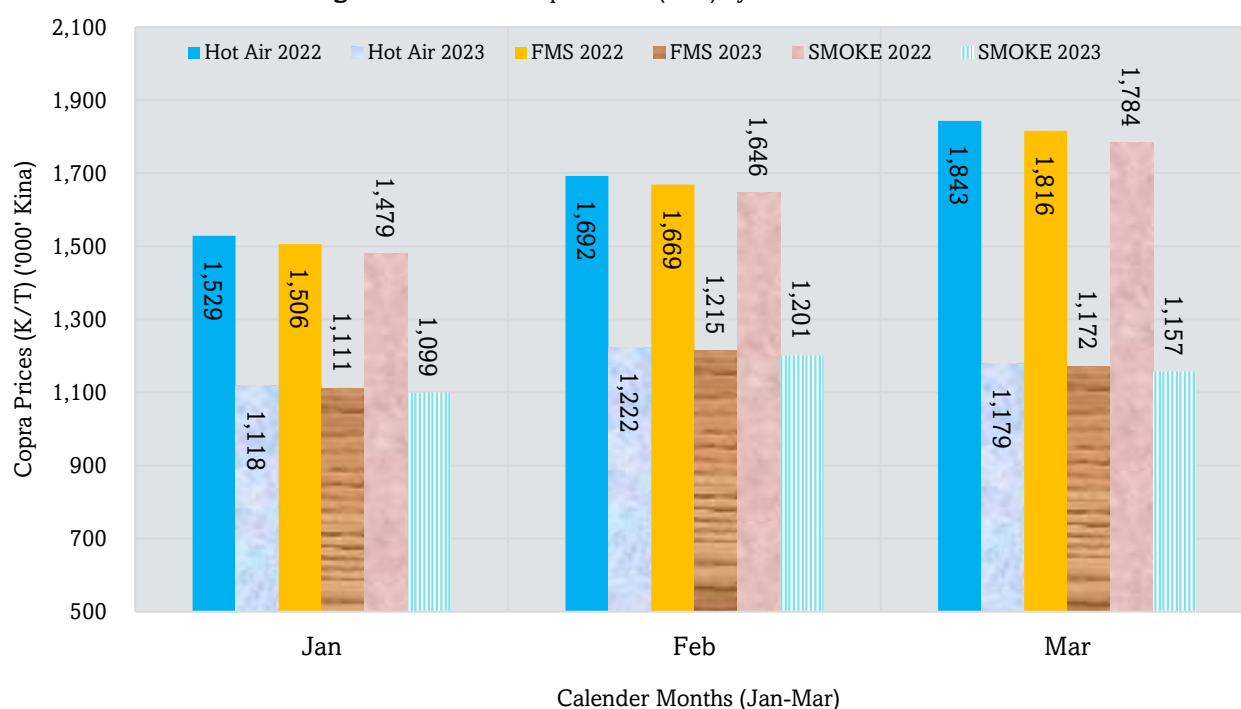
2.2 Domestic Copra Prices.

Figure 4 compares the domestic copra prices during 2022 and 2023. PNG's domestic market differentiates three levels of prices paid to producers based on copra quality standards - hot air, fair merchantable standard (FMS), and smoked copra. The hot air standard copra price commands a premium price, while smoked copra price is discounted (lowest), and the average price is offered for FMS grade.

This quarter, copra prices remained relatively depressed compared with the corresponding period of 2022. The hot air copra price averaged K1,073/MT, reflecting a fall by 32.7%, while FMS and smoked copra prices averaged K1,166/MT, and K1,152/MT, respectively, reflecting

declines by 30.1% and 29.8%. On a monthly basis, the hot air copra price was K1,118/MT in January, rose by 9.3% to K1,222/MT in February, then declined by 3.5% to K1,179/MT in March. Likewise, the FMS price was K1,111/MT in January, rose by 9.4% to K1,215/MT in February, then declined by 3.5% to K1,172/MT in March. Following similar trends as those of the hot air and FMS prices, the smoked copra price was K1,099/MT in January, rose by 9.3% to K1,201/MT in February, then experienced a decline by 3.7% to K1,157/MT in March. Monthly prices are averages of daily commodity prices which tracks daily hourly movements in international commodity prices.

Figure 4. Domestic Copra Prices (K/T) by Month: 2023 and 2022.



Source: KIK

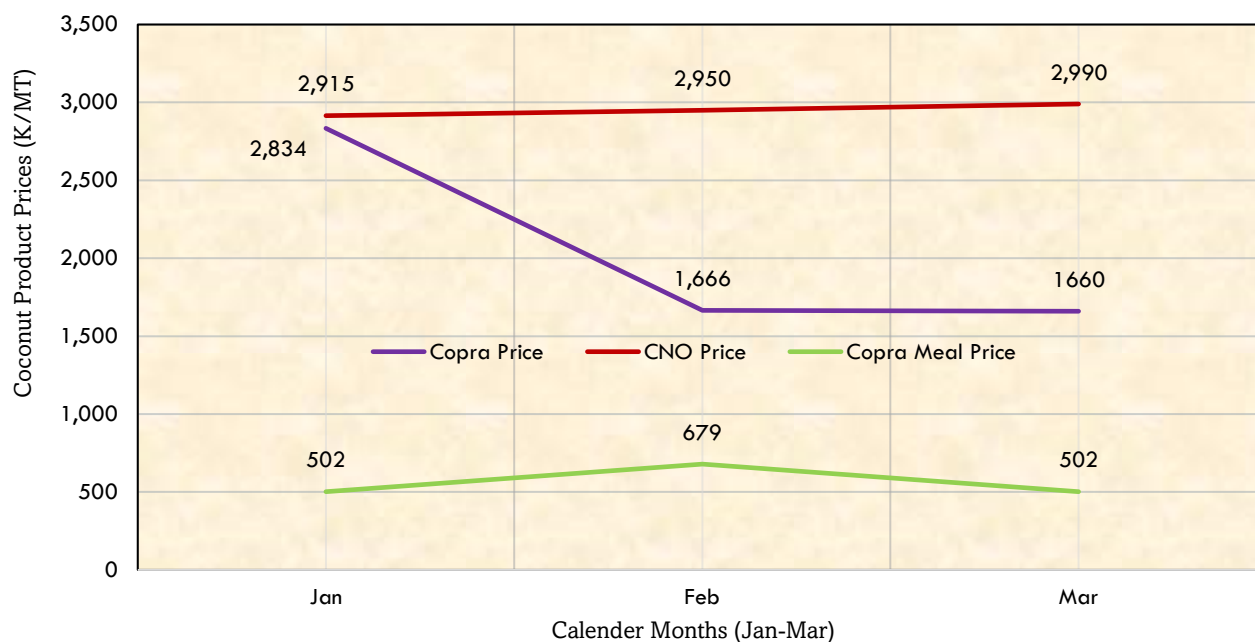
2.3 Export Prices of Coconut Products in PNG.

Export prices of copra, CNO, and copra meal are determined by the demand and supply conditions at the world markets for these products. **Figure 5** depicts the average fob export price trends of these products. They displayed diverging trends in the period under consideration.

The monthly average price of copra declined by 10% to K2,053/MT, and that of CNO by 24.8% to K2,952/MT compared to K2,282/MT and K3,924/MT in the

corresponding period of 2022. In the two periods been compared, copra meal prices rose by 22% to K561/MT from K460/MT. In January, the copra price was K2,834/MT. It saw a drop by 41.2% to K1,666/MT in February and a further marginal drop by 0.4% to K1,660/MT in March. Likewise, CNO prices averaged K2,915/MT in January, rose by 1.2% to K2,950/MT in February. It saw a further rise by 1.4% to K2,990/MT in March. Copra meal prices rose by 35% to K679/MT in February from K502/MT in January but dropped by 26% to K502/MT in March reflecting that copra meal prices have fluctuated much this quarter.⁹⁹

Figure 5.FOB Export Prices for PNG's Coconut Products, Jan-Mar 2023.



Source: KIK.

2.3.1 Export Margins of Copra.

Table 3 shows the PGK export margins. These are profits received by exporters of coconut products after subtracting wharfage costs (freight, marine, handling, storage, and shrinkage) from the PGK copra export unit

price.³ This quarterly period was marked by a relatively high export margin of 60.1% in January. It increased to 72.9% in February but dropped by 29.4% to K1,034/MT in March.

Table 3. Copra Export Margins: Jan – Mar 2023.

Month	Copra Export Price (US\$ FOB/MT)	Copra Export Prices (PGK FOB/MT)	FMS Copra Price (PGK/MT)	Exporter Margin (PGK FOB/MT)	% Share of PGK FOB Copra Price/MT
Jan	1,060	2,834	1,111	1,723	60.1%
Feb	1,030	1,666	1,215	1,215	72.9%
Mar	1,034	1,660	1,172	488	29.4%

Source: KIK & BPNG

Note. Exchange rate estimate is based on exchange rate figures from January to Mar 2023.

2.4 Exports of Coconut Products.

2.4.1 Copra.

Table 4 presents the copra export figures. Export data available at the time of writing totalled 4,819 MT. This figure was 53% (10,289 MT) less compared with the corresponding quarter of 2022. From January, copra

exports increased by more than 3-folds to 3,717 MT in February but experienced a significant reduction by 92.2% to 291 in March (Table 4).

Table 4. Copra Exports (Jan-Mar 2023).

Calendar Month	J	F	M	Total
Quantity (Tonnes)	811	3,717	291	4,819

³Overall, export margins are closely affected by changes in product prices, and the PGK exchange rates in relation to the currencies of countries to which PNG coconut products are exported to. Overall, export margins are closely affected by changes in product prices, and the PGK exchange rates in relation

to the currencies of countries to which PNG coconut products are exported to. An increase in the value of the PGK relative to those of trading-partner-countries reduces the export margins of exporters. A fall in the value of the PGK has the opposite effect on export margins; it improves the profitability or export earnings of the coconut exporters.

2.4.2 CNO.

Table 5 presents the CNO export volume figures. In comparison with the corresponding quarter of 2022, total CNO export volume declined considerably by 53.7% (9,476 MT) to 4,391 MT. On a month-on-month basis, the level of CNO exports dropped by 19.1% to 1,771 MT in February from 2,188 MT in January but experienced a significant reduction by 75.6% to 432 MT in March.

Table 5. CNO Exports (Jan-Mar 2023).

Calendar Month	J	F	M	Total
Quantity (Tonnes)	2,188	1,771	432	4,391

2.4.3 Copra Meal.

Table 6 presents the export volume of copra meal. On a monthly basis, January registered a total meal export volume of 300 MT which more than trebled to 1,120 MT in February but declined by 69.6% to 340 MT in March. The overall meal export volume totalled 1,760 MT, 16.1% lower than 2,099 MT in the corresponding quarter of 2022.

Table 6. Copra Meal Exports (Jan-Mar 2023).

Calendar Month	J	F	M	Total
Quantity (Tonnes)	300	1,120	340	1,760

2.5 Domestic Exporters of Coconut Products.

2.5.1 Copra Exporters by Market Share.

Table 7 presents the copra exporters and their respective market shares. In total, 4,819 MT of copra were exported this quarter, led by Pacific Lama Traders (1,408 MT, 29.2%) followed by CPL (1,102 MT, 22.9%), KBSA (93 MT, 19.4%), Sankamap (879 MT, 18.2%) and One You Sing (495 MT, 10.3%).

Table 7. Copra exporters (Jan-Mar, 2023).

Exporters	Export Vol (MT)	Market Share (%)
1. One You Sing	495	10.3
2. Sankamap	879	18.2
3. KBSA	935	19.4
4. CPL	1,102	22.9
5. Pacific. L.T	1,408	29.2
Total	4,819	100.0

This quarter, Philippines imported 66.9% (3,223 MT) of the total copra exports of 4,819 MT from PNG, followed by Indonesia with 27.1% (1,306 MT) and Bangladesh 6.0% (290 MT). These countries import copra from PNG to meet their respective domestic demands for coconut-based products.

2.5.2 CNO Exporters by Export Market Shares.

Table 8 presents the domestic export market shares of Crude Coconut Oil (CNO). Three exporters shipped a total export volume of 4391 MT, led by CPL (55.7%, 2,446 MT), followed by Markham Farming (32.0%, 1,404 MT), and third, Pristine Co.101 Ltd (12.3%, 541 MT).

Table 8. CNO Exporters by Market Share.

Exporters	Export Vol (MT)	Market Share (%)
1. Pristine Co. 101 Ltd	541	12.3
2. Markham Farming	1,404	32.0
3. CPL	2,446	55.7
Total	4,391	100.0

Malaysia was the sole export destination of CNO exports from PNG during the first quarter of 2023. Overall imports of CNO as well as copra by Malaysia rose, notably due to its ongoing strong internal demand to produce and export coconut-based products, as well as to meet domestic household demand for coconut oil.

2.5.3 Meal Exporters and Market Share.

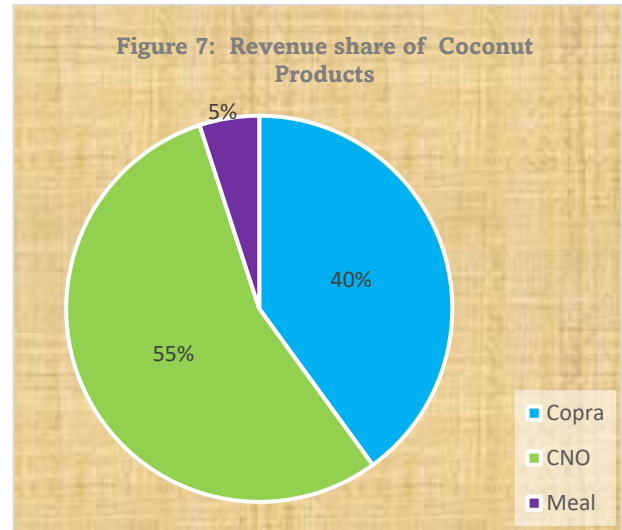
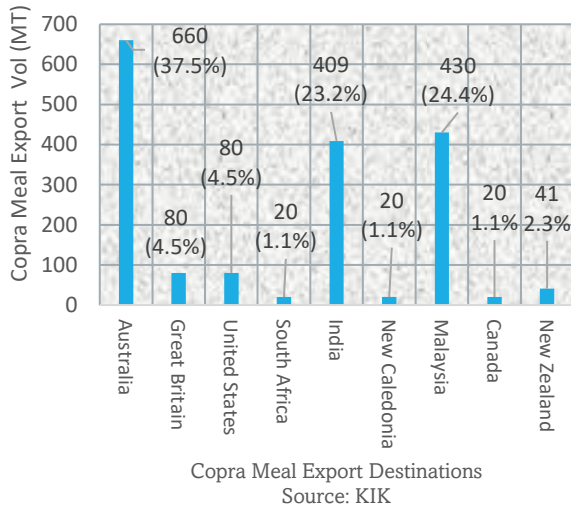
As shown on **Table 9**, three exporting firms, viz., Pristine Co.101 Ltd, and Markham Farming and CPL, were responsible for exporting 1,760 MT of copra meal during this quarter. Pristine Co Ltd exported 180 MT of copra meal followed by Markham Farming 740 MT and CPL 840 MT, representing 10.2% and 40.0% and 47.7% of the total market share, respectively.

Table 9: Copra Meal Exporters by Market Share.

Exporters	Export Vol (MT)	Market Share (%)
1. Pristine Co.101 Ltd	180	10.2
2. Markham Farming	740	42.0
3. CPL	840	47.8
Total	1,760	100.0

Figure 8 shows the overseas buyers of copra meal from PNG and their respective import market shares. As depicted in this figure, Australia led with imports of 660 MT (37.5%), followed by Malaysia (24.4%), India (23.2%), Great Britain (4.5%) and US (4.5%), NZ (4.1%), while Canada, New Caledonia and South Africa shared 20 MT each which amounted to 1.1% of the total copra meal exports of 1,760 MT.

Figure 8. Export Destinations for Copra Meal.



3. EXPORT EARNINGS FROM COCONUT PRODUCTS.

Table 10 shows the export earnings from traditional coconut products. This quarter's exports' earnings totalled K23.22M. Monthly earnings were K8.83M in January, upped by 38.9% to K12.26M in February, then considerably declined by 82.6% to K2.13M in March.

Table 10: Export Earnings from Coconut Products (Jan-Mar).

Month	Copra (K'M)	CNO (K'M)	Meal (K'M)	Total (K'M)
Jan	2.30	6.38	0.15	8.83
Feb	6.19	5.20	0.86	12.26
Mar	0.76	1.20	0.17	2.13
Total	9.25	12.78	1.18	23.22

Figure 7 depicts export earnings by product. CNO generated 55% of the total export revenue of K12.78M, while copra contributed 40% (K9.25M), and copra meal 5% (K1.18M).

SUMMARY

1. The average quarterly copra price fell by 15.6% to \$1,041/MT from \$1,233/MT in the corresponding quarter of 2022. On the other hand, the average quarterly CNO price considerably declined by 48.6% to \$1,096/MT from \$2,131/MT in the corresponding period of 2022.
2. The volume of copra production fell by 28.0% to 5,377 MT from 7,469 MT in the corresponding period of 2022.
3. The total copra export volume equaled 4,819 MT, a decline by approximately 53.2% from 10,289 MT compared with the corresponding period of 2022.
4. The average PGK FOB copra prices fell by 10% to K2,053/MT from K2,282/MT and that of CNO by 24.8% to K2,952/MT from K3,924/MT in the corresponding quarter of 2022. On the other hand, the PGK FOB price for copra meal was 22.0% higher at K561/MT than in the corresponding quarter of 2022 at K406/MT.
5. The aggregated copra export volume equaled 4,819 MT, a decline by approximately 53.2% from 10,289 MT compared with the corresponding period of 2022.
6. Total export volume of CNO declined by 53.7% (9,476 MT) to 4,391 MT compared with the corresponding quarter of 2022.
7. Total copra meal export volume equaled 1,760 MT, a decline of approximately 16.1% (2,099 MT) compared with the corresponding quarter of 2022.
8. The total revenue generated from the three traditional coconut products equaled K23.22 million. Of this amount, CNO contributed 55%, copra 40% and copra meal 5%.