



# KOKONAS INDUSTRI KOPORESEN

## COCONUT MARKET REVIEW

THIRD QUARTER

JULY – SEPTEMBER 2022

THE AGRIBUSINESS DEVELOPMENT & MARKETING PROGRAM.

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## 1. INTERNATIONAL MARKET.

**Table 1** presents the global market prices of copra and CNO during 2022. This quarter, the overall average world market price for copra rose by 13.4 % from \$0.95/KG in the second quarter, but 32.4% lower than \$1.39/KG in the corresponding quarter of 2021.

On a month-on-month basis, copra price saw an increase of 21.3% from \$0.69/KG in June to \$0.84/KG in July. This upward trend continued into August, with prices rising by 18.8% to reach approximately \$1.00/KG during the months of August and September. The fluctuations in the products' prices were attributed to shifts in global market demand and supply dynamics.

**TABLE 1: AVERAGE MONTHLY PRICES OF COPRA AND CNO IN US DOLLARS/KG (JAN – SEP 2022).**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Copra (CIF NW US\$/KG)	1.236	1.217	1.247	1.111	0.819	0.694	0.842	1.000	1.000
Quarterly Average	1.233			0.875			<b>0.947</b>		
CNO (CIF Rott US\$/KG)	2.012	2.161	2.221	2.101	1.794	1.693	1.534	1.376	1.219
Quarterly Average	2.131			1.903			<b>1.376</b>		

Note: 1. All figures have been rounded up to one decimal place. The figures are subject to ongoing review until receipts of monthly export prices from exporters are finalised.

The world market prices of CNO are influenced by the demand and supply of its close substitute products, that is, Palm Kernel Oil (PKO), and other vegetable oils.<sup>1</sup>

On a quarterly basis, the average CNO price fell by 26.1% to \$1.38/KG from \$1.90/KG in the second quarter, but a fall by 9.7% compared to the corresponding quarter of 2021 (\$1.53/KG).

By month, the CNO price was \$1.53/KG in July, but consecutively fell to \$1.38/KG and \$1.22/KG in August and September. They represented negative price growth rates of 9.4%, 10.3%, and 11.4%, respectively. The fall in CNO prices corresponded

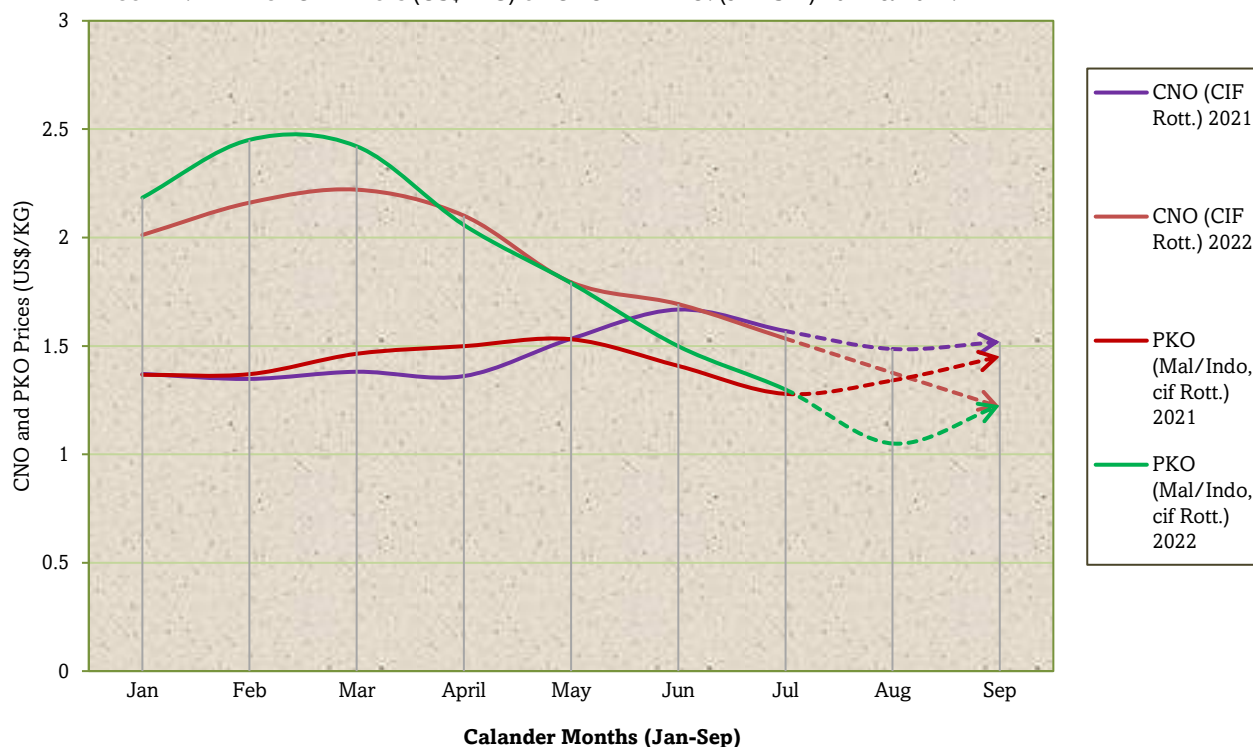
with the decline in PKO prices, which fell by 33.1% from \$1.78/KG in the second quarter to \$1.19/KG, but a decline by 12.2% to \$1.36/KG compared with the corresponding quarter in 2021. Their prices were pushed down by the weaker demand for various vegetable oils. It was expected that the sustained period of low prices for CNO would stimulate increases in demand, potentially resulting in its price increase.

Overall, CNO prices were relatively stronger compared to those of PKO during this quarter **(Figure 1)**.

<sup>1</sup>From the supply side, a rise in the price of CNO reduces the supply of its substitute (PKO) as more sellers switch to selling more of CNO due to its higher price. The opposite occurs if the price of PKO rises. From the demand side, an increase in the price of CNO will result in increasing the demand for

its substitute (PKO). This is because PKO is used for the same purposes that CNO is used for, so more consumers will switch to buying more of PKO, in turn, driving its value (price) up. The opposite will happen if the price of PKO rises. The situation described here from the supply and demand perspectives recurs in the PKO and CNO lauric market.

FIGURE 1. AVERAGE CIF PRICES (US\$/KG) OF CNO AND PKO: (JAN-SEP) 2021 & 2022.



Source: KIK

## 2. DOMESTIC MARKET.

### 2.1 Copra Production.

**Figure 2** depicts domestic copra production vs world copra prices. This quarter’s average copra production was 6.84M KG<sup>2</sup>, 19.3% lower than 8.48M KG compared with the second quarter, but a drop by 4.6% from 7.17M KG compared with the corresponding quarter of 2021.

On a monthly basis, copra production was 6.43M KG in July, 3.5% higher than 6.21M KG in June. It dropped by 14.5% to 5.50M KG in August but rebounded by 53.5% to 8.60M KG in September.

Overall, copra prices increased by 13.4% but

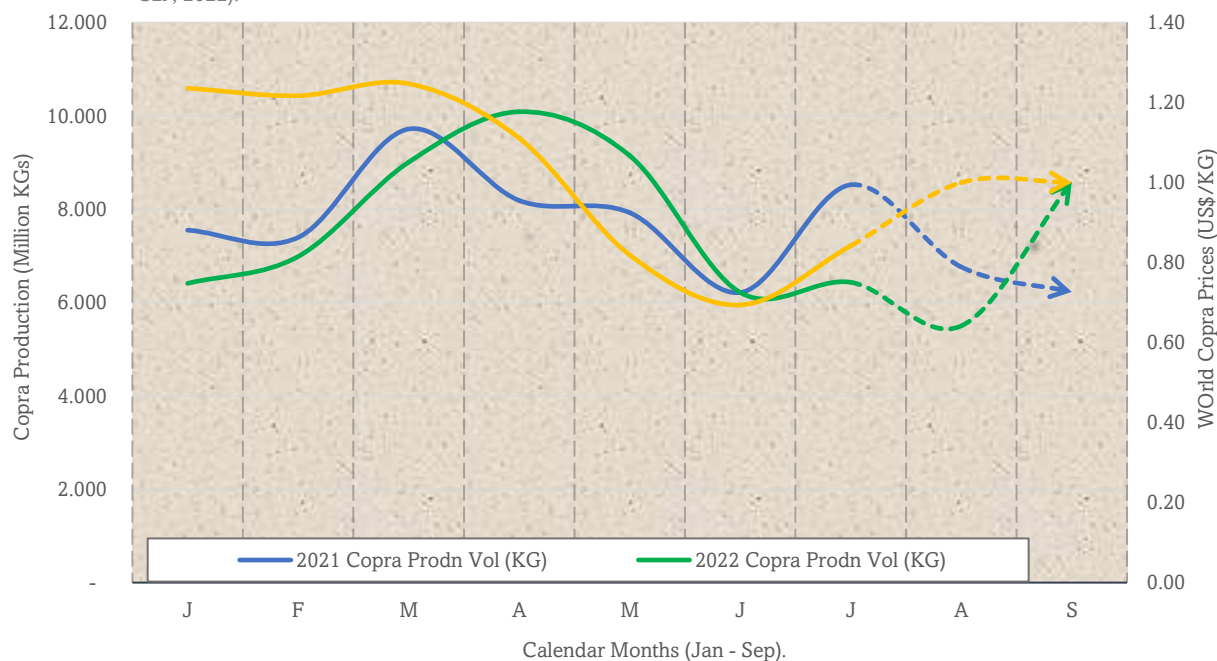
production saw a 19.3% downturn due to poor supply response by local farmers.<sup>3</sup>

<sup>2</sup>This figure (6.48M) means 648,000 kg (million kilograms). Throughout this report, copra, CNO, and copra meal production, and revenue figures will be presented in this manner in line with the current emphasis by the national government on the unit of analysis at the smallholder level. The presentation of production and revenue figures in terms of tonnages is consistent with the emphasis on export revenue, thus relatively larger export firms along the

coconut value chain, which brings export revenue and foreign exchange into the country.

<sup>3</sup> KIK’s PMU will conduct a small survey to find to what extent (if any) the promotion of value addition among coconut famers countrywide might have contributed to shifting their focus away from copra production.

FIGURE 2: MONTHLY COPRA PRODUCTION (MILLION KGs) IN PNG Vs WORLD COPRA PRICES IN US\$/KG (JAN-SEP, 2022).



Source: KIK.

### 2.1.1 Copra Exports by Buying Centres.

**Table 2** presents copra exports by major buying centres. The volume of exports this quarter totalled 5.118M KG, 23.8% lower than 6.729M KG in the second quarter, but 51.4% higher than 3.380M KG compared with the corresponding quarter of 2021.

TABLE 2: EXPORTS OF COPRA (MILLION KGs) BY BUYING CENTRES: JAN-SEPT 2022.

Depot	Jan	Feb	Mar	Total
Buka	1.329	0.806	0.428	2.563
Rabaul	-	2.957	0.415	3.372
Kimbe	0.256	0.477	-	0.733
Kavieng	-	1.422	-	1.422
<b>Total</b>	<b>1.585</b>	<b>5.662</b>	<b>0.843</b>	<b>8.090</b>
Depot	Apr	May	Jun	Total
Buka	-	-	1.174	1.174
Rabaul	-	0.880	1.329	2.209
Kimbe	1.329	0.398	1.610	3.337
<b>Total</b>	<b>1.329</b>	<b>1.278</b>	<b>4.112</b>	<b>6.720</b>
Depot	Jul	Aug	Sep	Total
Rabaul	0.509	-	-	0.509
Kimbe	0.488	-	2.784	3.272
Samarai-Murua	-	1.337	-	1.337
<b>Total</b>	<b>0.997</b>	<b>1.337</b>	<b>2.784</b>	<b>5.118</b>

The total volume of copra exports this quarter came from the ports of Rabaul, Kimbe, and Samarai-Murua. The highest copra export volume came out of Kimbe port with 3.272M KG, followed by Samarai-Murua, 1.337M KG, and Rabaul, 0.509M KG.

Exports of copra from the Rabaul and Kimbe ports saw reductions by 59% and 1.9%, respectively, compared with the second quarter; however, Samarai-Murua registered an export volume of 1.337M KG for the first time during this quarter of the year. Most copra exports this quarter came from the NGI region.

On a month-on-month basis, copra export volume dropped by 57.7% from June to 0.997M KG in July. However, it rebounded by 34.1% to 1.337M KG in August, and more than doubled to 2.784 KG in September.

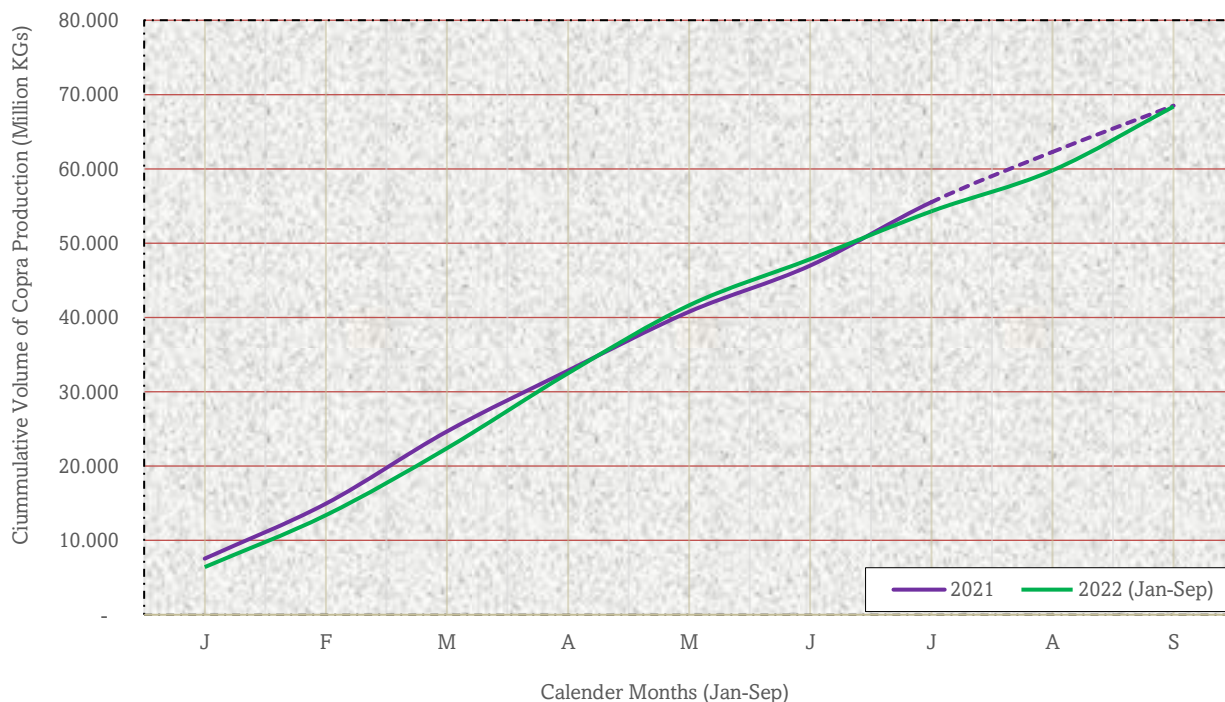
### 2.1.2 Cumulative Volume of Copra Production.

**Figure 3** compares copra production from January to September during 2022 and 2021. Production consistently increased this quarter but remained

relatively weaker than the corresponding quarter of 2021.

Notionally, copra production and export figures should correspond; however, they do not due to practical domestic processing, marketing, and consumption factors.

FIGURE 3: CUMULATIVE VOLUME OF COPRA PRODUCTION (MILLION KGs) IN PNG: 2022 (JAN - SEP) VS 2021.



Source: KIK.

### 2.2 Domestic Copra Prices.

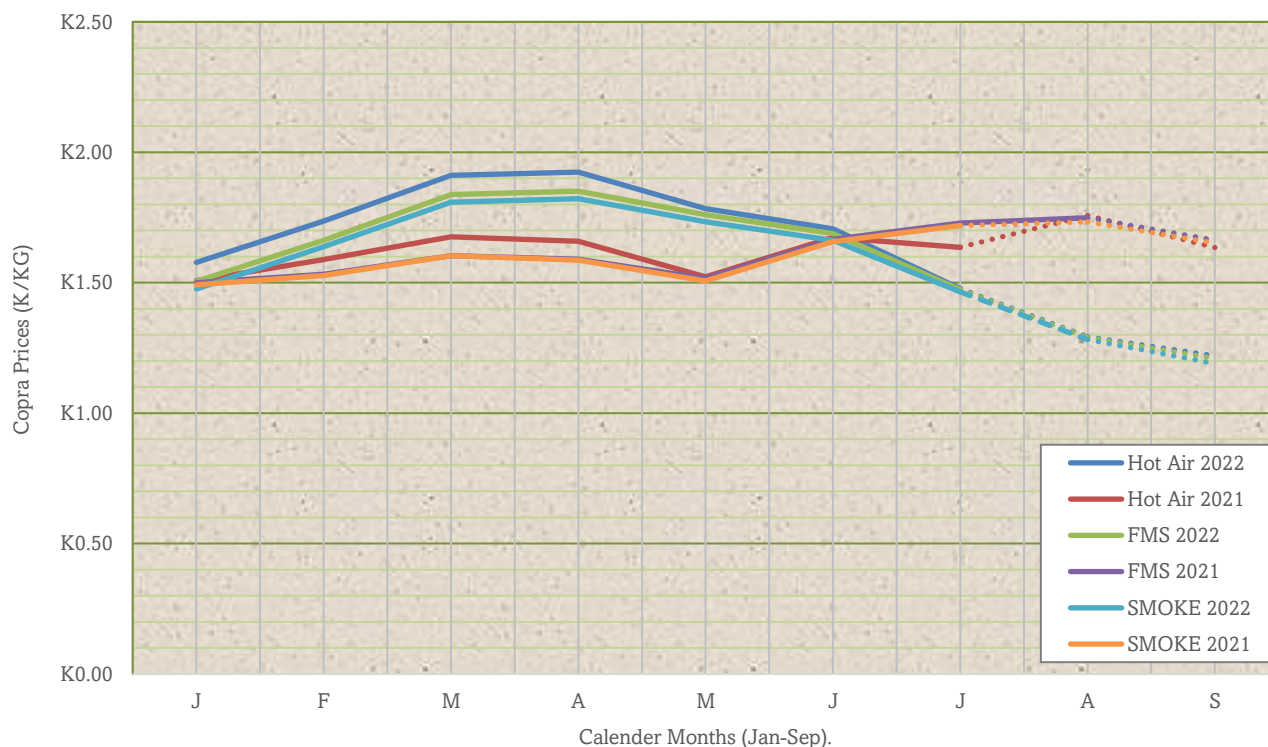
**Figure 4** depicts the domestic copra prices for the period from January to September during 2021 and 2022.

This quarter, the prices for Hot Air, FMS, and Smoked grade copra averaged K1.34/KG, K1.33/KG, and K1.32/KG, respectively. Looking at the quarterly price trends, the hot air price dropped by 27.7% to K1.81/KG from the second quarter, but a drop by 21.7% from K1.71/KG in the corresponding quarter of 2021.

Similarly, the FMS grade copra price fell by 24.4% to K1.77/KG from the second quarter, however, a drop by 22.1% from K1.72/KG in the corresponding quarter of 2021. Lastly, smoked grade copra price, saw a drop by 23.9% this quarter from K1.74/KG in the second quarter, but a decline by 22.2% from K1.71/KG in the corresponding quarter of 2021.

In general, copra prices during this quarter were comparatively weaker than those observed during the corresponding quarter of 2021.

FIGURE 4. DOMESTIC COPRA PRICES (K/KG): 2022 AND 2021 (JAN-SEP).



Source: KIK

### 2.3 Export Prices of Coconut Products in PNG.

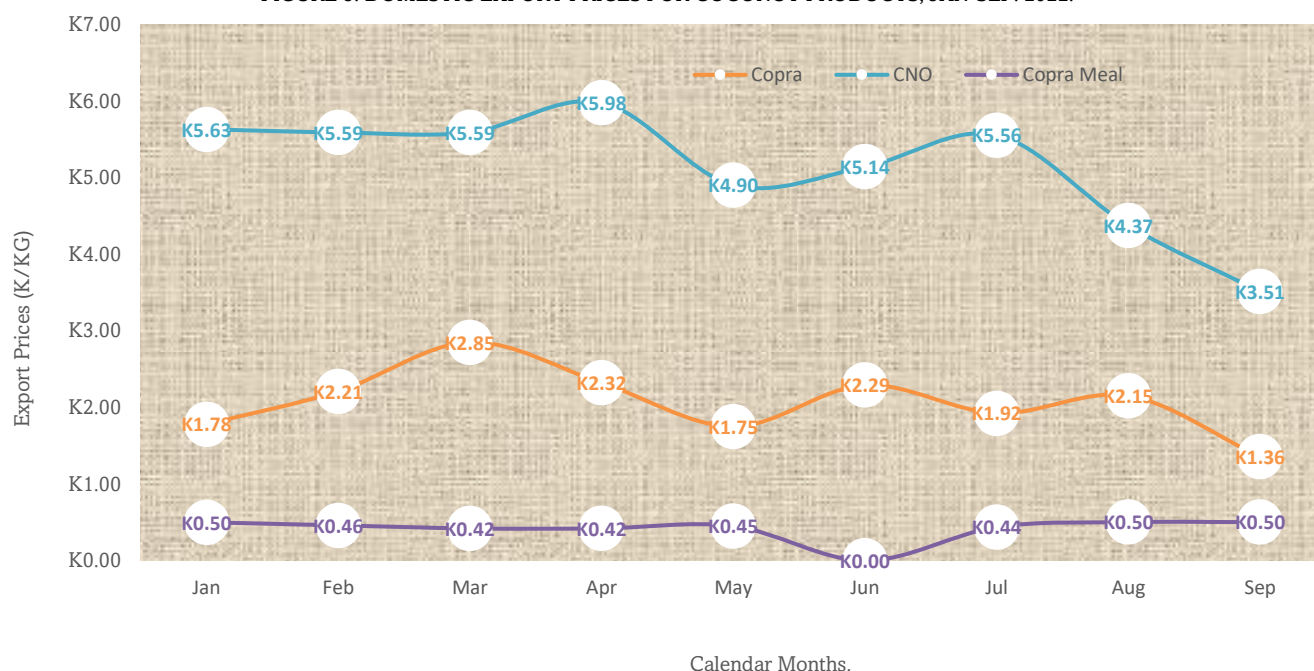
**Figure 5** highlights the average (FOB) export prices of coconut products during the period from January to September 2022. Export prices are influenced by different factors, including: foreign market objectives, product-related costs, market demand, competition, as well as other important factors such as transportation, taxes and duties, sales commissions, insurance, financing, and government regulations.

For this quarter, the average FOB price for copra declined by 14.8% to K1.81/KG from K2.12/KG in the second quarter; however, an increase by 23.3% when compared with the third quarter of 2021. On a monthly basis, copra prices fluctuated throughout this quarter falling by 16.1% to K1.92/KG in July, rising by 11.8% to K2.15/KG in August, and falling again by 36.9% to K1.36/KG in September.

On the other hand, the average FOB price for CNO was at K4.48/KG this quarter, a drop by 16.2% from the preceding quarter, but a drop by 5.7% from K4.75/KG compared with the corresponding quarter of 2021. Month-on-month, CNO prices averaged K5.56/KG in July, an increase by 8.0% from an average of K5.14/KG in June; however, prices dropped by 21.3% in August averaging K4.37/KG; and went down further by 19.6% to average K3.51/KG in September.

The average FOB price for copra meal this quarter has increased by approximately 11.5%, to K0.48/KG from K0.43/KG in the second quarter, but a drop by 1.9% from K0.49/KG compared with the corresponding quarter of 2021. On a monthly basis, FOB copra meal prices remained relatively stable, increasing by 3.9% to K0.44/KG in July, and by 14.7% to K0.50/KG in August; it remained relatively steady during September, thus averaging K0.50/KG.

FIGURE 5: DOMESTIC EXPORT PRICES FOR COCONUT PRODUCTS, JAN-SEP. 2022.



Source: KIK.

### 2.3.1 Export Margins of Copra.

**Table 3** presents export margins for the period from January to September 2022. Export margin is the difference between the PGK FOB and FMS prices less wharfage costs<sup>4</sup>.

This quarter's exporter margins have fluctuated from the lowest (13%) in July to the highest (65%) in

September and, approximately 49% in August. Overall, exporter margins were very high during the first quarter (58-65%) as well as the second quarter (31-53%). On a monthly basis, exporter margins has consistently declined from January in the first quarter to the lowest level in July after which they started to climb higher again.

Higher exporter margins imply that a larger share of the unit export income has gone to the exporters.

TABLE 3. COPRA EXPORT MARGINS: JAN – SEP 2022.

MONTH	Exchange Rate	FOB Copra Export Prices		FMS Copra Price	Exporter Margin	
	PGK / US\$	US\$ / KG	PGK / KG		% Share of PGK FOB Copra Price / KG	
JAN	K3.51	\$1.236	K4.338	K1.505	K2.833	K1.51 (65.3%)
FEB	K3.51	\$1.217	K4.272	K1.663	K2.609	K1.66 (61.1%)
MAR	K3.52	\$1.247	K4.389	K1.838	K2.551	K1.84 (58.1%)
APR	K3.52	\$1.111	K3.911	K1.851	K2.060	K1.85 (52.7%)
MAY	K3.52	\$0.819	K2.883	K1.761	K1.122	K1.76 (38.9%)
JUN	K3.52	\$0.694	K2.443	K1.668	K0.775	K1.67 (31.7%)
JUL	<b>K3.52</b>	<b>\$0.482</b>	<b>K1.697</b>	<b>K1.474</b>	<b>K0.223</b>	<b>K1.47 (13.1%)</b>
AUG	<b>K3.52</b>	<b>\$1.000</b>	<b>K2.520</b>	<b>K1.290</b>	<b>K1.230</b>	<b>K1.29 ((48.8%)</b>
SEP	<b>K3.52</b>	<b>\$1.000</b>	<b>K3.520</b>	<b>K1.241</b>	<b>K2.279</b>	<b>K1.24 (65.1%)</b>

Note. Exchange rate estimate is based on exchange figures from January to September 2022.

<sup>4</sup> The costs incurred by an exporter mainly include handling, shrinkage, and most importantly freight costs. In the past, research and administration costs

were subtracted from the FOB/MT. This is accommodated in the new coconut industry ACT yet to be approved by the government.



## 2.4 Exports of Coconut Products.

PNG exports three main primary coconut products, namely: copra, copra oil (CNO), and copra meal.

### 2.4.1 Copra.

**Table 4** shows copra exports from January to September 2022.

On a quarterly basis, Copra export volume this quarter dropped by 23.8% to 5.117M KGs from 6.720M KG in the second quarter but was 34% higher compared with 3.38M KG in the corresponding quarter of 2021.

Monthly, copra export volume plummeted by 75.8% to 0.996M KG in July; however, it rebounded by 34.2% to 1.337M KG in August; it approximately doubled in September with a total of 2.784M KG.

TABLE 4. COPRA EXPORTS (MILLION KGS) (JAN-SEP 2022).<sup>5</sup>

Calendar Month	Quantity (Million KGs)
Jan	1.585
Feb	5.661
Mar	0.843
Total	8.089
Apr	1.329
May	1.278
Jun	4.112
Total	6.720
<b>Jul</b>	<b>0.996</b>
<b>Aug</b>	<b>1.337</b>
<b>Sep</b>	<b>2.784</b>
<b>Total</b>	<b>5.118</b>

### 2.4.2 CNO.

This quarter, PNG exported a total of 7.748M KG of CNO (**Table 5**), 8.1% less than 8.140M KG in the second quarter but 21.7% more than 6.14M KG in the corresponding quarter of 2021.

On a monthly basis, CNO exports exhibited a fluctuating trend, peaking in July with 3.319M KG, registering an increase of approximately four-folds from 0.671M KG in June. It declined by 39.1% to

2.022M KG in August but rose again by 5.7% to 2.137 KG in September. Trends in domestic CNO exports are responsive to international price movements ultimately reflected in the domestic prices received by exporters, thus the fluctuations observed.

TABLE 5. CNO EXPORTS 2022 (JAN-SEP 2022).<sup>6</sup>

Calendar Month	Quantity (Million KGs)
Jan	2.059
Feb	3.014
Mar	4.403
Total	9.476
Apr	3.749
May	3.720
Jun	0.671
Total	8.140
<b>Jul</b>	<b>3.319</b>
<b>Aug</b>	<b>2.022</b>
<b>Sep</b>	<b>2.137</b>
<b>Total</b>	<b>7.478</b>

### 2.4.3 Copra Meal.

**Table 6** presents copra meal export volumes. Total export volume of copra meal declined by 40.1% compared with the second quarter; however, a fall by 54.6% to 8.14M KG compared with the corresponding quarter of 2021. On a monthly basis, copra meal exports totalled 1.160M KG in July but declined by 41.4% to 0.680M KG in August, and by 79.4% to 0.14M KG in September.

<sup>5</sup>Note. The export figures in Table 4 are provisional. These figures are going to be revised when exporters submit all their export records. Accordingly, the domestic copra export trend these figures currently indicate is not confirmed until all copra export data are received and analyzed.

<sup>6</sup>Note. The export figures in Table 5 are provisional. These figures are going to be revised when exporters submit all their export records. Accordingly, the domestic CNO export trend these figures currently indicate is not confirmed until all CNO export data are received and analyzed.



TABLE 6. COPRA MEAL EXPORTS 2022 (JAN-SEP 2022).

Calendar Month	Quantity (Million KGs)
Jan	0.647
Feb	0.830
Mar	0.622
Total	2.099
Apr	2.324
May	0.980
Jun	4.112
Total	3.304
<b>Jul</b>	<b>1.160</b>
<b>Aug</b>	<b>0.680</b>
<b>Sep</b>	<b>0.140</b>
<b>Total</b>	<b>1.980</b>

## 2.5 Exports by Destination.

**Table 7** presents exports of copra to different destinations and their respective market shares.

This quarter, the Philippines was the main importer accounting for 36.1% of copra imported from PNG, followed by Malaysia with 35.4%, and Australia, 19.0%. The remainder, 9.5% of copra exported from PNG, was imported by Bangladesh.

Traditionally, the majority of copra produced in PNG has been exported to the Philippines due to its high demand in that country; however, this trend has not been consistent in recent years due to other countries' increasing demand for copra input in domestic processing.

TABLE 7. EXPORT DESTINATIONS FOR COPRA IN 2022.

Export Destination	Export Vol (Million KGs)	Market Share (%)
First Quarter		
Philippines	9.402	91.4
Australia	0.594	5.6
Bangladesh	0.293	2.8
Total	10.289	100.0
Second Quarter		
Philippines	4.866	72.4
Bangladesh	0.975	14.5
Malaysia	0.880	13.1
Total	6.720	100.0
Third Quarter		
Philippines	1.846	36.1
Malaysia	1.812	35.4
Australia	0.973	19.0
Bangladesh	0.488	9.5
<b>Total</b>	<b>5.119</b>	<b>100.0</b>

## 2.5.1 Copra Export Market.

**Table 7.1** presents the domestic copra export market shares from Jan-Sep of 2022. This quarter, exports of copra produce amounting to 5.117M KG, were shared among four key exporters, namely: KBSA, One You Sing, Kliaren, and Samarai-Murua.

KBSA exported the largest share of the total copra export volume with 54.4% (2.789M KG), followed by Samarai-Murua with 26.1% (1.335M KG), with the remainder divided amongst Kliaren, 0.507M KG (9.9%), and One You Sing, 0.486M KG (9.5%).

TABLE 7.1. DOMESTIC COPRA EXPORT MARKET SHARES IN 2022.

Export Port	First Quarter	Second Quarter	Third Quarter
	Market Share (%)	Market Share (%)	Market Share (%)
1. KBSA	5.9	35.2	<b>54.4</b>
2. Pacific.L. T	15.2	19.8	-
3. Aero	8.4	-	-
4. Sankamap	31.7	17.5	-
5. One Y. Sing	3.2	14.5	<b>9.5</b>
6. Angkin Ent	3.2	-	-
7. Kliaren	14.5	-	<b>9.9</b>
8. Emirau	17.6	-	-
9. CRL	0.5	-	-
10. CPL	-	13.1	-
11. Samarai	-	-	<b>26.1</b>
<b>Total</b>	100.0	100.0	<b>100.0</b>

## 2.5.2 CNO Export Market.

**Table 8** presents exporters, export volumes, and market shares of CNO this quarter. The aggregate export volume of CNO totalled 7.478M KG. This represented a drop by 8.1% from 8.140M KG recorded in the preceding quarter of 2022 but marked an increase by 21.7% (4.519M KG) compared with the corresponding quarter of 2021.

The CNO export market was led by CPL, with a total volume of 5.426M KG, followed by Markham Farming with 1.118M KG, and third, Pristine Co Ltd with 0.864M KG. CPL was the top CNO exporter, with a domestic market share of 72.6%.

TABLE 8: CNO EXPORT VOLUMES (MILLION KGS) & MARKET SHARES IN 2022.

Exporter	CNO Exports (Million KGs)	Market Share (%)
<b>First Quarter</b>		
Pristine Co.101 Ltd	0.799	8.4
Markham Farming	1.100	52.4
Globe Manufacturing	2.159	22.8
CPL	1.350	14.3
<b>Total</b>	<b>9.476</b>	<b>100.0</b>
<b>Second Quarter</b>		
Pristine Co.101	0.887	10.9
Markham Farming	2.074	25.5
Globe Manufacturing	2.108	25.9
CPL	3.072	37.7
<b>Total</b>	<b>8.140</b>	<b>100.0</b>
<b>Third Quarter</b>		
Pristine Co.101	<b>0.864</b>	<b>11.6</b>
Markham Farming	<b>1.188</b>	<b>15.9</b>
CPL	<b>5.426</b>	<b>72.6</b>
<b>Total</b>	<b>7.478</b>	<b>100.0</b>

### 2.5.3 Copra Meal Exports.

**Table 9** presents the copra meal exports, exporters and their respective market shares.

This quarter, a total of 1.98M KG of copra meal was exported from PNG, 40.1% less compared with 3.304M KG in the second quarter, but a drop by 54.6% compared with the corresponding quarter of 2021.

TABLE 9: COPRA MEAL EXPORT (MILLION KGS) MARKET SHARES IN 2022.

Exporter	Meal Exports (Million KGs)	Market Share (%)
<b>First Quarter</b>		
Pristine	580	28.2
Markham Farming	1,176	57.2
Globe Manufacturing	300	14.6
<b>Total</b>	<b>2,056</b>	<b>100.0</b>
<b>Second Quarter</b>		
Pristine Co.101	0.500	15.1
Markham Farming	1.060	32.1
Globe Manufacturing	1.744	52.8
<b>Total</b>	<b>3.304</b>	<b>100.0</b>
<b>Third Quarter</b>		
Pristine Co.101	<b>0.62</b>	<b>31.3</b>
Markham Farming	<b>1.36</b>	<b>68.7</b>
Globe Manufacturing	-	-
<b>Total</b>	<b>1.98</b>	<b>100.0</b>

On a month-on-month basis, copra meal export volume peaked in July with 1.160M KG. In total, 1.980M KG was exported of which Pristine Co.101

had 68.7% of the total market share and Markham Farming, 31.3%. Globe Manufacturing did not register any copra meal export figures during the period under consideration.

**Table 10** presents the copra meal import market shares. With a market share of 70.7% translating to 1.40M KG, Australia was the major importer of copra meal from PNG, followed by the USA with a 19.2% import market share equivalent to 0.380M KG, while South Africa imported 1.01% (0.190M KG), and UK, 0.8% (0.020m KG).

TABLE 10. COPRA MEAL EXPORT DESTINATIONS.

Destination	First Quarter	Second Quarter	Third Quarter
	Market Share (%)	Market Share (%)	Market Share (%)
Australia	55.7	46.0	<b>70.7</b>
UK	9.5	3.6	-
USA	14.3	11.5	<b>19.2</b>
South Africa	-	0.6	<b>1.01</b>
India	20.5	37.6	-
New Caledonia	-	0.6	-
Great Britain	-	-	<b>0.8</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### 3. EXPORT EARNINGS FROM COCONUT PRODUCTS.

**Table 11** presents the export revenue from coconut products. The third quarter's combined total revenue from copra, CNO and copra meal, was K44.272 million. This revenue size was 7.5% lower compared with the preceding quarter. CNO contributed the largest share with 78.6%, followed by copra (19.4%) and third, copra meal with 2.0%.

TABLE 11. EXPORT REVENUE FROM COCONUT PRODUCTS.

Coconut Product	Export Earnings (K'M)	% Share of Earnings.
<b>First Quarter</b>		
Copra	22.0884	28.0
CNO	53.091	67.2
Meal	3.807	4.8
<b>Total</b>	<b>78.986</b>	<b>100.0</b>
<b>Second Quarter</b>		
Copra	14.679	24.0
CNO	45.185	73.8
Copra Meal	1.351	2.2
<b>Total</b>	<b>61.215</b>	<b>100.0</b>
<b>Third Quarter</b>		
Copra	8.569	19.4
CNO	34.784	78.6
Copra Meal	0.991	2.0
<b>Total</b>	<b>44.272</b>	<b>100.0</b>

## **SUMMARY**

1. The overall average world market copra price (CIF) rose by 13.4 %, with a monthly increase of 8.3% to \$0.95/KG from the second quarter average price of \$0.88/KG. However, copra production showed a decline by 19.3%.

2. The average CNO price this quarter dropped by 26.1% to \$1.38/KG from \$1.90/KG in the second quarter but was 9.7% less compared with \$1.53/KG in the corresponding quarter of 2021.

3. The average FOB copra price declined by 14.8% to K1.81/KG from K2.12/KG in- the preceding quarter.

4. This quarter, the average prices of the three different grades of copra showed declines compared with the second quarter. In this respect, the Hot Air copra price fell by 27.7% from K1.81/KG, FMS price by 24.4% from K1.77/KG, while smoked copra price dropped by 23.9% from K1.74/KG in the second quarter.

5. Aggregate revenue dropped by 7.5% to K44.272 million from K61.215 million in the second quarter.