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Oilseeds and Products Annual Report

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Oilseeds and Products
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Report Highlights:
Improved access and usage of inputs is expected to drive Zimbabwe's oilseed production up 3.2 percent from 247,000MT in the 2009/10 marketing year to 255,000MT in 2010/11 marketing year. Growth in oilseeds production is expected to continue through the 2011/12 marketing year. Local demand for soybean meal has increased due to the growth in the pork and poultry industries. Zimbabwe's strict prohibitions on biotechnology have limited soybean meal imports for feed. Due to the decline in the dairy and beef industries, domestic consumption of cottonseed meal is limited, with the surplus cottonseed meal exported mainly to South Africa.

Executive Summary:

Oilseed production is expected to increase by 3.2 percent from 247,000MT in the 2009/10 marketing year to 255,000MT in 2010/11 marketing year (April to March), mainly as a result of increased cottonseed output through better fertilizer utilization. A total of 174,000MT of oilseeds comprised of 30,000MT soybean and 144,000MT of cottonseed will be available for crushing in the 2010/11 marketing year. Total oilseed production is expected to increase through the 2011/12 marketing year due to the availability and better utilization of fertilizers and chemicals.

Domestic soybean meal production will fall short of rising demand from the expansion in the poultry and pig sectors. Soybean meal imports will also be limited by the Zimbabwean government's restrictive policies on the import of biotech grain or meal. Domestic cottonseed meal production will exceed local demand due to the decline in the dairy and beef sectors. The surplus cottonseed meal will be exported, mainly to South Africa.

The suspension of duties on most basic commodities including cooking oil, from March 2009 has been extended through December 2010, and is boosting cooking oil imports from South Africa. Locally produced oil is not price competitive and South Africa is well positioned to supply the Zimbabwean market. A large proportion of locally produced oil is being channeled for margarine manufacturing.

OILSEEDS

Production

Soybean, cottonseed and peanut are the main oilseeds produced in Zimbabwe. Soybean and cottonseed are cash crops grown for processing into edible oil that also produce a high protein meal for stock feed. Peanuts are grown mainly for human consumption and for processing into peanut butter. Sunflower production in Zimbabwe has declined in recent years and sunflower crushing has disappeared as sunflower oil and seed prices have been relatively low for the past few years.

Approximately 658,000 hectares of oilseeds were planted for the 2010/11 marketing season compared to 673,000 hectares in the 2009/10 marketing year. However, the production of oilseeds increased by 3.2 percent to 255,000 tons. Oilseed production is expected to increase through the 2011/12 marketing year due to the availability and better utilization of fertilizers and chemicals. The table below shows the area planted and production of the oilseeds in Zimbabwe for the marketing years 2009/10 (actual), 2010/11 (estimate) and 2011/12 (forecast).

Table 1: The area planted and production of the oilseeds in Zimbabwe

Oilseeds	MY 2009		MY 2010		MY 2011 Forecast	
	Area (ha)	Production MT	Area (ha)	Production MT	Area (ha)	Production MT
Cottonseed*	370,000	143,000	337,000	154,000	340,000	174,000
Soybeans	51,000	43,000	43,000	37,000	40,000	50,000
Peanuts **	220,000	45,000	251,000	51,000	255,000	60,000
Sunflowers	32,000	16,000	27,000	13,000	20,000	10,000
Total	673,000	247,000	658,000	255,000	655,000	294,000

*cottonseed is 58% of seed cotton production figure i.e. after removal of 41% lint and allowing for a 1% loss factor

**unshelled peanuts

Cotton is produced by approximately 200,000 small scale farmers on small fields no larger than one to two hectares. Total cotton area planted for the 2010/11 marketing year is estimated at 337,000 hectares, a decline of nearly nine percent from 370,000 hectares in the 2009/10 marketing year. The decline is largely driven by the reduction in the number of registered cotton contractors after the Zimbabwean government introduced legislation to regulate the cotton industry. However, the national average cotton yield in 2010/11 marketing year is expected to improve from 0.56t/ha in the previous season to 0.79t/ha. Increased yields are attributed to improved availability of production inputs such as fertilizers and chemicals as well as the favorable climatic conditions for cotton production.

Soybean production is estimated to decrease in the 2010/11 marketing season to 37,000MT from 43,000MT last season. The soybean production area fell by over 15 percent in the 2010/11 marketing season to 43,000 hectares compared to 51,000 hectares in the 2009/10 marketing season. In fact, soybean production in Zimbabwe has declined dramatically lasting the past six years due to the implementation of the land reform program. Previously soybean production was carried out by large scale commercial farmers in the high rainfall areas of the country. As a result of the land reform program, many commercial farms have been subdivided into smaller farms that were given to inexperienced and under-capitalized farmers. Despite the adequate availability of high yielding and disease resistant domestic soybean varieties on the market, the majority of the new farmers have tended to avoid growing soybeans due to a lack of sufficient knowledge and experience.

Peanut production is predominantly conducted by small scale farmers. Total planted area for peanuts increased by 14 percent, from 220,000 hectares in the 2009/10 marketing year to 251,000 hectares in the 2010/11 marketing year. Production increased by approximately 13 percent to an estimated 51,000MT in the 2010/11 marketing season from 45,000MT in the 2009/10 marketing season. Despite the increase in production, peanut yields are generally poor. The unavailability of certified seed and inadequate levels of fertilizer applied to the crop are major constraints to peanut production.

Sunflower production has continued to decline on an annual basis due to low global market prices and Zimbabwe's ongoing land reform policy that has transferred commercial lands to new farmers. The area under sunflower in the 2010/11 marketing season is estimated at 27,000 hectares, down from the 32,000 hectares in the 2009/10 marketing season. Production fell from 16,000MT in 2009/10 marketing season to an estimated 13,000MT in the 2010/11 marketing season. Oil pressing plants have available capacity for the sunflower crop but are not prepared to purchase small volumes of less than one ton.

Consumption

Cottonseed and soybean are grown primarily for oil extraction. Apart from about 10,000MT reserved as planting seed for the next season, all the remaining cottonseed will be channeled to oil production. Cottonseed meal, a by-product of the oil extraction process, is a highly valued feed stock that is primarily exported to South Africa for livestock feed.

Similarly, the majority of soybean production is destined for oil extraction. In line with declining levels of commercial production over the past decade, the quantity reserved for seed has halved from 8,000MT to the current 4,000MT. A small quantity (approximately 3,000MT) is processed locally into different high protein food products such as meat substitutes and various supplements for human consumption. Domestic utilization of cottonseed and soybean is shown in the table below.

Table 2: Domestic utilization of cottonseed and soybean by Zimbabwe

Oilseeds 1, 000 MT	MY 2009			MY 2010			MY2011		
	Soybean	Cotton seed	Total	Soybean	Cotton seed	Total	Soybean	Cotton seed	Total
Crush	36	133	169	30	144	174	43	160	203
Food	5	0	5	3	0	3	3	0	3
Seed	8	10	18	4	10	14	4	14	18
Total*	49	143	192	37	154	191	50	174	224

* Including imports

Trade

Trade in oilseeds is very limited. The government banned soybean exports due to the current low level of soybean production. Exports are only allowed after the domestic demand for soybeans is satisfied. Only soybean planting seed can be exported, but is not price competitive in the international market. Data from ZIMSTATS (formerly Central Statistics Office) show that between February 2010 and April 2010 6,355MT commercial grade soybeans were imported from Zambia. Oil pressing plants import GM free soybeans to augment local production as local production of soybean meal is inadequate to meet the demand in the poultry and pig sectors.

Oilseed, Cottonseed Zimbabwe	2009 2009/2010 Market Year Begin: Apr 2009			2010 2010/2011 Market Year Begin: Apr 2010			2011 2011/2012 Market Year Begin: Apr 2011		
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		New Post Data
Area Planted (Cotton)	380		370	380		337			340
Area Harvested (Cotton)	370		370	380		337			340
Seed to Lint Ratio	0		0	0		0			0
Beginning Stocks	0		0	0		0			0
Production	158		143	175		154			174
MY Imports	0		0	0		0			0
MY Imp. from U.S.	0		0	0		0			0
MY Imp. from EU	0		0	0		0			0
Total Supply	158		143	175		154			174
MY Exports	15		0	14		0			0
MY Exp. to EU	0		0	0		0			0
Crush	133		133	150		144			160
Food Use Dom. Cons.	0		0	0		0			0
Feed Waste Dom. Cons.	10		10	11		10			14
Total Dom. Cons.	143		143	161		154			174
Ending Stocks	0		0	0		0			0
Total Distribution	158		143	175		154			174

Oilseed, Soybean Zimbabwe	2009			2010			2011		
	2009/2010			2010/2011			2011/2012		
	Market Year Begin: Apr 2009			Market Year Begin: Apr 2010			Market Year Begin: Apr 2011		
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		New Post Data
Area Planted	80		51	80		43			40
Area Harvested	75		51	75		43			40
Beginning Stocks	0		0	0		0			0
Production	75		43	75		37			50
MY Imports	0		6	0		0			0
MY Imp. from U.S.	0		0	0		0			0
MY Imp. from EU	0		0	0		0			0
Total Supply	75		49	75		37			50
MY Exports	0		0	0		0			0
MY Exp. to EU	0		0	0		0			0
Crush	72		36	72		30			43
Food Use Dom. Cons.	2		5	2		3			3
Feed Waste Dom. Cons.	1		8	1		4			4
Total Dom. Cons.	75		49	75		37			50
Ending Stocks	0		0	0		0			0
Total Distribution	75		49	75		37			50

MEALS

Production

Zimbabwe's annual total crushing capacity is estimated at 500,000MT. Thus, given the current oilseed production levels in the country, excess processing capacity is available. Cottonseed and soybean are key ingredients of animal feed and are the main meals produced in Zimbabwe. Crushing yields are 80 percent meal for soybeans and 44 percent meal for cottonseeds. Total production of oilseed meal in the 2010/11 marketing year is estimated at 87,400MT, approximately at the same levels as in the 2009/10 marketing year. Total meal production in the 2010/11 marketing year comprised 63,360MT cottonseed meal crushed from 144,000MT of cottonseed and 24,000MT soybean meal from 30,000MT of soybeans. The forecast for the 2011/12 marketing year is that meal production will increase to approximately 104,800MT in line with increased cottonseed and soybean production..

Table 3: Oilseed meal production in Zimbabwe

Oilseeds 1,000 MT	Crush			Meal produced		
Marketing year	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
Cottonseed (44% meal)	133	144	160	58.5	63.4	70.4
Soybean (80% meal)	36	30	43	28.8	24.0	34.4
TOTAL	169	174	203	87.3	87.4	104.8

Consumption

The main soybean meal users in Zimbabwe are the poultry, pork and dairy sectors. Soybean meal is a key protein ingredient in the formulation of livestock feeds. Local demand for soybean meal has increased in-line with increased pork and poultry production. The introduction of the US dollar in February 2009 and the liberalization of the grain market, after a period of peak hyperinflation and feed stock shortages, led to the recovery of the poultry and pork sectors from near collapse at the end of 2008. National demand for protein exceeds supply and continues to drive growth.

The poultry industry historically is the biggest user of soybean meal. According to the Zimbabwe Poultry Association (ZPA) poultry production has expanded monthly in a linear manner from January 2009 to June 2010, but is still unable to meet domestic demand for affordable protein. Out of an estimated demand of 3,500MT chicken meat per month, the local industry is supplying about 1,900MT monthly. However, stiff competition from low priced chicken meat imports from South Africa, Brazil and Argentina threatened to de-rail the industry's recovery. The high domestic cost structure of poultry production is not always priced competitive compared to imports. As a result, imported chicken meat costs less (average US$2.50/kg) than domestically produced chicken meat (average US$3.40/kg). These high production costs are attributed to the use of more expensive GM-free corn (estimated cost US$250/ton to US$300/ton of corn) in feed as per government policy, whereas the industry's competitors in other countries use GM corn (estimated at US$120/ton to US$140/ton) in poultry feed. Recently, the Zimbabwean government enacted a three month suspension (starting in May 2010) on imported poultry meat and products in order to assess the local industry's ability to meet domestic demand. In part because of this growth in the poultry industry will increase demand of soybean meal to 32,000 MT in the 2010/11 marketing year.

The use of soybean meal in pork production is expected to increase with the recovery and expansion of this sector following improvement in feed stock availability. Dollarization of the economy and liberalization of corn marketing in 2009 have improved feed stock supplies. Annual soybean meal consumption by the pork sector is estimated at 12,000MT in the 2010/11 marketing year.

Annual soybean meal requirements for the dairy sector are estimated at 6,000MT per annum, bringing the estimate of the total soybean meal requirement for the livestock sector to 50,000MT but, domestic soybean meal production for 2010/2011 marketing year is forecast at 24,000MT.

Cottonseed meal is a major protein ingredient in the manufacture of feed stock for beef and dairy cattle as it contains about 42 percent protein. However, in the twenty-year period from 1990/91 to present, the national dairy herd has declined from 192,000 animals to about 22,000 animals currently. The dairy industry, being highly capital intensive, has been affected by the land reform program where some dairy farms were re-distributed to small scale farmers with inadequate capital resources to sustain dairy production and herd maintenance. Ongoing ambiguity concerning land tenure has discouraged investment and negatively affected the sector. The commercial beef herd is estimated to have remained static at 200,000 animals. Domestic demand for cottonseed meal is estimated to have declined to about 20,000MT annually.

The outlook is for strong local demand of soybean meal due to the expansion of the pig and poultry sectors while cottonseed meal demand is forecast to stagnate.

Trade

Due to the decline in the dairy and beef industries, domestic consumption of cottonseed meal remains low. Surplus cottonseed meal in 2010MY is estimated at 43,000MT and will be exported mainly to South Africa.

While domestic soybean meal production falls short of requirements, Government restrictions on the import of biotech soybean meal limits potential imports as GM soybeans dominate the international

market. Domestic soybean meal production is estimated at less than half of total demand at 24,000MT, which forces Zimbabwe to import 26,000MT to sustain growth in the livestock sector.

Meal, Cottonseed Zimbabwe	2009			2010			2011		
	2009/2010			2010/2011			2011/2012		
	Market Year Begin: Apr 2009			Market Year Begin: Apr 2010			Market Year Begin: Apr 2011		
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		New Post Data
Crush	133		133	150		144			160
Extr. Rate, 999.9999	0.		0.44	0.		0.44			0.44
Beginning Stocks	0		0	0		0			0
Production	58		59	66		63			70
MY Imports	0		0	0		0			0
MY Imp. from U.S.	0		0	0		0			0
MY Imp. from EU	0		0	0		0			0
Total Supply	58		59	66		63			70
MY Exports	30		42	35		43			50
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.	28		17	31		20			20
Total Dom. Cons.	28		17	31		20			20
Ending Stocks	0		0	0		0			0
Total Distribution	58		59	66		63			70

Meal, Soybean Zimbabwe	2009			2010			2011		
	2009/2010			2010/2011			2011/2012		
	Market Year Begin: Apr 2009			Market Year Begin: Apr 2010			Market Year Begin: Apr 2011		
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		New Post Data
Crush	72		36	72		30			43
Extr. Rate, 999.9999	1.		0.8	1.		0.8			0.8
Beginning Stocks	0		0	0		0			0
Production	57		29	57		24			34
MY Imports	0		0	0		26			21
MY Imp. from U.S.	0		0	0		0			0
MY Imp. from EU	0		0	0		0			0
Total Supply	57		29	57		50			55
MY Exports	0		0	0		0			0
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.	57		29	57		50			55
Total Dom. Cons.	57		29	57		50			55
Ending Stocks	0		0	0		0			0
Total Distribution	57		29	57		50			55

OILS

Production

Zimbabwe has 174,000MT of oilseed available for crushing from which an estimated 29,900MT of oil will be produced in the 2010/11 marketing year. Crushing yields are typically 18 percent oil for soybeans and 17 percent oil for cottonseed. Only 34.8 percent of the country's oilseed crushing capacity, estimated at 500,000MT, will be utilized.

The suspension of import duties on most basic commodities, including cooking oil, in March 2009 has

been extended to December 31, 2010. The Zimbabwean Government suspended the duties on basic commodities to address shortages and to stabilize domestic food prices following a decade of economic decline. Duty free oil imports have negatively affected domestic oil production. High domestic production costs make domestic oil uncompetitive compared to imports.

Low domestic oilseed production and poor price competitiveness have resulted in very low utilization in the oil crushing sector. Local oil crushers are diverting the bulk of oil produced to the margarine manufacturing. Imported margarine will no longer be duty free but will attract a tariff rate of 10 percent effective August 31, 2010.

There is no commercial crushing of peanuts for oil. Commercial sunflower crushing has been suspended due to the low crop volumes and falling production.

Zimbabwe's bio-fuel strategy promotes feed stock production of crops that do not compromise food security and mainly focuses on *Jatropha curcas* (Jatropha).

Table 4: Oilseed oil production in Zimbabwe

Oilseeds 1,000 MT	**Crush**			**Oil produce**		
Marketing year	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
Cottonseed (17% oil)	133	144	160	22.6	24.5	27.2
Soybean (18% oil)	36	30	43	6.5	5.4	7.7
TOTAL	169	174	203	29.1	29.9	34.9

Consumption

Zimbabwe's oil consumption is estimated at approximately 80,000MT per annum. Oil consumption is mostly blended vegetable oils although a high proportion of imports from South Africa are sunflower oil (47,028 tons in the 2009/10 marketing year).

Trade

Imports of cooking oil increased significantly from 2009 because of the duty-free import policy

introduced to ease food shortages. Zimbabwe is now dependant on cooking oil imports as approximately 70 percent of cooking oil sold at retail is imported mainly from South Africa. Cooking oil from South Africa is expected to remain dominant in the Zimbabwean market until the duty-free status is cancel. Local oil producing companies have stopped importing crude oil for refining into cooking oil.

Oil, Soybean Zimbabwe	2009			2010			2011		
	2009/2010			2010/2011			2011/2012		
	Market Year Begin: Apr 2009			Market Year Begin: Apr 2010			Market Year Begin: Apr 2011		
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		New Post Data
Crush	72		36	72		30			43
Extr. Rate, 999.9999	0.		0.18	0.		0.18			0.18
Beginning Stocks	3		0	2		0			0
Production	13		7	13		5			8
MY Imports	1		6	2		7			8
MY Imp. from U.S.	0		0	0		0			0
MY Imp. from EU	0		0	0		0			0
Total Supply	17		13	17		12			16
MY Exports	0		0	0		0			0
MY Exp. to EU	0		0	0		0			0
Industrial Dom. Cons.	0		0	0		0			0
Food Use Dom. Cons.	15		13	15		12			16
Feed Waste Dom. Cons.	0		0	0		0			0
Total Dom. Cons.	15		13	15		12			16
Ending Stocks	2		0	2		0			0
Total Distribution	17		13	17		12			16

Oil, Cottonseed Zimbabwe	2009			2010			2011		
	2009/2010			2010/2011			2011/2012		
	Market Year Begin: Apr 2009			Market Year Begin: Apr 2010			Market Year Begin: Apr 2011		
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		New Post Data
Crush	133		107	150		144			160

Extr. Rate, 999.9999	0.		0.17	0.		0.17			0.17
Beginning Stocks	0		0	0		0			0
Production	20		18	23		25			27
MY Imports	1		3	1		1			1
MY Imp. from U.S.	0		0	0		0			0
MY Imp. from EU	0		0	0		0			0
Total Supply	21		21	24		26			28
MY Exports	2		0	4		0			0
MY Exp. to EU	0		0	0		0			0
Industrial Dom. Cons.	0		0	0		0			0
Food Use Dom. Cons.	19		21	20		26			28
Feed Waste Dom. Cons.	0		0	0		0			0
Total Dom. Cons.	19		21	20		0			0
Ending Stocks	0		0	0		0			0
Total Distribution	21		21	24		26			28