

# **QUARTERLY COCONUT INDUSTRY MARKET REPORT**

**APRIL — JUNE 2018**

*Prepared by*

Alan Aku

&

Dora Tamate

**1. INTERNATIONAL MARKET DEVELOPMENTS**

Global prices of both copra and copra oil (CNO) in this quarter registered quarterly averages of US\$614/MT and US\$996/MT respectively which were lower compared to the preceding quarter. Prices registered for copra and CNO in the first and second quarters of 2018 are shown in Table 1 and the graphical illustration in Figure 1 below.

In April copra registered US\$669/MT which is an increase 10.6% compared to the preceding month. In May, it decreased by 4.6%, registering US\$638/MT. It further decreased by 16.0% to US\$536/MT in June.

CNO opened the quarter by registering US\$1,090/MT in April which is a decrease of 0.5% compared to the preceding month. It decreased by 7.8% in May by registering US\$1,011 and further decreased by 12.3% to US\$887/MT in June.

Demand for both CNO and palm kernel oil (PKO) in the lauric oil market have both risen positively due to the continuing expansion and demand increase of the oleo chemical, cosmetic and other manufacturing industries as reported in various issues of the Public Ledger in this quarter.

Although there has been a declining price trend since the first quarter of 2018, there is assurance that the trend may improve through the next quarter given the current global market conditions. It is expected that the price of CNO in the second half of 2018 will increase due to several factors including: increasing demand for CNO and shortage supply in the global market;

**Table 1: Average Monthly prices of copra and CNO in 2018 (Jan-Jun)**

	Jan	Feb	Mar	Apr	May	Jun
Copra (CIF NW US\$/MT)	763	741	605	669	638	536
<b>Quarterly Average</b>	<b>703</b>			<b>614</b>		
CNO (CIF Rott US\$/ MT)	1,525	1,225	1,095	1,090	1,011	887
<b>Quarterly Average</b>	<b>1,282</b>			<b>996</b>		

All figures have been rounded up to one decimal place.

Source: The Public Ledger

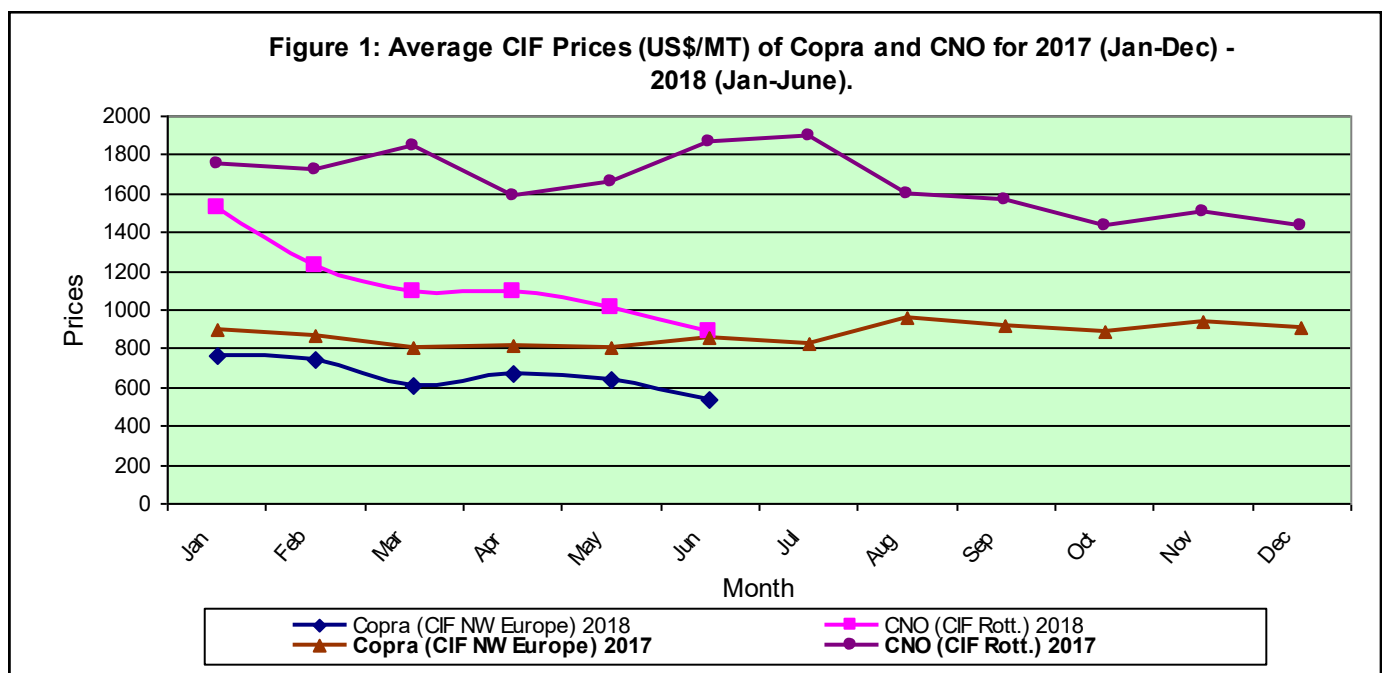
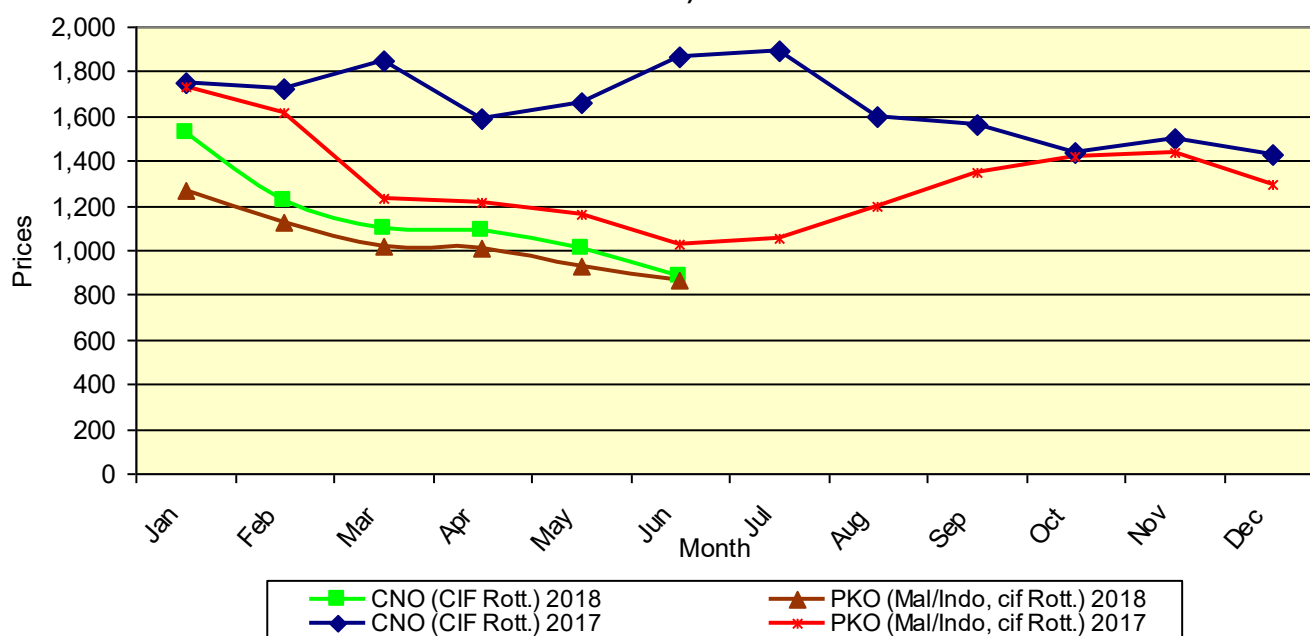


Figure 2: Average CIF Prices (US\$/MT) of CNO and PKO for 2017 (Jan-Dec) - 2018 (Jan-June)



## 2. DOMESTIC MARKET DEVELOPMENTS

### 2.1 Total Copra Production

Domestic copra production in this quarter decreased from the preceding quarter and aggregately registered 31,240 tonnes as shown in Figure 3. The total production registered in this quarter is 1.1% lower compared to the total production (31,593 tonnes) registered in the corresponding quarter of 2017.

The first quarter began production with April registering 11,919 tonnes which is 28.2% more than the volume registered in the preceding month. Following on, May registered 11,965 tonnes which is an increase of 0.3%. In June, production decreased by 38.5% to 7,356 tonnes. Total copra production (31,240 tonnes) for this quarter is lower by 4.6% compared to the aggregate volume registered in the preceding quarter.

The fluctuating trend in production from 2017 that continued into the first quarter of 2018 is attributable to the high demand and fluctuating price trend in the global market. Despite the fall in copra prices, PNG farmers and producers continue producing copra to earn income to support their families due to the current economic situation in the country.

### 2.2. Copra Production by Depots

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

Aggregately, Rabaul/Toboï (10,506 tonnes) led the tally followed by Buka (6,810 tonnes), Kimbe (5,388

tonnes), Madang (5,162 tonnes), Kavieng/Namatani (2,026 tonnes), and Alotau (1,348 tonnes) in descending order.

Rabaul/Toboï began the quarter by registering 4,040 tonnes in April and decreased by 5.2% in May to 3,828 tonnes and decreased further by 19.6% to 2,638 tonnes in June. Buka registered 2,477 tonnes in April and increased by 0.04% to 2,478 tonnes in May but decreased by 25.1% to 1,856 tonnes in June. Kimbe commenced with 2,338 tonnes in April and decreased in May by 13.0% to 2,034 tonnes. It further decreased by a by 50.0% to 1,034 tonnes in June. Madang began the quarter by registering 1,871 tonnes in April and increased by 30.6% to 2,443 tonnes in May. However, it declined by 65.3% to 847 tonnes in June. Kavieng/Namatani began the quarter by recording 748 tonnes in April and decreased by 6.4% to 700 tonnes in May and decreased further by 17.4% to 578 tonnes in June. Alotau started with 445 tonnes in April and increased by 8.1% to 481 tonnes in May but decreased by 12.3% to 422 tonnes in June.

Rabaul/Toboï has consistently been the major player 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 the East New Britain Province. The closest rivals after Rabaul/Toboï are Buka and Madang.

Figure 3: Monthly Copra Production in PNG for 2017 (Jan-Dec) - 2018 (Jan-Mar)

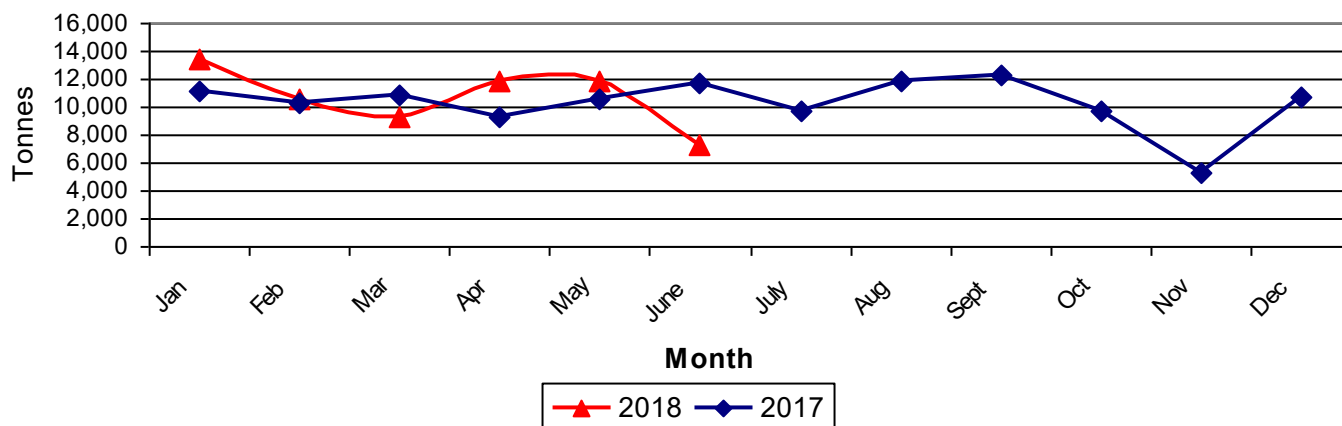


Table 2: Copra production (tonnes) by Major Buying Centers for 2018 (Jan—June)

Centre/Depot	Jan	Feb	Mar	Apr	May	June
Rabaul/ Toboi	4,470	3,209	3,186	4,040	3,828	2,638
Madang	2,496	2,267	1,142	1,871	2,443	847
Buka	2,950	2,585	2,117	2,477	2,478	1,856
Kavieng/Namatanai	1,238	790	876	748	700	578
Kimbe	2,015	1,386	1,562	2,338	2,034	1,016
Alotau	211	278	419	445	481	422
<b>Total</b>	<b>13,379</b>	<b>10,514</b>	<b>9,300</b>	<b>11,919</b>	<b>11,965</b>	<b>7,356</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.

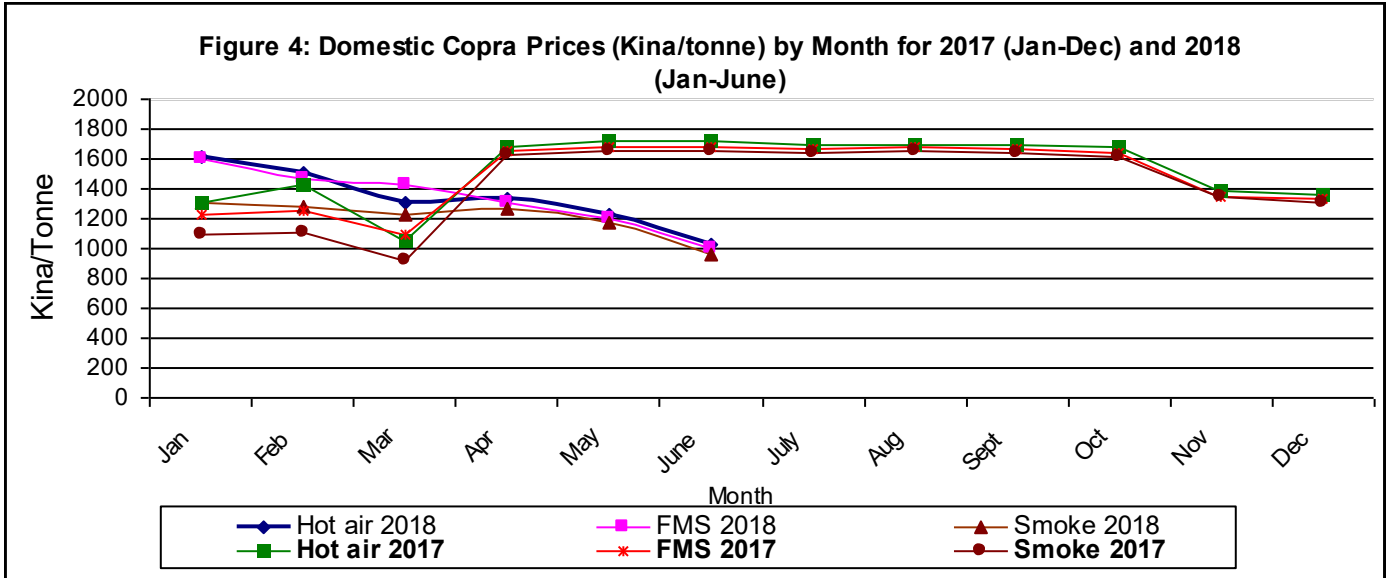
During this quarter, the average Hot Air, FMS and Smoke grade prices were K1,194, K1,168 and K1,134 per tonne, respectively. Based on these figures, the average premium price for hot air grade is K26 per tonne and the discount for the smoke grade is K34 per tonne. Compared to the preceding quarter, the average premium price for hot air per tonne decreased by 10.3% and the discount price for the smoke grade also decreased by 12.8%.

Monthly price fluctuations for the 2017, the first quarter and this quarter (2018) 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 2017. April recorded K1,330/tonne for hot air copra which is 1.4% more than the price of the preceding month. FMS and smoke followed the same trend with increase of 2.3% and 3.8% respectively.

In May the prices for the copra grades decreased. Price for the hot air decreased by 7.5% to K1,230/tonne, FMS declined by 2.2% to K1,1203/tonne and the smoke grade decreased by 7.9% to K1,171/tonne.

In June, hot air copra was priced at K1,023/tonne, an decrease of 16.8%. FMS decreased by 2.3% to K999/tonne and smoke grade decreased by 18.0% to K960/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 prices for hot air. It priced hot air at K1,337/tonne, a decrease of 17.4% compared to the price of the preceding quarter. FMS was priced at K1,326/tonne a decrease of 17.2% and smoke was priced at K1,313/tonne, a decrease of 17.4% compared to the prices of the preceding quarter.

Following Madang was Rabaul that priced hot air at 1,222/tonne, a decrease of 18.2%, FMS at K1,188/tonne, a decrease of 19.1%, and Smoke at K1,122/tonne, a decrease of 20.5%.

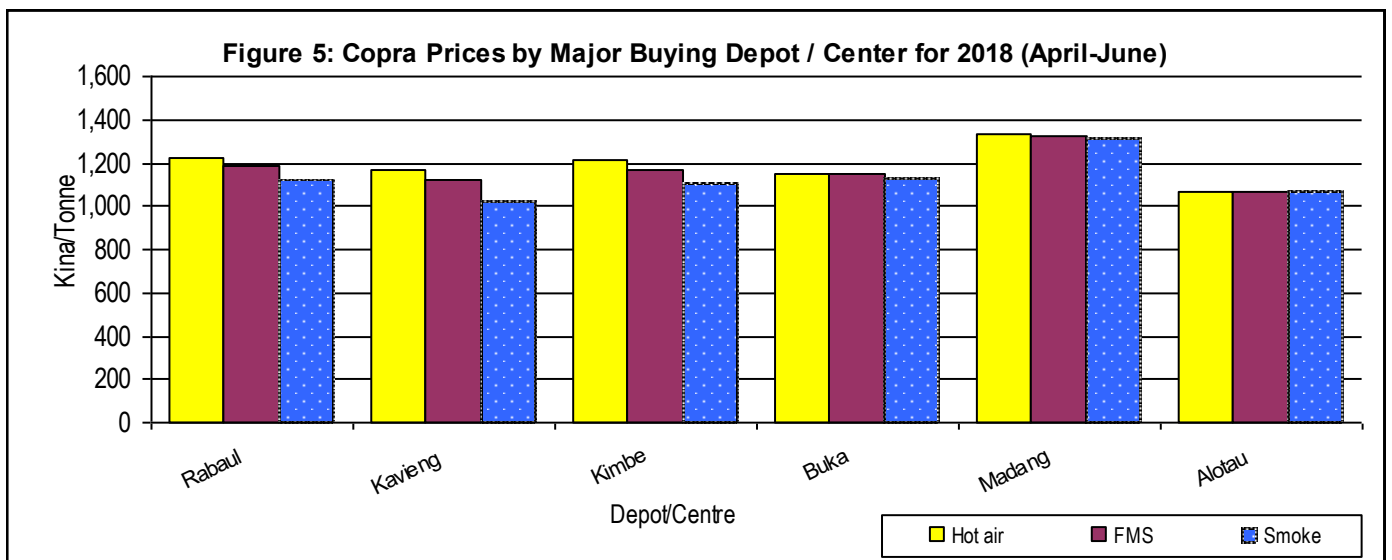
Kimbe rallied behind Rabaul pricing hot air at K1,217/tonne, a decrease of 12.0%, FMS at K1,167/tonne, a decrease of 11.9%, and smoke at K1,106/tonne, a decrease of 12.1%, compared to the prices offered in the preceding quarter.

Kavieng followed Kimbe by pricing hot air at K1,168/tonne, FMS at K1,118/tonne and smoke at K1,018/tonne and these prices are lower by 22.3%, 22.7% and 25.4% respectively compared to the prices of the preceding quarter.

Buka followed Kavieng by pricing hot air at K1,154/tonne, FMS at K1,145/tonne and smoke at K1,128/tonne. These prices are lower by 26.0%, 26.1% and 26.4% respectively, compared to the prices of the preceding quarter.

Alotau offered the lowest price at K1,067/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.

In general, prices offered in this quarter have declined reflecting the decreasing 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. April registered K1,626/tonne, a decrease of 29.7% from the preceding month. May registered K1,843/tonne which is an increase of 13.3%, and further increased in June by 25.7% to K2,316/tonne.

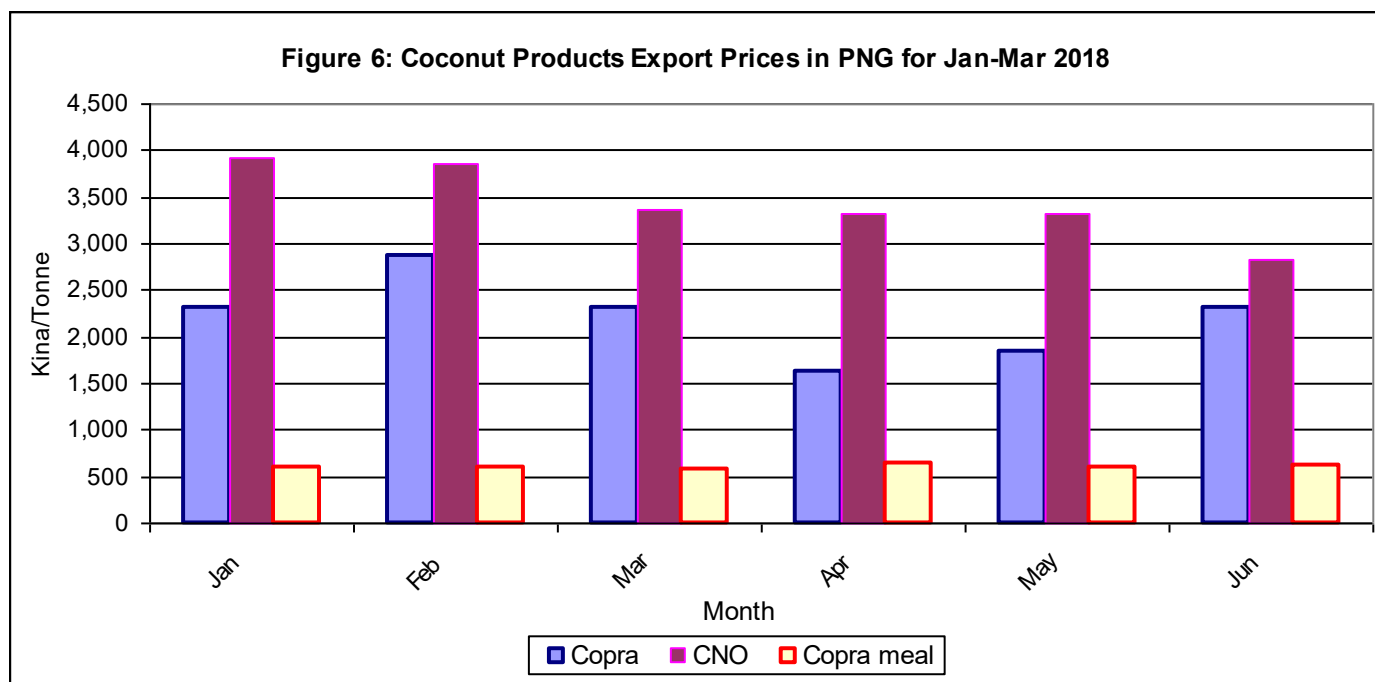
Price of CNO in this quarter saw a declining trend. April registered K3,331/tonne, a decrease of 1.3% from the preceding month. May decreased fur-

ther by 0.3% to K3,322/ tonne and March recorded K3,374/tonne, a decrease of 15.1%.

Copra meal export prices experienced a fluctuating trend this quarter. It registered K644/tonne in April, an increase of 10.3%. It then decreased by 6.1% to K605/tonne in May, while June registered K620/tonne, an increase of 6.2%.

The actual FOB price in kina received by the exporters were less by some margin due to costs such as handling, shrinkage inter alia.

The fluctuating price trends of the export coconut products experienced in this quarter is due to over supply.



**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 declined from the preceding month into this quarter. The kina equivalent FOB price in the international market has increased by 10.7% from the preceding month and registered K2,176/tonne in April. It decreased by 4.3% to K2,082/tonne in May and decreased further by 15.8% to K1,753/tonne in June.

The mill gate price behaved in a similar fashion.

April registered K1,303/tonne which is an increase of 6.3% compared to the preceding month.

In May it decreased by 7.7% to K1,203/tonne, and decreased further by 17.0% to K999/tonne in June.

The price trends both at the international and domestic markets have resulted in export margins of 67.0%, 73.1% and 75.5% respectively for April, May and June.

This indicates two assumptions, either the cost of production in PNG is very high or the exporters of coconut products have inflated prices due to high operational costs.

Table 3: Copra Export Margin for the Second Quarter (April–June) 2018

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)
April	0.3075	669	2,176	1,303	873 (67.0%)
May	0.3065	638	2,082	1,203	879 (73.1%)
June	0.3057	536	1,753	999	754 (75.5%)

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 and the export volumes have declined compared to the preceding quarter.

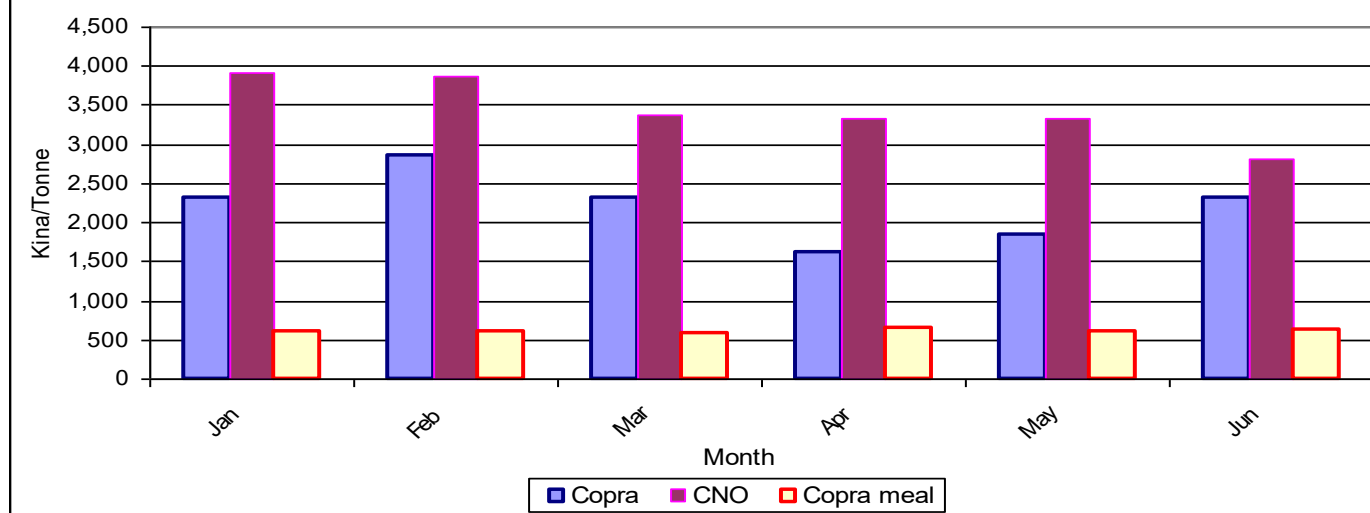
### 2.5.1 Copra

In this quarter copra export in April was 9,735 tonnes. It decreased in May by 43.8% to 5,469 tonnes, and decreased further by 76.8% to 1,227 tonnes in June.

Aggregately, this quarter recorded a total export volume of 16,470 tonnes of copra which is a decrease of 20.4% compared to the total export volume (20,682 tonnes) of the preceding quarter and increased by 111.9% compared to the total volume (7,774 tonnes) in the corresponding quarter of 2017.

The decrease in copra exports depicts the response of price sensitive farmers as influenced by the fluctuating price trend experienced during this quarter due to factors affecting global market price of copra and the movement of the exchange rates.

Figure 6: Coconut Products Export Prices in PNG for Jan-June 2018



### Export by destination

In this quarter, PNG exported a total of 16,470 tonnes of copra to four overseas markets namely Philippines, Singapore, Malaysia and Bangladesh.

Of the total volume, Philippines bought 85.7% (14,117 tonnes), Singapore 12.3% (2,023 tonnes), Malaysia 1.9% (310 tonnes) and Bangladesh 0.1% (20 tonnes). 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 they have proposed to increase the current Biodiesel blending from 2% to 5%. (*Philippine Daily Inquirer*, July 28 2018; <https://business.inquirer.net/254671/copra-prices-slump-supply-glut>)

### 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 16,470 tonnes undertaken by seven exporters namely Coconut Products Ltd (CPL), Kimbe Bay Shipping Ltd (KBSL), Sankamap Ltd, AERO Ltd, ABC Ltd, Samarai Murua and Pacific Lama Traders.

Of the total volume, CPL led the tally by exporting 47.3% (7,784 tonnes). After CPL was Aero Ltd with

14.3% (2,357 tonnes), Sankamap with 10.9% (1,793 tonnes), KBSL with 9.8% (1,609 tonnes), Samarai Murua with 8.5% (1,405 tonnes), Pacific Lama with 7.1% (1,162 tonnes) and ABC Ltd with 2.2% (362 tonnes) in descending order.

Reticent farmers have already awoken by the inspiring price trend that triggered production increase and that further had positive chain reaction effects on export.

**Table 4: Copra Exports and Market Share for April-June 2018**

Exporter/Port	First Quarter 2018 Export Volumes (Tonnes)	Market Share (%)
Coconut Products Ltd	7,784	47.3%
AERO Ltd	2,357	14.3%
Sankamap	1,793	10.9%
Kimbe Bay Shipping Ltd	1,609	9.8%
Samarai Murua	1,405	8.5%
Pacific Lama Traders	1,162	7.1%
ABC Ltd	362	2.2%
<b>TOTAL</b>	<b>16,470</b>	<b>100%</b>

### 2.5.2 Coconut Oil Exports

A total of 5,620 tonnes of CNO was exported from PNG in this quarter. The month of April registered an export volume of 2,449 tonnes followed by May with 1,808 tonnes which is a decrease of 26.2%, and decreased again by 24.6% with 1,363 tonnes in June. Compared to the export volume (4,120 tonnes) of the preceding quarter, this quarter's total export volume increased by 36.4%.

#### Export by Destination

CNO exported in this quarter went to three overseas markets namely Indonesia, Malaysia and Sri Lanka. Of the total volume, 49.9% (2,805 tonnes) went to Malaysia, 44.4% (2,497 tonnes) went to Indonesia, and 5.7% (435 tonnes) went to Sri Lanka.

#### Export Market Share

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

### 2.5.3 Copra Meal Exports

In this quarter a total of 3,303 tonnes of copra meal was exported from PNG which is an increase of 35.1% compared to the total volume (2,444 tonnes) registered in the preceding quarter.

The quarter began by registering 1,244 tonnes in April and increased by 12.5% to 1,399 tonnes in May, but decreased by 52.8% to 660 tonnes in June.

#### Export by Destination

Copra meal exported in this quarter went to seven destinations overseas namely: India, Australia, United States (US), New Zealand, United Kingdom (UK), South Africa and New Caledonia. Of the total export volume, India bought 37.4% (1,235 tonnes), Australia 31.0% (1,024 tonnes), US 13.3% (440 tonnes), New Zealand 9.8% (324 tonnes), UK 6.7% (220 tonnes), South Africa 1.2% (40 tonnes) and New Caledonia 0.6% (20 tonnes). Australia normally imports copra meal for feed stock for the livestock sectors while others import for various intermediary purposes.

#### Export Market Share

All of the exports of copra meal in this quarter were undertaken by Pristine Co.101 Limited, Globe Manufacturing Ltd and Markham Farming Ltd.



### 3. EXPORT EARNINGS FROM COCONUT PRODUCTS

The export earnings from coconut products, namely Copra, CNO and Copra Meal for the second quarters of 2018 and 2017 are summarised in Table 5 below.

In comparison to the corresponding quarter of 2017 copra, CNO and copra meal all registered an increase in export revenue this quarter.

Copra income registered in this quarter was lower by 29.0% while CNO and copra meal income were higher by 16.1% and 52.5% respectively com-

pared to the income registered in the preceding quarter.

The aggregate export revenue generated from coconut products in this quarter is 43.1% higher than the total export revenue registered in the corresponding period of 2017.

Revenue in the six months to June 2018 registered is 23.5% higher than the revenue earned in the corresponding period in 2017.

**Table 5: Export earnings from coconut products for the second quarters and six months of 2018 & 2017**

Coconut Product	April–June 2018 (Kina)	April–June 2017 (Kina)	Jan–June 2018 (Kina)	Jan–June 2017 (Kina)
Copra	29,877,696	18,904,502	71,932,306	47,925,562
CNO	17,986,130	14,756,205	33,478,762	37,600,067
Copra Meal	2,092,003	1,241,124	3,463,911	2,662,995
<b>TOTAL</b>	<b>49,955,829</b>	<b>34,901,831</b>	<b>108,874,979</b>	<b>88,188,624</b>

Source: *Kokonas Industri Koporesen*

### 4. CONCLUSION

Generally, prices of copra and CNO both on the aggregate and average levels decreased in this quarter compared to the preceding quarter. Average prices of copra and CNO decreased by 12.7% and 22.3% respectively this quarter. They are also lower in comparison to the corresponding quarter of 2017.

Copra production decreased in this quarter by 4.6% from the preceding quarter. In terms of export volumes, copra recorded a decrease of 20.4% compared to the preceding quarter, while CNO and copra meal recorded increases of 36.4% and 35.1% respectively.

General export earnings of all coconut products recorded an increase this quarter compared to the earnings recorded in the corresponding quarter of 2017. The increase in export revenue has mainly been attributed to the increase in export of CNO and copra meal, despite the decrease in copra production.

It is assumed that the current trends in price and production of the major coconut products will improve in the next quarter of 2018 due to the current conditions in the global market such as supply and demand.