

What ails PNG's coffee production? Elections and more

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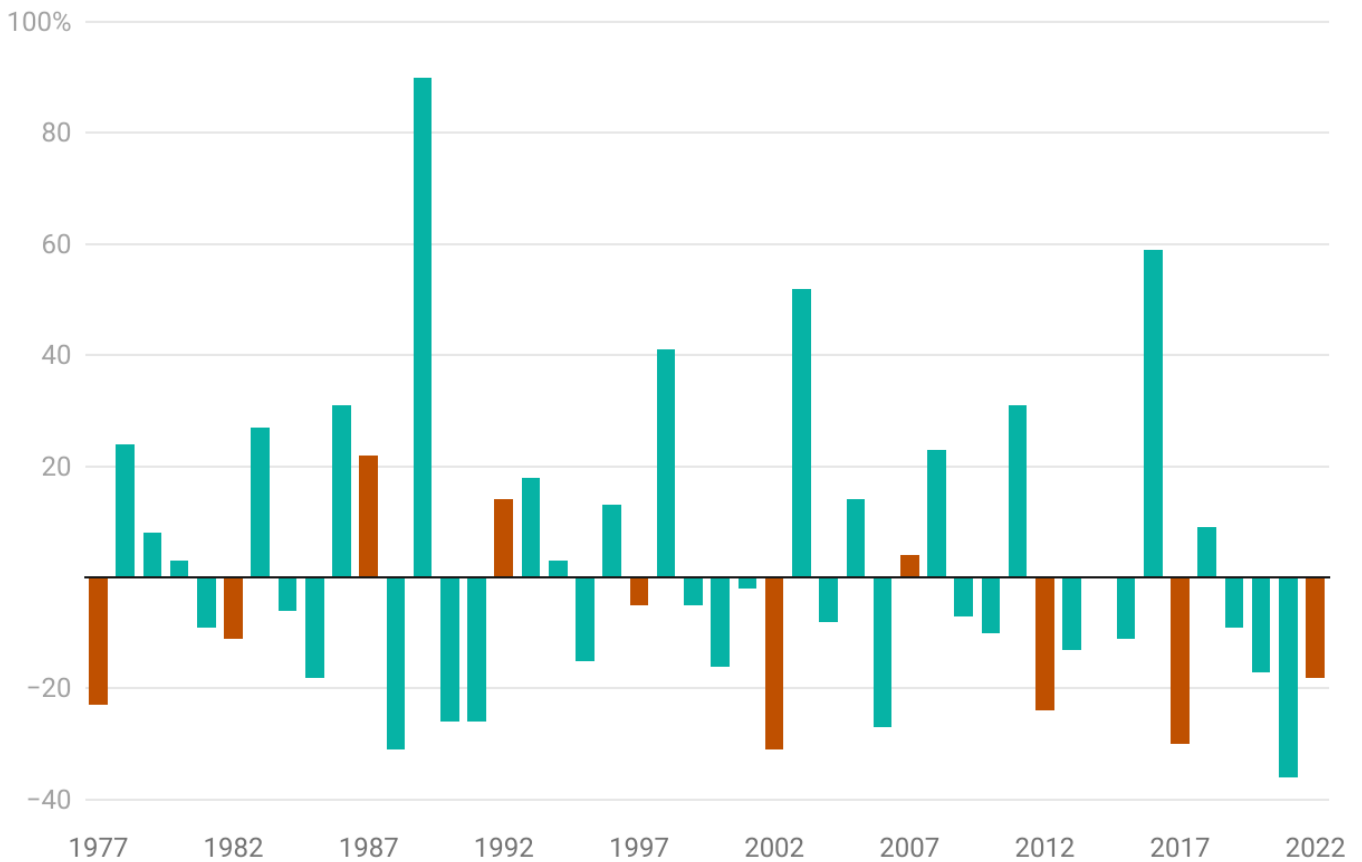
Sorting coffee beans in the PNG Highlands
Photo Credit: *Commonwealth Secretariat/Flickr*

PNG's general elections, conducted at 5-year intervals, tend to coincide with a decline in exports of coffee, an important cash crop. For example, PNG exported 20,000 tonnes of coffee last year, 5,000 tonnes less than the previous year. To put this decline into perspective, a reduction of 5,000 tonnes in coffee exports is **equivalent to rendering nearly 43,750 acres** of coffee farmlands unproductive in a single year.

Historical data on coffee production isn't available, but coffee export volumes may be used to assess coffee production over time. During seven of PNG's last ten election years, **coffee exports fell** (Figure 1). Simple **linear regression results show** a negative relationship between growth in coffee exports and election years since independence, with significance at the 12% level. And as Figure 1 shows, election years aren't the only ones in which coffee growth is negative.

Figure 1: Growth rates of PNG's coffee exports (1977-2022)

Year-on-year growth; election years highlighted

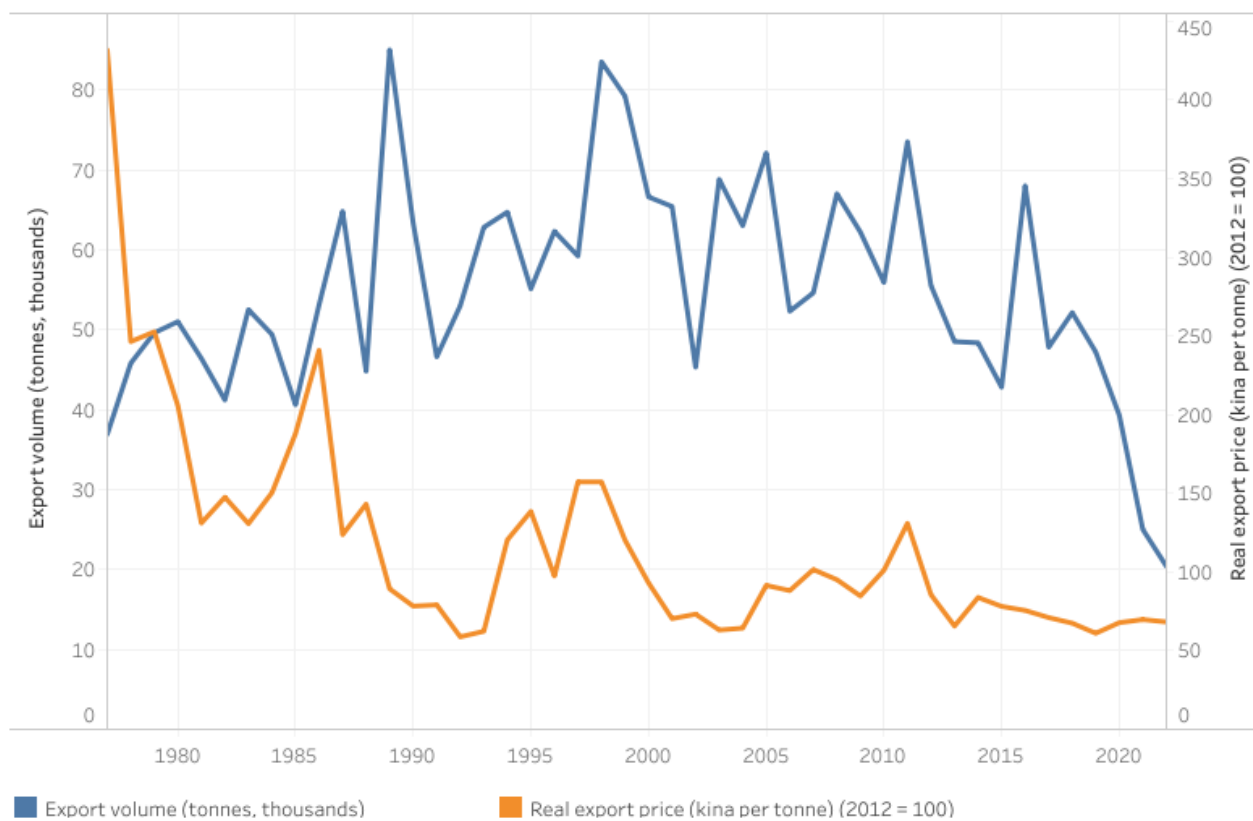


Source: Bank of Papua New Guinea quarterly economic bulletin statistical tables; PNG Economic Database
Created with Datawrapper

There are two reasons why coffee production is likely to be negatively affected by elections. First, the months leading up to the vote are festive, drawing people away from their daily activities of subsistence and cash cropping to participate in campaigns, dances and feasts. The absence of smallholder farmers, who **contribute over 85% of coffee production**, directly impacts coffee growing. A second reason is that election-related conflict, which is common, hinders farmers from returning to their coffee farms. This is particularly true of the Highlands, the region where **more than 90% of PNG's coffee is grown**, and where elections are most violent. The Highland's **elections last year were particularly bad**, disrupting the livelihoods of an estimated 265,000 people, according to the UN.

Elections are only one of a number of problems that the coffee industry is facing. In 2022 coffee exports reached an all-time low (Figure 2). On average, PNG exported 55,000 tonnes of coffee annually between 1977 and 2022. The highest export volume recorded was 85,000 tonnes in 1989. However, coffee exports have fallen since, and the 20,000 tonnes exported last year was a record low.

Figure 2: Export volume and export price of coffee (1977-2022)



Source: [Bank of Papua New Guinea quarterly economic bulletin statistical tables](#); [PNG Economic Database](#)

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Overall, coffee prices have not kept up with inflation since independence. However, coffee prices in nominal terms have been increasing since 2013, doubling in some instances. But rising prices in recent years have not arrested the decline in coffee exports, indicating that **other factors**, likely domestic, are affecting coffee supply.

One supply side constraint involves ageing coffee plants. Most coffee plants in PNG have **exceeded their economic productive age range**, which is 8–20 years. Many coffee farms were planted in the 1960s and began harvesting in the 1970s. A hectare of land that produced 1,000 kg of green bean coffee then, produced around 400 kg of green bean coffee by 2013. In addition, World Bank analysis found that coffee farmers were only **harvesting 84% of the yield obtainable** with improved production practices.

The coffee berry borer (CBB) invasion has also affected coffee production. In 2017, the **CBB affected** the Eastern Highlands, Jiwaka and Western Highlands provinces – the three leading coffee-producing provinces in the Highlands. Over half of **510 farmers surveyed** in 2021 stated that their farms were infested by CBB.

Another issue is that farmers are abandoning coffee for other cash crops. Real incomes from coffee are lower than they were in past decades. When calculating

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the [returns to labour of 26 crops in PNG](#), coffee was found to have lower returns compared to many of the other crops common in the Highlands (both staples and cash crops).

Other factors have contributed to the stagnation of coffee production. These include poor road conditions, theft of berries, land grabs and security issues.

Yet coffee remains [very important to PNG](#). Coffee contributes 6% to the nation's GDP and is cultivated in 17 out of 22 provinces, supporting approximately 3.5 million people. The PNG government's focus on coffee in recent years is encouraging. Support includes creating a [minister for coffee](#), providing subsidies, and [setting a price floor](#) for parchment coffee (that is, dried beans) at K7 per kg in 2022. Financial support from the World Bank is also promising. In mid-2022, the [World Bank committed K50 million](#) from its PNG Agriculture Commercialization and Diversification Project to support coffee production in PNG.

It remains to be seen, however, if these initiatives will help repair the damage caused not only by election disruptions but by the various constraints that are pushing coffee production down.

Data are from the [PNG Budget Database](#), the [PNG Economic Database](#) and the [Bank of Papua New Guinea](#). The author's workings are available in this [Excel spreadsheet](#).

Disclosures:

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