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Copra marketing and price stabilization in Papua New Guinea

A history to 1975

Harry H Jackman

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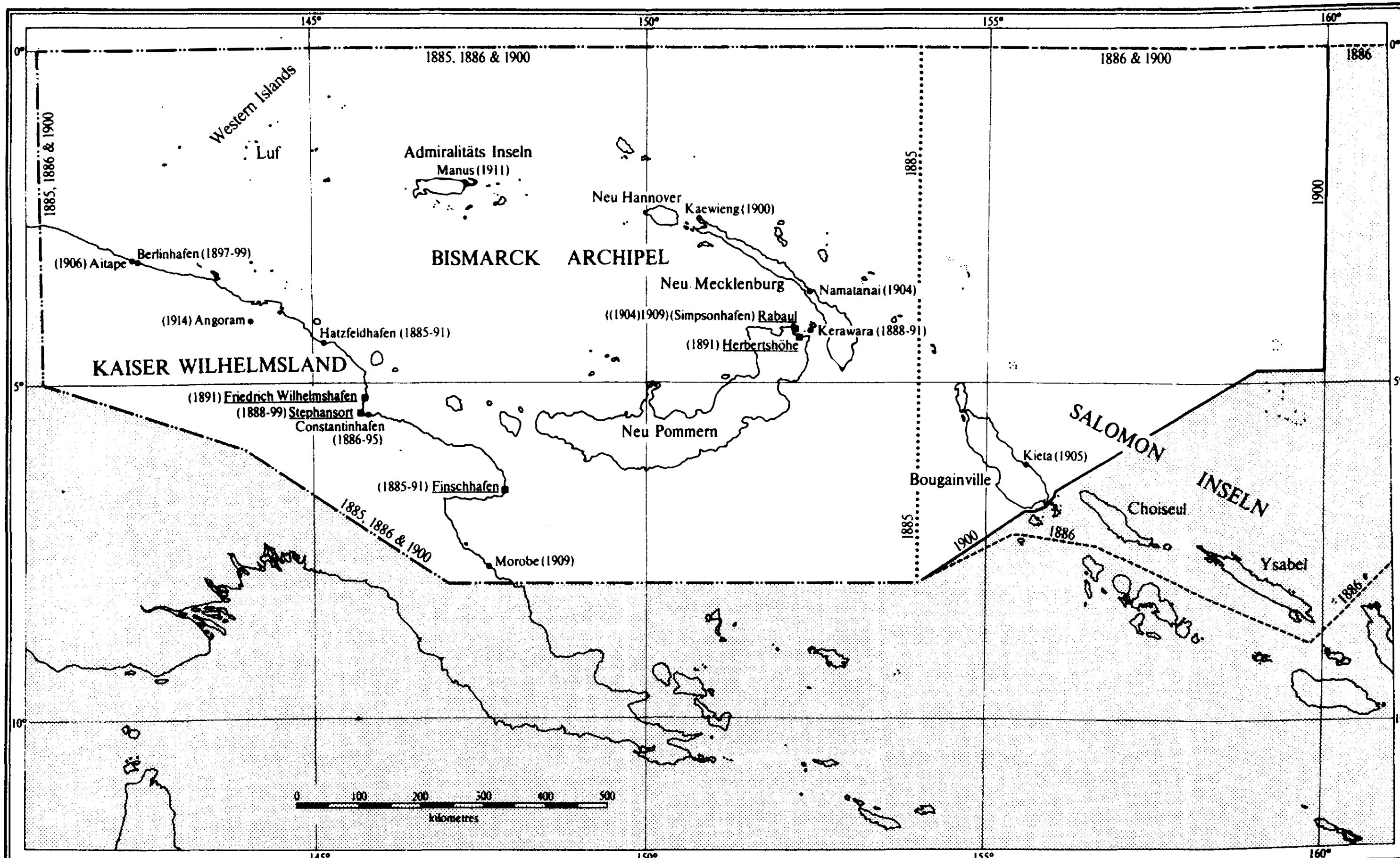

Map 1 **German New Guinea**

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Abstract

Until the 1960s, copra was Papua New Guinea's major export. sale of coconuts and copra was the coastal villagers' main source of cash. Over the years, the coconut plantations have employed hundreds of thousands of Papua New Guineans, for many of whom it was their first contact with the monetary sector of the economy. The coconut industry made a considerable impact upon the lives of plantation workers and village producers, and its social consequences were far-reaching.

Because the coconut palm is not merely the source of copra but also an important, often vital, source of food and shelter for about one-third of the population, the coconut industry's role in the national economy continues to be important. It makes a valuable contribution to the achievement of government policies and programs for rural development.

However, Papua New Guinea has never had more than a minor share of the world's copra production. It has therefore been a price-taker, and it seems destined to remain that. As growing world demand for coconut products is expected to continue in the foreseeable future, Papua New Guinea is seeking to expand its coconut industry.

This book takes an economic-historical approach and gives an account of marketing and price stabilization in Papua New Guinea's copra industry. Although the subject is a relatively narrow one, it merits being seen in the wider context, as an aspect of the economic history of Papua New Guinea. The book concludes that laissez-faire marketing before World War II held back the coconut industry, and that the oligopoly of two Australian companies was detrimental to the interests of villagers and planters alike. Government monopoly in overseas marketing, introduced as a war-time measure and continued since then, and compulsory price stabilization, have been of great value to the industry, and their continuation is recommended.

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Preface

> Men make history and not the other way round. In periods where there is no leadership, society stands still. Progress occurs where courageous, skilful leaders seize the opportunity to change things for the better (Harry S. Truman, former President of the United States of America, quoted in P. Lawrence (ed.), *Quotations for Our Time*, 1980:243).

I first learned something about villagers' participation in the copra industry of Papua New Guinea in 1948, when Douvere Nou and Piripo Taunakekei asked, then the acting officer-in-charge of the Rigo Sub-District, to assist the people of Kapakapa to market their copra. Neither they nor I knew that the venture which they organized closely resembled a co-operative. It was the beginning of my active involvement with co-operatives and other forms of commercial organization among Papua New Guineans. The involvement lasted for twenty-six years, during which I held appointments as co-operative officer, assistant registrar of co-operative societies, registrar of co-operative societies, chief of division (business training and management), chief of division (business extension), and foundation chairman of the co-operative education trust.

During the 1950s and 1960s, co-operatives marketed most of the Papua New Guineans' copra. They were the first significant locally-owned and managed business enterprises. Many Papua New Guineans who are or were prominent in their nation's affairs gained their first experience in co-operatives.

Koivi Aua (alias Tommy Kabu), Samson Rawo, Sogo Sebea, Posu Semesevita and others who played a significant part, and some expatriates who showed them the way, notably E.O. ('Speed') Graham, can no longer tell the tale, and time does not stand still for Sir John Guise, Arua Udu Nou, Sir Tore Lokoloko, Mahuru Rarua-Rarua, Martin Tovadek, Zibang Zurenuoc and others who remain. This monograph tells something of their contribution to the emergence of modern commerce among Papua New Guineans. It also tells about expatriates, such as J.C. Archer, B.E. Fairfax-Ross, W.J. Grose, I. McDonald and C.J. Millar, who worked for equitable and efficient marketing in the copra industry of Papua New Guinea.

As. J.D. Legge has pointed out, 'a history of this kind is faced by the inevitable difficulty of striking a compromise between a thematic and a chronological approach' (Legge 1956:vii). Although the chronological approach sometimes makes it arduous to follow through a particular aspect of the topic, for example shipping or price stabilization, it has been chosen because the foremost objective of this monograph is to tell a story of interest and value to Papua New Guineans, including those not directly involved in the copra industry.

Acknowledgments

This monograph is based on my thesis, 'A History of Markets, Marketing and Price Stabilisation in the Copra Industry of Papua New Guinea, to 1975' (University of New England 1986).

I am grateful to Dr E.K. Fisk of the Research School of Pacific Studies in the Australian National University who showed me his method of research and, like other members of the School, in particular Dr H.N. Nelson, gave valuable advice.

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The staff of the Australian National Archives, National Archives of Papua New Guinea, Mitchell Library, National Library of Papua New Guinea and University of Papua New Guinea Library courteously gave expert assistance.

Many people in Papua New Guinea, in particular Mr W.H. Dutton, M.P.; Mr M.B. Hart, Coconut Products Ltd; Sir Tore Lokoloko; Mr J.M. Middleton, Kulili Estates; and Mr M. Rarua-Rarua, M.P., readily responded to my enquiries.

The Copra Marketing Board of Papua New Guinea facilitated my research when I worked for the Board as a special project officer from January to May 1975, and it supported the final research in Papua New Guinea eleven years later. On both occasions, the Board allowed me unrestricted access to its records. Sir John Guise, current chairman, Mr W.J. Grose, his predecessor, Mr J. Bae, current general manager, and Mr D.J. Stewart, his predecessor, and their staff were unfailingly helpful.

My greatest debt of gratitude is to the supervisor of my thesis, Professor Malcolm Treadgold, who was as patient with my academic shortcomings as he was painstaking in encouraging my research and writing.

The maps and graphs were drawn by cartographers in the Research School of Pacific Studies, Australian National University, who used as a basis a map and graphs drawn for the

original thesis by the late Edgar Ford, of the Australian School of Pacific Administration.

Photographs 5 and 6 were kindly supplied by Coconut Products Ltd of Rabaul.

H.J.
Angaston, S.A.
December 1987

A note on currencies and weights

Monetary values expressed in English, German, Dutch or other currencies have been converted to Australian currency where appropriate and possible, e.g., for the tables of copra production over a long period. The conversions are based on information supplied by the Reserve Bank of Australia.

Amounts expressed in \$ or £ are Australian dollar/s or Australian pound/s unless otherwise indicated.

Weights have been quoted in tons or tonnes, depending upon the source of the information.

Abbreviations

AA	Australian National Archives
ACC	Asian Coconut Community
AN & MEF	Australian Naval and Military Expeditionary Force
ANGAU	Australian New Guinea Administrative Unit
ANGPCB	Australian New Guinea Production Control Board
BAE	Bureau of Agricultural Economics (Australia)
BAS	Business Advisory Service
BMOF	British Ministry of Food
BNG	British New Guinea (British Protectorate over southeastern New Guinea and adjacent islands from 1884 until 1906)
BNGD	British New Guinea Development Co. Ltd
BP	Burns Philp & Co. Ltd
CISB	Copra Industry Stabilisation Board
CISF	Copra Industry Stabilisation Fund
CMB	Copra Marketing Board of Papua New Guinea
CPL	Coconut Products Ltd
CSIRO	Commonwealth Scientific Research Organisation
CW	Colyer Watson (N.G.) Ltd
DASF	Department of Agriculture, Stock and Fisheries
DET	Department of External Territories
DHPG	Deutsche Handels- und Plantagengesellschaft der Südseeinseln zu Hamburg
DI	Dylup Industries
DPI	Department of Primary Industry
ECAFE	Economic Commission for Asia and Far East
EEC	European Economic Community
FAO	Food and Agriculture Organisation of the United Nations
FMS	Fair merchantable standard [grade of copra]
FOSFA	Federation of Oils, Seeds and Fats Associations
GATT	General Agreement on Tariffs and Trade
GNG	German New Guinea (German Protectorate over northeastern New Guinea and adjacent islands from 1884 until 1921, terminated *de facto* in 1914 by the activities of the Australian Naval and Military Expeditionary Force)
GOC	General Officer Commanding
GOPPMB	Groundnut and Oil Palm Produce Marketing Board
HofA	House of Assembly
IASC	International Association of Seed Crushers
ILO	International Labour Organisation
KPM	Koninklijke Paketvaart Maatschappij
LDC	Less Developed Countries
Legco	Legislative Council
MHA	Member of the House of Assembly

Mk	Mark/s
ML	Mitchell Library, Sydney
MLC	Member of the Legislative Council
MP	Member of Parliament
NA	National Archives of Papua New Guinea
NDL	Norddeutscher Lloyd
NGC	Neu Guinea Compagnie
NIOP	National Institute of Oilseed Producers
OIC	Officer-in-Charge
OX	John Oxley Library, Brisbane
PANG	Planters' Association of New Guinea
PAP	Planters' Association of Papua
Papua	Territory of Papua (Australian Territory from 1906 until 1975; under joint administration with the UN Trust Territory of New Guinea from 1945 until 1975)
Pf	Pfennig/s
PIM	*Pacific Islands Monthly*
RSS&AILA	Returned Soldiers, Sailors and Airmen's Imperial League of Australia
STC	Steamships Trading Co. Ltd
TNG	Trust Territory of New Guinea. (Called Mandated Territory of New Guinea when a 'C' Class mandate entrusted to Australia by the League of Nations from 1921 until 1945; thereafter a United Nations trusteeship entrusted to Australia until 1975. Under joint administration with the Territory of Papua from 1945 until 1975.)
TPNG	Territory of Papua New Guinea (Administrative union of (Australian) Territory of Papua and UN Trust Territory of New Guinea, 1945 to 1975)
UNCTAD	United Nations Commission for Trade and Development
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organisation
UPNG	New Guinea Collection, University of Papua New Guinea
PHC	High Commission for the Western Pacific
WRC	W.R. Carpenter & Co. Ltd

Chapter 1

Introduction

Cocos nucifera, the coconut palm, may have reached the Pacific before the first settlers who, it is generally believed, came from Southeast Asia. After all, the fruit of the palm, the coconut, is buoyant in salt water when its 'skin' is dry, and it has been found floating a long way out of sight of land. It is very likely that the canoes of the first settlers from Southeast Asia had coconuts among their cargoes, because the nut's high value as a liquid as well as a solid food is matched by its storage qualities.

The coconut palm is ubiquitous in the small island nations of the South Pacific, and even in the larger ones, such as Fiji, New Caledonia and Western Samoa, there are few localities without coconut palms. This is not the case in Papua New Guinea, where about one-half of the more than 3.5 million people on a land area of 461,690 sq. km live in places where the palm cannot exist.

Cocos nucifera can be grown at altitudes exceeding 600 m, in poor soils and under conditions of periodic drought or heavy winds. But its cultivation as a cash crop is best undertaken where the annual rainfall is at least 1650 mm, the temperature is generally between 21°C at night and 32°C in the daytime, there is plenty of sunshine and the soil is light (Lambert 1970:1-2). Tolerant of salinity and sandy soils, the palm is found along the seashores, but it yields best on rich volcanic or estuarine soils, provided that they are not waterlogged. It does not like extreme variations of temperature and humidity (Commonwealth of Australia, BAE 1953:1).

The nut consists of an exocarp, endocarp and endosperm, within which is a fluid varying in quantity and palatability according to the degree of the nut's maturity. In the fully ripe coconut, which alone is suitable for the manufacture of copra, the exocarp or husk is coarse and fibrous, the endocarp forms the hard shell, the endosperm or kernel is firm and rich in oil, and the fluid, which fills about one-third of the endosperm at this stage, contains a high proportion of salts, mainly of potassium (Pieris 1955:1). The fluid is frequently referred to as 'coconut milk' although the more accurate and customary term is 'coconut water'. 'True coconut milk is the white, creamy fluid expressed from the grated, fresh kernel and widely used in the preparation of oriental foods' (ibid.).

About 50 per cent by weight of the fresh kernel consists of water which has to be partially evaporated in order to produce the commodity known as copra. Copra, then, is the dried kernel of the coconut. In Papua New Guinea, mature nuts are collected after they have fallen from the palm. They are then husked by impaling them on a sharply pointed stick, firmly set into the ground, and peeling off segments of the husk. The shell is then broken into two with a knife and the kernel is removed and dried. There are several methods of drying copra, namely:

(i) direct solar heat with the aid of natural air currents;

(ii) direct heat from open fires in driers of various degrees of heat;

(iii) a combination of both these methods;

(iv) indirect heat in simple, home-made, natural draught hot-air driers; or

(v) indirect heat in patent driers employing either natural or forced draught.

Sun drying is the oldest, easiest and slowest method of copra manufacture. It is not practical where large quantities have to be handled or where there is not a reliable, protracted dry season. The use of open fires, 'smoking', frees the producer from the vagaries of the climate but it often results in scorched and soot-blackened copra of poor quality. Ceylon drying is by far the best method where expensive mechanical equipment and diesel fuel are not warranted or cannot be afforded. The Ceylon kiln for village production or use on any but the largest plantations is a simple structure, consisting essentially of a fire pit, a copra grill or platform, a corrugated iron roof fitted with a jack-roof, and a covered working verandah. There are many different designs and sizes to suit particular conditions and individual requirements, and use of locally available materials such as unfired mud bricks, round timber, coconut trunks and black palm slats greatly reduces the cost of the kiln (Pieris 1955:17).

To the Pacific islander, the milk of the unripe coconut is a prized beverage, the only one on islands lacking potable water or rain catchments. The meat of the coconut is scraped from the shell and eaten either by itself or mixed into mashes of yam, taro or sago. The oil from the kernel is either mixed with food or used as a salve or cosmetic. Spoons and carved ornaments are made from the shell and cord from the fibrous husk, and building timber, furniture and utensils from the trunk of the palm. The palm's leaves are woven into baskets, hats and body adornments, and used to thatch huts, sheds and other buildings. Among some groups of islanders, such as the Kiwai of the Western Province of Papua New Guinea, the flower of *Cocos nucifera* is tapped for a sap which is allowed to ferment into an inebriating drink (Oliver 1962:136).

The coconut palm has, understandably, been the Pacific islander's inseparable companion since settlement began, and copra has affected the lives of the people more than all other products put together (Oliver 1962:90) except, of course, in localities such as the highlands of Papua New Guinea where the palm does not grow.

The use and value of coconuts in barter and other transactions not involving non-traditional money have always been considerable in Papua New Guinea.[1] It has been of particular importance where coastal and islands people needed an easily obtainable good to offer to inland people in exchange for foodstuffs such as cabbages and dried wallaby meat, betelnuts, bows and arrows, and bird feathers. Until the late nineteenth century when the villagers began to expand their coconut groves to sell nuts and copra to white traders and planters, few tribes owned more than a handful of palms. Only a small number of communities, such as the Siassi islanders, had an abundance of coconuts; while even on the coasts of the mainland and New Britain the nut was a rare delicacy. In Vitiaz Strait, the Sio exchanged their pots for Siassi coconuts, and the Tami 'deemed their coconut monopoly so important that nuts taken across to the mainlanders were broken into two to prevent their being planted' (Harding 1967:32). Coconuts were the most common staple in the barter at regular market-places such as Biotou (Kairuku District) and Mawatta (Daru District).[2] The Roro sent coconuts, sugar cane, bananas, sago and feathers to the Motu and Koita, in exchange for armshells and shell ornaments (Tueting 1935:31). The main objective of the Hula's annual trading voyages to Hanuabada was to exchange coconuts for earthenware cooking pots (Stone 1876:39). There, as in eastern Papua, coconuts helped to feed the crews of canoes that maintained a trade cycle central to the participants' existence.

Among some groups, ownership of palms and bartering of nuts were privileges of 'big men' or chiefs. In the Trobriand Islands, for instance, Lieutenant-Governor Murray was told that '[e]ven if a commoner possesses coconuts, the chief practically claims all the nuts... Should the rightful owner show any hesitation, a

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[1] Compare the use made by some tribes of traditional money, such as diwarra (spondylus shell) by the Duke of York Islanders, and ndap (spondylus shell) and kö (greensnail shell) by the Yela on Rossel Island. Western currency came into use gradually. (See Chapter 3 concerning German legislation prohibiting the use by whites of traditional money for purchasing coconuts.)

[2] D'Albertis (1881) makes many comments on this.

message reaches him that if he is not careful he will die suddenly' (Murray 1912:126).

In the Tasman Islands, coconut shell discs were currency:

> Small discs made out of coconut shell, 6 to 7 mm in diameter, with a hole bored throughout their centre, are strung together alternately with similarly sized discs of white shell, and the strings used as currency in the Tasman Islands (Nukumanu). Strings consisting solely of coconut shell discs are also used, each about one metre in length, with five strings, knotted together, making up one unit of currency.[3]

Coconuts often had a place in ritual and magic. During a visit to the Baimuru area in 1909, Murray was informed that 'if, after killing a man, you sit on a coconut, with a coconut under each heel, and get your daughter to boil the man's heart, you may drink the water in which the heart is boiled, and may eat a little of the heart, but you must be sitting on the coconuts all the time' (Murray 1912:180).

There were many market-places, such as the ones at Biotou and Mawatta, along the coasts of the mainland and the islands.[4] The exchange value of items was determined by the laws of supply and demand: for instance, where drought had caused a diminution of the taro crop of inland villages but had not affected the coconut palms on the coast, the regular barter value of, say, five coconuts for twenty taro would give way to one of seven or more coconuts.

Traditional barter was thus a very relevant introduction to the cash trading which later entered the lives of the villagers.

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[3] Parkinson (1907:544 and 799). Unless otherwise indicated, translations of documents, excerpts from books, etc. in German or French, are by the present writer.

[4] See, for instance, Stone (1877:34-67) and Romilly (1887:14).

Chapter 2

Blood on the coconut

Early trading in nuts and oil

The copra trade in Papua New Guinea had its beginnings in the second half of the nineteenth century, but the trading in coconuts and coconut oil with foreigners has a much longer history. It is very likely that the barter of coconuts beyond traditional markets commenced with the first contact between islanders and foreigners.

If nothing else, the written accounts of renowned sailors such as Ynigo Ortiz de Retes in the *San Juan*, whose men had to use muskets to ward off arrows from Luf Islanders while seeking coconuts on 2 August 1545; Willem Cornelisz Schouten whose crew in the *Eentracht* bartered iron nails and trinkets for coconuts and pigs with the people of Namatanai Bay on 26 June 1616; Abel Janszoon Tasman in the *Heemskerck* who gave glass pearls for the Tabar Islanders' coconuts on 6 April 1643;[1] and Philip Carteret in 1767, remind us that it was well over two hundred years before the beginnings of the copra trade that the worm of European technology began to eat into the apple of the Pacific paradise. By the end of the seventeenth century, bartering coconuts with crews of Manilamen had become a frequent occurrence for the warlike Ninigo and other para-Micronesians on islands west of Manus Island.[2] It is important, too, to keep in mind that, on some occasions, there was more than just bartering at sea, between sailing ship and canoe. On 7 September 1767, for instance, sailors from Carteret's *Swallow* took more than 1000 coconuts from village groves on the south coast of New Ireland (Wichmann 1909:I, 195).

1 See Wichmann (1909:I, 25, 64 and 91) concerning Ortiz de Retes, Schouten and Tasman respectively.

2 'Manilamen' was the contemporary English word for the galleons which carried silver from Central and South America to Spain.

As Papua New Guinea's many societies remained pre-literate until recently,[3] we do not have written accounts of the barter by the Melanesian participants. Even so, it cannot be doubted that the metal tools, such as adzes and knives, which came into the islanders' possession through barter for coconuts, pigs, etc., started off the kind of far-reaching technologically-induced economic and social changes described by Salisbury in respect of the Siane of Simbu Province in the 1930s (Salisbury 1962). The introduction of metal tools and, for about three decades from the middle of the nineteenth century, firearms, greatly reduced the amount of energy and time spent in subsistence gardening, house construction, canoe making and hunting. Iron pots did away with the laborious manufacture of wooden or clay containers. And the social structure, 'while resistant to direct European influence, was slowly undermined from within as a result of the technological changes... [and] there was now more time for local politics and warfare...' (Shineberg 1967:162).

By the middle of last century, many coastal people in what are now the East New Britain, New Ireland, Manus and Northern Solomons provinces, and some on the north coast of the mainland, had watched foreign sailing ships at anchor, and a few had had dealings with their crews. The largest vessels, most of them out of Sydney, were on their way to China, the Philippines, Netherlands East Indies, or Malaya.[4] Most of the earlier callers had been whalers, sandalwood collectors, bêche-de-mer fishermen, or buyers of coconut oil, in cutters, brigs, whale boats and other small craft. They obtained their cargoes by barter or, not infrequently, by theft. Violent encounters between crews and islanders, with injuries or deaths on both sides, were far from uncommon, and it was only the islanders' keen and growing desire for the foreigners' goods which made them avid for barter even though it might involve risking limb or life.

The foreigners, too, continued to brave danger, because the increasing demand for coconut oil and, later, copra made bartering more and more lucrative. In 1879, about the time when the first trading stations were permanently established in the Bismarck Archipelago, the cost of producing one tonne of copra from nuts obtained from villagers was no more than the equivalent of $4 Australian while the London market price stood at $A43.44 (Blum 1900:169). The following account of one fracas illustrates what

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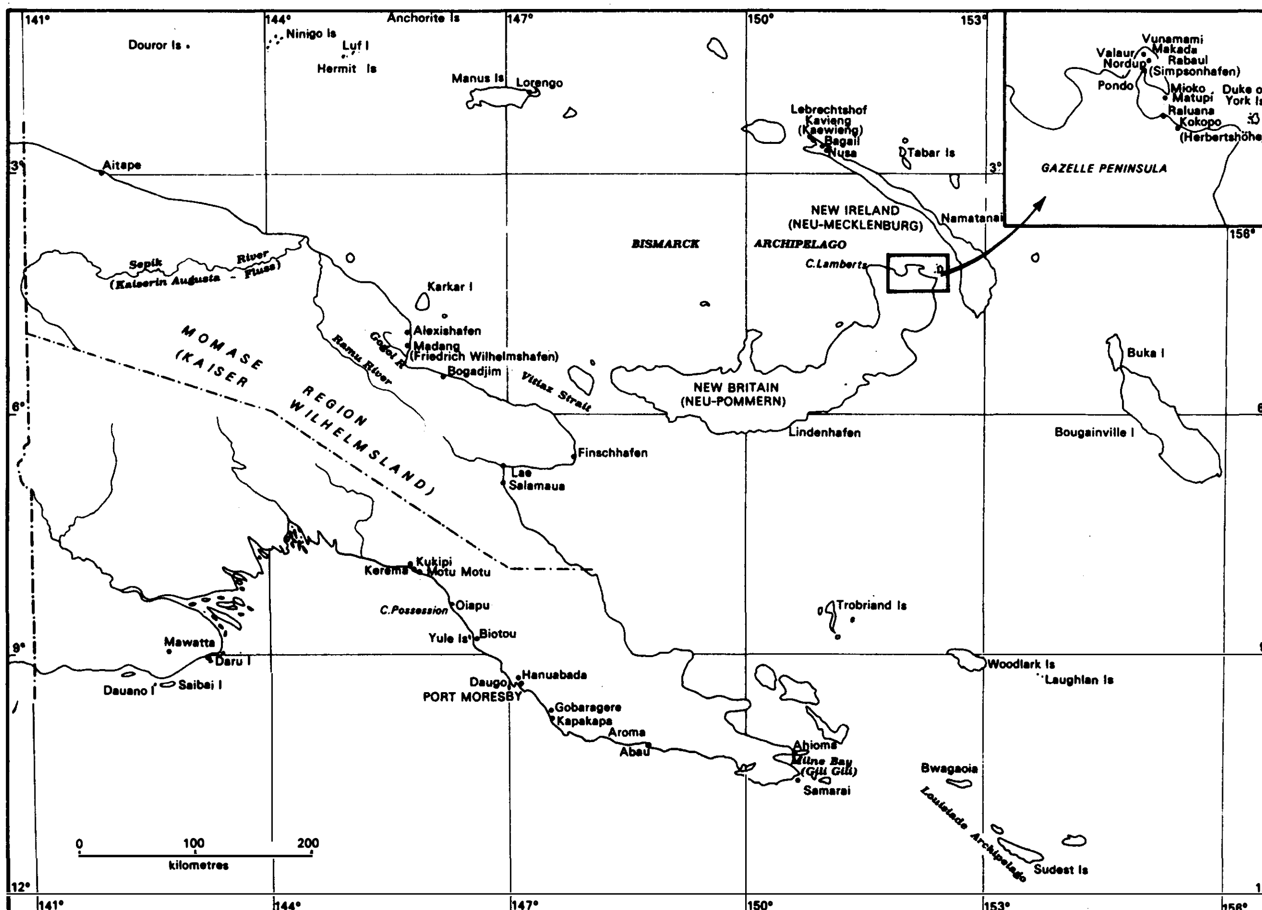
[3] In pre-colonial times, the area which is now politically one entity, the independent state of Papua New Guinea, was inhabited by very many groups, some of them consisting of fewer than 100 persons, speaking mutually unintelligible languages. Political authority, in the modern sense, rarely extended beyond the village. 'Pre-literate' is the term used for people whose culture has an oral tradition but not a written one. In Papua New Guinea, there was no form of writing in pre-colonial times.

[4] The year 1843 saw the first steamer in Torres Strait, on its way from Sydney to Singapore. The first regular steamship service between Australia and Singapore was inaugurated in 1848, followed by sailings on side routes to New Guinea, the Marshall Islands, and other areas. See, for instance, Wichmann (1910:58).



Map 2 **Areas of early copra production and export**

sometimes happened during the years when blood stained the coconut:

> On the afternoon of the previous day... several natives came on board, with a few strings of copra, i.e. dried cocoa-nut kernel, to barter. And when stooping down to get some articles from his trade-box he saw the shadow of one of the natives raising his tomahawk. Starting back he was in time to draw his revolver, and before the blow descended, he shot his assailant and then emptied his revolver into the others. This affair... made no difference in his relations or dealings with the natives ashore, as they were always on the lookout to take him unawares, loot his ship and burn her hull... As they chanced the risks, they put up with the penalties, the blame rested alone with the dead, and bygones all were bygones... (Rannie 1912:27-8).

There was also the case of Captain Alfred Tetens. Looking for bêche-de-mer and coconut oil in the Ninigos in 1865, he must surely have believed himself on the threshold of much profitable business. After all, his brig, the *Vesta*, had been sent by J.C. Godeffroy & Sohn, the well-established Hamburg merchants whose South Sea enterprises excelled those of other firms. But when Tetens called two years later, he was wounded in the chest by a spear during a melée (Schmack 1938:174-6). Clearly, trading in New Guinea waters was much more hazardous than plying on the Elbe or in the Baltic Sea. Those stay-at-homes in the Fatherland could continue to want fine soaps, but they would have to dig deeper into their pockets. Buying coconut oil from warlike savages, not to mention the cannibals among them, was a costly business in more ways than one as the oil was rarely better than a sludge, so that a considerable loss in volume occurred in its refining.

The greatest demand for coconut oil and its 'parent', copra, came from manufacturers of soap. Soap is manufactured by boiling oils or fats with caustic alkali, resulting in the formation of soap together with glycerine. In the language of chemistry, soap is the water-soluble organic, or paraffin-chain, salt of one or more of the complex fatty (organic) acids:

$$C_3H_5(RCOO)_3 + NaOH = 3\ R\text{-}COONa + C_3H_5(OH)_3$$

$$\text{Fat} + \text{Caustic soda} + \text{Heat} = \text{Soap} + \text{Glycerine}$$

It takes about two-thirds of one tonne of oils and fats to make one tonne of household soap. The cost of this raw material (oils and/or fats) constitutes 50 to 80 per cent of the total cost today, depending upon the market prices of oils and fats in their relation to wages and other manufacturing costs. Until the early 1920s, the staple product was 'pure soap' or 'built up (or "filled") soap', the latter a mixture of soap (66 per cent), soda ash (6 per cent), water glass (2 per cent) and water (Edwards 1962:126-7).

Captain Tetens did not need to fear that the demand for coconut oil would slacken. The rapidly growing populations of Europe's and North America's new industrial cities needed light and soap; their machines needed lubricants (Hancock 1964:159). When the supply of animal and fish oils and fats became unequal to the growing demand, the researches of the French scientists Leblanc and Chevreul showed how vegetable oils might make good the deficiency. The lack of adequate sources of alkali - then seaweed and limited natural deposits - was overcome when Leblanc developed a process for the production of soda ash, and hence caustic soda, from common salt, at the end of the eighteenth century. The chief obstacle to commercial manufacture thus removed, it was now mainly a matter of obtaining sufficient quantities of suitable oils and fats.

Table 2.1 shows how consumption of soap and saponic products rose in Great Britain and Ireland, and a similar, if not quite as dramatic, trend would most likely be demonstrated by statistics for other newly industrialized countries.

Table 2.1 **Population estimated consumption of all soap products, Great Britain, including Ireland, nineteenth century, selected dates**

Year	Estimated population (millions)	Aggregate consumption (tons)	Consumption per head (lb)
1801	15.0	24,107	3.6
1831	24.1	47,768	4.4
1861	29.0	104,000	8.0
1891	37.7	261,000	15.4

Source: H.R. Edwards, *Competition and Monopoly in the British Soap Industry*, London, OUP, 1962:135.

By 1851, the price of soap had come down to little more than half of what it had been fifty years earlier. The almost doubling of annual consumption between 1861 and 1891 reflects rising real wages. The soap industry in the United Kingdom was well established, even though the endeavours of a soap makers' association, formed in 1867 to set minimal prices, met with little success. By 1880, William Lever and his brother were on the way to developing their enterprise into the giant of the industry; they had settled on a soap formula containing 41.9 per cent copra oil or kernel oil, 24.8 per cent tallow, 23.8 per cent cotton oil and 9.5 per cent resin, which they continued to use until the early 1900s (Wilson 1968:I, 31-2). Lever Bros Ltd had 1.2 per cent of total UK sales in 1885 and was the dominant firm twenty years later, when it had 18.9 per cent. Its success was due to innovation, mainly in marketing. Its expenditure on advertising was 'prodigious by contemporary standards, about 12 to 13 per cent of the ex-factory value of sales of "Sunlight", on which product it was mainly concentrated' (Edwards 1962:149).

The margarine industry, then second in importance as a user of coconut oil and other oils and fats, was also growing rapidly. After the establishment of the Koninklijke Paketvaart Maatschappij (KPM) in 1888, increasing quantities of copra became available from the Netherlands East Indies and, in turn, from the Malay States, the Philippines, and the Pacific islands. Growing demand by margarine manufacturers led to the setting up of copra crushers in Germany and France (Wilson 1968:II, 37). The market was thus wide open to New Guineans selling coconuts or copra, and to the white foreigners in their islands who traded with them.

Establishment of trading stations

When Eduard Hernsheim and his brother Franz, young men from a cultured and wealthy German family of Jewish descent, arrived in Port Hunter, Duke of York Islands, on 15 October 1875, in their schooner *Coran*, they were met by the Methodist missionary George Brown and his Fijian assistants, who had landed there five weeks earlier. The Hernsheims, in search of copra, had already come across J.C. Godeffroy & Sohn's trading vessels in the eastern Carolines. In the Western Islands, they had learnt from Lieutenant-Commander Saunders of HMS *Alacrity* that he had been unable to hire an interpreter from the Duke of York Islands because the German schooner *Franz* had taken twenty men from there a year earlier, all of whom and some of the *Franz's* crew had later been massacred on the New Guinea mainland.

Godfrey & Sohn had already landed white traders at Matupit and Nordup in 1874, but they had closed the stations after one trader had been murdered and his station burnt down. During the next three years, Eduard Hernsheim established a trading relationship with the people in the Marshall Islands and in the Bismarck Archipelago, but it was an enterprise fraught with danger, even though, according to Hernsheim, he managed to make friends with some of the islanders. There is no doubt that drunkards, swindlers and brawlers abounded among the whites who, on their own account or as employees of the Godeffroys or the Hernsheims, were trading with islanders for coconuts and copra. To quote Hernsheim, 'In this land where there was neither law nor Government, we had less to fear from the savages than from filibustering white men...' (Hernsheim 1983:63). But, as his diary makes it clear, those 'savages' gave a good account of themselves: they killed many white traders and burnt down trading stations, in retaliation for inhuman treatment and killings inflicted upon them, or to settle genuine or perceived grievances.

It soon became clear to Hernsheim and the other whites that trading from schooners and the like was not only much more dangerous than trading from a station on land, but was also far less profitable. The villagers were unable or unwilling to produce coconut oil of better than dirty sludge 'quality' and, in any case, buyers in Europe and North America now wanted copra because they had set up mills for efficient extraction of the oil and there was a market, as cattle feed, for oil cake, a by-product of the milling. The whites, therefore, began to set up stations, where coconuts were bartered or bought from villagers and made into copra. New Guineans employed on the stations learnt to make commercially acceptable copra; some acquired enough business sense to become middlemen, linking the stations with their village communities. The stations, moreover, offered a better means of achieving peaceful relations with the islanders than was possible from aboard infrequently visiting ships. Peaceful relations were essential if the copra trade was to flourish.

A trading station could be set up by an enterprising German trader with 600 marks' worth of provisions for its manager and about that much in value of goods for barter, and to pay for 'bush' materials and construction of the trader's house and store. Usually, his accommodation and store were in one building, to make pilfering difficult and to make it easier to fight off attacks by the locals. On stations such as Matupit and Mioko, which lacked a spring or river, tanks had to be installed, not only for the trader's use but also for use by visiting ships (Finsch 1888:24).

Now and then a white trader managed to make friends with the local people. Upon learning that Captain Ferguson had been murdered, Torugud, a Tolai 'chief', 'fairly howled in his sorrow and anger... destroyed his own plantation, burnt and destroyed all the clothing and other presents... given to him by Captain Ferguson... and observed other forms of mourning according to native custom for a near relation' (Brown 1908:377). In general, though, even the switch to trading on land did not remove the tensions on both sides until the end of the first decade of this century. The very location of a trader 'conferred advantages on his host community' which 'aroused jealousy of others who had to pay more for trade goods bought from village intermediaries'. Some traders entered inter-village politics, even inter-village warfare:

> [William] Leonhardt, for example, joined Johann Lundin to trade for Hernsheim at a village in north-east New Ireland in October 1896. The village was at war with the Medina people, who, led by former police, attacked and wounded the two traders and their Buka labourers in March 1897, forcing them to abandon the trading post (Firth 1983:54).

Traders sometimes became part of intra-village politics, whether they liked it or not (ibid.).

If it had not been for the lucrative copra trade, there would have been no reason to establish trading stations, as labour recruiting, the other major money-making activity which attracted whites to the islands, was done from ships. The labour trade merits a mention here because some of the attacks on white copra traders reflected the villagers' experience with labour recruiters who, in the early years of the trade at least, richly deserved the opprobrium conferred by the name 'blackbirder'.[5] Dr Otto Finsch, who paid two visits to New Guinea, had no doubts that the recruiters' reprehensible practices, not any innate thirst for blood or savagery on the part of the islanders, were the main cause of attacks on individual whites (Finsch 1888:26). The accounts of contemporary whites indicate that more than one hundred traders, recruiters and other foreigners were killed during the years from 1860 to 1910, but they do not give the number of New Guineans who met the same fate, though that number must surely have been much higher. The Imperial Government in London had passed legislation in 1872 to prevent kidnapping, that is, the illegal removal of islanders to places of employment elsewhere, but it was not until the late 1890s that the labour trade was relatively free of its worst features. By then, as Peter Corris has pointed out, many island communities had such a yearning after the white man's goods that a growing number of islanders willingly went to work in Queensland, Fiji, Samoa and elsewhere.[6] By then, too, the demand for axes, knives and the other goods offered during the 1880s and earlier had expanded into a desire for cotton goods, saucepans, buckets, scissors, mirrors, matches, talcum and body paints as well, and these were fast becoming essentials in village life (Finsch 1888:136-40). In the mid-1880s, trading for coconuts, copra, bêche-de-mer, etc., was still entirely by barter. Stick tobacco ('niggerhead'), made from American leaf cured in molasses, knives, axes, fish hooks and glass pearls were the main items bartered. Earlier still, firearms and ammunition had also been given for copra and other produce, and to 'pay' for labour recruits. One of the German administration's first acts, in 1885, had been to prohibit the sale of firearms to New Guineans and to confiscate firearms held by them. On the positive side, the labour trade, through the New Guineans who returned, brought not only new tools for gardening, hunting, building and canoe making, and new domestic goods, but also introduced the concept of cash cropping and some understanding of money as a means of exchange and store of value (Power 1975:23).

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[5] See, for instance, Docker (1970) and Corris (1973).

[6] Corris (1973:37) says that firearms and ammunition were 'essential aids to recruiting'.

By the early 1880s, J.C. Godeffroy & Sohn and the Hernsheims were not the only operators in the Bismarck Archipelago. There were sole traders, such as Peter Hansen, a Dane, in the Duke of York Islands. Hansen later moved to the French Islands where bartering $1.50 worth of trade goods gave him enough coconuts to make a tonne of copra, and he then sold the copra to Mrs Farrell at Ralum for $16 to $20 per tonne. At first, Hansen obtained no more than 70 tonnes per year but, after the 1894 smallpox epidemic had decimated the Witu Islanders, he was able to get as much as 350 tonnes.[7] No longer having enough manpower to maintain their gardens, to hunt or to fish, the people depended upon imported foodstuffs, such as rice and tinned meat, which they had to buy. They were thus forced to take the first step into the cash economy of the outside world - and copra was the only currency available to them.

A handful of islanders had begun to operate as middlemen not long after J.C. Godeffroy & Sohn had stationed agents in the Duke of York Islands. The middlemen obtained nuts or copra from fellow villagers, using trade goods as 'currency', and bartered the nuts and copra with white traders, from whom they received trade goods. The rapid emergence of New Guinean intermediaries is not surprising as quite a few islanders had already had a brief look at commerce in Australia. Alick of Nordup, near what is now Rabaul, who had worked on a schooner plying in Queensland waters and had visited Sydney well before Germany annexed northeastern New Guinea, was one of them.[8]

There were also the white masters and Melanesian crews of vessels trading between Australia and New Guinea. A skipper would leave Sydney with a hundred pounds' worth of coloured calico, necklaces, mirrors, tomahawks, knives, mouth organs, umbrellas, clay pipes and tobacco. As a sideline, he would take scores of dogs which he had bought from street arabs in Sydney for from two to three coconuts apiece, 'always exercising sufficient tact not to question the boys how they got the dogs'.[9] He returned to Sydney with a cargo of coconuts, coconut oil, tortoise shell, birds, feathers, artefacts, pearls and 'other odds and ends'. As he often managed to exchange, say, a dog for ten parrots in the islands, and outlay one penny (the price of a stick of tobacco) for three coconuts, it could give him as much as £5 for an outlay of a few pence.[10]

How much can we rely on Finsch's report that the trade values among the Tolai in 1887 included 10 ropes of *diwarra* (shell money) equal to a pig weighing about 80 kg; 1½ ropes equal to one

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[7] Rabaul Record, I:5 (1916:11-12).

[8] Ibid., II:11 (1917:9).

[9] Ibid., I:5 (1916:10).

[10] Ibid.

bag of fresh, finger-cut copra; and 20 ropes equal to one elderly woman? (Finsch 1887:562). And what about his comment that 1880 and 1881 were 'the golden years', when one stick of tobacco worth 4 Pfennigs (Pf) brought fifteen coconuts, a clay pipe (2 Pf) ten, and one hundred sulphur matches (30 Pf) one hundred, so that one tonne of copra, needing about 6000 nuts, could be made for between 12 and 18 Marks (Mk)? The people, states Finsch, were paid one stick of tobacco for a day's labouring, and there was no difficulty in loading and unloading ships. Some traders made daily trips by cutter to village markets, usually buying 6000 nuts. By 1884, however, the villagers were making and bartering quite a lot of green copra, and they wanted four times as much in goods for nuts than they had three years earlier. Their demand for adzes, front-loading muskets and the powder, flints, etc., that went with them, and for tawdry decorations, had been satisfied, and they now wanted military rifles (Finsch 1887:326). The copra prices on the European market, high and constant at Mk450 per tonne in the late 1870s, were much lower throughout the next decade, for example Mk285 in 1882, Mk370 in 1883, Mk320 in 1884, and Mk300 in 1885. Sydney prices were less (Finsch 1887:528).

The recorded observations of other travellers do not provide reliable information. What was 'one crown of diwarra' for which traders received 'one thousand francs worth of copra? (De Tolna 1904:89). Can Von Hesse-Wartegg be right in telling us that copra producers at Bagail near Kavieng in 1900 were paid in trade goods or traditional currency, not in money, although we know that the Bagail people's traditional trading partners on the Gazelle Peninsula were receiving cash? (Von Hesse-Wartegg 1902:121). And what about Carl Ribbe's assertion that owners of coconuts in the Solomon Islands rarely bartered with white traders, had no idea of the value of coconuts, and used local middlemen, who took their cut? The barter values in Table 2.2 are revealing.

By 1895, the 'golden years' were no more. At Roviana in the Solomon Islands, for instance, competition among white traders and low prices on the European market kept traders' margins small. The one shilling paid for a string of one hundred coconuts would have given a fair profit had not many strings contained fewer than one hundred and, because of the fierce competition, traders had been forced to pay one shilling even when a string had only sixty nuts. With 6000 nuts to the tonne, worth £7 or £8 to the trader, there was not much left for the trader when he had to give goods worth £6 for what purported to be 10,000 nuts but was, in fact, about 6000 (Ribbe 1903:233). Was Ribbe as competent an observer of commerce as he was a collector of zoological specimens? We shall never know. But we are on safe ground in assuming that, generally speaking, the copra trade was lucrative for the whites engaged in it. Several of the traders had already tried their luck in other parts of the Pacific (Firth 1983:47), and no one,

Table 2.2 **Barter values in coconuts and cash of various goods, 1895**

Item	Value (Mk)	Coconuts	Money equivalent paid for 100 coconuts (Mk)
Length of calico	0.65	100	0.65
Clay pipe	0.025	10	0.25
Axe	1.00	100	1.00
Short knife	0.40	50	0.80
Large knife	1.00	100	1.00
Piece of twist tobacco	0.025	10	0.25
Box of wax matches	0.04	10	0.40
Jew's harp	0.15	30	0.50

Source: K. Ribbe, *Zwei Jahre unter den Kannibalen der Salomo-Inseln*, Dresden, 1903:95.

not even a down-and-out boozer wanted by the police in his homeland, would have risked life and limb for less than a quick fortune. It is clear, too, that Sack's comment on Eduard Hernsheim's reminiscences and diary goes for all of the New Guinea copra trade from the 1880s on:

> it is clear that... [the islanders]... occupied the centre of the stage, not only as producers of coconuts, not only as labourers, not only as consumers of European trade goods, but also as essential middlemen in the two-way trade process and as a potentially decisive political force (Hernsheim 1983:iv).

The first notable copra traders in the Bismarck Archipelago, J.C. Godeffroy & Sohn and the Hernsheims, organized and developed their activities in the light of their experiences in the Marshall and Caroline Islands. The rapid growth of the copra trade in the Archipelago, dependent upon shipping, owed much to those two enterprises' ownership or chartering of sailing ships and steamers to carry copra from, and trade goods to, the Micronesian island groups.

Because Eduard Hernsheim appears to have been the only copra trader who has left a fairly detailed account of his activities, he must be our main source of information. In 1878, the Hernsheims, using their first steamer, the *Pacific*, began to place white agents at Raluana, Makada and other coastal villages, and they consolidated their head office on Matupit Island. By then, J.C. Godeffroy & Sohn's headquarters at Makada was fully in operation and, in response to a submission from Eduard, the German Foreign Office had advised that the imperial flag would soon be shown and the Hernsheims' (and, one assumes, other German traders') stations would be protected (Hernsheim 1983:39). The Hernsheims' trading extended to several groups in Micronesia, and the two brothers or their representatives also visited Hong Kong, Manila and Australian ports for supplies of trade goods, building materials and, equally important, coal for their steam vessels. The following extracts from Eduard's reminiscences reflect the importance of shipping to the copra trade:

> [1878] In the meantime our ship *Elise* had arrived here [at Makada] from Hamburg and landed a cargo of coal, trade goods and a prefabricated house, and had then sailed to Jaluit [Marshall Islands] with the produce which had been collected... Two ships, the *Adolf* and the *Elise*, were now both lying in port here [Jaluit], and the *Adolf* still did not have a full cargo, so I had to make a trip to the neighbouring groups with the *Pacific* and was finally able to send the ship off to Hamburg with more than 900 tons of copra... This was most important, as our debt to Robertson had been very greatly increased by the purchase of the steamer and other necessary expenditure, and had to be reduced. A sharp rise in the market price of copra worked out in our favour, so that the *Adolf's* cargo, which was sold for about 450 marks per ton, brought in a profit of nearly 100,000 marks. Unfortunately this profit was absorbed by the expenses of the steamer *Pacific* and it became apparent that in the complete absence of jetties and repair facilities in the islands, too much time was lost for a ship like that to pay its way.[11]

Hernsheim sometimes chartered large ships to take copra to Hamburg. In 1879, with a new ship, smaller than the *Pacific*, he sailed to Cooktown and Sydney, to do business with suppliers and agents, and then visited New Ireland, northern Solomons and the Marshall Islands. He set up a trading station at Nusa, near what is now Kavieng, where teaching villagers to make copra was one of the trader's main tasks (Hernsheim 1983:57).

The Gazelle Peninsula and, to a lesser degree, the islands of the coral atolls west of Manus Island, had provided almost all of the coconuts and copra for the New Guinea trade, but New Ireland now became an important source. On 16 June 1880, Hernsheim was able to record that the *Pacific* had brought 58,000 lb of copra to Matupit; a fortnight later, 70,000 lb arrived, and 90,000 lb more on 8 August (Hernsheim 1983:131-5). From the

[11] Hernsheim (1983:43). R.I. Robertson, an uncle of the Hernsheims, provided considerable financial support at various times. He was a member of an influential Anglo-Hanseatic family.

ship's turnarounds, it appears that the station at Nusa provided its share. By then, too, Hernsheim had begun to tap the potential of New Guineans as agents or managers. J.C. Godeffroy & Sohn had led the way, with a Tolai trading on their behalf at Nordup, and another at Matupit, in May 1880 (ibid.:127). Three years later, Robertson & Hernsheim were to have a Solomon Islander temporarily managing their trading station in the Anchorite Islands (ibid.:87).

The copra trade received a considerable fillip when entrepreneurs such as the Hernsheims, Mrs Farrell[12] and, later, R.H. Wahlen converted their enterprises into limited liability companies. J.C. Godeffroy & Sohn, whose trading station in the Anchorite Islands in 1873 seems to have been the first (Firth 1983:9), had become a joint stock company in 1875, under the name of Deutsche Handels- und Plantagengesellschaft der Südseeinseln zu Hamburg (DHPG), in order to obtain more funds, through the sale of shares (Spoehr 1963:47). Although this had not rescued the personal fortune of Johann Caesar Godeffroy VI, it did not discourage the Hernsheims and others from forming companies. They, too, needed more money if their enterprises were to survive in a climate of growing competition.

The need for more money was partly due to the firms' wanting to acquire land and cultivate cash crops. In the first instance, though, the main impetus came from expenditures on small steamers and other vessels to carry copra from trading stations to anchorages where larger ships could call on their way to Europe or, less often, to Australia. Even in the mid-1800s, shortage of inter-island shipping, not lack of bottoms to Europe, still hindered the copra trade. In 1885, for instance, this was mentioned by a writer in the *Deutsche Kolonialzeitung*, who provided statistics of copra exports for that year (Table 2.3).

Eduard and Franz Hernsheim's enterprise became Robertson & Hernsheim, on the Hamburg companies register, in November 1881, with Mk600,000 share capital. Not long after, Eduard, on a visit to Germany, found that acquisition of colonies was still regarded as 'of very doubtful value' (Hernsheim 1983:76). But two years later there was increasing interest: 'Following on Dr Finsch's reports, a company was reported to have been formed in Germany with the idea of founding a venture... [in New Guinea] with substantial capital. Consequently the colonial authorities warmly welcomed all submissions from me', records Hernsheim (ibid.:80). As honorary consul, he had provided reports on German interests in

[12] Emma Eliza Coe, born in 1850 in Samoa, daughter of an American sea captain and a woman of the Malietoa lineage, married James Forsayth, a Scot, in 1869. She arrived in the Duke of York Islands in 1879, with her lover, Tom Farrell. In 1884, now using her married name of Forsayth, she took another lover, Agostino Stalio. After Stalio was killed by Fead Islanders in 1892, she married Paul Kolbe, a Germany army officer. Emma and Kolbe died in 1913. Because of her business acumen (which brought her a considerable share of the New Guinea copra trade and several plantations), her luxurious lifestyle and her lavish hospitality, she became known as Queen Emma (see Robson 1965).

Table 2.3 **Weight and value of copra exports, 1885**

	Tonnes	Value (Mk)
Deutsche Handels- und Plantagen-gesellschaft, Mioko	250	75,000
Hernsheim, Matupit	800	140,000
Farrell & Co., Ralum	500	150,000

Source: *Deutsche Kolonialzeitung*, 5, 1885:288.

the New Guinea islands, and certainly very many of those interests concerned the copra trade, specifically Hernsheim's involvement.

When Hugh Hastings Romilly arrived at Matupit in August 1883, as a deputy of the British High Commissioner for the Western Pacific to 'regulate' the labour trade, he 'gladly' accepted Eduard's invitation to stay with him until October, when HMS *Diamond* would call for Romilly. Eduard's residence was the most lavish in the islands; he employed an Irish housekeeper, French cook, Chinese servant, carpenters, gardeners, and sundry local helpers. He used a 40-ton racing yacht for 'short expeditions', and such essentials to the social niceties of the late nineteenth century as a piano were among his household effects. Eduard's guests, wrote Romilly, enjoyed 'a dinner, every night, which could not be equalled in any private house or club in Australia' (Romilly 1886:195). Here, indeed, was a white man for whom the copra trade was extremely lucrative.

By then, Eduard was looking for a regular, reliable supply of copra. Ownership of a plantation, already common in Samoa and on some other Pacific islands, would offer such a supply. As a first step, Hernsheim sought land near Matupit, well aware that

> the concept of land ownership was known here only in so far as it related to cultivated ground situated within a tribe's sphere of power. Once the crop had been harvested, the right of personal ownership lapsed here in exactly the same way as it presumably lapsed some thousand years ago in Germany, when apart from crop-land, there was only the 'common' of the tribe (Hernsheim 1983:81-2).

Eduard occupied 1000 acres although some Raulai and Ulapia people maintained that it was ownerless and one Tomulue, who claimed to own it, had not turned up to sell. Eduard, according to his diary, did not wish to be 'forestalled' by anyone else, having heard from Romilly that Richard Parkinson had gone to Biar to 'survey' about 70,000 acres which the Farrells wanted to claim (Hernsheim 1983:155). Eduard's competitors, especially the

Farrells whose attempts to grow coffee, cotton and tobacco had failed but whose coconut palms were doing fine, were now as hungry for land as he was.[13]

The whites' desire for more copra was the major factor in creating the 'land problem', through excessive and often illegal, sometimes also fraudulent, alienation of New Guineans' land. Land became one of the main causes of friction between New Guineans and foreigners. Neither the German nor the Australian officials who ruled the eastern half of New Guinea would solve the 'land problem'; and its impact upon politics in the islands would become a weighty factor in the emergence of political parties and, ultimately, of an independent nation. But, of course, Eduard Hernsheim and Emma Farrell knew this no more than did the officials of the Neu Guinea Compagnie (NGC) which, under imperial charter, was to administer northeastern New Guinea from 5 November 1884 (Moses 1969:49).

While the indigenous inhabitants of the Bismarck Archipelago and, to a much lesser degree, those of the northeast coast of the mainland of New Guinea, were increasingly subjected to evangelism and commercial pressure by whites, the traditional ways of most of the Melanesians in what was soon to become British New Guinea remained relatively undisturbed.

Luis Vaez de Torres, in 1606, had seen many Papuans, and several of his sailors had obtained coconuts from villages east of Cape Possession, and landed in several other places.[14] By the 1830s, whalers working the Solomon Sea frequently bartered with people in the Louisiade Archipelago, and crews of ships on their way from Sydney to China did so occasionally. By 1850, according to Nelson, many of the eastern Massim

> were accustomed to taking their canoes out to trade with the crews of passing ships; already some of the axes which men carried hooked over their shoulders were fitted with blades ground from hoop-iron, bolts and fittings from wrecked vessels; and stories how the Laughlan and Woodlark Islanders had killed more than twenty men from the whaler *Mary* in 1843 must have travelled the trade routes of the Massim.[15]

To the west of what is now Port Moresby, coastal villagers had more opportunities than before to barter coconuts and other local goods with foreigners. In the 1840s, for instance, there had been much barter with the crews of HMS *Fly* and *Bramble*

[13] The best account of this land grabbing is provided in Sack (1973).

[14] Parsonson (1967:144) quotes an extract from Prado's account of Torres's voyage taken from H.N. Stevens (ed.) and G.F. Barwick (trans.), New Light on the Discovery of Australia, as Revealed by the Journal of Don Diego de Prado y Tovar (1930:149-51).

[15] Nelson (1976:5). A particularly illuminating document is Legislative Council of New South Wales, Massacre at Woodlark Island of Crew and Passengers of Brig "Gazelle" (1857).

(Biskup, Jinks and Nelson 1970:19), and the villagers along the coast opposite the islands of Saibai and Dauan in Torres Strait had traded with whites for a long time. It was not until the 1870s, though, that regular contact between Papuans and foreigners commenced. While the labour trade, ubiquitous throughout the Western Pacific, only touched some of the islands, mainly Woodlark and the Laughlans, the activities of white pearlers, bêche-de-mer collectors and sandalwood gatherers engendered much hostility in many places. Even so, foreigners had not made much impact. Most of the Australian miners who had rushed to the Laloki near Port Moresby in 1878 had returned disappointed or left their bones (Nelson 1976:76).

Burns Philp arrives

But a great change was around the corner. When Deputy Commissioner Romilly arrived at Matupit, he knew that James Burns and Burns's partner, Robert Philp, had had their growing commercial enterprise incorporated a few months earlier, on 31 March 1883. With its head office in Sydney, £250,000 nominal and £186,000 issued capital, and its main assets at Townsville, Normanton, Thursday Island, Cairns and Charters Towers, Burns Philp & Company Limited (BP) commenced to expand its founders' interests in the islands (Buckley and Klugman 1981:22).

In the previous year Philp and others had formed Townsville Shipping Company as a cover for the operations of schooners recruiting Pacific islanders for work on Queensland sugar plantations. After BP had been incorporated, Philp openly sent out recruiting vessels. One of them, the *Hopeful*, 'was caught in one of the most notorious episodes' of the labour trade in 1884, and the chief justice of Queensland sentenced two of her crew to death for murder, and several others to imprisonment for kidnapping (Buckley and Klugman 1981:26). Not long after, James Burns took BP out of the labour trade. It was just as well, as 'Chinese, Malays, Queensland Aborigines, South Sea Islanders, Australians, Americans, Englishmen, Frenchmen, an Indian, an African and a Greek' had already been killed or were to suffer that grisly fate before the blackbirding ended in southeastern New Guinea in 1887 (Nelson 1976:6).

When the *Elsea*, a BP schooner, called at Port Moresby on the last day of 1883, it was her second trip on a three-monthly run between Thursday Island and Port Moresby, enabling anyone on the return journey to connect with steamers to Australia or the East Indies. BP was looking for copra, other produce and general freight, and for something else too: the *Sydney Morning Herald* of 29 September 1884 carried an advertisement of a trip on the *Elsea* to Port Moresby, the D'Entrecasteaux and other islands, which would offer 'Capital shooting and fishing'. The fare for the round voyage was £25 (Buckley and Klugman 1981:53). It seems that the company was backing Andrew Goldie, the first white storekeeper in southeastern New Guinea, who did business in Hanuabada. Moreover, BP had provided Theodore Bevan with a small steam launch to explore the interior (Bevan 1890).

In March 1883, Henry Chester, police magistrate at Thursday Island, had arrived at Port Moresby to annex southeastern New Guinea in the name of the Queen. His action, directed by the Queensland Government and supported by the governments of most of the other Australasian colonies, was repudiated by Lord Derby in July (Primrose 1968:65). By then, Prince Bismarck, the German chancellor, had come to see any further expansion of British imperialism in the South Pacific as a threat to his nation's global interests (Jacobs 1951:14-15).

A few months after the official annexation of British New Guinea (BNG) on 6 November 1884, Romilly proclaimed regulations which required that anyone wanting to enter BNG must obtain a permit. Among other things, the holder of a permit had to 'treat and pay Natives fairly', to 'conduct operations at own risk, on the understanding that neither the Special Commissioner nor any public officer of British New Guinea assumes any responsibility except in the case of official intervention which may be necessary', and to 'pay licence fee, duties etc.'. The first permits were issued to Christie Terflotte, Albert Kickbusch, Ernest Pries and John Schluter, who wanted to collect copra at Gili Gili, Milne Bay.[16]

Very few Papuans knew how to make copra and hardly any knew its value. Some Laughlan Islanders were among those few as one Tetzlaff, sent by the Hersheims, had a station on one of their islands. When it was burnt down by white competitors in 1884, Tetzlaff was moved to the Hermit Islands.[17] But the Papuans, like their fellow Melanesians to the north, learnt fast. In 1886, E.G. Edelfelt, a Swede trading on behalf of BP at Motu Motu, observed of the local people, the Toaripi:

> they can strike a bargain with anybody. I have known many of them to sit on my verandah a whole day arguing the price of coconuts, and rather than give their point, they would hide the nuts in some corner of my grounds, and perhaps appearing the next day again trying to sell them at their price (Edelfelt 1892:11).

A much-travelled and widely-read writer, Hume Nisbet, who met Papuans in the late 1880s, found that it took less effort to teach 'the clear-headed Papuan' than to teach 'the majority of

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16 National Archives of Papua New Guinea (hereafter NA), G13, Item 1.

17 Hernsheim (1983:86). See also, German Foreign Office confidential paper 5105, 'Hernsheim to Bismarck, 29 May 1883, concerning Hernsheim's claim for compensation' (Dr S.G. Firth, pers. comm., 15 Oct. 1983).

Saxon labourers', and he 'fix[ed] the standard of brain-power and reasoning capabilities as about equal in the Papuan at present and a labouring native of Scotland...' (Nisbet 1891:II, 169).

Romilly and his successors, notably Dr (later Sir) William MacGregor, soon put an end to most of the altercations between whites and islanders, but their bailiwick did not have the material resources to make its copra trade as important a factor in development as the trade was in German New Guinea.

Although BP's booklet, *British New Guinea*, published in 1886, pointed out that the number of coconut palms did not compare at all favourably with those in the New Hebrides or the Solomon Islands, the company's interest sharpened when John Douglas, Special Commissioner, agreed to subsidize a monthly mail service between Thursday Island and Port Moresby. The *Victory*, about 100 tons capacity, began the service in July 1886. A year later, BP's Townsville branch became the sole commercial agent for the NGC and James Burns told the company's accountant that

> unless we [Burns Philp] get some footing on the island, i.e. that unless we can acquire property we will decidedly withdraw altogether from the contract... The outlay which will be necessary to establish anything like a decent trade with New Guinea is very great and the only chance we would have of recompensing ourselves would be that we acquired properties, which in time will increase in value and so wipe off the losses made in opening up the place.[18]

As land policy had not been made by the United Kingdom Government, Douglas could not assist BP, and Burns thereupon terminated the agency agreement with the Neu Guinea Compagnie (Buckley and Klugman 1981). Nonetheless, BP did not lose vigour in its self-proclaimed role as 'contractors with the High Commissioner [*sic*] for the opening of trading stations on the New Guinea coast, and for the establishment of regular steam communications therewith' (Burns Philp & Co. Ltd 1886: title page).

Larger and larger quantities of copra were coming from the Bismarck Archipelago and Micronesia. Three days after grabbing land on Simpsonhafen, Eduard Hernsheim was pleased to learn that about 94,000 lb of copra were at his Nusa station. The New Ireland people were well and truly on the same commercial road as their traditional trade partners, the Tolai, and even the recent calls by ten labour recruiting vessels had not had much effect upon the copra trade form New Ireland (Hernsheim 1983:155).

[18] Buckley and Klugman (1981:54), quoting from Burns's letter to P.G.T. Black, the company's accountant, 1 December 1887.

But several of Hernsheim's agents, and some of his competitors' agents too, still had to risk their lives. Killings of white traders were sometimes followed by punitive expeditions by German naval ships, though their commanders - and, no doubt, their crews - were far from enthusiastic. Lieutenant Geiseler in SMS *Hyäne*, for one, 'did not appear to be concerned' when he saw the charred ruins of the trading station at Nusa on 19 February 1884, and even Consul-General Stübel, who was on the *Hyäne*, could not get him to send a landing party (Hernsheim 1983:83). Hernsheim had no need to be too concerned, however, as the Nusa affair and others like it elsewhere in the Archipelago were causing the makers of colonial policy in Berlin to get into the 'right' frame of mind for more effective and lasting measures to protect German interests.

By 1 November 1884 when the black, white and red flag was hoisted, there was, however, a greater reason for the annexation than 'the few dozen copra and pearlshell traders of a variety of nationalities whose settlements dotted the Gazelle Peninsula, the Duke of Yorks, northern New Ireland and the Western Islands'. That reason was Samoa, the centre of German commerce and plantation agriculture in the Pacific, and still the subject of endless negotiations between Britain, Germany and the United States. The fates of New Guinea and Samoa had become intertwined when the Deutsche Handels- und Plantagengesellschaft in Samoa became dependent upon the labour of men recruited in the New Guinea islands. As Stewart Firth (1983:21) has put it:

> By its annexations in the western Pacific, Germany guaranteed Melanesian labour to the DHPG in Samoa, protected German traders in the Marshall Islands and placed a vast tract of tropical forest in New Guinea, the Bismarck Archipelago and the Solomons under the control of Adolph von Hansemann's Neu Guinea Compagnie, formed in 1885 in order to profit from the government's policy of handing over the new colonies to chartered companies.

The NGC's charter, under which it was to govern the German *Schutzgebiet* (Protectorate) from 16 May 1885, brought the first official measure to establish European-style law and order (Von Beck 1918:2). It was not until the first decade of this century, however, that affrays between New Guineans and white traders became relatively rare; by then, northeastern New Guinea had had several years of imperial rule, the NGC's charter having been terminated on 1 April 1898.

Individual white traders such as Jean Baptiste Octave Mouton and his father benefited from the introduction of law and order. The Moutons had begun trading in 1883, on behalf of the Hernsheims. According to Octave's memoirs, they bought coconuts from villagers:

> we dried in the sun, this took three days to mature if there was fine sunny weather, and more if rainy weather, this consisted of the flesh of the cocosnut [sic] cut in slices and spread on mats made of coconut palm leafs, which the natives made and bought at twelve for a stick of tobacco... when the rain came we had to bring them in heaps and cover it with other mats (Mouton 1974:69).

It was the commonest and cheapest way of making copra, but smoke-curing was coming into use. By 1886, the Moutons, like every other white except government officials and beachcombers, had laid claim to land and, like the DHPG, Robertson & Hernsheim and others who were establishing plantations, the Moutons depended for much of the financing upon profits from coconuts and copra bought from villagers. Although copra now fetched less in Europe and elsewhere than it had during the 1870s, an excellent profit could still be made as local labour remained cheap. Mouton's labour cost to make a ton of copra was only about £2 (Mouton 1974). But total costs were going up because the villagers, taking advantage of the fierce competition among the traders, were increasing the price of their coconuts and copra.[19]

Mouton, from Belgium, had some difficulty with the English language, but no difficulty at all with the rapidly-spreading *tok pisin* (Neo-Melanesian) and with *kuanua*, the vernacular of the Tolai. More than most whites, he came to understand the ways of the local people. Although his memoirs contain some gross errors in his observations, they remain valuable because little else of an anthropological nature was recorded at the time, except for the scholarly writings of Richard Parkinson and August Kleintitschen.[20]

The formation of companies by island traders

By the mid-1880s there were many copra-trading stations, with Mrs Forsayth's rivalling those of the Hernsheims and the DHPG. While the NGC's attempts to establish plantations on the mainland, commenced not long after the company had made its first headquarters at Finschhafen in 1886, had been disastrous so far, those of the DHPG, Robertson & Hernsheim and E.E. Forsayth & Co. were flourishing. In 1882 the DHPG had already occupied about 1000 hectares of land in the Duke of York Islands, and its holdings were now much larger. Robertson & Hernsheim were on

[19] R.F. Salisbury has concluded that the villagers did not greatly increase production before 1896 but rather drove up the price for their copra. The increases between 1884 and 1896 were mainly in response to whites like Hernsheim and Parkinson seeking new areas to buy coconuts and copra (pers. comm., 15 Apr. 1984).

[20] Richard Parkinson (1844-1907) married Emma Coe's sister Phebe in Samoa in 1879. Three years later, they arrived in New Britain. He worked for the NGC between 1889 and 1900, and for Emma during the remainder of his years in New Guinea. An ethnographer of note, his monumental Dreissig Jahre in der Südsee (1907) and Rev. Father August Kleintitschen's Die Küstenbewohner der Gazellehalbinsel (1906) are the most comprehensive contemporary anthropological accounts of the Tolai at the end of the nineteenth century.

almost 6000 hectares in various parts of the Archipelago, and Mrs Forsayth's ventures were well on the way to the 100,000 hectares they were to hold in 1899 (Sack 1973:142). Father Kleintitschen was one of the few whites who saw the worm in the copra-apple:

> The natives regard the early sales of land as one of the worst evils the 'whiteman' introduced. At the time of the sale they did not realize what consequences it would have for them. They were only interested in the fire arms and the ammunition they got for the land and which gave them superiority over their enemies. But now that the guns are confiscated by the Administration and they have to leave their hamlets and move together in small reserves, they have tried to regain the possession of their land by force and to murder all foreigners.[21]

Many whites resented the enforcement of the new laws. Mouton was not the only white who quarrelled over trading sites with white neighbours. But the islanders' resentment was much greater - and justifiably so, as, restricted to reserves surrounded by vast tracts alienated to whites, they found themselves without a fair share of the fruits of economic progress. They continued to burn down trading stations.

Copra brought another health hazard besides that from whites' rifles:

> The tobacco habit [as Hernsheim tells in his diary] first had to be artificially inculcated... in order to create a constant demand for a quickly consumed commodity in place of goods made from iron which remained serviceable over a long period! [In 1880] Schools for smokers were set up with the traders as instructors... in a few years tobacco was the most coveted and indispensable commodity among the islanders (Hernsheim 1983:60).

Other health problems were caused by diseases such as measles and whooping cough to which the whites had some degree of resistance, developed over generations, but which devastated Melanesians on first contact with them. Europe's diseases began to take a heavy toll in Melanesia, particularly among isolated communities such as in the Western Islands, and the copra traders were the main purveyors.

There was, however, a better side to the copra trade. All copra had to be brought to Herbertshöhe (Kokopo) in the first instance, because there was no other overseas port. Together with inter-island shipping to bring copra to the main anchorages, this facility enabled villagers to travel in all kinds of weather to

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[21] Sack (1973:142) quoting A. Kleintitschen, <u>Die Küstenbewohner der Gazellehalbinsel</u> (1906:119) (Dr Sack's translation).

places beyond canoe voyaging. It helped them to sell produce on a wider market and, most important, to learn the foreigners' technology.

Regular and frequent shipping connections with Europe, Australia and Southeast Asia were becoming essential because of the growth of the copra trade. There were several ways of sending copra and other products: by trans-shipping to Europe via Sydney, by using Norddeutscher Lloyd (NDL) ships to Hamburg, Bremen and other European ports via the Far East, or by chartering ships (Firth 1983:88). All were expensive. Competition on the Herbertshöhe to Sydney run between NDL, subsidized by the German Government, and BP gradually brought lower charges. But Sydney took only a small portion of New Guinea's copra, even though Lever Brothers Ltd had opened an office there in 1888 and were to open a copra-crushing mill at Balmain in 1899 and a soap factory a year later (Fieldhouse 1978:63).

By 1898, BP had contracts with the Australian Methodist Missionary Society for six steamer trips to BNG and three to New Britain, with the Roman Catholic Sacred Heart Mission for calls at Yule Island and Herbertshöhe, and with the Marists in the Solomon Islands (Buckley and Klugman 1981:78). Shipping had been stepped up, too, through the establishment of the KPM in 1888. Increasing quantities of copra were being brought to Europe from the Netherlands East Indies, Malayan States, Philippines and the Pacific, to meet the growing demand for margarine manufacturers, which had led to the setting up of copra crushers in Germany and France (Wilson 1968:II, 37).

Another positive aspect of the copra trade was that the plantations and trading stations were seeking increasing quantities of taro, yam and other foodstuffs to feed their labourers, causing the setting up of new market-places, such as the one started at Ralum by Mrs Forsayth, where the villagers could barter much more of their produce for goods of European manufacture (Cayley-Webster 1898:87). By the turn of the century, selling for the white man's money or for traditional currency had almost displaced barter.

Possibly most significant because of its long-term implications, some New Guineans had become entrepreneurs. Pero To'Kinkin, a *lualua* (leader) of the Raluana people, to whom Eduard Hernsheim had extended credit, presumably in goods, to buy nuts and copra at Valaur, was not the first, but he certainly was one of the most prominent among the entrepreneurs. Later, in 1896, To'Kinkin led a group of New Guinean dancers at the Berlin Exhibition, where 'they made a very good impression, especially when To'Kinkin wrote a letter in Tolai, for the head of the D.N.-G. Compagnie, which another member of the group read and translated into English'. The group especially noted how much lower prices were in Berlin than they were in Kokopo.[22]

Copra was the main source of income for the islanders. T.S. Epstein has estimated that the Tolai, the numerically largest and commercially most active group among them, sold about 1000 tons in 1884 and twice that much in 1896 (Epstein 1968:38). Until the beginning of this century, when Governor Hahl introduced a regulation forbidding whites to use *tambu* (spondylus shell) and other traditional currency in transactions with New Guineans, the Tolai accorded *tambu* first place among the means of exchange.[23] After their wants for axes, knives, guns, etc., had been satisfied, the Tolai's main objective was to hoard *tambu* to meet future socio-economic obligations such as bride wealth, mortuary feasts and compensation. This had a dampening effect upon their trading (Epstein 1969:21-2). Among other groups of New Guineans, traditional currency such as *tambu* was not known or did not have such an important place in the village economy.

To the islanders, as Charles Rowley has postulated, money 'was the Satanic power which breaches the limited cycle of desire and need in the village Eden'; but, like economics in general, it was subordinate to the preservation of their group's social cohesion, and 'for this reason, it seems better to regard the trade in copra simply as a trade, rather than a cash cropping activity' (Rowley 1968:99). Be that as it may - and Salisbury, for one, has opined that there was no significant increase in the sale of coconuts and copra by the Vunamami among the Tolai before 1896 while T.S. Epstein has reported a doubling of sales between 1884 and 1896 - we are on safe ground in assuming that participation in the copra trade had become a significant factor in the economy of many villages in the Bismarck Archipelago, certainly on the Gazelle Peninsula.[24]

As it appeared to be much simpler and more profitable to shift the labour in making copra to the villagers, white traders on the Gazelle Peninsula in 1897 formed an association whose members bound themselves not to buy nuts but only copra. The association asked Hahl to make it obligatory for the villagers to sell only copra, and he 'gladly assumed responsibility for this and the natives everywhere changed over to the production of copra (Hahl 1980:43-4). But the traders soon ceased to adhere to their agreement and the association collapsed. The villagers, however, mostly stuck to making copra because they regarded the extra return as compensating them for their labour (Salisbury 1970:121).

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22 Salisbury (1970:34). To'Kinkin was Parkinson's closest associate. Today's Raluana people remember him well.

23 See, for instance, the entry 'tabu' in Lanyon-Orgill (1960:370), which includes a brief account of tambu (shell money) as a means of counting and a measure of value.

24 Epstein (1968:38) lists copra production by all New Guineans of the Bismarck Archipelago as 1350 tons in 1884 and 2437 tons in 1896.

The question of opportunity cost and incentives in cash cropping by Papua New Guinean villagers, a question which has yet to be answered satisfactorily by today's policy-makers at Waigani, was thus given a clear answer by the owners of coconut palms among the indigenous inhabitants of the Gazelle Peninsula at that time.

In Vunamami, one of the biggest trading villages, per capita income in 1895 was probably four to five times greater than it had been ten years earlier, but the selling of copra had become much more time-consuming. The major expenditure was in the manual transporting to bulking points established by whites (Salisbury 1970). And we need to keep in mind that it took about 427 man days of labour to make a ton of copra by the village method, that is, collecting nuts, opening them, extracting the meat and smoking it. The labour input was about twice that needed with today's hot air driers.[25] Nevertheless, there were two compensating factors: first, the abolition of tribal warfare had made it possible to spend more time on *tambu* buying journeys to the Nakanai area (*tambu* was used to buy nuts and reward helpers) and, second, competition among the white traders had enabled village producers to obtain better returns for their toil. In 1898, the Tolai were receiving Mk100 worth of goods for one ton of copra when the white traders were paid Mk218 on the Singapore market (Blum 1900:169). The trader's margin was still a good one, but nowhere near as great as it had been.

While village producers provided more than 80 per cent of the copra exported from German New Guiena at the turn of the century, the commercial output south of the border was still so small that its actual origins are irrelevant. A mere 236 tonnes were exported from British New Guinea in the year 1899/1900; the total value of copra exported during the ten years from 1888/89 to 1898/99 was the equivalent of just $A44,000.

MacGregor, who became Administrator in 1888, was taking seriously Commodore Erskine's promise to the Papuans in 1884 that their lands would be secured to them. MacGregor had decided that the Papuans ought to be taught 'to build boats and fish and trade on their own account' and, in 1890, he started a government coconut plantation on Daugo (Fishermen's Island) near Port Moresby, to encourage similar work by villagers (Joyce 1971:197-8). By then, hundreds of Papuans had been or were employed as gardeners, labourers or domestics on mission stations; as labourers on copra trading stations and plantations; and by prospectors, bêche-de-mer collectors and sandalwood gatherers. Some had returned from work on sugar plantations in Queensland. But many times that number of Melanesians had worked or were working for whites in German New Guinea.

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[25] This estimate is arrived at by comparing Salisbury's figures with those of DASF reports in the 1960s.

In 1891, the BNG Legislative Council confirmed a regulation prohibiting the destruction of coconut palms and, three years later, the Council issued a regulation compelling Papuans to plant coconuts. As MacGregor saw it, 'If the natives do not become producers on their own account, if they cannot greatly increase present exports and create new ones, they cannot exist long as a race...'[26]

When MacGregor left in 1898, copra was still only a minor export item. In value, the 300 tonnes lagged far behind gold, pearlshell, bêche-der-mer and sandalwood (Joyce 1971:206). At that time, just one group of villagers in German New Guinea (and by no means the largest one), the people of Lauan on New Hanover, were selling about 100 tonnes of copra annually (Von Hesse-Wartegg 1902:121).

[26] Joyce (1971:198), quoting from MacGregor's letter to Sir Henry Norman, governor of Queensland, 25 Nov. 1893.

Chapter 3

Some progress, helped by legislation

History does not consist of discrete spans of time; it is a continuum. But, for sure, the ninety-six Germans celebrating *Sylvesterabend* 1899 in their newest colony, and the other foreigners there,[1] saw themselves at a watershed, a threshold to a century without limitations on material progress by nations and individuals of the West.

They had good reasons. Although the NGC's administration of the German Protectorate had achieved very little and cost the company a great deal, increasing the already horrendous losses sustained by its plantations and other ventures in Kaiser Wilhelmsland (now Momase Region of PNG), and although it was far too early to judge what the imperial administration, resumed on 1 April 1899, was like, there was plenty to point to a rosy future. Imports and exports had doubled between 1885 and 1899, there were now more than 200 whites, and the area cultivated by them had increased from 150 to 5000 acres (Sack 1973:95). The labour trade had changed from kidnapping, murder and brutalities to regulated recruitment which, although it was far below the standards acceptable today, offered sufficient material rewards to entice Melanesians to contract for work in Queensland, Fiji and Samoa. Recruiting fees and money spent by labourers who had returned bolstered the foreigners' revenues. Inter-island shipping, bringing copra and other produce from trading stations and the first output of plantations to anchorages suitable for overseas vessels, was still a costly problem, but there was now fairly regular shipping from the anchorages to European and Australian ports, reducing losses through shrinkage and mould.[2] Most important, because it provided much of the finance for development of the foreigners' enterprises, the villagers, particularly those on the Gazelle Peninsula and New Ireland, were taking to the burgeoning cash economy like ducks to water. Not only were they selling coconuts and had begun to recognize that copra offered them a better return from their palms, but they were planting. The Matupit, so A.L. Epstein has told us, speak of their groves in those years as 'a land of coconuts so thick in parts that at

[1] Sack and Clark (1979:172) shows 96 Germans, 104 other whites and 112 other non-New Guineans as at 1 January 1899.

[2] S.G. Firth, Sydney, pers. comm., 14 Feb. 1985.

nights the stars were hidden from view' (Epstein 1969:66). But the Tolai were not wholly absorbed into the new cash economy:

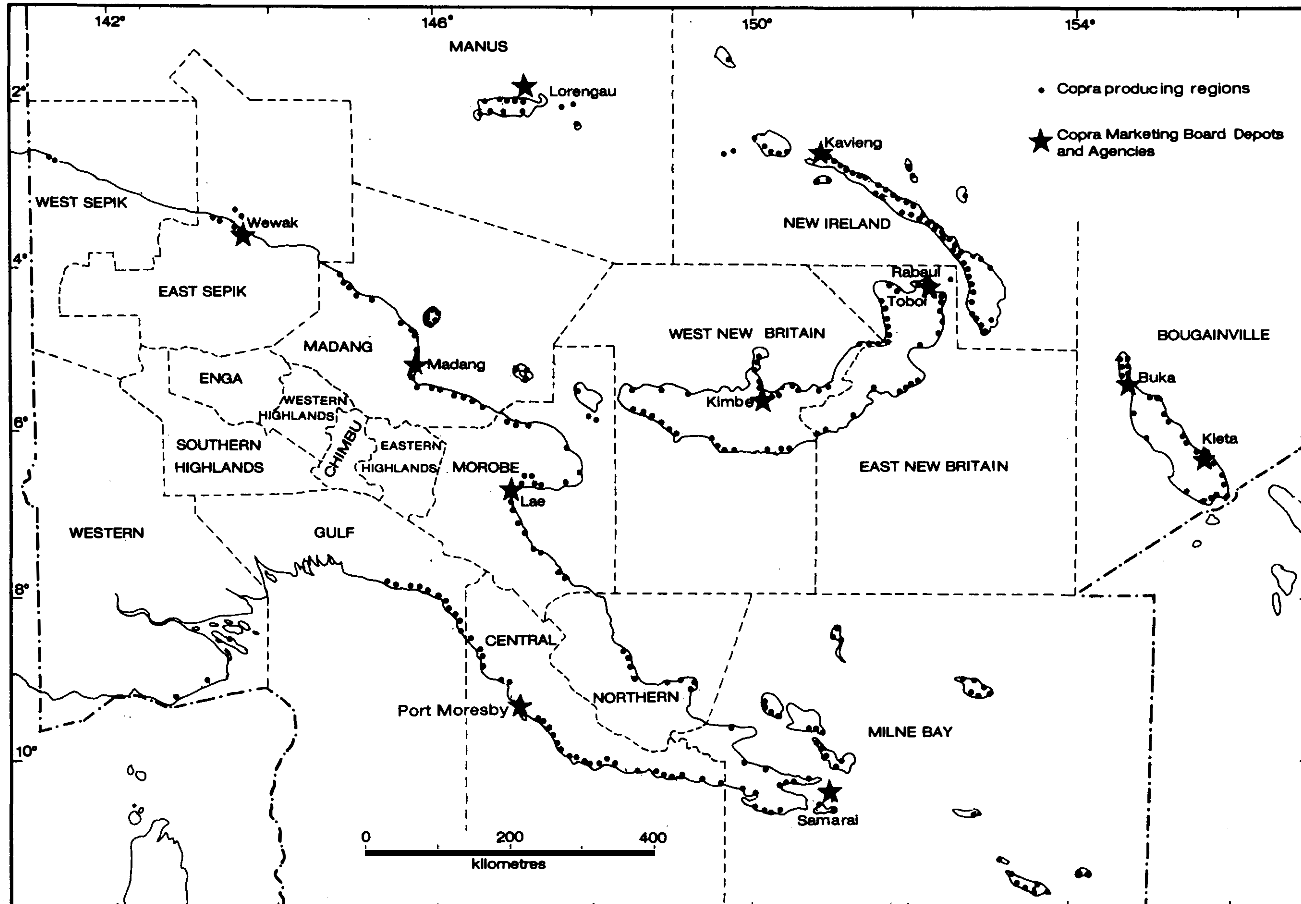
> In certain important respects participation in the cash economy through the sale of copra far from disrupting the traditional system actually served to buttress it. The coconut palm, because of its long life, might only be planted on lands to which one could claim entitlement as a member of the owning vunaterai [clan]. This perpetuated the political and economic control by village and lineage elders of land and other property owned by their descent groups (Epstein 1969:302).

The new century also looked good to Lever Brothers (Australia) Ltd, the new company which, with £600,000 nominal capital wholly owned by Lever Brothers in the United Kingdom but with a local chairman and directors, had begun to operate a soap factory in Balmain, Sydney (Fieldhouse 1978:65). By then, the parent company had an authorized capital of £1,500,000 (ibid.:24). Even though the Depression of the 1890s, with failures of banks and a setback to employment, had affected many Australians, Lever Brothers (Australia) Ltd must have expected the rate of growth in soap consumption in the Antipodes to match or at least come near the current increase of more than 10 per cent per annum in Great Britain and Ireland (Edwards 1962:135). Similar increases were reported in North America and, to a lesser extent, in continental Europe. Lever Brothers used takeovers or mergers in the United Kingdom to meet the competition.

Things were not as rosy in British New Guinea. Only 3441 tons of copra, with an aggregate value of £24,300, that is, £7 1s 3d per ton, had been exported by the end of 1899.[3] Even there, however, the improved shipping, through the contract between the government and Burns Philp & Co. Ltd, assisted economic development, and foreigners, on their own behalf or representing companies, were investigating opportunities to commence agricultural and other ventures.

British New Guinea's official statistics of the puny export of copra before 1900 can be relied upon because of the stern attention to such matters commenced during Sir William MacGregor's regime and continued by his successors. The same is not the case with the statistics of exports from German New Guinea before 1902, provided by various officials and others. Some, such as Rudolf Hermann in *Die Handelsbeziehungen Deutschlands zu seinen Schutzgebieten* (1899), do not even list copra though they list tobacco and cigars! Among the others, we mostly find the exports of the *Altes Protektorat* (Old Protectorate), that is, Kaiser

[3] Unless otherwise indicated, these figures and others hereafter are taken from Tables 1 to 3, which have been converted to Australian dollars and tonnes so that comparisons may be made between years.



Map 3 Papua New Guinea: copra producing regions and Copra Marketing Board depots and agencies, 1974

Wilhelmsland and the Bismarck Archipelago, lumped together with those from German Micronesia.

The *Deutsche Kolonialzeitung*, issued by the influential Deutscher Kolonialverein (German Colonial Association), gives copra exported by DHPG, Hernsheim and the Farrells in 1885 as 1550 tons worth Mk465,000, with copra accounting for 87.1 per cent of total exports, and comments that shortage of shipping was hindering exports.[4] Heinrich Schnee, who spent a brief time in German New Guinea as a judge, produced figures as shown in Table 3.1. His figure for total exports in 1899/1900 was Mk939,100, thus copra accounted for 69.3 per cent (Schnee 1904).

Table 3.1 **Exports of copra from German New Guinea, 1892-1900**

Year	Tons	Value (Mk)
1892	est. 2000+	..
1895	2437	..
1896	2367	..
1897	2395	..
1898	3632	..+
1898/99	..	726,400
1899/1900	..	651,141

It is interesting to compare figures calculated by Epstein (1963:295) and Salisbury (1970:117) (Table 3.2). Salisbury claims that Epstein's figures 'are unreliable as they are taken from Blum, a secondary compilation of government figures and unreliable for early accounts'. As the exchange rate was about twenty marks to the English pound during those years, the value of copra exports from the Bismarck Archipelago, according to Salisbury, was £27.6 million in 1896. These figures are clearly wrong, as copra has never been worth £11,600 per tonne.

Copra exports are not mentioned in NGC's annual reports; they are first listed in the imperial administration's annual report for 1898/99. The difference between Epstein's and Salisbury's figures of the monetary value per ton/tonne in 1896, namely £12, is about 17 per cent of the then average price per tonne; moreover, Epstein gives the volume in tons and Salisbury in tonnes.

[4] Deutsche Kolonialzeitung, 5 (1888:288).

Table 3.2A **Native copra production according to Epstein**

Year	Native Bismarck Archipelago[a] (Tons)	Tolai[b] (estimated) (Tons)	(£)	Tolai per capita income from copra production (estimated) (£)
1884	1350	1000	4000	5
1892	2280	1800	5400	6
1896	2497	2000	6500	7

[a]Blum (1900:157).

[b]Assuming that about 80 per cent of native-produced copra in the Bismarck Archipelago and about 15 per cent of New Guinea copra exports were produced by the Tolai.

Table 3.2B **Native copra production from the Bismarck Archipelago according to Salisbury**

Year	Volume (tonnes)	Total value[a] (Mk million)
1896	2367	552
1897	2425	557
1898	?	?
1899	?	?
1900	?	577

[a]Figures are derived from official Annual Reports.

Epstein (1968) disputes Salisbury's claim that her findings are based on 'unreliable secondary or even tertiary sources':

> Salisbury refers to my figures (1963:294) as 'unreliable as they are taken from Blum (1900:57), a secondary compilation of government figures'... and yet quotes for the years 1883/84 and 1895/96 figures identical with Blum's... Seemingly the sources are reliable when Salisbury uses them but cease to be so when others do.[5]

It seems that Salisbury and Epstein, scholars of international repute, have sought here to make the best of sparse and questionable information. Are unreliable statistics better than none? The official information from German New Guinea before

[5]T.S. Epstein, 'Review of Richard F. Salisbury, Vunamami - Economic Transformation in a Traditional Society', Economic Development and Cultural Change, XX:4 (1972:762).

1902 comes to us from public servants who spent much more time fighting malaria, dysentery and, sometimes, truculent villagers than on administrative duties. Their offices and sleeping quarters were primitive, their mode of transport cumbersome and slow, and the instructions from Friedrich Wilhelmshafen, Herbertshöhe or, worse still, Berlin were often inappropriate and thus unhelpful. Moreover, the NGC, responsible for the annual reports and other official news before 1899, had lost huge amounts of money - over Mk2.5 million on shipping and more than that through abortive plantation development - and therefore had very good reason to omit certain facts from its reports. Most contemporary travellers' tales are tall ones, indeed, and the writings of respected people such as the Reverend Dr George Brown, Douglas Rennie and Heinrich Schnee have also to be taken with more than a grain of salt. Blum certainly does not seem to have possessed the level of expertise to merit calling him an economist. In any case, their readers looked for stories of derring-do and patriotism at the frontier of European civilization, not for an economic treatise. To sum up, the statistics, if we must use the term, of German New Guinea before 1902 are unreliable - and whatever remains unseen in German government and business archives is unlikely to change that. We must console ourselves with the knowledge that portentous economic development did not occur.

It was not the lawlessness that was part and parcel of labour recruitment and the copra trade, but the foreigners' demands for land which were the reason for most of the imperial laws promulgated and brought into operation before the turn of the century.[6] There were also laws prohibiting the sale of spirits, arms and ammunition to islanders, and ordering islanders to surrender their firearms (Epstein 1968:39). As it is certain that the copra trade and other economic activities - and their capacity to contribute to government revenue - would have been enhanced if civic affairs had been less turbulent, it speaks volumes about the influence of white merchants, traders and settlers that land legislation was at the top of the German Colonial Office's agenda, although there had been a major uprising against Ralum, headquarters of Queen Emma and her enterprises, in 1893, and it had been necessary to send the cruiser *Sperber*. But Dr Albert Hahl, who arrived to take over as judge in January 1896, soon addressed himself to matters besides the adjudicating of claims to land. He appointed individuals from groups of villages on the Gazelle Peninsula to act as his agents in passing out orders aimed to strengthen the *pax germanica*. These agents, to whom he gave the title of *lualua* (the *kuanua* word for ancestor, forefather,

[6] See, for instance, Sack and Sack (1975:vii-xii).

leader, chief),[7] acted as intermediaries between their village groups and Hahl, his Melanesian police and white subordinates (Salisbury 1970:32). One of the main tasks of the *luluai*, as they came to be known later on, was to call villagers for compulsory road making. The system of roads that came into being during Hahl's rule gave many indigenous and foreign primary producers on the Gazelle Peninsula much easier access to markets and shipping points; it laid the foundations for an economic prosperity which has exceeded that of any other similarly-sized area of Papua New Guinea ever since.

Like his predecessor, Rudolf von Bennigsen, Hahl saw it as his task to create a colonial order which could protect and promote European enterprise. The Germans, as Firth has put it succinctly, 'were not in New Guinea to make contact with villagers in remote districts but rather to develop copra plantations', and the doubling of the copra price on European markets between 1900 and 1913, from about Mk300 to Mk600 per tonne, was 'the fundamental impetus', helped by government policies on shipping, land and labour.[8]

Tobacco, cotton, kapok, rubber and other crops had proved difficult, often impossible, to grow profitably, but the coconut plantations were doing splendidly. There had, indeed, been price fluctuations on overseas markets, with a bad scare in the early nineties, but they were forgotten as more discriminating eating habits and better personal hygiene, concomitants of urbanization, in the affluent nations of Europe and North America had kept pushing up the demand for copra and coconut oil since then, and the price with it. The *Reichstag* wanted to reduce appropriations for the colonies, wanted its new South Seas colony to stand on its own feet; bankers, investors and merchants were seeking a bonanza; and zealots for Overseas Germany hoped for the finest colony in the South Pacific. Hahl had to be all things to all white men (the handful of women, wives of missionaries or officials, nuns, nurses, and those in Queen Emma's retinue counted as little as women generally did in those times). To his credit, he saw himself as *pater familias* of the New Guineans and did his best to fulfil that role. Very few of the other whites except the missionaries regarded the New Guineans as more than a source of cheap labour.

Hahl did not even need to draw on his goodwill towards mankind at large. Although the whites were rapidly expanding their coconut plantations, the main engine of economic development was in New Guinean hands. The NGC, now abandoning tobacco growing

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[7] P.A. Lanyon-Orgill (1960:238). Methodist missionaries called the language of the Tolai Kuanua (Tolai for the Gazelle Peninsula); the Catholic missionaries used Gunantunan (Tolai for district); the present writer has heard Tolai use tinata tuna (which simply means true, or native, language).

[8] S.G. Firth, Sydney, pers. comm., 14 Feb. 1985.

and making coconuts the backbone of its enterprises, obtained much of its copra from New Guineans and was to continue doing so until World War I (Table 3.3).[9]

Table 3.3 **Production of New Guinea village copra and plantation copra, 1898-1914**

Year	Village copra Tonnes	Village copra % Total production	Plantation copra Tonnes
1898/99	595	..	..
1899/1900	725	..	..
1905/06	578	45	665
1907/08	553	41	798
1910/11	1119	42	1571
1913/14	1391	34	2647

Source: C. Von Beck, *Neu-Guinea Compagnie*, Leipzig, 1918:4.

Not only those earlybirds, DHPG, Hernsheim, Queen Emma and Mouton, but every other white individual or firm establishing plantations depended upon profits from coconuts and copra bought from villagers for funds that were difficult or expensive to obtain elsewhere. Perhaps as much as 80 per cent of the copra exported from German New Guinea came from the villages. The Colonial Office in Berlin reported that this was still the case with the 8650 tonnes exported in 1909/10 (Reichs-Kolonialamt [for the year 1909/10] 1913:172).

Where white traders and firms were in competition, the villagers were keenly aware of the value of their copra and obtained fairly good prices. Some of their leaders received as much as £15 per month from copra sales (Reichs-Kolonialamt 1913). New Guineans back from plantations in Queensland, Samoa and Fiji, and the growing number on plantations at home, now several thousand, helped the villagers to become more aware of the material benefits derived from selling copra.

Encouragement for village copra makers

Hahl encouraged village production, exhorting the people to improve their groves and plant more palms, and he began to back this up by legislation. His legislating had been directed at land matters, employment and, to a much lesser extent, shipping. He now sought to come to grips with the legal needs of commerce, especially that of the copra trade.

[9] Unless otherwise indicated, percentages shown in tables have been calculated by the writer.

An ordinance of 18 October 1900 prohibited the purchase of whole coconuts from New Guineans:

> Strong competition in the copra trade had frequently led the traders to purchase whole coconuts. This relieved the natives of the labour of cutting the copra, reinforcing their natural tendency to indolence. The prohibition... is intended to put an end to this unsatisfactory state of affairs, which militates against training natives to habits of work (Sack and Clark 1979:217 [Annual Report of 1900/01]).

Hahl had already taken a quasi-legal step to correct the 'tendency to indolence' in 1896 when, setting aside a reserve for use by the villagers on land claimed by Queen Emma at Ralum, he had told them that the reserve would revert to her if it was not settled and planted to coconuts in fifty years (Salisbury 1970:115). That the villagers realized he meant business is clear from instructions given by leaders such as To'Bobo of Vunamami, to plant coconut palms on all available land (ibid.:116).

More commercial legislation of consequence to the copra trade was enacted. As Hahl saw it, the use of *diwarra* (nowadays more often called *tambu*) was a great handicap to trade. The shell money was the main, often only, currency in transactions amongst the local people of the Bismarck Archipelago and between them and the whites. Its use had 'frequently led to differences between European and natives and to bloodshed among the natives themselves'. This, together with barter on credit when 'in most cases' the villagers 'had no clear idea of the relationship between debit and credit', had led to many disputes before the *kiap*. Moreover, the journeys to obtain the shell money from its makers in villages west of Cape Lamberts and on New Ireland took the people away 'from all really productive occupations for considerable periods, and besides the voyages... gradually degenerated into regular raids of plunder'. The ordinance to put a stop to the use of *diwarra* was followed on 26 July 1901 by one forbidding the conveying of the shell money to other parts of the Protectorate. This ordinance did, moreover, prohibit the use of shell money for purposes such as remunerating carriers and labourers, purchasing foodstuffs, etc. To sum up, the whites were no longer allowed to use *diwarra* (Sack and Clark 1979:219-20).

A law promulgated on 18 June 1904 forbade traders to extend credit to New Guineans unless written permission had been obtained from the governor or a special commercial tax had been paid.[10] As most New Guineans wanted more and more of the goods made and offered by the whites and there was a limit to what the whites needed by way of foodstuffs, firewood, and personal services, such as hire of canoes and carriers, the white man's money was now the

[10] Deutsche Kolonialzeitung, 20 (1904:380).

main means to buy them. The head tax, first imposed in 1905 on males in wealthy villages, pushed into the cash economy those who had not jumped into it (Salisbury 1970:37). Good Christians, exhorted the white missionaries, donate money to their church, and this, too, meant first having to earn it. By 1909, the head tax on the Gazelle Peninsula and Duke of York Islands contributed Mk49,683 to government revenue (Schutzgebiet Deutsch-Neuguinea, 2, 1910:56-7). If any New Guinean knew of the Rabaul district officer's recommendation to increase the head tax from Mk5 to either Mk7 or Mk10, he must have found it a particularly bitter pill to swallow when Regulation No.1 of 1909 prohibited ownership of firearms and consumption of alcoholic beverages by islanders (ibid.,1,1909:148).

All this took place while there was still violence at the frontier, especially in the Admiralty Islands. The last year of the previous century had been a very bloody one: Herr Maetzke and three labourers had been killed during the plundering of Hernsheim's station at Kumuli; Captain Dathe, Boatswain Johannsen and eight labourers were murdered when islanders boarded the schooner *Nukumanu* for plunder; and villagers of Papitalai had seriously wounded Surveyor Bullock during an attack on E.E. Forsayth's schooner *Nugurea*. In 1901, M'buke people had killed Carlsbourn, trading for Hersheim, and several labourers; two years later, trader Howard and three labourers were murdered at Bitalu. In 1904, Manus Islanders boarded the Australian schooner *Will* and murdered some of her crew; and trader Reimers and two Chinese were killed during an attack by villagers on Hernsheim's station on Douror Island (Schnee 1904:80-5). Official reports and travellers' tales do not mention how many islanders lost their lives or were wounded. To Hahl, it meant continuing to firm the *pax germanica*: to the islanders, it was a bloody struggle to retain charge of their destiny.

There were good reasons for stepping up the buying of coconuts and copra and establishing plantations. The main user of copra and coconut oil was still the margarine industry, commenced in the Netherlands soon after 1870, following the discovery of the hydrogenation (hardening) process which had made it cheaper to substitute vegetable oils for animal fat. Palm, palm kernel and coconut oils - the 'hard oils' of the edible-industrial group - gradually came to be used, too, in the processing of specialized foods such as ice cream (Commonwealth Secretariat 1973:19). World demand for coconut oil and copra was rising, but although several firms were gaining prominence in the copra markets of Europe, Northern America and Australia, there was still no such thing as a world market price. The official statistics for 1902/03 of British New Guinea and German New Guinea reflect this: the former give the price per ton as £10 9s 5d (£9 7s per tonne), the latter as £12 11s 5d per tonne.

There was no standard grading but, surprisingly, copra from the South Pacific mostly fetched the same price as that from countries such as India and Ceylon, where the methods used to harvest nuts and make copra resulted in a better product.

Table 3.4 **Prices received per tonne of copra as reported by Deutsche Handels- und Plantagengesellschaft and at two European ports** (converted to $A)

A. Reported received by DHPG

Year	Price per tonne ($)	Year	Price per tonne ($)
1899	28.86 - 33.76	1907	39.63 - 50.39
1900	28.86 - 33.76	1908	29.35 - 37.67
1901	30.33 - 36.69	1909	35.23 - 45.01
1902	33.76 - 36.20	1910	42.32 - 55.53
1903	28.38 - 32.78	1911	41.10 - 55.48
1904	31.80 - 35.23	1912	47.95 - 54.31
1905	32.05 - 35.23	1913	44.03 - 64.09
1906	34.98 - 48.43		

B. Reported in *Kolonialpraxis*

Year	Port	Price per tonne ($)
1908	Amsterdam	28.84 - 38.30
1909	Hamburg	37.18 - 39.13
	Amsterdam	33.16 - 49.42
1910	Hamburg	45.01 - 49.90

Sources: A: P. Preuss, 'Wirtschaftliche Werte in den deutschen Südseekolonien', *Der Tropenpflanzer*, 1916:43. B: *Kolonialpraxis*, 1911:25, 28.

The listing of London market prices of copra did not begin until 1915 but Table 3.4 does at least give an indication of the trend in prices. The statistics provided in *Kolonialpraxis* indicate considerable price fluctuations during the seven years from 1899 to 1906, for example, the difference between the lowest price, $28.38 in 1903, and the highest price, $64.09 in 1905, was 125 per cent.

The statistics of copra exports from two of the major exporting countries indicate that British New Guinea and German

New Guinea had only a small share of the world's copra trade in 1908:[11]

Philippines	88,626 tonnes
Ceylon	33,426 tonnes
BNG and GNG	7,149 tonnes

Preuss's (1912:217) estimate of world consumption of more than 500,000 tons of copra and 70,000 tons of coconut oil in 1911 indicates that there was room for an expansion of production in New Guinea, without any adverse effect on price. His figures for Europe's consumption,namely:

France	165,000 tonnes
Germany	145,000 tonnes
Russia	60,000 tonnes
Britain	35,000 tonnes
Belgium	25,000 tonnes
Others	89,000 tonnes
Total	519,000 tonnes

make this clear because not only Europe but, more so, North America was experiencing rapid industrialization and their peoples' standard of living was rising fast.

Inadequacy of shipping within British New Guinea and German New Guinea (GNG) and between the Land Like a Lizard[12] and overseas markets was still a problem at the beginning of this century. Subsidized by the German Government, the NDL was operating an eight-weekly service between New Guinea and Singapore, connecting with services to the Netherlands East Indies. NDL ships operated from Batavia to Rabaul, calling at Aitape, Madang, Bogadjim, Finschhafen and Kokopo, sometimes also at Mioko. The NGC ran an internal service with small steamers and schooners (Krieger n.d. [1899]:228). But this did not fulfil the needs of the copra trade. As already mentioned, NDL and BP had an agreement to pool freight at fixed rates. Traders and planters were selling some copra in Sydney but had to trans-ship most of it to Antwerp, Hamburg, Marseilles and other European ports at a total cost of more than Mk60 per ton. On leave in Germany in 1902, Hahl had persuaded the general manager of NDL to build a base for coastal shipping on the Gazelle Peninsula, with a large wharf and warehouses, and to operate a small fleet of coastal vessels to bring copra from trading stations. After the wharf came into operation in 1905, NDL secured just about all coastal freight by offering traders and planters who dealt exclusively with NDL its

[11] Kolonialpraxis (1911:28-9) and annual reports for BNG and GNG.

[12] This appellation was coined by the poet Louis Johnson - see, for instance, his Land Like a Lizard: New Guinea Poems (Brisbane, Jacaranda Press, 1970).

services to collect and trans-ship at Simpsonhafen [Rabaul]. The German Government had further increased the annual subsidy from Mk275,000 to Mk700,000 and NDL agreed to charge no more than Mk55 per tonne to take copra from trading and plantation anchorages to European ports. Traders and planters no longer had to own and operate small ships.[13] NDL ships on the Hong Kong to Sydney run called at Rabaul, Madang, Kavieng and occasionally at other places.

Things were looking up, as the statistics for the year 1908, for instance, show (Table 3.5). Most of GNG's copra went to Germany until World War I (Table 3.6). BP had been forced out of German New Guinea by 1906, but its vessels continued to make infrequent calls at ports in British New Guinea and the company operated special charters to Northern America (Allen 1923:365). BP was also using vessels as part of its operations in the New Hebrides, Fiji and Tonga. Its shipping contract with the Commonwealth Government in 1910 was to become the cornerstone of the company's business in the South Pacific (Buckley and Klugman 1981:231). And the fortunes of World War I brought BP back into the copra trade when the Australian Naval and Military Expeditionary Force (AN & MEF) took over the governing of GNG in 1914.

Table 3.5 **Number and tonnage of copra vessels at German New Guinea ports, 1908**

Port	Number of vessels		Tonnage
	Steam	Sail	
Simpsonhafen [Rabaul]	196	19	235,437
Herbertshöhe [Kokopo]	194	42	150,226
Friedrich Wilhelmshafen [Madang]	59	11	82,381
Kaewieng [Kavieng]	22	24	10,236
Kiëta [Kieta]	22	24	10,158
Namatanai	17	10	6,417
Eitape [Aitape]	9	5	3,200

Source: Schutzgebiet Deutsch-Neuguinea, *Amtsblatt für das Schutzgebiet Deutsch-Neuguinea*, 1, 1909:142.

13 S.G. Firth, Sydney, pers. comm., 14 Feb. 1985.

Table 3.6 **Destination of German New Guinea's copra, 1910-13** (tonnes)

Year	Germany	Australia	Other
1900/10	6,437	1,892	324
1910/11	5,705	3,516	23
1911/12	7,941	1,605	6
1912/13	10,348	1,004	-

Source: Reichs-Kolonialamt, *Die deutschen Schutsgebiete in Afrika und den Südsee*, 1913:181.

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Reports and other published writing of those years contain very little about the islanders' thoughts on such matters as price fluctuations and communications. We know that some *luluai*, such as To'Bobo of Vunamami, actively supported Hahl's advice to enlarge village groves as the number of palms from their followers' labours, which survived into the 1950s, bore witness. But we can only guess the extent of the villagers' enthusiasm. Cultivation of the coconut palm, an extremely versatile plant, poses few problems, and little technological skill is needed in the production of copra. Nevertheless, sustained motivation to cash crop copra - and, indeed, other crops - has been and continues to be a problem. As Diana Howlett has pointed out, the stimulus often needs to come from the dynamism of individuals, the 'big men'. Where frustrations occur, such as from a sharp fall in the market price or lack of transport causing deterioration of the produce as well as a delay in receiving the proceeds, copra making is reduced or even ceases, and few, if any, palms are planted. Villagers and plantation producers have a set of problems in common, for example, fluctuations in demand and price on the world market, and bad weather, but the villager has a further problem arising from conflict with the traditional socio-economics of his community (Howlett 1973:127). Among the Tolai, for instance, land usage is determined by matrilineal inheritance and so is usufruct. This was and is frequently inimical to the practice of ownership which underlies and stimulates Western capitalism. Generally speaking, this still goes for traditional land ownership and usufruct throughout Papua New Guinea.

Even so, a 'low relative value' of copra is sometimes not relevant to the villager's economic situation because, as Rolf Gerritsen has observed concerning Milne Bay copra producers,

> for the most part, peasant producers have to alternative access to cash opportunities, either through rural wage labour or alternative crops, and any explanation of their 'economic' behaviour should not ignore the totality of the social system in which they live. Tree crops have an intrinsic value in that they tie control over land, a social imperative... Hence tree crops may have attractions that are not directly related to the 'economic yield' of their produce. Some attention has to be paid to village-level status systems; the social kudos of participation in cash cropping may be as important a motivator as profit (Gerritsen 1985:40).

But while the changes in land tenure practices now taking place were surely not in the minds of the islanders in the first decade of this century and Hahl was not an economist, they and he did not need a Myint to tell them that peasant export expansion greatly depends upon (a) improved communications, (b) export-import organizations which collect, transport, market and offer inducement by selling imported goods, and (c) unused manpower. Most villagers in BNG and GNG were still in the first phase of the money economy, engaged in production for export in their spare time while continuing subsistence cultivation; but a growing number, notably among the Tolai, had entered the second phase by specializing in copra production and demanding locally produced foodstuffs and other goods and services.[14]

Although most of the villagers in regular contact with whites had yet to move into the cash economy, those on the Gazelle Peninsula, New Ireland and several other islands of the Bismarck Archipelago were already seizing money earning opportunities with alacrity. It has been estimated that per capita income from copra sales among the Tolai rose from 7s to £1 7s between 1896 and 1913 (Epstein 1968:40-1). The 1903 regulation forcing adult males in certain parts of GNG to do one month's road building per year and the imposition of a head tax in lieu of road work in 1909 drove New Guineans without money to sell copra and other produce or to work for whites.[15] South of the border, magistrates were actively enforcing MacGregor's 1894 Native Regulation to compel Papuans to plant coconuts, and a regulation in 1903 directed them to plant

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[14] This follows Myint's construct of phases in the development of a cash economy (Myint 1967:25).

[15] S.G. Firth, Sydney, pers. comm., 14 Feb. 1985.

trees of economic value where land was not suitable for coconuts. But the planting by villagers of coconuts for commercial production did not become an important part of government policy until about 1914 (Miles 1956:318).

Company planting and trading became predominant

Fierce competition among the large enterprises in GNG led to mergers. In 1909, the big names were Neu Guinea Compagnie, E.E. Forsayth, J.O. Mouton, Deutsche Handels- und Plantagengesellschaft and Bismarck Archipelago Co.; five years later, a merger of Forsayth G.m.b.H. with Forsayth Kirchner G.m.b.H. brought about the Hamburgische Südsee A.G. The Forsayth interests had already been linked to Heinrich Rudolph Wahlen's growing empire. Wahlen, who had built a flourishing plantation business in the Western Islands and, since 1911, had headed the Forsayth firms, was now the most powerful planter in the Archipelago. Australian authorities valued the NGC at £1,280,000. Hamburgische Südsee A.G. at £500,000 and Hernsheim-initiated enterprises at £260,000 at the end of World War I (Firth 1977:16). As Firth has rightly observed,

> buying out trading competitors was a step towards rationalizing production and reducing... uncontrollable costs.... since coconut palms require a decade to mature, profit-making plantations were long-term investments built up with the proceeds from trading... But where cheap labour, protection against pillage by Islanders, and a large proportion of bearing trees coincided with high copra prices... plantations could not fail to make high profits... [S]ome individuals benefited enormously from their investment in the Pacific Islands... And that same economic process which enriched a select few in Germany was revolutionary in its consequences for tens of thousands of Pacific Islanders, for it meant access to European technology, loss of traditional lands, recruitment as labourers, and subjection to foreign rule (Firth 1977:20-1).

The whites were not the only foreigners to profit from the fast-growing production of copra in villages and on plantations in GNG. By 1912 there were 207 Chinese-owned and managed small businesses, middlemen in the copra trade, which offered cheap goods of the kind that the islanders wanted and could afford (Firth 1977:15). Several Chinese 'had become sufficiently successful to compete with the smallest of the independent European planter-traders' (Wu 1982:26). The whites accused their Asian competitors of tricking the village producers but anyone who saw how some white planters and traders operated fifty years later cannot doubt that the Rabaul district officer's notice of 5 June 1910 was meant for everyone trading with New Guineans. The notice prohibited the buying of whole coconuts and pointed out that certain recent illegal transactions made it necessary to reiterate that the Regulation of 18 October 1900 concerning trading in coconuts on the Gazelle Peninsula and Duke of York Islands was still in force (Schutzgebiet Deutsch-Neuguinea, 2, 1910:87).

Although no restrictions of any kind were imposed on British commercial travellers or agents of British firms visiting British New Guinea,[16] Burns Philp Ltd and British New Guinea Development Co. Ltd were the only sizeable firms trading in copra before World War I. BP began to pay more attention to British New Guinea after the failure of its operations in the New Hebrides in the 1890s. Its branches at Port Moresby and Samarai, with its vessels linking them to Australian ports, enabled the company to meet the needs of the hundreds of diggers who had sought fortunes on Woodlark Island and along the Mambare River in 1895-96. Trading in copra was, however, only a very small part of BP's activities in New Guinea and it was not until the sudden upturn of copra prices in 1906 that copra contributed more than bawbees to BP's coffers (Buckley and Klugman 1981:203).

Coconut fat, used sparsely as an ingredient in margarine making, had become important 'almost overnight', 'Tropical fats and oils and whale oil from the Antarctic had begun to displace animal fats from North America as the main raw materials used by the European soap maker and margarine maker' (Wilson 1968:II, 102, 121). But even in that year, British New Guinea exported only 571 tonnes of copra while its northern neighbour shipped 4391 tonnes. The boom in copra prices encouraged plantation development. James Burns had decided to get plantations under way, even though earlier ventures by BP or enterprises associated with his company had turned out badly. Long-established white traders, for example, Nelsson and Shedden on Woodlark Island and Mrs Mahoney on Sudest Island, were being reorganized as limited liability companies in which BP took shares (Buckley and Klugman 1981:245). Its varied activities elsewhere in the South Pacific and in Australia, its wholesale and retail merchandising, its coastal and overseas shipping, and its dealings in produce besides copra, made BP the biggest company operating in New Guinea.

In its early stages, British New Guinea Development Co. Ltd (BNGD), formed in London and having its board there, had established trading stations along the coast, principally to form depots for labour recruits and to barter for copra and sago. If the stations 'had been given constant and competent supervision or had those placed in charge... kept the Company's best interests in view... a good return should... have been realised. Unfortunately, they showed a loss each year...'[17] In his address to BNGD's annual meeting in 1914, reprinted in *Financial Times*

[16] Letter of 15 Sept. 1899 from Administrator G.R. Le Hunte to Lord Lamington, governor of Queensland. NA G29-1/1.

[17] British New Guinea Development Co. Ltd, General Manager's Report 1914:20.

(London) under the heading 'Plantation Prospects. Training the Cannibal', the chairman saw a bright future for the copra market and, *ipso facto*, for the company's plantations, but he stressed that there were labour problems: 'The available labour was that of a cannibal savage whose nearest approach to civilisation was that he occasionally had a joint of cold missionary on the sideboard'. But, he continued, the labourers were learning their jobs, were well satisfied with the treatment meted out to them, and had acquired a taste for the white man's goods. Supervision remained a problem, however:

> Men who cannot get employment elsewhere, men who are given to drink or anything else, the ne'er-do-weels of the world, always drift to the new countries because they know that where it is difficult to get labour they are more likely to get high wages for what little they can do than they can get in the older countries.[18]

The BNGD soon got things right. By 1914, it had 43,000 acres under coconuts. Other owners of plantations wanted a reliable supply of plantation copra, too. One of them, William Lever, saw it this way:

> To leave the production of Coprah in the hands of natives, who stop producing as soon as they have supplied their own limited wants, will not give the world the Coprah it wants. We want the market as much over-done as the Tea Market is over-done with Tea... It is all a question of whether the supply should be 10% below the requirements or 5% above them. If 10% below the requirements, prices will rule high. If 5% above the requirements, prices will rule reasonably in our favour (Fieldhouse 1978:460).

The planters must also have worried about market price as it fluctuated, often appreciably, from month to month. There was a European price, a Sydney price and a plantation or beach price, with the main European markets at London, Liverpool, Marseilles, Bremen, Hamburg, Antwerp and Rotterdam as 'crucial reference points' for merchants. The Sydney price was affected by prices in Europe and was usually £2 to £3, sometimes £4 to £5, lower than the London price. Statistics based on the records of Lever Pacific Plantations Pty Ltd are shown in Table 3.7.

[18] Financial Times, 18 July 1914.

Table 3.7 **Average market-price of South Sea sun-dried copra in Sydney, 1904-14**

Year	Price per ton	Year	Price per ton
1904	£14 0s 0d	1910	£22 1s 0d
1906	£18 10s 0d	1911	£20 15s 0d
1907	£19 7s 6d	1912	£22 5s 0d
1908	£14 15s 6d	1913	£25 18s 6d
1909	£17 15s 6d	1914	£20 9s 6d

Source: K. Buckley and K. Klugman, *The History of Burns Philp*, Sydney, 1981:161.

The white traders in German New Guinea and Papua received about £4 per ton less than the Sydney price, that is, the Sydney price was 30 per cent or more higher than the beach price. Plantation crops, better prepared than trade copra, received a slightly higher price. They could, however, take some comfort from the upturn in Australia's economy which became a boom between 1909 and 1913, with a flow-on advantageous to producers and merchants in New Guinea.

Copra trade and politics

The copra trade of German New Guinea, by then an established industry, had been political since the days of Godeffroy & Sohn and the Hernsheims. No one understood this better than James Burns who also had commercial interests in other parts where Germans or French were competitors. He did his utmost to establish a relationship between his commercial empire and the Australian Government which, as R.C. Thompson (1980:225) observes, was 'a partnership of like-minded people... [and] support for the company's trade promoted in turn Australia's political interests in the Pacific'. Burns had taken a lead out of the Germans' book: the flag had followed the copra trade in northeastern New Guinea.

Politics did not come into the copra trade of British New Guinea. There was no large-scale planting, and commercial activity was confined mainly to mining and marketing of copra and other products bought from Papuans. General trading and labour recruiting accounted for most of BP's and BNGD's other operations. Papuans supplied almost all of British New Guinea's non-mineral exports until about 1905. MacGregor, needing revenue, had vainly tried to settle white smallholders and to bring in a London-based syndicate, offering a charter based on the African experience. Protection of the indigenous people was his policy but only the refusal of the UK Government and Australian colonial governments saved him from the dilemma of expatriate enterprises providing the revenue to pay for Papuan welfare while, in effect, producing the reverse of welfare (Legge 1956:98).

During the long rule of J.H.P. (later Sir Hubert) Murray, from 1907 to 1940, 'the delineations of agricultural development were firmly drawn, exhibiting to the full the tension of the dichotomy between the development of the native people on the one hand, and the growth of a self-sufficient colony, relying on the skills of white settlers, on the other' (Power 1975:92). Although the government gave some encouragement, that is, by establishing model plantations at Gobaragere and Baibara, and, like his predecessors, Murray publicized what he perceived to be Papua's potential,[19] the growth in the number of plantations that were commenced with vigour after the 1906 Royal Commission was not sustained, neither did village production reach the intensity of the industry to the north.

The guns of August 1914 had not even begun to boom when a telegram from London informed Australia's governor-general that His Majesty's Government would 'feel [it]... a great and urgent imperial service' if Australia were to seize German wireless stations in New Guinea, the Marshall Islands and Nauru. Any seized territory would, however, have to be 'at the disposal of the Imperial Government for purposes of an ultimate settlement' after the war (Rowley 1958:2). Colonel William Holmes, commanding the AN & MEF, to whom Acting Governor Haber had ceded control over German New Guinea on 17 September 1914 (Mackenzie 1939:82), decided to allow the German planters to carry on:

> If these men were deported... their plantations would be left to the mercy of Kanakas and other native races, and the result would be most disastrous, and untold damage would be done in a short while which could not be remedied for years, if at all. Here again I kept steadily in view the future of the place under British rule.[20]

Holmes recognized that the economic life of the whites, Asians and indentured labourers 'depended on the export of copra and the import of trade goods and supplies for the scattered settlements and plantations' (Rowley 1958:7).

Hahl, who had left in April 1914, had ended his gubernatorial life proclaiming a plethora of laws of economic consequence. Ordinances such as those of 30 May 1913, which prohibited whites and 'non-indigenous natives' from conducting

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[19] See, for instance, letter of 12 Aug. 1891 from Dr J.P. Thomson to Baron Sir F. von Mueller in which Thomson mentions having given a paper before the Australian Natives' Association in Hobart and being a Mexican scientific body's correspondent. OX QM 65-21, 65-66, 68.

[20] Rowley (1958:5), quoting from Report by the Minister of State for Defence on the Military Occupation of the German New Guinea Possessions(1921:5-6).

transactions with native currency of any kind or imitations of the same, and 14 October 1913, which introduced a closed season on crown pigeons and cassowaries from 1 November to 15 May, were as important to New Guineans as the order of 26 February 1913, granting the GNG Treasury exclusive rights to prospect and mine bitumen, was to whites.[21] Officialdom and private citizens eagerly awaited the findings of scientific expeditions to the Kaiserin Augusta-Fluss [Sepik River], to the Gogol and Ramu rivers, and of a medico-demographic survey.[22] Were more recruits to be had, and how healthy were they?

There were still disturbances on southern New Ireland but the situation had quietened down elsewhere. By April 1914, villagers in the Friedrich Wilhelmshafen [Madang] District had planted 79,128 coconut palms and those of Munawai in the Kaewieng [Kavieng] District had 'under the direction of a former police trooper and without any intervention on the part of the authorities, built two copra driers and a copra shed in order to obtain a better quality and higher price by preparing their coconuts on a co-operative basis'.[23] The draft annual report for 1913/14 states that 33,662 hectares had been planted with 3,496,478 coconut palms, of which 1,090,815 were bearing.[24] There had been a rapid increase in recent years: from 16,024 ha in 1909 to 26,233 ha in 1913 (Dwyer 1936:10). The statistics do not say whether New Guinean-owned palms are included.

No one on board the *Moresby* arriving at Rabaul in mid-October 1914 can have been more pleased than W.H. Lucas, BP's Island Manager. The Commonwealth Government had commissioned BP to supply the Coconut Lancers, as the AN&MEF came to be nicknamed (Rowley 1958:8). Lucas remembered only too well how the government-subsidized NDL had pushed BP out of German New Guinea a decade ago. He, more than any of the witnesses before the Inter-State Commission on British and Australian Trade in the South Pacific, wanted only one future for German commercial enterprise in New Guinea, namely, none at all.

The Inter-State Commission on British and Australian Trade in the South Pacific

The Commission, instituted by the Commonwealth Parliament, began its hearings on 3 October 1916, to (a) investigate the position with regard to the copra trade between Australia and the South Pacific islands; (b) furnish a report for the information of the government as to whether it was desirable that special government action be taken with a view to increasing the

[21] German New Guinea, Draft Annual Report for 1913/14:12.

[22] Ibid.:4.

[23] Ibid.:27.

[24] Ibid.:153.

Table 3.8 **Statistics of world copra exports by 1912, imports by certain countries, and estimated world supply in 1913** (tonnes)

A. World copra exports by 1912		
Netherlands East Indies		247,455
Philippines		140,536
Pacific islands -		
Papua	993	
German New Guinea	17,227	
Other	60,101	78,321
Straits Settlements		71,982
British India		31,876
Ceylon		30,704
		600,874
B. Imports of certain countries		
Germany		183,258
France		166,971
Netherlands		149,954
United Kingdom (1913)		30,868
United States of America		28,830
Australia		12,093
		571,974
C. World supply in 1913		
Straits Settlements		91,500
Java		80,400
Manila		76,000
South Seas		71,000
Ceylon		58,000
Malabar		37,500
Macassar		30,500
Sangir, Manado, etc.		27,400
Padang		18,300
		490,600

Note: Plus approximately 140,000 tonnes crushed in the producing countries, making a total of approximately 630,000 tonnes which, at a yield of 60 per cent, produced about 378,000 tonnes of oil.

Source: Commonwealth of Australia, Inter-State Commission of Australia, *Report on British and Australian Trade in the South Pacific*, 1918:32, 73.

Australian and/or British control of such trade; and (c) suggest such measures as seemed likely to lead to the desired result

(Commonwealth of Australia 1918:7). Its members were told that GNG and Papua were beginning to make their mark by 1912 in the export of copra. They were also told what certain countries were then importing and what the estimated world supply had been in 1913 (Table 3.8). More recently, in 1914-15, Australia's copra imports had been as shown in Table 3.9.

Table 3.9 **Australia's copra imports, 1914/15**

	Tons	Per cent
Fiji	3,799	28.5
Solomon Islands	3,634	27.3
German New Guinea	1,420	10.6
German Samoa	1,084	8.1
Tonga	873	6.6
New Hebrides	784	5.9
Papua	439	3.3
Other	1,290	9.7
	13,323	100.0

Source: Commonwealth of Australia, Inter-State Commission of Australia, *Report on British and Australian Trade in the South Pacific*, 1918: Appendix A, 8.

Joseph Meek, managing director of Lever Bros (Sydney), told the Commissioners that creating an export market for coconut oil had 'some unexpected difficulties' as regards freight and cooperage, 'that, on an even freight for copra and oil, economically it was better to ship the copra'. Lever Bros had begun to solve the freight and cooperage question by building two tank sailing ships, each taking 2000 tons of oil, but it had been more profitable to carry petroleum from the United States (Commonwealth of Australia 1918:75). He mentioned the continuing increase in the operations of his company's crushing of oil: 5799 tons in 1897, 7417 tons in 1902, 10,763 tons in 1907, 11,375 tons in 1912, and 12,529 tons in 1915 (ibid.: Appendix G, 20).

Only one of the witnesses before the Commission had reservations. Bronislaw Malinowski, who described himself as a doctor of science of Cracow University and research student of the University of London, opined that 'the native Papuan is not very keen on working for a white man... after a few weeks any native would desire to leave if it were not for the penalty, but after a year he gets to like the life on the plantation.' Nevertheless, he told the Commissioners:

> I think coconut planting and copra making by natives could be very successfully developed in certain districts... No native will plant coconuts voluntarily... [but the]

experiment on Trobriand Island shows that they are extremely glad for having done so... The native Papuan cannot really see even seven days ahead, though he may be very intelligent in many matters; he has no mental grasp of a further perspective (ibid.: Appendix G, 108).

Malinowski, who had not visited the Bismarck Archipelago, may have known all about the sexual life of savages and making magic over coral gardens,[25] but he would surely have changed some of his ideas about villagers in the copra trade had he met the likes of To'Bobo and the Vunamami, the Matupi, and many other New Guineans. As for the Papuans lacking foresight, his detailed account of the *kula*,[26] the traditional cyclical socio-economic voyage in southeastern Papua, contradicts what he told the Commission.

By 1914, the Lever Group was controlling 61 per cent of soap products sales in the United Kingdom and the bigger manufacturers in Europe and North America accounted in the aggregate for more than half of their national markets (Edwards 1962:159). Coconut plantations were being established wherever a colonial territory offered reasonable prospects. The indigenous inhabitants were summoned 'to join an economic partnership for which the primitive productive system had as yet not fitted them' (Hancock 1964:162). The impatient European nations denied them sufficient time to acquire new wants and new habits of labour, and to willingly reshape the patterns of their lives so that they fitted into the larger Western commercial pattern. A plantation, as Hancock has pointed out, 'is not a society; it is an economic agglomeration for the pursuit of profit. It substitutes itself for those primitive societies which in sickness and health sustain their members' (ibid.:197). What happens when profit fails? Even Hahl had merely sought to fit the islanders into a scheme for the economic development of the Protectorate, to contribute to the aggrandisement of Germany's colonial empire. The Australian military administrators, like the German governors who preceded them, saw Melanesians as no more than a cheap, albeit unskilled, source of labour. Export income from copra was the foremost objective. Ejecting the Germans and taking over their plantations and other enterprises was well down the list.

On 5 February 1917, Colonel S.A. Pethebridge, who had succeeded Holmes, proclaimed an increase in the export duty on copra, from 10s to £1 per ton.[27] By then, Chinese traders, with new opportunities for making business contacts with Australian

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[25] See B. Malinowski, The Sexual Life of Savages in North-Western Melanesia: An Ethnographic Account of Courtship, Marriage and Family Life among the Natives of the Trobriand Islands, British New Guinea (New York, Eugenics 1929); Coral Gardens and Their Magic, (London, Allen & Unwin, 1935).

[26] B. Malinowski, Argonauts of the Western Pacific: An Account of Native Enterprise and Adventure in the Archipelagoes of Melanesian New Guinea (London, Routledge, 1922).

[27] British Administration (Late) German New Guinea, Gazette, IV:2 (1917:6).

firms, were increasingly active in the copra trade. They were using New Guineans to buy nuts and copra in the village near long-established trading stations of the large companies and where planters were accustomed to deal in trade copra. Rowley (1958:185) has suggested that this 'resulted also in the purchasing of stolen copra from plantation labourers'.

On 20 February, Pethebridge issued an Order Relating to Trading in Coconuts or Copra on the Gazelle Peninsula of the Island of New Britain, retrospective to 1 February 1917. It reflected the resolutions passed at a meeting of firms and individuals interested in the copra trade which he had chaired in January. The schedule to the order prescribed the following rates of exchange:

(a) 1s for 36 coconuts;

(b) 1s for 24 lb green copra;

(c) 1s for 12 lb dried copra;

(d) 4 sticks of tobacco for 1s, 1 stick of tobacco for 9 coconuts;

(e) 1 tin of salmon = 1s;

(f) 1 boy's lava-lava = 1s;

(g) 1 woman's lava-lava = 3s.

These rates and prices applied where a New Guinean did not wish to sell coconuts or copra for cash, but he was to be given cash at the above rates if he asked for it and he was not to be forced to take trade articles instead. The rates were the minimum.

The price of copra paid by traders was set at £9 per ton where the Sydney price was less than £23, £10 where it was between £23 and £26, and so on in equal proportion for every increase of £3 in the Sydney price. At the minimum rate, a trader would therefore pay £9 for villagers' copra and, after meeting overheads (e.g., sorting, bagging, freight to the nearest port, freight from there to Sydney - about £5 per tonne) and his own remuneration would need a Sydney price of at least £20 per ton to break even. Europeans convicted of breaches of the Order were liable to have their trading licences cancelled and to a fine not exceeding £100 or imprisonment of up to twelve months. New Guineans could be imprisoned up to twelve months and put to road work. The administrator reminded the public that it was now illegal to buy coconuts from New Guineans except for planting, for food or, with his permission, for export. New Guineans had to 'cut out the copra before selling to traders' and anyone found guilty of breaking this section of the law was liable to a fine of Mk1500 or three months' gaol.[28]

Pethebridge kept going. The Trading in Copra Ordinance 1917 was brought into force on 14 April. In general, it extended the provisions of the Order made in February to other parts of the Protectorate. It prohibited making advance payments to New Guineans and the receiving of credit by them. Traders were required to do their business within reasonable distance from their stations and new stations could only be set up with the prior written approval of the administrator. New Guineans were not allowed to leave their coconuts on the ground for more than two months or when the nuts showed signs of germination or growth. They had to sell their nuts or copra to the nearest trader or sub-trader 'with the least possible delay'. They were not allowed to *tambu* - that is, place a traditional 'out of bounds' sign on - palms for more than two months unless they had made a request to the district officer, who had to forward the request to the administrator for decision. They were also not allowed to take green nuts from the palms except for food. The penalties for Europeans and New Guineans followed those of the Order. A new Schedule reduced the value of villagers' coconuts and copra by about 10 per cent.[29]

The Trade Tobacco (Price Regulation) Order 1917 forbade any person, firm or company within the Rabaul and Kokopo districts to sell trade tobacco to any New Guinean or to give or take from any New Guinean trade tobacco in exchange for other goods or commodities, 'except at the rate of exchange of five sticks (neither more nor less)... [of] tobacco for one shilling or one mark'.[30] And, to wrap things up, Pethebridge amended the Trading in Copra Ordinance on 15 August, making it an offence for a trader or sub-trader to 'engage or employ in any capacity' a New Guinean who had not been recruited under a contract of service in accordance with the Native Labour Ordinance.[31] To the villagers, it meant that casual work was no longer available but, at least, tobacco, as a means of payment, now had a government-determined value that recognized its long-standing status as a currency. As *dinau*, the Tok Pisin word for giving or taking credit, has remained the most frequently used word in business conversation, and *abitore*, the Hiri Motu word, likewise, it is highly probable that the Trading in Copra Ordinance 1917 did not achieve much.

Coconuts and copra were part and parcel, too, of the activities of white missionaries and school teachers. Several missions had established plantations to provide funds for

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[28] British Administration (Late) German New Guinea, Gazette, IV:3 (1917).

[29] Ibid.:IV:4 (1917).

[30] Ibid.

[31] Ibid.:IV, 8 (1917).

evangelizing and educating. C.A. Schultze, a trader at Lebrechtshof (Kableman) near Kavieng, complained to the Reverend Boettcher, Methodist missionary at Omo, that the local teacher was imposing fines in coconuts for non-attendance. Schultze opined that, while this might be fine as an educational measure, he had to object as a merchant. Boettcher replied that village leaders, not the teacher, had instituted the fining - though the teacher was hand in glove with them - and sold the nuts to traders, returning the money to the teacher, who bought books and teaching aids with it.[32]

The Native Plantations Ordinance of 1918

Although it did not rain laws about coconuts and copra upon British New Guinea, the Native Plantations Ordinance of 1918 was intended to encourage 'habits of industry' and enable Papuans to earn cash without having to leave their villages (Miles 1956:320). Under the Native Regulations villagers were merely told to plant a certain number of palms. They were not shown how to lay out a grove or plantation, control pests or produce good quality copra. But the Native Plantations Ordinance empowered resident magistrates and their subordinates to select the site on which planting had to be done and to supervise planting and maintenance. The Regulations specified coconuts but the Ordinance did not. The latter did, however, provide for collection and sale of produce. The government, using its powers under the Native Plantations Ordinance 1918, sometimes resumed an area of land near a village and called it a Native Plantation. Certain villagers worked out their tax by clearing, planting, etc., while officers of the Magisterial Service supervised, and supplied seeds and tools (Murray 1925:272). Part of the produce became the property of the government, with net returns used in the same manner as the head tax, that is in ways that would promote the welfare of Papuans.[33] The effects of the Native Plantations would not show themselves for many years, but eventually a considerable area of land might be brought under cultivation in this way - land, thought Murray, 'which in all probability would never be touched by capitalistic enterprise' (Murray 1925:275). During the war, in 1916, the lieutenant-governor had hoped that Papua's annual plantation output would reach about 9200 tonnes and village production about 1500 tonnes. He had assumed that Australia would continue to be the foremost market.[34]

S.S. Mackenzie, who followed Pethebridge in October 1917, maintained control of the copra trade in occupied German New

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[32] Correspondence between C.A. Schultze and Rev. E. Boettcher. Newspaper clipping, ML Q 998.4.G.

[33] Territory of Papua, Annual Report 1920/21.

[34] Letter 16/2593/71 of 12 August 1916 from Murray to Minister of External Affairs. AA CRS A2 1919/1872(2).

Guinea. He promulgated an Order that made it obligatory on every European, Asian and Melanesian engaged in actual trading to be licensed in his own name. Copra exports from GNG had reached their peak since the beginning of the war, from 14,810 tonnes valued at $310,000 in 1915-16 to 20,024 tonnes valued at $740,000 in 1917-18. Copra prices were higher than ever, averaging nearly £19 per ton for f.o.b. Rabaul, whereas the average Sydney price for the eight years before the war had been £16 per ton (Rowley 1958:188).

Brigadier-General G.J. Johnson, who took the reins in April 1918, and Brigadier-General T. Griffiths, who followed him, also kept a beady eye on the copra trading between foreigners and New Guineans, but one must share Rowley's (1958:189) conclusion:

> that though the A.N.M.E.F. encouraged natives to grow more coconuts as cash crop, it had in mind the needs of European business, and the main object of concern was the copra, and not the native producer. A policy of developing village agriculture to meet the needs of the village would have increased labour problems and have clashed with the labour policy.

Producing copra was one thing; obtaining the optimum price was another. Copra from occupied German New Guinea was not subject to impositions of tariff at its destinations, but copra sent from Papua to Australia did not receive the same treatment. The Commonwealth Minister of External Affairs had written to his ministerial colleagues on 30 April 1915 that the attention currently given to tariff matters by Parliament ought to include a look at the anomalous way in which Papua was treated as a foreign country whilst the United Kingdom and other European nations were receiving preference. Hugh Mahon pointed out that Papua was an Australian colony towards whose maintenance large sums were contributed each year. (Mahon was drawing a somewhat long bow as the annual subsidy by the Commonwealth never exceeded £40,000.) He also stated that the tariff was imposed because 'coloured labour is exclusively employed there', that is the white workers of Australia should not have to compete on equal terms with producers employing cheap Melanesian labour. But while he regarded this as a valid argument against free admission of Papuan products, he did not accept it as a conclusive one against tariff preference. On 16 April 1918, the Associated Chambers of Commerce of the Commonwealth wrote to the Prime Minister in favour of duty-free admission of all Papuan products. Lieutenant-Governor Murray, in a letter on 11 February 1920, recommended to the Minister that there be no import duty on Papuan copra, rubber and hemp, but tariffs on imports from British and foreign countries. The current tariff rate was £1 per ton on copra from British possessions and Papua, £2 from foreign countries. Freight rates were high and shipping infrequent, claimed Murray, and if the recently introduced Navigation Act were strictly enforced, it would further affect Papua's trade.[35]

Earlier in 1916, Chief Commissioner A.B. Piddington of the Inter-State Commission had sought clarification of the Commonwealth policy regarding the copra trade in the Pacific. From previous correspondence with the Minister for Trade and Customs, the Commission had come to understand that the policy was 'to increase the Australian and/or British control of the copra trade in the South Pacific Islands, and of other trade, which, previously to the war, was in German hands'.[36] Directed by Cabinet, the Minister had replied that this was indeed the case and, moreover:

> there [were] important shipping and mercantile interests, chiefly centring in Sydney, dependent upon the Australian-Pacific trade. It is desired, as far as is compatible with a reasonable recognition of the rights and interests of other parts of the Empire and of the natural lines of development of the trade, that the most careful consideration be given to the means for preserving all existing Australian interests, and for affording those interests the largest possible facilities of legitimate expansion, particularly in the direction of securing a due share of the trade formerly in German hands.[37]

The tariff question, important though it was to Papua, was overshadowed by the problem with shipping. That problem had come to the fore in German New Guinea as well when, following the outbreak of World War I, men-of-war had begun to interfere on many of the world's shipping routes. The governments of Australia and New Zealand had been concerned as early as 1915 that copra shipped to neutral countries such as the United States and Denmark eventually ended up in enemy countries. The DHPG in Western Samoa was doing considerable business through an American firm in San Francisco, the latter suspected of act as an intermediary between the DHPG in Apia and DHPG's head office in Hamburg, with Justus Scharff Ltd of Sydney coming under suspicion.

On 21 December 1915 the High Commissioner for the Western Pacific had prohibited the export of copra from Fiji, except to the United Kingdom and British possessions. Australian merchants were pressing for permission to export copra to America as it was impossible to obtain shipping space to the United Kingdom. The main argument for prohibiting copra exports to neutral countries was that they might be used in the manufacture of glycerine which, as a component of tri-nitro-glycerine, might be sold to enemy

35 AA CRS A518 AM 812/1/1(1).

36 Letter of 8 June 1916 from Piddington to G. Tudor. AA CRS AS 1919/871(2).

37 Cabinet Minute 16/3648-20, 16/6/6044 to 5 July 1916. AA CRS AS 1919/871(2).

nations. At the time, the UK Government paid 13c per lb of glycerine while the US market price was about 60c. After June 1916 the Commonwealth Government, following consultations with the authorities in London, allowed copra shipments to America without the copra first being offered to the United Kingdom, subject to safeguards against ultimate sale to an enemy country.[38]

By early 1918 shortage of shipping had caused an accumulation of about 2000 tonnes of copra in occupied GNG. Administrator Johnston had radioed Melbourne on 26 April 1918 that the Commonwealth Government ought to purchase all copra landed in Sydney, just as it was doing with wheat, or arrange shipment to the United States, where a firm market existed. The Commonwealth Shipping Board, asked for its opinion, advised the Prime Minister on 26 July 1918 that it could not support Johnston's recommendation as most of New Guinea's copra was produced by German planters, so that the proceeds would go to German interests. Moreover, as there was not sufficient shipping space for all British-owned copra awaiting shipment, German-owned copra would have to wait until th former had been cleared.[39]

German New Guinea and Papua had exported approximately 70,000 tonnes of copra worth the equivalent of $1.4 million during the war. Taking everything into consideration, it was a good effort.

Burns Philp, other Australian commercial interests, some of the Coconut Lancers, and a number of individual Australians now addressed themselves to what they saw as the next task: to throw the Germans out of New Guinea.

[38] Letter PM 15/3688/5 of 19 May 1915 from Governor of New Zealand to Governor-General of Australia. AA CRS AS 1919/871(2).

[39] AA CRS AS 18/39.

Chapter 4

From high hopes to deep despondency

As Appendix Tables 1 and 2 show, between 1920/21 and 1939/40, the two fiscal decades dealt with in this chapter, copra and other coconut products accounted for about 46 per cent of Papua's exports and 63 per cent of the Mandated Territory's. Some of the copra shipped by merchants, plantations and missions, and all of the copra shipped by traders, had been bought from villagers. Gold was the other major export.

The Lands Ordinance 1919, 'to prevent purchases by Britishers from Germans fearing expropriation, which might help the Germans and result in a loss to the Commonwealth', had been the only land law enacted by the AN&MEF (Rowley 1958:98). It paved the way for direct action by the Commonwealth through the Expropriation Board. Like other measures to 'kick out the Hun',[1] it dealt with the spoils of war, and the Germans' share of the copra industry was prominent among those spoils. Burns Philp's London manager had already spoken about the German plantations to Prime Minister W.M. Hughes in mid-1919 (Spartalis 1983:205). Hughes 'was determined... that New Guinea would be the prize from the war which he could hold aloft as proof that Australia at last had something to show for her losses... a legitimate booty...' (ibid.:213). Most members of the Commonwealth Parliament supported Senator Reid who wanted New Guinea to be kept as 'an integral part of Australia':

> We owe a debt to the Papuan race. They came into our hands, and we should treat them as children, enabling them to live their own lives. They are a trust to us... We must keep New Guinea for the sake of its people and for our future safety (Rowley 1958:272-3).

Just the same, not only parliamentarians but everyone else in Australia put future safety, that is defence-strategic considerations, first, and the islanders' welfare and companies' or individuals' commercial ambitions second.

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[1] W.H. Lucas used this expression. See, in particular Hopper (1980).

Plantations as spoils of war

In accordance with Article 22(6) of the Treaty of Versailles, mandates over certain territories that could 'be best administered under the laws of the Mandatory as integral portions of its territory' were to be allocated to victorious nations in occupation. Australia was allocated a C Class mandate over German New Guinea on 17 December 1920 and the civil administration of the Mandated Territory commenced on 9 May 1921 (Rowley 1958:282; and Appendix I in this volume). Laws made by the Commonwealth Parliament in 1920 had already deprived Germans in German New Guinea of their property rights and interests, and vested those rights and interests in a public trustee. An Expropriation Board had come into operation on 1 September of that year, followed ten months later by the opening of the office of Custodian of Expropriated Properties. The estimated value of the plantations expropriated was £8 million (Appendix I).

Australian ex-servicemen such as Hobart Spiller and Max Middleton, who had begun copra trading on a small scale in Papua in 1918, joined the Board not long after it commenced operations. Middleton, who became the Board's chief inspector in 1921, then used his intimate knowledge of the 'Expro' plantations in his successful tender for Kulili plantation on Kar Kar Island in 1925.[2]

W.H. Lucas had been far too optimistic when he told the Inter-State Commission in 1916 about a huge potential market in Central Europe because of an 'enormous Jewish population' which had 'formerly used large quantities of animal fats' and was now using vegetable oils as there was no danger of hog fat breaking its dietary laws (Commonwealth of Australia 1918: Appendix G, 35). The London market price of Singapore fair merchantable standard (FMS) copra was volatile (Figure 1 in Appendix IV; Table 4.1):

Table 4.1 **London market price of Singapore FMS copra, 1917-22**

Year	Price (£)	Change from previous year (%)
1917	45.00	+90.0
1918	45.50	+1.1
1919	52.75	+11.6
1920	56.38	+6.9
1921	32.85	-41.7
1922	24.73	-19.2

Source: Appendix Table 14.

[2] Interview with M. Middleton, Mosman, NSW, 5 June 1975.

Instability of the market price was not the only problem during the 1920s. The official restrictions on copra shipments from Rabaul, other than to Australia, which had been introduced in 1919, 'pending a knowledge of the terms of the Mandate for the future government of the Islands' were lifted in 1923 and ships of all nationalities were now free to call.[3] But, because of the Commonwealth's Navigation Act, this was of limited benefit to copra producers in the Mandated Territory (TNG) and did nothing for Papua's copra industry. The Act made it mandatory to pay the crews of all vessels trading in Australia's coastal waters Australian wage rates. An amendment to the Act, in 1919, had made it apply also to Papua and TNG. Although ships of other nations were not barred from taking or unloading cargo or passengers at Rabaul or Port Moresby, the additional cost of having to pay their crews Australian wage rates made it relatively unprofitable. 'In practice, the Navigation Act confined the trade of Papua New Guinea to Australian vessels from July 1921, when the coastal trading sections of the Act were finally brought into operation' (Buckley and Klugman 1983:95-6).

Low prices for copra and rubber were the main cause of economic stagnation in Papua but, as Legge (1956) has observed,an additional factor was the shipping difficulties caused by the Act and, as Murray said in his Annual Report for 1921/22, they looked like becoming permanent. Even before the Act was brought into force, he had stressed the close connection between the economic welfare of Papua and the question of communications. It is certain that Murray was 'delighted to find an external cause of the planters' troubles and to place himself at the head of the campaign for reform. The white community had just made virulent and irrational attacks on him,' but it would now acclaim him its champion.[4] He was right in stressing the importance of communications as there was no large market for copra in Australia, and copra was Papua's chief export. Thus, for the continued success of the copra industry, ready access to the markets of Europe was essential. The effect of the Navigation Act, which made it necessary to ship produce to Sydney and then to re-ship it to overseas markets, was to raise freights and handling charges to an almost prohibitive height (Legge 1956:145-7). The import trade suffered in a similar manner, for example copra sacks had to be taken past Papua's 'very doors' to Sydney and trans-shipped back.

The Royal Commissioners inquiring into the workings of the Act in 1925 heard other complaints as well, especially about exorbitant freight charges due to BP's monopoly of the traffic to Australia. The Commonwealth Government acted on their recommendation to repeal the Act. Restrictions on the transport

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[3] Minute from T. Trumble, Secretary of Defence Department, and M.O. Shepherd, Secretary of Prime Minister's Department, to Prime Minister. AA CRS 1919/1871(2).

[4] H.N. Nelson, Canberra, pers. comm., 11 Dec. 1985.

of cargo and passengers between the two territories and Australia were thus removed.

But the villagers were still a long way from having a fair share of their islands' copra trade. Smoke-curing of small quantities, often far from the purchaser, a market price well below that of the war years, and the huge cut taken by middlemen were making it hard work to earn money (Salisbury 1970:128). Smoke-curing, when sun-drying was not possible, resulted in inferior copra which fetched a correspondingly lesser price. Overseas buyers, especially the large ones, had become more selective because their products had to be at least as good as, preferably better than, those of their competitors. In toilet soap, for example, the Palmolive Company, based in the United States, and other foreign enterprises, were rapidly increasing their share of the UK market. In 1920, the United Kingdom had exported 7390 tonnes and imported 485 tonnes; three years later, the respective quantities were 3005 tonnes and 3250 tonnes. Moreover, while the manufacturers in Europe and North America were becoming fewer, they were also becoming larger and consequently gaining more clout in the world copra market. From the mid-1920s until the 1960s, when detergents were making considerable inroads, the combined share of the UK soap market of the Big Three - Unilever, British Soap Company, and Thomas Hedley - was never less than 72 per cent (Edwards 1962:183).

The oil millers selling to margarine manufacturers, too, wanted high-quality copra. Although margarine was still regarded as a poor substitute for butter, millions of unemployed in Central Europe were only too glad to use it, and this was a major factor in the rapid growth of the industry. As for the third main consumer of coconut oil, ice-cream makers, there was rapidly increasing demand for their products in North America and all but the poorest Europeans were licking the industry on the Continent into shape. Ice-cream manufacturers used only first-class coconut oil.

The government economic botanist at Rabaul was in no doubt that copra production by villagers was 'of fundamental importance to the internal economy' and that there was elasticity of supply:

> It is a well-known fact that as soon as the price of copra lowers, natives withdraw considerable quantities of copra from native trade, which, together with reduced European trading, has an appreciable effect on the quantity and value of copra exports... (Dwyer 1936:5).

Licensed copra traders were in practically every district, but the economic botanist erred in his blanket statement that 'the native is afforded an easily accessible market'. There were many village producers in TNG - and also in Papua - who lived a long way from the nearest copra buyer and had to use their backs or canoes. Unlike the authorities in Papua, those in TNG were still not sure that 'allowing natives to dry copra' was good for the industry (Dwyer 1936:6).

Fluctuations in the world market

TNG's copra exports peaked in 1927/28, at 66,333 tonnes worth $2,352,000, but seven years later production slumped badly, to 57,154 tonnes worth $732,000. In that year, 1934/35, copra exports were a mere 17.6 per cent of TNG's total exports. Because of the Depression, the rate of increase in world demand for copra had slowed down and the market price had fallen steeply. Users of copra and coconut oil were increasingly substituting cheaper vegetable oils.

Changes in exports from the Philippines, the world's major exporter, were affecting the marketing outlook for both Territories, and increasing production of rival oil seeds, such as soya beans, was exacerbating the situation. In 1934, the Vegetable Oil Committee in Malaya saw the position of all coconut producers as 'extremely difficult and precarious', and suggested looking to by-products, and mixing coconut oil with other vegetable oils for edible purposes (Dwyer 1936:27).

There were, of course, other factors besides the method of drying that affected output. The weather was one of them, with years of below-average rainfall causing a corresponding loss of production. While drought in any one district did not necessarily have a serious effect upon a year's total production in the two territories, Jupiter Pluvius certainly gave producers of several districts some hard times (Dwyer 1936:16, Table 9).

Natural causes in other countries did sometimes benefit the copra industries of Papua and TNG. The 1935 drought in the United States, for instance, brought about a general shortage of lard, cottonseed oil, and oil-cakes for feeding cattle, so that North Americans had to buy more vegetable oils from outside sources. Drought in the Antipodes had reduced supplies of butter to the UK market, and typhoons in the Philippines at the end of 1934 had seriously damaged palms and young nuts. Unseasonable weather had caused a 40 per cent shortfall in India's groundnut crop, a heavy reduction of West African supplies and a diminished output of linseed and olive oil in the Argentine. All this and a malaria epidemic in Ceylon's coconut-producing areas made it somewhat easier to market New Guinea's copra (Dwyer 1936:23).

Price fluctuations on the world market were no longer a simple matter of demand and supply; the situation had become increasingly complex. The world-wide depression and reduced purchasing power had brought about a very limited competition in buying.

> Economic nationalism - a number of countries wishing to become self-contained, imposed quotas, tariff barriers and legislative protection to encourage internal production. The intention of the governments was to foster the production of such fats and oils as could be produced in their own countries, while particular attention was given to the protection of dairying interests (Dwyer 1936:20).

Some countries' going off the gold standard led to difficulties in standardized buying; for example, the depreciation of the US dollar, together with a processing and excise tax, had diverted the Philippines' copra, usually absorbed by the United States, to European countries, in order to obtain the benefit of the exchange premium. By the mid-thirties, the world market was oversupplied with vegetable oils. Although margarine manufacture in the United Kingdom, a good indicator of the general situation in Europe, was being boosted by the reduced supplies of butter at high prices, with a concomitant increase in demand for oils and fats, and India, the largest coconut producer in the world, was now using all its own supplies, and copra exports from the Netherlands East Indies had fallen off, caution prevailed in the copra industry. Ceylon's director of agriculture feared that restrictions on whale oil production might be lifted if prices of vegetable oils rose - a fear that is difficult to understand as there was now an oversupply on the world market - and TNG's economic botanist, F.C. Henderson, thought that the same might occur in respect of restrictions on cotton production in the United States (Dwyer 1936:35).

The importance of quality

There had certainly been a considerable increase in the area under coconut palms since World War I (Table 4.2). The quality of copra had become important. There was no government-controlled grading in Papua, but Burns Philp & Company Ltd, British New Guinea Development Company Ltd and other buyers took quality into consideration when purchasing from the villagers. In TNG, a compulsory system of copra inspection classified copra as 'Hot Air Dried', 'Plantation Sun Dried' and 'Common or Smoke Dried'.

Copra producers in Papua and the Mandated Territory were forced to improve their product. While most of their copra had an oil and moisture content similar to general trade samples from other parts of the world, its content of free fatty acids (4.5 per cent) was decidedly higher. Villagers' copra sometimes also contained more than 5 per cent moisture, leading to deterioration during shipment overseas, as excessive moisture allows harmful fermentation, fungus growth and increased free fatty acid content.

Table 4.2 **Area under coconut palms, selected countries, 1917 and 1934**

Country	Area ('000 acres) 1917	Area ('000 acres) 1934	Percentage of increase
Netherlands East Indies	950	2000	111
Philippines	700	1500	114
India	1200	1400	17
Ceylon	800	1100	38
Malaya	400	600	50
New Guinea (TNG)	130	220	69
Fiji	70	130	86

Source: R.E.P. Dwyer, 'A survey of the coconut industry in the Mandated Territory of New Guinea', *New Guinea Agricultural Gazette*, 2(2), 1936.

A prominent Rotterdam copra broker was scathing:

> The copra from the South Sea Islands has the reputation of being badly cured. The natives are lazy and indifferent as regards their drying, so that sometimes copra is dried too much and at other times not enough. The natural result is that this copra arrives in Holland in bad condition, and cannot in any way be compared to Java copra, hence the difference in market quotations in comparison with Straits F.M.S. (Fair Merchantable Standard) and Java copra. The Rabaul plantation grade... is... much better, which fact is expressed in the price (Dwyer 1936:32).

The Dutchman was correct as to the quality of village-produced copra but he was clearly unaware of certain, very unusual, difficulties facing the villagers. For one thing, the 'two-mile limit' law of the government's system of licensing of buyers gave them 'a small but vicious monopoly' as few villagers would carry a heavy load of copra on their backs for up to four kilometres, to get a better price. For another, 'even if they had carried it, there was an agreement among the store-keepers for a fixed scale of prices'. Villagers were free to erect their own drier and cure their copra,'but a further agreement among the traders strongly discouraged the purchasing of cured native copra!' The *kiap* turned a blind eye, and so did the missionaries. And when the recently arrived Assistant District Officer J.K. McCarthy encouraged villagers on New Ireland to erect and operate copra driers in 1938, some white planters, insisting that no New Guinean could make good copra unless he was properly supervised and 'there was nothing to be gained and a lot to be lost by pushing the natives ahead too quickly', suggested that he be posted back to the Sepik:

> Good quality copra was now being made in the village groves... Trucks were being sent out by the Kavieng traders to pick it up, and it was even being competed for... These buyers offered much higher prices than the roadside trade stores that had held the monopoly for so many years. The native now had the opportunity of selling to one of several buyers - all of them glad of his business. Probably, for the first time in his life he was receiving a fair price for his copra (McCarthy 1967:80-1).

Shortly afterwards, McCarthy was transferred to Salamaua, and in the lower rank of patrol officer. He was a man before his times.

There may have been another reason for McCarthy's transfer, or the power of the Fourth Estate may have been less than it is nowadays. In the following year, the Kavieng correspondent of *Pacific Islands Monthly (PIM)* reported that coconut pests had begun to proliferate in village groves and spread to plantations. Administration officers were giving 'limited advice' on drying, nearly every village had a sun-drier, and 'luluais and tultuls whipped the native man up into a new and unaccustomed activity'. The local branch of the Planters and Traders' Association had objected, but to no avail, and there was 'a new air of prosperity about the villages'. The real reason for the planters' objection, reported the correspondent, was that those plantations which had not yet come into bearing depended upon trading. The Association argued that Rabaul sun-dried copra, which brought a premium in London, would lose its reputation and the premium through inferior quality shipments of village-made copra. The correspondent believed that the answer lay in the Administration instructing the villagers how to operate their driers efficiently.[5]

There had been other efforts to improve the production and marketing of villagers' copra. A sizeable demonstration drier had been built at Malaguna Technical School in 1935 and an even larger one, on concrete foundations, had been erected by the *luluai* of Vunamami (Salisbury 1970:130). A year later, *PIM* reported that villagers around Rabaul had erected modern kilns and were producing high quality copra. They were selling direct to exporters, thereby obtaining higher prices than when they sold small parcels to local traders. The expatriate traders were being deprived of much business. This had 'a tendency to create unrest and dissatisfaction amongst natives working for wages in and around Rabaul'. In certain quarters, it was feared that the Administration's encouraging villagers to deal direct with exporters might have 'far-reaching effects and react to the detriment of the employers of native labour'.[6]

[5] PIM, III:7 (1933):40-1.

[6] PIM, VII:1 (1937):30.

The planters had said much the same in 1931, and had moreover complained that pests and diseases from village groves were menacing neighbouring plantations, but the Administrator had informed the Prime Minister that agricultural officers were regularly inspecting the groves and the groves were in good order.[7]

On 1 May 1937 it became illegal to transport coconuts or copra on any road between 7 p.m. and 5.30 a.m., except in the towns. Offenders were liable to a £50 fine or six months'imprisonment. *PIM* observed that the Administration had not explained why the regulation had been brought in, but it was 'apparently... connected with the rapid growth of copra-production by natives (who have installed a number of modern driers), and with... reckless driving of motor-lorries by natives'.[8]

Understandably, price, not quality, was every producer's main concern. To plantation producers, it was the net price per ton that mattered; to the villagers, it was the coins received for a basket or bag. A higher return per bag certainly was the foremost objective of the New Irelanders who joined the copra marketing co-operative organized in 1933 by Les Gordon, a white man whom his compatriots regarded as an 'oddball'.[9] The co-operative folded up after a couple of years, although its members had put through at least 600 bags, causing *PIM's* correspondent to report that it was strange that BP and WRC, 'who have practically a shipping monopoly on the east coast of New Ireland should allow the *Friderun*' [an NDL vessel] to carry native copra', shipped for villagers by a Mr T. Gordon as their agent.[10]

In 1924, J.G. Nelsson, a non-official member of the Legislative Council of Papua, had wanted the government to regulate minimum prices of copra and other produce between Papuans and traders, but Lieutenant-Governor Murray had replied that, if prices were fixed,it would not be possible to enforce them.[11] Murray was well aware that traders usually bought by the bag, paying from 10s to £1. 'It is an unsatisfactory system as the "bag" is not a constant quantity, for sometimes sixteen "bags" go to a ton, and sometimes as many as twenty', he wrote to the administrator of Western Samoa in 1925. £1 per bag (£16 per ton) was 'exceptional and probably not permanent', and 'it was impossible to say what price was paid in the more remote districts where payment was often made in tobacco and trade'.[12] Neither then nor at any time thereafter was the price of copra in

7 Memorandum CA 1408/12 of 26 Aug. 1931.

8 PIM, VII:1 (1937:31).

9 P.R.K. Murray, Newcastle, NSW, pers. comm., 5 April 1984.

10 PIM, IV:3 (1934:12).

11 Legislative Council (Legco) of Papua, Debates, Meeting No.4 of 1929:26-7.

12 AA CRS G69 12/36.

transactions between islanders and foreigners subject to regulation in either territory.

In the early 1930s, the Papuan Administration had begun to take over the disposal of villagers' copra because the traders had charged them an exorbitant price for copra sacks and mostly 'paid' for copra with trade goods. The Administration supplied sacks at cost price and on credit, charging the cost to the Native Benefit Account, a trust fund, and shipped the sacks to the resident magistrate of each district. The Resident Magistrate and his staff distributed the sacks, prepared consignment notes and bills of lading, and generally supervised shipments from disposal points.[13] Administration vessels carried copra from disposal points to district ports such as Bwagaoia, Abau and Kerema, from where it was shipped to Port Moresby or Samarai, the two overseas ports.[14] The government storekeeper there took delivery at ship's slings, weighed the copra into his store, and called for tenders for its disposal. The proceeds were distributed in cash to village producers, after deducting cost of sacks, freight, and handling charges of 5 per cent. The scheme worked well and, in general, the quality of the copra was good. The main difficulties were (a) infrequent shipping, especially in the Gulf during the southeast season, sometimes leaving copra on the beach for up to three months, with the consequent deterioration making re-sorting and re-bagging necessary; (b) some producers including rotten copra and/or shells and/or dried sago, putting good copra at the bottom and top of bags; and (c) none of the villagers understanding the reasons for price fluctuations. At the commencement of the scheme, when the net price per ton was £17, they were very satisfied, but they came to believe that *gavana* (the Administration) was cheating them when the price fell to £6. The villagers gradually lost interest, and the scheme collapsed.[15]

The islanders' ignorance of fluctuations in the price of copra, of the great economic world slump during the early 1930s, and of constant changes in the price of trade goods, had serious social implications for them. 'White society appear[ed] more mysterious and irrational... than it had been even in periods of comparative economic stability'. What was now happening was beyond rational explanation to the islanders with their limited knowledge of modern commerce. It not only created hardships but it also 'undermined confidence in rational activity, it created frustrations, and it sapped morale more than ignorance of productive processes could do' (Worsley 1957:35).

In the matter of quality, the planters, too, had to pull up their socks. As early as 1923, Burns Philp & Co. Ltd and Dalgety

[13] Memorandum CB 277 of 9 September 1948 from W.D. Brown, Assistant Officer-in-Charge, Sydney Office, to Secretary, Department of Territories, CMB files, Port Moresby.

[14] S.S. Smith, Wahroonga, NSW, pers. comm., 8 June 1975.

[15] Memorandum CB 277, op. cit.

& Co. Ltd, in a joint report, had pointed out that 'so far as Rabaul plantation copra... [was] concerned, it was noticeable that since the repatriation of the Germans, and the plantations being controlled by the Commonwealth Government, there... [had] been a marked falling off in the quality of shipments'.[16] BP and its main rival in TNG, W.R. Carpenter & Co. Ltd (WRC), were in a position to demand high quality copra from planters because they had achieved a duopoly through taking over the 'Expro' plantations of a number of Australian ex-servicemen or purchasing plantations from the Board.

The takeovers by BP were facilitated by the 'charging system' under which any plantation owner indebted to the Company

> had to ship, buy, sell, insure and recruit through it [Burns Philp] and there was virtually no trade with any other firm or person until he was 'free', that is, he had made all his repayments... When the ship arrived, the cargo and the copra had to balance out or else; if short on copra, at times the supercargo would take out some supplies, such as tea or sugar or other essential foodstuffs not available locally.[17]

W.R. Carpenter & Co. Ltd operated in a similar manner.

The TNG Copra Inspection Ordinance

The TNG Administration had brought the Copra Inspection Ordinance 1928-29 into force in January 1929. It prohibited the making, buying or selling of copra other than from mature nuts and also forbade the selling of undried kernel, imperfectly dried or sweated copra or rotten copra, or copra mixed with shell, stone, dust or other foreign substance. The Ordinance also provided for inspectors to be appointed, with powers to pass or condemn copra for export. As a direct result of inspections, the percentage of hot-air copra nearly doubled and 'Rabaul Hot Air' attained a price comparable with Straits FMS copra and more than £1 per ton better than South Seas copra (Dwyer 1936:64-5).

Concern over bad copra mixed with good copra and sold at one price had led to suggestions by planters in Eastern Papua to legislate for inspection and classification, to establish a good reputation for Papuan copra on the London market.[18] In 1929, A. Jewell, a non-official member, had given notice of motion in the Legislative Council 'for official grading and marking of copra prior to exportation'.[19] Plantation copra was not receiving a fair price, he claimed, because of 'its involuntary association

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16 Hopper (1980), quoting Brisbane Daily Mail, 28 June 1923.

17 Hopper (1980:182), quoting F.P. Archer, Rabaul, pers. comm., 21 April 1973.

18 PIM, I:2 (1930):6.

19 Legco of Papua, Debates, Meeting No.2 of 1929:1.

with native production', and he stated that Fiji had solved the problem by instituting a grading system. Jewell proposed a voluntary scheme: producers were to have the choice of letting their copra be graded or staying outside the scheme. The government secretary pointed out that two copra inspectors, costing between £1300 and £1500 a year, would have to be employed, and as producers taking part in the scheme would have to share the cost, it might discourage them from joining. The Council decided to seek more information from the London Copra Association and the Empire Marketing Board.[20]

BP and WRC between them controlled about 90 per cent of TNG's copra output before 1938, and received a portion of the remainder. They charged the planters and, indirectly, the village producers, at the London rate of the £A for freight, insurance, brokerage, etc., although most of the copra was sent to Europe or North America, where the Australian pound was worth more. The two companies refused to supply details of their parity calculations and did not provide producers with account sales. Until some planters who were not indebted to BP or WRC chartered the NDL ship *Bremerhaven* to carry copra to Europe, no returns were available for the local producer to obtain comparative figures of marketing charges. The Planters' Association of New Guinea (PANG) wrote to the Prime Minister in 1932 that account sales of consignments to Bremerhaven showed total marketing cost as £4 4s 1d per ton when BP and WRC were deducting £6 12s 6d per ton, plus freight charges to Rabaul and other depots of 10s to 50s per ton. Administrator Sir Walter McNicoll was in no doubt that planters tied to the big firms were receiving £2 to £4 per ton less than the open market price.[21]

If a planter operated in a big way, he could send a consignment on his own account, speculating on the future price. One method was for the agent of a particular firm, for example, one in Hamburg, to buy at a specific price, but at a bank usage of ninety days. The bank at Rabaul paid 23.875 per cent exchange at the time of shipment and immediately made the money available to the planter. The firm which received the copra would sell at an opportune time within the ninety days, as the payment did not have to be met in a German bank or other foreign bank until that period had elapsed. The planter took the risk of losing the advantage of any price rise while the firm speculated on the market lifting.

BP and WRC colluded in fixing the purchase price of copra, the wholesale rate of supplies and trade goods, and the scale of fares for labourers and passages for planters. They controlled inter-island shipping and, therefore, the concentration of copra (Hopper 1980:183). Shipping was thus another factor of

[20] Ibid.:33.

[21] AA CRS A518 G812/1/1(1).

consequences in marketing copra. The clauses of the Navigation Act applying to the two territories had been removed in 1925, but freight charges had kept rising. In August 1937, shortly after BP had increased the Rabaul to London freight charge from £E2 15s per ton to £E3 15s 5d, the company informed the Secretary of the Prime Minister's Department that the increase applied to all ports in the Pacific and followed the worldwide shortage of mercantile shipping. Islands copra shipping was not attractive to owners, who complained of inadequate facilities, particularly shed and wharf accommodation, for loading, long delays, and unskilled labour. Wheat, sugar, ore and other bulk commodities with one- or two-port loading and discharging were 'much more attractive' cargoes than small quantities of copra from numerous, widely distributed, island ports. Nevertheless, a year later, BP advised the Secretary that its London office had obtained a reduction of 10s per ton and the company would pass it on through an increase of £A 12s 6d per ton on all copra purchased in TNG. BP had been prodded by the Planters' Association, which was looking for copra brokers and agents in London, Hamburg and Marseilles who were not connected with BP or WRC (Hopper 1980:184). There was, however, no change in the freight charge from TNG ports to Sydney between 1935 and 1939. No wonder that the planters nick-named the two companies 'Bloody Pirate' and 'Would Rob Christ'.

The village copra producers of the two territories knew nothing about the growing dominance in the world market by large manufacturers of soap, margarine, and other foods in which coconut oil was used, but the big firms and the planters certainly did, and were deeply concerned. By 1938, Hedley's had 13.7 per cent of the aggregate UK market for all soap products, Unilever - the huge multinational concern which had its origin in the Lever Brothers' venture - had a little over 50 per cent, and the Co-operative Wholesale Society had 11 per cent. The Big Three's 76.2 per cent was still nowhere near the 91.5 per cent they were to have in 1954, but, according to H.R. Edwards (1962), 'the situation... was, in the full sense, national oligopoly'. Procter & Gamble, the largest soap manufacturer in the United States, was backing Hedley's with resources, know-how and some personnel. The US giant concentrated on but one brand in each product-sector, avoiding the intra-product dissipation of sales that had occurred in Unilever (Edwards 1962:197-8). Because technological advances - such as a hardening process enabling soapmakers to substitute the oils from ground nut, cotton, linseed and some other plants for coconut oil - involved considerable capital outlays, crushing and manufacturing were now integrated where feasible. The Big Three in the United Kingdom and their largest rivals on the Continent and in the United States had come to be the major influence upon pricing in the world market. *PIM* claimed that a very large proportion of the Empire's copra had been milled in England before Unilever got control over the market but that scores of British mills were now idle because Unilever was using mills on the Continent. The magazine's editor argued that inter-governmental action was needed as Unilever were 'sucking the life-blood out of coconut planting'. A senior public servant in Canberra explained that, as the Empire produced far more copra than Britain needed, it was not incumbent upon the chief buyer, Unilever, to purchase in the British market.[22]

Technological innovations were also causing changes in the structure of the margarine industry. On the Continent, for instance, the Margarine Union, a combine of Jurgens Ltd and Van den Burgh Ltd, controlled practically the whole of northern Europe's copra buying, so that BP had to depend upon French and Spanish crushers for competition in Europe and any demand from the United States.[23]

Tariffs and taxes

Although tariffs and taxes had not been and were not a significant factor in the copra industries of Papua and TNG, they continued to be the subject of representations by producers and merchants. The Commonwealth Tariff Board had recommended in 1924 that Papua's copra export tax of 15s per ton and the Commonwealth import tax of 3d per lb on 'prepared coconut' be cancelled and the Commonwealth give the Papuan Administration a subsidy to make good the loss of revenue. No action was taken although only about £4000 would have been involved.[24]

In 1925, Sir Robert McC. Anderson, a prominent Sydney-based businessman and director of BNGD, made a strong attack on Murray. Anderson, while admitting that lifting the copra export tax would be of no great practical importance and would not assist development, claimed that 'it would be welcomed in England as a friendly gesture'. It would, indeed, have had little impact as Papua's copra export tax of 7s 7d per ton amounted to only 1.6 per cent. Murray informed the Minister that two such friendly gestures had already been made, one when the tax was reduced from 25s to 15s, and the other when a sliding scale was adopted with the approval of the Port Moresby Chamber of Commerce. When this was conveyed to Anderson, he persisted that the setting of the tax was unfair:

> His Excellency would probably cheerfully admit that after twenty years' absolute rule in Papua, he has not developed a 'commercial sense', and I have respectfully urged him to give some attention to the point of view of investors in

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22 PIM, III:6 (1934):6.

23 Buckley and Klugman (1983:17n), quoting from letter of 15 Feb. 1928 from A.K. Mackintosh to J. Burns.

24 AA CRS AM8128/1/1(1).

England who have lost hundreds of thousands of pounds in Papua.[25]

Neither the Customs Tariff (Papua and New Guinea Preference) Act, freeing whole coconuts and prepared coconut form duty on entering Australia, nor the Papua and New Guinea Bounties Act, both passed by the Commonwealth Parliament in 1926,[26] had a significant effect upon the copra industry in the islands.

In TNG, there had been a gradual reduction of the copra export duty, from 25s per ton in 1928 to 15s in 1930, followed by adoption of a sliding scale in 1934, which usually levied at about 2s 6d per ton.[27]

The Commonwealth primage of 5 per cent on imports of copra from the two territories was removed in 1935,[28] giving them an advantage over other areas in the Pacific. Four years later, the combined imports from Papua and TNG were larger than the imports from any area in the Pacific (Table 4.3). Australia thus took about 23.5 per cent of the two territories' copra exports in 1939/40.

Table 4.3 **Copra imported into Australia, seven months from 1 November 1939**

		Tonnes	Per cent of total
British Solomon Islands		8,953	34.8
Fiji		5,056	19.6
New Guinea	6,086		
Papua	3,102	9,188	35.6
Tonga		2,292	8.9
Other		271	1.1
Total		25,760	100.0

Source: Australian National Archives, A518 G812/1/1(4).

Another endeavour by the Commonwealth to encourage the export of certain primary products from Papua and TNG was the payment of bounties. The first bounties were paid in 1936, and the bounty period was extended for ten years from 1 January 1938.[29]

25 AA CRS A518 G812/1/1(1).

26 Ibid.

27 AA CRS AM812/1/1(1). See also PIM, III:1 (1932:14).

28 PIM, VI:1 (1935:9).

29 PIM, VIII:1 (1937:48).

Desiccated coconut and coir

The production and marketing of coconut products other than copra, such as coconut oil, desiccated coconut and coir, had been under consideration as early as the first decade of this century. While a coir fibre plant established on New Britain in 1932 had only had a brief existence,[30] the manufacture of coconut oil and desiccated coconut achieved better results.

In Papua, four ventures, namely, Commonwealth Copra Company of Milne Bay at Gili Gili, Coconut Products at Aroma, Central District, Desiccated Coconut Company at Ahioma, Milne Bay, and Coconut Products Ltd at Aroa, Central District, commenced operations in the late 1920s.[31] A larger enterprise, Vavasseur's Ahioma Ltd, registered with £15,000 nominal capital, took over the venture at Ahioma in 1935. Vavasseur & Co. Ltd of London held more than half of the subscribed capital.[32] Official statistics show that exports of desiccated coconut jumped from 110 tonnes valued at £15,000 in 1927/28 to 1445 tonnes valued at £158,000 in 1930/31, but the annual output did not exceed 1876 tonnes from then until the war caused the factories to be closed in 1941. As the export statistics lump coconut oil together with desiccated coconut, it is not possible to tell what the former were.

In TNG, desiccated coconut plants came into operation at Lindenhafen and Pondo, New Britain District, in 1929, shortly followed by the Divine Word (Roman Catholic) Mission's factory at Alexishafen, Madang District. The highest annual production before World War II was 1908 tonnes in 1940/41.

In 1928/29, Australia had imported 316 tonnes from Papua, 59 tonnes from the Mandated Territory, and the balance from other countries. A 3 pence per lb tariff preference to desiccated coconut by the Commonwealth in 1931 effectively kept other countries out, and the factories in the two territories secured a market of about 2520 tonnes per annum. As the aggregate export of desiccated coconut from the two territories did not exceed 3686 tonnes in any year before World War II and the Australian economy was slowly on the road to recovery during the second half of the 1930s, it can be assumed that the output of the factories in the islands was sold without difficulty.[33]

PIM reported on the installation of a coir fibre plant on New Britain in October 1932,[34] but the only documentation obtainable, the item 'Copra Refuse' in TNG annual reports, does

[30] Ibid., III:3 (1932:42).

[31] Papuan Courier, 1 Apr. 1927.

[32] PIM, VI:3 (1935:67).

[33] Ibid., 1:2 (1930:5); and I:9 (1930:1).

[34] Ibid., III:3 (1933:42).

not provide a useful picture of the venture's outcome. We do not know, for instance, whether coir is included in the statistics of Table 4.4. While soap-making, using coconut oil as one of the main ingredients, took place on many mission stations, commercial production was hardly attempted. In 1940, F.W. Burke, a white trader and planter at Orokolo, Gulf District, installed machinery to extract coconut oil and manufacture soap and glycerine. Several consignments of soap were sold in Port Moresby and Burke later claimed that his enterprise, Orokolo Industries, had produced snow-white soap of good texture and free from caustic soda, which lathered just as freely in salty or brackish as in fresh water. The war interrupted his business and it was not resumed.[35]

Table 4.4 **Copra refuse exported from Mandated Territory of New Guinea 1935/36-1939/40**

Year	Quantity (tons)	Value (£)
1935/36	557	5013
1936/37	443	4430
..		
1938/39	114	570
1939/40	652	2934

Source: TNG Annual Reports.

Production of coconut oil may well have added to export income, but manufacture of by-products, no matter how voluminous, was unlikely to improve the lot of foreign and indigenous producers. Every year but one between 1923 and 1935 had seen a decline in the London market price,and hopes engendered by sizeable rises in 1936 and 1937, of 22.6 and 11.2 per cent respectively, had been dashed by a fall of 33.8 per cent in 1938. As Table 14 shows, the price per tonne had been no more than £15 since 1932, except in 1936 and 1937, and it was a paltry £12.79 in 1941, when plantation and village production ceased because of the war.

On 6 April 1940, W.H. Hughes, who had begun planting on Mudau Island off Woodlark Island in 1905, wrote to Sir Hubert Murray that he was going broke as his production costs were £6 per ton and he needed a London Price of at least £15.[36] On the same day, the growing shortage of shipping, which had occurred since the outbreak of war in September 1939, caused Murray to radio the Minister for Territories that no more than four months' production

[35] Ibid., XIII:12 (1943:6).

[36] AA CRS G69 25/20.

could be stored and that 'inability of [the] native population to realise on copra would preclude collection of native taxes, with consequent disorganisation of native welfare services by government and missions'. At least five vessels a year at four-monthly intervals and capable of lifting 3000 tonnes were needed. Jewell warned the Official Secretary that a collapse of the copra industry would throw 5000 Papuans, earning at least £60,000 per year, out of work.[37] In the same month, Murray wrote to the Minister, in reply to questions in the House of Representatives, that the last two years had seen a reduction in copra production, chiefly because the very low price had made production 'unprofitable' for Papuans, and not because of any reduction in areas under cultivation. Papua's annual output would be about 15,000 tonnes if the price revived.[38]

Results of the shipping shortage

The war-time shortage of shipping was also causing difficulties in the Mandated Territory. Norddeutscher Lloyd's *Friderun* had disappeared soon after September 1939. BP's pride and joy, *Bulolo*, and WRC's *Suva*, *Rabaul* and *Salamaua* had been requisitioned by the Navy.[39] Australia's High Commissioner in London was asking the British Ministry of Food to contract purchase 24,400 tonnes of copra from Papua and TNG during the second half of 1940, but shipping space was the big problem.

Table 4.5 **Average annual copra exports from five largest exporters, 1935-39**

	'000 tons (oil equivalent)
Philippines	351
Netherlands East Indies	336
Malaya	160
Ceylon	96
Papua and Mandated Territory	48
Total	991

Source: 'Summary of the report of the New Guinea committee into the copra industry', AA CRS 518 G812/1/1(5).

During the years from 1935 to 1939, the average annual copra exports from Papua and the Mandated Territory were the fifth

37 Ibid.

38 Ibid.

39 AA CRS 518 G812/1/1(2).

largest in the world (Table 4.5). The major importers of copra and coconut oil then were: United States (282,000 tons), Germany (126,000), United Kingdom (99,000), France (89,000), Malaya (75,000),[40] India (62,000), Denmark (50,000), and Netherlands (47,000).

Copra was piling up in TNG, too. On 28 May 1940, the TNG Executive Council approved an amendment of the Coastal Shipping, Ports and Harbours Regulations, reducing storage charges for copra, shell, cocoa, coconuts and bêche-de-mer from 6 pence to 3 pence per ton per week.[41]

Table 4.6 represents a calculation by an officer of the Commonwealth Department of Trade and Customs on 6 June 1940. When the British Ministry of Food bought 6100 tons of Rabaul copra at £E8 5s per ton, equivalent to £A10 7s, BP, WRC and Colyer Watson (N.G.) Ltd had paid producers between £A6 14s 9d and £A6 16s, that is about 65 per cent. As the average cost of production on TNG plantations had been £A7 9s 6d in 1936 (Dwyer 1936:59) and there had been no reduction of overhead items since then, it is clear why most of the 300-odd copra planters were going broke. Most of them were heavily indebted to BP or WRC, and there was some lesser indebtedness to CW. About half of TNG's output came from plantations owned by BP or WRC, but the companies, obtaining copra sacks, rations for labourers, equipment etc., at less than wholesale prices, and carrying their plantations' copra on their own ships, were able to keep production costs below those on other plantations.

The report of the New Guinea Mortgage Relief Committee in 1939 leaves no doubt that TNG planters were even worse off than W.H. Hughes and others in Papua. The committee, appointed by the Minister of External Territories at the direction of the Commonwealth Parliament, reported on 6 May that BP and WRC owned or operated in their own interests ninety-three properties comprising 31,418 hectares, almost entirely controlled sea transport within TNG and were duopolists in the bulk copra trade. Out of 77,558 tonnes shipped in 1938, 64,907 tonnes had been shipped on account of the two companies, the balance through Colyer Watson. Transport of copra within TNG could only be secured on the companies' terms and a planter had to contract to sell the whole of his output through them. Sale had to be made at a place of shipment or concentration point and the price paid to the planter was declared by the companies. This applied to 'free' traders as well as to those who were debt-tied to BP or WRC.

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[40] Malaya imported processed copra and exported it as oil.

[41] Prime Minister's Department, Minute C846/1/3 of 24 June 1940. AA A518 G812/1/1/(4).

Table 4.6 **Charges incurred in the exportation of copra, 1940**

		per ton
Pre-war London quotation		£E10 7s 6d
less		
Charges for shrinkage, handling, insurance and London selling (8%)	16s 7d	
Freight, Rabaul to London	3 15s 0d	4 11s 7d
Net price (£E)		£A5 15s 11d
Converted to Australian Currency		1 7s 8d
Net price (£A)		£A7 3s 7d
less		
Export duty		
Price free in store, Rabaul		2s 6d
(other centres 5s less).		£A7 1s 1d

Source: Department of Trade and Customs, Minute 640/1/1 of 6 June 1940. AA A518 G812/1/1(4).

Use of the London market price as the basis of calculating the price paid to the planters was one of the terms of mortgages held by the two companies. The committee contended that 'use of the London price as calculated by the Companies does not give the planter a true price in relation to world price and that the London price so used is not the price ruling in the world market at the time the sale was effected'. As for the 'fixed' deduction of 8 per cent made by the companies on account of shrinkage and realization charges, the committee commented that 'a system whereby the cost of handling varies with the price of a product is not equitable'. Moreover, the Rabaul to Europe freight rate charged by the companies did not represent the real or ruling freight rate. The committee found that the planters suffered certain disabilities to which the companies were not subject and that the virtual control of the industry by the two companies was 'the root of the disabilities'. The report ends with the observation that the solution lay in 'an open market for copra in New Guinea'.[42]

It is therefore not surprising that 1939/40 seemed as bad a fiscal year to copra producers in the two territories as they had ever witnessed. A reorganization of the domestic market was their only hope. They had begun to work for it, through their planters' associations and planters in the legislative councils, and they now stepped up these activities.

[42] Confidential Report of the New Guinea Mortgage Relief Committee, 'Marketing', Annexe I to 'Information re Copra', AA A5 13/9.

Outside its main towns, Papua New Guinea has always been a frontier land for Europeans (the name commonly used for whites in the islands, including those who came from continents other than Europe). A white man or woman who lacks self-reliance and fails to come to terms with New Guinea and its peoples is often unable to cope with plantation life, particularly where the plantation is geographically isolated. Subjected to the psychological stress of culture clash, the inevitable concomitant when people from vastly different milieus meet, and outnumbered by New Guineans on the plantation, and, more so, by those in nearby villages, many white males on plantations during the colonial era reacted by behaving aggressively. Such whites soured industrial relations in the two territories' copra industry but their aggressive attitude also made them a formidable foe of white officialdom. The planters on the legislative councils and two planters' associations had a greater influence upon decisions made in Rabaul, Port Moresby and Canberra than their numbers warranted. A planter such as J.C. Mullaly who was *primus inter pares* among the planters was a big fish indeed in the small local pond.

Need for a government-controlled pool

In April 1940, Mullaly, a non-official member, spoke in the TNG Legislative Council of 'the pressing need for drastic changes in the methods and control of marketing... copra to ensure an equitable distribution of the proceeds of sale amongst actual producers to replace the present system, whereby the bulk of the proceeds is diverted to freighting, handling, and marketing operations at an assured profit, irrespective of whether the producer is conducting his activities at a profit or loss'. He claimed that the London price was about £A16 10s for hot-air grade, but the producer received only £A7 1s for hot-air grade and £A6 1s for smoke grade per ton, and 5s less at other concentration points. From this price, an average inter-island freight charge of about 30s per ton had to be met, leaving the producer with a net return of £A4 11s to £A5 11s at the plantation gate. In other words, said Mullaly, £A11 out of £A16 10s was absorbed by freighting and marketing charges. The return was 'totally inadequate to meet production and interest charges, and to provide even a basic wage to the producer'.[43]

Mullaly read out a letter form BP informing clients that all shipping had come under the control of the United Kingdom Government on 31 January and licences to carry copra from the Pacific were not being issued because the Ministry of Supply in London was able to obtain ample supplies of oils and fats from nearer sources. The Mexican market was overloaded and, in any case, offered only a very low return. The company would have to cease buying when its storage sheds were full, probably by the

[43] TNG Legco, Debates, Meeting No.1 of April 1940:11.

middle of May, unless it could secure ships to take the copra away. The letter was blunt:

> we must also restrict credit, and as a means towards helping you to keep your indebtedness to us as low as possible, we shall, in future, scrutinise all orders received for goods and services and shall excise therefrom anything which is not absolutely essential. Cash payments will also be restricted to essential plantation requirements, such as paying off Native Labour.[44]

Mullaly claimed that certain conditions were essential to remedy the situation: markets, shipping facilities and control of marketing were all needed to ensure an equitable distribution of proceeds of sale between producer and marketing agencies. He submitted that, should adequate facilities and markets to absorb the Mandated Territory's output of copra not be available, the Commonwealth Government was under 'moral and political' obligation to purchase the whole output and, if necessary, to extract the oil either in TNG or Australia and store it until it could be sold. A compulsory pool of the entire output should be implemented immediately and selling be undertaken by a marketing board created by legislative authority. He pointed out that statutory boards handling wheat, maize, sugar, eggs and other commodities were already operating in the various states of Australia, and that provision for finance existed under Section 60 of the Commonwealth Bank Act 1911-1932.[45]

Mullaly, a representative of the white planters who had steadfastly opposed any form of government regulation of some facets of the copra industry, was asking for wide-sweeping control by government! In this, he was supported not only by W.E. Grose, MLC and president of the Planters' Association of New Guinea, but by most planters as well.

[44] Ibid.

[45] Ibid.:11-14.

Chapter 5

Beginnings of centralized marketing and price stabilization

The village producers felt the parlous state of the copra market as much as anyone, but, as Fred Archer, a planter not shackled by the big firms, knew well, they lacked a spokesman. Archer set great store on the economic advantages that accrued to him from the loyalty of the Western Islanders and Buka people whom he had employed since the 1920s. With three other 'free' planters - Joyes, Greer and Kroening - he had successfully organized the first direct marketing overseas, per NDL vessel *Friderun*, in October 1932. As he was to remember in 1975,

> this rocked the big firms and they offered contracts, etc., but no one trusted them now, and refused. The firms then used political means and through the Australian Government [Minister for Territories] got the foreign ships restricted to main ports and so brought in freight again. Colyer Watson then [for NDL] organized a vessel, *Island Trader*, to purchase copra and take it to Rabaul for trans-shipment to NDL vessels, but the scheme didn't work out well as CW wanted too much for themselves.[1]

Archer strongly supported Mullaly; and the PANG was now clamouring for government intervention.

Action of the kind demanded by them was not far off. On 13 June 1940, Administrator McNicoll informed the Minister for Territories that Burns Philp and Colyer Watson 'had ceased normal copra buying and were only accepting copra in exchange for the supply of rations for native labour and management purposes'. McNicoll pointed out that planters could not operate without some cash and that their 'inability to fulfil contractual obligations regarding wages presented serious problems in connection with native labour'. He suggested that the firms be asked to pay for copra partly in cash, sufficient to cover labourers' wages. They replied that they would do this for plantations of which they were managing agents but could not make it 'a general practice'. A

1 F.P. Archer, Rabaul, pers. comm., 29 April 1975.

fortnight later, the Administrator recommended that the government advance to the planters the money to enable them to meet current and deferred wages and repatriation costs up to 31 July, costing about £6400 in all. The Minister informed McNicoll that she was awaiting the outcome of representations made to the UK Government. McNicoll then told the Minister that £120,000 per annum was needed to cover minimum maintenance on plantations other than those controlled by the firms.[2]

During an interview with Prime Minister Menzies on 5 July 1940, G.W. Hutton, a planter, stressed that the planters wanted a government-controlled copra pool, expansion of refining facilities in Sydney, more shipping to Australia, and loan finance to maintain their properties.[3] A week later, the PANG wrote to the Prime Minister that the annual meeting of its council had passed the following resolution:

> (1) That the Association directs the attention of the Commonwealth Government to the published balance sheet figures of Burns Philp & Co. ... which disclose Reserves approximating TWO MILLION pounds, being accumulations of undistributed profits.
>
> (2) That the Association suggests that, under the existing Commonwealth powers, portion of these vast reserves, built primarily from exploitation of the Islands Copra Industry, shall be conscripted and used to make a tonnage advance to Resident Producers of copra in this Territory and Papua, based on actual cost of copra produced.
>
> (3) It is further suggested that portion of the Reserves of W.R. Carpenter & Co. shall be similarly conscripted and applied.[4]

The association believed, so its president, J.C. Mullaly, informed Menzies, that the course proposed would not merely help the Commonwealth Government to 'carry out an obligation to its nationals domiciled in this Territory as producers' but it would also 'curtail the activities of a monopoly which has ruthlessly exploited producers of this Territory and Papua for years past'. In an earlier letter, the association had asked for a government-controlled copra pool.

Circular T.148 of 22 July 1940 from H.O. Townsend, Administration Treasurer and normally the planters' *bête noire*, was a feeble ray of sunshine:

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[2] AA CRS A518 G812/1/1(5).

[3] AA CRS A518 G812/1/1(4).

[4] Ibid.

> It has been decided to afford emergency loan assistance to employers of native labour engaged in planting, to enable them to meet their obligations in connection with the payment of current and deferred wages to labourers, sustenance to labourers awaiting repatriation, and fares necessary to repatriate them.[5]

Assistance was also offered to enable planters to obtain licences essential for the conduct of their business. No assistance of any kind would be given to 'employers who are companies'.

The inaccessibility of markets, caused by the war-time shortage of shipping, had become an industry-wide problem. While almost all of Papua's production went to Australia, the situation was very different in TNG (Tables 5.1, 5.2).

Table 5.1 **Copra exports from the Mandated Territory of New Guinea, 1938/39**

Destination	Tonnes
United Kingdom	37,992
European ports, not class.	13,625
Australia	10,156
Sweden	8,979
Germany	3,592
Spain	2,568
China	1,655
Netherlands	1,406
France	699
Denmark	672
Caroline Islands	497
Japan	304
Total	82,145

Source: *Quarterly Review of Agriculture*, IV:4 (1951:152).

During the seven months from 1 November 1939, Australia had imported 25,670 tonnes of copra from the South Pacific. Its two island territories had supplied 31.6 per cent of this.[6] By then, Australia's High Commissioner in London was seeking a British Ministry of Food contract for the purchase of 24,000 tonnes of copra form TNG and Papua, but shipping space was a big problem.

[5] Ibid.

[6] AA CRS 518 G812/1/1(4).

Table 5.2 **Copra exports from the Mandated Territory of New Guinea, early World War II**

Destination	1939/40 (tonnes)	1940/41 (tonnes)	Jul-Aug. 1941 (tonnes)
United Kingdom	26,269	9,040	1,771
France	8,504	-	-
Mexico	7,877	16,106	13,258
United States	7,388	3,575	-
Australia	6,293	11,928	3,782
Canada	-	5,359	3,515
Japan	-	4,691	-
Other	3,220	-	-
Total	59,551	50,699	22,326

Source: Australian National Archives, AS13/9.

Lack of bottoms had caused the cessation of exports to Europe (other than to the United Kingdom) and the United States, greatly reduced them to the United Kingdom, and diminished shipments to Canada. The end of exports to Japan, instituted by the Commonwealth Government, reflected the instability of the Allies' relationship with that nation.

It was fortunate - if this is the right word - for the planters and village producers that another aspect of the crisis in the copra industry occupied the minds of the politicians in Canberra. On 9 July 1940, J.R. Halligan, on behalf of the Secretary of the Department of the Prime Minister, had written to the Secretary of the Department of the Treasury, *inter alia*, that 'it would also seem desirable from a defence point of view that the planters should remain on their properties'.[7]

Financial assistance from the government

On 13 August, H.K. Nock, Minister for Territories, told Cabinet that, apart from any other considerations, there was the matter of the defence of the territories. The Naval Board was most concerned that abandonment of a number of plantations might adversely affect the coast watching organization. Nock submitted that it was 'imperative' to keep the industry alive and he recommended organized and controlled production and marketing. Companies and individuals, he said, should be made to reduce production by 40 per cent, leaving the total annual tonnage for the two territories at about 52,000 tonnes, roughly twice what Australia used. All purchasing, storage and disposal should be

[7] AA CRS 518 G812/1/1(5).

undertaken by a statutory board consisting of representatives of the planters and traders, the two Administrations, and, in the case of TNG only, of the Custodian of Expropriated Properties. Financial assistance should be given to individual planters but not to the companies. The distribution of proceeds due to individuals should then be strictly controlled to ensure repayments of subsistence allowances and loans for plantation maintenance, and to reduce their debts with the big firms. The Commonwealth Bank should be called upon to finance all aspects of the scheme, on a guarantee by the government.[8]

Six days later, on 19 August 1940, Cabinet approved giving financial assistance to individual planters, controlling output to 60 per cent of pre-war production, and forming a copra marketing organization. Government-controlled pooling and other restrictions upon the copra industry of the two territories was now the foremost topic of discussion among planters. The editor of the *Rabaul Times* forecast that a committee would be formed in TNG to control the industry. Distribution of finance, concentration and storage, supervision and supply of goods, price control, and government-guaranteed loans from the Commonwealth Bank would follow regulations under the National Security Act which was in force in Australia and its territories.[9]

Even the severest critic among the planters would surely have tempered his remarks about Australian politicians and their public servants had he known about, let alone been privy to, the conference that had taken place from 20 December 1940 to 9 January 1941. Convened by the Commonwealth Government 'to enquire into the marketing of copra in various colonies, protectorates and territories in the Pacific, in view of the situation that ha[d] been brought about as a result of the outbreak of war and the subsequent dislocation of shipping and marketing facilities', the conference had been attended by delegates from Australia, New Zealand and Fiji. The New Zealanders' brief included the interests of the Cook Islands, Niue, Western Samoa and French Oceania, while that of the Fijian delegation included those of the colonies, etc., under the aegis of the High Commission for the Western Pacific (WPHC). The Australian delegation consisted of H.L. Murray, Administrator of Papua; H.O. Townsend, TNG Treasurer; E. McCarthy, Assistant Secretary, Department of Commerce; J.R. Halligan, officer-in-charge Territories Branch, Department of the Prime Minister; Dr H.C. Coombs, economist; and C.E. Leake, Trade Agency Section, Department of the Treasury. The conference recommended the setting up of a Pacific Copra Marketing Board, representing 'the three principal Governments concerned', i.e.,

8 Cabinet Submission, agenda item no.432 of 13 August 1940. CRS A518 G812/1/1(5).

9 Rabaul Times, 20 September 1940.

Australia, Fiji and WPHC, and New Zealand.[10] The Marketing Board was to be empowered to form an Advisory Committee of merchants, and to appoint Territorial Boards which would act as agents of the Marketing Board in their own territories. The Marketing Board was to be given wide powers to acquire, market and finance (including distribution of proceeds).

T.J. Collins, Minister in charge of External Territories, told his Cabinet colleagues that the conclusions arrived at and recommendations made to the representative governments by the Conference were:

(1) That the British and Free French areas of the Pacific be required to produce and dispose of 190,000 tons of copra per annum to enable their economic structure to be preserved.

(2) That if the United Kingdom Government will take at least 90,000 tons of copra per annum from the British and Free French areas in the Pacific it may be possible to dispose of 162,000 tons from those areas, leaving a balance of 28,000 tons to be a liability of the three Governments in proportion to the production in their respective areas.

(3) That a combined marketing organisation ... representative of the Governments of Australia, New Zealand, the High Commission for the Western Pacific and the Colony of Fiji be established in Sydney to effect whatever sales that may be possible. The Board to be responsible only for the copra for which it can find markets.

(4) The three Governments to be entirely responsible for the copra industry in the areas under their authority, including the control of production and the granting of any financial assistance considered necessary to supplement the proceeds of marketing distributed by the Marketing Board.[11]

Collins regarded as 'fundamental' to the scheme that the United Kingdom Government purchase at a reasonable price at least 90,000 tons during the next twelve months. 'If that condition is fulfilled and the other Governments signify their approval to the

[10] The Conference recommended the following representation for the Pacific Copra Marketing Board: (1) Commonwealth of Australia, on behalf of Territory of Papua, Mandated Territory of New Guinea, and New Caledonia (Free French Administration); (2) Dominion of New Zealand, on behalf of Mandated Territory of Western Samoa, Cook Islands, Niue, and French Oceania (Free French Administration); and (3) Colony of Fiji and Western Pacific High Commission, on behalf of British Solomon Islands Protectorate, Gilbert and Ellice Islands Colony, Kingdom of Tonga, and Condominium of the New Hebrides.

[11] Cabinet Submission, agenda item no.432 of 5 February 1941. AA AS 13/9.

scheme, it is considered that the Commonwealth Government should participate'.[12]

The aggregate output of TNG and Papua had been 75,028 tons in 1938/39, the fiscal year before the outbreak of war. Assuming that production were limited to 60 per cent, shipping for about 45,000 tons would have to be found. Taking into consideration the 190,000 tons from the British and French areas, the situation would be:

Origin	Tons
British and French areas	190,000
TNG and Papua	45,000
<u>less</u>	
Purchased by UK Government	90,000
Total	145,000

Australia had imported about 27,000 tons in 1939/40, about half of it from areas in the Pacific not under Australian control. The Office of Territories in Canberra believed that it might be possible to import more by finding further uses, for example, cattle fodder, diesel fuel and lubricating oil, and that the markets in Canada, Mexico and the United States offered possibilities. Even if the Australian market had taken TNG and Papua's 45,000 tons, 100,000 tons would still have to be marketed in the Americas as the sea routes to Europe were now almost closed. It was a tall order.

The proposal for a Pacific Copra Marketing Board came to nought. In retrospect, it was doomed from the start, not only by the wellnigh insuperable shipping difficulties but also by the unwillingness on the part of the UK Government and, *ipso facto*, its Crown Colony of Fiji and High Commission for the Western Pacific, to enter into any agreement or even mere arrangement likely to reduce the United Kingdom's influence in the post-war copra market of the South Pacific.

The uncouth colonial politicians in Canberra, to whom international relations were a novelty, were realists nonetheless. They agreed with the Office of Territories that, above all,

> [t]hree things... [were] necessary to ensure the maintenance of the copra industry and especially the survival of the individual planters, i.e.

[12] Ibid.

(1) Regular and orderly marketing of the output whether it be 100% production or a quota of the normal pre-war output.

(2) An equitable share to all producers of any markets that are available.

(3) A return to the planter of an amount per ton that will at least cover cost of production.[13]

It was clear to the Office 'that if the industry as a whole is to be enabled to survive the present difficult time it must be brought entirely under Government control with the acceptance by the Government of such financial liability as may be necessary'. The Office proposed that the administrations of TNG and Papua appoint a Copra Committee to supervise production, to pay sustenance where necessary, and to have a lien on the proceeds from sales of copra. This committee was to comprise representatives of the two administrations, planters and traders.[14] It was further proposed that a copra marketing board be established, with headquarters in Australia. The board was to consist of a representative of the Department of Commerce and of the Territories Branch (Department of the Prime Minister), and a manager. An officer of the Trade Agency Section (Department of the Treasury) was to be secretary to the board, supported by clerical staff. The Office of Territories (as the Branch was usually called) recommended that the board be made responsible for the receiving, storing and selling of copra, with the copra committee in the islands as its agent, and that it control all copra 'from the time it is taken from the planter... until it is sold'. The Office - and, no doubt, the Department of the Treasury - kept well in mind that any financial assistance to individual planters would involve prior investigation of the economics of production, and that a general overhaul of the industry, to eliminate uneconomic units, for example by amalgamation, might be required.

By May 1941, the UK Government was planning to import 92,000 tonnes of copra from Singapore. The planners, aware that copra from the South Pacific could only be carried at the expense of Malaya's industry as additional shipping space could not be provided, proposed a scheme under which Malaya would pay South Pacific producers the f.o.b. price they might expect to receive through Singapore, on condition that the copra was not shipped. Malaya's copra would get first call on shipping space available from non-despatch of South Pacific copra. Canberra was 'not keen

[13] 'Territories of Papua and New Guinea: copra industry', background paper, unsigned, of 19 December 1940, originating in Office of Territories, Department of the Prime Minister, Canberra.

[14] In the case of the TNG Administration, a representative of the Custodian of Expropriated Properties.

on asking... [the Australian] territories to destroy copra even if recompensed by traders and government in Malaya': 'Rather than destroy New Guinea copra, we would sooner store it on our own responsibility... if destruction was to be applied, it should take place in the area which after the War would not be dependent on the copra industry'.[15]

The idea of government control of production and marketing of a primary product was not new in Australia. Co-operatives, primary producers' main means to develop an orderly market which offered a fair return, had begun to lose clout *vis-à-vis* growing companies, some of them allied to large overseas concerns, but statutory bodies and other forms of governmental intervention were already operating in a number of rural industries. As the Australian Labor Party, now in power, favoured government intervention, it is not surprising that the Commonwealth Government reacted positively to the planters' representations, backed by public servants advising the political decision-makers in Canberra.

The National Security (Copra Control) Regulations, made under the National Security Act 1930-1940, were assented to by the Governor-General on 11 June 1941. They provided for copra control boards in TNG and Papua, consisting of three members appointed by the Minister. Each board was to be a body corporate and, among other things, have the following powers:

- May sell any copra purchased by it;

- may manage and control all matters connected with the handling, storage, protection, treatment, transfer or shipment of any copra submitted or purchased by it;

- where it has chartered any ship for the carriage of copra, may carry any other commodity or material at such rates of freight as it determines;

- shall do all things necessary to secure any advance made [under the Regulations] and to manage and control any security, given in respect of any advance, which may become the property of the Commonwealth or of the Board.[16]

Whips began to be cracked in Canberra. TNG's Administrator had cabled on 22 September that 'in view of companies' attitude, the government would be ultimately forced to requisition storage facilities and shipping but that the industry could not afford delay involved in applying these measures at this stage', and the

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15 Summary of correspondence, cablegrams, etc., from Secretary, Department of Commerce, to J.R. Halligan, Department of the Prime Minister, 19 September 1941, AA AS 13/9.

16 Parliament of the Commonwealth of Australia, Statutory Rules No.133 of 1941.

Department of the Prime Minister had lost no time in replying that the New Guinea Copra Control Board would have to appoint licensed receivers of copra:

> The Board will bear in mind that we have made it clear to Burns Philp and Carpenter that should they tie up their ships or decline at any time to run these ships as directed at rates of freight and fares determined... by the prices commissioner, their licences as receivers will be cancelled.[17]

The Board, stressed the OIC of the Office of Territories, would have to be ready at short notice to carry on without the big firms, probably requisitioning their facilities and appointing other firms as receivers. The Commonwealth Shipping Control Board had the powers to control shipping in TNG and Papua and it could delegate those powers to some authority on the spot, such as the New Guinea Copra Control Board.

The New Guinea Copra Marketing Committee

The Regulations were gazetted on 1 October 1941. On the following day, a New Guinea Copra Marketing Committee was set up in Sydney, to arrange and handle all copra sales from TNG. It was chaired by J.F. Murphy, Secretary, Department of Commerce, with J.R. Halligan, Department of External Territories, and C.E. Leake, OIC New Guinea Trade Agency in Sydney, as members. The committee was to function until a Pacific Marketing Board was set up. The collection of copra in TNG was supervised by the New Guinea Copra Committee (G. Hogan, J.C. Archer and F.J. Mackenzie), making use of facilities belonging to the big firms at Timbur, Rabaul, Madang, Kavieng and Lorengau. The producers were guaranteed £4 10s per ton on the plantation. The *Pacific Islands Monthly* reported that Papua was not brought under the pooling scheme as its annual production 'was only 5000 tons and taken care of by the ordinary trading channels'.[18] (In fact, Papua exported 8108 tons in 1940/41.) According to *PIM*, Suva merchants, at the crossroads of the Pacific, had no trouble selling Fiji's copra, but buyers in the British Solomon Islands, Gilbert and Ellice Islands and Tonga could not secure shipping space. The proposed Pacific Marketing Board was intended to solve their problems. R.W. Robson, *PIM's* editor, thought that the conference at Sydney in December 1940-January 1941 had started off on the wrong foot: 'it should have recognised the huge, far-reaching and very-sensitive power and influence of the big trading companies' and sought their cooperation and goodwill. The companies' power in the South Pacific was too great; it was monopolistic. But far-sighted men on their boards would probably have cooperated with the

[17] AA AS 13/9.
[18] PIM, 12:3 (1941:7).

governments to create 'what virtually would have been a New Order in the Pacific'. Robson hoped that the big companies would yet be brought into the scheme of the Pacific Marketing Board.[19] He had earlier argued that the crux of the South Pacific copra industry's problem was the scarcity of shipping, and that some firms had already displayed 'vigorous enterprise', for example, WRC had established a large copra mill at Vancouver, Canada, and secured ships to carry copra to the mill.[20]

The New Guinea Copra Marketing Committee's main immediate concern was about shipping within TNG and from there to Australia and other countries. The committee first met in Canberra on 10 October. Less than six months later, the Pacific Copra Marketing Board not having eventuated, the committee had to change from seller to anxious buyer, and the initiative to pool marketing had passed from it to the WPHC. At that time, there were five crushers in Sydney, with a combined capacity of 50,300 tonnes per annum.[21]

The Planters' Association of New Guinea supported the scheme. In a letter to *PIM*, the association's president stressed that the producers had faced bankruptcy in 1940-41 when the big firms had refused to buy copra. The firms were only interested in their own affairs, they had 'shut down' on the industry twelve months ago and probably would do so again if similar conditions existed. 'No one but a fool is going to throw away the substance for the shadow, the substance being £4/10/- per ton at plantation, and, in addition, profits made by sales of copra to be distributed among contributors to the pool, and guaranteed by the Commonwealth Government under National Security Regulations.' Moreover, wrote H. Adams (who was an MLC as well as the association's president), the producers hoped that the 'New Order' would see established a Finance Bank to assist them.[22]

From the time the New Guinea Copra Pool was formed until its operations ceased because of the Japanese invasion of TNG, it handled about 20,000 tons and paid producers around £4 10s per ton. Little, if any, profit was made as a great deal of property and stocks were lost during the Japanese occupation. The pool later claimed £90,000 from the War Damage Commission.[23]

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19 Ibid.:12-16.

20 Ibid., 11:9 (1941):5.

21 AA AS 13/9.

22 PIM, 12:4 (1941):44-5.

23 Ibid., 13:9 (1942:28).

The Australian Army takes over

The war with Japan caused the suspension of civil administration in both territories in February 1942. The general officer commanding (GOC) the 8th Military District, with headquarters at Port Moresby, was now charged with the maintenance of law and order among, and the provision of essential services to, the civilian population, all but a few of whom were Melanesians living in villages.

After the cessation of civil administration, some coconut plantations were permitted to continue operations. On 25 April 1942, Major-General B.M. Morris, GOC 8th Military District, issued an order under the National Security (Emergency Control) Regulations, entitled 'Plantations Control Order No.4', which vested control over all plantations in the senior officer exercising military command (Cleland n.d.:49).

On 19 April 1942, the Australian New Guinea Administrative Unit (ANGAU) was established as a formation of the Australian Army under command of Headquarters, New Guinea Force. ANGAU's functions were twofold: (a) to operate against the enemy, and '(b) to carry on the Civil Administration of the Territories including control of the natives, administration of justice and the education of the natives'.[24] The major activities undertaken by ANGAU included intelligence patrols behind enemy lines; recruitment and management of labourers to carry supplies for the Allied Forces and help to construct military installations, airfields and roads; propaganda among the villagers; maintenance of law and order; health services for Papua New Guineans working for the Allied Forces, and for villagers; and production of raw materials essential to the conduct of the war, for example rubber, copra and timber.[25]

By mid-1942, the Japanese were in control of nearly all of the production areas in TNG and some in Papua, so that the two territories' output now barely met the requirements of the Australian market. That market was, moreover, being widened by the demands for soap, ice cream, etc., of United States service personnel in Australia. By December 1943, there were 300,000 United States servicemen in Australia and the territories, and five months later there were more than half a million.

ANGAU soon commenced to assume control of a number of plantations on the mainland of Papua, to maintain their assets and produce as much as the operational situation permitted. None of

[24] ANGAU Administrative Instruction No.24, 'Functions and Organisation', 7 February 1944. A copy of this document is inserted in Cleland (n.d.).

[25] Ryan (1972). The New Guinea Police Force of the Mandated Territory of New Guinea and the Royal Papuan Constabulary of the Territory of Papua were combined, with the latter's title, and became a part of ANGAU.

the 261,687 acres under palms on plantations in TNG were now available and shortage of coastal shipping hindered operations on Papua's 44,584 acres of copra plantations. The villagers of Papua had about 12,000 acres under palms, but some able-bodied men had already been conscripted as labour for the Allied Forces (Commonwealth of Australia, BAE 1953:6, 8).

The Commonwealth Government had entered into an agreement whereunder all copra, coconut oil and palm kernels available to the allied nations were to be purchased into a pool and then allocated to individual importing countries. The scheme commenced on 1 June 1942, with the British Ministry of Food controlling allocations. Copra, especially the glycerine made from it, had become an essential war material. The pooling was intended 'to eliminate unhealthy competition, stabilise prices at levels sufficiently high to encourage production, and ensure a fair allocation of available supplies'.[26] Australia's participation in the scheme did not eventuate and, as we have seen, neither did the proposal for a copra pooling scheme in the South Pacific.

The increasing demand for copra from Australian manufacturers of soap, ice-cream and confectionery supplying Allied service personnel was not met by this arrangement. As ANGAU's operational tasks had to take precedence over its copra production and, moreover, much greater expertise needed to be applied to that production than randomly selected soldiers possessed, the Commonwealth Government decided to set up a special organization for the production of copra and other raw materials. On 18 January 1943, Prime Minister John Curtin wrote to General Thomas Blamey, C-in-C (Commander-in-Chief) of the Australian Military Forces, that the supply of rubber and copra to meet the needs of the Commonwealth was 'a matter of great importance and urgency' and the government was 'most anxious that the greatest possible quantity... should be forthcoming' (Cleland n.d.:51). On 3 March 1943, J.R. Halligan, Assistant Secretary, Office of External Territories, advised the Attorney General's Department that Cabinet had decided that a board was to be established to achieve this.

The Australian New Guinea Production Control Board (ANGPCB), was therefore established under the National Security Regulations and given logistic support by ANGAU. ANGPCB's preliminary meeting was held on 16 June 1943, chaired by Brigadier D.M. Cleland, who was to hold the position of chairman until 24 March 1945. He was already deputy-adjutant and quartermaster-general in ANGAU, next in seniority to the unit's GOC. Holding the two appointments concurrently enabled Cleland to secure ANGAU's cooperation with the Board, a matter of considerable importance because ANGAU controlled all aspects of labour recruitment and employment.

[26] Cablegram JF 2441 of 10 September 1941 from Department of External Territories to Australian Legation in Washington, AA AS 13/9.

However, although Cleland held the dual appointment, ANGPCB was not responsible to the Army but to the Minister for External Territories. The Board's other members were Colonel W. Kirkhope, deputy chairman, and Major E. Frame. In civil life, Kirkhope had been a lawyer and Frame a senior employee of BP.

At its first official meeting on 1 July 1943, when Part IV of the National Security (External Territories) Regulations came into operation, ANGPCB decided to operate on the following basis:

1. The Board does not plan to derive profits from the sales of copra and rubber produced. The price paid for produce should be the equivalent of the amount realized on sale at port of destination, less freights, shipping charges, insurance and other expenses incidental to marketing.

2. It is desired to arrive at an accurate estimate of profits derived from trading by trade stores with Natives either (a) trade stores direct, and (b) trade stores when established on plantations.

3. It is planned that administrative costs of the Board should be borne by:

   (a) a charge against plantations managed by the Board;

   (b) a charge for handling produce (rubber, copra) to be included as an element of cost of marketing;

   (c) profits derived from merchandise sold to all plantations; and

   (d) profits from native trade stores.[27]

ANGPCB took over all plantations operated by ANGAU. At that time, 3776 labourers were employed.[28] The plantation managers requisitioned for labour, and the Board set the priorities for supplying it and was the sole authority for its removal.

Some of the owners or managers of plantations in areas not under Japanese control, and who were not in uniform, had begun to clamour for permission to return from Australia. By early 1944, the Commonwealth Government had allowed a few of them back, the Board having been made responsible for the supply of labour and stores for civilian-managed plantations. Such plantations, too, had to market through the Board and accept the price fixed under the National Security Regulations.

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[27] CMB CB470/3, f.1.

[28] Ibid., f.22.

Until April 1942, the fixed price per ton had been £27 7s. From then until 30 June 1943, it was £32 2s. During 1943/44, three different prices ruled, namely, £32 15s 6d per ton for hot-air grade, £31 17s for plantation grade, and £30 19s for smoke. On 1 July 1944, this was replaced by £38 10s 6d per ton for hot-air or sun and £36 14s 9d for smoke. The following figures have been calculated from Appendix Table 3:

Year	Tons	Value (£)	Price per ton (£)
1943/44	6,115	182,400	29 16s 7d
1944/45	11,446	612,000	53 9s 5d

Before the war, about 370 plantations had been worked in TNG and 130 in Papua. By April 1944, there were 121 producing estates, 67 under owners and 54 managed by the Board. This was better than nothing, as copra was a war material, albeit not a vital one. But it was a long way from getting the industry back to its pre-war position.

During a conference with the Minister for External Territories, E.J. Ward, on 22 April, he told the Board that Australia's transport problems had not allowed him to devote much time to the Mandated Territory and Papua but a committee of five, with himself as chairman, was now dealing with policy matters.[29] Ward did not tell Cleland and the other members of ANGPCB that the Army's Directorate of Research and Civil Affairs, headed by Colonel A.A. Conlon, was submitting plans for the post-war development of the two territories, including primary industries, to Sir Thomas Blamey, and, through Conlon's access to Prime Minister John Curtin, to the War Cabinet. While the degree of the Directorate's influence on early post-war policies in Papua New Guinea still (1986) remains a subject of vigorous discussion, it would seem that continuation of government-controlled centralized copra marketing was in harmony with the tenor of the Directorate's approach to policy-making.[30]

The Board was told that Australia needed 10,000 tonnes of copra in 1944 and would need 25,000 in the following year, but inter-island and coastal shipping was still inadequate; the Army was unable fully to meet the needs.[31] From the Board's inception until the end of war, it was beset by three main problems, namely insufficient labour; shortage of equipment, materials, merchandise and other supplies; and inadequate inter-island export shipping

[29] CMB CB227, f.131. Ward also held the Transport portfolio, economically and politically far more important than External Territories.

[30] See, for instance, Stanner (1953:104-5) and Kerr (1978:95-9); but see also Hasluck (1970:398, fn.5).

[31] CMB CB277, ff.136, 187-8.

(Joel 1948:16). These problems were to remain until the mid-1950s.

It has been claimed that the Board's main concern was to look after the interests of plantation owners, including the big firms, and that it had, indeed, been set up for that purpose, following strong lobbying (Ryan 1972:21). Cleland did not see it that way; he regarded as paramount the objective of maximum production to help the war effort. Certainly, he met with a great deal of criticism from plantation owners temporarily in Australia and those already in the territories. His appointment, probably because of his proven ability as a military administrator, had come as a complete surprise to him.[32]

Rubber production had been the Board's priority. As Appendix Table 8 shows, its sales of rubber and copra from 1 July 1943 to 30 June 1946 were £826,745 and £732,000 respectively. During those years, it supplied £1,259,588 worth of 'merchandise', that is rice, canned meat and other foodstuffs, blankets, mosquito-nets, clothing, eating utensils, etc., for issue to labourers; building materials, tools and other supplies for plantations; and goods for trade stores operated by the Board. The stores turned over £379,200 and were of great importance to plantation labourers and nearby villagers as very few other stores were doing business. By 1949/50, when ANGPCB no longer resembled a military establishment, its copra reserve account of £185,870 and general reserve account of £97,236 provided a good start for post-war operations. Cleland and the others on the war-time Board had managed prudently and with foresight.

The war ended in September 1945. Only small quantities of copra had come to the Board from Papuans and New Guineans as most coastal villages had been denuded of able-bodied men. Bombs and machine-gun bullets had destroyed thousands of villagers' palms. Moreover, Allied troops, seeking timber for camp construction and road making, had cut down many palms in village groves. The provisional Administration of Papua-New Guinea, acting on a recommendation by a committee appointed by the Minister for External Territories, paid between 10s and 18s for each palm destroyed, but, of necessity, the villagers lost seven years' production - the time it takes for a palm to come into commercially-viable bearing.[33]

But the war had also had its good side for Papua New Guineans, including, of course, the copra producers among them.

> The people were impressed by the new goods and machines which the armies brought with them. Several large camps and

[32] Sir Donald Cleland, Port Moresby, interview, 8 January 1975.

[33] Commonwealth of Australia (1945:39). The committee consisted of J.V. Barry, K.C. (chairman), H.I. Hogbin, anthropologist, and J.L. Taylor, district officer.

> towns were built as bases and to these came a great number of ships and aircraft, bringing food, building materials, weapons, machinery, drugs and clothing for the soldiers. Few of the villagers had any idea where these things came from. There were many more goods than had ever been seen in New Guinea during peacetime... (Biskup, Jinks and Nelson 1970:112).

They bought cars and trucks or opened trade stores with some of the approximately £4.5 million war damage compensation paid to them. Some groups, such as the Butibam near Lae, became politically aware and set themselves realistic goals (Robinson 1979:186-7). Others sought a short cut to material progress through chiliastic movements, the 'cargo cults'.

Before the war, 48 per cent of the copra plantations in the two territories were company-owned and/or controlled, 42 per cent in private hands, and the rest belonged to deceased estates. By 1946, 13 per cent of all plantations were back in production. J.C. Archer, who had succeeded Cleland as ANGPCB's chairman, recommended to the Minister that all company and private owners be permitted to resume their plantations but that the Board, using its powers under the Regulations, operate the plantations itself if owners failed to do so with reasonable promptness.[34]

While there was some semblance of pre-war times in the production of copra on the plantations resumed by the big firms and individual white owners - except that copra sacks, rations and clothing for labourers, building materials and other stores were difficult to obtain - and in village production, there was no return to the pre-war ways of marketing.

Should the industry be de-regulated?

In April 1948, the Secretary, Department of External Territories (DET), minuted to the Minister a plan for the large-scale re-establishment of the territories' agricultural industries. It seems that J.C. Archer had a hand in it or, at least, was privy to it as the plan involved ANGPCB.[35] Earlier, Archer had pointed out to the Secretary that the Board, which had been set up as a war-time emergency organization for maximum production of copra, rubber and other tropical products required for the prosecution of the war, with certain powers in labour matters and over coastal and inter-island shipping, needed to be reconstituted to meet peacetime needs. He followed this up with some correspondence which, eventually, on 10 June 1948, led the Secretary, DET, to put it to the Minister that the winding up of the Board must ensure continuity of marketing facilities and at

[34] CMB CB470/3, f.51.

[35] Minute AK 813/1/1. CMB CB470/3, f.51.

the same time avoid committing the government to any costs or losses on operations. Before the war, BP, WRC and CW had been the main copra exporters in TNG, and Steamships Trading Co. Ltd, BNGD, BP and A.H. Bunting & Co. Ltd in Papua. The Secretary recommended making the Board's facilities available to them for a limited period, to give them an opportunity to set up their own weighbridges, transit sheds, etc., thereby ensuring that no breakdown in the marketing of growers' output would occur. The Board should then be wound up as early as possible and, because the relinquishing by the government of all marketing would put an end to setting aside a stabilization levy direct from sales, the export duty on copra in TPNG needed to be adjusted to include the levy. There should then be a corresponding apportionment of the levy from revenue to the Copra Reserve Fund.[36]

On the same day, 10 June, the Department of Commerce had advised DET of a proposal before the International Emergency Food Committee of the UN Food and Agriculture Organisation to treat copra produced in Australian territories as indigenous Australian production for allocation purposes. The Department stressed that the current high prices were unlikely to prevail and long-term sales contracts would be invaluable as price stabilizers. A contract with, say, the United Kingdom, on a government-to-government basis or on a trader-to-trader basis under cover of an overhead government arrangement, might be operated. Export control measures would be necessary. Australian requirements would be given first priority and decisions about the disposal of supply in excess of those requirements would take into consideration any dollar-earning possibilities.[37]

On the following day, the Minister for External Territories, E.J. Ward, submitted to Cabinet that control over agricultural production was gradually being relinquished to private enterprise, except for ancillary shipping services which had been taken over by another government instrumentality. ANGPCB's only major function was now the marketing of copra, the potential annual production of which was estimated at 50,800 tonnes. Current annual production of 33,300 tonnes was already in excess of Australian consumption and there were three possible ways of reorganizing the industry, namely:

(i) Marketing by private interests except for (a) distribution through a system of export licences and (b) a system of levies for stabilisation;

(ii) the Administration to market in competition with private enterprise, with the latter subject to (i) (a) and both to (i) (b);

[36] CMG CB227, ff.5 and 11-14.

[37] CMB CB470/3, ff.53-4.

(iii) retention of complete control of marketing, including handling in the Territory through (a) a separate government organization; or (b) the Administration; or (c) either, except for handling by private agencies.[38]

There was, claimed the Minister, some benefit to the industry from continued government marketing on the present basis, that is by ANGPCB, but it did not justify the heavy financial risk. However, the continuing world shortage of edible oils and fats and the need to assist in the maintenance and stability of a vital industry made the release of marketing by the government subject to a completion of arrangements adequately covering certain matters, for example there had to be a system of export licensing to control distribution and retention of levies for price stabilization. This, together with government-owned coastal shipping and government control over villagers' produce, should secure the position. As soon as practicable, therefore, the existing control over marketing should be released subject to (a) a system of export permits issuable by the TPNG Department of Trade and Customs, and (b) continued setting aside of stabilization levies. ANGPCB should then be wound up and a Copra Board set up, by legislation, under the Division of Production and Marketing of the Department of Agriculture, Stock and Fisheries.

In September 1948, the Secretary, DET, advised the Board that controls on the marketing of copra would be released on 31 October, the Board's staff would be absorbed by the Provisional Administration, and two ordinances were to be enacted to amend the customs and tariff ordinances for both territories,[39] but the provisions of the Customs Ordinance for copra exported to countries other than Australia were to be continued, that is, such exports could only be made under licence from the chief collector of customs.[40]

Although the big firms and a number of individual planters were highly critical of the Administration, almost as critical as the Board, and sought a return to the marketing arrangements that had existed before the war, there were many individual planters and a number of influential businessmen who saw merit in retaining the Board. One of the latter, Asher Joel, a consultant, included the following in his lengthy report to the Margarine Manufacturers' Association of New South Wales:

> While there are some grounds for complaint, credit must be given to it [the Board] for making a determined effort to

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[38] Cabinet Submission, agenda item no.1474, AA AS 13/9.

[39] The UN Trust Territory of New Guinea, as the former Mandated Territory of New Guinea now was, and the Territory of Papua continued to have separate laws although the two territories were jointly administered as Territory of Papua-New Guinea from 1945 until 1975. There were also some laws, enacted after 1945, in respect of both territories.

[40] CMB CB470/3, ff.20-21.

> assist the plantation industry. Although it may be contended that private enterprise could have accomplished this... the problems of post-war New Guinea are so peculiar and many that this must be regarded as wishful thinking, rather than a practical approach... In general, the P.C.B. appears to have done a sound and reliable job in securing supplies, arranging for transport, storage of copra, co-ordination of shipping services, etc. (Joel 1948:60).

Joel reported that the Board had 'lost considerable prestige' when control over rubber was lifted after prices for that commodity had toppled and the planters were thrown on to a falling world market to make the best arrangements they could. 'This action seemed to indicate to many planters that P.C.B. was interested only in helping them when times were good... but abandoned them as soon as matters became difficult.'

There is nothing in Joel's report or in what remains of the ANGPCB records that tells us about any lobbying by commercial interests, such as the Big Firms, or about the stance taken by the Opposition in the Commonwealth Parliament. The Labor Administration's policy of assisting Papua New Guineans to gain a much greater share of their islands' economy did receive criticism, but it was criticism tempered by the Australian people's appreciation of the help that Australian troops had received from Papua New Guineans. There were a number of ex-servicemen among the parliamentarians and the political influence of the RSS&AILA was very strong. Most of the criticism was of a personal nature, directed at the Minister for External Territories, E.J. Ward, who was the *bête noire* of R.G. Menzies, Leader of the Opposition.

The news of an impending winding up of ANGPCB must have shocked Archer and his staff. They were already extremely busy with urgent bread-and-butter matters. Shipping was one of those matters. Earlier in 1948, a Papua-New Guinea Division had been created in the Commonwealth Directorate of Shipping and given control over all inter- and intra-island services. The Division caused BP, CW and Steamships Trading Co. Ltd (STC) to make their coastal vessels available under agreements, but it never had enough vessels at its disposal. In some areas, planters had to wait six months or more for uplifts from their anchorages. This caused considerable loss through shrinkage, mould and insect infestation; and having large stocks of copra on hand often meant a bank overdraft to supplement working capital (Commonwealth of Australia, BAE 1953:21). Delays in uplifts from village anchorages - and such anchorages were always last on the skippers' schedules - were a serious impediment to village production. The major trading organizations and some planters would have supplemented the Division's services if they had been permitted to operate vessels of more than 25 tons. WRC had begun to use a Catalina flying boat from the New Guinea mainland to New Britain and New Ireland, but the expense was too great for the average planter (Joel 1948:43).

On 28 May 1951, the Minister appointed ANGPCB as his representative in lieu of the Director of Shipping, Department of Fuel, Shipping and Transport, for the purpose of arrangements made between the Commonwealth Government and BP, CW and STC. When the Copra Marketing Board (CMB) succeeded ANGPCB in July 1952, the ministerial delegation was transferred to CMB.[41] CMB gained no bargain as the 1951/52 fiscal year's revenue of £182,000 had not even matched outgoings, namely, £223,000 running expenses, £100,000 repairs and £22,000 administrative expenses. This loss of £163,000 in one year did, no doubt, cause the Minister to direct the sale of all vessels owned by the Directorate of Shipping and the setting up of an organization outside CMB's control. The new organization, known as Papua-New Guinea Government Shipping Service, was to control coastal and inter-island services. Motor vessels *Doma* (300 tons gross), *Moturina, Manugoro* and *Muniara* (all 85 feet in length) and the 56-ft scows *Kina, Kano* and *Kura* were sold to STC. They played a vital part in the company's resumption of its dominant position in the coastal shipping trade.[42]

Archer and his colleagues were, of course, busy with the present, not the future. Another of the main bread-and-butter matters before them was ensuring continued viability of the copra industry despite any violent changes in world market prices that might occur. They knew very well that the troughs of the prices curve before the war had brought many planters to bankruptcy. Moreover, it was now the Commonwealth Government's policy to assist Papua New Guineans to obtain an equitable and, in consequence, much greater share of the Territory's economy. ANGPCB did, therefore, have to take steps to ensure that village producers, too, did not suffer unnecessarily when the world market price fell; that they received a fair price; and that they had ready access to the internal markets.

In March 1946, Archer, holding the view that the price paid to producers ought to be as high as the government's consumer price policy would allow, had recommended to the Secretary, DET, that monies set aside from the surplus of the Board's war-time copra operations should be used to help fix a price high enough to bring about maximum production. He had also recommended that the monies set aside from part of the export duty on copra be used to help in fixing that price. In other words, he had proposed the creation of a price stabilization scheme.[43]

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[41] CMB CB6/2, f.75, f.77.

[42] CMB agendum 87 of 29 January 1953: Nicklason (1969:248).

[43] CMB CB6/2, f.9.

A scheme to supplement the price paid to growers when the market price was low was established on 30 June 1946, with an appropriation of £38,274, including £35,240 surplus from the Board's copra marketing activities during the war.[44] From 1 December of that year, a portion of the export duty on copra collected under the Customs (Tariff) Ordinance was diverted to the fund, with contributions on a sliding scale depending upon the price of copra from time to time.

In a press release on 12 February 1947, the Minister had announced that the prices commissioner had authorized price increases, effective from 1 December 1946, for TPNG copra sold in Australia: producers would receive £28 per ton of kiln- or sun-dried and £27 for smoke-cured. The difference between the price paid to the growers and the Australian price of £36 10s represented shipping and marketing costs, TPNG export duty, and the special levy to be paid to a stabilization fund which was to be established as world market prices had fluctuated pre-war and it was not possible to forecast the future trend. The fund was to receive the monies already set aside for stabilization, and the levy of £1 per ton which would be imposed.[45]

On 30 June 1948, the fund stood at £137,537. On 1 January 1949, the levy was set at £5 per ton and it continued at that rate until 1 August 1951.[46] Archer and his colleagues regarded the continuation of the scheme as an integral and vital component of orderly marketing and, even more importantly, of the development of the copra industry, and they realized that the scheme needed a firm legal basis.[47]

At a meeting in May 1949 between representatives of the Planters' Association of New Guinea (PANG) and the Planters' Association of Papua (PAP) on the one side and the Director of Agriculture, Stock and Fisheries and the chairman of ANGPCB on the other, the planters' representatives spoke strongly against 'any kind of stabilization fund'. The PANG had obtained an opinion from G.E. Barwick, K.C., that the levy deducted from proceeds of plantation copra was illegal. W.R. Paul, secretary of PANG did, moreover, come out in favour of overseas marketing by private interests but was told by I. McDonald, the Board's chairman, that the government had no doubt about the legality of the stabilization levy. Moreover, McDonald claimed, neither BP nor New Guinea Company Ltd was keen on undertaking marketing. Nevertheless, the annual conference of the PANG in July decided to levy all members 2s per ton of their production 'for a fighting

44 CMB ANGPCB Trust Account file.

45 CMB CB8/20, f.106.

46 DASF memorandum Z13-D-3 of 10 May 1973. NA, not yet accessioned.

47 Ibid., f.32.

fund to challenge the legality of the Government's stabilisation fund'.[48]

Nine months later, the PANG, on behalf of its 105 financial members, wrote to the Minister for External Territories that it continued to oppose any stabilization scheme and, if such a scheme were implemented nevertheless, producers' representatives ought to be appointed to the board or committee administering it.[49] However, a month later, in August 1950, the annual conference of the association adopted a conciliatory stance: it was now in favour of what ANGPCB was doing, provided that producers were given representation equal to that of the Administration, and the chairmanship was given to a producers' representative. As for the stabilization levy, the association was prepared to discuss future payments but would not discuss the matter of monies already deducted by way of levy, as such monies 'belonged to the producers' and the association wanted them refunded'.[50]

Most stabilization funds are managed to achieve the following main objectives: (i) to stabilize prices to growers; (ii) to boost growers' incomes in the years of below average prices; (iii) to judge the rate of bounty payments so that the funds last through expected slumps; and (iv) to ensure that the funds lend for general economic stability (Wheeler and Wyatt 1978:4).

Once the objectives have been determined, the appropriate method of collecting the levy and paying any bounty has to be chosen. Wheeler and Wyatt (1978) list the following alternative stabilization strategies:

(a) Survival Price Strategy: Levy collection and bounty payments could be based upon a cost of production concept, as occurred in the past. The floor (or support) price would be the cost of production such that bounties would be paid if prices fell below this survival price to keep prices to growers at this level. In reverse, levies would be collected when prevailing prices rose above the cost of production.

(b) Cost Plus Strategy. The floor price, in this case, would be the cost of production plus some chosen margin. When prices fall below this 'cost plus' floor price then bounties would be paid to increase prices to growers to this level. When prices are above this 'cost plus' floor price, then levies would be collected. This strategy is much more arbitrary than

[48] Minute book of the Planters' Association of New Guinea. UPNG, not yet accessioned.

[49] Correspondence file of PANG, UPNG, not yet accessioned.

[50] Ibid.

the survival price strategy as the floor price can be as high as is seen necessary.

(c) Moving Long-term Price Strategy: This strategy, as opposed to the previous two, disregards cost of production as the basis in determination of a floor price. Instead levies and bounties are based upon a long-term average of prices of the relevant commodity. Levies would then be collected if prevailing prices were above the long-term average price and bounties paid when the prevailing market price is below the long-term average price.

In 1948, the scheme administered by ANGPCB sought to stabilize the price to growers, and used the survival price strategy to achieve it. Survival price strategy did not take the village producers' situation into consideration as their opportunity cost was unknown. It was not until a quarter of a century later that the objectives and strategy of stabilization were reconsidered.

Another bread-and-butter task of the Board in 1948 was to ensure that plantations and villagers produced good quality copra. Leaking bilges and shipping delays made this especially important. Some degree of severity in grading was now introduced. Three grades, namely, hot-air, sun, and smoke, had already been scheduled, with price differentials, albeit small ones, to encourage plantations to use efficient hot-air driers and villagers to foresake smoke-drying for sun-drying or, better still, simple hot-air kilns. DASF extension officers had already been instructed to show villagers how to construct kilns. The Board's concern was heightened by the need to have a first-class product that would make it easier to obtain advantageous long-term overseas contracts.

Archer had written to the Secretary, DET, on 22 March 1946 that the current market requirement was for edible oils and, therefore, for hot-air copra. Australia could use all smoke copra produced in TPNG but this would not assist the world food situation. The Board should use all means at its disposal to bring about a high percentage of hot-air copra in the total output. It ought to:

(a) encourage Ceylon drying which is as cheap as smoke curing;

(b) produce and distribute a plan of a standard Ceylon drier using local, e.g., 'bush' materials;

(c) ensure availability of adequate supplies of all other, e.g., not locally available, materials for dryer construction; and

(d) increase the margin of £1 per ton between smoke and hot-air quality.[51]

The price differential was increased by £1. Plantation producers had already begun to improve the quality of their output but there were then not enough DASF extension officers to conduct a campaign for quality among village producers. In September 1948, the OIC of DET's Sydney office observed that quality problems in the marketing of copra before the war had mostly been due to lack of regular inspection. He was certain that proper control, through regular inspections, was essential to ensure a reasonable quality standard that would 'not prejudice marketing'. Copra from plantations was likely to meet the requirements of Australian crushers. Regularity of good quality copra from villages was essential to ensure its disposal. The Assistant OIC recommended that all copra be rigidly inspected.[52]

Since the war, there had been a marked increase in oil seed cultivation in temperate areas, notably in the United States, Canada, the USSR and Europe, where the output of soya beans, rape seed and sunflower seed had risen very greatly. A considerable expansion in oilseed processing by producing countries in the tropical and subtropical zones, to meet domestic requirements and to increase export earnings, was under way. Increased world production of vegetable oils had engendered a great expansion in the output of oilcake, used to feed livestock, so that soya beans, for example, were now grown principally as a source of protein for livestock, the oil being a 'semi-product' (Commonwealth Secretariat 1973:18). Of the three broad groups of oils, namely, edible soft, edible industrial, and industrial, the 'hard' oils of the edible industrial group, comprising palm, palm kernel and coconut oils, are used in the manufacture of margarine and the processing of more specialized foods, for example, ice-cream, and also in soap, chemical and synthetic detergent production. But so are some oils of the edible soft group, such as soya bean, cotton seed and groundnut. Moreover, fish oil, lard and edible tallow, especially when relatively cheap, are used in the making of margarine, and tallow is widely used in the manufacture of soap.

The use of coconut oil and palm kernel oils in chemical manufacture were beginning to be threatened by synthetic products (ibid.:19). It is therefore not surprising that copra producing countries were looking for a mechanism to facilitate improvement of quality throughout the world. This turned out to be a difficult task. As the Copra Quality Sub-Committee of the International Association of Seed Crushers was to report eleven years later, in 1959, the sampling of copra was 'probably more difficult' than of any other type of oilseed. The proposal to pay

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[51] CMB CB207/1, f.9.

[52] Memorandum P/2 of 10 September 1948 from OIC Sydney Office to Secretary, DET; and minute of 9 September 1948 from W.D. Brown, Asst. OIC. to OIC. CMB CB277, ff.44-7.

only on the oil and free fatty acid content and not on the old 'look and sniff' method had met with resistance from producers who received a high premium for good quality appearance and were concerned that the premiums could be reduced. Conversely, copra of poor appearance, hitherto sold at a discount, would earn premiums on the new basis, that is, of oil and free fatty acid content (International Association of Seed Crushers n.d. [1959]:52).

ANGPCB was rightly anxious to obtain long-term contracts. The Board secured a nine-year contract, from 1 March 1949 to 28 February 1958, with the British Ministry of Food (BMOF). The prices in the schedule to the contract were subject to mutually agreed-upon revisions from year to year, provided that the price payable for fair merchantable standard (FMS) sun-dried copra in any production year was not to vary by more than 10 per cent up or down, calculated to the nearest 5s, a ton.[53] The commencing price was £E48 per ton f.o.b. TPNG ports. The first two revisions of price were rises of 10s per ton from 1 March 1950 and £5 5s from 1 March 1951.

ANGPCB distributed proceeds to producers during the period from 1 March to 31 July 1951 as shown in Table 5.3. To their chagrin, the Board and, more so, TPNG's producers, were to find that the contract gave BMOF copra at considerably lower than world market prices, except in 1952.[54] BMOF gained an advantage of at least £2.5 million during the first two years. Nevertheless, the long-term assurance of a major buyer encouraged production by villagers as well as foreigners. The latter understood the reasons for price fluctuations, but the former did not. What the chairman of CMB was to write to the Secretary, DET, on 1 October 1954, had generally been equally true since Papua New Guineans began to take part in the commercial copra trade:

> It is the Board's opinion that a high price level will be the determining factor in ensuring that Natives not only continue production but extend their plantings and so become independent producers on their own account, which... the United Nations and our own government wish to encourage.[55]

As the Board did not comment upon the possibility of the agreed price being below the market price, we must assume that it regarded a stable price, even one sometimes lower than the world market price, preferable to a volatile one. While, as we have seen, ANGPCB was concerned about the quality of Papua New Guineans' copra, it was unable to assist them. An employee had advised Archer in 1946:

[53] CMB agendum 44 of 9 October 1952.

[54] CMB agendum 171 of 5 November 1953.

[55] CMB memorandum CB8/3/1/8067 of 1 October 1954.

Table 5.3 **Distribution of proceeds under BMOF Copra Agreement by ANGPCB to copra producers, 1 March to 31 July 1951**

F.o.b. price per ton under BMOF Copra Agreement (adjusted for exchange rate and bag allowance of 10s per ton)		£67 13s 9d
less		
Territory storage, handling, insurance and administration	£2 6s 0d	
Selling commission	3s 4d	
Shrinkage	1 7s 1d	
Contingencies	6s 10d	
	£4 3s 3d	
Account Copra Fund	5 0s 0d	
Account Customs duty	4 5s 6d	13 8s 9d
On delivery ex ships' slings from inter-island vessels or into Board's warehouse (when delivery is by road) at main TPNG ports		£54 5s 0d

Source: Commonwealth of Australia, Bureau of Agricultural Economics, *An Economic and Cost Survey of the Copra Industry in the Territory of Papua and New Guinea*, Canberra, 1953:24.

> In some areas, particularly the East Coast of the Kavieng District, the natives are thinking along the lines of eventually organizing their own syndicates or co-operative companies. These people are educated, in a commercial sense, far beyond the average of the New Guinean native generally, but they realise that it is a long-term idea, that it will take years of organizing and that they will require much assistance and advice in the early stages. But they visualize having their children trained at school with the special object of being able to act as clerks, stevedores, storemen, etc., and consider that the next generation may be educated far enough to become managers and later for the natives themselves to control the whole organization.[56]

The advice was accompanied by a plan to 'help to lay the foundation for any future development' of the kind envisaged by

[56] Memorandum of 13 June 1946, unsigned. CMB CB470/3, ff.34-7.

the unnamed employee. Significantly, he claimed in the memorandum that although the organizing and marketing of Papua New Guineans' copra was one of the functions of the Administration, the Board would have to take steps in the early stages to initiate production by providing trucks, copra sacks, nails, tools, fuel, etc., and to help in the collection of their copra at selected points. He thought that the Administration could perhaps arrange advances from War Damage Compensation monies to cover advances to indigenous producers, or recover advances by deductions of part of the surplus from each sale until the advances had been liquidated.[57]

It was advice based on an understanding of the islanders' aspirations. The Tigak, Kara, Mandak and Noatsi-Mandak of New Ireland remembered how far they had got under Les Gordon's tutelage in 1933. Pastor Posu Semesevita was corresponding with an Australian soldier who, when stationed at the mouth of the Lakekamu River, had suggested that the Toaripi form co-operatives after the war to market copra and conduct trade stores. Samson Rawo had heard the same from an organizer of the Australian Seaman's Union on a vessel plying between the Torres Strait and Daru. Some other community leaders, too, had discussed with Australian soldiers how Papua New Guineans might *wok bisnis* [own and manage businesses] like the whites.

The Board did not have field officers and the Administration only had a handful of agricultural extension officers.[58] However, the first positive step by government to promote copra marketing by villagers had already been taken in 1947 by the newly-established Co-operative Section, later known as Registry of Co-operative Societies. Because the co-operative movement was to play an important part in the marketing of very many Papua New Guineans' copra over the next two decades, special attention will be given to it in Chapter 6.

Although the re-activation of plantations and the fortunes of the foreigners who owned and/or managed them do not come within the scope of this monograph, we must keep in mind that they had a great impact upon marketing and price stabilization as, of course, the plantations existed to earn profits from the sale of their output and their continued profitability depended upon stability in the industry. It is no wonder, therefore, that white planters made many representations concerning marketing and price stabilization to the Minister in Canberra and the Administration and CMB in TPNG. As long as Papua New Guineans had neither the in-depth knowledge of the copra industry nor the organizational clout, the white planters, especially the organizations representing them, the Planters' Association of New Guinea in the

[57] Ibid.

[58] The TPNG public service was officially and commonly referred to as 'Administration'.

UN Trust Territory and its counterpart in the Territory of Papua, remained highly influential in the copra industry.

Four years or more of neglect had left the plantations in a deplorable state, with many palms destroyed during the fighting or by disease, and overgrown by weeds. In consequence, rehabilitation involved much labour and materials. In turn, this called for considerable financial expenditure, so that individual planters who could not obtain or afford adequate loan finance needed some income until their plantations came into production. For most of those planters, buying coconuts or copra from villagers and selling consumer goods to them was the most readily, sometimes only, immediate source of income. The Asian small traders and shopkeepers, too, needed an immediate source of income to bring their enterprises back to their pre-war level. Villagers' copra was now being competed for by planters and traders, just as it had been during the days of the German regime and in the 1930s. A former lessee of Baia Plantation on New Ireland, speaking in 1984, said that he bought mature nuts, using a truck and *boskru* (the Tok Pisin term by which the truck loaders were known), along the Kavieng-Namatanai road.[59] Some planters and traders used launches to reach villages where the people had no access to main ports.

Once again, planters and traders who enjoyed a monopoly because of geographical isolation paid far below the market price, while those who had competitors paid somewhat more. Whatever that more was, it was still well below the market price. For example, when co-operatives commenced to do business on New Ireland in 1951, the price commonly paid to villagers was 2 pence per pound, but the co-operatives had no difficulty in making a first payment of 3½ pence, and planters and traders in the Milne Bay District increased their payments from 3 pence to 4½ pence soon after co-operatives began to compete with them in 1952. Some villagers brought their copra in copra sacks, others in baskets woven from palm fronds. Some buyers used spring balances and told sellers what the weight was. Few villagers were sufficiently numerate to understand calculations of weights shown on the balances but most had some idea of the return that their bag or basket of copra ought to fetch in the prevailing local market. The buying of nuts was on a 'so many per shilling' basis. Most buyers made exorbitant profits but the few who dealt fairly with the villagers, thereby gaining their trust, probably did best in the long run. Fair dealing on the buyer's part also had a 'side effect' of mutual benefit, in that it sometimes led to villagers taking casual employment on neighbouring plantations. As for the seller, he sometimes put stones, coconut husks and other extraneous matter into the bags, and prudent buyers, therefore, preferred to purchase copra offered in baskets. In general, it was a case of 'Let the buyer and the seller beware!'.

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[59] P.R.K. Murray, recorded and mailed pers. comm., Newcastle, NSW, 5 April 1984.

The ministerial axe, announced in 1948, did not fell the ANGPCB until 1951. A lengthy statement on Australia's policy in relation to its external territories made by the Minister on 1 June 1950 included a detailed section on the copra industry. He pointed out that the Commonwealth Government felt that the BMOF agreement did 'not in itself provide the full measure of stability that is so important to this vital Territory industry and it ha[d] therefore been decided that stabilisation must continue'. Producers were to be consulted and would be represented on the authority set up to control and administer the stabilization fund. As regards future marketing arrangements, the Board 'was never intended... as a permanent marketing authority and it [was] intended that as soon as possible the responsibility of the marketing of Territory copra... [would] revert to private enterprise.'[60]

The Minister, Percy Spender, set up an Inter-departmental Copra Committee to review existing arrangements, including price, under which copra from the Territory of Papua and New Guinea was supplied to Australia. The committee was to consider whether these arrangements ought to be changed or whether separate arrangements needed to be made 'as to the price at which copra is supplied to Australia for home consumption and for processing for export respectively'.[61] At that time, TPNG production was about 58,800 tonnes, 44 per cent of which went to BMOF and 49 per cent to Australia. Archer was appointed to chair the committee, with two DET officers, one from Treasury and two from the Department of Post-War Reconstruction to assist him.

The first ministerial statement of an impending demise of government-controlled marketing of copra had occurred in 1948, although the Australian Labor Party, with socialism written into its platform, was then in power. Now that an anti-socialist coalition, avid to change many of its predecessor's policies, ruled in Canberra, Archer, his colleagues and their staff had every reason to start packing their bags (Spender 1972:274-5). They certainly could not expect that the white planters, anti-Labor to a man, would come to their rescue.

Yet, a meeting on 31 August 1950 between the committee and representatives of major plantation-owning groups, merchants and traders, accepted the recommendations of the PANG for government-controlled purchasing and marketing, either by retaining ANGPCB or forming another legally constituted body on which producers and officials would be represented equally and the chairman be a producers' representative. The producers wanted to elect the chairman.

[60] Department of External Territories, 'Territory of Papua New Guinea Copra', background paper publicly circulated, 20 July 1950. CMB CB6/2.

[61] Ibid., ff.2-5.

As P.M.C. Hasluck, who succeeded Spender on 17 May 1951, wrote later, the Administration had remained strongly disposed towards government control of the industry, the people involved in the industry 'were reported to be unwilling to assume responsibility for marketing, and the BMOF contract required a single marketing authority'.

> There was some dissatisfaction... over the price - the returns from the contract being rather lower than the rising world price - but the most immediate path to benefit for the European growers was thought to be the adjustment of the contract price by negotiations conducted by the Production Control Board (Hasluck 1976:137).

Spender now changed his mind but it was not until late in the following year that the legislation to give effect to most of the recommendations by the meeting on 31 August 1950 came before Hasluck as a draft ordinance to be tabled in the Legislative Council of the Territory of Papua New Guinea.

As the Council, inaugurated on 26 November 1951, did not publish a Hansard before 6 October 1952 and all of the actively policy-making participants in the Council's first session are dead, we can only guess that there were enough planters and other whites, including some senior Administration officers, who remembered only too well the large companies' oligopoly of copra marketing before the war. The Big Firms had friends at court in Canberra, but so did some of the planters, particularly through contacts in the Country Party, junior partner in the coalition, and as members of the RSS&AILA.

Government controls remain

The draft for the legislation to replace ANGPCB with a new statutory body, to be known as Commerce Board, received ministerial approval on 30 November 1951 and, as a bill, was then tabled in the TPNG Legislative Council. The bill provided for the statutory body to have 'very extensive' powers, for example, over all produce, not just copra, and over coastal and inter-island shipping. It was duly passed but did not become operative because the Minister, Hasluck, had changed his mind and told the Secretary, DET, on 8 February 1952 that he proposed to recommend to the governor-general the disallowance of the Commerce Board Ordinance:

> The Ordinance goes beyond present necessity. A new Ordinance should be limited to (a) validating the Acts of the Production Control Board, (b) the control of copra as necessitated by the agreement with the UK, [and] (c) the machinery clauses. I do not approve extending the functions of the board to cover anything except copra... Whether or

> not a delegation is given to the board in respect of shipping is subordinate to future policy regarding Territory shipping (Hasluck 1976:137).

A little later, in a press statement, Hasluck stated that there was 'no immediate necessity' for control of any TPNG product except copra. If and when controls in respect of other products became necessary, separate legislation could be introduced, giving producers and other interested persons 'an opportunity to voice their opinions through their representatives in the Territory Legislative Council (Hasluck 1976:138).

Soon after, a Copra Marketing Board Ordinance was introduced. 'The Copra Marketing Board was established in March, with its limited functions, and the Production Control Board went out of existence' (ibid.).

Chapter 6

Village producers gain a greater share

In 1945, at the beginning of the post-war period, there were very few Papua New Guineans sufficiently numerate to work out the price per pound from the amount paid to them for a bag or basket of copra, but village producers in the vicinity of ANGPCB depots did at least know the official price per pound and, therefore, had a good idea whether the trader or planter was offering fair payment. Those in other localities did not have this advantage and, moreover, were often in a 'take it or leave it' situation. Neither the villagers with access to a depot nor the rest understood falls in prices, reflecting the situation in markets outside the Territory of Papua-New Guinea (TPNG), any better than village producers had understood them before the war.

The villagers' distrust of traders and planters, as much as a consequence of disharmonious race relations as it was of copra prices fluctuations, was just one of the reasons for the emergence in many parts of TPNG of local people's endeavours to set up and manage businesses to market their produce, retail consumer goods and operate road transport. Among other reasons were dissatisfaction with the cash earned from wage labour and the price of goods. Seeking to gain prestige *vis-à-vis* people in neighbouring villages or, perhaps, in the eyes of another clan of their village was another. But the overriding reason was that Papua New Guineans wanted to have what they saw the foreigners having. It was a desire that had begun in earnest when J.C. Godeffroy & Sohn and the Hernsheims commenced to trade, and it is frequently seen as the main reason for the many nativistic movements, often referred to as cargo cults, which have occurred in the islands.[1]

In the former Trust Territory of New Guinea, the groups involved in business endeavours called themselves *kampani* [Tok Pisin for company]. In the Territory of Papua, they used the term co-operative society, probably because an Anglican missionary had preached Christian co-operation in pre-war days. Most of the finance for villagers' business ventures came from war damage compensation.

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[1] There are hundreds of books and articles on cargo cults. Among the most informative on cultism connected with co-operatives in Papua New Guinea are Maher (1961) and Adams (1982).

As we have already seen, the Administration began to recognize the existence of these ventures in 1947 and had vested the task of guiding and assisting them in the Registry of Co-operative Societies (hereafter referred to as the Registry). This was part of the Commonwealth's program to give the indigenous people a greater share of the economy, because of 'the debt of gratitude owed to the people of the country [Papua New Guinea] and the limits to be placed on the expansion of expatriate industry' (Snowden n.d.:185).

The foremost objective of almost every group was to operate a village store. As the present writer has previously argued, 'this appeared to be due, firstly, to the wish to eliminate the middleman - though the people did not fully understand his function in the distributive cycle or the work that has to be done to earn his profit; secondly, to the desire for enhancement of village prestige; [and] thirdly, to convenience' (Jackman 1972:213).

As village stores could only flourish where people had money to spend in them, and as the villagers' immediate and main source of cash was from selling produce, the Registry encouraged balanced producer-consumer co-operation and collaborated with DASF to bring about an increase in the production of primary produce. At this time, and until the early 1960s, when cocoa became a major export crop, soon followed by coffee, copra marketing was the near-exclusive primary produce activity by co-operatives among the islanders.

Now, when hundreds of Papua New Guineans are graduates of tertiary institutions and thousands have completed, or spent some years in, secondary education, it is necessary to keep in mind that none of the Papua New Guineans who joined the Registry in 1947 had received better than primary education from poorly-trained mission teachers. Even in 1950, the best educated trainee co-operative inspector, Elliott Elijah, had undergone no more than two years at Sogeri High School and very brief teacher training. As for the directors, members and employees of co-operatives, few were fully literate in either their vernacular or in a lingua franca (Tok Pisin or Hiri Motu), and none were able to comprehend adequately, let alone write, commercial correspondence in English, the language of commerce and officialdom.

As the coastal people had some education and the longest contact with foreigners, it is not surprising that it was among them that the desire for foreign goods and the foreigners' way of life was strongest. And, of course, the coconut palm was their main source of income to invest in the village businesses which they aimed to establish. The marketing of copra was the 'engine' of co-operative retailing of consumer goods.

The Registry, most of whose senior Australian officers had received some training in co-operatives in Africa or Australia, encouraged adherence to the Rochdale Principles: (i) voluntary membership; (ii) democratic control - one member, one vote; (iii) restriction of interest on share capital (co-operative legislation commonly restricts dividends on share capital to the ruling savings bank rate or thereabouts); (iv) distribution of surplus proportionate to the value of the business done with each member; (v) political and religious neutrality; (vi) goods sold at market prices; and (vii) active education in co-operation. Catherine Snowden, quoting from an official document which states, *inter alia,* that 'judicious introduction of co-operatives to an unsettled area is the best antidote to manifestations of "cargo cult"', claims that concern about Australia's security, that is, any political uprising among the islanders, as one of the main arguments used by the Registrar of Co-operatives to justify the encouragement of co-operatives.[2] C.J. (John) Millar, the first holder of the office, did, indeed, make this point, but he made it only in order to strengthen his case against the claims by commercial interests in TPNG and Australia that the promotion of co-operatives was leading Papua New Guineans and, with them, the Territory's economy along the road to a Socialist Hell. He did, moreover, have to counter criticism from all but a few of the *kiaps*, who considered it *infra dig.* for their Department to be involved in what was, in fact, small business development. To most of them, the Registry was a nuisance because of its demands on them, such as for transporting its staff in their districts, and as it was a section in their department, it earned them public and, more so, private opprobrium among fellow Australians in commerce, especially those trading in copra.

Millar and his handful of Australian colleagues hoped that conducting business ventures according to the Rochdale Principles would offer the best deal to the producers and consumers involved and give them the practical experience in business management that foreign-owned commercial enterprises did not offer. Also, co-operatives would introduce Papua New Guineans to democratic procedures and practices. Moreover, so the Registry's senior officers believed, the co-operative way of doing business was in harmony with the islanders' traditional ways and not, like capitalistic enterprise, inimical to them. Nonetheless, the Administration's 'blow in favour of co-operatives' was merely a measure in 'the only sphere of influence' where 'something tangible' might be achieved 'within a relatively short period' until 'long-range' projects such as agriculture, education, forestry and health 'had time to sort themselves out and put their programmes into operation'.[3]

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[2] Snowden (n.d.:188), quoting from file 35/8/16, location unspecified.

[3] C.J. Millar, Registrar of Co-operative Societies, to J.R. Kerr, Principal of Australian School of Pacific Administration, Sydney, 21 June 1947. Letter in possession of the present writer.

As we shall see, efficiently and honestly conducted copra marketing co-operatives did, indeed, give member-producers the best deal; many of the successful national sole entrepreneurs, partners or directors of corporations, companies or joint ventures first learnt about modern business when they were directors or employees of co-operatives; and co-operative activities often improved traditional socio-economics.

The Australians who shaped the policy for co-operative development until the end of the 1950s assumed that Papua New Guineans would want to adapt the mores and techniques of modern business in a way that did not damage their traditional economic systems. We know now that the islanders have taken dual and parallel paths since the early 1960s, one which accommodates socio-economic tradition, albeit in a slightly altered form, and one which is rampantly capitalistic.

In retrospect, it is clear that the emergence of Papua New Guinean individual entrepreneurs from the late 1950s on has been the main cause of the gradual demise of the copra marketing and other co-operatives. Even though it is impossible to gauge, let alone quantify, the effect of that demise upon copra marketing by villagers, it is appropriate to ask why the Registry's senior officers erred in assuming that Papua New Guineans would stick to a form of business in keeping with the traditional economic system. The answer may well lie in the inadequacy of the Registry's policy-makers' understanding of the ways of Papua New Guinea's many societies. Until the 1960s, there were few writings on changes in the traditional economies of TPNG. Seligmann, Malinowski, Meier, Thurnwald, and other anthropologists had not concerned themselves with the impact of the cash economy from the West, and others of their discipline who followed them, such as Blackwood, Fortune, Reed and Mead, gave it little attention. The plethora of books and articles that would have helped Millar and his colleagues to a better understanding did not begin to be published until the mid-1950s, and it was not until about 1957 that Millar's successor, Grainger Morris, began to have second thoughts. By then, Hasluck (1976:72) had spoken of encouraging islanders' enterprises 'either through co-operative societies or by personal capitalist ventures' and the Registry's field officers had come across many instances of determined entrepreneurship by individuals.

The first annual report of the Registrar of Co-operative Societies, for 1947/48, mentions spontaneous development of enterprises along co-operative lines in the Northern, Western, Gulf and Central Districts.[4] In the Gulf District,

> the organisations... combine[d] producer, marketing and retail functions though emphasis for the present... [was] on

[4] Now called Oro, Western, Gulf and Central Provinces.

the marketing of copra, with capital for the commencement of retail stores being built up from sales proceeds. Some groups ha[d] in mind co-operatively owned vessels (to meet a very pressing need) and sawmills. Having regard for possible slumps in the copra market, future plans include[d] experiments in rice and peanut growing.[5]

Progress was only slow in the Western District, despite widespread interest; 7600 members from seventy-two villages had formed a Western Co-operative Society and, in preparation for a variety of ventures, Papua New Guineans were being trained in sawmilling (at Yalu, Morobe District), cane furniture making (at Idubada Technical Training School, Port Moresby) and in bookkeeping (at Daru). Two luggers owned by village groups were transporting copra and other produce to Daru.[6]

The Registrar's report, like most official reports, does not look behind the scene. The origin of the co-operative movement in the Western District deserves our brief attention because knowing something of it helps our understanding of the people's aspirations and the difficulties facing them and the Administration's co-operative officers who assisted them. The emergence of co-operatives in some other parts of TPNG had a similar origin.

Samson Rawo, a Kiwai from Parama who lived on Daru Island, had conceived a plan for community-based copra trading and village trade stores after listening to an organizer of the Australian Seamen's Union during the war. The seventy-two villages mentioned in the Registrar's report covered a large area, from coastal Mabaduan in the west to hamlets on the banks of the lower Bamu River in the east. Some were in the Binature and Oriomo areas, others in the Gogodala, and still others on Kiwai Island. Many villages were small and communication between them and with Daru, the only commercial port, was mostly by canoe. Apart from the villagers' two luggers, there were half a dozen launches owned by missions or foreign traders, and the Administration operated a trawler and two launches out of Daru.

The Australian co-operative officer, sent at Rawo's request, soon realized that the first step was to record the several thousands of monetary contributions to the venture, most of them deposited in Commonwealth Savings Bank accounts.[7] Individual contributions varied from 2 pence to £5, the average being around 10 shillings. Many subscribers were not sure how much they had given, some had died, and no more than a few dozen of the deposits were supported by accurate lists of contributors. Lotta Samson,

[5] TPNG, Annual Report 1947/48 - Co-operative Section - Papua: 1.

[6] Ibid.

[7] The present writer was the co-operative officer involved.

one of Rawo's sons - who had joined the Registry as a trainee co-operative inspector - and the co-operative officer had completed several weeks of often arduous travel by canoe and walking along leach- and mosquito-infested muddy tracks by the time they had put together reasonably reliable lists. During their stay in each village, they endeavoured to get the people to understand the co-operative technique of marketing copra and operating small retail stores. Using a blackboard, they explained the financial aspects. As only very few villagers were literate in the vernacular and able to do simple calculations, blackboard additions of pounds, shillings and pence were rarely comprehended. To add to the difficulties facing audiences and the Registry's field officers, Lotta knew only Kiwai, which only some of the village leaders understood, and few villagers spoke Hiri Motu, the lingua franca used by the co-operative officer. It is necessary to keep the language problem in mind when judging the Registry's work to encourage copra marketing in this and similar areas during the years until about 1960.

At the end of the 1949/50 fiscal year, the Registrar was able to report that the Western District had one multi-purpose (marketing-consumer) co-operative society, with 1314 members from forty-five villages. The co-operative was buying copra from members and non-members, the latter having previously marketed it with the help of the district officer. The copra was being purchased for cash, bagged, and marketed to ANGPCB at Port Moresby. By then, the Board had allocated distinctive 'C' numbers to co-operatives, and the bags had to be marked accordingly.[8]

Table 6.1 **Statistics for co-operatives in Central, Gulf and Western Districts, 1949/50**

District	No. of societies	No. of members	Subscribed capital (£)	Store turnover (£)	Copra sales (£)	Other sales (£)	Total sales (£)
Central	23	2,436	3,947	24,667	6,132	502	31,301
Gulf	70	4,229	6,800	10,000	19,000	..	29,000
Western	1	1,314	328	2000	..	2,000	2,000

Source: TPNG, *Annual Report, Year Ending 30th June 1950, of the Registry of Co-operative Societies:* 5.

The statistics given in Table 6.1 do not present the complete picture because they only show the societies visited by Registry staff and whose financial records had been 'completely

[8] TPNG, Annual Report, Year Ending 30th June 1950, of the Registry of Co-operative Societies: 5.

written up and balance sheets audited'.[9] It is clear, for instance, that the copra transactions of the co-operative in the Western District have been omitted.

None of the seventy co-operatives in the Gulf District had yet been registered under the Co-operative Societies Ordinance. Many had a very small membership and correspondingly small share capital. A number of villages had two, some three, societies, reflecting unwillingness or, at least, reluctance, by their clans to co-operate in the Rochdale spirit. And while the philosophy underlying the activities by Rawo and his supporters in the Western District did not differ much from that of people in business in Western economies, there was more than a *soupçon* of millenarianism in the thoughts of Posu Semesevita and many other Toaripi, and of the neighbouring Sepoe, Moripi, Moveave, Kaipi, Keuru, Orokolo and other tribal groups of the Gulf District.

'Cargo cultism' among the coastal people of the Gulf had first received wide attention through the report *The Vailala Madness and the Destruction of Native Ceremonies in the Gulf Division* (1923) and the book *Drama of the Orokolo: The Social and Ceremonial Life of the Elema* (1940) by the government anthropologist, F.E. Williams.[10] There had been sporadic manifestations of cults right through the war. Whether, as Dawn Ryan (1969) has posited, these cargo cults 'need to be seen as an integral part of a group's social life rather than as intrusive alien elements that disrupt normal ways for a short time' or as a distinct drive for modernization does not concern us here, but we must surely take note that Millar, on one of his visits to Toaripi co-operatives, heard G.P. Hill, an officer on secondment from the New South Wales Public Service who had visited them earlier, being likened to John the Baptist and, *ipso facto*, himself as a Saviour.[11] For many years, meetings of Gulf District co-operatives were commenced with the local pastor saying a prayer. The present writer remembers a number of occasions when Pastor Posu Semesevita, who headed the co-operative movement during its early years there, argued in favour of co-operatives by resorting to biblical references interspersed with indigenous mythology. With an active cargo cult at Moveave attracting support or, at least, great interest from people as far away as the Delta, even an observer lacking training in anthropology could not fail to detect chiliastic undertones in the people's enthusiasm for co-operatives.

In the 1950 Annual Report, the Registrar pointed out that the training of Papua New Guineans as co-operative inspectors was 'a most important feature' because it covered 'the wide

9 Ibid.

10 Drama of the Orokolo... gained world-wide readership.

11 C.J. Millar, Port Moresby, pers. comm., 17 April 1950.

ramifications of the co-operative movement in both the economic and social fields and intensive training in bookkeeping and commercial procedure'.[12] The training in business of Papua New Guineans was, of course, the Registry's main brief, and with only eight positions for Australian officers, seven of them filled, and with three officers absent on study tour or leave during part of the year, Millar would, indeed, have been remiss had he not given priority to the training of his Papua New Guinean staff.

As mentioned earlier, villagers' copra was last on the pick-up schedules of the big firms' ships. Understandably, their first priority was to move the output of company-owned estates. The collecting of copra from the privately-owned plantations which were their biggest clients came next, and other clients thereafter. As the villagers' co-operatives did comparatively little business (for example, purchasing copra bags and consumer goods) with the firms, they were often made to wait more than a month. The delay had two serious consequences for the co-operators' marketing: first, it exacerbated deterioration in the quality of copra awaiting shipment and, in consequence, diminished the monetary return; and, second, it delayed receipt of proceeds and thus called for greater working capital.

Village producers wanted to own and operate sea transport, not only to carry copra to the nearest ANGPCB depot and to bring back consumer goods but also for visiting relatives and friends in the towns. In some areas, for example, Milne Bay, the people, having been taught to build whaleboats and launches before the war, were already regular users of non-traditional means of carrying commercial sea freight; in others, canoes were carrying produce and goods - much as they had done before the arrival of foreigners (Belshaw 1955:32). But wherever a co-operative began to market copra, its members soon wanted it to purchase an engine-powered vessel.

Wanting to own and operate a vessel commercially was at the centre of the move by seven co-operative societies in the Gulf District to form a co-operative association in 1950. The activities of the Toaripi Association of Native Societies Ltd, registered under co-operative-style legislation, were the first instance of commercial inter-group collaboration among the Toaripi and Moveave, people notorious for their distrust or worse of their neighbours, even though the neighbours' language and traditional ways were much the same.

All but two or three of the co-operatives under the aegis of the Registry's office at Kerema (which opened in 1949 and moved to Kukipi in 1951) were to 'deliver the goods', by paying members more for produce than traders and planters offered, by selling

[12] TPNG, Annual Report, Year Ending 30th June 1950, of the Registry of Co-operative Societies: 7.

them consumer goods at prices better than those in white traders' stores, by operating a scow between Ihu on the Vailala River and Port Moresby, and by running a sawmill.

Western-style institutionalization of the people's economic activities, with an increasing division of labour and differentiation of social roles, was a significant concomitant of co-operative development among the Toaripi and, indeed, among all other groups of co-operators throughout the Territory. As far as the co-operative officer at Kerema could see, this institutionalization through the co-operative way of doing business was not weakening the customary social organization of villages in the Gulf. Certainly, it was the vehicle for inter-village economic collaboration on a scale never seen before, not even during the *hevehe* ceremonies of the Orokolo, Vailala and Keuru or during similar festivals, called *semese*, among the people of the coastal area between Cape Cupola and Cape Possession, when clans and villages had worked together in large-scale cultivation of food crops and raising of pigs and other livestock, to provide surpluses for ceremonial distribution. Elsewhere, too, co-operatives fitted smoothly into the traditional socio-economics. Even Peter Fitzpatrick, in a neo-Marxist overview of law and state in Papua New Guinea, has acknowledged that 'the types of collective organization that were emerging after the second world war and at various times following... fitted the structure of peasant society' and he has quoted Romola McSwain's observation that 'traditional elements in the social system suffered little change through the introduction of co-operatives'.[13]

Learning to market copra and manage a trade store

Although the early years of the co-operative movement among the Eastern Elema proved to be *sui generis* in the intensity of its members' participation and willingness 'to work for the morrow', it is appropriate that we take a brief look at it because it showed what motivated and diligent Papua New Guineans can achieve, even when their financial resources are small and their knowledge of modern business limited.

Take, for instance, the late Lelesi Aisa, secretary of Oiapu Co-operative Society from its beginning in 1949 until he died in 1975. Copra was the Oiapu's sole source of cash apart from remittances occasionally sent by relatives working away from home. As no one knew how to calculate the price that members ought to be paid, that is, the price based on the current ANGPCB one, and no one understood the costing of consumer goods, that is, to use the suppliers' wholesale price as the basis for calculations, Aisa had to make frequent trips to Kerema, to obtain assistance from the

[13] Fitzpatrick (1980:130-1), quoting R. McSwain, The Past and Future People: Tradition and Change on a New Guinea Island (1977:101).

co-operative officer and his staff. The visits were also necessary because the two main suppliers, Steamships Trading Co. Ltd and Burns Philp & Co. Ltd, did not extend credit to co-operatives, so that each order for goods had to be accompanied by payment. (The firms did so a few years later when the co-operative movement had become big enough to make importing and wholesaling by a co-operative organization a distinct possibility.) Accompanied by one or two directors, to ensure that he would not be robbed on the way or meet with disaster when crossing crocodile-infested creeks and rivers, Aisa had to undertake four long and hot days' travelling along the ocean edge of the black-sand beach. They took with them the cash from their society's sales of goods, cash sales dockets, copra purchase dockets, cash book, share register, and various documents, such as bills of lading, credit and debit notes, and circulars issued by ANGPCB. At Kerema, Trainee Co-operative Inspector Tore Lokoloko[14] or one of his colleagues helped Aisa to

(i) sort the cash by wrapping coins into rolls and notes into bundles, and deposit it at the Kerema agency of the Commonwealth Savings Bank;

(ii) check extensions and additions on copra purchase docket copies;

(iii) write docket totals on copra purchase summaries;

(iv) enter copra purchase summary totals in the cashbook;

(v) check prices, extensions and additions on goods sales docket copies;

(vi) write goods sales docket totals on goods sales summaries;

(vii) enter goods sales summary totals in the cash book;

(viii) set aside an amount for wages due to Mr Aisa and anyone else employed in the store;

(ix) check ANGPCB credit notes against bills of lading;

(x) send order/s for goods; and

(xi) attend to other matters.

Those other matters might include renewing the society's licence to trade, buying a postal note to go with an order for goods (as there were no cheque facilities at Kerema), or discussing whether the society ought to apply for membership of the association which the seven Toaripi co-operatives intended to

[14] Tore Lokoloko, from Iokea, resigned from the TPNG's Public Service in 1968 after 18 years with the Registry of Co-operative Societies. He successfully contested the Kerema Open electorate at the 1968 House of Assembly elections and was appointed Ministerial Member for Health. Re-elected in 1972, he became Deputy Leader of the Opposition and was awarded an OBE. In 1977 the National Parliament elected him as Governor-General. As Sir Tore Lokoloko, GCMG, GCVO, OBE, KStJ, he retired in 1983 and is now a company director.

form. Aisa usually made his visits a fortnight after a consignment of copra had been shipped and he could expect to find the ANGPCB credit note waiting for him. (Private mail bags were not delivered to villages until about 1970 and, although the post office at Kairuku was closer, there was no co-operative officer and, in any case, the Oiapu people wanted to be a part of the co-operative movement among the Eastern Elema.)

All this is easy for someone who has grown up in the culture of modern commerce and has an elementary knowledge of bookkeeping. It was tremendously difficult for Aisa and the many others like him in the Gulf and elsewhere in TPNG for whom such matters as wholesale compared with retail pricing, legal implications of bills of lading and need for adequate working capital were among mysteries that only the white man knew and had withheld from them. Except for what they learnt from the brief course in basic bookkeeping conducted at Kerema by the co-operative officer, Aisa and other secretaries or storemen had to gain their knowledge of business on the job, assisted by the Registry's officers. Some of them became competent in a relatively short time, others never. With time, the Registry evolved simple but adequate techniques of bookkeeping, costing, etc.

The co-operative officer, usually accompanied by two trainee co-operative inspectors, visited Oiapu about four times a year. On these visits, the trainees did much the same work as they did at Kerema, followed by a stock-take of copra and goods. The co-operative officer balanced and reconciled the cashbook, prepared statements of copra and goods trading, profit and loss statement and balance sheet. The directors then held a meeting during which they discussed the results with the co-operative officer and decided upon matters such as the quantum of a rebate on copra purchases and goods sales and the rate of interest on share capital to be recommended to members at the general meeting which was held on the same day. The meeting took place in the evening, after the people had returned from gardening, fishing, hunting, etc. The financial statements were then displayed on a blackboard and explained by the co-operative officer, in Hiri Motu, assisted by a trainee, in the local language. The same procedure took place in every other co-operative society visited on the way. When the employees, preferably also some of the directors, had become sufficiently competent, the Registry reduced its assistance. By 1954, Iokea Co-operative Society was doing everything except compiling its balance sheet, and many other societies were not far behind.

In 1949/50, there were twenty-three societies between Kerema and Oiapu. As there were fifteen societies west of Kerema, as far as Arehava, which also had to be visited, and short courses in bookkeeping for secretaries and storemen had to be conducted at Kerema, the co-operative officer and his handful of subordinates had no time to philosophize. What little the co-operative officer offered to the Registrar by way of comment upon policy and planning took a very poor second place to his concern about the daily chores before him and his trainees.

The co-operative officer's main interest in respect of policy and planning was to bring about fewer and economically viable societies. In some villages, for instance, at Kerema, Koaru, Kukipi and Uritai, there were two or three co-operatives, none of them with enough members to achieve a turnover that covered irreducible overheads. Right from the start, it had been the Registry's policy to encourage the building up of funds for working capital and fixed assets acquisition by maximum retention of surplus, in addition to calls for further buying of shares, but many co-operatives were too small to accumulate reserves. Then, too, the few people with the potential to become capable secretaries or storemen and, therefore, with opportunities of urban employment, demanded better wages than the small co-operatives could afford to pay. Parochialism, with long-standing intra- or inter-village hostility, militated against a consolidation of societies, but the prospect of a co-operative association owning and operating a vessel brought the people to a different point of view.

The change to larger societies was also helped when the *pukari* [leaders] of several of the bigger villages decided to ask the Administration to post a co-operative officer and open a post office at Kukipi-Marekea, to make life easier for the likes of Aisa and to receive more visits by Registry staff. When told by the district commissioner, L.J. O'Malley, that he was agreeable but Treasury would not allocate funds to erect the necessary buildings, a meeting of *pukari* and other influential men from every village between Kerema and Oiapu decided that they and their followers would do the work at no cost to the Administration. Marshalling almost every resource available to them, men such as Makeu Tore of Iokea, Mefaramu Sarea of Miaru, Morauta Hasu of Kukipi and Gabriel Ehava Karava of Moveave led many hundreds of men in tasks such as felling large trees and cutting rafters and posts, making sago palm thatching and nipa palm flooring, carrying these materials to the site - sometimes from far away - and erecting an office building, houses for the co-operative officer and his staff, and a police barracks. They were helped by almost as many women, who supplied them with cooked food and wove bamboo walls. Kukipi Patrol Post, the result of their toil, cost the Administration £5 12s 6d in nails and was an outstanding example of self-help. The people gained their reward from the great improvements in copra marketing and goods retailing which resulted from having an office of the Registry and a post office among them. The big feast and dancing at the opening of the patrol post did not have the spiritual meaning and the grandiose artistic display of the *hevehe* and *semese* festivals. Nevertheless, the participants made no bones about their regarding the opening as a milestone in the history of their area.

Until well into the 1960s, every one of the store buildings and copra sheds owned by co-operatives in the Gulf District and all but a few of the copra sheds, store buildings, etc., belonging to co-operatives throughout TPNG had been erected by volunteers whose only immediate material reward was the feast to mark the opening. If we reflect that the people who built Kukipi Patrol Post had already put up the original buildings of their village co-operatives and maintained or replaced them, and later assisted in the erecting of the Association's premises, we cannot but admire the villagers' determination to adopt modern ways of commerce. Even those of the villagers who joined in the concurrent activities of Torea Ivara and his fellow cultists at Moveave actively participated in the co-operative movement.

The villagers' expenditure of physical effort on the building of Kukipi Patrol Post was not reflected in the financial statements of their co-operatives. While it would have been possible to include the monetary value of their voluntary contributions of labour to the erection of each co-operative's premises in the co-operative's accounts, this was not done as it would have resulted in increased appropriation account balances that might have encouraged directors to recommend cash payments of rebates and interest on share capital beyond a safe level of working capital. Inadequacy of working capital, necessitating deferment of payment for copra bought from members and non-members, caused a drop in copra making.

The people set great store on the prestige that they gained from having, say, a large double-canoe for loading copra and a fine store building, but, of course, the prestige was not a quantifiable item in the co-operative's books, and neither were the better return that they received for their copra nor the smaller prices they had to pay for consumer goods.

In 1951, the Toaripi Association acquired a 46-foot diesel-engined vessel of the scow type, with a shallow draught to enable it to cross the mud bars of the Lakekamu, Tauri and other rivers. The Registry's expectation that regular runs by M.V. *Toaripi* would encourage greater copra production soon proved to be correct.[15] But owning and operating a vessel often left hard work to be done by villagers. At localities without an anchorage or sheltered open roadstead, even the heaviest double-canoes had to be manhandled over the first breakers of a swell, a task demanding strong and stout-hearted swimmers. Co-operative Inspector Boe Kapena, from Hanuabada, who helped the Iokea to manhandle their *vavaea* (sea-going canoe), was but one of many Registry officers who shared co-operators' physical tasks. At the height of the southeast trade or northwest monsoon, many village producers had

[15] TPNG, Annual Report, Year Ending 30th June 1950, of the Registry of Co-operative Societies: 3-4.

to watch their co-operative association's vessel sailing past, well offshore.

Acquisition of sea transport was the foremost immediate objective, too, of the formation of co-operative associations in other areas. The arrival of a ship owned by their co-operative gave a tremendous fillip to members' participation. It was just as well that there were more than enough Papua New Guineans with local master's tickets and with local knowledge. Commanding a small ship in St George's Channel or between New Hanover and Mussau Island during a rainsquall, on the run from Rabaul to Lorengau in heavy monsoonal weather, when battling increasing southeasterly blows off Misima, or in an attempt to cross the Vailala Bar, involved superb local knowledge.

While the captains of the co-operative associations' vessels were competent, most of the supercargoes were not. With no more than perfunctory primary education, they found it difficult to cope with bills of lading and handling passengers' fares and freight monies. Then, as now, the Copra Marketing Board purchased copra under a system of grade and ownership markings. A circular issued by the Board about 1950 gives the following brief outline of the purchasing:

> On receival, the consignment is weighed and weights are entered on a form known as a Copra Weight Note. This form is completed in quadruplicate, and contains the following:
>
> Date of receival, method of receival (i.e., name of vessel or 'road'), estate number, colour marking, grade, number of bags, gross, tare, and net weights, and any remarks relative to the state in which the copra was received, and upon which it might be necessary to raise charges for re-bagging, or re-conditioning it, as the case may be.
>
> Tare weight of bags is calculated at the rate of 2½ lbs. per bag, in order to arrive at the net weight of the copra delivered.
>
> Weight Notes are then distributed; one direct to the owner or his agent, and two to the Head Office of the Board, the quadruplicate copy being retained in the Copra Weight Note Book at the Warehouse. As Weight Notes are received by the Head Office of the Board, they are checked for additions and extended as to value, the respective credits being finally passed to the owner's account in the books of the Board. Payments for copra purchased by the Board are made on the 15th and last days of each month.
>
> In the case of Natives... who are not competent to operate their own banking accounts, etc., it is obvious that

individual accounts cannot be kept; hence, payment is made in cash on delivery.[16]

While one did not need to be a Rhodes Scholar to cope with a supercargo's duties, the learning gained from three or four years at a village school conducted by a poorly trained teacher was not enough.

Until the late 1950s, much of the copra marketed by villagers, including the co-operators, was smoke-cured. Sun-drying, the easiest technique at village level, which depends upon a clear sky or, at least, absence of rain, is only possible during the dry season, and hardly ever so in localities such as the south coast of New Britain and the coastal belt west of Kerema. The damage caused by mould and insects was bad enough when bagged copra sat for weeks in flimsy sheds made of bush materials; it became worse when, as was often the case, the bags were carried in leaking bilges. Some village producers added to the problem by shoddy smoke-curing.

Produce inspectors from the Department of Agriculture, Stock & Fisheries (DASF), posted at ANGPCB depots, sometimes rejected or condemned village-produced copra. Depot managers had sub-standard copra from co-operatives and other groups or individual villagers reconditioned, either by the Board's staff or private contractors. The cost of this was deducted from the proceeds, with the amount shown on the credit notes sent to the seller. Bags of rejected or condemned copra were shipped back if requested by the seller, but few requests were made.

After 126 bags shipped by co-operatives in Kerema Bay in 1949 had been condemned, the co-operative officer, having noted a link between slow payment to producer-members - necessitated by inadequate working capital, which came about through the delay in transmission of ANGPCB proceeds as the copra had to be reconditioned before DASF inspectors would pass it and ANGPCB buy it - and careless production, persuaded the co-operatives 'to buy copra "before receipt of proceeds from the Production Control Board"' (Snowden n.d.:198).

Where villagers had two or three choices for selling their copra, such as through a co-operative or to a trader or direct to the CMB, they frequently foisted upon the co-operative what neither Board depot nor traders would accept. And some members stole the copra that they had sold and then re-sold it to the same co-operative.[17] The quantity of co-operatives' copra rejected by the CMB sometimes reached alarming proportions. The Board

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[16] ANGPCB, 'A brief outline of the operations of the Australian New Guinea Production Control Board', roneo (n.d.):3.

[17] TPNG, Annual Report, Year Ending 30th June 1954, of the Registry of Co-operative Societies: 6.

rejected 564 bags, 200 of them from the Gazelle Peninsula, during two months in mid-1954, and things were almost as bad on New Ireland. Between April and August 1955, depots rejected 1406 bags from co-operatives, over 20 per cent of societies' offering (Snowden n.d.:195-6).

Lower market prices in the early 1950s did nothing for the efforts by agricultural extension officers and Registry field staff to get villagers to erect and use hot-air driers. Village producers were not the only culprits. 'Rejections of copra were widespread in the early 1950s but especially after 1952 and applied at first to all areas and to all producers: societies, traders, and expatriate planters' (Snowden n.d.:195).

Expatriate interests wanted the Administration to introduce a fourth, inferior grade for village-produced copra. The Registrar opposed this, believing that it would weaken the threat of rejection which was the strongest incentive to hot-air drying. Millar plumped for an increase in the very narrow differential between grades. Neither of these suggestions was implemented (Snowden n.d.).

For expatriate and indigenous producers alike, the 'moment of truth' was on the bottom line of the weight note. The Board's purchase price was and

> is fixed on a modified 'pool' principle. Tentative purchase prices are declared and after the trading period, on every 30th June, final prices are determined in the light of actual trading results. In cases where the final prices are higher than the tentative price or where tentative prices are increased retrospectively, further payments become due to producers... and payments are duly credited to [their] accounts... In such cases, no difficulty is experienced in ensuring that planters and traders receive the final payments... but where copra has been purchased from Natives for cash, the only method possible is for the Board to publicise the information as widely as possible and arrange for payment to be made, after satisfactory identification, to the Natives concerned at the Branch of the Board to which the copra is delivered.[18]

Some village producers preferred to take their copra to a Board depot rather than sell it through a co-operative. It enabled them to spend the cash proceeds in the larger and better stocked stores of the towns and to socialize with relatives and friends there. At times, a producer would also take several fellow villagers' copra, but this often spawned villainy. At its least reprehensible, it was when the villager who took the copra 'blew' the proceeds but did at least bring back some 'presents';

[18] ANGCP, 'A brief outline...', op. cit.: 3.

at its worst, it occurred through his presenting someone else's copra as his own and bringing back weight notes that showed lesser amounts paid to the rightful owner.

Although most of the directors and employees worked with exemplary honesty during the early years of the co-operative movement, a few determined villains tackled 'the system' as early as 1950. In *Rex v. Morea Pekoro*, the sentencing judge, whose experience on the bench of the Supreme Court of Papua dated back to 1926, observed that the accused's faking of copra weight notes put him in a class of criminals new to Papua New Guinea.[19] A few years later, the Registrar's observation, made in one of his annual reports, that the bookkeeping classes conducted by the Registry were facilitating white-collar crime, received worldwide attention, such as in the American magazine *Time*.

The problem of credit

Pressure by relatives on directors and employees to fake copra purchase dockets in the seller's favour or extend goods on credit sometimes commenced within months of a co-operative's start of business. Faced by an 'economic' threat - for example, 'I won't help you with your son's bride-wealth payment' - or sorcery, a director or store manager needed to be brave, indeed, to disregard the dictates of traditional socio-economic mores. A reply that, say, extending credit was against the society's rules might bring the response that the society belonged to its members and, therefore, so did its stock of goods. A suggestion that the next visiting Registry officer would find out sometimes saved the day. Although the words *tambu long dinau* or *abitore lasi*, in Tok Pisin and Hiri Motu respectively, were displayed on large notice-boards in every store, credit extension contrary to the rules led to the downfall of many dual-purpose or consumer societies. In their traditional socio-economic environment, Papua New Guineans welch only infrequently. However, repayment of a debt may take months, sometimes years - and is not expected earlier - as it is usually part of a lengthy ceremonial or trading cycle. Rarely is repayment within a short time a condition of the transaction. The credit (and repayment) practices of business in a modern economy were alien to all but a handful of Papua New Guineans until recently, and they still are to a good many villagers.

Even after many co-operatives had been in existence for a decade or longer, the Registrar had to observe that the problems stemming from lack of managerial skill were 'aggravated by the inability in some cases and reluctance in others, of the boards of directors... to assert their authority and carry out their

[19] Mr Justice R.T. Gore. Gore gave a relatively light sentence because, he said, the accused had been under much temptation and had not understood the seriousness of the offence.

functions'.[20] By then, the apex structure comprising a federation, associations and societies, which the co-operative movement had developed in 1957, had made possible the regular and price-competitive supply of copra sacks, materials to build hot-air driers, etc.

After a visit, arranged by the Administration, to co-operatives around Kerema, the leaders of two significant 'cargo cults', Paliau Maloat from the Manus District and Yali from the Madang District, spearheaded the formation of co-operatives in their districts. By 1957, villagers in all but one of the copra-producing districts had spontaneously formed dual-purpose co-operatives. The Registry, lacking the personnel to provide adequate assistance, especially in auditing, only opened an office at Samarai, Milne Bay (the remaining district) when directed by the Minister. Many copra producers around Milne Bay and on a number of islands in that district were able to obtain maximum returns by selling direct to the CMB depot because they owned cutters or launches. Their ready response to the Registry's advice and assistance was due to their wanting to own and operate a large vessel so that they would not be cut off from the depot at the height of the trade winds and monsoons.

Co-operatives could not compete with the CMB in the matter of the cash payment to producers, but few villagers ever considered their costs in taking copra to the CMB depot. In any case, as we have mentioned, a visit to a depot was combined with buying from large stores that offered a greater variety and usually cheaper goods than those in co-operative stores at home. Many of the much smaller foreign-owned stores near CMB depots, usually owned by Asians, became increasingly successful competitors of the co-operatives because they extended credit. An Asian trader, not subject to the socio-economic pressures of traditional Melanesian society, was able to - and sometimes did - refuse credit. On the Gazelle Peninsula, some Asian traders also illegally supplied alcohol. *Longpela bek rais* (long bag of rice), with a bottle of rum hidden to escape detection by the *kiap*, not infrequently changed hands for considerably more than its monetary equivalent in *bek kopra* (bag of copra).

Moreover, right from 1947 when villagers began to market their copra through their own 'companies' or co-operatives, BP and STC had 'reaped enormous profits' from the price adjustments for copra bought from villagers. The firms achieved this by enticing producers to ship copra under the identifying marks allotted to the firms by the CMB, in return for letting them have goods on credit. This practice ended in 1964, after John Guise, MLC, had actively campaigned against it in the Milne Bay area.[21]

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[20] TPNG, Annual Report of the Registrar of Co-operative Societies 1963/1964: 11-12.

[21] Letter CB 6/4/7917 of 17 October 1986 from Sir John Guise, chairman, CMB, to the present writer.

As service is the *raison d'être* of co-operatives, members who believed themselves better served elsewhere ceased doing business with their co-operative and, sooner or later, withdrew from it. In localities such as on the east coast of New Ireland and on the Gazelle Peninsula, where trafficable roads enabled village producers to reach a CMB depot and a plethora of foreign-owned stores without difficulty, co-operatives could only be viable as long as the foreign entrepreneurs offered very low prices for copra and/or charged exorbitantly for consumer goods.

Although co-operators usually reacted to the world market price, reflected in the price paid by the CMB, especially when their co-operative paid a rebate based on the value of each member's copra sold to it at the end of its financial year,[22] this was not always so. In 1960/61, for instance, the value of copra marketed by co-operatives on Bougainville Island fell by 32 per cent in spite of a 24 per cent increase in volume, but members increased their efforts just the same.[23] On the other hand, the 9.4 per cent fall in value of New Ireland co-operatives' marketing in that year seems to have been influenced by the 20.7 per cent drop in the CMB price. In areas where land suitable for coconut palm cultivation was becoming scarce and/or population growth was causing increasing consumption of nuts, copra marketing fell even when CMB prices were steady or rose.[24]

Snowden (n.d.:204) has posited that

> Possibly the most important factor in... the decline of the co-operative movement in the 1950s and 1960s was the working of the Copra Marketing Ordinance as interpreted by the Produce Inspection Branch of DASF. The societies' difficulties in having their copra accepted can partly be explained by poor transport, but we must also consider the rigorous standards imposed by the CMB. These standards seem to have been fixed at an irrationally high level, and imposed erratically and unfairly upon the societies, which were sometimes treated as a laboratory... Clearly, world standards had nothing to do with high standards and high rejection rates for co-operative societies copra.

Large-scale rejections of poor quality copra certainly did adversely affect the viability of some co-operatives. Few of the produce inspectors, low in the DASF hierarchy and correspondingly lowly paid, had any good will towards village producers, but the standard imposed was needed when supply exceeded demand on the world market. Since 1945, copra from Papua New Guinea had established a very much better reputation than that from the two

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[22] TPNG, Annual Report of the Co-operative Section, 1st April, 1958 to 31st March, 1959: 6.

[23] TPNG, Annual Report of the Co-operative Section, 1st April, 1960 to 31st March 1961: 32.

[24] TPNG, Annual Report of the Registrar of Co-operative Societies, 1961/1962: 18-19.

territories pre-war, and DASF and the Board understandably wished to keep it that way. Snowden's observation that the policy of high standards 'was relaxed only in 1959, when prices were high, and the market assured because of floods in Argentina and diseases in the Philippines' is partly incorrect. The co-operative movement *in toto* continued to flourish and grow well into the 1960s, and Argentina did not export copra. Her assertion, that an improvement in world market prices, when supply fell short of demand, led to a relaxation of the standard of inspections, is plausible (Snowden n.d.).

Snowden (n.d.:204) is on safer ground in castigating the Board for delaying the adjustment payment (completing the final price) to co-operatives in 1966:

> the Board decided to delay... adjustment payments to societies until the end of September, whereas expatriate planters were paid in July, and traders in August. The decision was reached at a closed meeting, to which the society representative had not been invited. The Co-operative Section [Registry] protested, but the protest was ignored until the Co-operative Section pointed out that they were answerable to 93,000 members. By the time the Board capitulated, even the late payments had fallen due.

Although it was still not easy to find a Papua New Guinean with the understanding of marketing, pricing and liquidity problems to play an effective role on the Board, the Administration ought to have appointed more than one indigenous person to the Board by 1966 because experience is the best teacher. The late Stahl Salum, the first Papua New Guinean appointed on 1 March 1961, manager of the largest indigenous-owned plantation in TPNG, established by his family, had made a useful contribution to the deliberations of the Board and Nansen Kaisa, who succeeded Salum on 1 March 1964, had brought to the Board experience as secretary of the Milne Bay Co-operative Association.

In the late 1950s, the Registrar had reluctantly come to the conclusion that it would be some years before most copra marketing and other co-operatives could dispense with advice and managerial assistance from his field staff and financial analyses and audits form accountants at his headquarters. In 1962/63, for instance, co-operative officers and inspectors needed to make 3100 visits to associations and societies, 1600 of them to compile the balance sheet. Two years later, in 1964/65, the Registry's thirty-two Second Division officers and fifty-nine Third Division officers were advising and, more often than not, also assisting a co-operative movement comprised of a federation, fourteen associations and 296 societies, the latter having 94,083 members with $1,139,511 subscribed share capital; 44.3 per cent of its total annual turnover of $1,924,862 came from produce sales; copra sales ($356,088) accounted for 41.8 per cent of the produce turnover and 18.5 per cent of the total turnover for that year. Impressive though the total turnover is for a multi-faceted Territory-wide business enterprise belonging to people who had only owned a few very small village-based businesses, it has to be kept in mind that it was but $6503 per primary co-operative; the primary co-operatives' $781,187 subscribed share capital represented just $8.30 per member.

One hundred and sixty-eight Papua New Guineans had attended various courses, for example for secretaries, storemen, clerks, co-operative inspectors, agricultural extension assistants, at the Co-operative Education Centre, Konedobu, in 1964/65. But, the Registrar reported, there was still not enough managerial skill at society level and this lack would continue for a number of years:

> As young people emerge from school with their Intermediate Certificate or higher, they move away from the villages and are absorbed by the Administration as teachers, health assistants, clerks, etc. Private enterprise also absorbs their share of the output... At tertiary and secondary level [i.e., federation and associations], the indigenous managerial ability is infinitely greater than that encountered at primary society level, due to the ability of such larger organisations to offer incentives in the form of attractive salaries, housing and the like.[25]

At the end of the sixties, the Registry had 112 local officers and 51 overseas officers.[26] Three hundred and fifty Papua New Guineans had attended the Co-operative Education Centre and all training of its staff and directors and employees of co-operatives was about to be taken over by the newly-established Co-operative Education Trust, a statutory body. Between 1 April 1969 and 31 March 1970, the co-operatives had marketed $4,220,633 worth of produce, but copra was no longer at the top of the list (Table 6.2).

Almost all of the dual-purpose co-operatives marketing copra had been started more than a decade earlier and, in respect of their copra business, needed no assistance from the Registry. Regrettably, many of them were brought to their knees by incompetent or dishonest goods trading. Any suggestion to separate copra trading from other business - feasible in the large societies - was invariably rejected, usually because members feared that it would lead to a schism in the membership. The main cause of the 27 per cent decline in copra turnover, from $1,044,943 in the previous year to $763,374, was better

[25] TPNG, Annual Report of the Registrar of Co-operative Societies, 1st April, 1964 to 31st March, 1965: 11.

[26] Papua New Guineans appointed by the Public Service and statutory bodies were classified as local officers; Australians and other foreigners as overseas officers.

Table 6.2 **Produce turnover of co-operative societies during year ended 31 March 1970**

	$	Per cent of total
Coffee	2,048,798	48.5
Cocoa	1,015,976	24.1
Copra	763,374	18.1
Peanuts	164,731	3.9
Rice	99,339	2.4
Timber	53,011	1.3
Crocodile skins	34,754	0.8
Other	40,650	0.9
Total	4,220,633	100.0

Source: PNG, *Annual Report of the Registrar of Co-operative Societies, 1st April, 1969 to 31st March, 1970*: 15.

communications enabling more members to deal directly with the CMB, 'to obtain [an] immediate cash equivalent of the tentative price at the main ports and to gain full payment of the adjustment or second payment'.[27]

As Table 6.3 shows, copra sales by co-operatives between 1966 and 1970 do not seem to have been affected in one way or another by changes in the CMB price per tonne or greater changes in that price adjusted for its 1974 dollar value. In 1971/72, the last year for which we have reliable statistics of copra sales by co-operatives, the situation was as shown in Table 6.4. Co-operatives thus had 15.1 per cent of villagers' sales and 5.2 per cent of the Board's purchases came from them.

By then, the co-operative movement consisted of 295 active primary co-operatives (societies), twenty-five secondary co-operatives (18 associations and 7 service organizations) and six tertiary co-operatives (including Federation and Wholesale Society), with an aggregate subscribed share capital of $3,388,124, statutory reserves of $1,173,023 and fixed assets valued at $2,645,571.[28]

[27] PNG, Annual Report of the Registrar of Co-operative Societies, 1st April, 1969 to 31st March, 1970: 16.

[28] PNG, Annual Report[s] of the Registrar of Co-operative Societies, 1st April, 1971 to 31st March, 1973.

Table 6.3 **Sales by co-operatives and Copra Marketing Board price per tonne, 1966-70**

Year	Sales	CMB final price per tonne	CMB final price per tonne at 1974 $ purchasing value
1966	915,400	127.83	201.97
1967	770,466	118.43	181.20
1968	725,772	149.76	223.14
1969	1,044,043	120.73	173.85
1970	763,374	133.85	184.71

Source: Appendix Table 9 and PNG, *Annual Report of the Registrar of Co-operative Societies, 1st April, 1969 to 31st March, 1970*: 16.

Table 6.4 **Copra sales by co-operatives, 1971/72**

	Tonnes	$
Papua New Guinea	140,039	9,392,000
Villagers	54,769	3,672,300
Co-operatives	7,282	554,766

Note: The tonnage of copra sold by co-operatives has been calculated by applying the factor 1.153.

Source: Appendix Tables 6 and 7; PNG, *Annual Report[s] of the Registrar of Co-operative Societies, 1st April, 1971 to 31st March, 1973*:22.

The total produce turnover per annum between April 1969 and March 1972 grew by 41.2 per cent over the three years but copra sales decreased by 27.3 per cent and cacao sales by 15.1 per cent (Table 6.5). Once again, the decreases had occurred where members and non-members had seized greater opportunities to sell direct to the CMB or competitive agents or traders. Clearly, the co-operatives' marketing of copra was on the way down. Moreover, the increase in total annual turnover had mainly been chalked up buy coffee processing and marketing co-operatives in the Highlands and does not show the overall deterioration of co-operatives, most of them marketing copra, in coastal areas.

Table 6.5 **Sales of produce by co-operative societies, 1 April 1969 to 31 March 1972**

	1969/70 ($)	1970/71 ($)	1971/72 ($)	Total ($)	Per cent of total
Coffee	2,048,798	2,826,324	2,893,826	7,768,948	54.6
Cocao	1,015,976	923,901	862,766	2,802,643	19.7
Copra	763,374	728,832	55,766	2,046,972	14.4
Peanuts	164,731	258,484	327,080	750,295	5.3
Rice	99,339	106,045	159,785	365,169	2.6
Other	128,405	176,525	175,473	480,403	3.4
Total	4,220,623	5,020,111	4,474,696	14,214,430	100.0

Source: PNG, *Annual Report[s] of the Registrar of Co-operative Societies, 1 April 1969 to 31 March 1972.*

Criticism from planters

The co-operative movement and the Registry had been subjected to criticism since their inception. On 13 October 1952, for instance, J.H. Jones, Official Member and Director of District Services and Native Affairs, had felt compelled to refute such criticism by making a lengthy statement in the Legislative Council. He pointed out, *inter alia*, that some traders had dealt unfairly with village copra producers:

> Natives have sold copra to non-native traders for as low as one pound to one pound ten shillings per bag. This same copra, when marketed by traders, has realized four pounds ten shillings to five pounds per bag. When Natives, under such circumstances, turn to the Administration for help and guidance to market their own produce, are we to refuse them? To deny this assistance would be to negate Government policy and ignore the obligations accepted under the Trusteeship Agreement and the ANZAC Pact. It would lead to frustration, discontent, and even disturbances among the Native population, the usual manifestation of which, in the past, has been seen in outbreaks of 'cargo cult'. I consider the introduction of the Co-operative Movement as the most effective counter to the 'cargo cult' which has yet been introduced.[29]

In response to criticism of 'the costs of administering the Co-operative Section', Jones said that the New South Wales

[29] TPNG, Legislative Council [hereafter Legco], Debates, First Council, Second Session, Second Meeting, 6 to 18 October 1952: 93-4.

Registry of Co-operative Societies had a staff of over twenty and provided far more services, and that the Registry in Ceylon maintained a staff of 1253 at an annual cost of £262,572.[30]

Over the years, complaints about individual co-operative officers had been made by planters and there had been lobbying, in the Territory and Australia, against co-operatives by commercial interests. On one occasion, the Australian Security and Intelligence Organisation was called to investigate an allegation that a co-operative officer on Bougainville was a Communist, and the district commissioner at Kavieng advised a newly-arrived co-operative officer to forestall any criticism by taking up the secretaryship of the local branch of the RSS&AILA. There had been a few instances of incompetence on the part of co-operative officers and two of dishonesty (with both officers accepting the public service commissioner's 'invitation' to resign) but, given the large number of overseas and local officers working for the Registry over the years, there was very little cause for complaint about the integrity, diligence and competence of its staff.

Some of the complaints regarding co-operatives came from genuine concern about the copra industry. On 15 October 1952, for instance, B.E. Fairfax-Ross, Non-Official Member, member of the Copra Marketing Board and president of the Planters' Association of Papua, told the Legislative Council that he hoped that 'all coconut planters and all those guiding Native producers' would collaborate to achieve production of better quality copra. He pointed out that the percentage of smoke grade had risen from 21 in 1948/49 to 45. Observing that the world demand for smoke grade was decreasing and BMOF continued to ask for better grade copra, that Australian manufacturers were taking only 7½ per cent of TPNG's smoke grade copra, and that the impending commencement of crushing for oil at Rabaul would further reduce the proportion of hot-air and sun grade copra available for export to BMOF, Fairfax-Ross warned that 'perhaps a dangerous level' which would prejudice the contract might be reached.[31] By that time, most of the villagers in the main producing areas were marketing through co-operatives.

Other complaints stemmed from antipathy to co-operatives. D. Barrett, Non-Official Member and vice-president of the Planters' Association of New Guinea, asked in the Legislative Council on 28 July 1953 whether the trend in the falling off of subsistence agriculture on New Ireland was evident in other districts, 'particularly where co-operatives are established'. An Official Member replied that the same trend had been noticed in other districts where co-operatives were active but, at the same time, surplus 'Native' foods had been sold in considerable

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[30] Ibid.

[31] TPNG, Legco, Debates, First Council, Second Session, Second Meeting, 6 to 18 October 1952: 118.

quantities to the Administration and other persons throughout the Madang, Bougainville and Morobe districts.[32] Barrett, a consistent critic of government policy and actions to encourage co-operatives, wanted co-operatives to keep out of localities where foreign traders operated:

> very careful investigation should be made before any co-operative societies are introduced and established where markets do exist and the price being paid for produce is a fair one, and the price being charged for consumer goods is fair. Thus unless there is a very urgent demand on the part of the Natives, I can see no need for their [i.e., the co-operatives'] establishment... In the matter of co-operatives, very much more attention [should] be given to outlying areas and to the assistance of those Natives who are not so fortunately placed, than in areas where there is considerable development and the Natives are more sophisticated and more enlightened. Very great care must be taken then, lest the failure of the co-operatives give rise to thoughts of Communism or some other ideology.[33]

Those 'more sophisticated and more enlightened Natives' had, of course, asked the Administration to help them set up co-operatives because they did not see themselves as receiving a fair deal from foreign traders. Even in respect of the Milne Bay District, when the Registry had hesitated to commence extension work, there had been cogent reasons for the Minister's direction to post a co-operative officer at Samarai: no provision had been made at Samarai for village producers' cutters and whaleboats and there was often a delay of two to three days in cash payments by the CMB depot.[34]

Parliamentarians increase their interest

Well-grounded complaints - and there were more and more as co-operatives became 'old hat' in an area - came especially from members who had done little business with their co-operative but expected a sizeable rebate at the end of the financial year, and from members who were disappointed when the annual general meeting accepted the directors' recommendation to 'plough back' the rebate, that is, to credit it to members' share holdings. And, understandably, all members except those who had benefited from malpractices by employees and/or directors loudly complained when the year's result reflected the malpractices. Even so, the growth of the co-operative movement, in particular the increase in the

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[32] TPNG, Legco, Debates, First Council, Second Session, Fourth Meeting, 27 to 30 July 1953: 12.

[33] TPNG, Legco, Debates, Second Council, First Session, Third Meeting, 27 to 30 June 1955: 28-9.

[34] TPNG, Legco, Debates, First Council, Second Session, Second Meeting, 6 to 18 October 1952: 118. Speech by Rev. J. Dwyer, Non-Official Member and Roman Catholic missionary.

number and membership of primary societies, indicated that, generally speaking, Papua New Guineans continued to regard co-operatives with favour until the end of the sixties.

Certainly the Papua New Guineans in the new legislature, the House of Assembly, wanted more co-operatives and a considerable stepping up of Administration advice and assistance to existing co-operatives. During the first meeting of the House, on 11 June 1964, John Guise (Member for Milne Bay Open), by far the most experienced Papua New Guinean politician, pointed out that the Registry had not got around to working on Rossel and Sudest Islands and in the Baniara area, and he demanded that more co-operative officers be recruited.[35] During the third meeting of the House, on 22 January 1965, the Member for Dreikikir Open asked when the people in his electorate were going to have co-operatives and another Member sought additional postings of Registry staff to Kundiawa.[36] Several Members told the next meeting, in February 1965, that the Administration should give more assistance, by recruitment and reallocation of co-operative officers.[37] Uncertainty about the Territory's political future was making it difficult to recruit overseas officers and caused the Reverend P. Chatterton (Central Special), a retired missionary, to tell the House on 19 May 1965 that he had found 'a strong desire' among Papua New Guineans for 'a strengthening of the co-operative movement' and 'even a feeling that in this field they have been let down or become victims of some sinister plot'. The loss of one-quarter of the Registry's staff during the previous twelve months suggested 'that the conditions of service in this section of the Public Service are particularly unattractive'.[38]

Chatterton then broke new ground in the public debate on co-operatives:

> The greatest importance of the co-operative movement... is in relation to the problem of land tenure. Whatever our individual views... may be, we have to face the fact that many Papuans and New Guineans are highly resistant to proposals for any change from communal to individual ownership of land. This attitude may or may not persist and, if some Honourable Members have their way, it may be overcome by some sort of guided democracy but, in any case, co-operatives offer a way in which communally owned land can be brought into economic production now, and for that reason

[35] TPNG, House of Assembly [hereafter HofA], Debates, First Session, First Meeting, 8 to 16 June 1964: 37-8.

[36] TPNG, HofA, Debates, First Session, Third Meeting, 18 to 22 January 1965: 443.

[37] Ibid., Fourth Meeting, 22 to 26 February 1965: 528-30, 544-5, 549, etc.

[38] Ibid., Fifth Meeting, 17 to 24 May 1965: 671.

alone we should do everything we possibly can to promote them.[39]

The Under-Secretary for Assistant Administrator Economic Affairs, Lepani Watson (Esa'ala-Losuia Open), stressed that a large number of local and overseas co-operative officers were needed and would still be needed 'for many years to come'. He wondered why co-operatives had not been given the same encouragement as local government councils. Moreover, he averred, if help were not given to villagers wanting co-operatives, bad relationships between the people and the expatriate businessmen in the area would develop because the people would suspect that the Administration was favouring expatriate businessmen by refusing to allow co-operatives to compete against them. People would lose interest in planting cash crops. Watson, representing people on several groups of islands where copra was the most important source of cash, also broke new ground:

> I was very disappointed to read the very brief coverage given to the co-operative movement in the World Bank Report [by an IBRD visiting mission]. On page 210 the Report states that the Mission did not have sufficient knowledge of the potentials of the co-operative programme to be specific in its recommendations. Why was this information not put before the Mission? Co-operatives are vital to the local people who do not own big companies. The one page in the World Bank Report devoted to co-operatives gives a very half-hearted appreciation of the co-operative movement and this is because the Mission was not given the same type of information as it was given for expatriate companies. I ask that a commission be set up to study all aspects of native economic development as set out in the Native Economic Development Ordinance. The commission should study the problems of individual societies and give advice on how the co-operative movement could be expanded and developed. It should do the work that the World Bank Mission failed to do.[40]

The Native Economic Development Ordinance referred to by Watson was one of the two ordinances covering co-operative activities. The first of these, the Co-operative Societies Ordinance 1950-1963, was based on New South Wales legislation and, as the Assistant Administrator Economic Affairs, H.H. Reeve (Official Member), told the House on 23 November 1965 when introducing the Bill for the Co-operative Societies Ordinance 1965 which would supercede the two ordinances, the Co-operative Societies Ordinance 1950-1963 had not been 'of significant value'. The Native Economic Development Ordinance had been

[39] Ibid.:671-2.

[40] Ibid.:672.

specially prepared to meet the requirements of uneducated and unsophisticated indigenous co-operators who needed Administration assistance and protection during what was, for most, their first experience with western-style business organizations.... It place[d] the Registrar of Co-operative Societies and his staff in a direct relationship of trust for Papuan and New Guinean co-operators, through its racial restriction on membership, but this restriction also prevent[ed] the introduction of badly needed technical skills by non-natives, other than Registry officers.[41]

The new ordinance would enable the Registrar to delegate certain of his powers in order to encourage self-help among co-operatives and ensure that Administration control and direct participation were only exercised where unavoidably necessary. Moreover, said Reeve, the ordinance would remove 'the discriminatory aspects of the Native Economic Development Ordinance and provide for multi-racial membership of all co-operatives'.[42]

Watson, who, through his chairmanship of Vakuta Co-operative Society and duties as Under-Secretary for Assistant Administrator Economic Affairs, had a fair understanding of the main problem which had faced the registrars of co-operative societies since the 1950s - namely, if, when and for how long to use statutory powers in the best interests of a particular co-operative - was ahead of his time in asking for a commission of enquiry into co-operatives. As we shall see, such a committee was recommended by the House of Assembly in 1970, appointed by the Administrator in 1971, and submitted its report a year later.

While the marketing of copra no longer had first place in the marketing of produce by the co-operative movement, it did, of course, continue to hold first place where copra was the main, often only, cash crop. Village producers knew little more, if anything, about the cause of price fluctuations than their predecessors had known, so that Nicholas Brokam (New Ireland Open) found it necessary to tell the House on 3 March 1967 that several co-operatives had closed down because members and non-members thought that the copra prices paid by them were too low and wanted the Administration to set a price of $20 per bag. He had tried to explain why this could not be done but the people had ignored what he told them. Brokam was of the opinion that it was the job of co-operative officers and business advisory officers 'to explain why things like this happen' and that the members of the House of Assembly 'should not be blamed for the misunderstanding of our people'.[43]

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41 TPNG, HofA, Debates, First Session, Seventh Meeting, 23 to 29 November 1965: 1050-1.

42 Ibid.

43 Ibid., Twelfth Meeting, 27 February to 9 March 1967: 2167.

Although a number of co-operatives on the Gazelle Peninsula had gone out of business and some co-operatives elsewhere were in a parlous state, the vast majority of Papua New Guineans continued to look to the co-operative movement to improve their material lot, and, as Gaudi Mirau (Markham Open) asserted in the House on 8 June 1967, in some districts people were 'clamouring' for the establishment of co-operatives. Mirau moved that the Administration employ more co-operative officers and business advisory officers, offer better conditions of service so 'as to attract and keep well qualified and effective men', ensure that the business advisory officers encourage and assist new small-scale business ventures, and 'immediately place more importance on the promotion and extension of the co-operative movement than it has done in the past'.

> The co-operative societies are often the only means by which villagers are able to earn money... The people in the towns have jobs, but those back at home have only the societies to help them earn money. The societies can market their copra, coffee or other crops...[44]

Fifteen other Members having spoken in support of Mirau, the motion was carried.

Some Members took up village-level issues, such as when Guise asked on 28 August 1967 what happened when village producers lost CMB weight notes, and was told that price adjustments would be paid if the claimant could identify himself.[45] But most of the questions continued to deal with the general problems besetting the co-operative movement and a need for more Registry staff.

The Second House of Assembly, which had its first sitting on 4 June 1968, saw a gradual sophistication in the debate on co-operatives. Some of this reflected growing commercial intricacies in borrowing and the like. In his second reading speech to the Co-operative Societies (Charges) Bill 1968, on 27 August 1968, for instance, the Ministerial Member of Trade and Industry, Angmai Bilas (Mabuso Open), told the House that the Bill would amend the Co-operative Societies Ordinance 1965-67 to 'make borrowing by co-operatives... easier' because banks and others 'had not been happy to lend money to co-operatives because they were not able to register charges or mortgages'.[46] And John Maneke (Talasea Open) asked on 5 September 1968 whether persons wishing to withdraw from a co-operative which was not paying rebates were entitled to a refund of their share capital contributions, and was told by Watson, by then Assistant Ministerial Member for Co-operatives, that the share capital of a co-operative could only be reduced

44 Ibid., Thirteenth Meeting, 5 to 9 June 1967: 2410.

45 Ibid., Fourteenth Meeting, 28 August to 8 September 1967: 2482-3.

46 PNG, HofA, Debates, Second House, First Session, Second Meeting, 26 August to 12 September 1968: 205.

with (a) the written authority of and in a manner approved by the Registrar, and (b) the written authority of all creditors of the co-operative.[47]

But much of the debate was as it had been in the First House. Ebia Olewale (South Fly Open), who, on 11 March 1968, requested a survey to find out whether the people of the Balimo sub-district wanted co-operatives,[48] and John Middleton (Sumkar Open), who, on the next day, asked why the Administration had 'failed to maintain adequate experienced expatriate staff to protect the large indigenous investment in the Madang co-operatives which were sponsored in the first place by the Administration',[49] were among those who kept the 'old line' alive.

What, then, led the House of Assembly to adopt a motion by P.G. Johnson (Angoram Open), an Englishman, on 4 September 1970, requesting the Administrator 'to appoint a commission of enquiry to examine the functioning of the Division of Co-operatives Extension in the Department of Trade and Industry with particular regard to the operating methods and efficiency of that Division and of co-operative societies throughout the Territory and to make recommendations... for the complete reorganization of the Division and co-operative societies generally if the commission finds that such reorganisation is necessary'?[50]

The views expressed by several elected Members in the House of Assembly are pertinent. Michael Thomas Somare (East Sepik Regional), later Papua New Guinea's first prime minister, commenced by pointing out that he supported the motion, not only because Angoram Open, its mover's electorate, was within East Sepik Regional, Somare's electorate, but also as Somare's father was chairman of Angoram Co-operative Society. The people of Angoram, alleged Somare, had never received any dividends, storemen had taken goods on credit, and the co-operative officers, although they worked very hard, could not exercise close supervision because they had 'only two hours to supervise and get their work done at Angoram before they fly back to Wewak'.

> This achieves nothing more than just the wasting of money by these government officers who are two-hour tourists from one place to another... The co-operative officer must be responsible for supervising these storemen... The people are ready to participate and invest their money but there is this lack of close supervision and no encouragement is given to the clerks... A good example of waste is the large sum of money spent on purchasing a ship. A wide range of goods

47 Ibid., 367.

48 Ibid., Fourth Meeting, 2 to 4 March 1969: 983.

49 Ibid., 1223.

50 Ibid., Eleventh Meeting, 31 August to 24 September 1970: 3086-7.

> cannot be purchased by the people and stocks merely deteriorate in the co-operative stores.[51]

W.A. Lussick (New Ireland and Manus Regional), an Australian, argued that well-managed and successful societies had to prop up weak ones because they were tied to them through an association, and that there were not enough Registry officers to supervise.[52] Another Australian, A.C. Voutas (Morobe Regional), saw the problems of the Co-operative Wholesale Society as serious for the co-operative movement as a whole. At present, he said, 'the running of a co-operative is like having a ship mastered by two different captains. One captain is in the Department of Trade and Industry represented by the Registrar of Co-operative Societies. The second captain is the Manager of the Co-operative Wholesale Society'.[53] And O.I. Ashton (East and West New Britain Regional) asked how many Australian officers would have to be employed to supervise every co-operative, and pointed out that 'in Australia, when a person fails in his business, he does not automatically blame the Government'. Ashton continued:

> We have to admit our mistakes. We have the 'wantok' tradition where it is a person's obligation to help his friend. He may give some credit which may never be repaid. This is not to say that the core of the troubles are the Administration officers attached to the co-operatives. I am not denying that there has been a failure on the Administration's side. However those who are running the businesses are equally to blame.[54]

The Member for Angoram Open and, we may guess, just about every other participant in the debate would have saved time had they remembered what Watson, Assistant Ministerial Member for Co-operatives, had replied to Question No.1476 by the Member for Sumkar Open eighteen months earlier:

> The decline of [the Madang District] societies has occurred, not through lack of adequate supervision but because of other factors, namely:
>
> (a) apathy, disinterest and non-loyalty of members;
>
> (b) severe competition from private entrepreneurs;
>
> (c) lack of adequate control by office bearers;
>
> (d) extensive credit practices in contravention of societies' rules; and

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51 Ibid.:3087-8.

52 Ibid.:3088-9.

53 Ibid.:3089.

54 Ibid.:3090.

(e) dishonest practices by employees (against whom societies consistently refuse to take legal action...

The Administration considers that the situation of the co-operative societies in the Madang District is not one which can be rectified merely by posting more staff to an area. The problem is related to the attitude of the members towards their societies.[55]

The debate ended on 20 November 1970, when the House of Assembly adopted a motion moved by the Assistant Administrator Economic Affairs, A.P.J. Newman (Official), requesting the Administrator 'to establish a committee to examine the achievements and problems of the co-operative movement... and the role of the Administration and in particular the Division of Co-operatives Extension in relation to the movement and to have tabled in the House a report and recommendations on the future of the co-operative movement'.[56]

In order to consider whether the motion reflected the wishes of most of the co-operators and other Papua New Guineans throughout the Territory, it helps us to take a very brief look at the ethnic background of the House of Assembly on 20 November 1970.

The Second House of Assembly, a Westminister-style but not autonomous legislature, comprised eighty-four Elected Members, who represented sixty-nine Open electorates and fifteen Regional electorates, and nine Official Members, senior public servants appointed by the Australian Minister for External Territories. Seven Elected Members held office as Ministerial Members and eight as Assistant Ministerial Members, with a certain degree of responsibility for departments of the Administration. The Speaker, was an elected Member. Papua New Guineans held fourteen of the fifteen portfolios.

While Lepani Watson's reply to the Member for Sumkar Open had contained some of the reasons for the decline of the co-operative movement in many parts of the Territory, there was more to it. Watson (who was now Assistant Ministerial Member for Business Services) had, for instance, not mentioned that many co-operators were dissatisfied because (i) some goods sold in their stores were dearer than those in foreign-owned stores in the towns, and the latter offered a wider variety; (ii) prices paid by co-operatives for copra and other produce where a CMB depot or several competing traders operated were no better, sometimes less; and (iii) rebates and dividends did not measure up to their expectations and, worse still, often needed to be used to increase share capital, to boost liquidity. And it was not competition *per*

[55] Ibid., Fourth Meeting, 3 to 14 March 1969:1023.

[56] Ibid., Twelfth Meeting, 9 to 20 November 1970: 3742.

se but the co-operatives' inefficiency that was the root cause. Serious managerial shortcomings and liquidity problems had become apparent in the mid-1960s, not long after the structure of the co-operative movement had been expanded. (The setting up of a co-operative union and a co-operative wholesale society had followed repeated demands, made at meetings of the Federation of Co-operative Associations, that the co-operative movement commence importing and wholesale distribution.) A paucity of Papua New Guineans qualified and willing to take up the senior positions in the union and wholesale society had caused the Registry to spend much time on the affairs of those two organizations, to the detriment of its work amongst primary societies marketing copra, processing and marketing cocoa or coffee, other producer societies, and dual-purpose societies. Last, but not least, the timing of the Registry's policy for disengagement, that is, to develop self-sufficiency at all levels of the co-operative movement, beginning with the primary societies, had proved to be over-optimistic.

The Committee of Enquiry into Co-operatives

The Committee of Enquiry into Co-operatives,[57] which commenced its work on 18 August 1971, was chaired by J.S. Nalson, an Australian academic, and had two other members, H.S. Cottee, an Australian businessman with interests in Papua New Guinea, and Robin Kumaina, a Papua New Guinean who had been Registrar of Savings and Loan Societies (credit unions). Kumaina resigned on 12 May 1972, six months before the committee submitted its report.

When the Minister for Business Development, Donatus Mola (North Bougainville Open), tabled the Report of the Committee of Enquiry into Co-operatives in the Third House of Assembly on 3 July 1973,[58] he did so in a legislature consisting of eighty-two Members for Open electorates and eighteen for Regional electorates. There were also four appointed Official Members. The Speaker, John Guise (Alotau Open), had been elected by all the Members. Papua New Guineans represented 94 per cent of the Open electorates and 78 per cent of the Regional electorates. Government business was in the hands of a Chief Minister, Michael Somare (East Sepik Regional), and sixteen Ministers. Nine Ministers, including the Chief Minister, were members of the Administrator's Executive Council. About one-tenth of the Elected Members were or had been active in the co-operative movement.

Mola told the House that the long report - 407 pages - was 'critical of the co-operative movement' and the government planned to implement many of the committee's recommendations but had

[57] The Committee of Enquiry into Co-operatives is hereafter referred to as the Nalson Committee.

[58] PNG, HofA, Debates, Third House, First Session, Seventh Meeting, 2 to 6 July 1973: 2157.

certain reservations about parts of the report.[59] The report begins by stating that the official statistics of 14 per cent net return on share capital made by the 331 primary co-operatives during the twelve months before 31 March 1970 'd[id] not show the wide variation in results from Society to Society, and the high level of losses over time'. The accounts for the year ended 31 March 1971 'indicate[d] that 92 out of 266 Primary Societies... for which records were available, made losses'.[60] Moreover,

> An important development in the past few years ha[d] been the formation of a number of large-scale Co-operative organisations which aim to provide services to Primary Societies or individual members on a national, regional or area basis. The majority of these large Co-operatives ha[d] been unprofitable and 6 of them had accumulated losses totaling $602,572 at March 31, 1971. In each of these cases, and in other developments currently being considered, there ha[d] been a marked absence of careful planning, detailed budgeting, well reasoned and researched projections, and properly controlled management (Nalson Report:6).

According to the Report, '[t]he Government ha[d] no clearly stated policy towards Co-operatives,' and the Division of Co-operative Development had 'no clear and rational policy or aims and objectives to guide its activities or its officers'. The Division 'ha[d] no realistic understanding of what is, basically, commercial activity'. As for the relationship between the co-operative movement and the Division,

> Technically the Division... [was] merely advisor... In fact, much of the implementation of the schemes planned by the Division was done by officers of the Division, but the Division... [was] not legally responsible, nor d[id] it accept that it... [was] responsible or accountable, for the failures and loss of funds which have occurred (Nalson Report:7).

While it does not come within the scope of this monograph to consider closely the thirty-six main recommendations, let alone the many others, contained in the Nalson Report, it needs to be mentioned that those recommendations seek to restore the fortunes of the co-operative movement by (a) liquidation of 123 primary co-operatives which 'because of losses, falling sales or other factors' would 'never manage to achieve business objectives', and completion of liquidation of 53 primary societies, leaving 53 commercially viable societies and 103 societies that were 'not currently achieving profit or management objectives but could

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[59] Ibid.

[60] Nalson Committee, Report, September 1972: 6. The Report is hereafter referred to as the Nalson Report.

become viable commercial activities with appropriate assistance, advice and training' (Nalson Report:22); (b) introduction of a new Co-operative Societies Ordinance; and (c) creation of a Co-operatives Commission, a statutory body, replacing the Division of Co-operatives Development.

Although the Nalson Committee recommended the liquidation of 37 per cent of the primary societies, which, together with the fifty-three liquidations under way, would almost halve the total number of societies, it observed that the future of the co-operative movement was 'not completely dismal', societies in some areas were 'increasingly profitable', and there was 'a good chance that a revitalised co-operatives extension service' could 'still make a major contribution to the welfare of the people of Papua New Guinea' (Nalson Report:81).

The recommended Co-operatives Commission was to 'be the body responsible for implementing the Government's policy towards co-operatives' (Nalson Report:62). It was to be established by separate legislation and consist of persons appointed by the Minister for Business Development, namely: '2 Representatives of the Federation of Co-operative Unions; 1 Representative of the Co-operative Wholesale Society; 1 Representative of coffee-producing Societies; 1 Representative of cocoa-producing Societies; 1 Representative of the Banks; and 2 further members each to have recognised Commercial or Financial ability' (ibid.:322). There were to be three *ex-officio* members, namely, the Treasurer or his nominee, the Director of Agriculture, Stock and Fisheries or his nominee, and the Executive Head of the Commission (ibid.).

As there were no coffee-producing or cocoa-producing co-operatives - production was in the hands of the growers and the co-operatives only bought 'cherry' coffee or cacao beans and, in a few instances, processed them - copra marketing co-operatives (which vastly outnumbered the rest of the co-operatives) were not to be represented; and foreign-owned banks, which only employed Papua New Guineans in junior positions, were to have a direct say in the deliberations and decision-making of the Commission, it must be doubted that Nalson and Cottee had an adequate grasp of the circumstances in which the indigenous co-operative movement operated.

The details for the recommended new co-operatives legislation, set out in 69 of the 407 pages of the Nalson Report, reflect a belief that legislation is one of the three essential measures to bring about a vibrant co-operative movement. (The other two measures put forward in the Report are extension activities by public servants and training at or through the Co-operative College.)[61] It is a belief whose origins date from the early years of colonial rule. The making of economic policy had since then been the sole prerogative of *gavman*, the government represented to the villagers by the ubiquitous and all-powerful *kiap*, and the inhabitants of Papua New Guinea, Melanesians as well as foreigners, had come to regard the government's all-pervading influence and extensive control as immutable. It was inimical to innovative Melanesian entrepreneurship, but neither the Papua New Guineans who, as politicians, were now replacing Australians as policy-makers, nor their constituents in villages and towns seemed to see this. The Committee's legal adviser, Peter Fitzpatrick, an academic with a neo-Marxist view of the world, had publicly castigated the Australian Administration, in particular the Registry, for its legalistic approach and 'interference', but those 69 pages merely show that the Papua New Guinean environment had not caused Fitzpatrick to discard his ideological baggage (see, e.g., Fitzpatrick 1980:127-31).

The Nalson Report is like the curate's egg. It rightly points out shortcomings in the Administration's policy and in the Registry's implementation of what the Registry believed the policy to be, but the Nalson Committee's legislative and administrative prescriptions leave no doubt that it was unaware of the lessons learnt by recently decolonized people in other parts of the world, and it disregarded why and how business had been successfully developed in the rural sectors of Western democracies. Worst of all, the prescriptions do not reflect the practicalities of Papua New Guinea in the 1970s and, in any case, an implementation of many of them was beyond the capacity of the Administration.

Nine days later, at the start of the debate on the Nalson Report, John Middleton (Sumkar Open) drew attention to the recommendation that the government, in accordance with its aims and policy, direct that government activities involving co-operatives (a) raise incomes and increase the living standards in rural areas, and (b) increase indigenous participation in the economy and encourage village people to enter into the cash economy.[62] The recommendation reflects two of the Eight Aims which Chief Minister Somare had announced in the House on 27 February 1973 as the basis for economic planning. Two of the Aims were of special relevance:

[61] The Co-operative College, at Laloki near Port Moresby, had been established and was managed by the Co-operative Education Trust, a statutory body. Of the trust's nine members, six were Papua New Guineans, five of whom had been nominated by co-operatives. The present author had been appointed Chairman by the Administrator. The trust's income came from a levy which the Co-operative Societies (Levies) Ordinance 1969 imposed upon registered co-operative organizations. By 1971/72, the College was operated as a joint project with United Nations Development Program (UNDP) and the International Labour Organisation (ILO).

[62] PNG, HofA, Debates, Third House, First Session, Tenth Meeting, 12 to 16 November 1973: 2930.

(3) Decentralization of economic activity, planning and government spending, with emphasis on agricultural development, village industry, better internal trade and more spending channelled to local and area bodies.

(8) Government control and involvement in those sectors of the economy where control is necessary to achieve the desired kind of development.[63]

Middleton claimed that these aims had not been attained, 'though attempted at vast expense to the taxpayers of Australia and Papua New Guinea'. The first 'big mistake', he said, was made when 'the office of Registrar of Co-operative Societies also became the virtual business manager and policy maker of co-operatives.... people should not be put in the position to pass judgment on their own operations.' Then, too, 'there should be a separate body, whether attached to the Registrar's office or separate from it, actually to investigate independently the viability of proposed operations of the co-operative movement, of amalgamations, of co-operative wholesale societies, of the whole structure...' He felt sure that large sections of the Report were wrong; however, this did not get away from the fact that a great number of co-operatives had not been successful.[64]

Michael Pondros from Manus Open, one of the electorates 'where copra was king', said that all co-operatives in his electorate had gone broke. The onus was on the government to 'do something about getting it straight':

> This is the first truly national Government of this country and it is starting to run things quite differently from its predecessors. There was no close contact between the rural people and the Government before, therefore the people could not possibly learn how to run and look after their businesses. It is now about time that the officers of the Business Advisory Service got out and started helping people. Because the people have not actually seen the positive role played by co-operative societies at this point, they refuse to take part in this part of the economy.[65]

The Nalson Committee, too, had commented upon the uninformed membership of co-operatives:

> There is clear evidence that members of the Co-operative Movement are not sufficiently informed about the nature and working of Co-operatives. Directors do not have a

63 Ibid., Sixth Meeting, 26 February to 2 March 1973: 1411.

64 Ibid., Tenth Meeting, 12 to 16 November 1973: 2930.

65 Ibid.:2931.

> reasonable understanding of their obligations and responsibilities; managers, secretaries and clerks have had limited training only and inadequate field supervision; and Co-operative members' understanding of what their own Co-operative means to them and what their involvement entails is grossly inadequate. From director level through every level down to the individual members, there is a need for re-appraisal of current methods of introduction, guidance and education (Nalson Report:11).

It was not the first time that the House had been told about uninformed co-operators. The Member for New Ireland Open had spoken about it in March 1967. Eighteen months later, John Maneke (Talasea Open) had wanted to know whether members wishing to withdraw from a co-operative that was not distributing rebates were entitled to a refund of their shares. Watson had replied that the share capital of a co-operative could be reduced on (a) the written authority of and in a manner approved by the Registrar, and (b) the written authority of all creditors of the co-operative.[66] And on 7 March 1969, Brere Awol (West Sepik Coastal Open) had asked that the CMB send a representative to his electorate, 'to explain to the villagers the prices paid for their copra', and he had been told that this was, indeed, the Board's responsibility.[67]

Pondros reminded the House of its debate on the government's Eight Aims. He asked what would happen if there were a new chief minister after the next election - would he regard the plan as no more than 'a sort of cargo cult'?[68] Pondros was referring to the Business Advisory Service, established within the Department of Trade and Industry in 1962 to provide encouragement and assistance to Papua New Guineans in business or wanting to go into business on their own behalf, as partners, or in companies. The BAS was now in the Department of Business Development, which had a Papua New Guinean, Paulias N. Matane, as permanent head. Clearly, the Member for Manus Open expected the BAS to succeed where the Registry had failed.

In February 1973, the Minister for Business Development, Donatus Mola (North Bougainville Open), presented to the Administrator's Executive Council a lengthy written refutation of many of the criticisms made in the Nalson Report.[69] As for the Nalson Committee's assertion that the Division of Co-operatives Development suffered from inadequate leadership, the Minister

[66] PNG, HofA, Debates, Second House, First Session, Second Meeting, 28 August to 12 September 1968: 367.

[67] Ibid., Fourth Meeting, 3 to 14 March 1969: 920.

[68] Ibid., Third House, First Session, Tenth Meeting, 12 to 16 November 1973: 2932.

[69] Minister for Business Development, 'Report of the Committee of Enquiry into Co-operatives in Papua New Guinea; A Reply by the Minister for Business Development, Mr Donatus Mola, M.H.A.,' Port Moresby, 14 February 1973 (roneo).

observed that the Chief of Division (who used the title of Registrar of Co-operative Societies when exercising functions laid down by the Co-operative Societies Ordinance), with more than thirty years' experience in Papua New Guinea, 'had succeeded, with a group of competent officers, in guiding the development of the Co-operative Movement from a copra and trade store emphasis into the fields of finance, insurance, merchandising, production, processing and marketing of coffee, cocoa, crocodile skins, etc.,' turning over almost $10 million annually. Mola asserted:

> This record is not indicative of lack of leadership. I assume that leadership in this context includes the process of guiding people and getting them established in business, the employment of sympathy and tact in the task of aiding our people to a dignified status of self-sufficiency in our own country, and the control of a considerable number of men, both local and expatriate, to achieve these objectives. This has been and is being done.[70]

Mola also disagreed with the allegation that the Division's planning had been poor:

> This allegation is in direct conflict with the opinion of Messrs. Norman Savage, B.E., F.A.I.M., Business Counsellor and Company Director, then Chairman of the Institute of Directors.... and William Kidston, A.A.I., Federal President of the Co-operative Federation of Australia..., who in 1968 jointly stated in their 'Proposals for Re-organisation of the Co-operative Movement in Papua New Guinea'... that the plan which was presented... [to them by the Registry] was well conceived and sound in all broad essentials.[71]

With regard to the Nalson Committee's claim that financial management and control of activities by Division Headquarters staff had been incompetent, Mola asserted that the financial management advice emanated from a team of fully qualified accountants. 'Neither member of the Committee is so qualified', he observed, 'and therefore their criticism of professionals in this field is presumptuous.' Moreover, said the Minister,

> The Division rarely exercises control of business activities once initiated. Control is the prerogative of the society directorates. The Division advises and recommends but it cannot at law usurp control of the society.[72]

[70] Ibid., para. 33.
[71] Ibid.
[72] Ibid.

'Some of the schemes put forward [by the Division] did not succeed although at the time they were devised they did seem to offer an answer to particular problems of the people involved', but, Mola claimed, 'If strict business theory and practice had been observed, the Co-operative Movement would probably not have got off the ground.' 'The [Nalson] Committee', he averred, 'did not understand that principles applicable to western culture could not be applied rigidly to the multiplicity of cultures' in Papua New Guinea.[73] And he thought it 'appropriate' to point out that Robert Staermose, ILO Adviser in Co-operative Management (Asia), in his report to the ILO, Geneva, after his visit to Papua New Guinea in 1966, had stated that 'if the need for personnel in the Registry were not so desperately acute', Papua New Guinea 'ought to export international advisers on co-operatives instead of importing them.[74]

Perhaps the most telling point made in the Minister's refutation of the Nalson Report was in his quotation from Kent Wilson and Garnaut:

> In reviewing [village industries] one of the most important questions is: on whose initiative were these schemes started? Almost invariably the village people aspired to higher incomes and wider opportunities, but they had neither the training nor the precedents to draw from in deciding what to do or how to go about it. Thus most of these industrial projects were suggested or launched by government agencies, missions or individual expatriates.[75]

The Registry's 1947 policy statement had included the following:

> Ideally, Co-operation is a movement which ought to spring spontaneously from the people themselves and the Government should have no need to help its publication [sic]. However, owing to the high illiteracy prevailing throughout the majority of areas in our Territory, there are masses of people whose need of the advantages the Movement can confer is exceptionally acute. While the chance of its spontaneous development is small, the Administration is justified in taking a hand in this Organisation.[76]

But, as we have seen, co-operatives did spring up spontaneously within a year or so after 1947.

[73] Ibid., para. 77.

[74] Ibid.

[75] Ibid., para. 99, quoting R. Kent Wilson and R. Garnaut, A Survey of Village Industries in Papua New Guinea, New Guinea, Research Bulletin No.25, Canberra, 1968:167.

[76] Ibid., quoting unreferenced document.

After considering the Minister's reply to the Nalson Report, the Administrator's Executive Council appointed a committee to report on '(1) the most appropriate procedure for informing the House of Assembly of the outcome of the Enquiry, and (2) its considered opinion on those aspects of the documents where there is presently disagreement between the Committee of Enquiry and the Department of Business Development'.[77] This committee reported on 9 March 1973 that there was 'considerable validity in the Minister's objections'; that the Nalson Report had 'identified a number of serious deficiencies in the past operations of co-operatives and in the performance of the Co-operatives Division of the Department of Business Development'; and that the Department supported 'totally or with some modification much that was recommended in the report' (Dyer Report: 2).

The Dyer Committee put forward thirteen recommendations, the most important of which were:

No.1. A Co-operative Commission was not needed because the 'administration of co-operative development is managed most efficiently within an organisation administering all forms of indigenous business development.'

No.2. The Government's policy towards co-operatives ought to be:

'The Government encourages people to form co-operative societies when this form of organisation is suitable for business ventures.

The Government will assist potentially viable co-operatives to become profitable and self-sufficient by providing staff training, management advice and accounting assistance until each co-operative is able to trade independently of such assistance.

The Government will encourage co-operatives which are unprofitable or which will become unprofitable to wind-up their affairs before members' funds are dissipated.

The Government may use the co-operative form of organisation to aid the implementation of its other policies, particularly in areas where the people have a low income. Where co-operatives are established for such purposes, the Government may aid them by subsidies or other means to ensure that they can operate as profitable commercial activities' (Dyer Report: 6-7).

[77] This committee consisted of K.W. Dyer, Planning Office (chairman), W. Tuthill, Department of Law, and R. Garnaut, Chief Minister's Office. Its report is hereafter referred to as the Dyer Report.

To a considerable extent, this called for a return to what had been the policy of the Registry during its early years: an emphasis on the use of co-operatives to promote economic development in rural areas, particularly in areas where the per capita income was low.

D. Powys, an academic economist, has observed that the co-operatives and (local government) councils had a useful function in passing on the requirements of the central organizations at the local level, and that this 'passing on of information and development of attitudes is even more important here (in Papua New Guinea) than in an advanced country, due to the greater ignorance of the process behind price fluctuations' (Powys 1963:48).

During his tenure as Registrar (1954-60), Grainger Morris had strongly encouraged the formation of secondary co-operatives, the associations, to improve the lot of village copra producers by the associations' ownership and management of coastal shipping. His successor (the present writer), who, as Chief of the Division of Business Training and Management, continued to have responsibility for the Registry's policy until 1968, had some apprehensions about the co-operative movement's structural expansion at secondary level and serious reservations about the establishment of tertiary level co-operatives, such as the Federation and Wholesale Society. He doubted that there was enough managerial capacity among Papua New Guineans for secondary and tertiary co-operatives, and believed that the Registry's foremost objective should be to assist the primary co-operatives to consolidate their position. Ernest O. Graham, who succeeded me and remained in office until 1974, had little choice in this regard, as the Papua New Guineans at the helm of the Federation of Co-operative Unions insisted that the co-operative movement needed to undertake importing, insuring, etc., in order to withstand competition from the large expatriate-owned and managed concerns.

Why did co-operative marketing fail?

In the early 1970s, more than 90 per cent of Papua New Guineans were living in rural areas, often remote from urban centres, and, as Sumer Singh has observed, co-operatives were still the main avenue through which many of them participated in the cash economy. 'Apart from being a major channel for supplying villagers with consumer goods, co-operatives handle[d] about 53 per cent of the coffee and 25 per cent of the copra produced by the indigenous people.' Singh believed that co-operatives were better suited to the needs of rural areas than joint-stock companies because co-operatives provide a means through which villagers are able to overcome collectively disabilities such as lack of education and almost complete lack of experience in business methods and organization, while joint-stock companies 'presuppose a certain amount of business experience' (Singh 1974:191).

Singh confirmed that in many localities co-operatives had 'been largely responsible for increases in production for the market by providing services which previously were either not available or were unsatisfactory'. And,

> co-operatives had been of some educational value. They ha[d] given the local people an introduction to business principles and practices, to some extent promoted the development of social attitudes conducive to greater material welfare, and provided some training in democratic procedures through voting powers of members based on the principle of 'one man one vote' rather than in accordance with their respective share capital contributions.
>
> Thus, in principle, the co-operative form of organisation is well suited for the prevailing village conditions, at least during an intermediate period until the villagers have acquired some knowledge and experience, accumulated sufficient funds and developed suitable attitudes to engage successfully in business either individually or through non-co-operative enterprises (Singh 1974:191-2).

Fitzpatrick (1980:131), however, claims that 'nothing happened to change traditional relations and next to nothing to provide an appropriate competence [in business]', and that 'smothering official control left no room for the development of this competence... [and] resulted understandably in the disillusionment of the people and their alienation from co-operatives'.

K.B. Trezise, an Australian who had been a co-operative officer, agrees with Singh's assessment. He believes that the rationalization of the co-operative structure, especially the Federation's taking over of vessels bought by associations, caused a 'loss of identity', that is, the villagers no longer regarded the association in their district as *their* co-operative. Trezise asserts that losses on shipping, 'manipulation of two years' copra price adjustment' (when the amounts received were not distributed to members but invested in the Co-operative Investment Society) and the Registry's 'excessive concern about accounting aspects' contributed to the downfall of the co-operative movement.[78]

Some villagers, of course, did not like it when their co-operative set aside part of its annual surplus to build up reserves in order to improve liquidity, and they liked it even less when, in response to market forces, their society lowered the purchase price of copra or other produce.

[78] K.B. Trezise, interview at Port Moresby, 23 January 1986.

As for the alleged 'smothering control', the legal safeguards imposed by the Registrar of Co-operative Societies were less stringent than those imposed by his counterparts in developing countries such as India and Sri Lanka. Inevitably, the Co-operative Societies Ordinance, like the other laws introduced by Germans and Australians, reflected what Bernard Narakobi, Papua New Guinean jurist and philosopher, calls the 'profound contradictions... between the self-sufficient and self-justifying village and the State,... [and between] the tradition of popular participation in decision-making and the abstractions of written law'.[79]

Moreover, there were other impediments to the co-operative marketing of copra and other produce. Writing about limitations in peasant marketing in the 1960s, C.S. Belshaw has observed that, in Papua New Guinea, where market places are small and little developed, the entrepreneur 'emerges on the foundation of specialised production, with little reference to the trading function... The large number of [small traders]..., the strength of the competition, the relative weakness of the prestatory links which should create monopolistic frictions, combine to keep capital accumulation to the minimum' (Belshaw 1965:82). Pointing out that this limits the internal dynamic of the system, Belshaw has suggested that, for a breakthrough to occur, one of the several necessary conditions would be for a reduction in the number of traders relative to the volume of trade, giving the trader a chance to achieve economies of scale (ibid.).

Until the mid-1970s, however, practice rarely followed conventional price theory. The breakthrough which Belshaw has mentioned occurred only infrequently because few Papua New Guinean traders had the requisite managerial skill and financial resources to rise from the ruck. We need to remember here that it has been the Registry's policy to bring about capital accumulation by setting aside reserves, and one of the main aims of the co-operative movement is to make the benefits of economies of scale available to the village producer.

By 1974, as Fitzpatrick has pointed out, many big 'peasants' had set up group ventures in which they had a large interest but which did not have enough 'groupness' to qualify for government benefits. Politicians were using these group ventures as a 'conduit' in the allocation of government benefits to their supporters and also to promote patron-client relationships (Fitzpatrick 1980:236). It did indeed appear that, to quote Fitzpatrick, 'the conflicts and compatabilities between the big peasantry and the conservation of the traditional mode are basic

[79] Address by Bernard Narakobi to a seminar organized by the Melanesian Institute for Pastoral and Socio-Economic Service at Goroka, 1985, reported in Times of Papua New Guinea, 21 December 1985: 24.

to post-colonial law and state affecting group economic enterprise'.[80]

During the last months of the self-governing but not independent administration under Somare, the Business Groups Incorporation Act 1974 was introduced, for the incorporation and regulation of 'customary groups'. Once incorporated, such a group has power to conduct business enterprises, to borrow money and to acquire, hold and manage land so long as the land is not 'customary' or 'native' land (Fitzpatrick 1980). However, the Business Groups Incorporation Act and its operations turned out to be 'little more than a refurbished version of earlier colonial legislation from which it has largely taken over, namely, the Co-operative Societies Act 1965 and its predecessor, the Native Economic Development Ordinance 1951' (ibid.:48). Neither the ventures that operated under the Business Groups Incorporation Act nor all but a handful of the many that were later operated by the business arms of provincial governments were more successful than the co-operatives. In fact, most of them did worse. Clearly, whatever the weaknesses of the legislation for co-operatives and its administration may have been, they had not been the root cause of the failures of many co-operatives. Legislation is not a substitute for efficient management.

As much more important matters, in particular the devolution of political power and the setting of the date when Papua New Guinea would gain nationhood, were occupying Chief Minister Somare, his fellow politicians, and the public servants, it is not surprising that other action on the recommendations of the Committee of Enquiry into Co-operatives was not taken until after Independence in 1975. In 1977, the Co-operative Societies Ordinance was repealed and the Companies Ordinance was amended to make provisions for the operation of co-operative organizations. That many Papua New Guineans have had second thoughts about this is clear from the Private Member's Bill, the Co-operative Societies Bill 1981, which Sir John Guise tabled in the National Parliament on 27 August 1981.[81]

Arua Udu Nou, first Papua New Guinean to hold the office of Registrar of Co-operative Societies, had publicly stated in 1973 that the co-operative movement had not failed but 'it had been just some people who have failed'.[82] Guise, a former governor-general, has no doubt that private enterprise bore much of the responsibility for the demise of the co-operatives:

> Already in the House of Assembly, Downs and Hurrell [two Australian Members] had called for taxes on the surpluses of

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[80] Fitzpatrick (1980):45. See also Finney (1973).

[81] See Appendix III for Guise's Second Reading speech.

[82] Post-Courier, 29 October 1973.

co-operatives. The Administration ought to have had the courage to say no, as co-operatives were still in their infancy. The second move to kill the co-operatives was when BP and STC handed out copra sacks for villagers to fill, then collected the filled sacks and paid a premium in order to attract producers away from the co-operatives. A later move was when Pita Lus, the Member for Maprik, got the government to withdraw the business development officer so that his Lus Development Corporation would have an open go.[83]

Mahuru Rarua-Rarua, now a Member of Parliament, who had begun working for the co-operative movement in 1948 and reached the top position in it, is of the opinion that the government's failure to provide adequate extension services and the co-operative movement's developing an apex-structure without first consolidating the primary societies in the villages have been the two root causes of the movement's demise.[84] Another MP, Warren Dutton, who, when a *kiap*, had assisted villagers near Lake Murray to establish a co-operative, also blames the inadequacy of government extension services.[85]

But Sir Tore Lokoloko, another former governor-general, who was involved with co-operatives from 1950 until 1972, firmly believes that the co-operative movement was doomed as soon as individual village producers began to use their initiative to set themselves up as entrepreneurs in competition with it.[86]

Guise, Rarua and Lokoloko give unqualified praise to the co-operative movement's role in assisting Papua New Guineans, in particular the village producers, to learn the rudiments of business at a time when no one else was helping them.

[83] Rt Hon. Sir John Guise, interview at Port Moresby, 31 January 1986.

[84] Mahuru Rarua-Rarua, MP, interview at Port Moresby, 15 January 1986.

[85] W. DeC. Dutton, MP, Minister for Justice, interview at Port Moresby, 22 January 1986.

[86] Rt Hon. Sir Tore Lokoloko, interview at Port Moresby, 4 February 1986.

Chapter 7

Selling on a volatile market

From 1949 until 1958, the Copra Marketing Board, as mentioned in Chapter 5, sold most of Papua New Guinea's copra under contract to the UK Ministry of Food. In May 1956, the Board considered two options for selling after the contract was completed, namely:

(1) Direct negotiation for long-term contract with one purchaser, e.g., Unilever Ltd., Association of German Oil Crushers. Unilever suggested renewable one-year contracts at a price arrived at by averaging the twice-weekly spot prices fixed by the London Copra Association, less 2 per cent difference between premium spot and shipping prices and 2 per cent in respect of extra expenses, e.g., financing and storage of surplus to their requirements.

(2) Spot market sales through representatives in London (who would have to be appointed by the Board) or reputable merchants or brokers acting as agents.[1]

The BMOF agreement from 1949 to 1958 was the only specifically long-term contract, but contiguous annual contracts with Fischel & Co. Ltd of London came very near to being a long-term contract, too. There have been no others.

A considerable portion of Papua New Guinea's copra has been disposed of by open market sales. In 1957, when the first sale to Japan was about to be made, the CMB decided that open market sales to other than the United Kingdom or Continent were to be on an f.o.b. basis in accordance with a contract note prescribed by the Board. The contract note stipulated that the copra had 'to be of the quality defined in the Copra Ordinance of 1952... and as certified by an official copra inspector'. The purchaser had to lodge an irrevocable letter of credit with the Commonwealth Trading Bank at Port Moresby, not less than seven days before the proposed date of loading, and payment had to be made against bills of lading and all other relevant documents on presentation by the Board. Insurance of the copra thus sold was to be at buyer's risk as and when delivered f.a.s. but all risks until then were to be borne by the Board. F.a.s. was defined as delivery into ship's

[1] CMB agendum 424 of 19 May 1956.

slings at ocean port, seller paying all charges to that point and buyer paying all charges for receiving, taking in and stowing on board the vessel, whether in bulk or in bags.[2]

The Board's calculation of the tentative main ports purchase price at that time provides an example of such calculations thereafter:

1. C.i.f. sterling price in accordance with Unilever (Raw Materials) Ltd. copra contract.

less 2% discount allowed under the contract and rounded off to the nearest 2/6 per ton.

2. less costs of placing copra c.i.f. UK/Continent, as under:

(a) freight in accordance with rate charged by Bank Line (A/A) Pty. Ltd;
(b) agency commission;
(c) marine insurance;
(d) cargo superintendent's fees;
(e) stevedoring at TPNG ports;
(f) shrinkage at 3%.

3. plus [or minus] exchange (Sterling/Australian).

4. less

(a) Board's administration and handling charges @ £A2/10/- per ton;

(b) in-store shrinkage at 2%.

5. less duty on assessed value of copra, as published in the TPNG Government Gazette.

6. less a contingency allowance of from 2½% to 3% adjusted to round off the price to the nearest 5/- per ton.

7. plus premiums for grade quality:

Hot Air	£2/-/-
F.M.S.	£1/-/-
Smoke	7/6.

8. less in the case of Kabakaul Sub-Depot [inland from Rabaul] a differential of £1/3/6 on all grades.[3]

[2] CMB agendum 619 of 26-27 November 1957.

[3] Ibid.

In 1956, the Australian Minister for External Territories, acting on the Board's recommendation, appointed Burns Philp & Co. Ltd as its agents in respect of Australian sales.[4]

The CMB and the planters' associations were now unanimous that the Board should be the only seller outside the BMOF contract so as not to jeopardize central control of post-contract marketing.[5] In July 1957, the Planters' Association of Papua (PAP) wrote to the Minister reiterating that the Board ought to be the sole final buyer in Papua New Guinea, to ensure orderly marketing, especially for export contracts. The association understood that Coconut Products Ltd (CPL) had privately purchased 18,000 tons in 1956 for crushing and export as oil and meal, and was expected to buy 25,000 tons in 1957 and 40,000 tons in the following year. The producers, claimed PAP, therefore had to carry an additional burden in respect of the administrative costs of the Board (as the Board did not deduct the levy from that tonnage). The association was of the opinion that, if CPL were permitted to extend its private buying, the point would be reached where the CMB's intake would be too small to finance the cost of its operations. The Minister replied that he had first considered the matter in 1954 and had not been advised by the CMB that private purchasing by millers would seriously hinder meeting the BMOF contract. He suggested that the association put its concern before the Board.[6] The PAP seems to have dropped the matter probably because McDonald, the Board's chairman, must have mentioned that the levy had been collected on all copra purchased by CPL and arrangements were under way also to collect it on copra from CPL's plantations.

Following his visit to London in May 1957, McDonald made the following recommendations for operations overseas:

(a) Sell major portion of exportable surplus (after meeting requirements of Australian market) by direct contract with Unilever (Raw Materials) Ltd., placing the balance with an agent for open market sales;

(b) [i] appoint cargo superintendents to superintend weighing and sampling, invoice buyers and finalize accounts, pay freight on vessel's arrival and later adjust on outturn weights; [ii] appoint arbitrators in case of dispute over quality; [iii] sell on open market; and [iv] if required, insure.[7]

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4 Memorandum F.98/3/1 from DET to CMB, 27 September 1956. CMB CB 6/8, f.84.

5 CMB memorandum CB 8/22/1/1624 of 5 July 1955 to DET.

6 CMB CB6/2, ff.65-6.

7 Memorandum to Senior Australian Trade Commissioner, London, 26 June 1957. CMB CB6/2, ff.108-9.

Sir Eric Tensley, chairman of the Nigerian Marketing Board, advised McDonald to choose an agent who was a member of the London Copra Association, not a dealer in copra, and financially sound and prepared to act as principal, that is to guarantee any contract with a buyer. The Board kept BP as its agent.

The number of crushers in the United Kingdom fell during the next decade. In 1967/68, Unilever, J. Bibby & Sons Ltd and the Scandinavian Wholesale Co-operative closed most of their crushers because several countries, among them the Philippines, Fiji, Sudan and Argentina, the main producers of vegetable oilseeds, had gone into crushing at origin. Soya beans and rape seed, essentially developed country crops, were being extracted by more sophisticated processes and thus had become stronger competitors with copra.[8]

The Board was therefore seeking large contracts. In 1970, it signed with L.M. Fischel & Co. Ltd, London, for 30,000 tons, 10 per cent more or less. The price was to be the average of daily price for the current month's shipment of Philippines copra one month prior to the month of shipment. The daily conversion rate of each price was to be the London bank closing rate of exchange for selling US dollars - within an agreed upon range, and any rate outside that range would terminate the contract in respect of any unshipped balance for which prices had not been determined. The Board undertook to ship regular monthly quantities.[9] Further contracts with Fischel followed. When copra was in very short supply during the first quarter of 1970, Fischel agreed to accept less than the contracted monthly quantity; later in the year, when oversupply occurred, the firm took what the CMB had in excess of the contracted monthly quota.[10] Fischel had already counselled the CMB also to sell direct to Japanese crushers but the Board decided in favour of using mainly London and Australian outlets as Bank Line ships, which carried most of Papua New Guinea's copra to the United Kingdom and Europe, might otherwise call at longer and possibly irregular intervals.[11]

Nevertheless, the dangers of having all eggs in one basket - or all copra in three, namely, Fischel, Australia, and CPL at Toboi - did cause the Board to change its policy regarding sales to Japan. In August 1970, C. Itoh & Co. (Australia) Pty Ltd were contracted to take 14,635 tonnes in monthly quantities of approximately 1220 tonnes at the average of daily current month's Philippines prices as fixed in US dollars by the London Copra Association and the Vereeniging voor den Coprahandel in the Netherlands. Mitsui & Co. Ltd were contracted for 16,241 tonnes,

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[8] CMB CB6/2, f.201.

[9] CMB CB8/3/2-1, ff.64-5.

[10] CMB CB8/3/2-1, f.151.

[11] CMB CB8/3/2-1, ff.70, 72 and 74.

with first refusal on any additional quantity to 32,482 tonnes that the Board might offer.[12] The Board had already instructed McDonald to keep an eye on the Philippines market 'and, if no undue falling off in price ha[d] occurred, the tentative price for copra delivered to Papua and New Guinea main ports [was] to be increased by $10 per ton'.[13]

In 1971, the CMB had the following customers:[14]

	Tonnes	
L.M. Fischel & Co. Ltd	30,000	(+ or - 10%)
Coconut Products Ltd	40,000	(+ or - 10%)
Mitsui & Co. Ltd	16,241	(+ or - 5%)
C. Itoh & Co. Ltd	14,635	
Five Australian crushers	31,091	

The fear about eggs in one basket was not a new one. As we have seen, before World War II the coconut planters of the two territories and, in particular, the editor of *Pacific Islands Monthly*, had alleged that Unilever was gaining a monopoly in the Pacific copra trade, probably even the world trade.

During the 1930s there had been a noticeable increase in crushers in the countries where the raw materials were produced. Since then, because modern methods of bulk handling had reduced the cost of transporting oil, meal and cake, there had been more crushing at origin. The critical question facing Europe's millers and producers in other parts of the world who marketed in Europe was now whether the quantity and price of oilseed supplies justified the existing crushing and extracting plants. The price of the finished products, such as margarine and table oil, had risen less than that of the raw materials. Oils and fats were on the average 4½ to 5 times dearer than before the war although the price of edible raw materials in general had reached only 3½ times the pre-war level (Kuin 1962:8).

Producers in Africa, Asia, America and Oceania, and processors in Europe, have a number of parallel interests. They all seek a constant flow of high quality materials and maximum demand 'at the right price' for their products. Commenting on allegations that the milling industry was responsible for declines in prices on raw materials markets, Professor Kuin had pointed out in 1962 that, if this were so, the industry would also be responsible for any rises in prices. He believed that price fluctuations were due to changes in supply. Buyers had to cater for a regular demand sufficient to keep the factories going at a fairly constant pace. When there is a change in the level of supplies, argued Kuin, buyers concentrate on the cheapest because

[12] CMB agenda 1694 and 1695 of 25-26 August 1970.

[13] CMB meeting of 13 November 1969.

[14] CMB CB6/2, f.193.

a number of oils and fats are interchangeable. In January 1958, for instance, when the price of Philippines copra was £E66 per ton, several margarine factories had used coconut oil for up to 28.6 per cent of the total fat charge. By December 1958, the price had risen to £E90 and, in consequence, the proportion of coconut oil used declined to 2.4 per cent. A further rise to £E100 reduced it to 1.2 per cent but, when the price declined again, to £76 in September 1960, it rose to 10.9 per cent, and subsequently to 17.4 per cent in 1961, after a further decline of the price (Kuin 1962:13-14). Kuin went on to quote J.C.A. Faure, a prominent London copra merchant, as having said that he did not know of any organized buyers' cartel in the oil milling, margarine and soap industries and that the largest buyer in Europe had an anti-cyclical policy, that is, he increased his holdings when prices went down and reduced them when prices rose. The main object was to maintain a regular flow to the factories. However, the interchangeability of some oils and fats and the great influence of natural conditions on crops did create a real problem for those wanting to stabilize the producing countries' sales revenue. Faure had averred that, for instance, when palm kernel prices in Dahomey fell, this may very likely have been due to an abundant copra harvest in the Philippines. Another factor affecting the world market price of copra was the degree of price support given to substitute crops, for instance, to soya bean production in the United States by the federal government of that country. Seed crushing plants in underdeveloped countries had often been financed by foreign capital, but while this had helped the producing country to attain a more fully equipped economy, it had not made much net difference to the country's income. Crushing plants being capital-intensive, it had not been of much help to the employment situation, either. It needed to be remembered, said Kuin, that the producer wants a high price, the consumer a low price, and the manufacturer a stable price, while the speculator wants to know which way prices are going to move. In a free market, the production of copra is not steady; it is influenced by the prices on the previous market. But, copra being a tree crop and not an annual one, major fluctuations in the supply of copra are not feasible (Kuin 1962). Is there a contradiction in Kuin's first claiming that price fluctuations were due to changes in supply and then observing that copra, being a tree crop and not an annual one, major fluctuations in its supply are not feasible? There is, indeed. As we have seen, major fluctuations in supply may, for instance, be caused by adverse climatic conditions. Kuin also failed to mention that a price allowing profitable manufacturing, not a stable price *per se*, is what the manufacturer wants.

In 1967, the Federation of Oils, Seeds and Fats Associations (FOSFA) had been established by an amalgamation of four associations, among them the London Copra Association which had been founded in 1913. Five years later, the Federation's membership comprised about 400 different companies in more than forty countries. J.R. Fischel told the 1972 Congress of the International Association of Seed Crushers that the FOSFA represented 'not only crushers and producers but all sections of [the] trade throughout the world', that its contracts were 'respected universally as being fair to all parties', and its method of settling disputes was 'internationally known and approved' (International Association of Seed Crushers n.d. [1972]:4-6). The Federation's principal activities are (i) formulation and distribution of forms of contract covering the trade in oils, oilseeds and fats; (ii) provision of facilities for the settlement of disputes by arbitration and appeal; (iii) provision of facilities for analysis of a variety of commodities and developing standard methods of analysis of those commodities; and (iv) representing members' interests to governments (FOSFA 1974). The FOSFA has been influential in the world market of oils ever since, especially in the United Kingdom and Europe.

J.C.A. Faure, representing Unilever (Raw Materials) Ltd, had told the Board in November 1957 that there was no spot market in London as no one sold spot or even near-afloat. There was, he had claimed, 'merely' an assessment of sellers' quotations, adjusted thrice weekly by the Spot Price Fixing Committee of the London Copra Association. The association, consisting of brokers, had a committee which met about mid-day on Mondays, Wednesdays and Fridays. In accordance with the information it had regarding copra being offered, the committee fixed 'what is known as the spot market price for the day'. Unilever's experience as a buyer over the last 3½ years, said Faure, was that the average price in relation to actual purchases had been 2 per cent below quotations made by the committee and quoted in trade journals such as *Public Ledger*. Asked whether selling f.o.b. would be advantageous to the CMB, Faure replied that Unilever would then need to appoint a buyer in TPNG and go closely into the matter of differentials consequent on handling, freighting, etc. Thus it would be necessary for Unilever to cover these well, and the Board might find the c.i.f. basis a better proposition.[15] Faure seems to have been strong on semantics, but although he represented the world's largest user of copra and coconut oil, McDonald and the others on the Board did not regard his advice as *ex cathedra*. Three months earlier, McDonald, who had just returned from a visit to Europe, had told the Board that Unilever exerted 'a very great influence' on the copra market in the United Kingdom and Continent, 'short of actually controlling it'. According to McDonald, Unilever did not only purchase but produce most of the palm oil and palm kernel oil out of Africa and had been 'the main force' at the congress of the International Association of Seed Crushers which he had attended. Unilever personnel had occupied the presidency and secretaryship, and the chairmanship of various committees.[16]

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[15] CMB agendum 555 of 13 November 1957.

[16] CMB agendum 533 of 19 August 1957.

Robson, in his *Pacific Islands Monthly*, had said much the same a couple of months earlier. In his opinion, Unilever was 'still influencing if not dominating' the manufacture and distribution throughout the Western world of 'substances' made from vegetable and animal oils, and

> probably will play an important part in the British copra market after 1957. Through personnel, there appears to be a close and apparently friendly (and not necessarily improper) association between the British MOF organisation, which buys and sells South Pacific copra, and Unilever.[17]

Producers the world over, including those in Papua New Guinea, may be forgiven for wondering whether FOSFA, with headquarters in the part of the world where the oils, oilseeds and fats industries do most of their business, accords them adequate attention. To this day, many copra producers believe that distribution and marketing channels are predominantly controlled by importers' agents who unduly influence not only the form of exports but also the pattern of trade.[18]

Papua New Guinea copra is almost unknown as such on the world market; it is nearly always sold directly to the mills once shipment is under way. As mentioned in earlier chapters, it has to be price-competitive on the global oils and fats market, especially *vis-à-vis* soft oils such as soya bean and sunflower, but, above, all, *vis-à-vis* its 'fellow' hard oils: palm oil, palm kernel oil and babassu oil. The correlation matrix of world prices for vegetable oils between 1955 and 1966, shown in Appendix Table 23, indicates why price-relativity greatly concerns the manufacturers of end-products. Any change in the price of one or more of the most commonly used oils causes a further change in the matrix. Consequently, the effect of the relative price of copra did, for instance, cause UK margarine manufacturers to reduce their use of copra from 3.7 per cent of total oils and fats in 1965 to 0.8 per cent three years later. Moreover, the percentage of coconut oil used - and of other oils and fats, too - is not necessarily the same in one country as in another. In 1965, for example, coconut oil constituted 3.7 per cent of total oils and fats used by margarine manufacturers in the United Kingdom but it only constituted 0.3 per cent in the United States.

Buyers take into consideration factors such as the milling and other qualities of raw materials. For example, buyers of copra for crushing where the oil is sold to manufacturers of margarine have to keep in mind the crude oil content (Table 7.1). In 1972, when these figures were published, one tonne of soya beans offered almost 2.4 times as much oil meal as one tonne of

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[17] PIM, 25:1 (1957):17.

[18] Asian Coconut Community (ACC), Background paper for the Market Seminar on Coconut Products, Manila 1975:1.

copra, and the oil meal from soya beans had just over twice as high a protein content.

Table 7.1 **Percentage of crude oil, oil meal and raw protein in various oil seeds**

	Crude oil	Oil meal	Raw protein content of oil meal
Copra	63.5	33.6	22.0
Cotton seed	17.5	79.0	41.0
Groundnut, shelled	44.5	55.0	52.0
Palm kernel	46.5	52.5	23.0
Rape seed	40.0	57.0	34.0
Soya bean	17.5	79.5	46.0
Sunflower seed	44.0	55.0	40.0

Source: *Oil World Semi-Annual*, May 1972:19.

However, interchangeability within the crushing industry, claimed by some millers seeking lower copra prices, is not wholly feasible. For one thing, climatic vagaries affect palm oil crops and, to a lesser extent, most other oil seeds, so that the mills are by no means assured of regular supply to meet their capacity; for another, many consumers require a balance between other oils and fats and the laurics (hard oils).

This sometimes worked in favour of Papua New Guinea's copra producers. In mid-1972, for instance, world demand had resulted in an offer by a competitor in the United Kingdom which caused Fischel to proffer improved terms, which the Board accepted. Fischel now gave a sliding premium based on the c.i.f. price: none below $100 per tonne, 1 per cent between $100 and $140, and 2 per cent above $140.

The crude oil content was not the only factor that the CMB had and continues to have to take into consideration in its endeavours to secure contracts ensuring Papua New Guinea a highly competitive and secure place in the world market. Quality and fatty acid content were among other factors. According to Rule 102 of the trading rules of the San Francisco-based National Institute of Oilseed Producers (NIOP), for instance,

> Fair merchantable copra shall be free from a noticeable admixture of copra from unripe nuts (Cocomoda), free from dirt and foreign substances. It shall not have suffered deterioration through storage. Should the colour of the resultant oil as determined by official landed analysis be deeper than 50 yellow and 9 red, Lovibond Scale, an allowance of 25¢ per long ton shall be made for every point

or fraction thereof over 9 red based upon a 5¼ inch column, Lovibond Scale (NIOP 1952).

The seller is entitled to a premium if the fatty acids contents (as oleic) is less than 4 per cent; the buyer is entitled to a discount if it exceeds 4 per cent. If the free fatty acid content exceeds 10.5 per cent, the delivery may be rejected as unmerchantable but the buyer may exercise the option of accepting the delivery at a discount agreed upon between buyer and seller which shall not be less than the discount established for 10.5 per cent free fatty acids contents.

The moisture content is expected to be 4.5 per cent at port of discharge. A penalty is imposed upon the seller if moisture exceeds 4.5 per cent but he is paid a premium if it is less than this percentage.

Another rule stipulates that for the purpose of establishing landed quality, all copra shipments shall be officially sampled and analysed by public surveyors and chemists approved and appointed by the board of directors of the NIOP, and the sampling shall be final and binding upon both buyer and seller, with the buyer to weigh and pay for all samples.

Although, as mentioned earlier, producers who received a premium for high quality appearance of their copra under the 'look and sniff' method had resisted the proposal by the London Copra Association and NIOP to pay only on oil and free fatty acid contents, payment based on quality established by sample analysis has been the norm since the 1950s. CMB could not, therefore, purchase copra that did not meet the norm. Analyses of Papua New Guinea copra over the years show variations, such as: free fatty acids, 1.67 per cent (1965), 3 per cent (1972); moisture 3.20 per cent (1955), 2.10 per cent (1972).[19]

Increased competition for other oils

By July 1974 there were twenty-one sizeable crushers and a number of smaller ones in Western Europe which handled copra among other oilseeds. During certain periods in each year, the crushers exclusively mill oil seeds, such as rape seed when the harvest comes in, and there is usually a fairly extended period during which no milling is done; mechanical overhauls are then effected and workers are given leave. The crushing of oilseeds does not, in general, fully utilize the mills and, at the end of 1974, Europe's total crushing capacity was many times in excess of any likely total availability of copra. To most European millers, the crushing of oilseeds is merely the first step in vertical integration, such as where the company owning the mill also

[19] London Copra Association, Bulletin, March 1955, and CMB agendum 1944 of 5 February 1973

manufactures soap. Following his return from the United Kingdom and Europe, Grose, the Board's chairman, reported that, although there had been a few instances of governments requiring margarine manufacturers to incorporate a percentage of butter in their product (where the dairy industry had a surplus), there was good reason to believe that copra would continue to be competitive with other laurics in particular and with oils and oil seeds in general in the European market, provided that its price allowed 'an attractive margin' on crushing.[20]

Palm kernel is copra's foremost competitor for crushing in Europe and the United Kingdom. Since 1973, the palm kernel supply to Europe has been greater than the copra supply, with most of the former coming from West Africa. Malaysia and Indonesia are among the other sizeable producers. The smallholder plantings in the West New Britain and Oro Provinces, commenced in the 1960s but still of minor consequence to the world supply by the end of 1974, may eventually place Papua New Guinea among the major exporters. Babassu oil, mostly from Brazil, has so far not accounted for more than 4 per cent of world production in the laurics groups, but could become a notable competitor if South American producers were to overcome developmental and logistics problems. By 1974, there were indications that coconut oil might replace copra on the world market. There had been a considerable increase in crushing at origin, particularly in less developed countries, and the copra and palm kernel milling was a part of it (Frank Fehr & Co. 1975:9). None the less, as long as countries which tax entry of oils continue to do so, the copra trade has good prospects of coexisting with the trade in oils, particularly while there are many mills with excess capacity, and copra cake and meal fetch good prices.

From time to time, as far back as 1940, there had been attempts to coordinate copra and coconut oil marketing in the South Pacific. In 1970, for instance, the Pacific Islands Producers' Association, formed by several of the countries represented on the South Pacific Commission, decided to employ a management consultant to report on the feasibility of regional processing, shipping services, marketing, trade and research, in order to secure better returns for copra and other coconut products.[21] There was talk of an Anglo-French venture to establish a crusher in the New Hebrides (now Vanuatu) which, by taking advantage of the United Kingdom's entry into the EEC, would be able to undersell Papua New Guinea coconut oil.[22] The Planters' Association of Papua told the Department of External Territories that, in the association's opinion, Papua New Guinea's

[20] 'Report on the visit to the United Kingdom and Continent by the Chairman': CMB agendum 2157 of 29 July 1974.

[21] CMB CB7/2/4, f.4.

[22] Memorandum 64/7799 of 6 March 1971 from DET to Administrator. Attachment to CMB agendum 1767 of 15 March 1971.

association with other South Pacific countries would most likely not offer any advantage because of the 'multiple political authorities' which would be involved.[23]

The Asian Coconut Community

A relevant development of significant consequence did, however, occur. Under the auspices of the Economic Commission for Asia and Far East (ECAFE), the Asian Coconut Community (ACC) was established in 1969. Because the ACC is an inter-governmental organization based on a single commodity, only copra-producing countries in its region can join it. The Community's objective is to protect, promote and develop the coconut industry in the ECAFE region through economic co-operation and concerted action. The ACC meets twice a year. A permanent technical panel, COCOPEP, meets bi-annually. Financed under the UNDP, COCOPEP studies production, productivity, marketing and processing, and undertakes research.

By 1975, the Community had obtained UNDP assistance for (a) a pilot plant for coconut milk production, (b) a study of the feasibility of an integrated coconut processing industry, (c) a seminar on marketing coconut products, and (d) a study of markets for coir fibre, coir products and shell charcoal products. Marketing seminars, emphasizing domestic and external marketing problems, market research, product development and promotion of coconut products, were held by the UNDP Coconut Research and Development Project at Manila, to encourage participating governments to hold similar seminars and/or training programs.[24]

The Community's lobbying was mainly responsible for stopping the EEC from imposing new taxes on coconut products in 1969 and for securing a 50 per cent reduction in the EEC common tariff against coconut oil in 1973. Its involvement in the regional copra and coconut industry is reflected by its endorsement in 1974 of a COCOPEP recommendation that member countries control inventory stocks normally held and maintained by buyers and/or end-users abroad. The aim was to build up stock inventories to a level minimizing stock-piling by buyers and end-users (ACC 1974:f.3).

But even the ACC, whose members export most of the world's copra and coconut oil, had to accept that the lauric oils account for a mere 4 per cent of the world's oils and fats production (Appendix Table 20). The Community's measures to reduce the impact on its members of fluctuations in demand and, consequently, price on the world market have, therefore, been mere drops in the

[23] Letter of 8 March 1971 from B.E. Fairfax-Ross, President of PAP, to G.O. Gutman, First Assistant Secretary, DET. Attachment to CMB agendum 1767 of 15 March 1971.

[24] Letter FA63/003/75 of 6 January 1975 from UNDP Coconut Research & Development Project, Manila, to T.M. Unwin, UNDP Representative, Port Moresby. CMB CB9/2/3.

ocean. As Table 7.2 shows, the US wholesale price, for one, was as volatile as ever.

Table 7.2 **Wholesale prices per pound of crude coconut oil, 1972-74**

	1972 Oct.	1973 Oct.	1974 Aug.	1974 Sept.	1974 Oct.
	¢	¢	¢	¢	¢
Pacific Coast (tank cars)	9.4	30.0	51.7	42.5	42.6
New York (tanks f.o.b.)	10.4	20.5	53.3	45.0	42.3

Source: US Department of Agriculture, Economic Research Service, *Fats and Oil Situation*, November 1974:41.

As the US Department of Agriculture saw it, the exceptionally large price increase in 1974 was due to a shortfall in foreign oil output, mostly due to declines in the output of copra and coconut oil (due to reduced rainfall in the Philippines), peanut oil (Senegal, India), fish oil (primarily due to scarcity of anchovies off the west coast of South America), sunflower oil (due to drought in the USSR), olive oil (reflecting decline in the biennial yield cycle in Italy and Tunisia), and rape seed oil (due to smaller sowings in Canada but somewhat offset by recovery in India). There was, however, a partly offsetting significant increase in the output of soya beans, palm oil and animal fats, reflecting continuity of expansion in major producing countries.[25] According to the analysts in Washington, world exports of copra and coconut oils in terms of oil were about 1.24 million tonnes, an increase of about 0.8 per cent over the previous year. The four major producers - Philippines, Indonesia, Sri Lanka and Papua New Guinea - accounted for 84 per cent of the total (on an oil basis). The Philippines, Indonesia and Sri Lanka had imposed export restrictions in 1973 and 1974 to ensure adequate domestic supplies of copra and coconut oil. The Philippines export tax differentials imposed in February 1974 had sharply curtailed copra exports, and further administrative measures to maintain high prices for coconut oil on the world market had created uncertainty as to future coconut oil exports. Would the Philippines, the world's largest producer by far, resort to long-term storage, including withdrawal from the market? By late September, however, minimum export prices for copra and coconut oil had been eliminated and an export pricing system based on world prices had been adopted. The Philippines Government had

[25] United States Foreign Service, Foreign Agriculture Circular - Fats and Oils (November 1973): 1.

then allowed free exports, but Indonesia and Sri Lanka were continuing to restrict exports of copra and coconut oil.[26]

As there was a 10.5 per cent decline in the volume of Papua New Guinea exports of copra between 1971/72 and 1973/74 (Appendix Table 3), it is clear that many village producers did not or could not take advantage of the exceptional rise in world prices which was partly due to a sharp fall in world exports of palm oils (coconut, palm, palm kernel and babassu). While most plantations were working to capacity, very many village groves were not fully used.

During the 1960s there had been a relatively steady expansion of the world oilseeds, oils and fats economy, with the effective demand for oil cake growing much faster than for fats and oils. Production in LDCs had risen only moderately and, because of increasing domestic consumption, exports had not increased fast enough to maintain the previously held share of the world trade (FAO 1971:146). Annual world production had risen by an average of one million tonnes, equal to an annual increase of 2.6 per cent. The output of temperate zone crops had risen faster than that of tropical oil crops; the most noticeable increases had been in soya bean, sunflower seed and rape seed oils. Among the tropical oils, palm oil production had risen sharply but groundnut oil and coconut oil output had increased only slowly.

Statistics of production need to be evaluated together with those of consumption. World per caput consumption of oils and fats had increased from just over 10 kg in 1960 to not quite 11 kg in 1970, with the biggest increase in developed countries where it had already been about four times higher than in LDCs (FAO 1971). Appendix Table 22 shows a 1980 projection of continuing differences in consumption, such as from 3.3 kg per caput in Asian centrally-planned economies to 23.4 kg in Western Europe. At first glance, the projection of a world average 0.5 kg per caput increase in consumption says no more than that world demand will grow, but closer analysis of the table poses the question of potential growth in the economies of some of the world's most populous nations, such as China and India, and the possibility of a commensurate increase in demand for imports of fats and oils.

Of particular interest to the Papua New Guinea copra industry was that the FAO reported a sharp rise in the utilization of oilcakes, from about 35 million tonnes in the early 1960s to over 58 million in 1970. Most of this had occurred in developed countries and, to a lesser extent, in centrally-planned economies, with the main stimuli having been Europe's rapidly growing poultry industry and Japan's expanding livestock industry.

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[26] Ibid. (November 1974): 4.

The most important food uses of oils and fats continued to be in cooking, salad oils and table spreads, such as butter and margarine. But, particularly in developed countries, a considerable amount of oils and fats was consumed in commercially prepared foods such as ice-cream and confectionery. The main non-food use of oils and fats, especially the cheaper ones, continued to be in soap. Other important uses were in paints and varnishes, animal feeds, synthetic detergents and chemical products (FAO 1971:149).

Understandably, projections of world coconut oil production in relation to world production of palm kernel oil and substitutes for lauric oils are more important to copra producers and coconut oil manufacturers in Papua New Guinea and the planners and makers of their nation's economic policy than are projections of the total world production of oils and fats. The FAO figures show in Appendix Table 21 did, therefore, merit attention by Papua New Guinean copra producers and, of course, the Board.

As shown in the table, the 1970 to 1980 growth of world production was projected as 13.8 per cent for butter and lard, 38.6 per cent for soft oils and 48.2 per cent for lauric oils. According to the FAO, in the lauric acid oils sub-group coconut oil was expected to increase quite rapidly but not fast enough to recover the 6 per cent share of total output which it held in 1965. Even with an expanding producing area in the Philippines and some other producing countries, no substantial increase in yields was expected during the period up to 1980, when output was projected to reach less than 3 million tonnes. Palm kernel oil, however, was expected to show a rapid rate of increase and, while still remaining relatively unimportant, to add to the total supply of lauric acid oils (FAO 1973:1). While the dramatic rise in value of agricultural trade and world export prices in 1973 (15 per cent and 12.5 per cent respectively) mostly benefited the developed countries, Papua New Guinea did pretty well, too.

By the mid-1970s, GATT, UNCTAD, Lomé Agreement and other international arrangements had not brought about a global trade situation in which the LDCs were able to catch up with the developed countries. GATT negotiations, for instance, had done very little to reduce import barriers against agricultural products such as copra, and technologically unsophisticated goods manufactured by labour-intensive methods exported by LDCs, because, as David Charles wrote in 1973,

> [a] major source of bias against the developing countries in the operation of GATT is that negotiations are based on the principle of reciprocity - the exchange of trade concessions of equal value to the negotiating countries. This principle ensures that trade negotiations are dominated by the major developed countries: the United States, Japan and the EEC.... Members of GATT attempted to remedy the bias by

adopting in 1963 an action program a large part of which has subsequently been embodied in UNCTAD resolutions. Regrettably, the contracting parties were unable to implement the action program (Charles 1973).

In 1974, Papua New Guinea was still administered by Australia and therefore could not directly participate in international trade agreements. The Administration's Department of Trade and Industry had, however, begun to establish trade links that would facilitate the entry by an independent Papua New Guinea into direct agreements as a principal. Such country-to-country agreements needed to be made without delay, especially with the UK Government. Shipments to the United Kingdom had accounted for an annual average of 35.3 per cent of the CMB's total shipments and deliveries from 1965 to 1974 and they accounted for 37.6 per cent in 1974. Since the Ottawa Agreement of 1930, Papua New Guinea, like other British Commonwealth countries, had enjoyed preferential tariff status in the UK market. Copra imports from Papua New Guinea entered duty free while those from non-Commonwealth competitors, such as the Philippines, had attracted duties of 10 per cent on copra and palm oil, and 15 per cent on coconut oil. Upon the accession of the United Kingdom to the EEC, many trading arrangements would be subject to change and Papua New Guinea exports could face competition in the UK market. Duty free entry to the United Kingdom was to be continued until the end of December 1977 or until Papua New Guinea achieved Independence, whereupon the arrangements were to be reviewed. As Meakoro Opa has pointed out, obtaining associate membership of the EEC or negotiating bilateral trade agreements was certain to be 'critical to the relative competitiveness of PNG's oil nut products and may largely determine the future scale of her exports to the EEC' (Opa 1974:JA-9).

Close attention had to be given, too, to trading arrangements with Japan which now took 28.7 per cent of the Board's shipments and deliveries. 'During the three years following 1968/69 total Papua New Guinea shipments [of oilseed products] (including re-exports) had increased almost sixfold.' As Japan in 1972 had extended beneficiary status to Papua New Guinea under the UNCTAD/OECD Generalised Preference Scheme, Opa was of the opinion that many Papua New Guinea products, including copra, coconut oil and palm oil, should be able 'to obtain access to the Japanese market on terms equal to those applying to imports from competing developing countries'. Moreover, 'the expansion of Australian-Japanese trade might confer benefits due to the pronounced Australian orientation of Papua New Guinea's shipping arrangements' (Opa 1974:JA-11). Opa foresaw correctly. In retrospect from 1986, associate membership of the EEC, bilateral trade agreements and expansion of trade with Japan have, indeed, been of considerable benefit to Papua New Guinea's coconut industry.

For the time being, the politico-economic conditions under which the Copra Marketing Board operated in 1974 remained unchanged. As we have seen, the Board's marketing and, *ipso facto*, the fortunes of Papua New Guinea producers, depended upon contracts such as those with Fischel & Co. Ltd. And, most importantly, the contracts depended upon the world copra and coconut oil market, in particular on the largest producer country's impact upon the market. That country was - and has continued to be - the Philippines. The official rate of the Philippines peso had been 3.90 to the US dollar, with a blackmarket rate of 5.90, when the Philippines Government floated the rate in March 1970. The floating rate soon established itself at around 6.00. Exporters of coconut oil, cake and expellers were entitled to the full rate on the value of their dollar sales but copra exporters only to the extent of 20 per cent of the value of their dollar sales, with the balance credited to them at the old official rate of 3.90. In consequence, crushers in the Philippines had a great price advantage in their local purchases of copra and a considerable competitive edge in their overseas sales of coconut oil as opposed to the copra exporters. There was, moreover, excess crushing capacity. All this inevitably led to a switch from copra to coconut oil exporting. A year later, the Philippines Government temporarily forbade the export of copra and accelerated its program for an increasing percentage to be crushed at home, with the objective of totally prohibiting the export of copra by 1980.[27] In that particular instance, the PNG copra industry was not affected as there were still UK and Continental crushers buying copra.

Exchange fluctuations, fatty acid and other problems

Another factor affecting the CMB's marketing and the fortunes of the producers is the exchange rate. In 1967, sterling devaluation caused the CMB a loss of $235,503.90. On that occasion, the Commonwealth Government reimbursed the Board because forward sterling exchange cover was not available to statutory bodies and, in March 1969, Papua New Guinea's producers must have thought that all their Christmases had come at once when the Board announced that the reimbursement would be distributed at the rate of $2.17834726 per ton delivered to the Board in 1967.[28] Since then, forward exchange cover has been offered and the CMB has carried it, though its benefit is limited to the day when shipping documents are completed and delivered to the bank. And, in 1973 for example, London contracts were made in US dollars because previous fluctuations of the English pound had caused the Board losses.

27 CMB CB8/3/2-1, ff.89-92.

28 Resolution of 62nd meeting, 28 March 1969.

An exchange fluctuation may favour the Board, for example, if, say, the exchange rate is £E1.00 = K1.87 and the £S moves to K1.95 by the time funds are remitted, the Board gains 8 toea for each pound sterling exchanged. Even so, commercial prudence dictates that the premium payable for sterling exchange rate cover is an unavoidable expense. In 1972, for instance, the premium cost the Board $10,881.[29] The premium on US dollar cover has been less; for example, it was 40 per cent of that under a sterling policy in 1972. The alternative may be for the Board to self-insure, by setting aside a provision equal to the estimated exchange loss risk, but the actuarial calculations and other administrative costs would first need to be thoroughly investigated.[30]

A further factor which came to demand the Board's attention was the fatty acid contents. In earlier years, the Board had not given it much thought as long as it conformed to what the Board understood to be the norm. However, in 1967, following discussions in the previous year with brokers, millers and manufacturers in Sydney, London, Brussels, Rotterdam and Tokyo who had been unanimous that, as far as the FMS and smoke grades were concerned, Papua New Guinea's copra was worth, overall, a premium on Philippines FMS, McDonald reported that Unilever held a different opinion.

£E1 10s per ton was then the overall premium on grades shipped under Unilever contract and Unilever had presented recovery figures (Table 7.3).

Table 7.3 **Comparative recovery figures for copra bought by Unilever, 1967**

	Philippines		Papua New Guinea	
	%	£E	%	£E
Refined oil	62.1	70.173	60.09	67.902
Acid oil	5.8	4.176	3.20	2.304
Meal	26.6	6.196	31.21	8.115
Moisture loss	4.5		4.50	
Process loss	1.0		1.00	
	100.0	80.545	100.0	78.321
Add. process loss		1.000		
Recovered		£E80 5s 4d		£E78 6s 5d

Source: CMB Agendum 1357 of 11 July 1967.

[29] Ibid.

[30] CMB agendum 1876 of 8 February 1972.

On these figures, said McDonald, even allowing for an additional cost of one pound sterling in processing Philippines copra because of it higher free fatty acids and darker colour, there was little basis for claiming a premium for Papua New Guinea copra. 'It... [was] also obvious that, instead of being detrimental from a quality point of view, free fatty acids, because of their present-day technical usage, ... [were] quite a valuable product.'[31]

The free fatty acids contents - and the colour of the resulting crude oil - is always 'most important to buyer/processors' while the 'moisture contents, although important to the crusher from the point of view of loss during processing, is far more important at the time of storage prior to shipment'.[32] If dried properly and stored and shipped under reasonable conditions, copra suffers very little deterioration on its way from producer to crusher. How, then, to get the producer to make good copra? The following procedure, suggested at the 34th Annual Congress of the International Association of Seed Crushers (IASC) in 1957, merits mention here:

1. Educating smallholders, and in many cases estate owners, in the need for such a product and how it can be achieved.

2. Introducing a firm system of grading whereby the copra produced is classified into one of a maximum of four grades. Not just 'FMS', 'HAD' or 'Smoke-dried', which are very loose terms and... do not indicate the true mode of drying. In general, it does not matter by which method copra is produced, providing the quality conforms to certain standards.

3. Instituting price differentials based on the true value of the product, such as savings in refining costs, etc. These would obviously not all be in one direction and penalties must be expected for low grades as well as premiums for the high. Basic prices will, of course, fluctuate, but the differentials could possibly be based on a percentage.[33]

Kiaps, agricultural officers and co-operative officers were already encouraging plantation and village producers - and, not infrequently, assisting villagers - to erect hot air kilns which produce first quality copra. And, as we have seen, legislation to bring about good quality copra was first introduced in German New

31 CMB agendum 1907 of 10 May 1972.

32 PIM, 26:1 (1957): 69-71.

33 Ibid.

Guinea, and relevant laws in both Papua and TNG have been in force since the 1930s. Moreover, legislation such as the Copra Ordinance of 1952 has provided for the grading of copra, and appeal to a court where an inspector has classified copra into a grade other than that into which the producer has classified it or where the inspector has condemned it as unfit for export. Producers had sometimes been 'sharply dissatisfied' with copra inspections and the Planters' Association of Papua, for instance, had asked for a standards committee. But no one in the industry had disputed the necessity of a system of classification. If the percentages of smoke grade, that is, the poorest quality, in the Board's sales are anything to go by, there had been relatively little buyer-resistance, although there had been complaints from time to time.

Grade differentials need to be in line with world-market price differentials. If they are not, then, as Bauer and Yamey have reported of Nigeria, the producer may be treated unfairly, the marketing authority may incur losses, and corruption may raise its ugly head (Bauer and Yamey 1954). Appropriate grade differentials can achieve positive results. For example, the 'proportion of total Nigerian Marketing Board purchases of highest quality cocoa and palm oil rose and those of the lowest quality fell dramatically in the few years after quality differentials were introduced' (Bauer and Yamey 1959). As far as the CMB was concerned, the big question raised by the procedure suggested at the 34th Annual Congress of the IASC was whether the grading used and premiums paid over the years had been the most appropriate.

As far as the producer is concerned, quality - that is, appearance, moisture, absence of extraneous matter, etc. - ceases to be of concern once the copra has been accepted by the Board. The producer is keen, therefore, to get his copra to a CMB depot with the least possible delay as it minimizes loss of weight through shrinkage, insect infestation, mould, etc. The nearer the CMB depot, the better he likes it.

From the Board's point of view, a depot has to have a large enough throughput so that irreducible costs, such as storage and administration expenses, are not a burden unacceptable to the producer. In 1973, for example, selling costs constituted 1.6281 per cent, wharf handling 0.3521 per cent and administration expenses 0.8675 per cent of the Board's total sales.[34] The Board has to decide what constitutes 'unacceptable' for a depot. While some depots such as the ones at Rabaul, Kavieng, Madang, Port Moresby and Samarai have followed the pre-World War II receival pattern, several of the others have been established after representations by producers.

[34] CMB, Annual Report 1973.

The planters' associations were always keen for the Board to have more depots. In 1968, for instance, the PANG's Annual Conference of Delegates asked the Minister for External Territories to have the CMB expand its activities 'so that more producers and particularly Native producers may have the privilege of dealing directly with the Board's depots or sub-depots'. Lack of an overseas port, claimed the conference, should not preclude having a depot in a heavily producing area, as producers would accept a price differential covering all extra costs of operating a sub-depot. The conference proposed sub-depots at Wewak, Buka Passage, Talasea, Tinputz and Namatanai.[35]

For many years, such representations had come only from white planters. But by the late 1960s village producers had become vocal. Paul Lapun (South Bougainville Open) asked in the House of Assembly on 29 November 1968 when CMB depots would be established at Kieta and Sohano, and was told that a depot would be opened at Kieta in March 1969.[36] In May 1969, when the Sepik Producers' Co-operative Association sought an agency, the Board replied that it 'would give favourable consideration' to the request if the association had adequate storage space, suitable scaling equipment, and clerical services. The association then applied for light industrial land at Wewak but it was not until May 1970 that the Land Board granted a lease. By then, an expatriate trader had asked to be an agent of the Board and the board gave him the agency. Following protests by the association, supported by local parliamentarians and the district commissioner, the Board asked the trader to relinquish his agency. The protest was strengthened when a meeting of co-operators, other producers and parliamentarians called on coffee producers not to sell to the trader should he commence buying at Maprik and Wewak, unless he relinquished the CMB agency.[37] He consequently withdrew and the Board appointed the association as its agent.

In June 1971, General Manager K.G. Oliver reported to the Board that there was 'information' from the House of Assembly that the political climate was now 'sufficiently receptive and sympathetic' for the Board to establish a receival centre, that is, a depot, on Buka Island.[38] Expatriate traders and planters on Buka and North Bougainville were paying from 3.5¢ to 4.5¢ per pound, the latter price giving village producers $100.80 per ton on delivery to the trader who, after transferring the copra to the nearest CMB depot at Kieta or the one at Rabaul (costing him, say, $11 freight and $8 handling charges), received $143 per ton and (in the following year) the price adjustment. As about 50 per

35 Annual Meeting of Delegates 29-30 August 1968, PANG minute book. UPNG, not yet accessioned.

36 HofA, Debates, Second House, First Session, Third Meeting, 18 to 29 November 1968.

37 Memorandum 25-19 of 23 June 1970 from Assistant District Commissioner, Maprik, to District Commissioner, Wewak. On file at District Office, Wewak.

38 CMN minutes of meeting of 11-12 June 1971.

cent of village production was sold to traders in the area, village producers were missing out on about $122,500 annually because there was no CMB depot to enable them to maximize their copra income. The people, so the CMB was told, regarded the Board as a white man's organization. When Oliver visited Buka Island in 1971, traders were paying $2 per bag whilst the CMB's first payment was about $7. There was a potential annual throughput of 8000 tons, but it was not until 1974 that the Board opened a depot.[39] Appendix Table 12 shows tonnages and origin of copra received at each depot on 30 June 1974.

Efficiency and honesty in the operations of the Board's depots were an indispensable condition of the villagers on Buka Island and every other copra producer receiving the best possible return. The Board has always closely monitored the operations of its depots. Regular checks of weighbridges and frequent stock and financial audits have kept errors or defalcations by depot managers and their staff to a minimum. Such monitoring is essential because there are a number of relatively easy ways in which both the Board and the producers can be defrauded, such as by under-recording the weight received and then issuing a weight note (covering the difference) to a relative or friend, or by over-recording the weight of a receival from a relative or friend.

As only a handful of localities were now not adequately served by shipping, weight loss only bothered a few producers. But to the CMB, weight loss - in this case when the quantity weighed at the port of destination was smaller than the quantity weighed at the Papua New Guinea port of despatch - was another factor demanding more than the gentlemen's club approach that had characterized the Board's meetings in earlier years. In mid-1972, because the situation was deteriorating, Oliver felt it necessary to go into detail concerning deliveries to UK and Continental ports (Table 7.4). A comparison of loss on complete discharge when linked in a 'two-port' discharge with Hull showed differences, for instance, Bromborough 2.53 per cent, London 3.10 per cent, Hamburg 3.66 per cent, Fredrickstad 4.00 per cent, Rotterdam 4.22 per cent.[40] On the basis of the then prevailing London FMS price, the above-listed weight losses meant a gross loss of approximately £E576,000 to the Board.[41]

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39 CMB agendum 1670 of 26 June 1970.

40 CMB agendum 1910 of 10 May 1972.

41 This estimate has been calculated as follows:

1967:	891 tons @ $74.50	=	$66,300
1968:	1787 tons @ $98.88	=	$176,699
1969:	1134 tons @ $84.88	=	$96,254
1970:	1411 tons @ $93.13	=	$131,406
1971:	1336 tons @ $78.63	=	$105,050
			$575,789

Table 7.4 **Details of CMB copra deliveries to UK and Continental ports, 1967-71**

	1967	1968	1969	1970	1971
	tonnes	tonnes	tonnes	tonnes	tonnes
A. Total shipped	36,792	50,013	31,548	36,113	28,769
B. Total outturned	35,901	48,226	30,414	34,702	27,433
C. Tonnage to hull	17,546	17,052	23,717	25,806	21,181
D. Total weight loss A to B)	891	1,787	1,134	1,411	1,336
	%	%	%	%	%
E. Proportion to Hull (C to B)	48.87	35.36	77.98	74.36	77.21
F. Per cent of total weight loss (D to A)	2.42	3.57	3.59	3.91	4.64

Source: CMB agendum 1910 of 10 May 1972.

Shipping from Papua New Guinea to UK ports and, for that matter, to ports elsewhere, which had been a matter of great concern in the immediate post-war years, was not among the main problems facing the CMB in the 1960s and 1970s. Nevertheless, as the figures show, the handling in the United Kingdom left a lot to be desired.

In 1972, the Board was informed by Marrickville Holdings Pty Ltd, a major Australian manufacturer of margarine, that four vessels, carrying copra ex Kieta, Wewak/Lorengau, Lae and Rabaul respectively, had to be fumigated on the orders of quarantine officers in Sydney. This had cost $3420 and, averred the company, was 'a cost we cannot recover, and we feel it is quite wrong that we should be called upon to pay it'. Burns Philp & Co. Ltd passed to the CMB the quarantine officers' warning that they were going to be 'increasingly severe'. BP reported that five vessels carrying Papua New Guinea copra, besides those mentioned by Marrickville Holdings, had recently had to be fumigated.[42] General Manager Oliver told the Board that it should anticipate that most future shipments would require fumigation and its efforts in Papua New Guinea, 'whilst successful in reducing insect

[42] CMB agendum 1907 of 3 May 1972.

infestation,... [were] and... [would] remain inadequate to meet the Quarantine Division's requirements.[43]

The Board was therefore receptive when, in 1972, the Department of Trade and Industry encouraged the formation of a Papua New Guinea Shippers' Council, 'an organisation consisting of a group of persons who are shippers and/or producers of commodities... [and] have a common interest in the shipping services available to them and therefore wish to negotiate collectively with shipowners and/or shipping conferences, e.g., Hong Kong Joint Freight Committee'. The council was to provide research and statistical services in order to '(a) assemble and keep up to date data on all exports, shipping services, freight rates, conditions of export; and (b) keep in contact with shippers' councils in other parts of the world to obtain data of other countries' shipping, handling, freight, etc.' The foremost objective was to secure efficient, economical and adequate transport services.[44] CMB hoped that a shippers' council would give more clout to complaints such as that about a 12½ per cent increase in northbound freight rates in 1973, which caused the Minister for Transport, B. Jephcott, to see the Minister for External Territories in Canberra.[45] However, the PNG Shippers' Council lacked the teeth needed to do better for the 'big' shippers than they managed to do for themselves, and it was disbanded a few years later.[46]

As the foregoing factors which the Board had to consider in its deliberations indicate, the CMB's operations had become more intricate. The 93rd and final meeting of the Australian New Guinea Production Control Board on 1 June 1952 and the first meeting of the Copra Marketing Board of Papua New Guinea which followed it exactly one month later did not impose any great demands upon the five board members as disposal of most of the copra was taken care of by the BMOF contract and there was no difficulty in obtaining contracts for the balance. It was not until 1958 that some marketing expertise became necessary.

On McDonald's retirement in December 1970, the Board had separated the office of general manager from that of chairman. K.G. Oliver, appointed as general manager, retired in 1974 and was

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[43] Ibid. The root cause of the problem was not the carriage at sea but the poor quality of the copra. Vegetable Oils Pty Ltd, an Australian crusher, had written to BP that a shipment of 400 tons, of which about 20 per cent came from Wong You, a trader at Buka Passage, had been 'very poor quality, dark, dirty copra which should have been classed as very low quality smoke dried copra'. Oliver believed that, 'in view of their dissatisfaction with copra supplied from Papua New Guinea, it would seem logical for the crushers to look elsewhere' and, if they were interested in importing coconut oil from Coconut Products Ltd, the Board would expect the company to ask the Minister for External Territories 'to extend their present authority to mill 45,000 tons'.

[44] CMB agendum 2017 of 8 May 1973.

[45] Ibid.

[46] Letter CB 11(12)/7375 of 6 May 1986 from R. Gosman, Assistant General Manager, CMB, to the present writer.

succeeded by D.J. Stewart. Both Oliver and Stewart had commenced working for the Board shortly after World War II, and the latter's experience as depot officer, accountant and chief accountant proved of great value when Papua New Guinea changed from colonial status to self-government and, in 1975, nationhood. The appointment in 1973 of an entirely new board, chaired by W.J. Grose and with E.D. Cleland, D. Rumet, S. Mileng, J. Kasaipwalova and a DPI representative as members, gave Papua New Guineans much greater participation and brought a chairman and deputy chairman with extensive experience in all aspects of the industry (Appendix II). The new board lost no time in addressing itself to two issues, namely, (i) ensuring that Papua New Guinea's copra industry met the demands of the changing world market, and (ii) localizing the CMB's staff.

There had been moves in the industry for private sales overseas. In 1972, British New Guinea Development Co. Ltd had approached the CMB regarding such sales, pointing out that a company owning estates in Sri Lanka was marketing high grade copra in India where it was manufactured into coconut confectionery. About 60 per cent of the company's production was of a standard worthy of special curing for this specialized market, and a higher profit margin was being earned. PANG, too, had begun to look into the possibility of supplying specific markets. Oliver told the Board that while these moves were 'probably not leading anywhere', they highlighted plantation producers' striving to improve their financial returns in times of low prices. He warned that those producers might well approach Ministers of the PNG Cabinet to obtain licences and, although there might not be any intention to reduce the Board's sphere of influence, private selling 'would almost certainly result in a fragmentation of its activities'.[47]

In the following year, 1973, the CMB rejected requests for small lots, such as 1000 tons per annum in quantities of 500 tons from Mauritius, Australia and Lebanon, as there was no surplus outside normal contracts. The Board, well aware of the fiercely competitive world market in oils and fats, was not inclined to undertake anything likely to diminish its authority. It now needed to give more attention to coconut oil (Table 7.5). Considered by value, exports of copra had been twice those of coconut oil in 1967/68 and 2.6 times in 1968/69; they had fallen to 2.3 times in 1969/70, 1.8 times in 1970/71 and 1.5 times in 1971/72.

[47] CMB agendum 1961 of 15 November 1972.

Table 7.5 **PNG exports of coconut products, 1967/68 to 1971/72**

Year	Copra		Coconut oil		Other		Total	
	$'000	%	$'000	%	$'000	%	$'000	%
1967/68	14,050	65.5	6875	32.0	530	2.5	21,455	100.0
1968/69	14,804	66.8	5772	26.1	1579	7.1	22,155	100.0
1969/70	13,340	63.6	5801	27.7	1828	8.7	20,969	100.0
1970/71	14,207	58.9	7805	32.4	2096	8.7	24,108	100.0
1971/72	9,392	55.5	5880	34.7	1653	9.8	16,925	100.0

Source: Basic figures taken from Appendix Tables 3, 4 and 5.

The Board knew that world production of copra had remained almost stagnant since 1960 and even coconut oil's 5.6 per cent share of the world market in oils and fats in 1974 was expected to fall to 5 per cent by 1980.[48] The Philippines, with two-thirds of the world trade in coconut oil and copra, was crushing most of its copra. The good news was that Indonesia, which had been the second major exporter of copra and coconut oil in 1970, would have only about 3 per cent of the world trade because of increased domestic consumption; India, then the third largest producer of coconut oil, was now consuming all its coconut oil domestically; and the situation in Sri Lanka and Malaysia was much the same.[49]

The prospects of coconut oil depended upon four broad factors, namely, (i) the likely future trend in demand for the main products of coconut oil, (ii) the degree of substitution between coconut oil and competing oils and fats, (iii) the world supply of oils and fats, and (iv) the tariff and commercial policies of importing countries. The European market was basically an edible oil market while the US market was more or less equally distributed between edible and industrial usage. In the edible field, soya bean oil was the biggest competitor. Demand for coconut oil had, therefore, continued to be very dependent upon the price of coconut oil *vis-à-vis* that of other oils. In the technical and industrial field - where coconut oil was primarily used for soaps, detergents, cosmetics and toiletries, plastics, surface coatings, lubricants and additives - substitution had remained less practicable because of 'specific and salient' features, such as lathering properties, almost exclusive to coconut oil. With three-quarters of the world production of oils and fats consumed as food, price was the dominant factor in edible usage. Even in respect of the much smaller production for industrial usage, 'the most important economic factor in extending markets for coconut oil has been,

[48] H.S. Khera, 'Future of the coconut industry', Proceedings of the International Conference on Cocoa and Coconuts, Kuala Lumpur 1978 (1980): 742, using statistics supplied by FAO in 1973.

[49] Ibid.:743.

and... [would] continue to be, its price in relation to other oils and fats'.[50] And another factor, namely, change in market structures, had become significant. United Kingdom membership of the EEC, for instance, had considerable implications because the EEC was importing large quantities of coconut oil.

Although laws to promote crushing at origin had played a major role in the ascendancy of coconut oil over copra in the export market, buyers' preferences were also important. As the number of crushers in the United Kingdom and on the Continent had diminished significantly, we can safely assume that the earnings from by-products such as oil cake and meal did not match the savings in shipping coconut oil as against copra, even though bulk handling of the latter was now common.

Traditionally, the United Kingdom had been the major market for Papua New Guinea's coconut oil, with Papua New Guinea supplying from 36 to 48 per cent of the United Kingdom's requirements in recent years (W.R. Carpenter 1975:1). During the 1970s, Australia had become an increasingly important customer; in 1973/74, about 30 per cent of PNG coconut oil was shipped there. Some sales had been made to Canada, though they were neither as large nor as frequent. Both countries accorded Commonwealth of Nations tariff preferences, which allowed PNG coconut oil to enter duty free whilst levying a duty - 15 per cent in the case of the United Kingdom - on imports from non-Commonwealth countries such as the Philippines. In 1974, following the United Kingdom's joining the EEC, the duty on non-Commonwealth coconut oil was reduced to 11 per cent and, on 1 January 1975, it was further reduced to 1.5 per cent. At the end of the period dealt with in this monograph therefore, the tariff advantage over Papua New Guinea's competitor, the Philippines, was only small. From mid-1974, the United States became a valuable customer, the market having been created when the United States abolished its tariff preference to the Philippines and set one rate of duty on all imports of oils. Sales to the United States were also helped because refiners and end-users in that country preferred oil with a low acid content, such as PNG coconut oil, to the high content Philippines product, for reasons such as economies in refining and minimization of pollution of streams.

It has frequently been claimed that the move from exporting raw materials to exporting semi-processed products is a 'logical' stage of industrial development in any nation seeking to strengthen its position in the world markets. It is a 'logic' which has an especially strong appeal to politicians seeking public acclaim. On the surface, it thus seemed that the PNG coconut industry ought to switch from copra to coconut oil. What, then, was the situation facing the industry in the 1970s?

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[50] Ibid.:747.

In 1957, the Copra Marketing Board had been told that if the price of coconut oil went up in relation to other oils, Unilever would slow down the use of coconut oil in its products, but it could only do it very slowly because, once the public had acquired a taste for a particular product, say, margarine in which certain types of oil are used, it is 'extremely risky' to vary the formula.[51] There had been a switch from copra to coconut oil since then, but had the speed of the change merely reflected what Unilever had claimed to be the multinational's response to changes in customer preference?

During the 1960s, the world price elasticity of demand for coconut oil had been approximately unity, owing to the high degree of interchangeability between coconut oil and other oils and fats in margarine production on the one hand, with a low degree of interchangeability in most industrial uses on the other. The overall result was a moderate degree of response of consumption to price changes (FAO 1963:10). Technological discoveries and improvements in manufacturing methods might make for greater interchangeability, but, as the experience with wool and cotton has shown, this does not inevitably lead to a raw material falling into disuse.

In May 1972, the CMB wrote to the Minister for External Territories that

> as a consequence of Australian buyers changing from the importation of copra to coconut oil, it is possible that the existing [Coconut Products Ltd] crusher at Rabaul could achieve a dominant position in the P.N.G. copra industry which will involve considerations of Government policy, and at the same time, the Board would be faced with accumulations of copra at such ports as Kavieng and Samarai which will be unsuitable to larger vessels freighting between P.N.G. and Europe.[52]

Ten months later, Oliver informed the Board that Marrickville Holdings, a major margarine manufacturer in Australia, was 'seriously considering' either closing down its crusher and importing coconut oil or crushing Australian sunflower seed in place of PNG copra because it would save costs incurred on freight. He was concerned that this might result in the Toboi (CPL) crusher becoming the dominant buyer on the Gazelle Peninsula, which the Board was 'most anxious to avoid'.[53]

In August 1973, Coconut Products Ltd, a wholly-owned subsidiary of W.R. Carpenter Holdings Australia Ltd, asked for a

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[51] CMB agendum 533 of 13 March 1957.

[52] CMB agendum 1910 of 10 May 1972.

[53] CMB agendum 1994 of 14 February 1973.

licence to buy 55,000 tons, 10 per cent more or less, in 1974 because it had 'substantially increased' its milling capacity during the preceding twelve months, in anticipation of greater coconut oil sales to Japan. The company had wanted to buy the same quantity in 1973 but had been restricted to 45,000 tons, 10 per cent more or less, and the Minister for External Territories now directed the Board to negotiate with CPL 'provided necessary steps were taken to ensure protection to the farm price for producers'.[54] An export permit was granted to CPL for coconut oil and by-products from crushing up to 56,000 tonnes of copra, 84 per cent of which were to be bought from CMB.

By law, a crusher had to obtain a licence from CMB to buy copra and to export coconut oil and any by-products of its extraction. Moreover, any copra from a plantation or plantations owned by a crusher and then used by the crusher was subject to the same stabilization levy as the copra sold to the CMB by any other producer.

As a subsidiary of WRC, Coconut Products Ltd had access to considerable financial resources and 'friends at court' in Canberra. This may well have fuelled the Board's apprehensions when, in March 1974, CPL informed it that the company had discussed coconut oil sales with Mitsubishi and received a telex which stated, *inter alia*, that all other suppliers of copra were 'moving quickly' towards banning export of copra in order to protect local industry; that a drought in the Philippines was causing copra and coconut oil exports from there to be 47 per cent below quota and the current copra market, therefore, did not reflect actual value; that there was thus 'no sense' in 'PNG keeping [a] link with the Philippines copra market in London', and it was now time for Papua New Guinea to ban copra exports and to 'set its own price for local crushing, related to the world coconut oil market, not the copra market'.[55]

L.E. Clayphan, managing director of CPL, called Mitsubishi's viewpoint 'an interesting one' with which CPL did 'of course' tend to agree. Ultimately, asserted Clayphan, 'it would seem unreasonable for PNG to protect a copra exporting industry against world trends in this direction'.[56]

A few months later, when applying for a licence for 1975, CPL stated that it wanted to ship at least once a month to the United Kingdom and once in every twenty-one days to Australia.[57] As coconut oil occupies far less shipping space than its copra equivalent, the Board had to take into consideration the effect

54 CMB agendum 2064 of 17 August 1973.

55 CMB agendum 2148 of 23 April 1974.

56 Ibid.

57 CMB agendum 2126 of 14 February 1974.

upon shipping services. The Bank Line, the main carrier to Europe, had confirmed its policy of fleet renewal only with ships larger than 15,000 tonnes deadweight; this would lead to difficulties in clearing some Papua New Guinea ports unless their harbour works were upgraded. The alternative was to find a shipper willing to uplift a smaller volume of freight. Any increase of crushing on the Gazelle Peninsula and/or crushing elsewhere in Papua New Guinea might make it necessary to increase intra-PNG freighting, to bulk at the main ports.

The question of more crushers had come up from time to time. In 1973, for instance, the House of Assembly had been told that the CPL crusher was using one-third of Papua New Guinea's production and the government was investigating prospects for smaller factories, to handle 9000 tonnes of copra at Port Moresby, 7000 tonnes at Samarai, and similar quantities at other ports.[58] To the best of the Board's knowledge, a throughput of 40,000 tonnes of copra per annum was the minimum to compete with other countries' crushers.[59]

In 1974, the average annual price paid to producers by the CMB was $351.46 per tonne. As Appendix Table 26 shows, a mill in Papua New Guinea which crushed 15,300 tons would have earned only a net surplus of 5.6 per cent on total investment if the prices of copra and coconut oil had been $100 and $135 per ton respectively; it would have incurred a sizeable loss if the prices had been $300 and $405, and it would have earned a surplus of 22 per cent if they had been $550 and $935. Therefore, such a mill would not have been viable. A mill crushing 45,900 tons per annum, when the prices of copra and coconut oil were $300 and $405 per ton respectively, would have incurred a loss of about $1.2 million, while it would have earned a 23 per cent surplus when the prices were $550 and $935. Clearly, the PANG Annual Conference of Delegates in September 1973 which asked for a crusher at Madang was whistling in the dark, as the CMB depot there was receiving 16,426 tonnes.[60] What, then, was the reality? How did Papua New Guinea's only crusher, the CPL mill at Toboi, fare?

At the end of 1974, a paper privately circulated by WRC asserted that 'fundamental changes' had occurred and were occurring in world conditions for marketing copra and coconut oil, and that their likely effects might be viewed in two perspectives:

1. In the short-term, i.e. 6-12 months, the coconut oil producing industry in Papua New Guinea could be forced

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[58] HofA, Debates, Third House, First Session, Seventh Meeting, 25 to 29 June 1973, 2027-2028.

[59] Grose had mentioned this after attending the 1974 Congress of the International Association of Seed Crushers.

[60] PANG minute book. UPNG, not yet accessioned.

to close because of its inability to compete, primarily, with the Philippines product on a cost basis.

2. In the longer term, say 3-5 years, the Papua New Guinea copra industry could find itself facing a similar shut-down as present market outlets progressively follow[ed] the unmistakable world trend to cease the importation and milling of copra and, instead, to import coconut oil milled at origin (W.R. Carpenter 1975:1).

Although the paper does not offer reasons why production of coconut oil in Papua New Guinea was not cost-competitive, it is very likely that CPL saw the higher unit cost of Papua New Guinea labour as the main one. Certainly, expatriate interests in the copra industry were loudly complaining about the government's minimum wage regulations.

Table 7.6 **The world-wide decline in copra crushing, 1972-74 (tonnes)**

	1972 (Jan.-Dec.)	1973 (Jan.-Dec.)	1974 (Jan.-Sept.)
France	55,000	48,000	33,000
Japan	126,000	132,000	90,000
United Kingdom	40,000	39,000	23,000
USA	205,000	200,000	30,000
USSR	35,000	31,000	16,000
West Germany	420,000	296,000	45,000
Other	269,000	272,000	143,000
Est. Oct.-Dec. 1974			116,000
	1,150,000 (100.0%)	1,018,000 (88.5%)	496,000 (43.1%)

Source: W.R. Carpenter (N.G.) Ltd, 'Changes in world conditions for marketing copra and coconut oil': 7).

According to the paper, 'responsible leaders' of the milling industry believed that copra milling would 'virtually' end in the United Kingdom and Europe by 1980, and political pressure was forcing progressive closure of copra crushers in Japan because of pollution problems: 'the withdrawal by crushers from copra [in several countries]... [was] being hastened by the concentration of crushing facilities on the huge supplies of higher yielding soya bean now becoming available throughout the world'. In these circumstances, oil was becoming a by-product of the meal. The paper offered statistics showing a decline in copra crushing (Table 7.6). As for CPL, meal production was quantitatively significant: in 1972/73, it was 16,399 tonnes *vis-à-vis* 29,144 tonnes of oil, and, in 1973/74, the respective outputs were 15,807 tonnes and 27,912 tonnes.[61]

Desiccated coconut

Utilizing the coconut for other than copra and coconut oil had not received much attention from the makers of agricultural policy in Papua New Guinea and TNG before World War II except that, as mentioned in Chapter 4, the manufacture and export of desiccated coconut began in earnest in Papua and TNG in the late 1920s. As Appendix Table 4 shows, in 1940/41, the last year before the war began to adversely affect the operations of the factories, 3657 tonnes were exported. Manufacture and export were resumed in 1948/49 but only 986 tonnes, 41 per cent of the 1940/41 output, had been reached by 1951/52. In March 1952, Harrison & Ramsey Pty Ltd, which operated a factory at Aroa, Central District, asked the Minister for External Territories to have the TPNG export duty on desiccated coconut removed.[62]

J.E. Willoughby, Assistant Secretary, DET, told the Minister that the industry's rapid recovery during the last two years had been due 'mainly to supply of raw material below open market prices plus the 2d. per lb. tariff preference' granted by the Commonwealth. He outlined the most important arguments concerning additional assistance, such as lifting the TPNG export duty:

> Against:
>
> (a) Ceylon is able to produce at a lower price.
>
> (b) A section of TPNG industry asserts it could not compete with Ceylon when it had a price advantage in raw materials plus 2d. per lb. tariff preference.
>
> (c) The existing disadvantage in raw material might continue for years.
>
> (d) If the industry closes down -
>
> (i) revenue would be obtained from additional copra;
> (ii) copra production would increase by 2000 tons which would be sold to UK at contract price, currently better than market price;
> (iii) the Territory would be better off to the extent of the exemption of export duty, and any proposed subsidy. The economic loss would be the cost of maintenance, depreciation and capital on idle plant, or, if the plant is scrapped, the capital value.

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[61] Letter of 27 May 1986 from M.B. Hart, General Manager, CPL, to the present writer.

[62] Memorandum GS.CA 3/4/1/27. NA Series 247, Box 226.

(iv) there may be trouble with Ceylon and possible retaliatory action on Australian exports.

For:

(a) Desiccated coconut is [a] tropical product required but not available in Australia.

(b) Should the industry shut down -

(i) it would be a retrograde step;
(ii) plant and equipment would probably be dispersed and much capital outlay lost;
(iii) confidence in TPNG would decrease;
(iv) restoration of the industry could be most difficult because of reputation of failure.

Willoughby recommended repealing the TPNG export duty retrospective to 1 January 1952 and asking the Minister for Trade and Customs to provide special industry assistance.[63]

In its report, submitted later in 1952, the Papua and New Guinea Customs Inquiry Committee, appointed by the Minister for External Territories, stated that TPNG had supplied desiccated coconut to the value of $612,400 to the Australian market in 1950/51 when that market's requirements had been about $1.9 million. Professor S.J. Butlin (chairman) and V.A. Clark (member), however, pointed out that there was a fly in the ointment:

> As an incidental effect of the fall in the world parity price of copra below the United Kingdom [BMOF] contract rate since 1950/51, producers of desiccated coconut in the Territory have been forced drastically to curtail their output. The price at which the producers can obtain 'green meat' from the plantations is above world parity, and... the producers... [were therefore] unable to compete with producers in other countries, particularly in Ceylon. In addition to the disparity in costs of production, the shipping freights between the Territory and the principal Australian ports... [were] unfavourable when compared with the freights charged on the commodity from Ceylon (Commonwealth of Australia 1952:13).

Because the Australian import licensing restrictions did not apply to TPNG products, the Committee saw a way open for the Territory's manufacturers to regain the Australian market, namely, a tariff preference in favour of TPNG desiccated coconut. (This had been brought in retrospective to 1 January 1952; however, it had not offset the freight disadvantage; ibid.:14.) The Committee

[63] Ibid.

pointed out, though, that Australia's participation in the UN General Agreement on Tariffs and Trade (GATT) ruled out further tariff discrimination and, in any case, the real needs of the industry were greater efficiency in production and improved transport, and, moreover, additional tariff preference would discourage greater efficiency and probably be neutralized by higher transport charges (ibid.:26).

In December 1952, the Secretary, DET, wrote to the Administrator:

> It appears that some £10,000 or more is being lost to revenue and a further £3000 or more is not going to the Stabilisation Fund while coconuts are being used for the manufacture of desiccated [coconut]. Since all the coconuts could profitably be used for copra which would pay the export duties and stabilisation levies, an important question of principle arises, namely, whether an uneconomic industry should be encouraged.[64]

In other words, enough was enough: the tariff preference, recommended by his Assistant Secretary, had been granted, but, as the first six months of the 1952/53 fiscal year showed, this had not boosted exports. And, presumably, if anyone had put the 'infant industry' argument to the Secretary, it would have cut no ice as TPNG's desiccated coconut industry was over twenty years old. In any case, something quite unforeseen by the manufacturers in the islands and the politicians and public servants in Canberra soon put paid to the industry. As *PIM* told its readers in August 1953, outbreaks of typhoid had occurred in half a dozen widely separated localities in Queensland, New South Wales, Canberra and Victoria, and 'apparently bewildered' medical officers, suspecting desiccated coconut from Papua, had ordered stocks in shops to be 'frozen' and householders to burn what they had. As for the factories in TPNG, the newspaper reported that they had folded up, 'one by one', under Ceylonese competition, so that the only suppliers were at Milne Bay (Bruce Hamilton), Kemp Welch River (Rosser Brothers) and Aroa (Harrison & Ramsey).[65] A month later, *PIM* reported that the source of the typhoid was 'still surrounded by mystery'. Food poisoning organisms similar to typhoid had been found in cultures made from one brand of desiccated coconut manufactured in Papua. Dr A.V.G. Price, Government Pathologist at Port Moresby, had detected Salmonella organisms in samples of 'Papuan Tropic Snow' from Aroa, but no typhoid organisms. However, inspections of the factories had disclosed a need for better industrial hygiene and the Administration had banned the

[64] GS.CA 3/4/1/27. NA Series 247, Box 226.

[65] *PIM*, 24:1 (1953): 1.

export of all desiccated coconut. *PIM* believed it to be a 'death-blow' to the industry.[66] The newspaper was right.

The industry was not revived until 1968 when WRC began desiccated coconut production on its plantation at Ulaveo, 39 km from Rabaul. With a plant using only coconut husks to fuel its boilers and a total initial investment exceeding $500,000, the venture's Australian manager and four Filipino technician/overseers took great care to establish and maintain hygiene and quality control.[67] The WRC operation ceased in 1973 and 'everyone want[s] to forget this loss making enterprise'.[68] CPL's production had been 2661 tonnes in 1969, 3582 tonnes in 1970 and 3737 tonnes in 1971. Ninety-six per cent of this went to Australia.[69] According to official statistics, 3194 tonnes valued at $1,065,000 were exported in 1971/72.

Interest in ways of using coconuts for other than copra and coconut oil had continued over the years. In 1963, for instance, J.R. Stuntz, a Non-Official Member, told the Legislative Council that the Administration ought to conduct research into ways in which end-products of copra, such as soap and margarine, could be manufactured in TPNG.[70] As for the manufacture of soap, there had been no commercial venture since 1940 when F.W. Burke closed his factory at Orokolo (see Chapter 4). In 1950, the Daru Native Peoples' Trade Store had wanted to establish a factory with an annual capacity of 600 tons of laundry soap but, after learning that coconut oil is not the appropriate raw material and that toilet soap with a coconut oil base would face very strong competition from large Australian-based manufacturers such as Colgate-Palmolive, it did not go ahead.[71] Papua New Guinea's imports of soap had been too small to make manufacture at home an attractive proposition for industrial capital before the 1970s, but the situation has changed. In 1973/74, 3221 tonnes of laundry soaps costing $1,048,651 and 520 tonnes of toilet and medicated soaps costing $452,569 were imported, a total outgoing of $1,501,220; 92.4 per cent by value of laundry soaps and 86.9 per cent of toilet and medicated soaps came from Australia (Appendix Table 25). The establishment of a viable soap industry was now a matter of infusing enough capital to set up a factory capable of producing an output large enough to give economies of scale that would make it competitive with manufacturers in other countries,

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66 Ibid., 24:2 (1953): 149.

67 Ibid., 39:2 (1968): 61-3.

68 Letter of 27 May 1986 from M.B. Hart.

69 Ibid.

70 TPNG Legco, Debates, Fifth Council, First Session, Seventh Meeting, 25 February to 1 March 1963: 651.

71 Memorandum 42-102/5 of 1 February 1950 from Co-operative Officer, Kerema, to Registrar of Co-operative Societies. On file at Business Development Office, Daru.

and for the government to offer incentives such as temporary tariff protection and a tax holiday.[72]

Coir and charcoal

Interest in coir had continued. As mentioned in Chapter 4, the establishment of a fibre plant on New Britain in 1932 had not led to a permanent industry. However, immediately after World War II a company had been formed in the Kokopo area for production of fibre and fibre products. The venture had folded up as it had not managed to overcome difficulties in collecting husks and, so its directors had claimed, shipping was too costly. In 1954, DET had informed the Administrator that a Sydney mattress manufacturer wanted to buy husks and collect them on plantations. Cleland replied that DASF had from time to time submitted samples of fibre to CSIRO and been told that the quality had varied considerably and was best when the fibre was obtained from freshly stripped nuts, not over-mature, and the husks not exposed to moisture. However, the average planter did not consider it worthwhile to change his methods for the small return that he would obtain from selling the husks.[73]

In 1974, when asking in the House of Assembly about government action to set up a coconut fibre processing plant, Perry Kwan (Kavieng Open) mentioned that UN experts had made a visit in July.[74] There had, indeed, been such a visit but the expert team's report, *Potentialities and Programmes for Development of Small Industries in Papua New Guinea*, does not provide 'hard' data.

Factories to process coir fibre and coconut shell charcoal had been established near Madang in 1968 by Dylup Industries Pty Ltd (DI), incorporated on 21 August 1967 with an authorized capital of K25,800. DI produced mattress fibre, bristle fibre and machine-twisted fibre from coconut husk, and charcoal from coconut shell. All raw materials were obtained from its parent company, Dylup Plantations Ltd. DI manufactured mattresses for the local market, and, between 1968 and 1971, exported about 80 tonnes of machine-twisted fibre, valued at K15,000, to Japan for use in motor upholstery. The fibre factory ceased to operate in 1971 because of depressed prices for machine-twisted fibre on overseas markets and a decrease in demand as motor vehicle manufacturers were switching over to the use of synthetic foam products which were cheaper, cleaner and easier to handle, and less

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72 Although the government did not come to the party, Steamships Trading Co. Ltd and Collins & Leahy Pty Ltd commenced a joint venture in soap making in 1985.

73 Memorandum I 74/1/2 of 17 November 1954 from DET to Administrator and his reply 29/6/30 of 9 December 1954. NA Series 247, Box 225.

74 HofA, Debates, Third House, First Session, Fifteenth Meeting, 30 September to 4 October 1974: 4622.

combustible.[75] The campaign by Ralph Nader, the consumer advocate, which led to the introduction of auto-safety (fire) regulations, compelling the use of man-made fibres in the upholstery of motor vehicles in the United States, too, may have had an adverse effect upon the market for DI's fibre production.[76]

DI also exported about 1750 tonnes of shell charcoal to Japan, the United Kingdom and Europe, at a total value of about K152,000. Production was discontinued in 1975, because of a lack of raw materials brought about by its parent company's reverting to the more efficient 'finger-cut' method of copra production.[77]

[75] Letter of 19 June 1986 from A. Cammack & Associates, Noosa Heads, to the present writer.

[76] Letter of 7 February 1986 from Kulili Estates, Kar Kar Island, to the present writer.

[77] Letter from A. Cammack & Associates. Dylup Industries Pty Ltd was restructured in 1986 and resumed operations, using a special knitting machine imported from Germany to produce a coir fibre erosion and ground control mat.

Chapter 8

Saving for a rainy day

Post-war administration and stabilization

As mentioned in Chapter 5, a scheme to stabilize the price of copra paid to producers had been proposed as early as March 1946, by ANGPCB's chairman, J.C. Archer. The proposal, which aimed at no more than supplementing the price paid to producers when the market price was low - but did not specify what constituted a 'low' price - had then been implemented. It did not, however, receive the official 'nod' until 30 June 1948.

Early in 1952, not long before he took the final step to have the TPNG Legislative Council pass the legislation which, among other things, required the replacement of the Australian New Guinea Production Control Board by the Copra Marketing Board, the Minister for External Territories, Paul Hasluck, had directed his staff to prepare the creation of a copra stabilization fund in consultation with the producers.

The fund got off to a good start (Table 8.1). Until 31 December 1949, payments to the fund had been made separately from export duty. From 1 January 1951, by the operation of the Customs (Export) Tariff Ordinance 1951, the duty included an amount payable to the fund established by that ordinance (Table 8.2). The frequent changes in these rates reflected the upward trend of the world market, including, of course, the Australian market. As Appendix Table 14 shows, the London, price, for instance, made many moves during those years, with 16.9 per cent the smallest change from the previous year and 33.6 per cent the biggest. London market prices were well above those obtained by TPNG producers until the BMOF contract came into operation. To the copra producer, changes in the real purchasing power of the Australian pound, the currency in TPNG, were important too. To take an example from Appendix Table 9, the $94.48 per tonne paid to him in 1949 had a 1974 purchasing power of $337.29 whilst the $107.53 per tonne that he received two years later had a 1974 purchasing power of only $279.58. We need to keep this well in mind when looking at the 'raw' statistics.

Table 8.1 **Copra stabilization receipts to 1950/51**

Year	Levy (£)	Interest (£)	Total (£)
to 30.6.46 [from ANGPCB profits]			38,274
1947/48	98,376	923	99,299
1948/49	375,091	5,091	380,182
1949/50	297,359	15,847	313,206
1950/51	346,995	24,452	371,447
Total	1,117,821	46,313	1,202,408

Source: CMB CB8/20, f.41.

Table 8.2 **Rates per ton of FMS copra**

Period	Total in respect of duty (£)	Stabilization fund (incl.) (£)
Up to 30 Nov. 1946	1 0s 0d	..
1 Dec. 46 to 30 Apr. 47	1 11s 6d	..
1 May 47 to 31 July 47	2 12s 0d	..
1 Aug. 47 to 31 Mar. 48	6 17s 6d	..
1 Apr. 48 to 31 Dec. 48	8 5s 0d	..
1 Jan. 49 to 31 Dec. 49	8 11s 6d	5 0s 0d
1 Jan. 50 to 28 Feb. 50	8 11s 6d	5 0s 0d
1 Mar. 50 to 28 Feb. 51	9 5s 6d	5 0s 0d
1 Mar. 51 to 31 Jul. 51	6 9s 6d	2 0s 0d

Source: Letter EP813/1/12 of 17 June 1953 from DET to Hoare-Lacey, Kallista, Victoria. CMB CB8/20, f.43.

Whilst the village producers were still ignorant of the reasons for the fluctuations of price paid at the CMB depots to which an increasing number of them were selling, the Australian planters, plantation managers and other foreigners in the industry were not. Indeed, they were pretty well *au fait* with the current London price and world market trends because communications, especially radio broadcasts, were now much better than they had been before the war. Moreover, their representative bodies, the Planters' Association of New Guinea (PANG) and the Planters' Association of Papua (PAP), had frequently informed the Minister what they considered to be the best, if not only, way to go about stabilization. For instance, as mentioned earlier, the assistant secretary of the PANG had told senior Administration officials in 1949 that his association and the PAP were 'against any kind of stabilisation fund' and had obtained an opinion from G.E. Barwick, King's Counsel, that deductions made and paid into the fund were illegal.[1]

The Commonwealth Government was no stranger to stabilization. In 1943, for example, under the Dairy Industry Assistance Act, the government had paid a subsidy to raise the financial return to producers of milk used in the manufacture of butter and cheese, to a guaranteed figure related to the cost of production in 1943. In March 1949, the Minister had written to the PAP that a stabilization scheme and appropriate fund were needed for long-term development of the copra industry, and contributions to the existing fund would be continued until a new scheme was introduced.[2]

Many coconut planters objected to any stabilization scheme which derived part of its funds from a levy imposed upon their proceeds. One of their main objections was based on the argument that a plantation owner who left the industry did not receive reimbursement for his 'share' of the levy imposed. 'Producers' equity!' was the cry. The Minister invariably rejected such claims by pointing out that the Stabilization Scheme's foremost purpose was to secure the continuation of a strong industry, with the promotion of individual plantation owners' fortunes as a secondary consideration. This 'message' was, of course, not put quite so blandly, but it was there, nonetheless.

Even R.E.P. Dwyer, Director of Agriculture, Stock and Fisheries at Port Moresby, a public servant since pre-war days in TNG whom the planters regarded with favour and who saw merit in the clamour for producers' equity, had no doubt that a stabilization scheme was essential. In November 1950, he suggested a revolving fund - that is, when enough had been accumulated to ensure the industry's stability, the first 'subscribers' ought to be reimbursed first, 'so that the question of producers' equity... [was] not lost sight of.'[3] The Treasurer, H.H. Reeve, commented that the recognized cost of production seemed to be 'the crux of the whole scheme' and, he asked, as 'Native producers would probably have little production cost... should they benefit by the same payment from the fund as plantation producers?'[4] Reeve, a qualified accountant, seems to have had no understanding of 'opportunity cost' in respect of the physical effort and time spent by villagers in making copra.

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1 PANG minute book. UPNG, not yet accessioned.

2 CMB CB8/20, f.66.

3 Memo. DASF 23-4-17 of 18 November 1950 from Director of Agriculture, Stock and Fisheries to Government Secretary. NA Series 247, Box 22.

4 Ibid.

On 21 November 1952, the planters' continued objections to the stabilization levy caused the Minister to state publicly that he 'had come to the conclusion that there... [was] no legal claim by any individual producer on any part of these funds and that the funds were clearly accumulated for the benefit of the industry as a whole'. Things were proceeding smoothly under the BMOF agreement and the industry's long-term prospects appeared good, Hasluck agreed, but it was still possible that copra producers might 'strike a period of unprofitable prices'.[5] The two planters' associations then embarked on a legal challenge seeking a refund of the levy from 1 January 1950 until the coming into operation of the Copra Marketing Board Ordinance 1952. It was not until 1954, when, in his annual report for 1953/54, the president of the PANG let his association's members know that Barwick had advised that there were no legal grounds for recovery of the levy in respect of the period from 1 January 1950 and 'there were strong practical considerations against endeavouring to recover anything in respect of the period to the 1st January 1950' that the PANG decided to support the copra industry stabilization legislation.[6] Two years later, the PANG's annual conference of delegates directed the association's executive council to press for a copra industry stabilization fund board on which producers were to be 'adequately' represented.[7]

A bill for a Copra Industry Stabilisation Board (CISB) to control the copra fund was introduced during the November 1953 session of the PNG Legislative Council. A month later, the PAP wrote to the Administrator that it fully supported the new legislation and, as the Copra Marketing Board was 'efficient and enjoyed the confidence of producers', the Stabilisation Board ought, in the first instance, to comprise the same membership as the CMB and use CMB records.[8] Three months later, in March 1954, the PAP told the Government Secretary that it opposed the nomination of two PANG representatives to the CISB and recommended that the Board consist of one member nominated by the PANG, one by the PAP, and one person appointed by the Minister to represent commercial groups which had not joined one of the planters' associations.[9]

The Minister took his time. It was not until November that he made the first appointments to the Stabilisation Board, namely, the managing director of Coconut Products Ltd, the only oil crusher; the vice-president of the PANG; the president of the PAP; and two senior Administration officers (Treasurer and Director of Agriculture, Stock and Fisheries). The managing director of CPL

5 NA Series 247, Box 22.

6 PANG minute book. UPNG, not yet accessioned.

7 Ibid.

8 Letter 1577 of 16 December 1953. CMB CB8/20/3.

9 Letter 311 of 18 March 1954 to the Government Secretary. CMB CB8/20/3.

and the PANG's vice-president were employees of the W.R. Carpenter group.

In the meantime, the Legislative Council had passed the Copra Industry Stabilisation Bill 1955 which amended the 1954 Ordinance. The amendment transferred to the copra fund established under the ordinance all monies and investments received by the Administration from the ANGPCB Trust Account, namely, £611,082 collected under the Customs (Export) Tariff Ordinance and about £800,000 from the Trust Account. It was an important measure as markets and prices were uncertain. R.E.P. Dwyer, who was an Official Member, as well as being Director of DASF, told the Council that the 'full' copra fund would guarantee a reasonable price to growers for at least three years.[10]

On 18 October 1956, the Minister broadcast that the stabilization fund was now nearly £2.5 million. As Table Appendix Table 13 shows, it had grown to almost £3.3 million by July 1959 when he pointed out to the presidents of the two planters' associations that the export duty for revenue raising and the stabilization levy had merely been linked by 'historical accident' and the responsibility for deciding the levy now rested in the first instance with the producers. The CISB had recommended that the levy be discontinued, and he wished to know the associations' views.[11]

The Board had given the matter much thought. During the early years it had been accepted that a bounty would be paid when the market price fell to a point where the CMB's final payment to growers was less than the current average cost of plantation production plus 10 per cent, with the bounty making up the difference. Later, it was suggested that a floor price-based bounty be paid. (It so happened that the state of the world market did not make it necessary to pay a bounty until 1966.) The CISB now recommended a policy based on (a) state of the copra fund, and (b) past price trends and likely future ones. The aim was to be to cushion the effect of falling prices, by a technique using a moving average of monthly prices in respect of a period of six months. When the moving average reached a level which the Board deemed uneconomic for producers, a scale of bounty payments would be set so that an increasing amount would be paid as prices receded, but in such a way that the total return to producers continued to fall with the lower prices, albeit at a decreasing rate.[12]

The Bill for the Customs (Copra Industry Stabilisation) Ordinance 1959 was introduced in the Legislative Council on 15

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10 TPNG, Legco, Debates, Second Council, First Session, Second Meeting, 21 to 25 March 1955: 33.

11 Copy of Minister's letter of 6 July 1959. CMB CB8/20, f.132.

12 Minutes of board meeting of 11-12 May 1959. CMB CB8/20, f.149.

July 1959. W.W. Watkins, Secretary for Law, told the Members that income tax would be introduced and that export duties on agricultural produce were being removed because it would bring about 'a more equitable form of taxation so that the impact of taxation would be borne by the residents more equally and spread over a wider field of interests'. The Bill was designed to remove export duty on copra and was separate from the bill to remove export duty on other products because provision had been made for the monies held in the copra fund under the Customs (Copra Export) Tariff Ordinance 1958.[13]

The export duty on copra had amounted to £1.1 million in 1958/59 and was estimated at £800,000 for 1959/60. Its removal, retrospective to 1 July 1959, was thus effected to relieve producers of 'what could be classed as sectoral taxation'. It was prompted by falling prices on the world copra market. The levy contributing to the copra fund was discontinued because the Board considered its present level 'sufficient for foreseeable assistance in the immediate future'.[14]

A further amendment of the ordinance, in October 1959, enabled the CISB to make indirect advance payments to producers through the CMB instead of, as until then, 'direct back-payments'. Non-Official Member B.E. Fairfax-Ross supported the amendment as enthusiastically as he had supported the Bill presented in July.[15]

Stabilization was now accepted by everyone in the industry. The planters' associations' demands for representation on the board administering the stabilization fund had been accommodated, just as their requests for representation on the board of the CMB had earlier been. The associations' remaining concern was now about any reimbursements should the fund reach a level ensuring price support for more than the foreseeable future. On several occasions, notably the meeting of PANG's executive council on 26 April 1961, voices were heard in favour of the kind of rotating system suggested in 1950 by the Director of Agriculture, Stock and Fisheries, but the issue remained there.[16] That meeting of the PANG's executive council merits mention because the views of the New Britain Co-operative Association were brought before it. Even though this was done by G. Morris, a former registrar of co-operative societies and now a plantation owner, who had approached the co-operative's board of directors, it indicates that at least the Australians at the helm of the PANG had come to recognize the importance of the village producers' contribution to the industry.

13 TPNG, Legco, Debates, Third Council, First Session, Sixth Meeting, 22 June to 15 July 1959: 708.

14 Ibid.:713.

15 Ibid., Seventh Meeting, 28 September to 10 October 1959: 735-6.

16 The New Britain Co-operative Association was in favour, provided that the levy was re-established when necessary. PANG minute book. UPNG, not yet accessioned.

The planters' need for equity

Stabilization had already been one of the topics discussed by R.W. Robson, editor of *Pacific Islands Monthly*, indefatigable taskmaster of the Administration. Later, in February 1963, after the Minister had announced the appointments to the CISB of F.R. Wilson and W.J. Grose (to represent planters in the UN Trust Territory), B. Fairfax-Ross (to represent those in the Territory of Papua) and Nason Tokiala, president of Vunadidir-Toma-Nangananga Local Government Council (to represent village producers), Robson told his readers:

> A great many of the people who have contributed most to the [Copra] Fund will never benefit - they have sold their plantations and got out of the industry. On the other hand, if some time in the future someone starts to distribute the Fund, many who have never contributed a penny to it - who might, in fact, have planted up a new plantation after levies ceased - will benefit. This can probably be considered fair enough as the Fund was created to protect the *industry* and not the individual. It is conceivable, however, for the Fund to fall like a ripe plum into the lap of some future newly independent state of PNG at a time after the owners of European and company-owned plantations... have, like the poetical Arab, folded their tents and silently stolen away![17]

When the PANG wrote to the Minister in October 1963 about the administration or possible distribution of the copra stabilization fund in the event of self-government, Robson's comment may have been foremost in the minds of its executive. Or, perhaps, the letter was merely a manifestation of the association's long-standing practice of lobbying against anything likely to affect the fortunes of its members adversely. Neither the announced establishment of a House of Assembly nor anything else done, said or implied by the Commonwealth Government or the PNG Administration gave any indication that Australian control over Papua New Guinea would end within the next decade or two. No wonder that the Minister replied to the PANG that self-government 'was a long way off' and the Commonwealth refused to fix 1970 or some other date for self-government.[18]

In any case, the decline of prices on the world copra market which had begun in 1951 was of much greater concern to members of the planters' associations and other producers, not least those in the villages, than political evolution. At $107.28 per tonne of hot air copra, CMB's average payment to producers in 1961 was the lowest since 1950, except for 1958, and, as Appendix Table 9

[17] PIM, 33:7 (1963): 14.
[18] CMB CB8/20, f.159.

shows, the producer's situation was even worse if he compared annual average prices after adjusting them according to the purchasing power of the dollar.

The price set by the CMB for payments to producers inevitably reflected the London market price. The average price of Singapore FMS copra had fallen in every year since 1951, except in 1953, 1958 and 1959. In 1962, at £E60.38, it was just 57 per cent of what it had been in 1951 and most of the increases in 1963 and 1964 were wiped out by a 19.7 per cent decrease in 1966, to £E67.19 (see Appendix Table 14).

In April 1966, the CISB informed the Minister that the copra fund stood at $8,736,349 - or $71.41 per ton based on the 1965 record production of 122,230 tons - and recommended paying a bounty of $2 per ton for the fiscal year 1966/67, amounting to $244,680 while the fund was earning $415,569 annual interest.[19] The Minister gave his approval.[20]

The bounty was subsequently increased to $3 per ton. Further increases, made necessary by the continuing fall of prices on the world market, were made as shown in Table 8.3.

The bounty payments did undoubtedly rescue marginal plantation producers and minimize any village producers' inclination 'to give the game away', but, even so, they did not satisfy every producer. The PANG's president, W.J. Grose, had already argued in 1968 that producers should receive 90 per cent of the current world price less any levy, not 60 per cent, as he claimed was paid by the CMB. (The Board was then paying about 75 per cent.)[21]

In November 1971, the first time it had to make sizeable bounty payments, the CISB was full of confidence. The Ministerial Member for Agriculture, Stock and Fisheries advised the House of Assembly that the stabilization fund stood at $9,460,202 and there was no need for further contributions even though bounty payments had already been made, and that the CISB had recommended to the Minister that an appropriate bounty be paid 'to offset current low prices'.[22]

Cecil Abel (Milne Bay Regional) was disturbed that there was 'not a single indigenous member' on the CISB 'to represent the thousands of indigenous growers', and requested 'that at least three articulate and experienced Papuans or New Guineans be

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[19] CMB CB8/20, f.163.

[20] Letter 63/7039 of 2 June 1966 to the Administrator. CMB CB8/20, f.168.

[21] PIM, 39:9 (1968): 118.

[22] PNG, HofA, Debates, Second House, First Session, Seventeenth Meeting, 8 to 26 November 1971: 5123.

Table 8.3 **Bounty and levy, November 1971 to December 1974** (kina)

Period	Est. level of fund at end of period	Bounty/ levy (-) (per ton)[a]	Basic tentative price at end of period (FMS copra) (per ton)	Tentative price inclusive of levy/ bounty (per ton)
30.11.71	9,400,000	3	97	100
1.12.71 - 31. 1.72	9,100,000	10	83	93
1.2. - 29. 2.72	9,000,000	20	83	103
1.3. - 31. 5.72	8,100,000	30	70	100
1.6. - 31. 8.72	6,700,000	45	65	110
1.9. - 30.11.72	5,500,000	40	65	105
1.12.72 - 28. 2.73	4,400,000	36	88	124
1.3 . - 31. 5.73	3,900,000	22	119	141
1.6.73 - 17. 4.74	3,900,000	-	374	374
18.4. - 31. 5.74	4,900,000[b]	-21	337	316
1.6. - 30. 6.74	5,300,000	-23	354	331
1.7. - 31.12.74	7,300,000	-27	394	367

[a]Bounties and prices were on a per long ton basis until 30 June 1974.
[b]Includes an amount of K0.9 million (K7.35 per tonne) which the Minister for Primary Industry directed be withheld from the 1973 price adjustment and credited to the Copra Fund.

Source: Wheeler, Sackett and Densley, 'Coconuts' in D.R.J. Densley (ed.), *Agriculture in the Economy*, I, n.d. [1978]: Table 19.

appointed... as quickly as possible'. Abel went on to ask why the bounty had been set to bring the price of smoke-grade copra to $115 per ton when the Minister had already agreed to $125:

> This $115 represents minimum first price to growers and... in terms of bags roughly about $8.20 per bag if you take it on fourteen to the ton, or $8.50 if they are tightly packed and go 13.5 to the ton. The $125 is a final price which the grower will not get until he is paid the adjusted price in August at the end of the year. Only $105 will be put in the hands of the producer now as the first payment and that represents something like $7.50 per bag. So, in effect, all that the Stabilisation Board has done is to put an extra 50 cents a bag on the price of copra and, as we have recently heard in the question of the Member for Rigo-Abau, if it is true that Steamships Trading Company is going to raise their prices, then this small amount will be completely swallowed up in extra freight rates.[23]

[23] Ibid.:5440-1.

Abel, a former missionary, was unaware that the CISB had one Papua New Guinean member, namely, Nason Tokiala. He was right however about the effect of the $115 'benchmark'. The village producer often did not know that the CMB made a final payment. Even if he knew, that payment did not come to him where he had sold his copra to a trader. Moreover, many of the villagers who marketed through a co-operative did not comprehend the 'total package', that is, initial payment plus price adjustment payment, although co-operative officers repeatedly explained it.

By April 1972, some planters feared that the stabilization fund might be exhausted within twelve months and CISB would reduce the bounty to prolong the life of the fund. The PANG's annual conference of delegates on 29-30 April voted to have the bounty maintained at a level related to the cost of production, to be established by a survey, *and* for the Commonwealth Government to subsidize the price of copra paid to producers should the fund be exhausted.[24]

How had the benchmark been calculated? Since the 1930s there had been infrequent surveys of the cost of production on plantations. One of the problems encountered had been - and remained - the difference in the size of plantations which, of course, has a decisive bearing upon the achievement of economies of scale. Using a population frame established on the basis of plantation suppliers to the CMB in 1971 and stratified according to tonnage input, Williamson and Sackett (1973), economists employed by the Administration, presented figures as shown in Table 8.4.

Table 8.4 **Population stratified by number and tonnage**

Category	Copra production 1971 (tons)	Number of plantations 1971	Plantation output production (tons)	Per cent of total production
-	1-20	60	484	0.6
A	20-49	59	2,105	2.8
B	50-99	66	5,038	6.6
C	100-199	82	12,060	15.8
D	200-399	92	25,931	34.1
E	Above 400	44	30,505	40.1
Plantation sector totals		403	76,123	100.0

Source: P. Williamson and M.A. Sackett, *The Copra Industry*, Port Moresby, DASF, 1973: Table 15.

[24] PANG minute book 1972. UPNG, not yet accessioned.

According to DASF annual surveys, the estimated average total cost excluding profit of production had varied from $73 per ton in 1962/63 to $103 in 1970/71. The survey by Williamson and Sackett, made necessary in 1972 when the CMB price to producers had fallen steeply even though strongly supported by the stabilization fund, found the weighted average total annual cost of producing a ton of plantation copra to vary from $97 on Category E plantations to $130 on Category A ones, with an average cost of $104 for plantations *in toto* (Williamson and Sackett 1973: Table 23). A benchmark for commencement of bounty of, say, $104 would allow Category E plantations a profit of $7 per ton while Category A ones would be $26 per ton in the red. Setting a benchmark enabling viability throughout the plantation industry would, in this particular case, mean setting it at $143, to allow the smallest plantation producers a 10 per cent profit margin. It would give the largest producers a profit of almost 35 per cent.

The main questions facing the CISB were: (a) was the fund large enough to pay a bounty sufficient to keep all plantation producers afloat? And, if it was, then (b) for how long could it afford to provide this level of support? While the answer to (a) was easily ascertained, that to (b) depended upon guesswork because, having regard to the world market price fluctuations ever since the copra industry began in earnest, there were no clearly evident factors, let alone one factor, of use as a reliable indicator. When the Minister for Agriculture, Stock and Fisheries told the House on 20 April 1972 that the stabilization fund held about $8 million and it was 'unlikely to be exhausted in the immediate future',[25] neither he nor anyone else, not even the brokers and agents of London firms with experience dating back to the last century, knew how long, if ever, it would be before the world market price regained a level allowing Papua New Guinea's small plantation producers to make a modest profit.

On 5 March 1974, shortly after the preceding year had seen an astounding 156.3 per cent increase of the London price over that in 1972, and the CMB had paid an annual average price of $161.58 per tonne of hot air copra, John Guise, Minister for Agriculture, brought the Copra Marketing Board Bill 1974 before the House of Assembly. In the Second Reading speech, he informed Members that the bill (a) provided that 'the copra stabilisation fund [was] to be again built up by the introduction of a levy on copra'; (b) combined the functions of the Copra Industry Stabilisation Board with those of the Copra Marketing Board 'and in so doing reduce[d] the number of organisations involved in the copra industry', (c) increased the membership of the CMB from six to seven, and (d) 'combine[d] the many cases of separate legislation currently covering the marketing of copra and the Stabilisation Fund into one Act'. Guise pointed out that growers

[25] PNG, HofA, Debates, Third House, First Session, Second Meeting, 26 to 27 June 1972: 354-5.

had received $5 million bounty during 1972-73 and, although the fund now stood at $4.2 million, it was 'a matter of urgency' to build it to its former level as quickly as possible.[26]

Oscar Tammur (Kokopo Open) told the House that his constituents wondered where the profits of the stabilization fund had gone. He supported the bill but felt that it was 'quite unfair for those districts which produce a lot of copra to give a large proportion of their profits to help rectify the situation in other districts which produce very little copra'. Tammur also complained about the government sending 'useless good-for-nothing people' on 'all sorts of tours' when it ought to be sending delegates 'to important conferences to obtain a better price for copra instead of making the people set up stabilisation funds every time prices drop rapidly'.[27] However, other Members had no reservations about price stabilization. Stanis To'Liman (Bogia Open) warned that whereas the current price was $600 per ton it could be $30 tomorrow, and he wanted the stabilization fund to be built up to at least $10 million or even $20 million, and for 'all those Members of the House who... [were] copra producers to be members of the Stabilisation Fund'.[28]

Tammur, a school teacher who had at one time undergone Army specialist tradesman's training in Australia, clearly did not understand how the stabilization scheme was operated and probably had not even tried to read the bill. It is very likely that no other Papua New Guinean Members, with the exception of Guise, knew more than Tammur. We need to keep in mind that only a handful of the Papua New Guineans in the House had had better than primary education and that some were semi-literate. It was a serious handicap to informed debate and, of course, favoured the foreign-born Members.

One of the foreign-born Members, D. Young (Milne Bay Regional), moved an amendment of Clause 27 which, among other things, clarified the term 'support price' to mean the price declared by the Minister to be the minimum price per tonne of copra paid by the Board. In the past, claimed Young, growers had 'never known' at what level stabilization funds would be used to support the industry, and that had been a weakness in the industry. The government would now have the opportunity to state at which levels the copra fund would be used. This would enable planters to plan realistically and assist the Department of Labour in negotiating rural wages.[29] The Minister of Agriculture, Guise, accepted the amendment on behalf of the government as it gave the CMB 'greater flexibility in its trading operations by allowing the

[26] Ibid., Eleventh Meeting, 4 to 8 March 1974: 3365.

[27] Ibid.:3506.

[28] Ibid.:3505.

[29] Ibid.:3528.

temporary use of levy moneys in its trading operations'.[30] But he did not explain how.

In 1978, with the benefit of hindsight, economists were to write that 'except for substantial payments to producers from the stabilization fund in these two low-price periods [1971-73 and 1975-76], large numbers of both plantations and smallholders would have ceased production (Wheeler, Sackett and Densley n.d. [1978]:28).

Until the 1970s, neither the CISB nor the politicians seem to have considered the possibility of the stabilization fund being exhausted while assisting producers during a long period of low world market prices. But the PANG had it in mind in October 1972 when it conveyed to the Minister for External Territories its concern that the stabilization fund might be exhausted in twelve months. Noting that the bounty had been reduced to prolong the life of the fund, the PANG wanted the Commonwealth Government 'to support the price of copra to an economic level in the event of the expiration of the Fund and to maintain the bounty payments at a level related to the cost of production'. The Minister had replied that he awaited the results of an industry survey and recommendations from the PNG Administration and CISB. Three years earlier he had informed the PANG that he 'did not think it reasonable to expect contributions to a stabilisation fund to come out of Government revenue'.[31] In any case, the Commonwealth Government had begun to steer clear of changing policies or making new ones which might not be favoured after Independence.

At its 83rd meeting on 21 March 1974, the CMB resolved to take $120 per tonne as the average cost of production, and declared that a stabilization levy of about 10 per cent on the amount by which the CMB tentative price exceeded $120 could be afforded by the industry. The Board judged the average cost of plantation production to consist of approximately 40 per cent labour costs.[32]

Four days later, the CISB recommended to Guise that the levy scale be changed and extended as follows:

[30] Ibid.:3529.

[31] PANG correspondence file. UPNG, not yet accessioned.

[32] CMB agenda 2101 (83rd Meeting) and 2191 (86th Meeting).

Price per tonne	Levy
Under $130	-
$130-$139	$1
$140-$149	$2
.	.
.	.
.	.
$510-$519	$39
$520 and above	$40

and that the target level of the fund be $10 million, when total and interest earnings should be reconsidered with a view to suspending levy collection until such time as it might again be necessary to rebuild the fund.[33]

Guise had already announced that it was essential to build up the fund in times of good prices such as existed at the time. He was therefore introducing a levy which at the existing CMB buying price of $375 per tonne would be $25 per tonne and vary on a sliding scale as the CMB price rose or fell. The actual rates of levy chosen, he said, were based on a compromise of trying to ensure maximum return to the grower, particularly village smallholders, yet at the same time restoring the fund to a reasonable level in a reasonable time.[34] On 23 April, under Section 18 of the Act, he directed the diversion of some of the accumulated surplus of the CMB, about $6 million, to the stabilization fund. The CMB was to pay $7.37 per tonne from the accumulated monies, amounting to about $855,000. This would leave about $40 per tonne to be paid to producers as final payment, so that they would receive a total price of about $193 which would give the plantation producers $73, a 65 per cent margin on costs. CPL agreed to pay into the fund $7.35 per tonne for the 10,762 tonnes which the company had manufactured in 1973.[35]

By November 1974, the Copra Industry Stabilisation Fund (CISF) amounted to $6,822,727, of which $6,080,000 was invested, $664,340 held by the CMB, and $78,387 was at bank. The Board now informed Guise that a statutory increase in the rural wage had added at least $24 per tonne to labour costs and rises in oil prices and general inflation had brought the total average cost of production to about $162 per tonne. It therefore asked the Minister to vary the levy from $1 per tonne at price $130-139 per tonne to $1 per tonne at price $170-179, plus $1 per tonne for each $10 by which the price per tonne increased. Guise concurred

[33] Memorandum CB S/20/120 of 25 March 1974. CMB CB8/20(2), ff.128-130.

[34] Press release of 18 March 1974.

[35] CMB CB8/20(2), ff.137-8.

and Schedule 2 of the Regulations, the rates of levy referred to in Section 26(1) of the Act, was amended as follows:[36]

Price per tonne	Levy
Under $170	-
$170-$179	$1
$180-$189	2
$190-$199	$3
.	.
.	.
.	.
$510-519	$35
$520 and over	$36

The Minister also approved that the cost of administering the CISF be assessed at 0.5 per cent of the fund's income, excluding the levy, or $5000 per annum, whichever was the lesser amount in any one year.[37]

In January 1975, general manager D.J. Stewart told the Board that levies and interest on investments since 1 July 1974, when the Board had taken over the administration of the CISF with a balance of $4,361,632, had brought the balance to about $7,112,700 by 31 October 1974.[38] This increase of $2,751,068 (63.1 per cent) in four months illustrates how the balance could change as quickly as the world market price of copra and, concomitantly, the CMB's price to producers. Although the Board is not able to influence the world market price, it can do a great deal in respect of its stabilization fund.

On 30 June 1974, $4,030,000 of the fund's balance was invested in PNG Inscribed Stock. The investment policy, directed by the Australian Administration's treasurer, had been extremely conservative. Not long thereafter, the Minister for Finance, Julius Chan, authorized the Copra Marketing Board to invest monies of the fund in any of the following ways:

(i) on deposit in a bank in Papua New Guinea;

(ii) in securities of any money market towards which the Reserve Bank of Australia acts as lender of last resort;

(iii) in any securities of or guaranteed by the Papua New Guinea Government;

(iv) in unit trusts of the Investment Corporation of Papua New Guinea; or

[36] Ibid., f.165.

[37] Ibid., f.183.

[38] CMB agenda 2147 (85th Meeting) and 2191 (86th Meeting).

(v) in any securities of or guaranteed by the Australian Government.[39]

While the 'fallout' of the CISF was a macro-economic issue to the Bank of Papua New Guinea, it was a micro-economic one to copra producers. To chairman Grose, by far the biggest producer in New Ireland Province, the plantation cost of production was central to any considerations of price support. With $7,112,700 in the fund, support could be afforded if the world market price fell below $170-179, claimed Grose, and the proposed reduction of the levy was therefore justified.[40]

On 31 December 1974, the fund's equity was $8,051,553 represented by: investments - $6,232,500; levy retention - $1,652,480; debtors - $24,865; interest accrued on investments - $140,788; and $920 cash at bank.[41] But 'cost of production' was not just the cost on plantations; to the tens of thousands of village producers, it was *their* cost which mattered. Until Williamson and Sackett's survey in 1972, the cost of production on plantations had been the information used in all deliberations on price stabilization. The cost of production to the villager had been disregarded or, worse still, treated as if opportunity cost had no bearing upon his copra making. Neither McDonald nor his successor, Fairfax-Ross, seems to have read even one of the number of studies containing references to opportunity costs in village production that had been published since the 1960s. In particular Crocombe and Hogbin (1963), McGregor (1971), Moulik (1973), and Shand and Straatmans (1974), leave no doubt of the importance of 'cost of production' to the villager. For instance, Shand and Straatmans, having interviewed villagers participating in the monetary economy at Boana (Morobe Province) and Sinasina (Chimbu Province), in the Maprik District (East Sepik Province) and on Karkar Island (Madang Province), report that, 'if the villagers' replies are any guide to smallholder reactions, they suggest positive but rather low short-term [harvesting reactions] and long-term [planting reactions] price elasticities of supply, except perhaps when price movements are particularly sharp and sustained over time' (Shand and Straatmans 1974:176).

Williamson and Sackett's analysis of data obtained in 1972 from eighty-one Papua New Guinean smallholders, for 82 per cent of whom copra was either the sole or the most important source of income, shows, among other things:

(a) Average annual output of 4.68 tons of copra, which received an average gross return of $108 per ton giving an average gross income of $440.

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[39] CMB CB8/20/2, f.15.

[40] CMB agendum 2191 of 7 January 1975.

[41] CMB Copra Fund Balance Sheet as at 31 December 1974.

(b) Core cash cost of production using own labour for making copra, i.e., cost of twine, bags, freight charges, etc., averaged $23 per ton.

(c) Net returns were $64 per ton where hired labour was employed, and $83 per ton where own labour was used.

(d) Average annual cash commitment for such items as council tax, education and church expenses was $58. Additionally, smallholders with PNG Development Bank copra drier loans had repaid an average $160 in the preceding twelve months.

(e) Average expenditure on goods and services was $330 for smallholders employing hired labour and $120 for other smallholders.

(f) 78 per cent of the smallholders surveyed indicated that they would continue copra production if copra prices were to fall beneath the then existing level (Williamson and Sackett 1973:47-8).

According to this sample, the village producer's net cash return per ton was $44 when the buyer paid him $108. As the benchmark claimed by the PANG was $112 at the time when the sample was taken, does it follow that village producers were doing splendidly and the CISB was right in setting the benchmark without considering village production costs? No, because, for one thing, the sample is too small to be a significant guide to a 'benchmark' for village production costs. And we are not told where the sample was collected. The locality is of some consequence because production in densely-planted and high-yielding village groves on volcanic soils, such as on the Gazelle Peninsula and Karkar Island, gives a higher net return per tonne than where palms are dispersed and yield poorly, as on the Buna-Gona coast.

Then, too, the accessibility and nature of a market, (involving time, means and cost of getting to it) and the buyer (CMB, trader or planter), have considerable impact upon village production costs. Various surveys have established the direct relationship between the size of plantations - and *ipso facto*, of village groves - and economies of scale in production (see, e.g., Bunning and Wilson 1974). For another thing, whereas the costs of plantation production can be and are calculated to the last cent without much difficulty while village production costs cannot, a calculation of average village production costs on, say, a province basis, ought to have been undertaken.

It would have been difficult as even those smallholders who hire labour are almost always assisted by relatives and friends whose input has to be 'paid for' by way of traditional socio-economic exchange, but there were even then sufficient local data to do it. The lack of a reliable survey of the costs of village production was to become a matter of considerable concern by the end of 1974, because it was government policy to increase Papua New Guinean smallholder production's share of the nation's total output.

How, then, should the copra price stabilization scheme be operated? Three strategies for levy collection and bounty payment have been briefly mentioned earlier. The first two place a floor under incomes; for example, the survival strategy allows prices to fall to the cost of production and only then pays a bounty. Wheeler and Wyatt (1978), considering the case of coffee and cocoa, favour the moving long-term average price strategy because, they believe, it makes the desired price stabilization possible. (Totally effective price stabilization would mean no change in prices to producers.) Wheeler and Wyatt (1978:5-6) do, moreover, advance other arguments in favour of this strategy:

(a) By stabilising prices it also stabilises incomes. However, unlike the other cost-of-production based strategies, this strategy does not guarantee a price which is equal to (survival price) or more than (cost plus) the cost of production. Instead, if the long-term average world price falls below the PNG cost of production, then bounties would only be paid to this average, not to the cost of production. Indeed, if *long*-term prices are below PNG's cost of production, then the industry must be fundamentally uneconomic. In this situation it would be better, from a national view, to reallocate resources away from the industry.

(b) Cost of production is a nebulous concept. Costs vary from holding to holding, according to such factors as mode of production, size of holding, efficiency of management, yields achieved, etc.

(c) A *set* floor price could exhaust the fund in a short period if set at too high a level. A floor price approximating the long-term average world price implies that the fund is relatively durable. Bounties will be paid whilst prevailing world prices are below the floor price (long-term average). The floor price will then itself decline due to low world prices and it could reasonably be expected that world prices would rise above the (lower) floor price, so that levies are collected and the fund rebuilt.

(d) A set floor price consistently below world prices would mean that no bounty was paid. In an efficient industry with low costs of production this situation could arise if the survival price strategy were used. Therefore, a floor price approximating long-term world prices should ensure adequate payouts to effectively stabilise prices and incomes.

(e) The economy can be more effectively insulated from fluctuations in world prices if levies and bounties are based upon a long-term average price. This is particularly relevant to inflation control and control of foreign exchange reserves.

Wheeler and Wyatt advocate the use of an historical moving average because, they consider, an average involving projections of future prices is too unreliable and, whilst an average of past prices does introduce a considerable lag and its relevance to current prices may be questioned, it is nonetheless the most reliable figure available. They advocate expressing the historical moving long-term average in constant prices of the most recent year (Wheeler and Wyatt 1978:6). 'The most recent calendar year is chosen for reasons of equitibility [sic], the levies are paid in current terms and growers expect to receive back bounties also in current terms' (Bank of Papua New Guinea 1985).

The moving long-term average price strategy proposed by Wheeler and Wyatt commends itself because, as large parcels of arable land in coastal areas are becoming scarcer and the productivity/wages ratio is lower than in other copra-producing countries, the future of Papua New Guinea's copra industry is in the hands of the smallholders.

It may well be argued that even an inflation-adjusted historical moving average is not a reliable parameter for a price strategy because inflation, too, is unpredictable. Indeed, some people believe that violent price fluctuations will continue to be a feature of the world market in copra, and stabilization boards might, therefore, do best to 'fly by the seat of their pants' - to look at what is 'in the kitty', to hear what brokers and agents predict, and to keep the politicians happy - in order to ensure continuity of the industry and satisfy the producers.[42]

Stabilization Fund and foreign reserves

The actual or potential impact of the copra industry stabilization scheme on the nation's foreign reserves or on the volume of money in circulation bothered no one in the industry. But the impact was certainly in the minds of Henry To'Robert, governor of the country's central bank, the Bank of Papua New Guinea, and his advisers. The sudden and exceptionally great increase in the world market price caused f.o.b. export of copra in the September 1974 quarter to be worth $10,517 million,

[42] A former managing director of a prominent London firm of brokers and a former general manager of the CMB hold this view. For obvious reasons, they cannot be named.

compared with $3211 million, $1530 million and $3510 million respectively for the corresponding quarters in 1971, 1972 and 1973.[43]

In his address on 19 April 1975 when Papua New Guinea introduced its own currency, the kina and toea, Julius Chan, Minister for Finance, emphasized that the government's choice of a 'hard currency' strategy was intended to ensure that the external value of Papua New Guinea's currency would not weaken.[44] By then, the Bank had to report that although exports of copra in 1974/75 had risen by 19 per cent in quantum to 93,900 tonnes, the lesser rise of 18 per cent in their value reflected the sharp fall in prices during the latter months of the fiscal year.[45]

Changes in the balance of the CISF, which had stood at $8,051,853 at the end of 1974, not only affected the balances of the Bank of Papua New Guinea and other financial institutions in which the fund had investments or deposits, but also the spending capacity of copra producers and, through the multiplier effect, the demand for goods and services, foreign exchange reserve, etc. At least one of the claims made by Wheeler and Wyatt in their proposal for a moving long-term price strategy in copra industry stabilization, namely, that the strategy would 'more effectively' insulate the economy from fluctuations in world prices if levies and bounties were based upon a long-term average price, and this would be 'particularly relevant' to inflation control and control of foreign exchange reserves, must have had an eager audience in To'Robert and his subordinates.

In a paper presented at an International Monetary Fund Institute seminar a decade later, the Bank of Papua New Guinea, after pointing out that legislation required Papua New Guinea's stabilization funds to invest in assets determined by the Minister for Primary Industry and approved by the Minister for Finance, mentioned that the investments were limited to deposits with banks in Papua New Guinea until 1977. Although the different policy proposed in 1977, namely, that the bulk of the funds, 'at least for the cocoa and coffee industries, ought to be invested directly with the Bank of Papua New Guinea and thus "neutralise" the effects that might otherwise occur' did not, of course, affect the CISF's operations before then, it is germane for us to know the reasons:

> Basically, there were two reasons for the proposal. The first is that investment with commercial banks or in Government or in Government Securities would permit a growth in domestic credit to the private sector or to the

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[43] Bank of Papua New Guinea, Quarterly Statistical Bulletin, December Quarter 1974: 17.

[44] Ibid., March Quarter 1975: 6.

[45] Ibid., June Quarter 1975: 2.

Government beyond what it might otherwise have been. The second main reason was the need for the Papua New Guinea authorities to consider policies to counter the expected large increase in money supply which was expected to result from the boom in commodity prices. Some of the management problems the Bank would face with regards to monetary policy would be lessened if the funds accruing to the stabilisation schemes by-passed the commercial banks and were lodged directly with the Central Bank. The other reasons were the limited amount of government securities available and, given the sluggish demand for private sector credit, the commercial banks would have little alternative other than through investment abroad, which is not permitted, to reinvesting such funds with the Central Bank (Bank of Papua New Guinea 1985).

What we must keep in mind here is that, viewed from macro-economic heights, the operations of a copra industry stabilization scheme do not look like they do to the producer in the village or on the plantation. From the macro-economic point of view, the levy dampens the stimulus provided by higher copra prices to incomes, income tax and import demand.

The investment criteria of the CISF are determined by the government after consultation between the Minister for Primary Industry and the Minister for Finance. If the CISF invested all of the levy in commercial bank deposits, those banks would have more capacity to lend. The Bank of Papua New Guinea therefore obtained the voluntary consent of the CISF and other commodity stabilization funds to deposit 60 per cent of their receipts with the Bank, that is, with the country's central bank, at a special rate of interest. This syphons off liquidity, leaving it at a level that does not threaten the hard kina. Although CISF and the other funds have not quite met the 60 per cent, they have not been far off it.[46]

Before 1975 there was no official call for copra industry stabilization funds to be used for anything other than the collecting of levies and payment of bonuses. Moreover, it had never been policy to accumulate large reserves. This has not been the case in several other less developed countries. In Nigeria in the 1950s, for example, 40 per cent of producers' income from palm kernels and 17 per cent from palm oil had been withheld through taxes and marketing board surpluses, mostly the latter. In 1951, the Groundnut & Oil Palm Produce Marketing Board (GOPPMB), after setting aside estimated working capital requirements, used 70 per cent of its levy for stabilization, 22.5 per cent for industry development, and 7.5 per cent for research. By the 1960s, under the government's public sector plan 1962-68, the Marketing Board

[46] Information offered by Sir Henry To'Robert, Governor of the Bank of Papua New Guinea, during interview on 21 January 1986.

was the main source of savings for improvement of agricultural and allied industries and for some social services. Regional marketing boards contributed to university construction and operations, and to the regional development corporations. The GOPPMB made loans to private companies and banks, and took shares in manufacturing enterprises. On the one hand, as seen by Helleiner (1966:162, 177-8), these loans and investments were a useful means of expanding and diversifying the economy with Nigerian participation where private Nigerian capital was short. On the other hand, there was a 'probability' of conflicts between public and private or political interests, with 'great possibilities' of investment misallocation, especially where the standard of integrity of public servants was low and there was a 'number of sufficiently wealthy and skilled entrepreneurs and potential entrepreneurs' to take advantage of the situation. Even so, according to Helleiner, the Nigerian marketing boards then were a 'very effective' instrument for mobilization of savings for government-sponsored economic development; they did establish confidence in the future of the primary industries; and pursued general and fiscal price policies for the entire economy, income redistribution and international price support or stabilization. They also improved marketing facilities and quality of produce (Helleiner 1966:160).

Others, such as A.R. Prest, presented a less generous view. Regarding such organizations such as the GOPPMB as not much better than one for exercising 'taxable rights', he posited that such a board should be part of the government structure. If it is not, its tax levying ought not to fall on the producers whom it represents (Prest, quoted in Helleiner 1966:180). Even Helleiner had to admit that taxes on the producer - whether trading surpluses, export duties or levies - are imposed because they are easier to collect than income tax. Such taxes do not fall on other people. He wondered whether this was equitable, and wanted to know what the village producer would do with extra income in the absence of a tax or levy. Is consumer spending worse than public extravagance? Helleiner has also posed questions such as 'What is the elasticity of supply by producers?' and 'What are the uses of producers' marginal incomes relative to government revenue from their produce?' A 1951 survey among the Yoruba, one of the largest groups in Nigeria, clearly showed that above a family net income of £100 per annum (below which savings were zero) the percentage of disposable income saved increased with the size of income. Helleiner has concluded that the Nigerian marketing boards' greatest success was in achieving intra-season produce price stability which resulted in orderly marketing, better quality of produce, and less speculation, but that the boards were less successful with producer income stabilization and, indeed, sometimes even destabilized producer incomes. The boards, he has observed, were better as successful earners of tax revenues than as stabilizing authorities (Helleiner 1966:200-1).

The various methods of copra industry stabilization in Papua New Guinea from 1946 to 1974 were directed solely at the price paid to producers by the CMB. Until the mid-1970s, the responsible authority - first CMB, then CISB, and, again, CMB - had been left to decide policy as long as the policy gave cognizance to the parameters set by the Treasurer (during the colonial era) or the Minister for Finance. Even since the Minister for Primary Industry has had the power to direct the Copra Marketing Board, the Board has enjoyed considerable freedom in making the decisions. There has not been any wish by the Board to apply stabilization monies to, say, subsidizing the use of fertilizers by producers or to support industry research.[47]

The stabilization policy over the years had been as conservative as the CMB's marketing policy. The Board's staff had implemented those policies with integrity and efficiency, monitored, as appropriate, by the boards of directors of the Copra Marketing Board or the Copra Industry Stabilisation Board which carried the ultimate responsibility.

[47] In 1965, the PANG had suggested to the CISB that interest earned by the fund's investments be used as a 'planting bonus' to encourage the planting of palms. PANG Executive Council meeting of 22 September 1965. PANG minute book. UPNG, not yet accessioned.

Chapter 9

Conclusion

The previous chapters have reviewed Papua New Guinea's coconut industry until 1975; it has been looked at from three perspectives: marketing overseas, domestic marketing, and price stabilization. What, if anything, can be learned from the information collected here?

Papua New Guinea's copra industry has never had more than minimal influence on the international price and it has had no perceptible influence on international prices for vegetable oils, let alone on the international prices for all oils and fats. It has been, in effect, a price taker on a volatile market.

The world prices of most oils and fats are positively correlated because there are very many uses for - and almost as many substitutes among - oils and fats. The world price for copra and coconut oil is largely a function of the world demand for edible oils in general and of the supply of the major soils. Whilst demand for copra and coconut oil has grown over the years, its price fluctuations have been primarily the result of the interaction of instability of supply and inelasticity of short-term demand.

Before World War II, Papua New Guinea's domestic market for and export of copra were dominated by two Australian companies. Since then, the monopoly in export and price stabilization exercised by a statutory body, the Copra Marketing Board, has given plantation and village producers a much better deal.

The world market in which copra and coconut oil compete has become increasingly sophisticated. There are more kinds of vegetable oils and synthetics that compete with copra and coconut oil. Other factors, such as the world demand for coconut oil having grown faster than that for copra, and increasing intervention by government in many countries, have also made marketing more complex. While little skill was needed to market Papua New Guinea's copra until the 1960s, this is no longer so.[1]

[1] For example, a continued extension of the US Government's price support programs for soya beans affected the international copra trade, reducing export earnings of coconut growing countries (Report of the Fifth Session of the Committee of the FAO Group on Coconuts and Coconut Products to the Committee on Commodity Problems, Rome, 1963: 8).

Consumption and import requirements in western Europe and arrangements for access of Papua New Guinea's copra and coconut oil relative to those for competitors have had important effects upon the country's exports (Opa 1974: JA-16). There has been an increase in competition for the traditional United Kingdom market and the larger markets of other countries of the European Economic Community. Nevertheless, Papua New Guinea copra has not had to be discounted in order to sell any one year's production without delay.

Papua New Guinea's single exporter, the Copra Marketing Board, has mostly dealt through agents. Some sellers in other parts of the world always deal directly with end-users. Satisfactory direct selling requires that end-users take large parcels or at least take small ones regularly, and that they cannot or do not 'gang up' on their sources of supply. It also requires much more marketing skill than is needed when selling through agents.

Until recently, exports of coconut products - copra, coconut oil, desiccated coconut, coir fibre, etc. - to developed countries have by and large been in the raw form or semi-processed stage, and the exporters have not been in a position to exert any significant influence on market forces, especially the pattern of external demand.

Moreover, the distribution and marketing channels have been considerably influenced not only by the form of exports but also by the pattern of trade. In some countries such as the Philippines and Sri Lanka, the emergence of indigenous manufacturers and the establishment of government instrumentalities have helped to modify the situation. There is now a much greater effort to export processed rather than semi-processed products or raw materials, with the aim of adding value to exports. Government intervention has become so pervasive in the coconut industry of many countries that, as Fieldhouse (1978:601) has pointed out,

> By the 1960s, the profitability of even any particular Unilever subsidiary in an LDC was likely to be determined less by its efficiency or by the market than by government policy and the way this was implemented by the bureaucracy.

In the Asia-Pacific Region in which Papua New Guinea and the world's largest producing country, the Philippines, are situated, the growth of the coconut industry has been hampered by lack of research into product development and new end uses. There has been too little use of modern marketing and promotion techniques to exploit trading opportunities.[2]

[2] See Asian Coconut Community Seminar on Coconut Products, Manila 1975, background paper: 1-2.

It needs to be mentioned in this context that investment in coconut planting is of a very long-term nature since the palm does not come into production until about seven years after planting and then has a productive life of some fifty or more years. Good long-term projections and forecasts of future demand for and supply of coconut products are, therefore, essential as a guide to national planning. And, to reiterate, the planners for any country's coconut industry have to deal with four main problems, namely, (i) wide fluctuations in world prices of copra and coconut oil; (ii) barriers to trade in coconut products, especially import duties favouring copra against coconut oil; (iii) competition from other oils and fats and from petroleum derivatives; and (iv) competition from other coconut-growing countries.

As far as biological innovations in Papua New Guinea are concerned, 'coconuts are a relatively difficult commodity... because of the extent of genetic variability, the local specificity of the responses to nutrients and the long life of the palm'(Jarrett 1985:x). Frank Jarrett has observed that

> while there is some consensus in the determination of research priorities on copra production there is also a potential conflict between smallholders and largeholders with respect to the development of the mechanical dehusker. Government can ensure that smallholder interests are represented in determining research priorities by providing a matching grant and by being represented on the relevant decision making committee (Jarrett 1985:xi).

And, as Goldthorpe (1985:65) has pointed out, 'the problem of how to raise the productivity of the tree crop smallholder sector is one of immense complexity... Any solutions are likely to work only in the long term as small farmers become better informed and the rural subsistence sector enters more into the cash economy'.

Seen from Waigani, the seat of government, the plantation sector is a high productivity/high quality/high income producer of export crops compared to smallholding agriculture. 'Plantations... produce high net earnings of foreign exchange and a high taxable income that can be used for general economic development'. The PNG Government, claims Goldthorpe (1985:77), tacitly recognizes the economic advantages of plantations. There is no doubt that plantation and smallholding crop production are two different farming systems for the cultivation of coconuts. The research requirements of the two systems do, therefore, differ. This is, however, no argument against setting goals for a smallholder-oriented program to achieve modest yields in what is, after all, a farming system with low inputs (Goldthorpe 1985:79). Villagers in Papua New Guinea desire better incomes and most of them have shown willingness to adapt to take advantage of new opportunities. What O'Meara (1986:v) has observed in Western Samoa, namely, that it is the low economic return to farming, not traditional values or social institutions, which is hindering greater production there, also applies to Papua New Guinea.

Plantation production in Papua New Guinea will gradually disappear, and the coconut industry's future, where copra is concerned, lies with village producers. This monograph has, therefore, paid special attention to 'the view from the village'. Even so, it must be kept in mind that the existing plantations, most of them owned and managed by foreigners, still (1986) account for 40 per cent of the production for export and need to be included in government planning for the coconut industry because their contribution to employment and foreign exchange earnings will remain considerable for some time to come.

Until the 1950s, village producers had almost no knowledge of the copra industry's price and market mechanisms, and their returns depended upon the price paid by foreign traders and planters. In turn, that price depended upon the way in which Australian owned and managed companies used their oligopsonistic powers.[3] In general, Papua New Guineans now receive a much fairer return but most of them still do not know the reasons for any falls in the price paid by the CMB. This has not only caused dissatisfaction with the Board but also, led to many villagers leaving the industry temporarily. (Understandably, they do not worry about any rises!) Better dissemination, by radio and pamphlets, of information on prices and the reasons for them would enlighten village producers and might encourage consistent and expanded output.

For most village producers living distant from a CMB depot, transportation has been a considerable problem. Infrequent and/or irregular shipping has caused them financial loss from shrinkage, mould, etc., and, as a consequence, has discouraged production. To the plantation producer, 'better marketing' means that the CMB is securing the highest possible export price and keeping its costs to near zero. But, to the villager, 'better marketing' means an all-weather vehicular road or a new jetty or anything else making it easier to take his copra to a CMB depot or a trader who pays a fair price. As Morea Vele has observed,

> the need for better marketing facilities is a prerequisite for increased agricultural production. This is an important economic and social goal because it means increased incomes for rural producers and ultimately improved standards of living in rural areas (Vele 1978:39).

From about 1950 until the late 1960s, co-operatives formed by villagers facilitated transportation, pushed up the price paid

[3] Oligopsony exists where 'a few buyers divide the market and typically compete with one another by means of advertising, product differentiation, service, etc., rather than by classic competitive means of price' (Heilbroner 1968:504).

to village producers throughout the industry, and gave many Papua New Guineans their first regular contact with modern business. The co-operatives' initial success was due as much to their members' voluntary contributions of labour and materials for copra sheds, office buildings, jetties, etc., as it was due to their marshalling of finance and the advice and assistance provided by extension workers of the Registry of Co-operative Societies. The co-operatives' eventual decline and, in many cases, downfall was mostly due to incompetent or dishonest management, with concomitantly successful competition from foreign traders and, later, also from Papua New Guinean entrepreneurs. Whether or not a different approach to co-operative marketing, such as the one proposed by Sir John Guise, is taken, something certainly needs to be done to help village producers overcome difficulties in selling and to expand output.

As for price stabilization, it is unlikely that the government will provide funds for bounty payments unless the national economy is buoyant. The CMB may, therefore, maintain a conservative stabilization policy - one that eschews setting a bounty to bring the total payment to the producer to equal plantation cost unless the fund makes this possible throughout any foreseeable period of low world prices. Such a policy would be in the long-term interests of the industry.[4]

Papua New Guinea may have to adjust its coconut industry to meet the world trend in demand away from copra to coconut oil. If so, then close collaboration between the Copra Marketing Board and Coconut Products Ltd will be essential. The feasibility of manufacturing marketable by-products such as desiccated coconut, coir and bio-fuel needs to be investigated and, where appropriate, the government should encourage the setting up of factories.

Last but not least, it must be kept in mind that the existence of a statutory body does not guarantee that producers benefit. The undoubted benefits which copra producers have received from the government monopoly in marketing and price stabilization would not have come about had the CMB's policy been imprudent or its operations inefficient. For example, any incompetence or dishonesty of the Board's employees could disadvantage producers even more than control of the industry by one or two companies.

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[4] The CMB instituted this policy in May 1986, shortly after Sir John Guise became chairman: Guise, pers. comm., 27 May 1986.

Appendix I

A note on the commencement of the expropriation of German properties in New Guinea, and on the Royal Commission on late German New Guinea

Under the Treaty of Versailles in 1919, Germany had renounced in favour of the principal Allied and Associated Powers all its rights and titles over its overseas possessions. Australia's governor-general vested in the public trustee all property rights and interests of German nationals within German New Guinea, with effect from 10 January 1920. Relevant specific legislation, the Expropriation Ordinance 1920, was enacted. The Expropriation Board came into operation on 1 September 1920, with W.H. Lucas, Technical Adviser to the Commonwealth on Matters Relating to the Mandated Territory, as chairman, and two other members resident in the Territory. A new office, that of Custodian of Expropriated Properties, was created in July 1921 and the property vested in the public trustee was transferred to the Custodian. By September 1922, the Board had proscribed 625 German companies, firms and persons, and taken over control and management of 268 plantations as well as twenty large stores, workshops, shipping facilities, etc. The plantations were valued at £8 million (Spicer 1928:35-6).

Several issues besides that of expropriating German property needed to be dealt with, not the least that of administering the indigenous population. Lieutenant-Governor Murray wanted to have the Mandated Territory combined with Papua, with himself in charge (Rowley 1968a:286). Prime Minister W.M. Hughes, seeking the advice of experts, had appointed a Royal Commission in 1919, consisting of Murray, Atlee Hunt and Lucas. Hunt, as Secretary of the Department of Home Affairs and Territories, had dealt with matters related to the administration of Papua and was considered to favour business interests. Lucas's long stint with Burns Philp had given him unrivalled knowledge of economic affairs in the islands, and his appearance before the Inter-State Commission most likely had led Hughes to see him as just the man to do the expropriating.

Young Marnie Masson, on a visit to New Guinea in 1921, found Lucas a 'revolting man' and observed that everyone in the Territory hated him (Bassett 1969:57). Be that as it may, Lucas and Hunt hit Murray for six: their majority report (Murray submitted a dissenting one) advising, among other things, against combining the two territories, was accepted by Hughes. Lucas and Hunt put ways and means of assisting Australian commercial enterprise a long way ahead of questions of 'native' policy. Murray was left with his economically much less important bailiwick, and Lucas became first chairman of the Expropriation Board which gained tremendous influence in the Mandated Territory's copra industry (Rowley 1968a:32, 33).

Appendix II

Members of the Copra Marketing Board of Papua New Guinea, 1952 to 1974

Name	Period in office	Status
I. McDonald	1 Jul. 1952- 7 Jun. 1970	Chairman
D. Barrett	1 Jul. 1952-29 May 1958	Member
H.H. Reeve	1 Jul. 1952-30 Jun. 1961	Member (Finance)
B.E. Fairfax-Ross	1 Jul. 1952-15 Apr. 1970	Member
	15 Apr. 1970- 3 Aug. 1970	Deputy Chairman
	3 Aug. 1970-25 Oct. 1973	Chairman
H.V. Quinton	29 Nov. 1956-21 Sep. 1973	Member
E.A. Stanfield	- 1958-23 Feb. 1960	Member
F.R. Wilson	1 Jun. 1960- 1 Jun. 1969	Member
Stahl Salum	1 Mar. 1961- 1 Mar. 1964	Member
Nansen Kaisa	1 Mar. 1964- 1 Mar. 1967	Member
Gram Toubu	1 Mar. 1967- Mar. 1972	Member
J.A. Thurston	1 Jun. 1969- 2 Apr. 1971	Member
	2 Apr. 1971-21 Sep. 1973	Deputy Chairman
Mahuru Rarua Rarua	22 Sep. 1970-21 Sep. 1973	Member
Poe Apelus	2 Aug. 1972-21 Sep. 1973	Member
W.J. Grose	25 Oct. 1973-	Chairman
E.D. Cleland	25 Oct. 1973-	Member
John Kasaipwalova	25 Oct. 1973-	Member
Daniel E. Rumet	25 Oct. 1973-	Member
Saleng Mileng	25 Oct. 1973-	Member
Sam Purupuru	25 Oct. 1973-	Member
Director of Agriculture or his delegate		Member (ex-officio)

The following persons were Deputy Members at various times and for varying periods: J.H. Adams, J. Dunbar-Reid, T.M. Garrett, Nansen Kaisa, Tore Lokoloko, Mahuru Rarua-Rarua, W.B. Ryan, Sition Takabai, Erskinia Taupiri, W.T. Thomas, J.A. Thurston, Gram Toubu, L.A. Willis.

Appendix III

Speech by Sir John Guise (Milne Bay Province) on the Second Reading of the Co-operative Societies Bill 1981, introduced by him as a private member's bill in the National Parliament of Papua New Guinea on 27 August 1981[1]

Mr Speaker, I present the Co-operative Societies Bill 1981.

For many years since the introduction of the co-operative movement in this country I have been and still am a very strong supporter of the organisation. Now I might ask, Mr Speaker, why it is that I, with many other national leaders support the co-operative organisation? The answer is simple and straight forward. It is because it was this organisation that really for the first time in the history of Papua New Guinea opened up the field of business operations to the nationals of this country.

Since its early beginnings in 1946-47, the organisation grew into a prosperous business enterprise throughout Papua New Guinea. Naturally its prosperous progress for their village shareholders brought with it powerful enemies from the private sector and especially from elected Australian Members in the first elected Legislative Council and on to the First and Second House of Assembly. I watched the whole drama on this Floor. These enemies of the people used all sorts of arguments against the co-operative organisation and demanded through political action in this very Parliament to discredit the co-operative wholesale and village stores together with co-operative small coastal shipping fleets which consisted of 'Magi', 'Papua' 'Hiri', 'Toaripi' and 'Lilivaso'. They also argued that Government advisers to the co-operative stores etcetera be withdrawn immediately because this Government assistance by co-operative officers to the village societies represented waste of public moneys. They also discredited any little fault they could bring to bear on the Australian Administration, and last yet not least they demanded that at the early stage all the co-operative societies - including all village co-operative stores as well as the Federation of Co-operative Societies and their small coastal shipping service - be subject to paying company tax. It was said on this Floor!

Mr Speaker, I witnessed the whole drama in Parliament and fought behind the political scene, in meetings with senior officers of the Australian Administration not to give way to this political blackmail but to continue to uphold the co-operative

[1] As the Hansard has not been published since 1978, the 'rough', prepared by the Parliament's reporting staff and made available to every Member, is the only documentation. This text comes from a copy provided to the writer by Sir John Guise.

organisation on behalf and for the good of the national people of this country. Sadly, it was not to be.

The Australian Administration gave way and the first nail that was nailed into the coffin of our movement was the decision to tax the whole organisation, including all village co-operative stores, under the Companies Act. This was the start of the downhill slide of the co-operative organisation. I must say, Mr Speaker, that there is nothing wrong in taxing people and their business organisation, whether it be expatriate or local. However, I do believe that the co-operative organisation at that point of time should have been given a further extension period of tax holiday, and because those several more years of extension may have enabled the organisation to consolidate its financial resources and become a viable organisation. And, Mr Speaker, this was not to be before they were being taxed.

On the other hand, a Pioneer Status Act was brought into force on this Floor, which enabled the rich foreign companies to receive a 5-year tax holiday on their business projects coming into the country. What a glaring example of business blackmail and legal hypocritical power! The prime move of all this political pressure against the co-operative movement of this country and against the village people was spearheaded by the writer of a recent history of Papua New Guinea.

The main thrust of this Act is to provide a business machinery which will be complimentary [sic] to the Small Village Business Act in promoting more and more business opportunities for the people of this country. I believe that certain provisions of the former Co-operative Act which has been incorporated in the Companies Act should be repealed immediately if and when this Act is passed in this Parliament.

Mr Speaker, our economic destiny is not directed by us nor is it in our hands. The Companies Act is the economic altar and the holy sanctuary of foreign economic control and domination of this nation. Whether we like it or not, this is a fact of life.

Both the Honourable Zibang Zurenuoc[2] and the Honourable Mahuru Rarua-Raru[3] and myself have talked about this and have come to an agreement to bring this Act into parliament for the reasons I have stated.

[2] Zibang Zurenuoc had been secretary-manager of the Finschhafen Marketing & Development Society, the largest co-operative society in Morobe Province, and a director of the New Guinea Co-operative Union.

[3] Mahuru Rarua-Rarua (Moresby Open) joined the Registry of Co-operative Societies in 1947 as a trainee co-operative inspector. He resigned in 1949 and became secretary and general manager of the Institute of Economic Services, a co-operative organization. He remained as secretary and general manager when the IES was superseded by the Federation of Co-operative Associations in 1950. From then until he went into politics in the early 1970s, he occupied the top managerial position in Papua New Guinea's co-operative movement.

....

When the co-operative organisation started in 1946-47, all co-operative societies came under the relevant Act as 'Native Societies' not co-operative societies.[4] However, under political pressure from elected Australian Members a change was made in the Act which made it possible for expatriates to join as members [of co-operatives]. All Native Societies stores and Associations were officially known as co-operative societies. I could not understand the logic of this move. At this point, an expatriate was made a member of the co-operative organisation in my home province. From then onwards since he became a member, what was once a very prosperous co-operative association went downhill and eventually into oblivion. The point, Mr Speaker, I wish to establish is that the expatriate member of the co-operative, having created this economic vacuum, then stepped in with his so-called local company which operated along the very lines that I have already mentioned under the Companies Act.

Mr Speaker, we cannot continue to operate under the present provisions of the Companies Act... I have a report of the Law Reform Commission, dated December 1980, which urges the Government to look very deeply into the Companies Act because of the manipulations that I have talked about. Yet nothing has been done... Therefore, I would like to urge the Government to look into the report of the Law Reform Commission and thoroughly with a new broom go through the Companies Act, draw up a new Companies Act along the aspirations of the people of this country...

What it [the Co-operative Societies Bill] sets out to do is to start co-operative societies again, but they are not to be started like they did before. When they were started, you went about 20 or 30 miles away and picked up shareholders from very far distances and brought them into membership of the co-operative societies. This started a lot of trouble and dispute. This Bill provides that when a co-operative society is started, it is started from a village, for one village only... The second thing it [the Bill] does is to take away all the powers from the Registrar of Co-operative Societies. Before he was a very powerful man, he used to dictate to the village societies. Today he will act in accordance with the advice received from the board of directors in the village.

This Bill also wishes to open all spheres of economic development, economic projects like fishing, real estate, small timber sawmills, trade stores, wholesale, customs agencies and many other things which are not open or which banks are not able to give loans to our people to go into this sort of business. It

[4] This is a reference to the Native Economic Development Ordinance 1951 which was enacted to provide a much simpler means for co-operatives and other group ventures by Papua New Guineans than the Co-operative Societies Ordinance 1950 which closely followed the New South Wales legislation.

also provides for various small societies to come together and form a federation of societies.

Lastly, for the benefits of nationals in this country, it [the Bill] states that only automatic citizens, the nationals, will become shareholders and members of co-operative societies. This will exclude all other than automatic citizens.[5] The reason behind this move is to give more opportunities to national people in their own country, to give them more chances in economic development in their own homeland.

It is a Bill, Mr Speaker, which we believe is the fulfillment of our dream that Papuans and New Guineans must go to all sorts of businesses to better their financial conditions as well as their family and home conditions.

Mr Speaker, I commend very strongly this Bill to Parliament and hope and pray for the benefit of the village people and the people who will be looking after us next year for the Parliament to support this Bill.

[D5] Under Section 65 of the PNG Constitution, automatic citizenship was conferred at Independence upon all those who had two grandparents who were born in Papua New Guinea, excluding persons who were citizens of another country. (See, for instance, J. Goldring, The Constitution of Papua New Guinea: A Study in Legal Nationalism, Sydney, Law Book Company, 1978:206.

Appendix IV

Graphs

Figure 1 **Averge monthly prices of FMS copra (Singapore), c.i.f. on the London market, 1915-73**

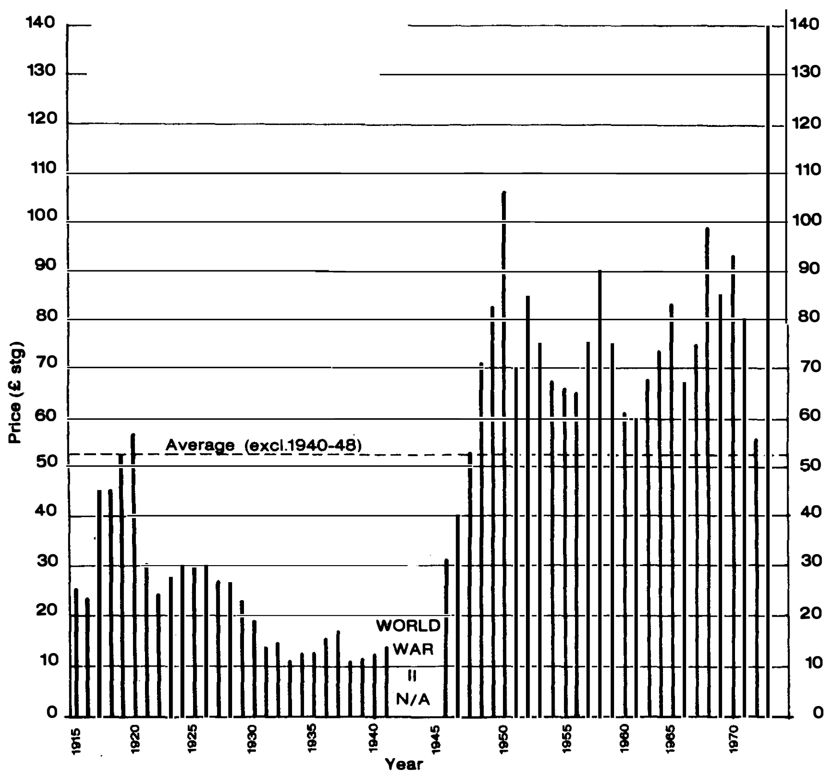


Figure 2 **Papua New Guinea: average annual copra exports over triennial periods from 1 July 1923 to 30 June 1974**

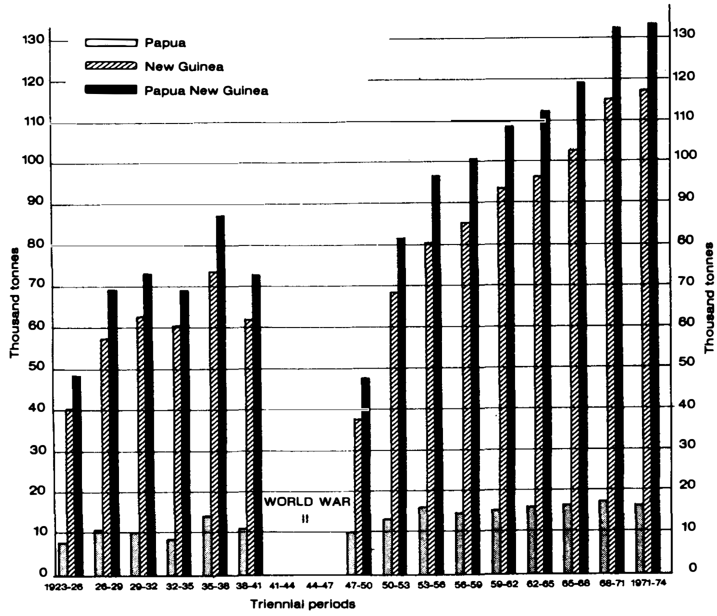
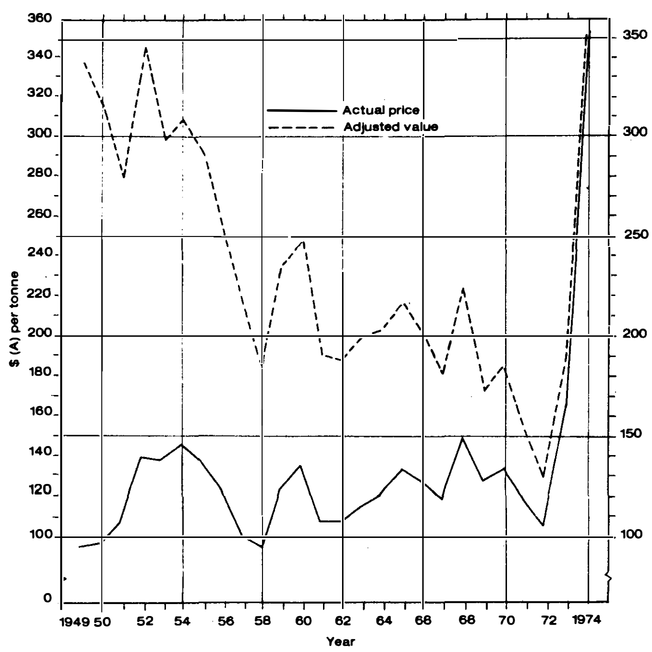


Figure 3 **Copra Marketing Board purchase price per tonne of hot-air copra from 1949 to 1974, adjusted for 1974 dollars value**



Appendix V

Tables

Symbols used

-	no data
..	data not available

Table 1 **Papua: exports of copra and other coconut products, 1888/89 to 1973/74** (re-exports excluded)

Year	Copra (tonnes)	Copra ($A'000)	Other ($A'000)	Total ($A'000)	Per cent of all exports
1888/89	77	1	-	1	9.3
1889/90	44	0.6	-	0.6	3.8
1890/91	201	3	-	3	17.0
1891/92	345	4	-	4	18.5
1892/93	188	2	-	2	7.7
1893/94	457	6	-	6	19.3
1894/95	434	6	-	6	17.4
1895/96	387	5	-	5	14.2
1896/97	447	7	-	7	7.9
1897/98	317	5	-	5	4.9
1898/99	308	5	-	5	4.2
1899/1900	236	4	-	4	4.0
1900/01	267	5	-	5	5.1
1901/02	490	9	-	9	6.8
1902/03	336	7	-	7	6.0
1903/04	381	8	-	8	5.2
1904/05	529	11	-	11	7.4
1905/06	842	18	-	18	11.6
1906/07	571	15	-	15	11.7
1907/08	613	15	-	15	9.3
1908/09	912	27	-	27	16.8
1909/10	1,671	49	-	49	24.4
1910/11	1,217	36	-	36	15.2
1911/12	1,322	39	-	39	19.4
1912/13	1,153	34	-	34	12.6
1913/14	1,778	52	-	52	21.7
1914/15	935	25	-	25	13.5
1915/16	1,175	38	-	38	15.2
1916/17	2,130	82	-	82	26.1
1971/18	3,241	76	-	76	30.9
1918/19	2,640	106	-	106	30.2
1919/20	4,145	248	-	248	45.9
1920/21	4,408	137	-	137	39.7
1921/22	5,144	175	-	175	39.7
1922/23	5,964	225	-	225	62.7
1923/24	7,432	273	-	273	57.1
1924/25	7,891	346	-	346	47.0
1925/26	8,554	409	-	409	31.4
1926/27	9,695	374	5	379	41.7
1927/28	9,983	388	15	403	57.5
1928/29	12,682	428	32	460	68.2
1929/30	11,884	353	80	413	66.6
1930/31	9,589	187	158	345	63.0
1931/32	10,174	201	120	321	59.5
1932/33	9,844	179	99	278	50.4
1933/34	8,213	86	96	182	36.5
1934/35	8,892	115	76	191	32.4
1935/36	10,720	201	85	286	40.3
1936/37	13,821	384	94	478	45.6
1937/38	11,432	182	105	297	33.0
1938/39	9,509	116	96	212	21.6
1939/40	6,765	91	116	207	20.3

Year	Copra (tonnes)	Copra ($A'000)	Other ($A'000)	Total ($A'000)	Per cent of all exports
1940/41	9,081	118	119	237	24.1
1941/42[a]	4,309	55	56	111	..
1942/43[a]	2,441	39	-	39	..
1943/44[a]	6,849	228	-	228	..
1944/45[a]	9,481	568	-	568	..
1945/46	4,650	238	-	238	..
1946/47[a]	4,893	274	-	274	..
1947/48	8,094	633	-	633	65.0
1948/49	9,612	844	55	899	69.7
1949/50	10,966	1,149	119	1,268	62.4
1950/51	11,363	1,289	213	1,502	39.9
1951/52	14,776	1,916	255	2,171	45.7
1952/53	12,439	1,696	656	2,352	59.2
1953/54	11,778	1,768	55	1,823	56.4
1954/55	17,120	2,417	-	2,417	51.5
1955/56	18,236	2,780	-	2,780	46.9
1956/57	13,438	1,885	-	1,885	41.7
1957/58	13,448	1,695	-	1,695	40.7
1958/59	14,919	2,606	-	2,606	50.8
1959/60	14,887	2,725	-	2,725	45.6
1960/61	15,831	2,065	-	2,065	41.8
1961/62	15,709	1,891	-	1,891	39.6
1962/63	16,183	2,084	-	2,084	41.3
1963/64	13,817	1,968	-	1,968	37.0
1964/65	16,787	2,805	-	2,805	46.3
1965/66	16,738	2,550	-	2,550	41.7
1966/67	15,362	2,083	-	2,083	38.5
1967/68	15,755	2,800	-	2,800	43.1
1968/69	17,627	2,588	-	2,588	41.7
1969/70[b]	17,729	1,814	-	1,814	..
1970/71[b]	16,300	1,762	-	1,762	..
1971/72[b]	17,127	1,146	-	1,146	..
1972/73[b]	16,033	1,709	-	1,709	..
1973/74[b]	16,041	3,040	-	3,040	..

[a]All plantation and village production under Australian Army control. Tonnage and monetary values from ANGPCB records.
[b]Tonnage and monetary values from CMB records. Papua New Guinea has not issued separate statistics for the Territory of Papua since 1969.

Sources (unless otherwise indicated): British New Guinea, *Annual Reports*; Territory of Papua, *Annual Reports*; Papua New Guinea, *Annual Reports*, for the appropriate years.

Table 2 **New Guinea: exports of copra and other coconut products, 1902/03 to 1973/74** (re-exports excluded)

Year	Copra (tonnes)	Copra ($A'000)	Other ($A'000)	Total ($A'000)	Per cent of all exports
1902/03	3,262	82	-	82	73.0
1903/04	3,565	73	-	73	62.1
1904/05	4,448	92	-	92	79.0
1905/06	4,916	21	-	121	92.5
1906/07	4,391	39	-	139	90.8
1907/08	5,695	177	-	177	78.5
1908/09	6,285	152	-	152	95.4
1909/10	8,653	212	-	212	88.3
1910/11	9,244	297	-	297	83.9
1911/12	9,552	326	-	326	81.1
1912/13	11,352	405	-	405	80.4
1913/14	14,499	617	-	617	76.8
1914/15	..	-	-	-	-
1915/16	14,810	310	-	310	92.7
1916/17	18,880	734	-	734	89.4
1917/18	20,024	740	-	740	91.5
1918/19	15,125	489	-	489	83.6
1919/20	23,072	1,490	-	490	87.7
1920/21	24,116	1,288	-	288	95.5
1921/22	26,310	948	-	948	95.0
1922/23	33,375	1,239	-	239	98.2
1923/24	35,535	1,373	-	373	95.5
1924/25	39,779	1,632	-	632	95.0
1925/26	46,541	2,034	-	2,034	92.0
1927/27	48,377	1,700	-	1,700	78.7
1927/28	66,333	2,352	-	2,352	79.9
1928/29	61,405	1,868	3	1,871	81.6
1929/30	64,857	1,729	17	1,746	87.5
1930/31	63,303	1,433	65	1,498	81.5
1931/32	60,406	1,237	128	1,365	61.6
1932/33	59,999	1,088	152	1,240	40.5
1933/34	63,269	566	171	737	20.9
1934/35	57,154	723	101	824	17.6
1935/36	67,754	1,522	143	1,665	32.3
1936/37	77,635	2,463	18	2,647	39.1
1937/38	74,899	1,695	15	1,845	31.0
1938/39	74,522	1,456	14	1,600	27.0
1939/40	60,321	1,009	17	1,187	16.2
1940/41	50,702	534	182	716	..
1941/42[a]	23,369	370	85	455	..
1942/43[b]	-	-	-	-	-
1943/44[b]	-	-	-	-	-
1944/45[c]	3,338	197	-	197	..
1945/46[c]	6,667	393	-	393	..
1946/47	5,401	308	-	308	..
1947/48	19,194	1,251	-	1,251	32.5
1948/49	37,525	3,045	65	3,110	59.1
1949/50	47,859	4,528	261	4,789	65.1
1950/51	65,346	6,401	481	6,882	65.5
1951/52	63,277	7,179	273	7,452	62.8

Year	Copra (tonnes)	Copra ($A'000)	Other ($A'000)	Total ($A'000)	Per cent of all exports
1952/53	79,001	8,850	1,047	9,897	62.8
1953/54	77,852	10,063	3,008	13,071	75.3
1954/55	82,577	8,935	2,610	11,545	64.8
1955/56	81,755	9,592	2,928	12,520	67.9
1956/57	84,718	9,412	2,973	12,385	64.8
1957/58	86,416	7,347	3,309	10,656	60.4
1958/59	87,338	8,902	5,879	14,781	62.1
1959/60	90,508	9,528	8,345	17,873	63.3
1960/61	92,905	8,161	5,312	13,473	57.1
1961/62	96,677	7,330	4,477	11,897	49.5
1962/63	96,312	7,352	5,343	12,695	45.8
1963/64	93,282	8,050	5,206	13,256	42.3
1964/65	99,415	9,604	7,423	17,027	45.7
1965/66	106,947	11,749	6,601	18,350	49.0
1966/67	100,519	7,911	5,840	13,751	34.2
1967/68	101,301	11,250	7,405	18,655	31.6
1968/69	119,202	12,216	7,351	19,567	30.1
1969/70[d]	112,523	11,526	7,619	19,145	..
1970/71[d]	114,716	12,445	9,901	22,346	..
1971/72[d]	122,913	8,246	7,533	15,779	..
1972/73[d]	117,817	12,560	..	..	..
1973/74[d]	110,738	20,995	..	..	..

[a]First six months only; Japanese occupation thereafter.
[b]Japanese occupation.
[c]Tonnage and monetary values from ANGPCB records.
[d]Tonnage and monetary values from CMB records. Papua New Guinea has not issued separate statistics for the Trust Territory of New Guinea since 1969.

Sources (unless otherwise indicated): *Amtsblatt für das Schutzgebiet Deutsch-Neuguinea*; British Administration (Late) German New Guinea, *Annual Reports*, *Gazettes*; Territory of New Guinea, *Annual Reports*; Papua New Guinea, *Annual Reports*, for the appropriate years.

Table 3 **Papua New Guinea: exports of copra, 1902/03 to 1973/74**

Year	Papua (tonnes)	New Guinea (tonnes)	Total	
			Tonnes	$A'000
1902/03	336	3,262	3,598	9
1903/04	381	3,565	3,946	81
1904/05	529	4,448	4,977	103
1905/06	842	4,916	5,758	157
1906/07	571	4,391	4,962	154
1907/08	613	5,695	6,308	182
1908/09	912	6,285	7,197	179
1909/10	1,671	8,653	10,324	261
1910/11	1,317	9,244	10,461	333
1911/12	1,322	9,552	10,874	365
1912/13	1,153	11,352	12,505	439
1913/14	1,778	14,499	16,277	669
1914/15	993	..	..	..
1915/16	1,175	14,810	15,985	348
1916/17	2,130	18,880	21,010	816
1971/18	3,241	10,024	23,265	816
1918/19	2,640	15,125	17,765	595
1919/20	4,145	23,072	27,217	1,738
1920/21	4,408	24,116	28,524	1,425
1921/22	5,144	26,310	31,454	1,123
1922/23	5,964	33,375	39,339	1,464
1923/24	7,432	35,535	42,967	1,646
1924/25	7,891	39,779	47,670	1,978
1925/26	8,554	46,541	55,095	2,443
1926/27	9,695	48,377	58,072	2,074
1927/28	9,983	66,333	76,316	2,740
1928/29	12,682	61,405	74,087	2,295
1929/30	11,884	64,857	76,741	2,082
1930/31	9,589	63,303	72,892	1,438
1931/32	10,174	60,406	70,580	1,438
1932/33	9,844	59,999	69,643	1,267
1933/34	8,213	63,269	71,482	652
1934/35	8,892	57,154	66,046	838
1935/36	10,720	67,754	78,474	1,723
1936/37	13,821	77,635	91,456	2,847
1937/38	11,432	74,899	86,331	1,877
1938/39	9,509	74,522	84,031	1,572
1939/40	6,765	60,321	67,086	1,100
1940/41	9,081	50,702	59,783	652
1941/42[a]	4,309	23,369	27,678	452
1942/43[b]	2,441	-	2,441	39
1943/44[b]	6,849	-	6,849	228
1944/45[b]	9,481	3,338	12,819	765
1945/46[b]	4,650	6,667	11,317	632
1946/47	4,893	5,401	10,294	582
1947/48	8,094	19,194	27,288	1,884
1948/49	9,612	37,525	47,137	3,889
1949/50	10,966	47,859	58,825	5,677
1950/51	11,363	65,346	76,709	7,690
1951/52	14,776	63,277	78,053	9,095

Year	Papua (tonnes)	New Guinea (tonnes)	Total Tonnes	Total $A'000
1952/53	12,439	79,001	91,440	10,546
1953/54	11,778	77,852	89,630	11,831
1954/55	17,120	82,577	99,697	11,352
1955/56	18,236	81,755	99,991	12,372
1956/57	13,438	84,718	98,156	11,297
1957/58	13,448	86,416	99,864	9,042
1958/59	14,919	87,338	102,257	11,508
1959/60	14,887	90,508	105,395	12,253
1960/61	15,831	92,905	108,736	10,226
1961/62	15,709	96,677	112,386	9,221
1962/63	16,787	96,312	112,495	9,436
1963/64	13,817	93,282	107,099	10,018
1964/65	16,787	99,415	116,202	12,409
1965/66	16,378	106,947	123,325	14,299
1966/67	15,352	100,519	115,871	9,994
1967/68	15,755	101,301	117,056	14,050
1968/69	17,627	119,202	136,829	14,804
1969/70	17,729	112,523	130,252	13,340
1970/71	16,300	114,176	131,016	14,207
1971/72[c]	17,126	122,913	140,039	9,392
1972/73[c]	16,033	117,817	133,850	14,269
1973/74[c]	16,041	110,738	126,779	24,035
1902/03 to 1973/74	651,842 (14.8%)	3,761,773 (85.2%)	4,413,615	

[a]Japanese occupation of part of Territory of Papua and whole of Territory of New Guinea from February 1942.
[b]Japanese occupation of parts of Territory of New Guinea. Statistics from ANGPCB records.
[c]Statistics from CMB records.

Sources (unless otherwise indicated): Territory of Papua, *Annual Reports*; German New Guinea, *Annual Reports*; Territory of New Guinea, *Annual Reports*; Papua New Guinea, *Annual Reports*, for the appropriate years.

Table 4 **Papua New Guinea: exports of desiccated coconut, 1926/27 to 1971/72**

Year	Papua		New Guinea		Total	
	Tonnes	$A'000	Tonnes	$A'000	Tonnes	$A'000
.....						
1926/27	41	5	-	-	41	5
1927/28	110	15	-	-	110	15
1928/29	265	32	26	3	291	35
1929/30	759	80	195	17	954	97
1930/31	1,445	158	956	65	2,401	223
1931/32	1,228	120	1,302	128	2,530	248
1932/33	1,118	99	1,357	147	2,475	246
1933/34	1,274	96	1,486	163	2,760	259
1934/35	1,453	76	1,637	90	3,090	166
1935/36	1,451	85	1,673	132	3,124	217
1936/37	1,499	94	1,659	174	3,158	268
1937/38	1,541	105	1,605	147	3,146	252
1938/39	1,581	96	1,616	140	3,197	236
1939/40	1,876	116	1,810	178	3,686	294
1940/41	1,749	119	1,908	178	3,657	297
1941/42	864	56	924	75	1,788	131
.....						
1948/49	140	55	218	63	358	118
1949/50	323	119	663	246	986	365
1950/51	601	211	954	436	1,555	647
1951/52	801	250	691	222	1,492	472
1952/53	1,358	640	42	20	1,400	682
1953/54	182	55	8	3	190	63
.....						
1968/69	-	-	2,541	990	2,541	990
1969/70	-	-	3,603	1,211	3,603	1,211
1970/71	-	-	3,613	1,203	3,613	1,203
1971/72	-	-	3,194	1,065	3,194	1,065

Note: Gaps indicate that there were no exports before 1926/27; no exports from 1942/43 to 1948/49; and no exports from 1954/55 to 1968/69.

Sources: Territory of Papua, *Annual Reports*; Territory of New Guinea, *Annual Reports*; and Papua New Guinea, *Annual Reports*, for the appropriate years.

Table 5 **Papua New Guinea: exports of coconut oil and other coconut products except copra and desiccated coconut, 1932/33 to 1971/72**

Year	Coconut oil Tonnes	Coconut oil $A'000	Other $A'000	Total $A'000
.....				
1932/33	-	-	5	5
1933/34	-	-	8	8
1934/35	-	-	11	11
1935/36	-	-	11	11
1936/37	-	-	10	10
1937/38	-	-	3	3
1938/39	-	-	4	4
1939/40	-	-	-	-
1940/41	-	-	4	4
.....				
1948/49	-	-	2	2
1949/50	-	-	15	15
1950/51	-	-	47	47
1951/52	-	-	56	56
1952/53	3,626	924	97	1,021
1953/54	10,381	2,791	209	3,000
1954/55	8,801	2,431	179	2,610
1955/56	10,499	2,654	274	2,928
1956/57	11,523	2,692	281	2,973
1957/58	15,042	2,946	363	3,309
1958/59	21,891	5,509	370	5,879
1959/60	25,941	7,627	718	8,345
1960/61	20,761	4,722	590	5,312
1961/62	19,946	3,939	538	4,477
1962/63	24,026	4,668	675	5,343
1963/64	21,439	4,673	560	5,206
1964/65	25,535	6,731	642	7,423
1965/66	21,900	5,874	727	6,601
1966/67	23,181	5,181	659	5,840
1967/68	24,097	6,875	530	7,405
1968/69	20,563	5,772	589	6,361
1969/70	21,327	5,801	607	6,408
1970/71	26,896	7,805	893	8,698
1971/72	26,081	5,880	588	6,468

Note: Gaps indicate that before 1932/33 exports were insignificant, and that there were no exports from 1941/42 to 1948/49.

Sources: Territory of Papua, *Annual Reports*, Territory of Papua New Guinea, *Annual Reports*, and Papua New Guinea, *Annual Reports*, for the appropriate years.

Table 6 **Papua New Guinea: copra sales by cooperative societies, 1949/50 to 1973/74**

Year	Copra sales ($A'000)	Total sales ($A'000)	Copra sales as per cent of total sales
1949/50	50	125	40.0
1950/51	78	226	34.5
1951/52	136	379	35.9
1952/53	352	789	44.6
1953/54	631	1,241	50.6
1954/55	826	1,925	42.9
1955/56	760	2,006	37.9
1956/57	735	2,055	35.8
1957/58	495	1,504	32.9
1958/59	594	1,635	36.3
1959/60	1,046	2,325	45.0
1960/61	866	2,364	36.6
1961/62	785	2,228	35.2
1962/63	746	2,288	32.6
1963/64	811	2,519	32.2
1964/65	712	3,850	18.5
1965/66	915	5,112	17.9
1966/67	770	5,055	15.2
1967/68	726	5,485	13.2
1968/69	1,044	6,447	16.2
1969/70	714	6,459	11.8
1970/71	729	7,415	9.8
1971/72	555	7,604	7.3
1972/73	568	4,785	11.9
1973/74	1,103	..	-

Sources: Papua New Guinea, *Annual Report of the Registrar of Co-operative Societies* for the appropriate years; CMB statistics for 1972/73 and 1973/74.

Table 7 **Papua New Guinea: copra production by district and ownership, 1971/72 to 1973/74**

District	1971/72 Foreign (tonnes)	1971/72 Melanesian (tonnes)	1971/72 Melanesian (%)[a]	1972/73 Foreign (tonnes)	1972/73 Melanesian (tonnes)	1972/73 Melanesian (%)[a]	1973/74 Foreign (tonnes)	1973/74 Melanesian (tonnes)	1973/74 Melanesian (%)[a]
Bougainville	13,514	7,269	35.0	12,305	8,696	41.4	11,229	10,935	49.3
Central	5,708	1,043	15.4	5,595	1,202	17.7	4,900	1,171	19.3
East New Britain	14,014	15,556	52.6	13,249	16,562	55.2	17,997	15,839	46.8
East Sepik	507	796	61.6	500	992	66.5	206	1,374	87.0
Gulf	675	1,907	73.9	658	1,930	74.6	763	2,139	73.7
Madang	13,608	3,723	21.5	12,197	4,241	25.8	10,823	4,279	28.3
Manus	2,040	1,049	34.0	1,393	1,481	51.5	1,214	1,532	55.8
Milne Bay	2,308	4,285	65.0	2,039	5,025	71.1	1,590	4,660	74.6
Morobe	974	908	48.2	762	868	53.3	728	1,176	61.8
New Ireland	14,958	8,523	36.3	14,675	8,562	36.8	15,011	9,500	38.8
Northern	103	78	43.3	109	67	38.1	105	33	23.9
Western	93	68	42.2	50	58	53.7	46	48	51.1
West New Britain	5,108	1,991	28.1	4,587	1,856	28.8	5,013	2,077	29.3
West Sepik	368	305	45.3	238	329	58.0	707	156	18.1
Total	73,978	47,501	39.1	68,537	51,689	43.1	70,332	54,919	43.8

[a] Melanesian owners' percentage of total production.

Source: DASF file 13-6-3/2, 'Bag Counts', calculated as 13.7788 bags per tonne.

Table 8 **Australian New Guinea Production Control Board: some trading and other statistics, 1943/44 to 1949/50 (£ Australian)**

	1943/44	1944/45	1945/46	1946/47	1947/48	1948/49	1949/50
Copra sales	80,975	293,678	357,347	243,255	878,444	2,602,263	3,208,506
Copra net profit	4,488	18,844	9,303	11,661	21,779	129,522	110,842
Rubber sales	114,661	510,865	201,219	143,127	71,060	1,491	240,577
Rubber net profit	(11,971)	16,951	9,827	24,677	9,170	12	27,623
Merchandise sales	194,089	299,144	769,355	577,648	222,758	59,586	-
Merchandise net profit	20,603	17,209	26,664	33,689	6,196	2,281	-
Trade store sales	100,478	137,365	141,357	13,291	-	1,282	-
Trade store net profit	21,003	18,703	16,200	754	-	62	-
Copra reserve	4,488	23,332	35,241	11,661[a]	33,440	150,260	185,670
General reserve	41,106	33,662	64,026	95,444	97,105	99,382	97,236
Native welfare account (trade store profits)	-	39,706	55,906	56,660	56,722	56,722	56,722

[a]£35,241 transferred to Copra Stabilisation Reserve Fund.

Source: ANGPCB published financial statements for the relevant years.

Table 9 **Copra Marketing Board of Papua New Guinea: purchase price including bounty paid to producers for one tonne of hot air copra, 1949 to 1974**

Year	Annual average amount[a] ($A)	Annual average amount adjusted to 1974 dollar value[b] ($A)
1949	94.48	337.29
1950	96.12	314.25
1951	107.53	279.58
1952	138.11	343.89
1953	137.30	297.94
1954	145.17	307.76
1955	136.93	288.92
1956	123.03	250.98
1957	122.03	214.78
1958	94.49	180.48
1959	122.61	234.19
1960	135.25	246.16
1961	107.28	189.89
1962	107.28	187.74
1963	114.66	198.36
1964	121.06	202.17
1965	132.54	216.04
1966	127.83	201.97
1967	118.43	181.20
1968	149.76	223.14
1969	120.73	173.85
1970	133.85	184.71
1971	118.43	155.14
1972	105.71	128.97
1973	161.58	196.90
1974	351.46	

[a]Calculated from statistics contained in annual reports and files at head office of CMB, Port Moresby.
[b]Calculated by using adjusting factor from Australian Society of Accountants, Preliminary Exposure Draft, *Accounting for Changes in the Purchasing Power of Money* (Melbourne 1974), Appendix 4.

Source: CMB Statistics Book.

Table 10 **Copra Marketing Board of Papua New Guinea: correlation of price paid to producers and tonnage received, 1955 to 1973**

Year	Price per tonne ($A)	Year	Tonnage ('000)
1954	145.17	1955	81.4
1955	136.93	1956	80.3
1956	123.03	1957	78.6
1957	112.45	1958	91.4
1958	94.49	1959	93.9
1959	122.61	1960	96.5
1960	135.25	1961	100.0
1961	107.28	1962	101.9
1962	107.28	1963	98.6
1963	114.66	1964	106.2
1964	121.06	1965	114.8
1965	132.54	1966	106.5
1966	127.83	1967	108.1
1967	118.43	1968	128.0
1968	149.76	1969	117.4
1969	120.83	1970	117.4
1970	133.85	1971	127.7
1971	105.71	1972	121.9
1972	168.58	1973	131.1

Note: Tonnage figures are lagged by one year because the price paid to producers consists of (a) 'first payment', when copra is delivered to a depot or agency of the Board, and (b) 'price adjustment', after the Board has declared the final price of the year.

$$\text{T statistics} = \frac{\text{regression coefficient}}{\text{standard error}}$$

$$= \frac{0.166444}{0.22732}$$

$$= 0.73218 \text{ [Insignificant 0.50]}$$

Source: CMB statistics.

Table 11 **Copra Marketing Board of Papua New Guinea: shipments and deliveries, 1965 to 1974**

A.

Year	United Kingdom (tonnes)	Australia (tonnes)	Japan (tonnes)	PNG crusher (tonnes)	Total (tonnes)
1965	51,723	28,220	4,185	36,758	120,886
1966	41,844	31,480	4,382	38,944	116,650
1967	46,995	24,800	5,554	31,648	108,997
1968	59,640	25,162	12,226	29,648	126,676
1969	32,849	24,354	24,203	33,326	114,732
1970	36,968	23,292	28,963	30,508	119,731
1971	37,216	23,315	29,205	35,780	125,516
1972	38,217	18,014	29,090	37,185	122,506
1973	28,862	14,831	29,459	38,714	111,866
1974	48,388	6,514	36,965	36,992	128,859

B.

Year	United Kingdom (%)	Australia (%)	Japan (%)	PNG crusher (%)	Total (%)
1965	42.8	23.3	3.5	30.4	100.0
1966	35.9	27.0	3.7	33.4	100.0
1967	43.1	22.8	5.1	29.0	100.0
1968	46.8	19.8	9.6	23.8	100.0
1969	28.8	21.2	21.0	29.0	100.0
1970	30.9	19.4	24.2	25.5	100.0
1971	29.6	18.6	23.3	28.5	100.0
1972	31.2	14.7	23.8	30.3	100.0
1973	25.8	13.3	26.3	34.6	100.0
1974	37.6	5.0	28.7	28.7	100.0
1965 to 1974 annual average	35.3	18.5	16.9	29.3	100.0

Source: Calculated from CMB statistics, 1974.

Table 12 **Copra Marketing Board of Papua New Guinea: receivals by depot and origin 1971 to 1974**

Depot	1971 tonnes	%	1972 tonnes	%	1973 tonnes	%	1974 tonnes	%
Buka	-	-	-	-	-	-	1,657	1.3
Kavieng	17,280	13.4	15,607	12.8	15,217	13.1	15,446	11.6
Kieta	4,724	3.7	8,632	7.1	8,008	6.9	14,009	10.7
Kimbe	-	-	-	-	-	-	1,307	1.1
Lae[a]	2,081	1.6	2,257	1.9	2,460	2.1	2,428	1.9
Lorengau[a]	2,089	1.6	1,681	1.4	2,004	1.7	1,849	1.4
Madang	19,897	15.6	19,432	15.9	16,426	14.2	17,694	13.6
Port Moresby	9,921	7.8	8,957	7.3	9,446	8.1	8,627	6.6
Rabaul	28,707	22.5	21,373	17.5	15,497	13.4	22,200	16.8
Samarai	7,200	5.6	7,076	5.8	6,616	5.7	6,940	5.3
Toboi	34,902	27.3	35,708	29.3	38,714	33.4	36,433	27.8
Wewak[a]	908	0.8	1,167	1.0	1,634	1.4	2,512	1.9
Total	127,718	100.0	121,890	100.0	116,200	100.0	131,102	100.0
From:								
Plantations	77,332	60.5	72,157	59.2	64,870	55.9	69,446	53.0
Registered traders[b]								
Nationals	9,299	7.3	10,709	8.8	8,140	7.0	13,471	10.3
Other	20,769	16.3	19,888	16.3	22,029	19.0	20,486	15.6
Cooperatives[b]	4,996	3.9	4,314	3.5	4,191	3.6	4,410	3.4
Cash producers[b]	15,322	12.0	14,822	12.2	16,790	14.5	23,289	17.7
Total	127,718	100.0	121,890	100.0	116,200	100.0	131,102	100.0

[a] Agency.
[b] All from village producers. Allowing 2½ per cent of plantation receivals as having originally been bought from village producers, the villagers' contribution to total receivals was: 1971 - 41 per cent, 1972 - 42.3 per cent, 1973 - 45.5 per cent, 1974 - 48.3 per cent.

Source: CMB Statistics File, 1975.

Table 13 **Papua New Guinea Copra Fund (established by Customs Export Tariff Ordinance 1951-52): receipts and expenditure, 1955/56 to 1972/73**

	Receipts[a] ($A)	Expenditure ($A)	Balance ($A)
Balance (1 July 1955)[b]	1,376,150	..	1,376,150
1955/56	3,608,288	..	4,984,438
1956/57	590,972	32	5,575,378
1957/58	541,250	268	6,116,360
1958/59	439,228	898	6,554,690
1959/60	312,664[c]	1,632	6,865,722
1960/61	289,006	120	7,154,608
1961/62	281,600	2,070	7,734,138
1962/63	306,274	288	7,740,124
1963/64	323,580	416	8,063,288
1964/65	363,312	396	8,426,204
1965/66	359,649	467	8,785,386
1966/67	428,915	236,237	8,978,064
1967/68	476,030	393,737	9,060,357
1968/69	911,472	832,088	9,139,741
1969/70	496,638	388,215	9,248,164
1970/71	566,452	1,548,229	8,412,123
1971/72	746,311	5,034,009	4,124,425
1972/73	..	..	..
1973/74	..	4,361,633[d]	-

[a]Includes interest on investments.
[b]The Copra Fund's movements were not included in PNG budget papers prior to 1955/56.
[c]Contributions from export duty discontinued.
[d]Transferred from Department of the Treasury to CMB.

Sources: Papua New Guinea, *Budget Papers* and *Financial Statements* for the appropriate years.

Table 14 **Copra: average price of Singapore FMS on London market, 1915 to 1973**

Year	Price (£E)	Change from previous year (%)	Year	Price (£E)	Change from previous year (%)
1915	25.63		1945	..	
1916	23.69	-7.6	1946	31.25	
1917	45.00	+90.0	1947[b]	40.00	+28.0
1918	45.50	+1.1	1948[b]	53.29	+33.2
1919	52.75	+11.6	1949	71.19	+33.6
1920	56.38	+6.9	1950	83.19	+16.9
1921	32.85	-41.7	1951	105.81	+27.2
1922	24.73	-24.7	1952	68.81	-35.0
1923	27.89	+12.8	1953	85.42	+24.1
1924	29.75	+2.4	1954	75.06	-12.1
1925	30.25	+1.7	1955	67.57	-10.0
1926	28.63	-5.4	1956	66.31	-1.9
1927	27.38	-4.4	1957	65.00	-2.0
1928	26.88	-1.8	1958	74.50	+11.5
1929	23.07	-14.1	1959	90.25	+21.1
1930	19.00	-17.6	1960	75.13	-17.0
1931	13.88	-26.9	1961	61.50	-18.2
1932	15.00	+8.1	1962	60.38	-1.8
1933	11.31	-24.6	1963	67.44	+11.7
1934	12.31	+8.8	1964	72.00	+10.7
1935	12.75	+0.4	1965	83.63	+16.2
1936	15.63	+22.6	1966	67.19	-19.7
1937	17.38	+11.2	1967	74.50	+10.9
1938	11.50	-33.8	1968	98.88	+32.7
1939	11.69	+1.7	1969	84.88	-14.2
1940[a]	12.50	+6.9	1970	93.13	+9.7
1941	12.79	+2.3	1971	78.63	-15.6
1942	..		1972	55.46	-29.5
1943	..		1972	55.46	-29.5
1944	..		1973	142.15	+156.3
Average (excluding 1940 to 1948)				52.53	

[a]Based on special freight arrangement.
[b]F.o.b.

Source: Frank Fehr & Co., *Annual Review of Oilseeds, Oils, Oilcakes and Other Commodities* (London), for the appropriate years.

Table 15 **Copra: world exports, 1969 to 1973 ('000 tonnes)**

	1969	1970	1971	1972	1973	1969-1973 (percentage total world exports)	
Asia							
Philippines	579	425	727	1,006	743	3,480	62.2
Indonesia	184	219	87	50	42	582	10.4
Other	46	35	34	62	17	194	3.5
Sub-total	809	679	848	1,118	802	4,256	76.1
Oceania							
Papua New Guinea	95	88	91	100	90	464	8.3
New Hebrides	37	31	34	30	20	152	2.7
British Solomon Islands	24	21	26	21	15	107	1.9
Western Samoa	15	10	18	19	14	76	1.4
US Trust Territory	13	13	13	13	13	65	1.2
Tonga	14	8	9	12	13	56	1.0
Gilbert & Ellice Islands	8	6	6	7	6	33	0.6
Other	7	3	2	1	1	14	0.2
Sub-total	213	180	199	203	172	967	17.3
Africa	76	70	65	58	67	336	6.0
Americas	6	4	5	3	3	21	0.4
Other	4	5	-	1	-	10	0.2
Sub-total	86	79	70	62	70	367	6.6
Total	1,108	938	1,117	1,383	1,044	5,590	100.0

Source: US Department of Agriculture, *Foreign Agriculture Circular - Oilseeds and Products* Washington, November 1974:35.

Table 16 **Copra: world imports, 1969 to 1973 ('000 tonnes)**

	1969	1970	1971	1972	1973	1969-73 (% total imports)	
West Germany	177	151	276	441	273	1,318	24.9
USA	271	198	190	209	199	1,067	20.1
Japan	109	127	122	124	134	616	11.6
Netherlands	124	78	55	85	107	449	8.5
France	63	55	61	50	47	276	5.2
Sweden	37	39	47	45	47	215	4.1
United Kingdom	46	32	34	41	38	191	3.6
Australia	32	79	30	21	18	180	3.4
Denmark	31	14	19	27	16	107	2.0
Singapore	21	17	33	37	15	123	2.3
Norway	23	19	22	19	21	104	2.0
Italy	21	13	32	33	16	115	2.2
Spain	16	11	16	19	16	78	1.5
Portugal	12	11	22	16	17	78	1.5
USSR	4	1	3	35	28	71	1.3
Other	91	49	68	63	37	308	5.8
Total	1078	894	1030	1265	1029	5296	100.0

Source: US Department of Agriculture, *Foreign Agriculture Circular - Oilseeds and Products*, Washington, November 1974:36.

Table 17 **Exports from South Pacific territories, 1935 to 1954 (long tonnes)**[a]

	Average 1935-39	1951	1952	1953	1954
American Samoa	800	1,000	1,000	1,205	1,716
British Solomon Islands Protectorate	21,900	13,963	12,925	16,488	19,022
Cook Islands	1,100	1,320	1,336	1,094	1,416
Fiji	30,600	32,800	36,000	33,500	32,600
French Oceania	21,600	27,884	24,410	17,120	22,500
Gilbert and Ellice Islands	6,300	6,587	3,906	10,535	6,737
Mandated Territory of New Guinea	69,300	65,240	63,045	69,852	93,600
Netherlands New Guinea	4,500	3,823	3,288	3,354	4,370
New Caledonia	2,700	2,540	1,985	2,824	3,348
New Hebrides	11,200	27,746	21,136	22,655	23,545
Niue	400	685	956	601	558
Territory of Papua	10,700	11,182	14,540	12,240	11,588
Tokelau Islands	-	327	199	157	280
Tonga	11,800	19,222	16,500	12,600	14,223
US Trust Territory	14,000	14,000	11,800	10,190	10,000
Western Samoa	12,500	14,619	17,037	11,185	13,664
Total	223,000	242,938	230,063	225,600	259,167

[a]Exports of oil have been calculated in terms of copra.

Source: E.J.E. Lefort, *Economic Aspects of the Coconut Industry in the South Pacific*, 1970:4.

Table 18 **Coconut oil: world exports, 1969 to 1973 ('000 tonnes)**

	1969	1970	1971	1972	1973	1969-73	% total exports
Asia							
Philippines	213	337	409	467	426	1852	66.6
Malaysia	31	47	41	24	28	171	6.1
Indonesia	4	3	4	34	17	62	2.2
Singapore	56	56	71	87	18	288	10.4
Sri Lanka	22	24	9	15	5	75	2.7
Sub-total	326	467	534	627	494	2448	88.0
Oceania							
Papua New Guinea	21	21	27	27	28	124	4.5
Fiji	17	19	17	15	18	86	3.1
French Pacific Islands	11	11	8	11	11	52	1.9
Sub-total	49	51	52	53	57	262	9.5
Africa	11	14	12	9	11	57	2.0
Other	1	1	5	5	2	14	0.5
Total	387	533	603	694	564	3578	100.0

Source: US Department of Agriculture, *Foreign Agriculture Circular - Oilseeds and Products*, Washington, November 1974:38.

Table 19 **Coconut oil: imports of specified countries, 1969 to 1973 ('000 tonnes)**

	1969	1970	1971	1972	1973	1969-73	(% total imports)
USA	194	270	285	307	325	1381	47.4
United Kingdom	43	48	43	50	48	232	8.0
West Germany	45	32	41	45	61	224	7.7
Netherlands	9	8	40	73	47	177	6.1
Italy	28	20	19	21	30	118	4.1
Canada	22	21	21	32	21	117	4.0
Belgium and Luxemburg	12	19	18	22	23	94	3.2
Singapore	12	14	27	16	24	93	3.2
South Africa	8	10	11	15	21	65	2.2
Poland	3	6	14	15	14	52	1.8
Other	53	63	76	89	76	357	12.3
Total	429	511	595	685	690	2910	100.0

Source: As for Table 18.

Table 20 **Oils and fats: percentage used in the production of margarine, United Kingdom and USA, 1965, 1968 and 1971**

	1965		1968		1971	
	UK	USA	UK	USA	UK	USA
Vegetable						
Coconut	3.7	0.3	0.8	0.8	0.7	0.8
Cotton seed	2.6	7.4	-	4.0	0.3	3.4
Groundnut	4.1	0.3	6.6	0.3	2.7	0.2
Maize	-	10.5	-	10.4	-	10.2
Palm	9.4	-	7.8	-	18.2	-
Palm kernel	0.4	-	0.4	-	0.7	-
Rape seed	2.0	-	4.7	-	1.4	-
Safflower	2.0	0.5	8.6	2.5	1.4	2.0
Soya bean	11.6	72.4	6.2	72.1	20.6	72.6
Other	5.7	1.3	6.5	0.1	2.8	1.6
Sub-total	41.5	92.7	41.6	90.2	48.8	90.8
Animal						
Lard	15.1	6.4	4.9	8.9	5.5	
Other	1.5	0.9	1.5	0.9	2.4	{9.2
Sub-total	16.6	7.3	6.4	9.8	7.9	9.2
Marine						
Whale	4.9	-	1.2	-	-	-
Other	37.0	-	50.8	-	43.3	-
Sub-total	41.9	-	52.0	-	43.3	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Commonwealth Secretariat, *Vegetable Oils and Oilseeds*, London, 1973:188-9.

Table 21 **Oils and fats: world production by type, 1970 and 1980**[a]

	1970	1980	1970	1980	
	Production ('000 tonnes)		Share in total (per cent)		Average growth rate per annum (per cent, comp.)
Edible/soap oils and fats					
Butter	4,974	5,436	12	10	0.9
Lard	4,963	5,874	12	11	1.7
Sub-total	9,937	11,310	24	21	0.9
Soft oils					
Cottonseed oil	2,787	3,283	7	6	1.7
Groundnut oil	3,222	4,670	8	9	3.8
Olive oil	1,279	1,889	3	3	4.0
Rape seed oil	1,897	3,012	5	6	4.7
Sesame seed oil	617	738	1	1	1.8
Soya bean oil	6,068	8,195	15	15	3.1
Sunflower oil	3,575	5,163	9	9	3.7
Sub-total	19,439	26,950	48	49	3.3
Lauric oils					
Coconut oil	2,079	2,910	5	5	3.4
Palm kernel oil	492	900	1	2	6.2
Sub-total	2,571	3,810	6	7	4.0
Hard and marine oils					
Marine oils	1,217	1,343	3	2	1.0
Palm oil	1,661	3,750	4	7	8.5
Tallow	4,591	5,866	11	11	2.5
Sub-total	7,469	10,969	18	20	3.9
Technical oils					
Castor oil	369	554	1	1	4.2
Linseed oil	1,028	1,027	3	2	-
Tung oil	143	199	-	-	3.4
Sub-total	1,540	1,780	4	3	1.5
Total	40,956	54,809	100	100	2.9

[a]1980 projected. Projected growth of world production 1970 to 1980: Butter and lard + 13.8 percent; Soft oils + 38.6 per cent; Lauric oils + 48.2 per cent. The shares of total world production 1970 to 1980 are projected as: Butter and lard -12.5 per cent; Soft oils + 0.2 per cent; Lauric oils + 1.7 per cent.

Source: FAO, *Agricultural Commodity Projections 1970-1980*, Rome, 1971:154, Table 4.

Table 22 **Oils and fats: world consumption by economies classification, 1970 and 1980**

	1970		1980[a]	
	Total ('000 t)	Per capita (kg)	Total ('000 t)	Per capita (kg)
Economies Class I				
North America	7,149	22.1	8,142	22.2
Western Europe	10,576	22.6	12,171	23.4
Oceania	351	15.8	450	16.1
Others	1,755	9.3	2,547	11.5
Sub-total	19,831	19.9	23,310	20.6
Economies Class II				
Africa	1,756	5.1	2,488	5.5
Latin America	2,971	8.0	4,553	9.0
Near East	1,542	7.4	2,352	8.6
Asia and Far East	5,243	4.4	7,904	5.0
Others	11	2.9	17	3.0
Sub-total	11,523	5.3	17,314	6.0
Economies Class III				
Asian centrally-planned economies	3,030	2.7	4,443	3.3
USSR & Eastern Europe	6,594	14.3	8,535	16.9
Sub-total	9,624	6.0	12,978	6.9
Total	40,878	8.4	53,602	8.9

[a]Projected figures.

Source: FAO, *Agricultural Commodity Projections 1970-1980*, Rome, 1971:148.

Table 23 **Vegetable oils: correlation matrix of world prices, 1955 to 1966**

	Soft oils						Hard oils		
	Peanut	Cotton seed	Sunflower	Soya bean	Rape seed	Olive	Palm	Palm kernel	Coconut
Soft oils									
Peanut	1.00	0.68	0.71	0.78	0.86	0.48	0.57	0.34	0.16
Cotton seed		1.00	0.67	0.75	0.72	0.43	0.59	0.04	0.04
Sunflower			1.00	0.90	0.78	0.20	0.49	0.06	0.12
Soya bean				1.00	0.84	0.24	0.50	0.18	0.03
Rape seed					1.00	0.45	0.73	0.20	0.03
Olive						1.00	0.34	0.03	0.03
Hard oils									
Palm oil							1.00	0.35	0.09
Palm kernel								1.00	0.90
Coconut									1.00

Source: US Department of Agriculture, *World Supply and demand Prospects for Oilseeds and Oilseed Products in 1980*, E.R.S. No.71, March 1971.

Table 24 **Papua New Guinea: soap imports by type, 1960/61 to 1973/74**[a]

Year	Toilet and medicated soaps		Laundry soaps	
	$A	tonnes	$A	tonnes
1960/61	81,242	..	274,100	1340
1961/62	88,264	..	278,384	1436
1962/63	84,206	..	306,404	1733
1963/64	98,362	..	343,060	1945
1964/65	132,356	..	352,562	1985
1965/66	141,027	..	480,353	2381
1966/67	158,429	..	523,701	2559
1967/68	185,602	..	612,927	2931
1968/69	196,137	..	615,741	2862
1969/70	235,659	370	697,631	3118
1970/71	282,659	443	762,433	3319
1971/72	307,934	413	794,433	3615
1972/73	327,961	457	835,288	3307
1973/74	452,569	570	1,048,651	3221

[a]Soap flakes, soap powders, etc., not included.

Table 25 **Papua New Guinea: soap imports by countries of origin, 1973/74**

Country	Toilet and medicated soaps		Laundry soaps	
	$A	tonnes	$A	tonnes
Australia	393,296	458	968,599	2751
Hong Kong	1,099	1	38,749	242
Netherlands	10,722	17	-	-
United Kingdom	9,287	13	287	1
West Germany	21,799	50	13,031	54
Other	16,366	31	27,985	173
Total	452,569	570	1,048,651	3221

Source: PNG Bureau of Statistics, 'Extraction forms: overseas trade statistics', transmitted under cover of letter 80.4.5 of 6 August 1975.

Table 26 **Copra crushing mill: capital costs, operating costs and revenue for annual outputs of 15,300 and 45,900 tons per annum, 1974** ($A)

Annual input	15,300 tons			45,900 tons		
Assumed price per ton						
Copra	100	300	550	100	300	550
Coconut oil	135	405	935	135	405	935
Capital costs						
Plant and equipment	357,000	357,000	357,000	987,780	987,780	987,780
Installation	142,800	142,800	142,800	395,110	395,110	395,110
Buildings	44,550	44,550	44,550	58,000	58,000	58,000
Land	2,770	2,770	2,770	13,860	13,860	13,860
Contingencies	54,600	54,600	54,600	145,480	145,480	145,480
Total fixed costs	601,780	601,780	601,780	1,600,230	1,60,230	1,600,230
Working capital	514,150	1,367,920	3,002,770	1,536,960	4,242,650	9,005,260
Total investment	1,115,930	1,969,700	3,604,550	3,137,190	5,842,880	10,605,490
Operating costs						
Raw material	1,530,000	4,590,000	8,415,000	4,590,000	13,770,000	25,245,000
Personnel	62,580	62,580	62,580	112,890	112,890	112,890
Electricity	45,940	45,940	45,940	169,210	169,210	169,210
Jute bags	53,550	53,550	53,550	165,650	165,650	165,650
Maintenance	20,100	20,100	20,100	52,290	52,290	52,290
Other	38,220	38,220	38,220	86,960	86,960	86,960
Insurance	13,680	28,980	48,100	41,180	92,180	154,590
Interest on working capital	41,130	109,430	240,220	122,960	339,410	720,420
Gross operating costs	1,805,200	4,948,800	8,923,710	5,341,230	14,788,680	26,707,100
Net operating costs	1,764,070	4,839,370	8,683,490	5,218,270	14,449,270	25,986,680
Revenue						
Coconut oil	1,291,010	3,873,020	8,941,410	3,872,880	11,618,640	26,823,280
Copra cake	535,500	535,500	535,500	1,606,500	1,606,500	1,606,500
Total revenue	1,826,510	4,408,520	9,476,910	5,479,380	13,225,140	28,429,780
Surplus or loss	+62,440	-430,850	+793,420	+216,110	-1,224,130	+2,443,100

Source: J.A. Cornelius and C.J. Lockhart-Smith, *Report on a Feasibility Survey for the Establishment of a Regional Copra Crushing Mill within the Region Covered by the South Pacific Bureau of Economic Co-operation*, London, Tropical Products Institute, 1974:63-8.

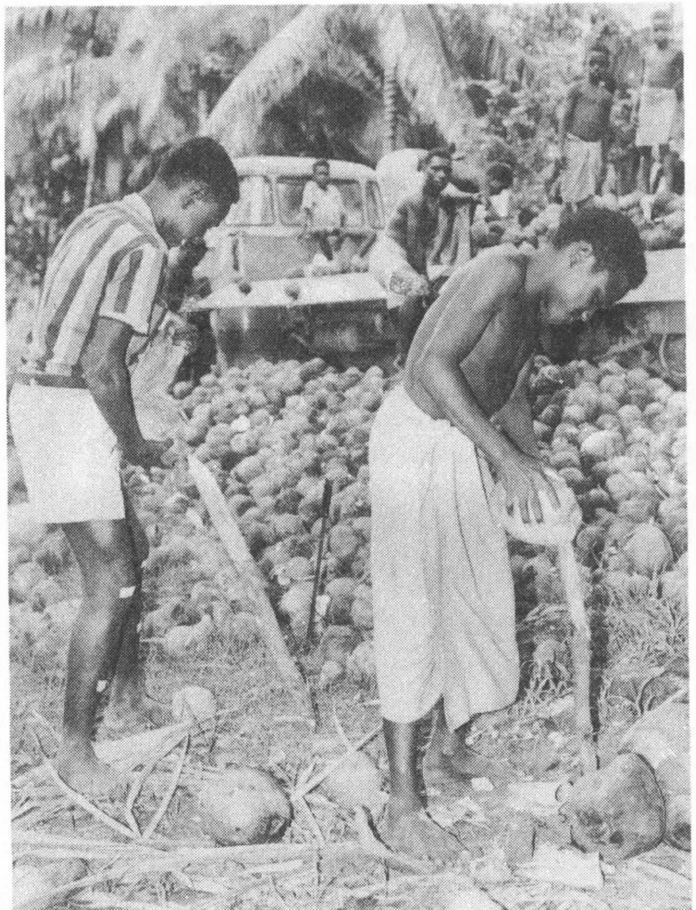


Plate 1 **Husking coconuts**

Plate 2 **A simple village drier**

Plate 3 **An improved village drier**

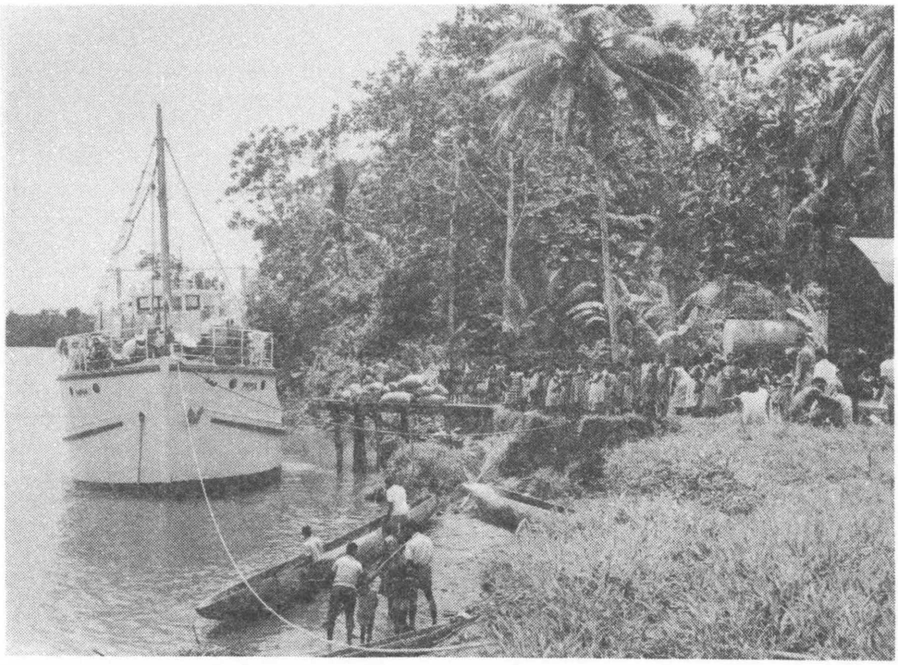


Plate 4 **M.V Papua, owned by the PNG Co-operative Federation, loading copra at Moveave, Gulf Province**

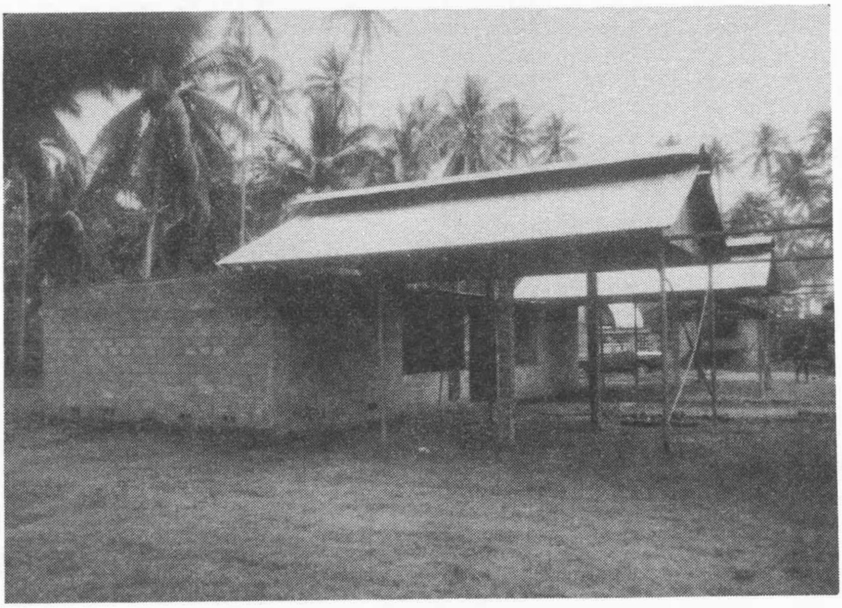


Plate 5 Ceylon drier with sliding roof, producing hot-air quality copra

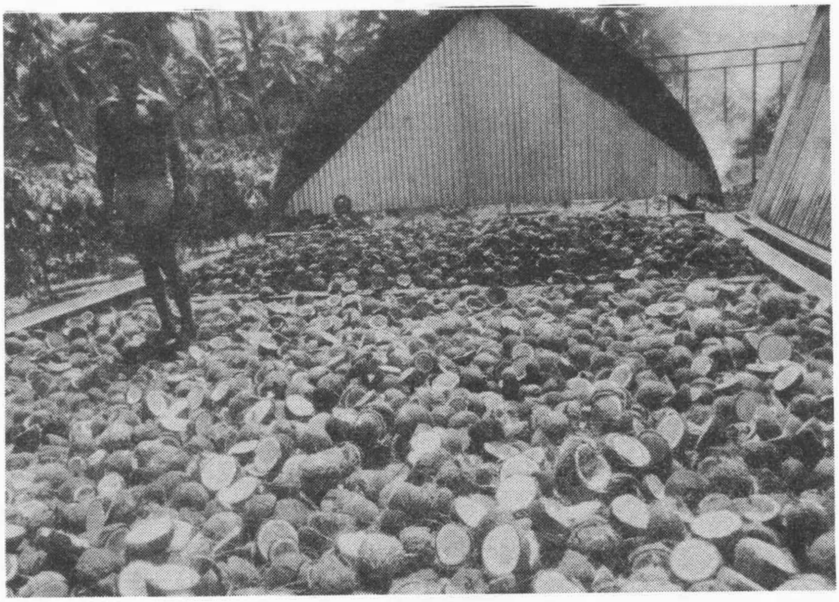


Plate 6 Half nuts on the bed of a Ceylon drier

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