

**MONTHLY COFFEE BULLETIN**  
**SEPTEMBER 2010**

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*"Enjoy PNG Coffee - Rich in Aroma and Culture"*

**CEO'S COMMENTARY**

The market in New York continued to reach new highs in September as Arabica futures approached the \$2.00 mark reflecting the overall fundamental shortage in good quality milds. As a result, the higher than anticipated basis prices ensured that prices at home were higher for a third consecutive month. Local buyers in order to acquire a better share of the high FOB prices on offer went for volume, buying nonchalantly, all to the benefit of local growers as they continued to pile in and sell.

Join us in this bulletin as we review the month's market movements. Happy reading.

**1. INDUSTRY PERFORMANCE**

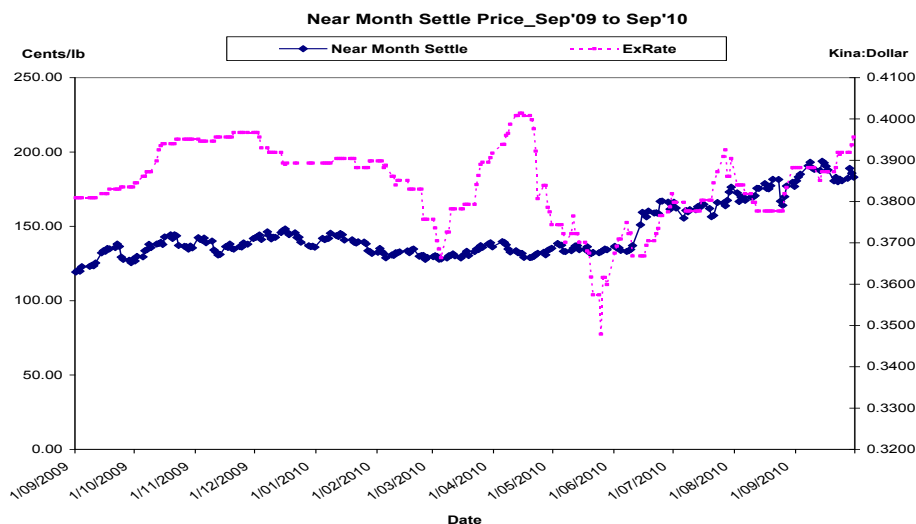
**International Market**

Further improvement in coffee prices in September as Arabica coffee futures gained 12.85 cents/lb over August. During the month prices ranged from a low of 179.95 to 193.70 cents/lb.

By now no secret, the market overall continues to reflect the general underlying shortage in good quality milds. On occasions, news of continuing wet weather in Central America and prolonged dry spell in Brazil further helped the market along to new highs as it engaged the attention of traders who in turn pushed prices higher. This prompted many origins to jump into the market eventually forcing down prices again.

In the physical market, trading had been slow to start at first eventually picking by the middle of the month and was mostly centered on nearby and spots. Origins cashed in in the latter half of the month viewing prices moving no further and as they did so, differentials moved lower as well.

**1.1.1 Chart: Arabica Futures (Sep'09 to Sep'10)**



**1.2 Domestic Industry**

Despite the exchange rate appreciation in September it was the better basis prices than ensured that prices at home were higher. Local buyers in order to acquire a better share of the high FOB prices bought indifferently, all to the benefit of local growers as they continued to pile in and sell.

**1.2.1 Prices**

Again for the third consecutive month, all form, grade and class prices have arisen further. Cherry prices was the biggest improver at 9% whilst parchment prices increased by 3%. Green coffee prices also moved up 3% whilst the all-grade weighted average FOB price improved 4% to K10.46 per kilogram.

**1.2.2 Differentials**

Accept for X grade which fell 8% to 28.33 cents/lb, all major grade differentials improved. Y, PSC and A grades are at -0.86, +11.23, and +39.09 cents/lb respectively.

**1.2.3 Marketing Margins**

Formal trading (exporter-mill) margin has been continually on the rise since

May this year and in September further improved 7% over August which is 45% since May. At K5.72, there was a 32:68 split respectively. Marketing margins as a share of FOB value are exporter 16%, dry mill 34% and parchment producer 50%. Cherry producers however in the month were able to get 68% of the FOB value whilst processor and exporter shares were 16% equally.

**1.2.4 Production**

Revised August production estimate is 123,728 60kg bags GBE whilst provisional estimate for September is 84,285 bags.

**1.2.5 Exports**

Revised Export volume for August and September are 99, 189 and 115,604 60kg bags, 17% and 10% respectively lower than the volumes a year ago.

**1.2.6 Export Earnings**

Value of coffees exported during the month increased 21% to K73 million and is 29% more than the value a year ago.

### 1.3. Industry News

## Villagers turn to coffee

Despite the oil and gas boom in the Southern Highlands Province, the people of Lai Valley in the Mendi District of the province are turning to coffee as a sustainable income generation activity.

The 50 hectare Komp Coffee plantation in the fertile Lai valley of Mendi district is being rejuvenated with much needed rehabilitation by the L-ai valley landowners compromising of old and you men and women.

The land owners did not waste time but dashed into the plantation with their bush knives and axes and begun the rehabilitation project after practical demonstration and training on the coffee rehabilitation packages were shown to them by CIC officers.

Chief Executive Officer of the Coffee Industry Corporation Ltd, Mr. Navi Anis, expressed great satisfaction in the

swift manner in which the landowners embraced and demonstrated their newly acquired coffee skills.

"It is one of CIC's current strategies to increase coffee production in PNG and CIC aims to work closely with farmer groups like the Lai Valley farmers who are willing to be self reliant and to help themselves", said Mr. Anis.

He said CIC provides a number of services and training to such self reliant farmer groups, in progressive stages, starting with Participatory Rural Appraisal Programs (PRAP), coffee training, book keeping, mobilization of farmer group, and designing wet and dry coffee factory for farmers, among others.

The Komp, plantation was managed by the former Southern Highlands Development Authority and was abandoned

for some twenty (20) years due to high cost of farm input supplies, labour, poor management and criminal activities along the highway.

The Rehabilitation activity came about as a result of the awareness carried out by CIC, the local NBC radio and the Southern Highland Smallholder Coffee Growers Association.

A group leader said in pidgin "oil na gas em blong ol lain long Hela region. Mipela em nogat narapela wei, so mipela mas go long graun na stap wantaim kofi". (Oil and gas is for the Hela people, we must work on the land and remain with coffee)

The plantation is now fully rehabilitated, including plantation roads. Infilling and expansion of young coffee trees is also progressing.



Villagers from the Lai Valley posing for a photo after the rehabilitation work on the Komp plantation. *Photo and story by Matei Labun*