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South Africa - Republic of

Oilseeds and Products Annual

The supply and demand for oilseeds in South Africa

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Report Highlights:

Post forecasts that South Africa will plant a record area of 1.2 million hectares with oilseeds in the 2014/15 MY, which could produce a historical high oilseed crop of 1.8 million tons. This positive trend in oilseed production is mainly driven by investments of more than US\$100 million on expanding South Africa's soybean processing capacity. As a result, South Africa will crush a record of 1.6 million tons of oilseeds in the 2014/15 MY and oilseed meal imports will drop by more than 20 percent to about 580,000 tons.

Executive Summary

Due to a demand pull from the expansion of crushing facilities, post forecasts that South Africa will plant a record area of 1.23 million hectares with oilseeds later in 2014, for the 2014/15 MY. As a result and based on average yields, South Africa could produce a historical high oilseed crop of 1.8 million tons.

The Crop Estimates Committee estimated the commercial oilseed crop for the 2013/14 MY at a record high of 1.69 million tons on 1.16 million hectares. Although soybean area planted decreased marginally, a record crop of 832,350 tons is expected, as South Africa's corn and oilseeds producing areas received particularly good rains since the beginning of February. A 40 percent increase in sunflower production to 778,175 tons is also expected *inter alia* due to a 19 percent increase in area planted to 598,950 hectares, and good weather conditions.

In the 2012/13 MY, South Africa crushed a record 1.22 million tons of oilseeds, 15 percent more than in the previous year. Post estimates that this record will increase to 1.39 million tons in the 2013/14 MY, and to 1.60 million tons in the 2014/15 MY, due to the increase in the local production of oilseeds and the expansion in crushing capacity. As a result, post predicts that the imports of oilseed meal will decrease by about six percent to 690,000 tons in the 2013/14 MY and by a further 16 percent to 580,000 tons in the 2014/15 MY. Imports of oilseed meal decrease by almost 20 percent in the 2012/13 MY to 730,000 tons.

US\$1 = Rand 10.65 (03/28/2014)

Sources:

www.sagis.org.za

www.grainsa.co.za

www.safex.co.za

www.daff.gov.za

www.afma.co.za

Total Oilseeds

Production

South Africa invested an estimated R1 billion (US\$100 million) the past few years on expanding its soybean processing capacity, due to increased soybean production and to replace soybean meal imports. As a result, about 1.2 million tons of additional oilseed processing capacity has been created, bringing South Africa's current total oilseed capacity to an estimated 2.2 million tons per annum. Currently, South Africa produces about 1.6 million tons of oilseeds. Due to this demand pull, post forecasts that a record area of 1.23 million hectares will be planted with oilseeds later in 2014, for the 2014/15 MY (marketing year starts March, 1, 2015). Post forecasts an 11 percent growth in the area planted with soybeans to 560,000 hectares, due to the added soybean crushing capacity and the increased affinity by farmers to use soybeans as a rotational crop with corn. Post forecasts that sunflower seed and groundnut planted areas will only increase marginally to 610,000 hectares and 60,000 hectares, respectively (see also Figure 1).

Based on average yields, post forecasts that South Africa will produce a record of 1.8 million tons of oilseeds for the 2014/15 MY (see also Figure 2). Soybean production will increase by 11 percent to 920,000 tons, while sunflower and groundnut production will increase to 795,000 tons and 85,000 tons, respectively.

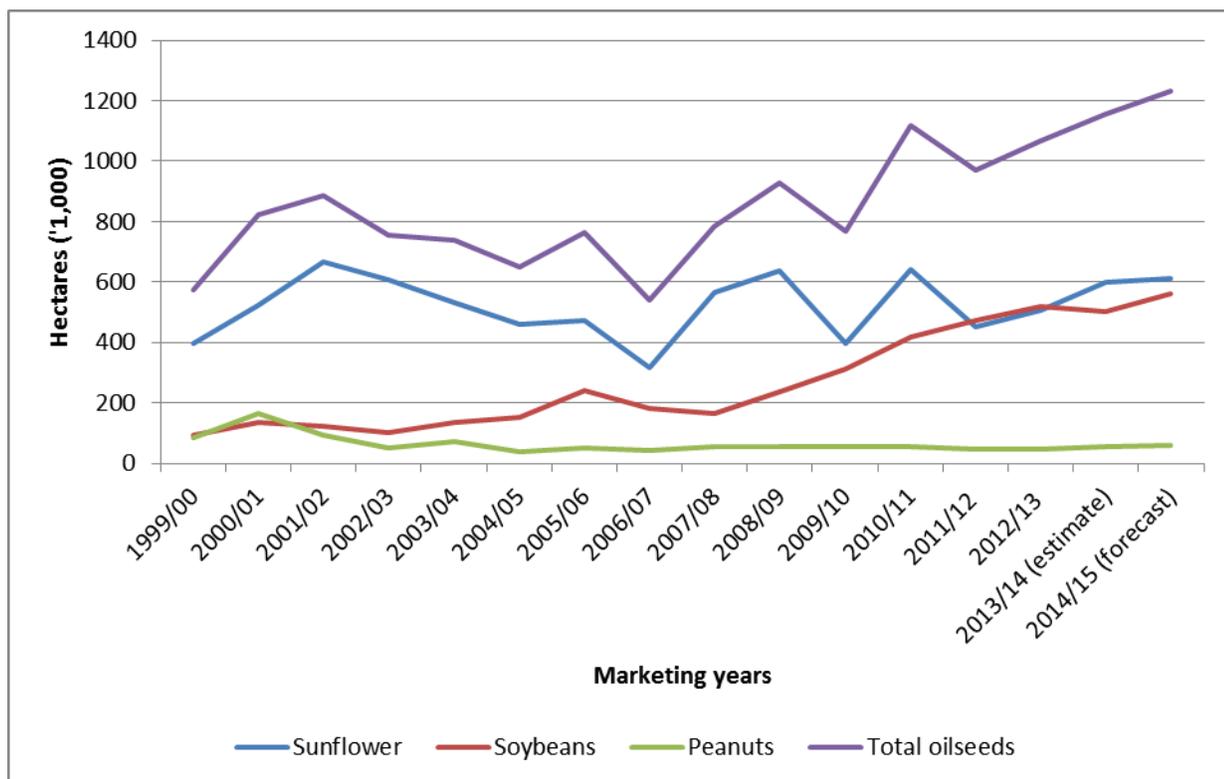


Figure 1: Trends in the area planted with oilseeds in South Africa since 2000

	(1,000ha)	MT/h a	(1,00 0 MT)	(1,000ha)	MT/h a	(1,00 0 MT)	(1,000h a	MT/h a	(1,00 0 MT)
Marketin g year	2012/13			2013/14			2014/15		
Sunflower	505	1.1	557	599	1.3	778	610	1.3	795
Soybeans	517	1.5	785	503	1.7	832	560	1.6	920
Peanuts*	47	0.9	42	53	1.5	82	60	1.4	85
TOTAL	1,069	1.3	1,384	1,155	1.5	1,692	1,230	1.5	1,800

Source: SAGIS

*Data supplied on a shelled basis, converted to in-shell (X1.33).

Consumption

Post forecasts that South Africa will consume about 1.86 million tons of oilseeds locally in the 2014/15 MY, an increase of 13 percent from the estimated utilization of 1.65 million tons in the 2013/14 MY. Approximately, 1.6 million tons of oilseeds will be crush in the 2014/15 MY. As already mentioned, South Africa's current crushing capacity increased to an estimated 2.2 million tons per annum after new soybeans crushing facilities were added.

Table 2 illustrates the domestic utilization of sunflower seed and soybeans in South Africa for the 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast). Almost the entire sunflower crop is destined for the processing industry for conversion to sunflower oil. The crushing capacity for sunflower seeds in South Africa is estimated at around one million tons per annum, while the capacity of oilseed refineries is estimated at 950,000 tons per annum. In years of lower sunflower production, the activities at crushing plants are reduced and the refineries import more crude oil, as it is more cost effective than importing sunflower seeds. Figure 3 illustrates the strong correlation between the local production and crushing of sunflower seeds annually.

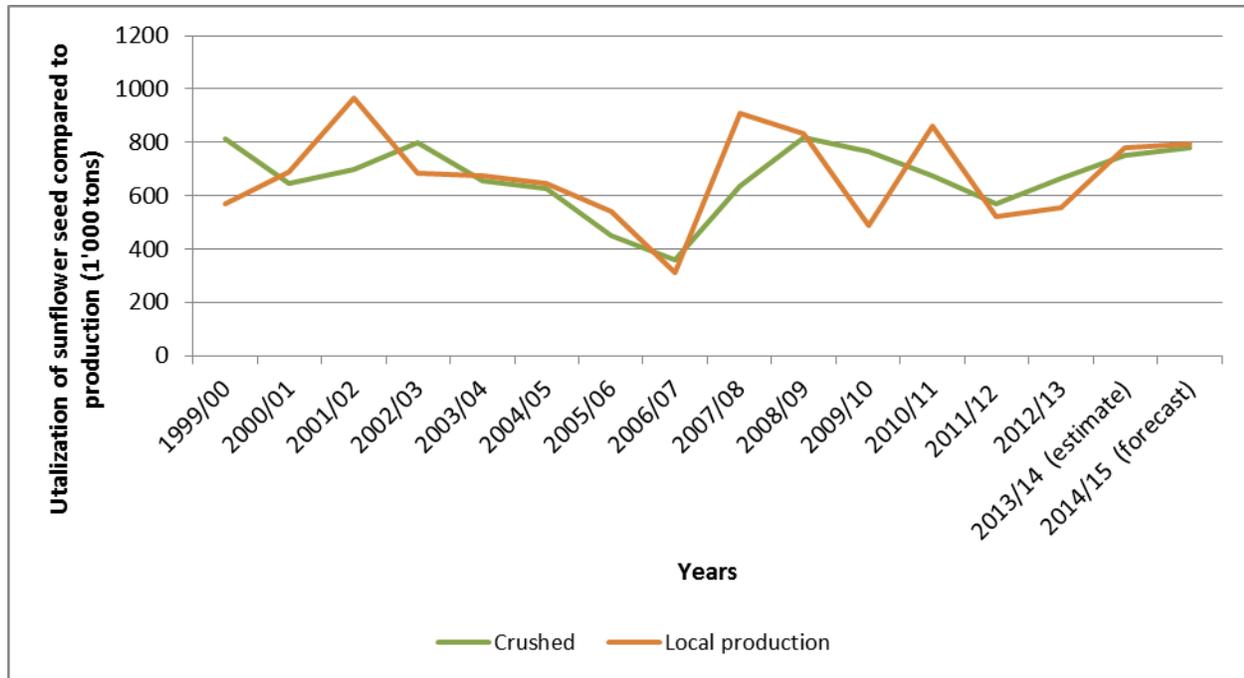
Table 2: The utilization of sunflower seed and soybeans by South Africa

Oilseeds (‘1,000 MT)	Sun- flower	Soy- bean s	Tota l	Sun- flower	Soy- bean s	Tota l	Sun- flower	Soy- bean s	Tota l
Marketin g year	2012/1 3			2013/1 4			2014/1 5		
Crush	663	561	1,22 4	750	640	1,39 0	780	820	1,60 0
Food	1	25	26	1	25	26	1	25	26
Animal feed	3	155	158	3	150	153	3	150	153
Seed	3	5	8	3	5	8	3	5	8
Other	6	7	13	6	7	13	6	7	13
Exports	0	15	23	0	0	0	0	0	0
TOTAL*	676	768	1,44 4	763	827	1,59 0	793	1,007	1,80 0

Source: SAGIS & Grain SA

* Including carryover stocks from previous seasons and imports

Sunflower meal, a by-product of the oil extraction process, is sold to local animal feed manufacturers. Sunflower meal is generally regarded as a low-value product that does not compare well to soybean meal in terms of nutritional value and fiber content. As a result, broiler rations cannot include more than seven percent sunflower meal. Hence, sunflower meal is mainly used as feed in the dairy and beef industries. Post estimates that 750,000 tons of sunflower seed will be crushed in the 2013/14 MY, 13 percent higher than the previous marketing year, as a higher sunflower seed crop is expected.



Figure

3: The utilization of sunflower seed in South Africa since 2000

Figure 4 illustrates the increasing trend in the local utilization of soybeans in South Africa, mainly driven by an increase in crushing capacity. With the increase in crushing capacity, South Africa crushed a record 561,000 tons of soybeans in the 2012/13 MY. Post estimates South Africa will crush 640,000 tons and 820,000 tons of soybeans in the 2013/14 MY and 2014/15 MY, respectively. The local demand for soybean meal, as the preferred source of protein for animal feed, has increased in correlation with the increase in poultry production in South Africa and more than doubled over the past decade. As local production of soybean meal was limited in the past, almost all of the local consumption had to be imported. With the expansion of the local soybean crushing industry and soybean production, imports are expected to decrease to less than 30 percent of local consumption compared to more than 60 percent two years ago.

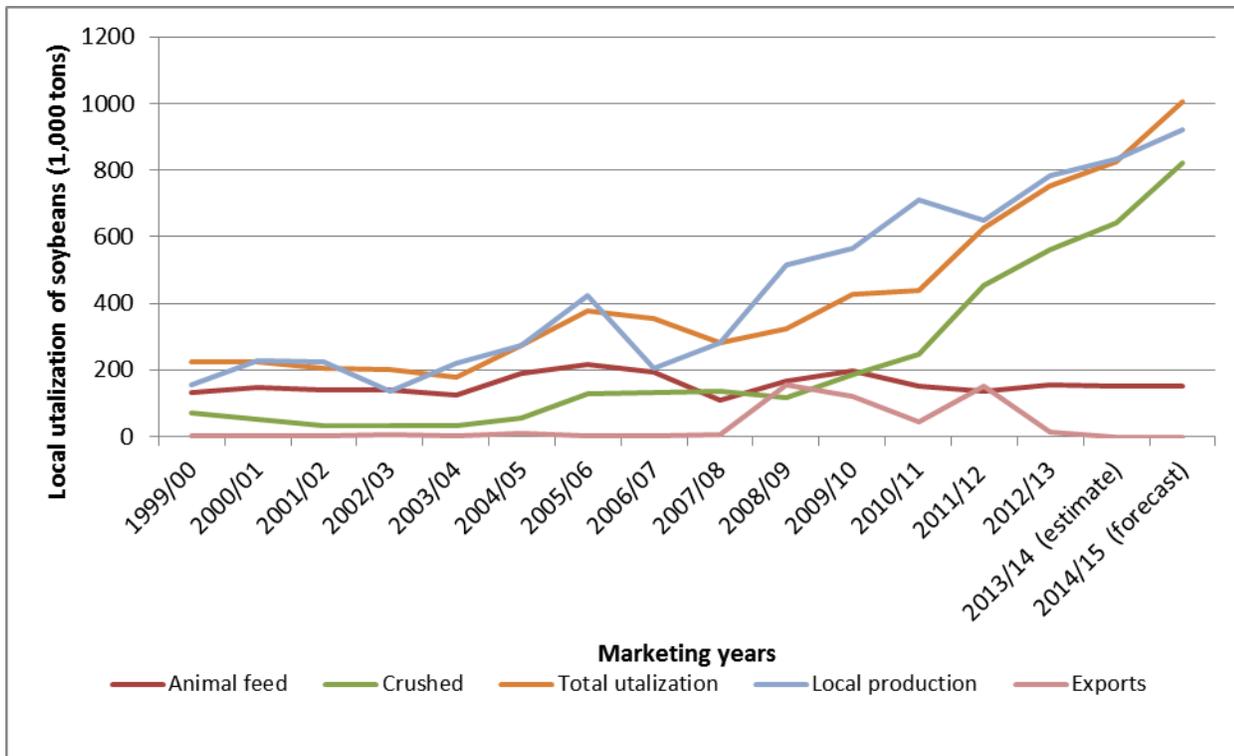


Figure 4: The utilization of soybean in South Africa since 2000

The domestic consumption for peanuts is shown in Table 3 for the 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast). The domestic market is relatively stagnating at around 60,000 tons, with about 30,000 tons of peanuts being consumed in the direct edible market and about 25,000 tons for the peanut butter market.

Table 3: The utilization of peanuts in South Africa

Peanuts* ('1,000 MT)			
Marketing year	2012/13	2013/14	2014/15
Direct edible market	26	30	30
Peanut butter market	26	25	25
Oil and oilcake	2	3	3
Seed	3	3	3
Exports	10	18	25
Other	1	1	1
TOTAL**	68	80	82

Source: SAGIS & Grain SA

*Data supplied on a shelled basis, converted to in-shell (X1.33)

** Including carryover stocks from previous seasons and imports

Trade

South Africa's trade in oilseeds is mainly directed to the imports of oil and protein meal, however, in the 2012/13 MY, South Africa imported about 95,000 tons of sunflower seeds, due to the drought conditions that affected the 2012/13 MY crop. Zero sunflower seeds imports are expected for the 2013/14 MY, as good weather conditions guaranteed a 40 percent higher sunflower seed crop.

South Africa exported a small amount of 15,000 tons of soybeans in the 2012/13 MY, destined mainly for the premium tofu markets of Malaysia. Exports of soybeans are expected to drop to zero in the 2013/14 MY and 2014/15 MY, as local production is expected to only match the current local crushing capacity in the next five years.

Exports of peanuts (according to SAGIS) reached about 10,000 tons for the 2012/13 MY. However, due to the drought conditions South Africa also had to import 28,711 tons of peanuts in the 2012/13 MY. Exports are expected to increase to 18,000 tons in the 2013/14 MY and to 25,000 tons in the 2014/15 MY, due to an increase in local production.

Current import tariffs for oilseeds and oilseed products are summarized in Table 4.

Table 4: Current import tariffs of oilseeds

Product	General rate of duty	EU	EFTA	SADC
Sunflower seed	9.4%	Free	9.4%	Free
Soybeans	8%	Free	8%	Free
Peanuts	10%	Free	10%	Free
Soybean meal	6.6%	Free	6.6%	Free
Sunflower meal	6.6%	Free	6.6%	Free
Soybean oil	10%	Free	10%	Free
Sunflower oil	10%	Free	10%	Free

Source: Cargo-info

Prices

The SAFEX prices for sunflower seed and soybeans as of 03/18/2014 are shown in Table 5. Local sunflower prices are trading 14 percent higher than a year ago, while soybean prices are trading almost 40 percent higher. A major factor supporting higher domestic agricultural commodity prices is the depreciation of the Rand against other major currencies. For example, the Rand has depreciated by almost 20 percent against the United States dollar in 2013 and by nearly 8 percent in the first month of the 2014. The rand stumbled to a fresh five-year low against the dollar in January, after the start of another labor strike in the mining sector. South Africa's budget and current account deficits, strikes in the manufacturing and mining sectors, and the 2014-elections, make the currency more vulnerable than most emerging market peers during a period of global risk aversion. The domestic soybeans prices were also supported by the increase in local demand (due to the construction of extra crushing plants), which meant that prices moved closer to import parity (see also Figure 5).

Table 5: SAFEX prices for sunflower and soybeans

SAFEX Futures prices			
Commodity	2014/03	2014/05	2014/07
Sunflower	R5,950/t (\$559/t)	R5,030/t (\$472/t)	R5,136/t (\$482/t)
Soybeans	R6,559/t (\$616/t)	R6,059/t (\$569/t)	R6,124/t (\$575/t)

Source: SAFEX

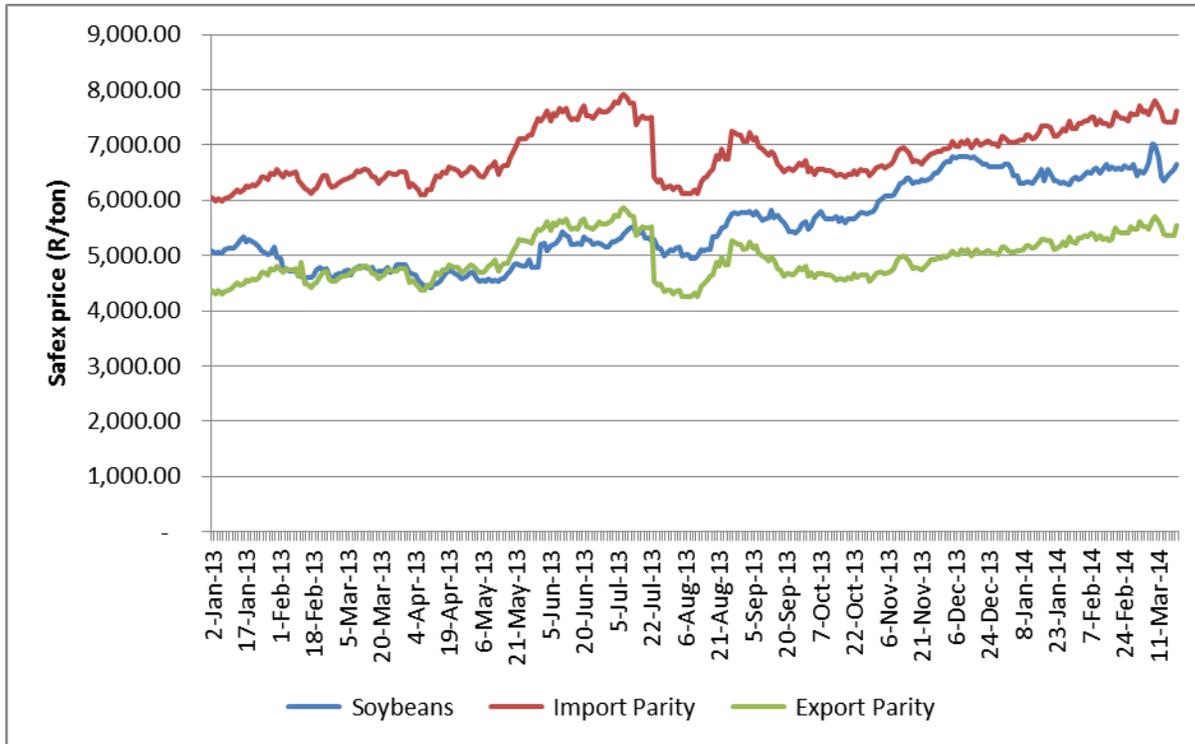


Figure 5: The SAFEX prices for soybeans since January 2013

Oilseed, Sunflower seed South Africa	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Planted	505	505	510	599		610
Area Harvested	500	505	510	599		610
Beginning Stocks	64	64	40	40		55
Production	555	557	610	778		795
MY Imports	35	95	20	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	654	716	670	818		850
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	600	663	600	750		780
Food Use Dom. Cons.	3	1	1	1		1
Feed Waste Dom. Cons.	11	12	14	12		12
Total Dom. Cons.	614	676	615	763		793
Ending Stocks	40	40	55	55		57
Total Distribution	654	716	670	818		850
1000 HA, 1000 MT						

Oilseed, Soybean South Africa	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	515	517	580	503		560
Area Harvested	500	517	580	503		560
Beginning Stocks	145	145	32	165		170
Production	850	785	990	832		920
MY Imports	0	3	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	995	933	1,022	997		1,090
MY Exports	50	15	10	0		0
MY Exp. to EU	0	0	0	0		0
Crush	750	561	800	640		820
Food Use Dom. Cons.	28	25	30	25		25
Feed Waste Dom. Cons.	135	167	135	162		162
Total Dom. Cons.	913	753	965	827		1,007
Ending Stocks	32	165	47	170		83
Total Distribution	995	933	1,022	997		1,090
1000 HA, 1000 MT						

Oilseed, Peanut South Africa	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	47	47	50	53		60

Area Harvested	47	47	50	53		60
Beginning Stocks	9	9	8	12		16
Production	73	56	100	110		113
MY Imports	44	38	30	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	126	103	138	122		129
MY Exports	12	14	15	24		33
MY Exp. to EU	0	0	0	0		0
Crush	25	3	25	4		4
Food Use Dom. Cons.	75	70	77	73		73
Feed Waste Dom. Cons.	6	4	7	5		5
Total Dom. Cons.	106	77	109	82		82
Ending Stocks	8	12	14	16		14
Total Distribution	126	103	138	122		129
1000 HA, 1000 MT						

Total Meals

Production

In the 2012/13 MY, South Africa crushed a record 1.22 million tons of oilseeds, 15 percent more than in the previous year. Post estimates that this record will increase to 1.39 million tons in the 2013/14 MY, and to 1.60 million tons in the 2014/15 MY, due to the increase in the local production of oilseeds and the expansion in crushing capacity (see also Figure 6). As a result, local produced oilseed meal will increase by more than 35 percent to 984,000 tons in the 2014/15 MY, from the 727,000 tons produced in the 2012/13 MY. In Table 6, the production of soybean meal and sunflower meal in South Africa are shown for the 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast). Crushing yields used includes 42 percent meal for sunflower seeds and 80 percent meal for soybeans.

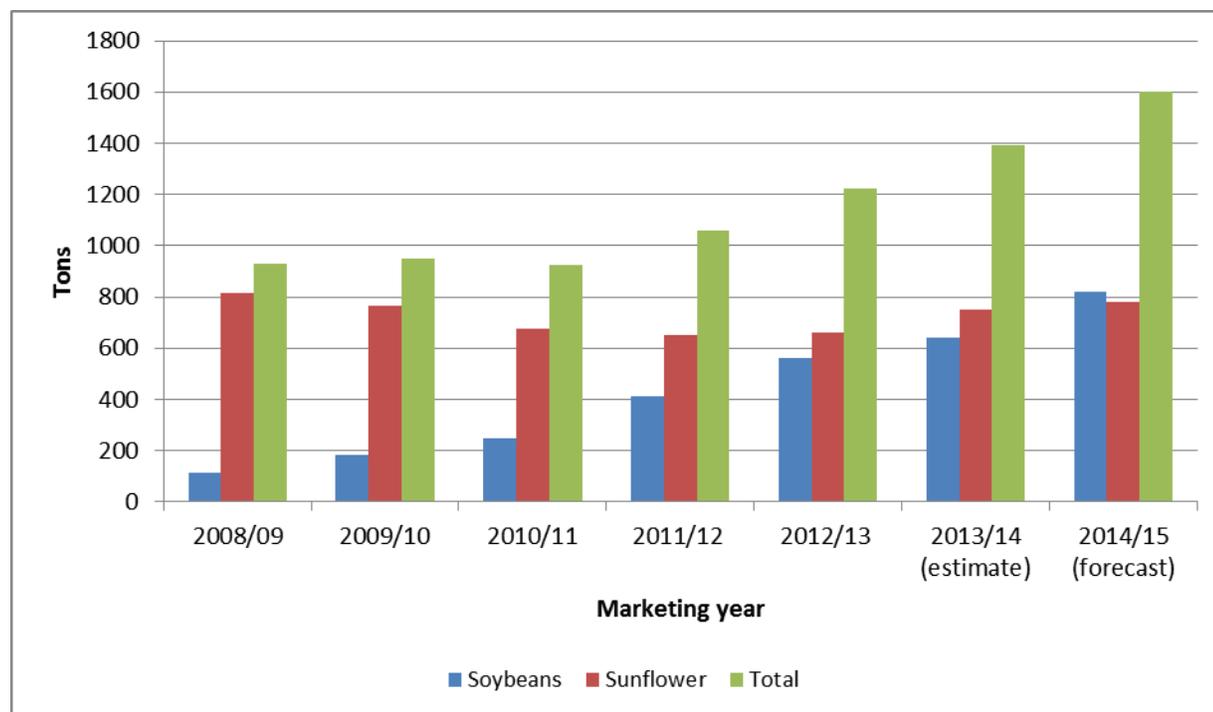


Figure 6: Trends in oilseeds crushed in South Africa

Table 6: Oilseed meal production in South Africa

Oilseeds (1,000MT)	Crush			Meal produced		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Sunflower (42% meal)	663	750	780	278	315	328
Soybean (80% meal)	561	640	820	449	512	656
TOTAL	1,224	1,390	1,600	727	827	984

Consumption

South Africa's consumption of oilseed meal stayed constant at approximately 1.5 million tons in the 2012/13 MY, as slow economic growth and high feed prices resulted in growth of less than two percent in the demand for animal feed. The business environment is not expected to improve in 2014, as feed

prices are expected to remain at relatively high levels and upwards inflationary pressures and weak economic growth are dimming consumer demand. South Africa's economy is expected to grow by less than three percent in 2014 and 2015, due to labor unrest, a relatively weak exchange rate and electricity constraints. Hence, post estimates that the consumption of oilseed meal will grow by only about three percent in the 2013/14 MY and 2014/15 MY.

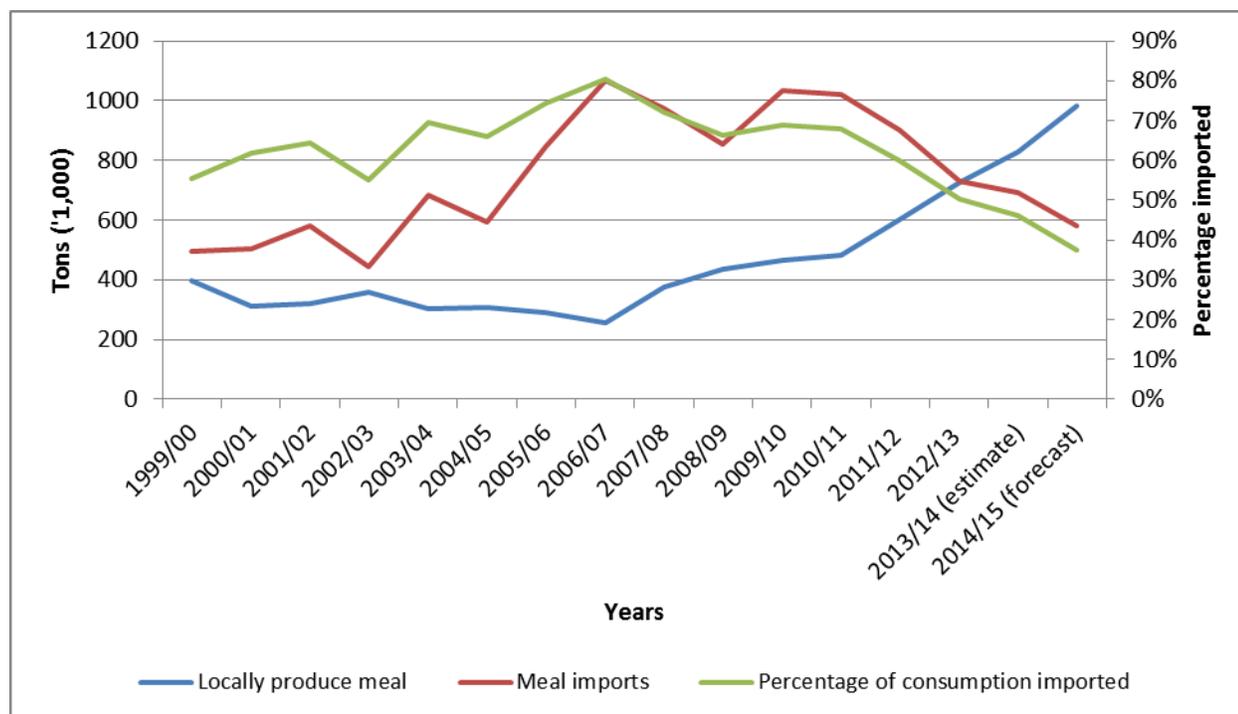
In Table 7 the consumption of soybean meal and sunflower meal in South Africa is shown for the 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast).

Table 7: The consumption of soybean meal and sunflower meal

Oilseeds (1,000MT)			
Marketing year	2012/13	2013/14	2014/15
Sunflower meal	360	370	400
Soybean meal	1,100	1,130	1,150
TOTAL	1,460	1,500	1,550

Trade

Figure 7 illustrates the trend in the replacement of oilseed meal imports with locally produced oilseed meal in South Africa. Post expects that South Africa will import less than 40 percent of oilseed meal consumption in the 2014/15 MY



Figure

7: The gap between oilseed meal produced in South Africa and oilseed meal imports

Imports of oilseed meal decrease by almost 20 percent in the 2012/13 MY to 730,000 tons, on increased local production. Almost all imports of oilseed meal were from Argentina. For the 2013/14 MY, post

predicts that the imports of oilseed meal will decrease by about six percent to 690,000 tons and in the 2014/15 MY, oilseed meal imports will decrease even further to around 580,000 tons, or 37 percent of local consumption.

Meal, Soybean South Africa	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	750	561	800	640		820
Extr. Rate, 999.9999	1	1	1	1		1
Beginning Stocks	23	23	22	14		16
Production	592	449	631	512		656
MY Imports	650	650	650	630		500
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,265	1,122	1,303	1,156		1,172
MY Exports	3	8	4	10		10
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	1,240	1,100	1,270	1,130		1,150
Total Dom. Cons.	1,240	1,100	1,270	1,130		1,150
Ending Stocks	22	14	29	16		12
Total Distribution	1,265	1,122	1,303	1,156		1,172
1000 MT, PERCENT						

Meal, Sunflower seed South Africa	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	600	663	600	750		780
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	57	57	8	48		43
Production	255	278	255	315		328
MY Imports	70	80	90	60		80
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	382	415	353	423		451
MY Exports	7	7	3	10		10
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	367	360	350	370		400
Total Dom. Cons.	367	360	350	370		400
Ending Stocks	8	48	0	43		41
Total Distribution	382	415	353	423		451
1000 MT, PERCENT						

Total Oils

Production

Post estimates that South Africa will produce about 400,000 tons of oilseed oil in the 2013/14 MY. This is almost 14 percent more than the 353,000 tons produced in the 2012/13 MY. For the 2014/15 MY, post forecasts that locally produced oilseed oil will increase to 444,000 tons, due to the increase in the local crushing capacity. In Table 8, the production of soybean oil and sunflower oil in South Africa is shown for the 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast). Crushing yields used include 38 percent oil for sunflower seed and 18 percent oil for soybeans.

Table 8: Oilseed oil production in South Africa

Oilseeds (1,000MT)	Crush			Oil produce		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Sunflower (38% oil)	663	750	780	252	285	296
Soybean (18% oil)	561	640	820	101	115	148
TOTAL	1,224	1,390	1,600	353	400	444

Consumption

South Africa consumes about 1.1 million tons of oilseed oil per annum. In Table 9, the consumption of soybean oil, sunflower oil, palm oil and other vegetable oils in South Africa are shown for the 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast). Post estimates that the consumption of oilseed oil will grow only by about two percent in the 2013/14 MY, to 1.1 million tons, and by another two percent in 2014/15 MY to 1.12 million tons. Economic growth is the main overall driver for the increase in the demand for oilseed oil and, as already mentioned, South Africa's economy is expected to grow by less than three percent in 2014 and 2015.

Table 9: The consumption of soybean oil, sunflower oil and palm oil in South Africa

Oilseeds (1,000MT)			
Marketing year	2012/13	2013/14	2014/15
Sunflower oil	350	360	370
Soybean oil	250	260	270
Palm oil	380	380	380
Other oils	100	100	100
TOTAL	1,080	1,100	1,120

Trade

South Africa imported 818,014 tons of vegetable oil in the 2012/13 MY, nine percent less than in the previous season. Major oils imported included palm oil (about 380,000 tons), soybean oil (about 205,000 tons) and sunflower oil (about 130,000 tons).

For the 2013/14 MY and 2014/15 MY, post expects oilseed oil imports to decline, due to the increase in the local production of oilseeds and the expansion in crushing capacity. Sunflower oil imports are expected to drop to about 100,000 tons, while soybean oil imports could drop more than 10 percent to about 180,000 tons.

South Africa also exports oilseed oils to neighboring countries such as Zimbabwe and Mozambique. In the 2012/13 MY, South Africa exported almost 90,000 tons of oilseed oil. These exports are expected to continue at the same level in the 2013/14 MY and 2014/15 MY.

Oil, Sunflower seed South Africa	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	600	663	600	750		780
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	64	64	46	67		52
Production	252	252	252	285		296
MY Imports	150	132	190	100		100
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	67	0	50		50
Total Supply	466	448	488	452		448
MY Exports	45	31	45	40		40
MY Exp. to EU	0	0	0	0		0

Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	375	350	385	360		370
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	375	350	385	360		370
Ending Stocks	46	67	58	52		38
Total Distribution	466	448	488	452		448
1000 MT, PERCENT						

Oil, Soybean South Africa	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	750	561	800	640		820
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	10	10	30	8		13
Production	138	101	148	115		148
MY Imports	205	205	190	210		180
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	200	140	200	150		130
Total Supply	353	316	368	333		341
MY Exports	65	58	60	60		60
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	258	250	265	260		270
Feed Waste Dom. Cons.	0	0	0	0		0
-	0	0	0	0		0
Total Dom. Cons.	258	250	265	260		270
Ending Stocks	30	8	43	13		11
Total Distribution	353	316	368	333		341
1000 MT, PERCENT						

