I thank the organisers of this seminar for providing me the opportunity to discuss the “Performance of Major Agricultural Export Commodities and their Future Prospects”.

In order to get a better appreciation of the performance of the export commodities, it is important to place this against the overall performance of the total agriculture sector contribution to the overall Gross Domestic product of PNG.

First and foremost, PNG is an agriculture country blessed with an abundant diversity of primary industry resources. Our people have lived and depended on agriculture for thousands of years. Current statistics on population generally show that about 87% of Papua New Guineans live in the rural areas of PNG and heavily depend on agriculture for their income and overall sustenance. Subsistence farming and commercial agriculture are the avenues that provide these opportunities.

It is also generally known that 97% of Papua New Guinea’s total land mass is customarily owned while 3% is owned by others, including the State. In terms of development, much of this total land mass remains undeveloped and underdeveloped.

It is fair to say that the nation has not moved forward to push for the development of an overall integrated plan for agriculture. Moreover, there have been far too many changes in agriculture policies, which create confusion. The lack of financial and other technical resources to support agriculture development has always been a factor contributing to deterioration in the ability to deliver extension services to farmers.

Overall agriculture sector’s contribution to PNG’s GDP slightly decreased from 28% in 2001 to 27% in 2002. In fact, its performance in previous years was also not very encouraging.

Table 1: Exports Classified By Commodity Group

<table>
<thead>
<tr>
<th>Year</th>
<th>Agricultural</th>
<th>Forest Products</th>
<th>Marine Products</th>
<th>Mineral</th>
<th>Total Domestic Export</th>
<th>Re-Exports</th>
<th>Total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Logs</td>
<td>Total</td>
<td></td>
<td>Crude Oil</td>
<td>Gold</td>
<td>Copper</td>
</tr>
<tr>
<td>1999</td>
<td>1165.0</td>
<td>255.6</td>
<td>265.9</td>
<td>30.4</td>
<td>1382.4</td>
<td>1546.1</td>
<td>574.3</td>
</tr>
<tr>
<td>2000</td>
<td>955.5</td>
<td>283.5</td>
<td>308.8</td>
<td>33.7</td>
<td>1870.8</td>
<td>1950.8</td>
<td>595.4</td>
</tr>
<tr>
<td>2001</td>
<td>801.1</td>
<td>234.3</td>
<td>310.9</td>
<td>77.2</td>
<td>1889.4</td>
<td>2115.1</td>
<td>859.1</td>
</tr>
<tr>
<td>2002</td>
<td>1084.9</td>
<td>365.5</td>
<td>414.1</td>
<td>94.1</td>
<td>1431.2</td>
<td>2294.8</td>
<td>1018.7</td>
</tr>
<tr>
<td>2003</td>
<td>288.9</td>
<td>104.2</td>
<td>121.9</td>
<td>21.7</td>
<td>472.6</td>
<td>716.6</td>
<td>390.6</td>
</tr>
<tr>
<td></td>
<td>367.8</td>
<td>88.2</td>
<td>94.3</td>
<td>18.6</td>
<td>440.9</td>
<td>584.6</td>
<td>319.2</td>
</tr>
</tbody>
</table>

Source: BPNG Quarterly Economic Bulletin: June 2003 Issue

• The agriculture export performance has continued to be dictated by the cocoa, coffee, copra, copra oil, palm oil, rubber, sugar and tea.
Table 2: Agriculture Exports - Classified by Commodity  
(K million, f.o.b)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cocoa</th>
<th>Coffee</th>
<th>Tea</th>
<th>Copra</th>
<th>Copra Oil</th>
<th>Palm Oil</th>
<th>Rubber</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>84.6</td>
<td>417.1</td>
<td>19.0</td>
<td>66.5</td>
<td>95.8</td>
<td>337.9</td>
<td>5.0</td>
<td>139.1</td>
<td>1165.0</td>
</tr>
<tr>
<td>2000</td>
<td>84.6</td>
<td>294.8</td>
<td>20.4</td>
<td>59.9</td>
<td>65.8</td>
<td>306.6</td>
<td>6.4</td>
<td>117.0</td>
<td>955.5</td>
</tr>
<tr>
<td>2001</td>
<td>110.3</td>
<td>188.8</td>
<td>22.0</td>
<td>15.5</td>
<td>27.3</td>
<td>290.5</td>
<td>6.8</td>
<td>113.9</td>
<td>801.1</td>
</tr>
<tr>
<td>2002</td>
<td>226.3</td>
<td>246.6</td>
<td>18.1</td>
<td>10.7</td>
<td>33.3</td>
<td>389.9</td>
<td>8.8</td>
<td>121.2</td>
<td>1084.9</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td>64.4</td>
<td>35.5</td>
<td>5.8</td>
<td>1.3</td>
<td>16.1</td>
<td>133.8</td>
<td>2.9</td>
<td>28.7</td>
<td>288.9</td>
</tr>
<tr>
<td>Jun</td>
<td>89.6</td>
<td>65.8</td>
<td>5.4</td>
<td>0.8</td>
<td>19.0</td>
<td>112.3</td>
<td>2.2</td>
<td>72.7</td>
<td>367.8</td>
</tr>
</tbody>
</table>

Source: BPNG QEB: June 2003 Issue

Table 3: Agricultural Exports- Quantities Exported of major Commodities  
('000 tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cocoa</th>
<th>Coffee</th>
<th>Tea</th>
<th>Copra</th>
<th>Copra Oil</th>
<th>Palm Oil</th>
<th>Rubber</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>29.0</td>
<td>79.2</td>
<td>6.2</td>
<td>63.5</td>
<td>50.3</td>
<td>253.8</td>
<td>3.7</td>
</tr>
<tr>
<td>2000</td>
<td>38.0</td>
<td>66.6</td>
<td>8.5</td>
<td>67.2</td>
<td>48.0</td>
<td>336.3</td>
<td>3.7</td>
</tr>
<tr>
<td>2001</td>
<td>36.5</td>
<td>51.6</td>
<td>8.8</td>
<td>46.4</td>
<td>27.1</td>
<td>327.6</td>
<td>3.6</td>
</tr>
<tr>
<td>2002</td>
<td>34.9</td>
<td>63.1</td>
<td>5.2</td>
<td>15.8</td>
<td>28.2</td>
<td>323.9</td>
<td>3.8</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td>8.1</td>
<td>7.9</td>
<td>1.9</td>
<td>1.5</td>
<td>9.3</td>
<td>94.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Jun</td>
<td>13.4</td>
<td>14.5</td>
<td>1.8</td>
<td>0.9</td>
<td>14.4</td>
<td>83.1</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: BPNG Quarterly Economic Bulletin: June 2003 Issue

There are a number of significant aspects of the agriculture sector’s export performance, which need highlighting.

In 1999, total national export receipt was K4,985.3 million of which agriculture’s contribution was K1,165 million. This increase in revenue performance was driven by high world market prices for cocoa, coffee (all grades) copra, copra oil and palm oil. During that year, copra oil and coffee were the only commodities that recorded higher export volumes.

Other export commodities recorded lower export volumes but were generously compensated by their relative high world market prices.

In 2000 and 2001, there were overall decreases in revenue receipts from the sector but in 2002, it picked up again to K1084.9 million out of the national total export receipt of K6387.1 million. So far in 2003, it has contributed K288.9 million and K367.8 million in the March and June quarters respectively.

Programmes to expand production of commodities are greatly influenced by weather conditions and movements in the world market prices. We see clearly that when prices drop; it is generally the case that farmers tend to neglect the development of their crops. The reverse is true. When commodity prices increase, farmers react positively by developing their farms. Palm oil and cocoa exports demonstrate this point very clearly.
Palm Oil overtook coffee in 2000 as PNG’s leading export commodity. In 1999, it accounted for K337.9 million. In 2002, its contribution reached a figure of K389.9 million and this year it has contributed K133.8 million and K112.3 million in the March and June quarter respectively.

In its present set up, it will continue to play a very dominant role as a leading crop.

The Oil Palm Research Association at Dami, in West New Britain has produced some excellent research results, which is a very essential catalyst in promoting the development of a well balanced and cost effective oil palm industry.

Oil palm extension service is provided by the Oil Palm Industry Corporation (OPIC) to small oil palm farmers. This model of extension service has proved to be workable, if it is adequately resourced.

Coffee is now ranked number two after oil palm. In 1999, it accounted for K417.1 million of total export receipts. However, its overall contribution continued to drop in 2000 and 2001 following drop in prices, deteriorating infrastructure and law and order problems. Its contribution in 2002 was K276.6 million, and for March and June quarter this year, it has made a contribution of K35.9 million and K65.8 million respectively.

Cocoa has responded positively to improved world market prices and consequently lifted its overall export revenue from K120.5 million in 2001 to K226.3 million in 2002. Prices have dropped but it is still recording very good contributions, making a contribution, of K64.4 million in March and K89.6 million in the June quarter 2003.

Overall, export volumes in 2002 for rubber remained at about 3,800 tonnes. However, there were decreases in the volume of coffee, tea, and copra exports.

It is worth noting, in particular, that the volume of copra exports has been on a consistent decline from 63,500 tonnes in 1999 to 15,000 in 2002 and so far this year recorded 1,500 in March quarter and 900 tonnes in June quarter. On the other hand, copra oil production, after witnessing increased production in 1999, dropped to the lowest figure of 15,800 tonnes in 2001 but recovered to 28,200 tonnes in 2002.

In the March and June quarters of this year, copra oil production reached 9,300 tonnes and 14,400 tonnes respectively, signifying a higher degree of local processing by the two existing copra mills in the country, since, the new Kokonas Industry Koporesent (KIK) came into existence in 2001.

The sugar industry enjoys export markets into the United States of America where it exports 7,000 tonnes annually. Small quantities were also sold to other smaller Pacific markets.

**Future Prospects**

As has been discussed, all of PNG’s export commodities enjoy good international markets. They have established international markets reputation.

The biggest challenges for PNG into the future are to:-

- Expand production of these commodities
- Widen the agriculture export base so that PNG can extract maximum benefits from all crops where it has great potential and where it has comparative advantage.

As regards, existing commodities, efforts are being made by the private sector and the Government, through the respective commodities boards, to expand and improve current production.
The three oil palm milling companies have put into action their respective expansion programmes which involve huge capital investments. These programmes involve improving and expanding milling capacities as well as rehabilitating existing plantations, expanding into new areas. Moreover, many smallholders out growers are also increasing their plantings. NBPOL’s initiative in establishing the first ever oil palm refinery at Kumbago in West New Britain Province is the first of its type in the oil palm industry, producing high-grade oil, produced to international market standards.

Other potential areas for oil palm development include Open Bay in East New Britain, Walium in Madang, Collingwood Bay in Oro Province and some areas in East & West Sepik Provinces.

The current policy goals and objectives of the coffee sub-sector are influenced by the need to maintain sustainability in production and income levels in the face of declining commodity prices and other domestic factors, including the increase cost of production.

As a recent measure aimed at improving productivity of the industry, the Coffee Industry Corporation (CIC), in consultation with the industry stakeholders has adopted the 8 points plan.

The policy goal for the coffee industry can be restarted as follows:-

“To promote and support the continuing development of a soundly based coffee industry in PNG which will maximise financial returns to all coffee producers and contribute to the Government’s economic and social policy goals”.

The coffee industry’s development path over the next five years, 2003-2007, has been the main thrust of the 8 Point Plan to increase the value of current production. The plan sets out to achieve these objectives through focused research and extension and other quality improvement programmes, building these into various incentive programmes, and through facilitation of direct exports by growers.

These policies are designed to ensure that PNG coffee remains competitive on the world market and to sustain and/or maximise returns to growers by adopting a sustainable system of coffee production, processing and marketing. The policies take into account trends and development, constraints and opportunities in both the world coffee market and the domestic environment that affects the growth of the PNG coffee industry.

The new KIK Act deregulates the copra marketing function from KIK’s predecessor, Copra Marketing Boards, (CMB), to the private sector. This move is necessary and one that would facilitate growth of the copra industry. Through this move, all copra buyers compete for raw copra so that ultimately copra farmers good prices for their copra. This deregulation has made it possible for more copra to be processed in PNG.

RIC supports the policy on local processing as long as this is based on viable operations and that farmers get improved income returns for their produce.

Moreover, the move to merge CCEA and CCRI is aimed at reducing administrative costs of cocoa and coconut extension and research. Moreover, as these two functions now remains under one administrative “roof”, an effective network between research and extension is ensured.

Cocoa is also undergoing some major initiatives. New and better cocoa clones was introduced this year by the Cocoa Board. It has since been released to farmers in the cocoa growing areas of the country.

In addition, the European Union sponsored cocoa rehabilitation programme in Bougainville has taken off in a big way. East New Britain has also been very actively promoting the expansion of cocoa. There is no doubt that these two provinces will contribute significantly to improvement in the overall cocoa production.
The National Cocoa Consultative Workshop on cocoa held in Rabaul from the 15th-17th July 2003 resolved to set a target for PNG cocoa production at 100,000 tonnes. The meeting acknowledged the enormity of the overall effort to achieve this target. This effort will involve a programme to mobilise all factors of production to achieve this target. As a start, the Cocoa Board is now in the process of putting together a national plan for the long term development of cocoa.

Vanilla is the other boom export crop that has grown in strength over the last few years. Detail production figures are not immediately known but it is generally known that thousands of farmers have actually planted vanilla. Farmers are directly benefiting from incomes this crop. Farmers organise their own markets with overseas buyers.

The development of vanilla has been driven by very high world market prices. There is still no definite national policy on vanilla. Moreover, apart from an excellent research work on vanilla done by the National Agricultural Research Institute (NARI), the country does not have well-researched and co-ordinated information on vanilla quality, world market demands, price movements and general extension information. These issues have to be attended to very quickly because if prices drop, farmers will be very disappointed.

PNG has a great potential to increase its rubber production. Cape Rodney Rubber Project has been undergoing a resurgence of activity following some years of abandonment. More and more farmers who previously abandoned their blocks are cleaning their blocks and are tapping their rubber trees.

I understand that there are plans to expand rubber planting in the North Fly area.

PNG’s other rubber project is at Gavien, in the East Sepik Province. The urgent priority for that project is to expand production as the current volume of production is too low to justifying an optimum size rubber processing plant.

There is potential to further increase rubber in Gulf, Popondetta, New Ireland, Amazon Bay in the Central Province, where rubber was previously grown.

Commercial forestry is another area of agriculture that provide expert revenue to PNG. Export figures from this sub sector of the forest industry are generally included in the overall forest export statistics.

Sugar has an established market in the USA and will continue to enjoy that arrangement.

Commercial forestry has a huge potential in PNG. It is estimated that out of the 3 million hectares of land covered by grass and secondary forest growth, 300,000 hectares provide real opportunity for commercial plantation.

There is only one tea producing company in PNG. Expansion of tea production is rather limited due to constant law and order problems and land compensation demands.

It is generally clear that, apart from tea, all of PNG’s major export commodities are destined to experience growth in the future. However, this requires a massive amount of attention and resources backing from all sectors of the community to establish an appropriate and conducive investments climate.

**Other policy issues to be addressed**

As a start, it is important for PNG to develop and adopt a proper integrated and co-ordinated set of agriculture policies, which must set the overall direction for agriculture developments. These policies must encompass and embrace specific policies on the expansion and further development of each crop. It must also outline solutions to those fundamental enabling and critical issues such as infrastructure, law and order, credits, extension, information, just to
mention some, which directly affect agriculture development. Everyone knows that these factors are currently working against all efforts to promote agriculture development and current efforts to resolve them are falling short of providing lasting solutions.

The enormous land bank has to be unblocked for development. A national land mobilisation program, involving providing avenues for landowners to register their land quickly must be introduced. This would enable farmers to secure titles over their land and give them a sense of comfort and stability to develop their projects.

PNG must promote the development of its plantation sector as a direct avenue to boost overall agriculture development. Plantations provide direct links to small individual farmers in such areas as markets, extension, proper road and other infrastructure network etc while at the same time contributing enormously to increasing overall agricultural production. It is also in the plantation sector where PNG can encourage large overseas foreign investments. The National and Provincial Governments should identify, and acquire some large areas of land to establish new plantations. Once properly packaged, they would be offered to foreign investors to develop. PNG must play a very proactive role in attracting foreign investments.

Finally, Papua New Guineans must develop a mental attitude change towards agriculture as an industry that provides all the answers to PNG’s development needs, challenges and aspirations. It is a long-term sustainable development that offers the country and the bulk of its population (87%), solutions to employment, income, food security etc. Every Papua New Guinean must return to their land and develop them.

PNG must premise its industrialisation policies on agriculture i.e. forward and backward linkages. PNG must learn valuable lessons from countries like Australia, New Zealand and Malaysia on how the agriculture sector has successfully premised long-term sustainable industrialisation policies. PNG doesn’t have to “invent wheels” in this regard because it is in the best position to copy and emulate successful experiences, which are out there in abundance.