

Palm oil is the star of PNG's agribusiness sector



Credit: NBPOL

Harnessing PNG's natural advantages

PNG's agricultural commodities are finding their way across the world.

Papua New Guinea has a natural advantage in agricultural production. It has rich soil, a warm climate that includes high seasonal rainfall, and a population that lives largely on agricultural land and possesses a high level of farming expertise. Agriculture is a major part of the economy, accounting for more than 25% of Papua New Guinea's GDP and about 85% of PNG's people are engaged in food production at the subsistence level.

Low-intensity farming methods, and the absence of pesticides and artificial fertilisers, present opportunities for PNG to position itself as a leading organic producer. PNG is also developing its Fairtrade potential, particularly in the coffee and cocoa sectors.

Oil palm, coffee and cocoa are the nation's three most valuable cash crops, together representing almost 80% of PNG's total agricultural export values. Other products include copra, spices, sugar and tea. Livestock—especially beef, poultry and pigs—also plays a significant role, particularly in the local market. The bulk of PNG's exports are raw or part-processed commodities, although there is an increased emphasis on value-adding before export.

Key opportunities

With the exception of oil palm, plantation production of all cash crops has declined over the past 30 years, although, as the authors of the recent book *Food and Agriculture in Papua New Guinea* state, production of export crops by villagers has increased. This speaks to the potential of agriculture with improved management and investment.

This is where companies such as New Britain Palm Oil Limited (NBPOL) have found success. Papua New Guinea's largest oil palm producer has harnessed the nation's natural agricultural advantage and applied economies of scale. The oil palm plantation and milling operator also exports unrefined produce to Europe but has taken the step of building its own palm oil refinery in the United Kingdom—close to its major European customers—to add value.

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Major export markets

PNG coffee's major markets are Europe and the US, with the larger international coffee companies accounting for the bulk of green bean exports. Several PNG coffee companies, such as Kongo Coffee and Carpenter Estates, are exporting roasted beans to get higher prices.

PNG cocoa supplies around 2% of the global market and there is potential to increase production significantly. Meanwhile, spices such as vanilla, pepper and mace and are being processed and packaged for sale internationally by companies such as Paradise Spices and Pacific Spices.

Pacific Spices opened the first processing plant of its kind to produce oil of vanilla and pure vanilla extract in 2010.

'The potential is quite huge with the market we're looking at now and the new markets are opening to us,' Pacific Spices' Chief Executive Officer Mickey Puritau tells Business Advantage.



Credit: Pacific Islands Trade & Invest

About 10% of tea produced in PNG is used locally, with the rest exported to Russia, Germany, the United Kingdom, the US and other markets.

The six-year US\$46.3 million World Bank-sponsored Productive Partnerships in Agriculture Project will aid coffee growers and other smallholders in Papua New Guinea over the coming six years.

SELLING TO PNG



Austrade's Trade Commissioner in Port Moresby, Kevan Dacey, outlines the opportunities to supply goods and services to Papua New Guinea's growing economy.

It is an exciting time to be working in Papua New Guinea. The largest components of the US\$15 billion Exxon Mobil LNG project are rapidly taking shape at the LNG plant site just outside Port Moresby, with other significant contracts also proceeding in the Southern Highlands and Western Province areas. The project continues to provide opportunities for Australian companies, with an estimated US\$3 billion worth of contracts already won. Two further LNG projects, run by InterOil and Talisman Energy, are likely to bring further business.

In the mining sector, the plans to upgrade production at existing mines and planned new projects (see page 28) will also increase opportunities for specialist companies.

This growth in the resource and mining sectors is causing businesses to gear up to take advantage of the spill-over opportunities in the road, water supply, power, telecommunications, port and airport infrastructure required to support these projects.

The construction industry is extremely buoyant. Architects, developers, local stockist merchants and contractors are evaluating their traditional sources of supply and opportunities are available

to introduce new, innovative products into the construction sector. This sector requires a hands-on approach to marketing and a commitment from suppliers to study the market, meet with specifiers and end users and commit to regular market visits.

With the rapid population increase due to the construction phase of these major projects opportunities are emerging to supply a wide range of food and beverages as local production does not have the capacity to meet demand.

PNG is one of Australia's largest aid recipients with AUD\$457 million budgeted for 2010—around 12% of PNG's overall revenue. The aid program will focus on education and health, and roads maintenance. Overseas companies can access this funding either directly or by working with local companies.

There are also major opportunities in the education and training sectors and within the IT sector as PNG rapidly develops.

PNG currently imports around A\$2 billion per annum of Australian goods and services: about 43% of its total imports. Given the close ties between the two countries, and the fact that PNG standards are written around Australian standards, importers are increasingly looking to Australia for supply.

Further information

Austrade in Port Moresby can assist Australian companies to evaluate the market, develop a strategy to enter the market and undertake market visits in the most cost-effective manner. Contact the Australian Trade Commission in Port Moresby on tel +675 3259150/+61 2 6202 8341 or email kevan.dacey austrade.gov.au.



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