

# A season of healthy growth

Farming expertise, rich soil and high rainfall are behind PNG's organic strength.

**A**griculture accounted for more than 30% of Papua New Guinea's GDP in 2011, according to World Bank figures. The sector expanded at a moderate pace in 2011, with many cash crops responding to high international prices.

PNG's most valuable cash crops, oil palm, coffee and cocoa, generate almost 80% of the total agricultural export income. Other agricultural products include rubber, tea, copra, spices, sugar and livestock.

Local environmental conditions are favourable for further growth. PNG has a large rural population possessing farming expertise, rich soil and high rainfall. Low-intensity farming methods mean PNG has the foundation to strengthen and market its organic and fair trade credentials.

## Food security, land security

Development of the sector is also important for domestic consumption. PNG's largest superannuation fund, NASFUND, bought into the diversified agribusiness Mainland Holdings partly in anticipation of this demand in late 2010. Outgoing Joint Managing Director Rod Mitchell noted in May 2011 that with PNG's population growing at 3% and agricultural production at just 1%, food security would be an issue in the future.

There are other challenges. At the time of writing, a Commission of Inquiry into the issuing of Special Agricultural Business Leases (SABLs) was finalising its work. With the majority of land in PNG customarily owned, SABLs are the major mechanism by which land is made available for commercial use. Customary owners lease land to the PNG Government, which then issues SABLs to commercial operators.

Around five million hectares of land have been leased out under SABLs over the past eight years. However, no new customary land has been made available for commercial use during the inquiry. Ramu Agri Industries General Manager Jamie Graham notes this is limiting the expansion plans of agribusinesses such as Ramu's parent company, New Britain Palm Oil Limited (PNG's most successful agribusiness). The Commission of Inquiry's report was due to be presented to parliament in mid-2012.

## Oil palm

Palm oil is PNG's most significant export crop, generating around 39% of agricultural export earnings over the past decade. The largest operator, New Britain Palm Oil Limited, announced a 69% increase in its revenue to US\$780.1 million for 2011. NBPOL's oil production was 23.5% higher than the preceding year.

Jamie Graham says the company is able to charge premium prices for quality sustainable products:

'NBPOL's commitment to sustainable and traceable palm oil is giving us the edge in European markets.'

NBPOL's expansion plans include building a new bakery fats

*'PNG's most valuable cash crops, oil palm, coffee and cocoa, generate almost 80% of the total agricultural export income.'*

factory adjacent to its existing refinery in Liverpool, England. The Liverpool site will also double its refining capacity. NBPOL does face some challenges, says Graham, including the rising costs of inputs such as fertiliser and fuel and a shortage of skilled workers.

## Coffee

Across PNG, 2–2.5 million people depend on coffee for their cash needs, and it is the foundation of the Highlands' rural economy. About 85% of PNG's coffee is produced by smallholders. The major export markets are Europe and the United States.

Challenges include the need to replant—as most of the trees are more than 40 years old—and constraints to market access.

The World Bank's Productive Partnerships in Agriculture project seeks to help small coffee (and cocoa) farmers by increasing the amount of certified coffee produced and exported. The International Finance Corporation (IFC), a member of the World Bank Group, will invest in the Chimbu-based producer Kongo Coffee, which has exported more than 24,000 tons to many international destinations including Germany, UK, USA, Hong Kong, Australia, New Zealand, Korea and Japan since late 1999.

## Livestock

The IFC has also agreed to investment in Lihir Integrated Livestock Ltd, which is part of Anitua, a company owned by Lihir Island landowners. The company produces pork, poultry, eggs and vegetables. Anitua subsidiary NCS supplies fresh produce to the Newcrest-owned Lihir gold mine for use in camp catering. Mainland Holdings is PNG's largest chicken producer, and is investing in chicken sheds and its growers' network to meet a projected 25% increase in domestic demand. Other livestock producers include Ramu Agri Industries and Trukai.



Credit: Mainland Holdings

*Poultry and livestock are likely to become increasingly important as PNG addresses its own food security challenge.*

### Cocoa

Cocoa accounts for about 22% of the value of PNG's GDP, with more than 65% of the crop being produced by rural households. While PNG supplies a modest 2% of the global market, the quality of its produce is high at between 75% and 85% fine cocoa flavour. There is potential to increase production significantly if the yield of smallholders can be improved, and to expand into downstream processing. Destination markets include the US, Belgium, Malaysia, Singapore, Indonesia, Thailand and Germany.

The Port Moresby stock exchange-listed NGIP Agmark is PNG's largest producer and exporter of cocoa. It announced a K4,358 million (\$US2.1 million) operating profit in the six months to 30 June 2011, with Chairman Don Manoa saying this was a 'significant turnaround ... due to better cost control and increased revenue'.

### Rubber

Rubber is grown in seven of PNG's provinces. About 74% is grown under plantation estates, with about 5150 smallholder growers producing the remainder. PNG's rubber is exported to the US, China, Australia and EU countries.

A successful model has been established with North Fly Rubber, a cooperative owned by around 3000 rubber-growing families from the Lake Murray, Balimo, Suki and Fly River areas in the Western Province. At the end of 2010, the Lake Murray Village Rubber project had 1646 growers from 21 villages planting 1960 hectares of rubber trees. An 2800 hectare expansion is planned by 2020.

## OPPORTUNITIES TO SELL TO PAPUA NEW GUINEA

When the final figures are available, they will most likely show Papua New Guinea's spent about K10 billion (US\$4.7 billion) in imports in 2011, up about 4% on the previous year.

These are some of the areas of key expenditure and demand:

- Machinery and transport equipment
- Mining and petroleum project-related services
- Construction supplies and contracting
- Food and beverages
- Health products and services
- Education and training products and services (K-12, tertiary, technical and professional)
- ICT products and services



Sustainable, traceable palm oil has become PNG's largest agricultural export

Credit: NBPOL



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7500 EMPLOYEES

HIGHLY DIVERSIFIED






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