

## WORKING ON FERTILE GROUND

CREDIT: TRUKAI

It may not be for the faint-hearted, but PNG's agribusiness sector has made substantial progress in the past 15 years and still has huge potential for growth.

- PNG is well-suited to agribusiness but infrastructure is a barrier
- Further consolidation with acquisition of Ramu Agro-Industries
- Agricultural exports are on the rise

**A**griculture is still the main source of employment for about 85% of Papua New Guineans. While the majority of this activity takes place in the informal sector, in recent times PNG's farmers have developed significant capacity in cash crops. Since 1992, agricultural exports have soared, albeit from a low base (see Commodities below), in no small part thanks to the success of New Britain Palm Oil Limited (NBPOL).

### NBPOL ACQUIRES RAMU

In 2008, just a few months after listing on the London Stock Exchange to considerable investor enthusiasm, NBPOL completed the purchase of another major PNG agribusiness firm, Ramu Agro-Industries (formerly Ramu Sugar), located in the Ramu Valley in Madang Province. Ramu's recent diversification into palm oil showed what a perfect fit it could be for NBPOL, as it will enable the latter scope to expand its oil palm plantations significantly.

### A CHALLENGING ENVIRONMENT

Such market consolidation is unsurprising considering the challenges that PNG's agriculture sector presents. In the words of Tamzin Wardley, Deputy Managing Director at W R Carpenter Group: 'We are used to doing it tough. In PNG your business needs to have scale to cope with issues such as infrastructure and transport costs.'

### BACKGROUND

PNG has two distinct climates: the hot, humid lowland and coastal areas, and cooler highlands. Both deliver constant stable growing conditions. Vitality, rainfall can be relied upon and droughts are almost unknown.

The quality of the soil is also a bonus. The rich loam and lack of intensive farming methods mean the soil maintains all the nutrients necessary to cultivate a broad range of crops and raise stock. Importantly, these low-tech farming practices and the lack of pesticides and artificial fertilisers mean PNG can position itself as a leading organic producer at a time when global demand for such products is growing very strongly (see box on page 36).

W R Carpenter is one of the largest players in the formal agriculture sector. It handles most of PNG's top-grade coffee exports, overwhelmingly in bulk, though its premium Sigri brand is sold within PNG. It is also one of PNG's most diversified enterprises, with operations in retail, IT and manufacturing. Its most recent acquisition was the James Barnes (corned beef) cannery in Madang that provides synergy with its agricultural business.

### PURE AGRIBUSINESS

Another interesting company is Trukai Industries, whose major shareholders are Ricegrowers Australia and the PNG Government. It produces 1.2 million tonnes of sweet potatoes, 300,000 tonnes of taro, and 200,000 tonnes of bananas per year, while its Trukai Farms division keeps approximately 5000 head of Brahman cattle in the lush Markham Valley, northeast of Lae.

## CASE STUDY: PITIC ASSISTS RABAUL COMPANY TO CRACK THE AUSTRALIAN ORGANIC MARKET



**It is doubtful Rabaul-based Pacific Spices would have foreseen that working with the Pacific Islands Trade and Investment Commission (PITIC) Sydney would lead not only to breaking into the Australian market, but also running adventure treks and being named exporter of the year.**

The Australian spice market is highly competitive and price-sensitive. To penetrate this market, Pacific Spices began working with PITIC's Sydney office in 2002. PITIC contributes to the economic advancement of the Pacific region by supporting private sector development. In particular, it works with enterprises to create and implement export business and market entry plans.

Along with gaining entry to the market, PITIC helped Pacific Spices meet Australia's strict packaging and

labelling requirements. In recognition of its achievement, Pacific Spices was awarded both the PNG Small Business of the Year and the Exporter of the Year Awards in 2003.

To be successful in such a competitive market, however, Pacific Spices needed to differentiate its product. It therefore decided to use exclusively organic methods to grow the spices. In 2004, Pacific Spices was granted organic accreditation through both the National Association for Sustainable Agriculture, Australia (NASAA) and the Japan Agriculture Standard (JAS). This initiative has enabled Pacific Spices to establish itself as a premium provider and target the top end of the market.

The spices are predominantly grown on the organically certified lands of the Komgi people. These lands are nestled in the picturesque Baining Ranges on the island of New Britain, leading Pacific Spices and PITIC Sydney to begin development of an adventure trek offering, showcasing the traditions and cultures of the Komgi people.

Trukai is very much an agribusiness, operating a large, modern rice processing mill in Lae. The mill was recently upgraded to conform to Australian standards and can operate 24 hours a day. It supplies most of PNG's substantial rice requirements and exports to the Solomon Islands and even neighbouring Australia. PNG grows little of its own rice, so most of the raw material originates in Thailand.

### COMMODITIES

**Palm oil:** This has been the star of the PNG agribusiness sector of late, spearheaded by NBPOL, whose success in East New Britain has encouraged others to follow suit. Palm oil is cholesterol-free and can be used in foods, cosmetics, soaps, printing inks and as a bio-fuel. Worldwide demand has almost doubled in the past decade, and it is now the second-largest source of vegetable oil after soya.

**Coffee:** PNG's coffee industry is worth over US\$150 million annually to the country's economy. A lack of intensive farming

distinguishes the PNG coffee industry—about 85% of the coffee comes from small-hold farms. With organic coffee increasingly in vogue, this is becoming a selling point. There is a focus on developing speciality markets, including under the Fair Trade organic brand. The main export markets are the USA and the European Union.

**Sugar:** While PNG's sugar output is dwarfed by neighbouring Australia, producer Ramu Agro-Industries nevertheless supplies all of the local market's requirements and exports throughout the South Pacific. Sugar by-products, such as molasses and ethanol, are also produced.

**Other exports:** These include coconut products, beef, vanilla, cocoa, kava and bananas.

**Areas with significant growth potential:** These include beef cattle, cashew nuts, cocoa, coconut/copra, oil palms, root crops (cassava, sago, sweet potato), rubber as well as tropical fruit/vegetables.

*A TRIAL PADDY FIELD AT THE GABMAZUNG PEANUT AND RICE TRAINING AND RESEARCH CENTRE NEAR LAE. THE CENTRE IS A PARTNERSHIP BETWEEN TRUKAI INDUSTRIES LTD, LANDOWNER THE EVANGELICAL LUTHERAN CHURCH OF PNG AND LOCAL VILLAGER ASSOCIATION, THE WAMPAR CIRCUIT.*



*W R CARPENTER'S PREMIUM SIGRI COFFEE BRAND.*

## AGRIBUSINESS

# A DIVERSIFIED BUSINESS WITH BITE

THE MAINLAND SALTWATER CROCODILE FARM IS THE WORLD'S LARGEST.

One of PNG's more colourful enterprises, Mainland Holdings, operates the world's largest saltwater crocodile farm. But, as *Business Advantage* discovered on a recent visit to its Lae base, that is just one business unit in a rapidly-increasing portfolio.

Looking at Mainland Holdings today, it's hard to believe that this company began as a coffee mill owned by villagers from Morobe and Oro Provinces. These days, the company has seven diversified yet complementary divisions, employs over 2000 staff and had a group turnover of over K330 million (US\$113 million) in 2007. What hasn't changed is the ownership by shareholders from rural villages and the Group's commitment to working with these rural communities.

Mainland Holdings was born in 1971 with the purchase of the Lae Coffee Mill. Throughout the 1970s and 1980s the dividends from the company were re-invested in complementary businesses, resulting in the diversified but synergized company structure seen today.

In 2004, international firm Booker Tate was appointed as corporate managers of the company and, in 2006, a coffee division was re-established to strengthen traditional ties to shareholders. In 2006, the opportunity to acquire Niugini Coffee Tea and Spice arose and now Mainland's Coffee division is the third-largest PNG coffee exporter. By providing support for shareholders to purchase and deliver coffee for sale to Mainland, the company supports the local communities while creating a huge opportunity for expansion. Mainland Coffee is also working with industry body the Coffee Industry Corporation to help improve small farmers' incomes through training programs and 'Fair Trade' schemes.

To complement the Coffee Division, another subsidiary, Moale Trading, operates retail stores at both 5 Mile and 40 Mile,

supplying trading goods to the agriculture-based communities.

Aside from coffee, Mainland has six other divisions, the largest of which is Tablebirds, which produces '3 Roses' flour at its own mill close to Lae and also supplies over 65% of PNG's fresh and frozen chicken market. It sells specially-formulated chicken feed and day-old chicks for rearing in the local communities, many of which are subsequently re-sold to Tablebirds when grown. Small farmer broiler chicken production represents over 40% of Tablebirds' total frozen meat production.

The Mainland Crocodile Farm is the world's largest saltwater crocodile farm with over 40,000 crocodiles. While renowned for exporting the highest quality skins to top fashion designers and supplying crocodile meat to PNG supermarkets, Mainland Crocodile Farm is also actively involved in the Sepik Conservation Program and injects more than K100,000 into this program each year.

Mainland also owns ABCO Transport, which handles the transport and logistics of the group and commercial customers, as well as a controlling stake in Territory Packaging. Meanwhile, Huon Electrical is a wholly-owned division. These businesses provide further synergies for the group, through their respective packaging and equipment servicing activities. Territory Packaging also exports regionally.

With a corporate culture based on a triple bottom line of people, profit and excellence and with a focus on engaging with rural communities, this 100% PNG-owned business has set a course for continued success and expansion. ■

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