



COCOA INDUSTRY IN BOUGAINVILLE

BOUGAINVILLE REVENUE & TAX SUMMIT

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STRUCTURE OF PRESENTATION

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BACKGROUND & OVERVIEW



- Major agricultural export crop
- K300m industry in PNG
- Largely smallholder rural based
- Comparative advantage against other crops
- 151,000 households (est. 2 mil people)
- 14/22 provinces growing cocoa
- Over 70-80% of fob prices passed on to growers.
- 310,000 tons target (DSP2030).
- 1% player on world market
- Cocoa contributed 10% to agric GDP (last 5 year)
- PNG is classified as 90% *fine or flavour* cocoa producer.
- “smoke taint” biggest problem (ICCO)
- 26 exporters in operation



FUNCTIONS OF COCOA BOARD



Under the Cocoa Act 1981, it is the function of the Board, acting in the best interest of cocoa growers of the country, and in accordance with any written directions given to it by the Minister: -

- a) to control the growing, processing, marketing and export of cacao, cocoa beans and cocoa products; and
- b) to establish price stabilization, and stockholdings arrangements within the cocoa industry; and
- c) to promote the consumption of Papua New Guinea cocoa beans and cocoa products; and
- d) to promote research and development programs for the benefit of the cocoa industry; and
- e) when required by the Minister – to act as agent for, and to carry out the obligations of the State under any international arrangements relating to cocoa including all financial obligations of the State or Board under any international agreement (except membership fees of an international organization); and
- f) Generally, to do such things that is necessary or convenient to be done by the Board for giving effect to the Act.

BASICALLY TO CONTROL COCOA QUALITY, LICENSE AND REGULATE THE COCOA INDUSTRY IN PNG!



INCOME SOURCES



1. INTERNAL SOURCES

Management Levies(40/tonne)

Licensing Fees (6xExporters, 3,971xFermentaries)

2. EXTERNAL SOURCES

**Government Grants (Recurrent Budget & PIPs for
Projects)**

Donor funded projects.



PROJECTIONS



Projected Production and Income on Current plantings

- Already 2,000,000 cocoa seedlings have been planted by PPAP/BIRDC/Donor Partners/Districts. This equates to 3,200 ha planted, total tonnage that will be produced is 960 tonnes (i.e. at conservative production yield of 300kg (0.3 tonne)/ha/yr).
- Estimated Farmers' Income @ DIS price will be 960 tonnes x K6,400/tonne = K6,144,000 while Estimated total revenue @ FOB price will be 960 tonnes x K7,000 = K 6, 720,000.

5 years (2017 - 2022) Projection on Cocoa Production & Economic Returns

- 5,000,000 cocoa seedlings projection for next 5 years period.
- Total land area to be planted is 8000ha.
- Total projected production tonnage over 5 years is 2,400 tonnes.
- Farmers' direct Income through DIS price will be K15,360,000
- Overall Export Earnings through FOB price will be K16,800,000.00
- THIS IS INCREMENTAL PRODUCTION



ISSUES/CONSTRAINTS



- Cocoa Quality Issues
- Non - compliance
- Cocoa Pod Borer (CPB)
- Low Smallholder Productivity
- Senile tree population
- Lack of funding
- Lack of or unavailability of improved planting material (clones)
- Too many small fermentaries (individually owned) scattered in isolated remote areas
- Smoke taint
- Lack of extension services
- Deteriorating market infrastructure like roads, Bridges, jetties, shipping services, High freight costs



WAY FORWARD/OPPORTUNITIES



- **Group based production systems** (One-stop-shop concept enhancing the better farm inputs and promoting direct exports.)
- **Cultivating a business and entrepreneurial culture**(Graduating out of subsistence culture) – **PNG Agriculture Company Business Model**
- **Promoting smoke free** processing facilities such as the combination solar dryer, Bio-digester, etc.
- **Niche market promotion** rather than dependence on bulk market where we merely are price takers
- **Implement and adequately resourcing the Cocoa-ISP thematic area** through the Business plans
- **Continue working with the DDAs/Private Sector etc**
- **Due to sub-suming of R&D into CB there will be more focus, outreach, impact now that CB & CCI will be operating as one organization.**



RECOMMENDATIONS



- 1. Consistent and increased funding support from government.**
- 2. Increase Production and improve Cocoa Cocoa hence maximizing returns.**
- 3. Government Incentives to cocoa farmers (seedlings, extension, training, farm inputs-fertilizer)**
- 4. Improve access roads, Bridges and jetties.**

“ The Future of the cocoa industry begins here”

