Global markets, local implications: understanding the drivers and implications of the cassava boom and correction

Hanoi, Vietnam
10-11th October 2017
Jonathan Newby, Cu Thu Le Thuy, Dominic Smith
j.newby@cigar.org
Trends, shocks, intervention and livelihood trajectories

Our vision, a sustainable food future
Market outlook for cassava needs to be considered in the context of substitutes in different applications

1. Cassava for direct consumption or sale into short value chains as fresh roots for food. Competition with other food such as rice based on price and consumer preferences.
2. Global markets where cassava chips compete with other forms of carbohydrate for processing animal feed or ethanol such as maize, sorghum, wheat, molasses – oil, gas.
3. Markets where cassava starch competes largely on price with substitutes such as maize and potato starch, sugarcane.
4. Markets where the functional properties of the starch are desired.
Cultivation of cassava in Southeast Asia has a long history of association with markets, trade, and policy.

- **Phase 1** – Imperial trade
- **Phase 2** – European livestock
- **Phase 3** – Starch & East Asia
- **Phase 4** – China and maize policy

The graph shows the cultivation area of cassava in million hectares from 1961 to 2015, highlighting the key phases of cassava cultivation and its association with various markets and policies.
At the national scale: cassava not an important food crop
A re-orientation of cassava trade from Europe to Asia

Value of cassava (fresh and dried)

Value of cassava starch

Our vision, a sustainable food future
Rising incomes in Asia: changing diets and consumption

GDP per capita (constant 2010 US$)

- World
- Malaysia
- East Asia & Pacific (excluding high income)
- China
- Thailand
- Indonesia
- Philippines
- India
- Vietnam

Our vision, a sustainable food future
Demand for animal feed in Vietnam

Consumption of meat per capita

Food supply quantity (kg/capita/yr)

Value of imports (Billion USD)

Import of maize and soy

Soy (1201)
Maize (1005)

FAO Stats

Our vision, a sustainable food future
Trade in syrups and sweeteners and fermentation products

Comtrade
Market distortions, global commodities, local prices

Rabobank estimated that there was 232 million tons of Chinese maize stock in 2015/16
Cassava prices in Thailand respond to changing maize policy in China

Thailand supports cassava farmers

Bangkok (VNA) – The Commerce Ministry of Thailand plans to take measures to prevent cassava prices from falling sharply during the harvest season this year, when millions of tonnes of cassava are expected to flood the market.
Starch price in Vietnam

Our vision, a sustainable food future
Fresh root price in Vietnam
Tapioca and maize starch prices

Our vision, a sustainable food future
Vietnam export of cassava starch by volume and value (cumulative monthly)

Largest amount of starch exported for this period in any previous year

Value is down on previous years due to world prices
Vietnam export of cassava chips by volume and value (cumulative monthly)

Export demand for VN chips declines & roots shift to starch
Biofuel prices and root equivalent price

The new policies on the horizon that will influence the short-term and long-term trajectory of the cassava sector and smallholder farmers.
Conclusion

• When deciding which crop to grow, farmers do not consider factors such as: the global price of oil, sugar, wheat, maize; changes in the demand for pork, or paper and cardboard; or whether a biofuel mandate is developed.

• Yet as a global commodity trade, understanding the connection between cassava and these markets is essential to understanding the outlook for the crop.

• An understanding of the global market context in which localised value chains (farmer-trader-processor) operate helps recognize the market risk that farmers and processors are exposed to.

• This can help develop informed scenarios regarding the potential for intensification and diversification strategies to improve farmer livelihoods.
ACIAR Cassava Value Chain and Livelihood Program

Join the conversation at: https://www.facebook.com/groups/1462662477369426/

[Logos of various organizations]