



COFFEE INDUSTRY CORPORATION LTD CHIEF EXECUTIVE'S OFFICE

P. O. Box 137
GOROKA
Eastern Highlands Province, 411
Papua New Guinea

Telephone: (675) 732 1266
Facsimile: (675) 732 1351
Email: tebincic@daltron.com.pg

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CEO'S COMMENTARY

As we reach the end of a successful coffee calendar year, I must salute every industry stakeholder in the coffee industry for their contributions during the 2007/2008 coffee year.

Earlier indications show that coffee production has increased and as a result, the coffee export earnings peaked in 2007/2008 coffee year with the high coffee prices.

The other issue covered in this bulletin is the Private Public Partnership initiatives being taken on board by the industry stakeholders.

Enjoy Reading.

INDUSTRY PERFORMANCE

International Market

Near-month Arabica futures in September fell by 2.4% with a high of 143.50 (4/09/08) and a low of 126.45 cents/lb (18/09/08). From the highs at end of June and early July, Arabica prices now look to be testing for a new level (refer chart below).

As was reported in the July issue that there was really no fundamental logic behind the spike in prices at the end of June as there were no significant threat of frost in Brazil and that the harvest was coming on well. The only matter that could be correlated was that there was a general rise in the prices of all commodities as the financial situation brought about by a slowing US economy diverted attention and funds into commodities like coffee.

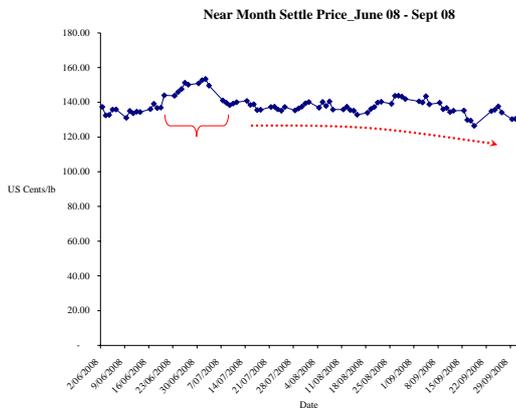
However in the first half of the month of September both Arabica and Robusta coffee prices began to ease off as crude oil prices fell and the US dollar put on the breaks from its recent slide. Then in the latter half all commodity prices including coffee, came under pressure as financial news of Lehman, Merrill Lynch, and AIG hit the market. But when news of rescue packages emerged, the market calmed down again.

In the physical coffee market there was some good activity in the first two weeks when a number of origins either dropped or improved differentials which was prompted by high futures prices. However towards the end of September, the market slowed down again and both producers and roasters took to the sidelines.

In other news, the Ugandan Coffee Development Authority with the backing from USAID valued at about \$400 million has been both planting new coffee and replanting/replacing old stock since 2001. The country's President announced that the country aims to be a producer like Vietnam and Colombia.

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**Chart: Near Month “KC” Settle Price
(June ‘08 to Sept ‘08)**



DOMESTIC INDUSTRY

Prices

Arabica parchment coffee prices improved by 3% during the month of September to K3.04 in green bean equivalent price (GBE) whilst Robusta parchment prices saw the best improvement moving up 16% to K1.45 GBE. In the green coffee trade itself, Arabica DIS prices remained on the same level as August’s prices whilst Robusta DIS increased by a little over 1%. Weighted average FOB price dropped by 3% to end at K7.97 but was also 3% higher than the corresponding month of 2007.

Differentials

Differential levels for the top grades of X and A were lower at +13 and +24.68 cents/lb respectively. Of the smallholder coffees, PSC improved to -0.93 whilst Y grade moved lower by just a little over a cent to end the month at -13.08 cents/lb.

Marketing Margins

Total formal Trading (exporter-mill) margin is lower again in the last two months it has fallen by 10% ending up at K4.39 with a 13:87 split between Exporter and Mill. Marketing Margins as a share of FOB value were exporter, 8% and mill 51% leaving farmer/producer with 41%.

Production

Final production estimates for the months of June, July, and August were 152,160, 112,434, and 117,265 bags, respectively. With the provisional production estimate for September at 76,978 bags, a provisional coffee year 2007/08 production is estimated at 1,100,792 bags. Progressing calendar year (Jan - Sept ‘08) now stands at 876,044 bags. Overall coffee availability (supply) for the coffee year 2007/08 was an estimated 1,306,578 bags.

Exports

Export volume over the last two months has increased by 15% and in September were 128,064 bags, similar to the corresponding figure in the same month of 2007. Coffee year 07/08 exports now stands at 1,109,821 bags with calendar year progressive at 816,760 bags.

Exports Earnings

Earnings over the month increased by 4.5% to K59,510,763 which was also 48% higher than the corresponding month in 2007. Provisional earnings figure for the 2007/08 coffee year is K524,266,377 largely due to internationally, increased world market prices and domestically, a crop recovery (production) after two years of low production, which made a larger volume available to be market.

INDUSTRY ISSUES

Industry Promotes Partnership

Coffee Industry stakeholders lead the way in promoting Public Private Partnership at the 2008 Goroka Show. A stall (HAUS KOPI) set up by Mr. Terry Shelly; Managing Director of the Nowek Coffee Mill paved the way for involvement of the coffee stakeholders to showcase their products to visitors and show-goers. Kongo Coffee, the National Roaster and Exporter, the sole participant at this year’s industry stall, put up a very good display and promotions of its company’s products. It was an attraction to international visitors and tourists who took the opportunity taste the best of PNG Coffee.

CIC played the facilitating role by involving stakeholders; however it used the opportunity to provide and distribute information to farmers and other show-goers

CIC expects next years industry's stall to be even better and invites more stakeholders to be involved as the PPP concept is encompassed in the CIC's 10 year Strategic Plan.



“We love PNG COFFEE” says the tourists, looking on is Kongo Coffee Managing Director, Mr. Jerry Kapka

STRATEGIC PLANNING WORKSHOPS

CIC Management had convened two in-house workshops as part of the planning process to assimilate the Sectional Managers and the Supervisors to be able to grasp the content and translate the Strategic Plan to projects and program for its implementation.

The workshops were held at Aiyura and were facilitated by the Special Projects Officer of the CIC Project Monitoring & Evaluation Unit.

CIC RECEIVES K3.9 MILLION

The National Government released the first K3.0m under the National Agriculture Development Program (NADP) to CIC to initiate the District by District Coffee Rehabilitation Program. The CIC Chief Executive Officer, Mr. Mitio said that the money will be disbursed equally to the three major coffee growing provinces, EHP, Simbu and WHP respectively for the program.

Rehabilitation will commence in the selected districts in each of these three provinces to pilot the program before it extends to others districts and coffee growing provinces as more funding is made available in the future.

The program is expected to be officially launched by the Agriculture & Livestock Minister in October, 2008.

The National Government also released K0.9million for the development of Coffee Nurseries. The development of the Coffee Nursery Projects will be done concurrently with the District by District Coffee Rehabilitation Program.

ENQUIRIES SHOULD BE DIRECTED TO THE PUBLIC RELATIONS OFFICER

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