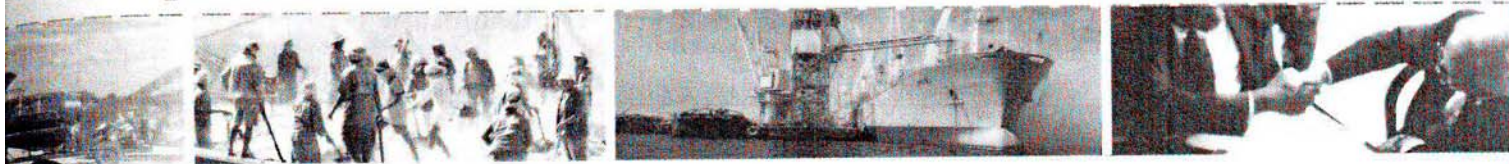


Tapioca Pellets Trade Situation In EU



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Thailand has a long-term agreement with the European Union to export tapioca hard pellets 21 million tons within 4 years period which we can export up to 5.25 million tons yearly. But during last five years from 1998 to 2002, our tapioca hard pellets export has never reached 5.25 million tons and was lowest in 2002 to only 1.5 million tons. In 2003 we have expected the export could be around 1.7-1.8 million tons. For the future, the tapioca hard pellets export situation to the European Union will be good or bad would depend on below factors:-

❑ **EU Grains Situation** – As Wheat / Barley / and Corn are EU essential grains, the movement of world price for each of them is influenced by the balance of its demand and supply. And this circumstance will indirectly effect to the EU grains price. The EU grain price being better or worse is mostly supported directly by EU grains situation. Since when the EU Agricultural policy has been revolutionized, the intervention price is much too low while the EU grains production in the last 5 years has been produced over than 200 million tons. But this year is an exception that the EU grains production has been decreased to be in total of 180-182 million tons which is less than last year of total 209.5 million tons due to drought circumstance. As a result of this, the EU grains price goes up rapidly from August onwards. Besides, East Europe has also faced the drought problem that they have to import agricultural commodities instead of to export much more million tons of wheat which is cheaper than our tapioca hard pellets like last year. From this incident, EU has bought more tapioca hard pellets for September 2003 to June 2004 delivery. For July – December 2004, there would be

whether more purchase orders or not is up to the weather which help to EU cultivation in year 2004 since the grains price during this period is quite good. It has been expected that EU farmers of both West and East Europe would certainly speed up their crop growing which we have to follow up to this factor because this would take effect directly to tapioca hard pellets price.

❑ **Admixture Price** – Since tapioca hard pellets have mostly starch content with less protein. Soybeanmeal is needed to mix up with Tapioca hard pellets before using in compound feed. So if the admixture price of soybeanmeal and tapioca hard pellets were higher than EU grains, the tapioca usage would be less. USA, Brazil, and Argentina are the large soybeanmeal producers of the world. The soybeanmeal price changes according to the productions of those countries. Due to the drought, soybean production in USA this year total 67 million tons has declined compared with the last year total production 72 million tons. This caused soybeanmeal price shooting up sharply compared with last year at the same time. Not only soybeanmeal price but also ocean freight cost are higher when compared to the last year at the same period. However, the in coming harvesting soybeanmeal in Brazil and Argentina expected to be more than 95 million tons if weather is supported. This would make soybeanmeal price during April-September 2004 be lower, and the usage of tapioca hard pellets should be better. The tapioca hard pellets export is expected to be increased during July – December 2004.

❑ **Currency Exchange** – Transactions of tapioca hard pellets to EU are in Euro currency. The Euro and

USD currency exchange have high effect to Thai tapioca hard pellets price. Since year 1999 EU announce using Euro currency which from that year it was weaker continuously. At some time later Euro currency was weaken for about 30% that caused tapioca hard pellets price to EU reduced about USD 20/ton during 2000–2001. From that period, the Euro currency improved continually. Up to present, the Euro currency is stronger than that on the announced day which effect to the tapioca pellets price level that we could sell more. If Euro currency is still firm as at present or about Euro 1 = USD 1.169–1.170, the export of tapioca hard pellets to EU will be increased next year. The USD against Thai Baht currency is another factor to consider. Compared to last year, Baht currency is stronger about 5–6%. (at present THB 1 = USD 39.80 whilst last year was = over USD 42) The THB is expected to keep on firming so we have to sell higher price for export otherwise local price need to be lower. The reduction of domestic tapioca hard pellets price or the increment of export price are needed to be considered in this situation. So the currency exchange movement on both Euro and THB against USD have directly effected to EU trade.

□ Ocean Freight cost – Most tapioca hard pellets export to EU in the term of CIF. Sellers are vessel charterer. During the passed 2–3 years, ocean freight cost was about USD 11–12/ton. It has been gradually increased since end of 2002. This is sharply increment from USD 17/ton to USD 32–35/ton from end of September 2003. This effects to new pellets transactions in EU have been ceased. If the freight market still remain at this level for long term, the export of tapioca hard pellets to EU market would be less. Except that the stronger EU grains price or the lower domestic price of pellets will compensate to this high freight situation.

□ Tapioca chips to China – In the last 2 years China has imported tapioca chips from Thailand much more than in the past. From 95,000 tons in year 2000 increasing to 1.65 million tons in year 2001 and to 1.56 million tons in

year 2002. Since chips to China price is higher than EU price, this causes the volume of EU export lower down to 1.5 million tons in year 2002. China is the largest market which import Thai tapioca chips minimum 1.2–1.5 million tons per year. The figures depend on the competitive quantities of tapioca hard pellets export to EU. Except that we could increase more tapioca roots in the future. In the last 5 crop years of 1998/1999 – 2002/2003, tapioca roots was average 17.35 million tons per year. But in new crop year 2003/2004, after the first survey, tapioca roots is expected to be 20.43 million tons or about 14% increased from previous crop. It is forecasted that there will be pellets supply to EU about 3.0 million tons after deduct consumption of tapioca starch and chips to China.

□ The above-mentioned factors such as EU grains situation, admixture price, currency exchange, ocean freight cost, tapioca chips to China, all are uncontrollable factors which effect to tapioca hard pellets EU trade in the future and also effect to the farmer with their root price. Those factors have been change all the time.

In order to keep on trading and exporting tapioca hard pellets to EU of which this market could buy much more Thai tapioca hard pellets which produced from roots for more than 10 million tons, tapioca farmers have to increase yields per rai with higher starch content by the lowest cost is the major mission to do. Then we could compete with EU grain price.

Beside this market, starch industries' demand also need more than 10 million tons of roots per year. There are also still more demands on chips from China for about 3.5 million tons of roots annually. Moreover, the government has set up and promote the Ethanol project for clean energy which need tapioca roots for several million tons a year. Therefore there would be no problem with tapioca products in the market. We can certainly sell every single root which farmers have grown without any worry.