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# The sustainability of tapioca production and trade

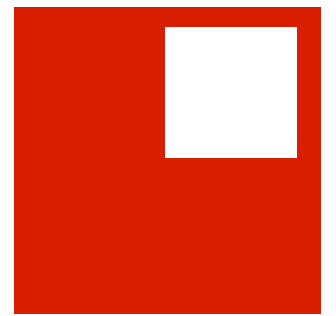
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World Tapioca 2018, Bangkok

*27-28 June, 2018*

*Simon Bentley*

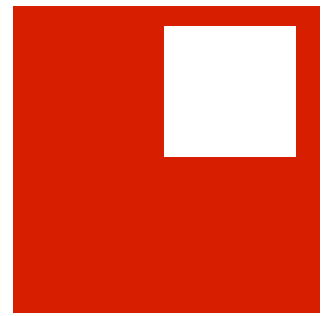
# About



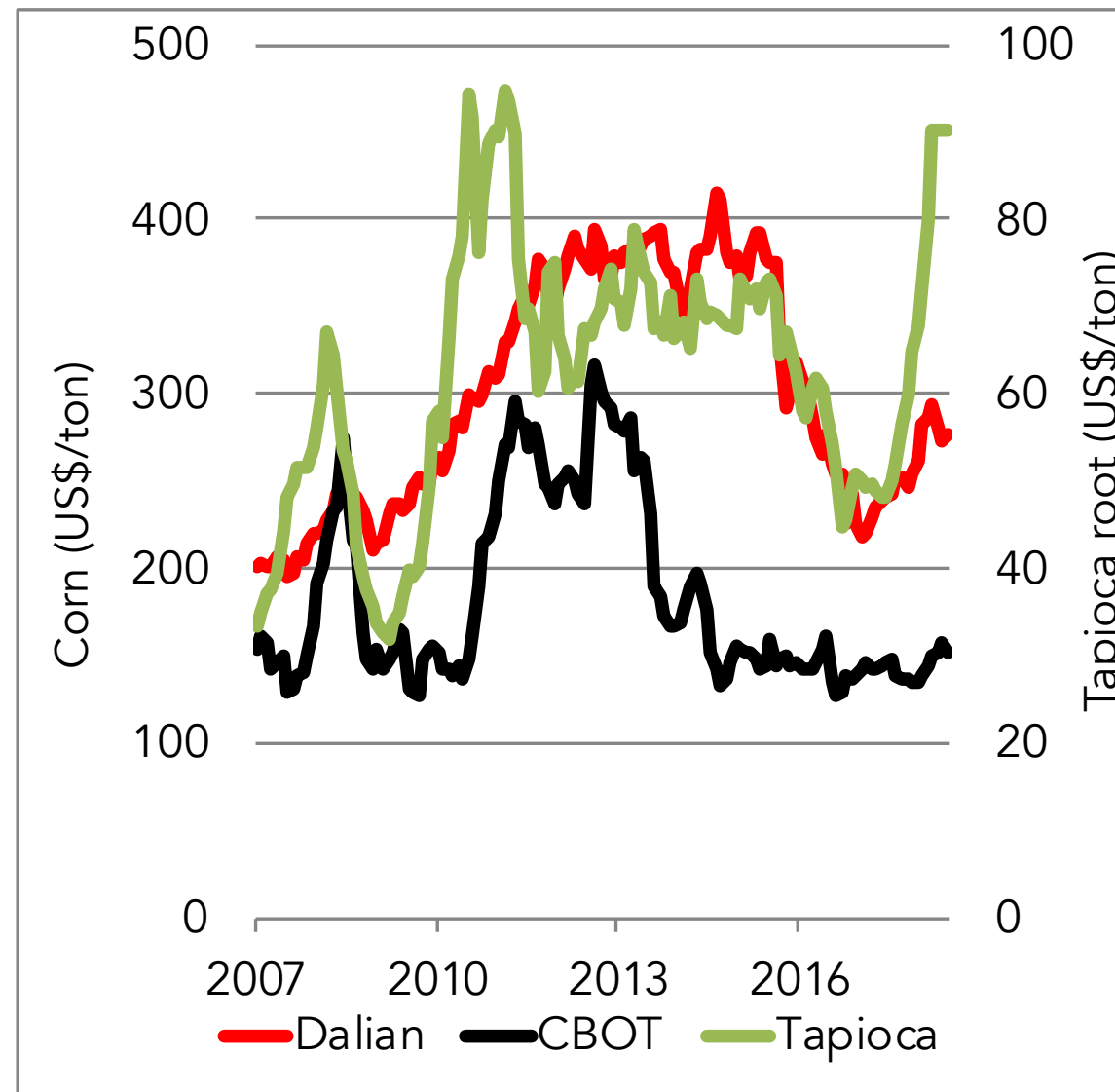
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- **Commoditia** is incorporated in Singapore to serve the global agribusiness industry
  - Our purpose is to develop original **data, analysis** and **intelligence** to assist agribusiness to add value to all aspects of their operations from field to final product
  - In addition to **confidential client work**, aimed at investors, processors and traders, we undertake **targeted industry studies** addressing important issues facing agribusiness as well as detailed analysis of different aspects of commodity prices and markets

# Before we start, a few words on this...

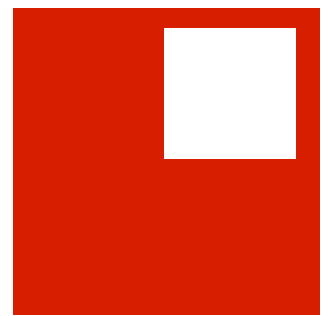


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# Focus on sustainability

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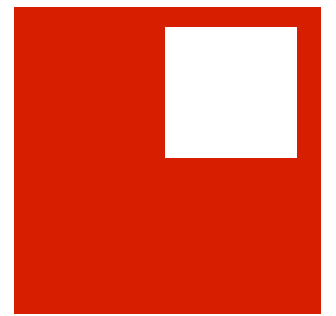
- What is happening to tapioca supply chains and what does this mean for long term international competitiveness?
- Are the recent short term increases in root prices a sign that something has changed?



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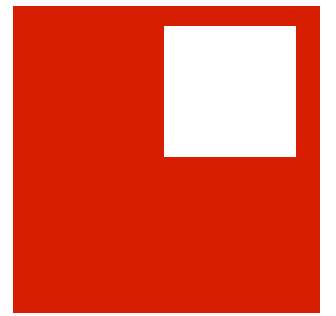
Longer term sustainability: can Thai cassava production remain internationally competitive?

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- Thai cassava area has expanded to meet growing demand for starch and chips
  - However, new area has been added mostly at increased distances from the main sea port
  - At the same time, yields across this “border area” have not kept pace with neighbouring countries
  - This could affect both the competitiveness and types of products offered by the Thai industry

# Thai cassava area has moved increasingly to the north and north east



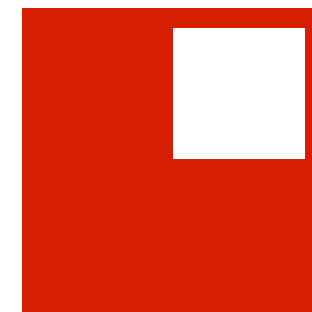
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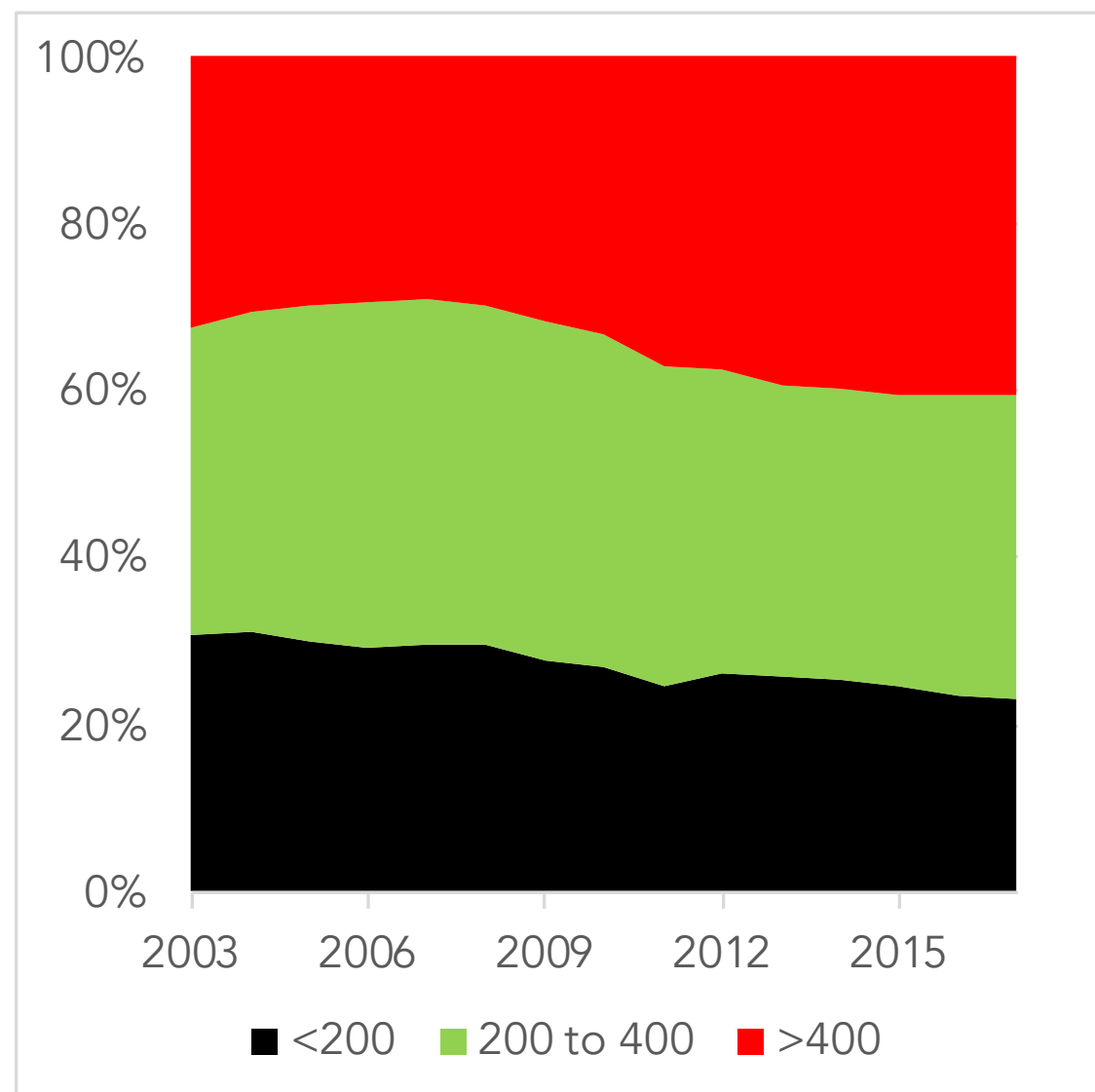
- Some major cassava areas lie around 400km from port, but increasingly area has grown close to the Cambodian border and Laos border
- At the same time cassava area in Cambodia and Laos has also grown rapidly

The cassava exporting region

# The main growth in area has been further than 400km from Laem Chabang port



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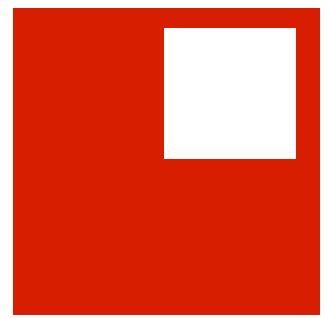


- The fastest rate of growth in cassava area has been in what are referred to as the north east and northern regions and these lie typically more than 400km from port
- This means growth in Thai cassava area is often further from port than is area in western Cambodia

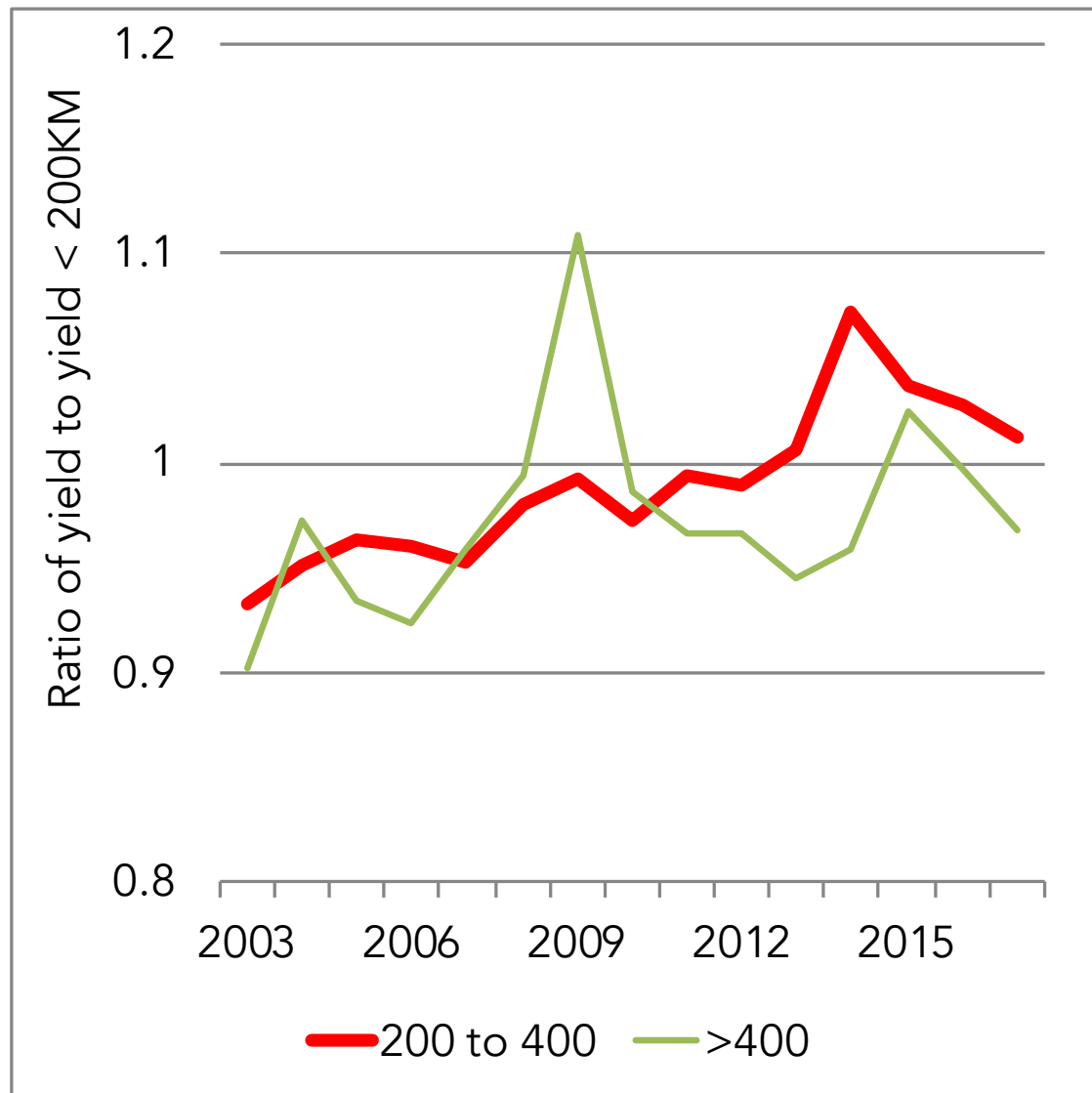
Area share by distance from port



# After an initial period of growth yield performance at the border is declining relative to yield performance near Thai ports



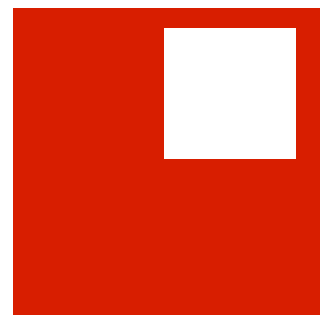
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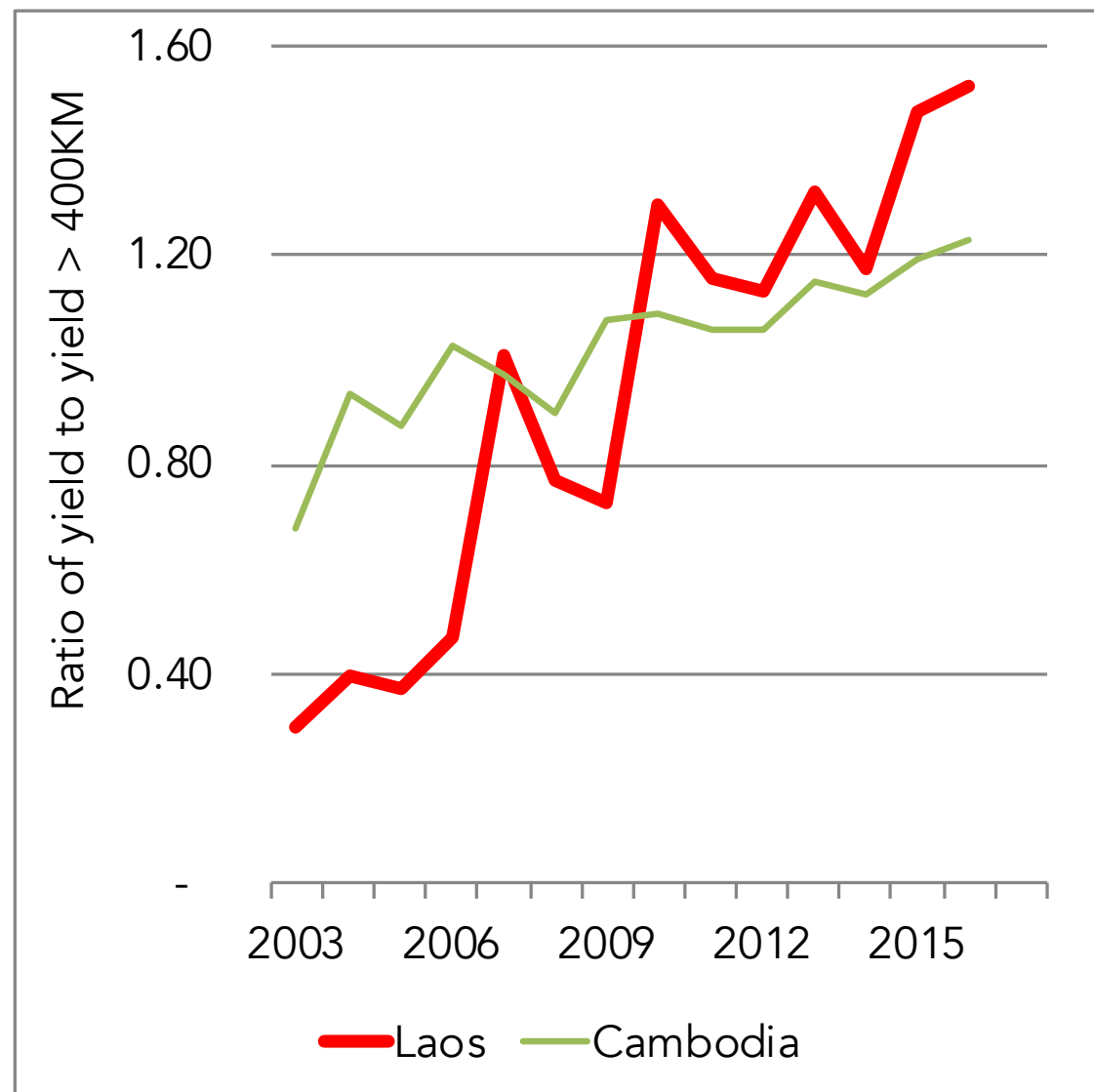
- Initially yields in areas at greater than 200km from port grew more quickly than yields near to the port
- More recently this performance seems to have fell back, particularly for yields in areas far from the port and nearer to the Thai border

Yield ratios within Thailand

# At the same time yield performance across the border in Cambodia and Laos seems to be improving ahead of yields in Thai border areas



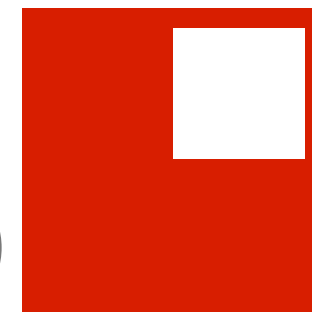
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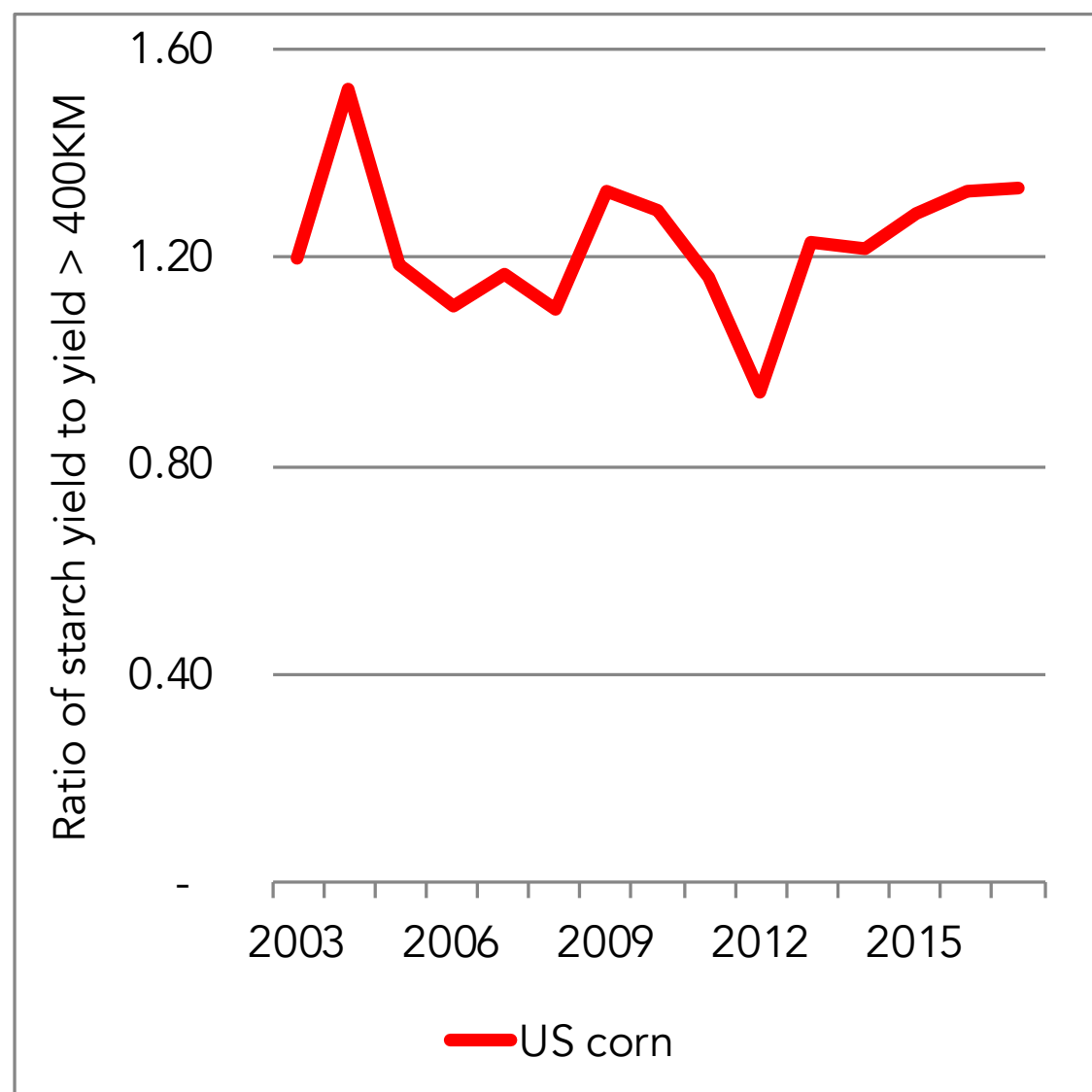
- Comparing national yields in Cambodia and Laos with Thai border yields (> 400km) reveals that Thai productivity has not kept pace with neighbouring productivity which has increased at a faster rate

Yield ratio comparison

# However, even the Thai border is keeping pace with US corn yields (adjusted for starch)



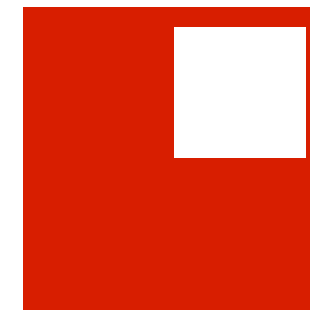
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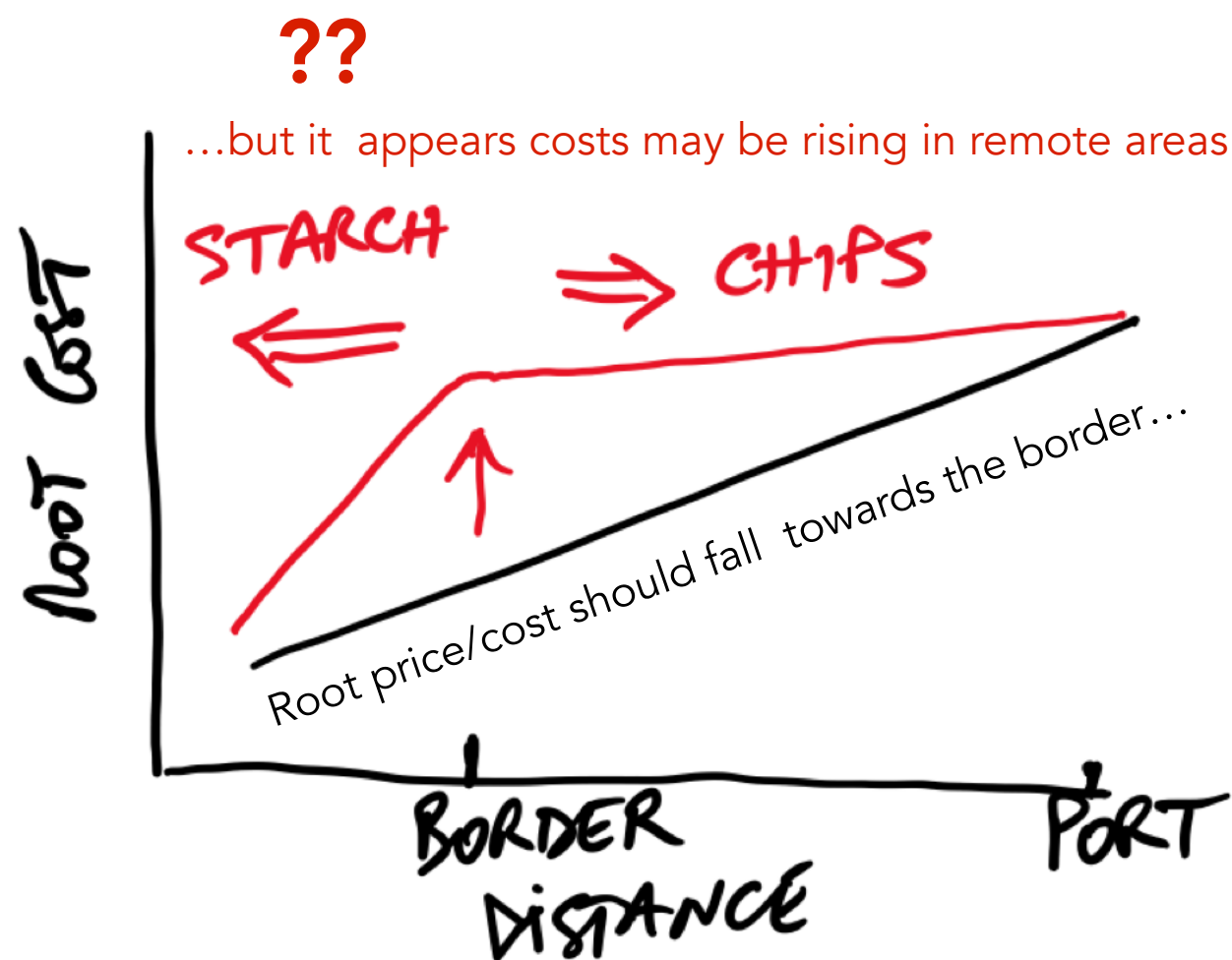
- There is no obvious loss of competitiveness, even at the Thai border, with US corn once starch content is taken into account
- This suggests the main issue for sustainability lie within supply chains in South East Asia

Starch yield ratio comparison with corn

# Implications: an inefficient supply chain?



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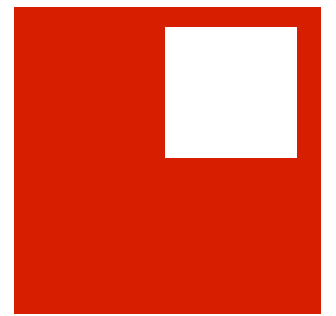
- Cassava appears to be internationally competitive with US corn (a good thing)
- However, if Thai border regions lose competitiveness with neighbouring regions the entire supply chain for cassava in SE Asia will be distorted
- South East Asia is a net exporter of cassava products and so the price of roots at the Thai border must be able to absorb freight costs to Thai ports
- If border productivity falls back (and thus costs rise) the border region will struggle to expand to meet demand and the product mix will be affected



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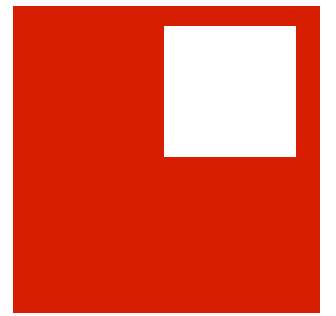
# Short term sustainability: the response to high root prices

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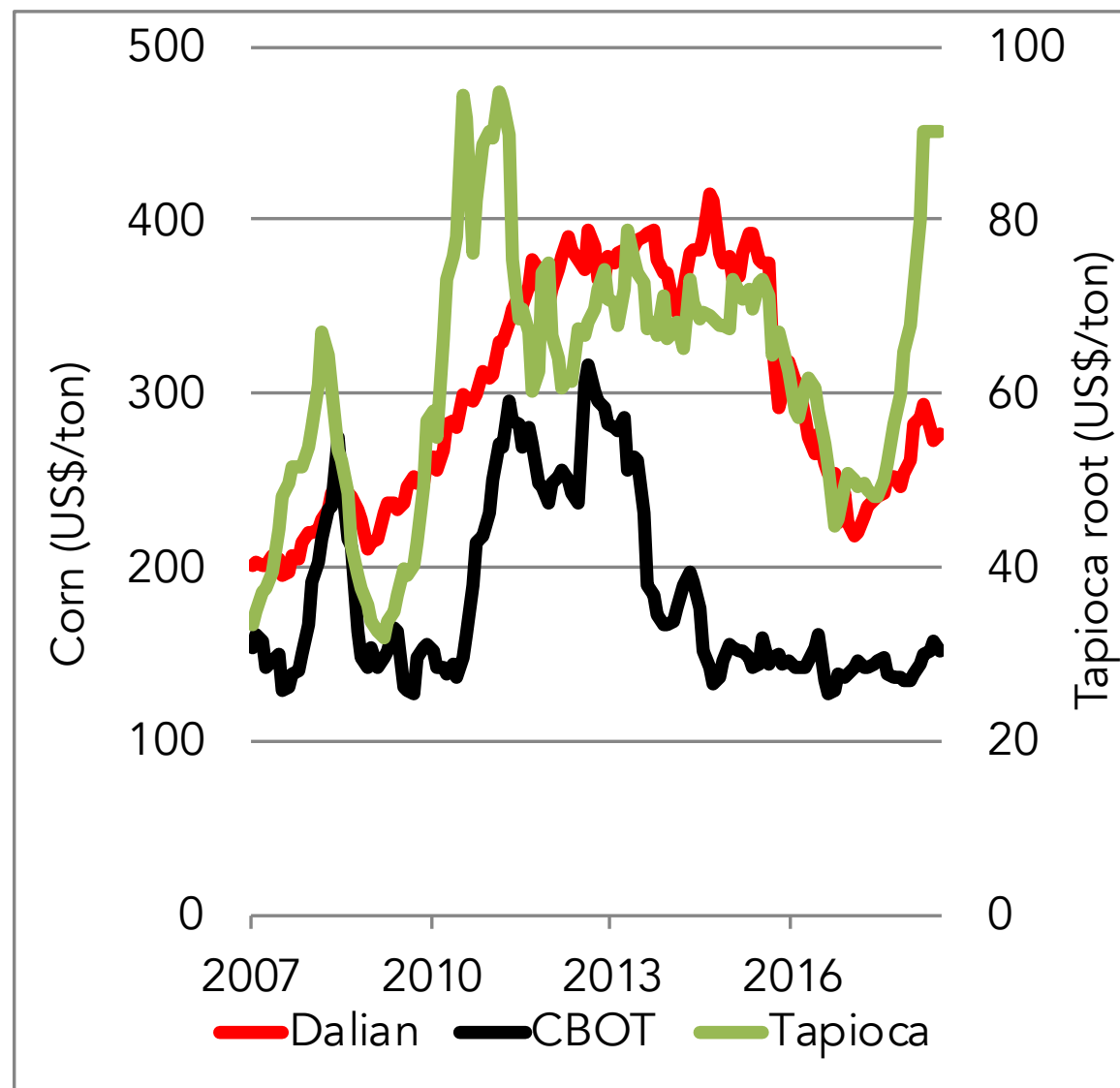


- Cassava root prices have risen sharply this year, partly in response to lower prices through 2016 and shifting patterns of demand in China
- We ask: to what extent is this also the result of an inefficient supply chain and inelastic supply in border areas?
- When root prices are high chip exports in particular can suffer since chips compete more directly with corn from China and the US

# Tapioca root prices have clearly overshot regional fundamentals



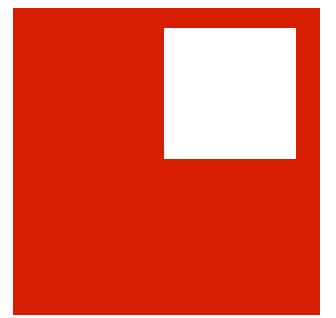
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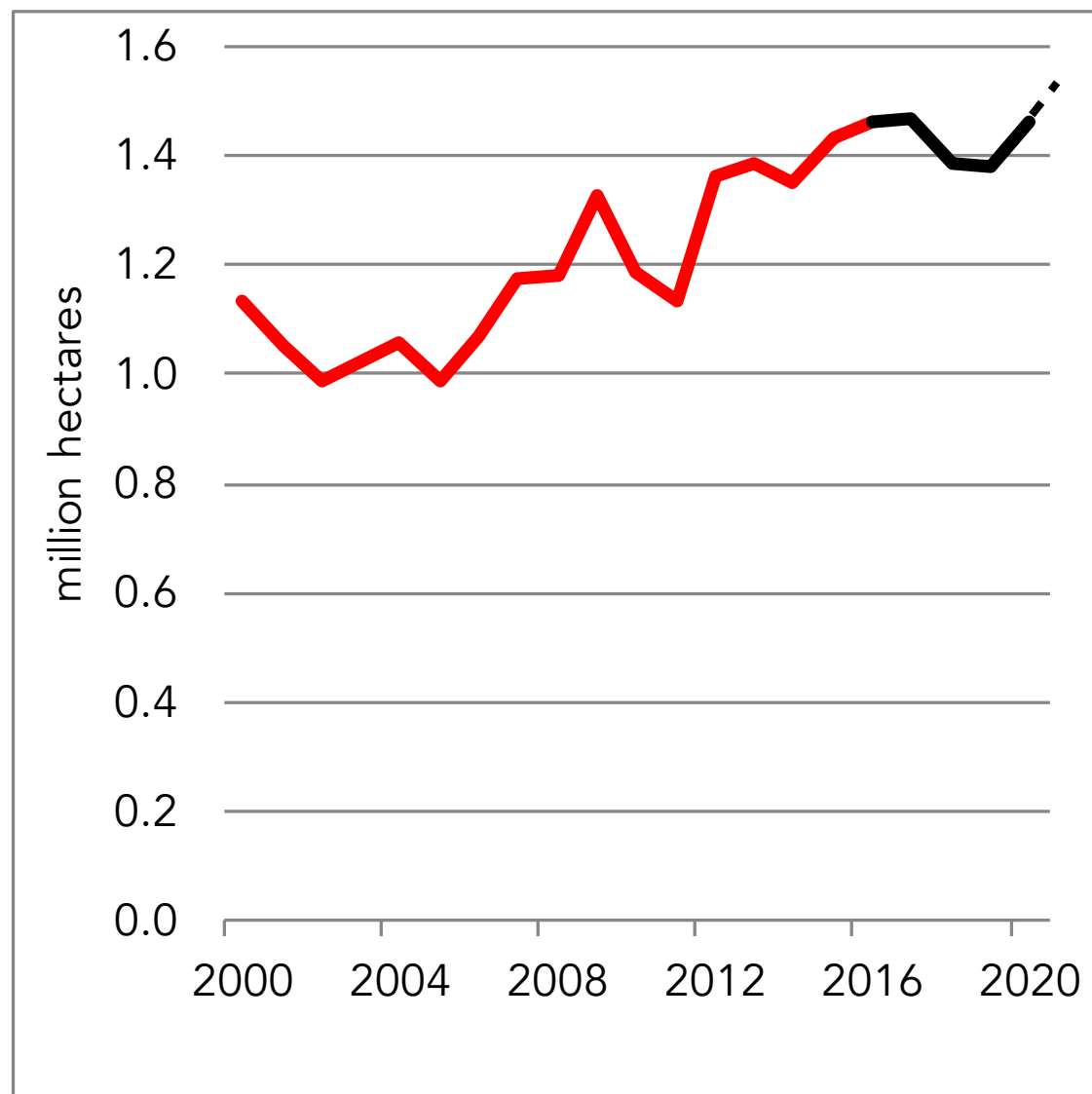
Prices

- Cassava root prices are now well above benchmark prices in the global market and there is no obvious support from international grain prices as has been the case before
- This would appear to be an internal issue for the cassava belt

# We should expect a strong supply response and particularly by 2020



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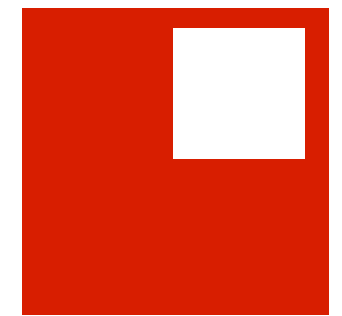


Thai cassava area

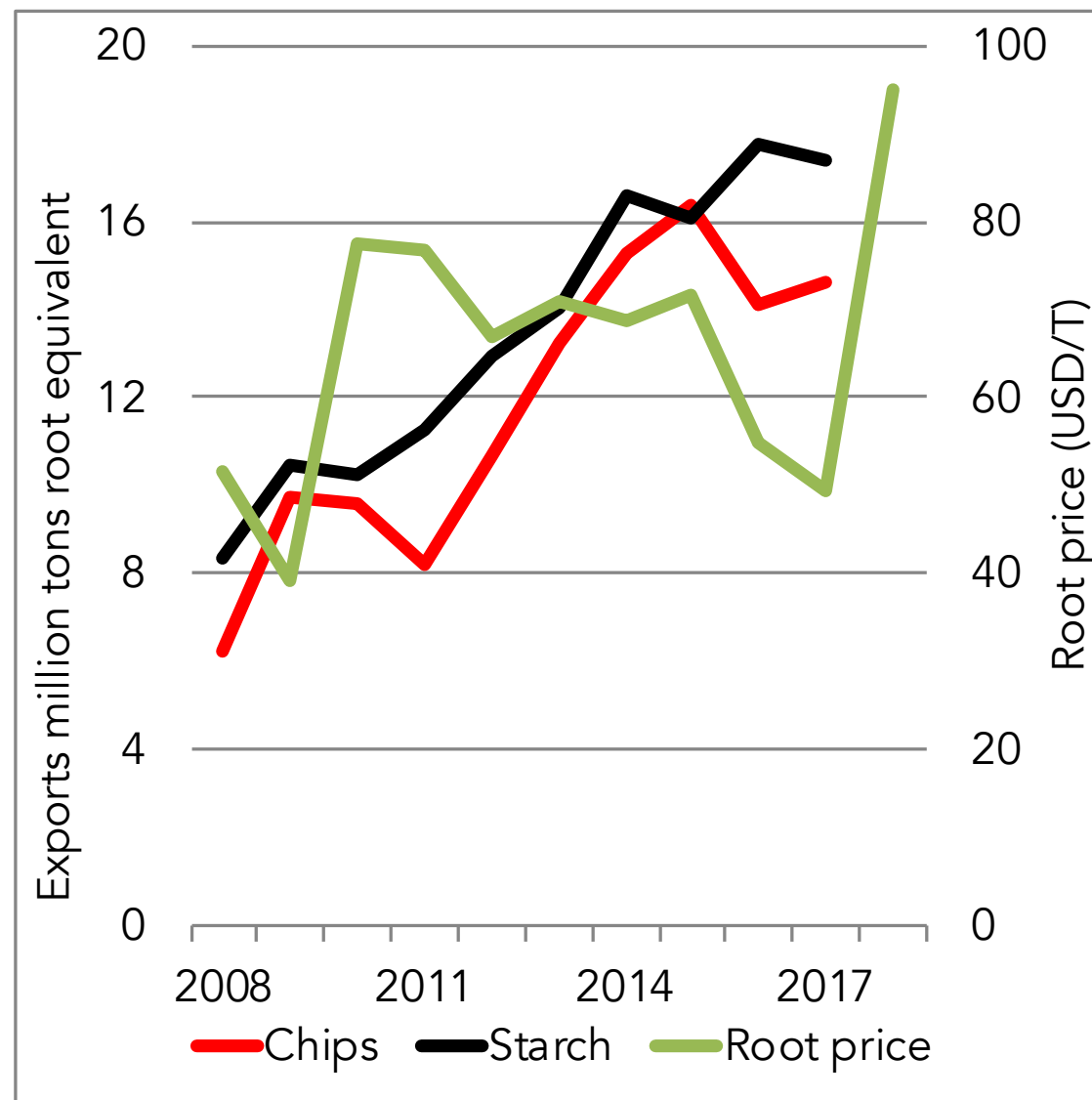
- The sharp fall in root prices in 2016 has resulted in lower cassava plantings for a while
- This has now provided strong support for root prices this year. These should begin to erode demand for cassava products while stimulating a strong supply response by 2020



# Chip exports may take a hit and this will exacerbate problems in the supply chain



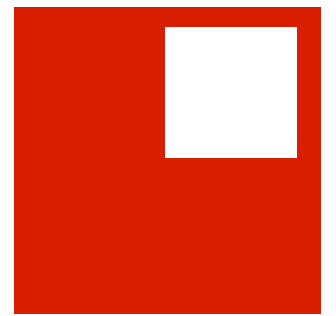
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Exports and root prices

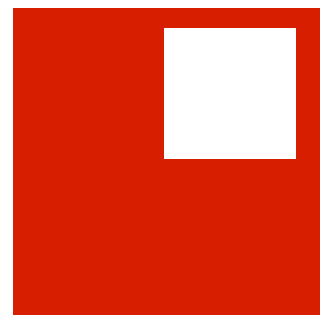
- High root prices when grain prices remain soft make chips uncompetitive and mitigate against chips being produced in border regions
- This could see a further shift to starch production in border regions which would cause prices to fall back even more sharply when area finally recovers

# Summary



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- Structural issues are emerging in cassava supply chains driven by evolving productivity differences between different producing regions
  - These need to be addressed both through productivity enhancements and regional trade agreements to make the supply chains more efficient
  - Otherwise there could be further spikes in root prices in the future and this would not be good in the long term for the industry
  - At the same time cassava productivity is improving in SE Asia which should consolidate the importance of this crop against outside competition from corn



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Many thanks to the Thai Ministry of  
Commerce for their kind invitation to speak  
at this important event for the industry

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