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MONTHLY COFFEE BULLETIN JANUARY 2009

CEO'S COMMENTARY

I welcome all coffee stakeholders into this new year and commend us all a good coffee year last year 2008.

After two years of lack of luster performance, PNG coffee production and exports is well on the road to recovery following the recently completed year. Despite the market price sliding at the end of 2008, the price spikes in February and July ensured 2008 a profitable year with not only record prices, but also record revenues.

This year is set to be an exciting year for the industry with the District by District-Coffee Rehabilitation Program funded by the National Development Agriculture Plan (NADP) to rejuvenate the current poor state of coffee gardens, especially in the smallholder sector. This will be piloted in the Obura/Wonenara and Kainantu Districts of EHP, Anglimp and South/North Waghi Districts in the WHP and Kundiawa/Gembogl and Kerowagi Districts in the Simbu Province.

This issue covers December 2008 and January 2009. Enjoy reading as we have enjoyed producing it.

INDUSTRY PERFORMANCE

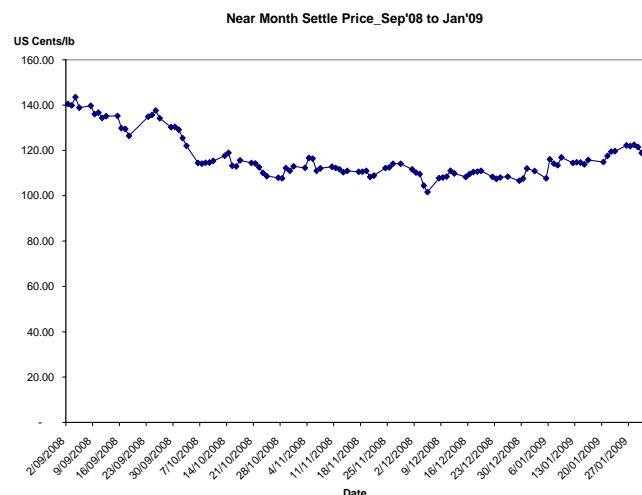
International Market

After dropping to new levels in 2008, near month Arabica futures appeared to have bottomed out in December 2008. This year, January's prices moved up 7% eventually ending at 116.57 cents/lb with a high of 122.50 (28/01/09) and a low of 107.70 cents/lb (5/01/09).

In the physical coffee market, trading was slow after the festive period but quickly picked up again. In the first half of January, concerns rose from the shortage of good Colombian coffee, thus traders and roasters interests shifted to Brazils and Centrals, increasingly seen as substitutes for Colombian coffee.

In other news for the month of January, it is expected that Colombian production would be down, with some indicating around 10% decline. Also harvesting in Vietnam, in now thought to be completed, current estimates are that the crop is well in excess of 20 million bags.

Arabica Futures Settle Price (Sept '08 – Jan '09)



DOMESTIC INDUSTRY

Prices

As the festive period ended in January, there is recovery of coffee prices. Parchment coffee prices improved by 9% and Green Bean coffee prices by 10%. At point of export, the weighted FOB price in January increased by 4% over December.

Differentials

Differential levels for the top grades fell sharply with X grade landing at +9.00 and A grade at +16.25 cents/lb. In smallholder coffees, Y grade in January improved marginally over December whilst PSC grade deteriorated to -4.87 cents /lb.

Marketing Margins

Total formal trading (exporter – mill) margin in November was K4.24 with a 24:76 split respectively. Marketing margins as a share of FOB value were exporter 15% and mill 49% leaving farmer/producer with 36%.

Production

Provisional production estimate for the month of December 2008 is 54,060bags and that given; the tentative production estimate for calendar year 2008 is 1,057,465 bags, 7% over 2007's production. Final figures including January's will be available in the next Bulletin.

Exports

Export volume in December 2008 fell 17% from its previous month's level but the since the peak in October, export level in December was 50% lower than the peak month. However, owing to the robust production, total export volume for 2008 was 1,094,938 bags, an increase of 20% from 2007. January's export volume will be available in the next issue.

Export Earnings

Pre registrations with CIC Limited, value of coffee exported in 2008 is a record K508, 844,574, attributed

mainly to production recovery and increased prices realized in the first three quarters of 2008.

INDUSTRY NEWS

PNG Robusta coffee still has market

PNG Robusta coffee producers are urged to be patient as efforts are being made to recreate markets in Europe, Australia and other importing countries.

Since the end of the year 2008, about 600 bags of Robusta green bean are awaiting buyers to export.

It is believed that this lack of market is due to the fact that PNG Robusta coffee had not been available for many years except on token quantities, forging main buyers in Europe to turn to other Robusta origins from Vietnam and Asia.

Andre Jure-le Manac'h of Kundu Coffee confirmed from Brisbane that the difficulty that the PNG industry is facing to sell its Robusta coffee is not quality related.

Mr Jure-le Manac'h said that to recreate a market for PNG Robusta in Europe would take time but eventually this coffee should regain its former position in the market place if producers in PNG can increase the volume of Robusta coffee.

Meanwhile, a prominent exporting company in Goroka, Eastern Highlands Province, is convinced that this coffee variety could still find a market given that the volume is increased.

CIC's Chief Executive Officer, Mr Ricky Mitio, confirmed that Robusta volume had declined and is confident of efforts made to increase current volume through the National Agricultural Development Program (NADP) in the lowland region and with emphasis to new growth areas as East New Britain Province. He urged Robusta coffee producers not to give up but to continue to produce the volume needed to attract market and confirmed that Robusta coffee market is still open.

Enquiries should be directed to the Scientific Liaison Officer

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