

# Department of Primary Industry & Marine Resources

**ABG Revenue and Tax Summit  
27-29 September, 2017**

***Prepared by***  
***: Thomas Betitis (Secretary)***  
***: Alice Tsiroats (Economist)***



# **This Presentation**

- **General Introduction/situation**
- **Agriculture & Livestock**
- **Revenue from cocoa and copra**
- **Livestock/fresh food/Fruits & nuts/Grain**
- **Potential for Forestry**
- **Potential Oil Palm revenue**
- **Challenges**
- **Recommendations**



# AROB Agriculture & Livestock

- **Cash crops (Cocoa, Copra, Oil palm)**
- **Alternate Crops (spices)**
- **Fresh food (staple/informal sector)**
- **Fruits and Nuts (peanuts, galip)**
- **Grains (Rice, feed)**
- **Livestock (poultry, piggery, cattle)**



# Regulatory Authorities In PNG

- **Cocoa Board of PNG (CB)**
- **Kokonasi Industri Koporasi (KIK)**
- **Palm Oil Council (POC)**
- **Spice Industry Board (SIB)**
- **National Dept Agriculture & Livestock (NDAL)**
- **PNG Forest Authority (PNGFA)**
- **Livestock Development Corporation (LDC)**
- **Coffee Industry Corporation (CIC)**



# Main Cash Crops

- **Cocoa – improve Quality/increase production**
- **Coconut- replanting needed of old stand**
- **Coffee - little is grown**
- **Oil Palm- potential economic crop**
  
- **Cocoa and Copra- mostly Smallholders**
- **Plantations?**

# **Revenue from Cocoa based on 2016 CB statistics**

- **Bougainville Cocoa provided 33% of overall PNG production from 2007-2016**
- **In 2016 PNG Export volume was 40,508 tones valued at K360.7m**
- **AROB produced 10,554 tons (26%) valued at K93.7M**

# Potential revenue from copra based on KIK Statistics

- **Copra contributes approx K125M to PNG per annum**
- **2015 PNG exported > 86,000 tons**
- **AROB export of copra was 19,193 tons**
- **@ average K1500/ton = valued at K28.8m**
- **Export levy = K767,720.00**

# Potential revenue source from Cash crops (Shared or not shared)

- **Export levy**
- **Research levy**
- **Exporter fees (main and small port)**
- **Wet bean dealer**
- **Dry bean dealer**
- **Processing fees**
- **Fermentary fees**
- **Default fees**
- **Stamp duty**
- **Processing fees**
- **Smallholder levy**
- **others**





# Can AROB have its own Commodity Board?

- **BPA- does not specifically mention this ?**
- **MOU between ABG and NDAL Schedule**



# NDAL and DPI MOU

- **Under the existing MOU between NDAL and AGB DPI schedule B – Functions for which Bougainville DPI can seek to transfer the powers from NDAL**
- ***“Transfer the functions of Commodity boards and regulatory bodies to over see the operations of coffee, coconut, cocoa, oil palm, spices, livestock, rubber and fresh produce NARI,CCIPNG,CCRI ,PMFA etc”***



# Current considerations

## **1. AROB Commodity Board**

**-regulate all Agriculture commodities**

## **2. Bougainville Fisheries & Marine Authority**

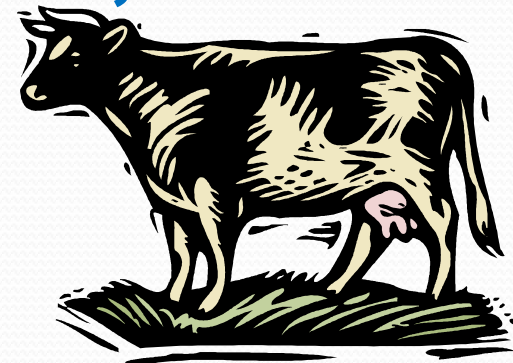
**- Regulate the 3 nautical mile zone**

## **3. Draw down of Power and Capacity**

**Building are important for the above to happen**

# Livestock Development

- **Poultry demand high in AROB**
- **Needs a policy (in progress)**
- **Engage with LDC**
- **Control measures ( > 20 Cattle farms)**
- **Strong organisation (Private sector)**
- **Compliance issues (abattoir to packaging)**
- **Specialist -Animal Health issues, Facilities**





# Fresh Produce

- **Current intervention to boost food production (household)**
- **New technology in Farming (NARI, FPDA)**
- **Improve Facilities (post harvest, storage)**
- **Introduce new planting materials**
- **Food security policy**
- **Options for Commercialization**
- **Government support is in Progress**



# Fresh Produce...





# Fruits and Nuts (peanut,galip)

- **Long term Policy**
- **Private sector engagement**
- **Opportunities exist eg galip**
- **DPI take lead in establishing nursery**
- **Resource and expertise ( NARI)**
- **Investor needed**



# Spices

- **High demand by food industry**
- **Needs organization**
- **Market access**
- **Farming technology**
- **Private sector engagement**
- **Need policy**
- **Resources and expertise**





# **Rice and Grains ???**

- **Need a policy on rice/grains**
- **In line with Food security**
- **Most work ad hoc at family farms**
- **Need to commercialize??**
- **Partner with Private sector (Trukai?)**
- **Staff capacity**



# Forestry and Climate change

- **TIMBER RIGHTS PURCHASE (TRP) Areas (Manetai, Tinputz)**
- **Round logs export**
- **Plantation forest**
- **Natural forest**
- **Forest conservation**
- **ReDD Plus**
- **Climate resilience**



# Forestry Activities that can generate revenue

- **Re-activate the AROB Forest Management Committee**
- **Investigate potential for existing TRPs**
- **Potential for Forest Plantations**
- **Integrated oil palm and Forestry -Tonolei**



# Revenue from Forestry

- **Landowners levy @ K10/cubic**
- **Company Taxes**
- **Infrastructure**
- **Health Facilities**
- **Schools**
- **Other Spin off- employment**
- **Conservation strategies**

# Plantation Forestry vs Natural Forestry..

- **Plantation use fast growing species**
- **Control Harvesting**
- **300 Cubic/ha**
- **Natural Forest Slow growing**
- **Mix species**
- **100-120 cubic/ha**

# **Tonolei Integrated Agric & Forest Project**

- **Compliance Issues legal/procedural**
- **Landowner Issues- resolved but yet to be endorsed by ABG**
- **Developer Issues- yet to be resolved**
- **Hectarage- unresolved**
- **Timber and oil palm**
- **ILGs**

# Oil Palm Production and Assumptions

- **Area 10,000 ha**
- **Production= 23 tons Fresh Fruit Bunch/ha average (FFB)**
- **Total Production = 230,000 tons FFB**
- **OER= Crude Palm Oil (CPO) 23%**
- **OER Kernel Palm Oil (KPO) =4%**
- **Price – USD250/ton CPO**

# Potential Revenue per year @ 10,000 ha

- **@ 23% OER = 100,000 tons CPO**
- **@ USD 250/CPO = \$25,000,000**
- **In PGK @0.31x = K80.7M**
- **Expenses-Company tax**
  - **Smallholder levy**
  - **Sustainable foundations**
  - **Landowners proceeds**
  - **Infrastructure**





# Challenges

- **Narrow based economic resource sector**
- **Capacity issues to implement policies**
- **Limited Funding to dept**
- **Lack of basic infrastructure**
- **Engagement with GoPNG has been slow**
- **Compliance issue**
- **No overarching strategy in place**
- **No Insurance for willing and local business**
- **Corruption within/external**
- **Plantations remain undeveloped**

# Recommendations

- **Sound Economic Policy**
- **Encourage Private Sector**
- **Government must provide support**
- **Conducive environment including L&O**
- **Positive engagement with GoPNG/Donors eg. CSF**
- **Encourage Downstream processing**
- **Diversify agriculture & align to ABG priority**
- **Economic sector must get adequate funding ceilings**
- **Compliance to standards**
- **Compliance to Tax regulations**
- **Fast track draw down of powers**
- **Develop commercial plantations**

# Thank you- Questions

