

DOWNSTREAM PROCESSING OF AGRICULTURE PRODUCTS

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ECONOMIC FACTORS

The PNG economy can elevate itself from its current economic frustrations, by lifting Domestic Production across all economic sectors. Excess protection will have an adverse effect, whereas protection afforded as detailed in the "White Paper - Tariff Reform Program", would provide economic uplift.

Economic factors influenced by increased domestic production, to name but a few are:

- Increase in consumer spending.
- Providing economic activity to the rural and formal areas.
- Preserve and increase foreign exchange earnings.
- Increase employment.
- Reduce dependence on food imports.

A main feature of uplifting domestic production, is the downstream processing of Agricultural products, which in turn will push upstream opportunities.

The continual export of raw materials only transfers employment overseas. PNG needs to realistically look at opportunities, which are effective import substitutes, and/or offer export opportunities in a semi and fully processed state.

PRODUCT GROUPS

1. **Tree Crops:** Coffee
Tea
Palm Oil
Cocoa
Copra

2. **Minor Crops:** Vanilla
Cardamom
Other Spices

3. **Fruits:** Banana, etc.

4. **Root Crops:** English Potato - Processing
Sweet Potato (Kau Kau)
Kava
Other Vegetables (Carrots).

5. **Grain Crops:** Corn
Wheat
Stock Feed Materials
(Maize; Sorghum, etc).
Rice

6. **Vegetables:** Tomatoes etc.

COMMERCIAL REALITY CHECK LIST

Is it competitive against imports?

Yes - Opportunities do exist.

No - How much protection can be afforded.

Is the supply chain adequate?

Seasonal/quantity/quality/price

Can capital investment be financially supported?

Economy of scale; Ratio of Domestic and Export Quantities; Capital vs Borrowing; Exchange Exposure.

Market Access

Domestic; Export; Customers Needs; Price Competitiveness; Consistency of supply; Export

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State semi to fully processed goods; Shipping Capacity; Quarantine.

THE PNG EDGE

Taking into consideration comparative and competitive advantages, PNG does have the advantage in products where raw materials are "home grown".

After reviewing the commercial reality check, I personally feel the following crops do have the most potential, subject to consistence of supply and economy of scale of production of base materials.

- Palm Oil** - From semi to final product.
- Tea** - Already there, but needs expansion
- Coffee** - Expansion of Roasted Coffee products, especially "NITCH" markets for high end products.
- Cocoa** - Opportunities exist on the surface, but best answered by industry.
- Spices** - High end products.
- Grains** - Especially for stockfeed with potential to assist future food chain.
- Cottage industries**
 - Domestic consumption initially.

PNG DISADVANTAGED PRODUCTS

General food crops, including vegetables.