

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

Voluntary Public

Date: 8/30/2018

GAIN Report Number:

South Africa - Republic of

Post: Pretoria

Moving towards self-sufficiency in oilseed value chains

Report Categories:

Oilseeds and Products

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Report Highlights:

South Africa produced a historical-high summer oilseed crop of 2.5 million tons in the 2017/18 MY with a further increase in oilseed production projected for the 2018/19 MY to 2.6 million tons. South Africa demonstrated a positive trend in oilseeds plantings over the past 10 years, mainly driven by investment in soybean processing capacity. As a result, oilseed meal imports are expected to drop from contributing 70 percent to local consumption, 10 years ago, to contributing less than 20 percent to local consumption in the 2018/19 MY.

Executive Summary

Post forecasts that a record area of 1.6 million hectares will be planted with oilseeds in South Africa for the 2018/19 MY¹. South Africa demonstrated a positive trend in oilseed plantings over the past 10 years due to a demand pull that was created through the expansion in soybean processing capacity to replace soybean meal imports. In addition, Post estimates that South Africa's commercial corn producers will cut planted area by 10 percent in the 2018/19 MY. A relatively large carry-over stock from the 2016/17 MY and a commercial crop of above 13.0 million tons in the 2017/18 MY is suppressing local corn prices that will continue past the 2018/19 MY's planting season. As a result, producers are projected to switch more corn fields to oilseeds, especially soybeans. Based on average yields and normal weather conditions, Post forecasts that South Africa could produce a record oilseed crop of 2.6 million tons in the 2018/19 MY. This means South Africa could also crush a record of 2.2 million tons of oilseeds in the 2018/19 MY, 5 percent more than the estimated 2.1 million tons of oilseeds that will be crushed in the 2017/18 MY.

South Africa produced a historical high summer oilseed crop of 2.5 million tons in the 2017/18 MY. According to the South African Crop Estimates Committee (CEC), soybean production increased by 18 percent to a record 1.6 million tons in the 2017/18 MY on 787,200 hectares. Sunflower seed production decreased marginally to 858,605 tons, while peanut production decreased by 44 percent to 52,000 tons.

In the 2018/19 MY, Post forecasts that oilseed meal imports will drop by 15 percent to 285,000 tons as a record of 1.4 million tons of oilseeds will be crushed locally. This means that imported oilseed meal will contribute less than 20 percent to local consumption, decreasing from more than a 70 percent contribution 10 years ago. Post estimates that South Africa will import 335,000 tons oilseed meal in the 2017/18 MY, 35 percent less than the 514,000 tons imported in the 2016/17 MY, due to a 24 percent increase in local oilseed production. In the 2016/17 MY South Africa imported 491,000 tons of soybean meal and 23,000 tons of sunflower meal, mainly from Argentina.

US\$1 = Rand 14.40 (8/29/2018)

^[1] The marketing years (MY) used in the text refers to the USDA marketing years in the PS&D table, and do not necessarily correspond with the marketing years used by the South African oilseed industries.

Total Oilseeds

Production

South Africa produced a historical-high summer oilseed crop of 2.5 million tons in the 2017/18 MY (also refer to Figure 1). The 2017/18 MY oilseed crop is 8 percent higher than last year's record oilseed crop of 2.3 million tons and 12 percent higher than Post previous estimate of 2.2 million tons. The main factors contributing to the record oilseed crop were a 14 percent increase in the area planted to 1.4 million hectares and the recovery in weather conditions in the later part of the season after a mid-summer drought. The increase in area planted was mainly driven by a 37 percent increase in the area planted with soybeans (also refer to Figure 2). After the record corn crop in the 2016/17 MY that resulted in lower domestic corn prices, many farmers opt to switch corn field to soybeans.

According to the South African Crop Estimates Committee (CEC), soybean production increased by 18 percent to a record 1.6 million tons in the 2017/18 MY on 787,200 hectares. Sunflower seed production decreased marginally to 858,605 tons on 601,500 hectares. Peanut production decreased by 44 percent to 52,000 tons because of late plantings and the inability to recover from the mid-summer drought due to physiological characteristics.

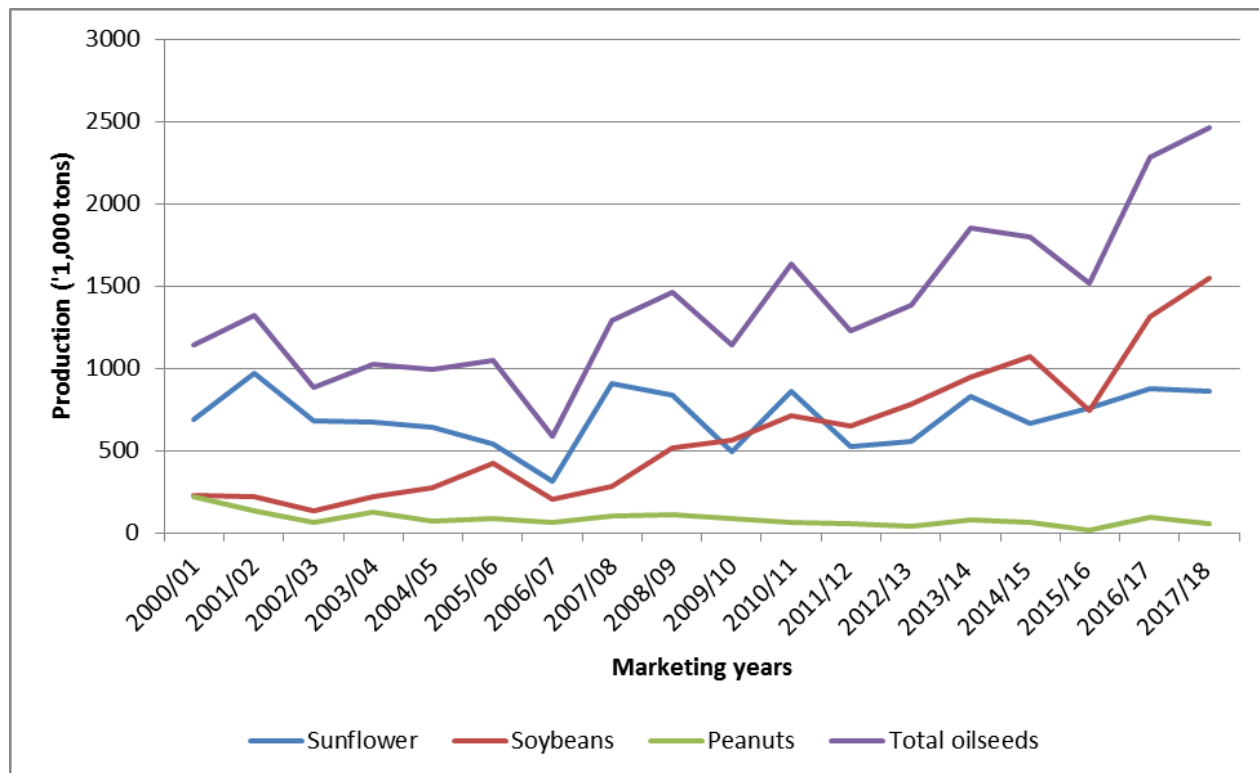


Figure 1: Trends in the production of oilseeds in South Africa since the 2000/01 MY

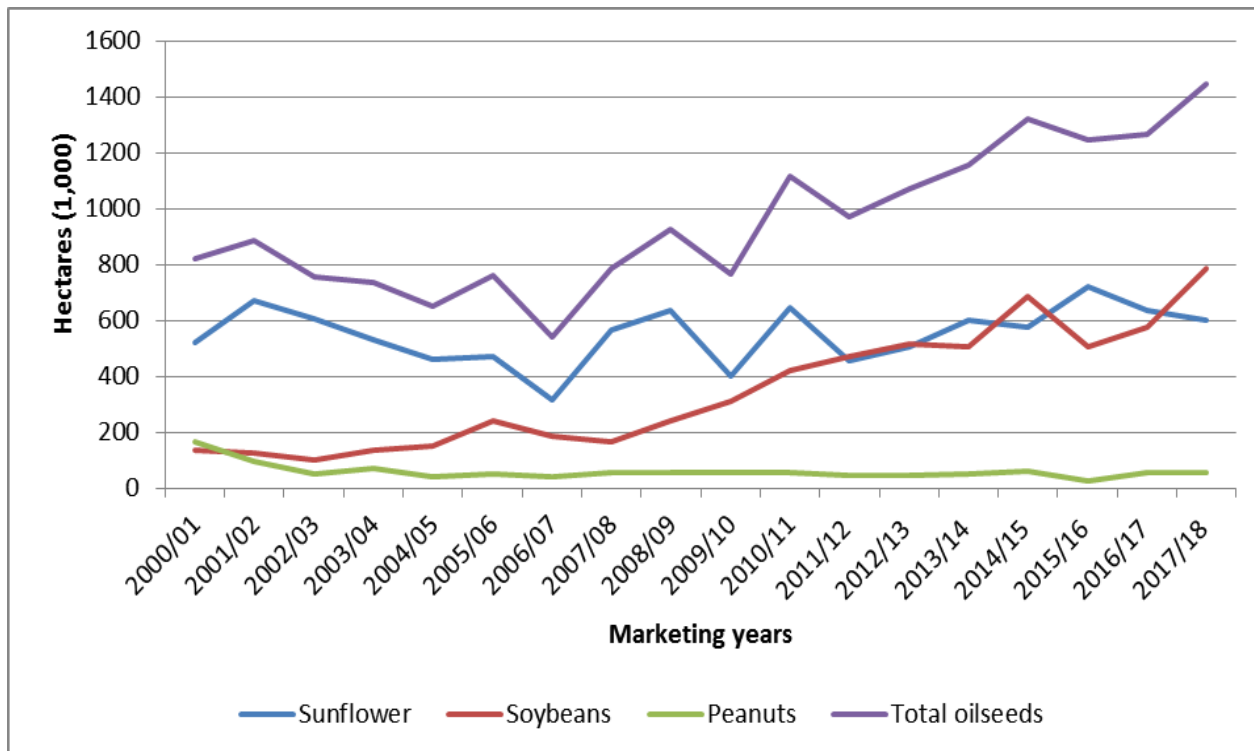


Figure 2: Trends in the area planted with oilseeds in South Africa since the 2000/01 MY

South Africa demonstrated a positive trend in oilseeds plantings over the past 10 years, mainly driven by increased soybean plantings. South Africa expanded its soybean processing capacity to replace soybean meal imports. As a result of this demand pull, the area planted with soybeans in South Africa more than tripled over the past 10 years. Post believes this trend will continue in the 2018/19 MY. In addition, Post estimates that South Africa’s commercial corn producers will cut planted area by 10 percent in the 2018/19 MY. A relatively large carry-over stock from the 2016/17 MY and a commercial crop of above 13.0 million tons in the 2017/18 MY is suppressing local corn prices that will continue past the 2018/19 MY’s planting season. As a result, producers are projected to switch more corn fields to oilseeds, especially soybeans. Therefore, Post forecasts that a record area of 1.6 million hectares will be planted with oilseeds in South Africa later in 2018, for the 2018/19 MY.

Post forecasts a 14 percent growth in the area planted with soybeans in the 2018/19 MY to 900,000 hectares. Post forecasts that sunflower seed planted area will stay constant at 600,000 hectares, and peanut planted area will stay at its normal levels of around 55,000 hectares.

Based on average yields and normal weather conditions, Post forecasts that South Africa could produce a historical-high oilseed crop of 2.6 million tons in the 2018/19 MY. Soybean production could increase by 6 percent to 1.7 million tons. Sunflower production will stay unchanged at around 850,000 tons. Peanut production is projected to increase by more than 50 percent to 80,000 tons in the 2018/19 MY, after a poor crop was recorded in the 2017/18 MY.

The following table contains area planted, yields and production figures for sunflower, soybeans and peanuts for the 2016/17 MY (actual), 2017/18 MY (estimate) and 2018/19 MY (forecast).

Table 1: Area planted and production of oilseeds in South Africa

Oilseeds	Area (1,000ha)	Yield MT/ha	Prod (1,000 MT)	Area (1,000ha)	Yield MT/ha	Prod. (1,000 MT)	Area (1,000ha)	Yield MT/ha	Prod. (1,000 MT)
	2016/17 MY			2017/18 MY			2018/19 MY		
Sunflower	636	1.4	874	602	1.4	859	600	1.4	850
Soybeans	574	2.3	1,316	787	2.0	1,551	900	1.8	1,650
Peanuts*	56	1.6	92	56	0.9	52	55	1.5	80
TOTAL	1,266	1.8	2,282	1,445	1.7	2,462	1,555	1.7	2,580

Source: South African Grain Information Services (Sagis)

*Data supplied on a shelled basis, converted to in-shell (x1.33).

Consumption

Post updated the domestic consumption figures of soybeans and sunflower for all three marketing years after taking into account higher production data. Post forecasts that a record 2.2 million tons of oilseeds will be crushed in the 2018/19 MY on higher production. This is 5 percent higher than the estimated 2.1 million tons that will be crushed in the 2017/18 MY. In the 2016/17 MY, South Africa crushed a historically high 1.8 million tons of oilseed, mainly boosted by a record oilseed crop. Figure 3 illustrates the rising trend in oilseeds crushed in South Africa after investments over the past few years increased the oilseed processing capacity. As a result, about 1.5 million tons of additional oilseed processing capacity has been added, bringing South Africa's current total oilseed processing capacity to an estimated 2.5 million tons per annum. Table 2 illustrates the domestic utilization of sunflower seed and soybeans in South Africa for the 2016/17 MY, 2017/18 MY and 2018/19 MY.

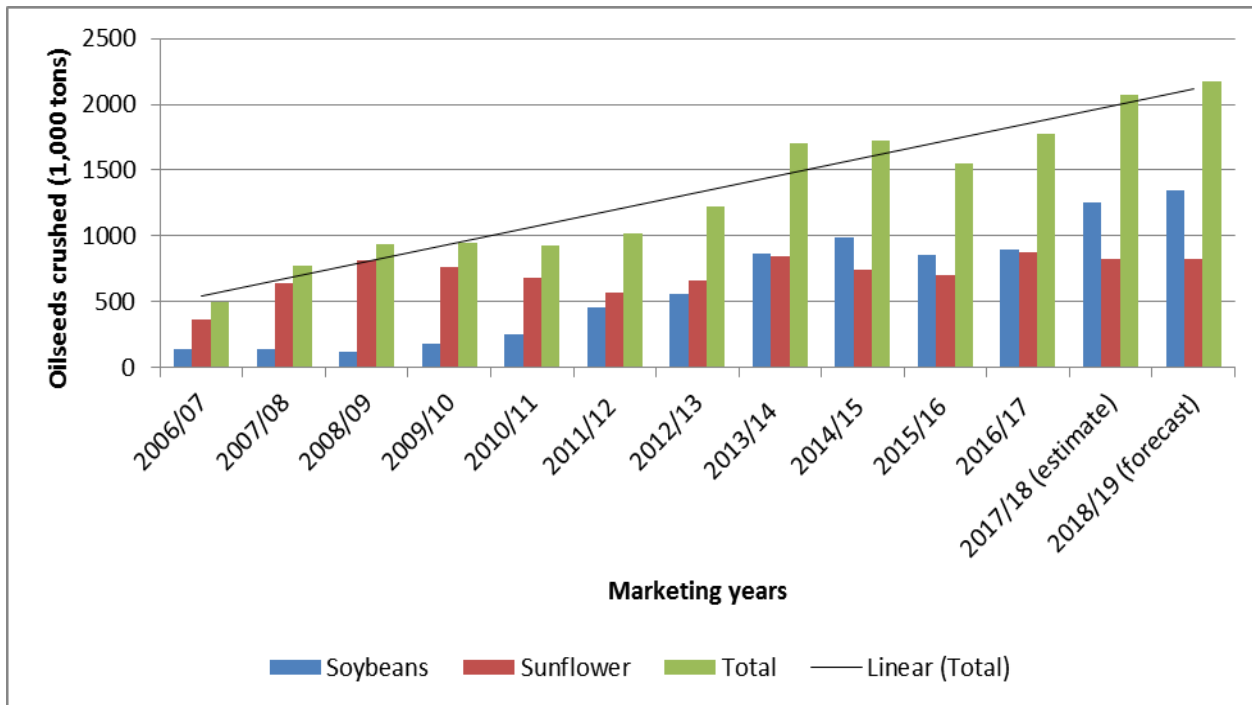


Figure 3: The increasing trend in oilseeds crushed in South Africa

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

Oilseeds (1,000 MT)	Sun-flower	Soy-beans	Total	Sun-flower	Soy-beans	Total	Sun-flower	Soy-beans	Total
Marketing year	2016/17			2017/18			2018/19		
Crush	878	892	1,770	820	1,250	2,070	820	1,350	2,170
Food	1	25	26	2	30	32	2	30	32
Animal feed	6	147	153	5	160	165	5	170	175
Seed	3	9	12	3	15	18	3	15	18
Other	3	2	5	5	5	10	5	5	10
Exports	0	0	0	0	50	50	0	50	50
TOTAL	891	1,075	1,966	835	1,510	2,345	835	1,620	2,455
Imports	1	28	29	0	0	0	0	0	0

Source: SAGIS & Grain SA

Trade

In the 2016/17 MY, South Africa imported small amounts of soybeans (28,000 tons) sunflower seed (less than a 1,000 tons), mainly from Zambia and Malawi. However, for the 2018/19 MY and 2017/18 MY, Post does not foresee any soybean or sunflower seed imports by South Africa, due to higher local production and the fact that imports are mainly directed to oil and protein meal. Post expects exports of soybeans will also be limited as local crushing plants will consume most of the locally produced soybeans. Post projects South Africa will export about 50,000 tons of soybeans to neighboring countries in the 2017/18 MY and in the 2018/19 MY.

Table 3: Production, supply and demand for soybeans in South Africa

Oilseed, Soybean Market Begin Year South Africa	2016/2017		2017/2018		2018/2019	
	Jun 2017		Jun 2018		Jun 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	575	575	800	790	900	900
Area Harvested	574	574	790	787	900	900
Beginning Stocks	1	1	150	270	310	311
Production	1316	1316	1550	1551	1575	1650
MY Imports	35	28	25	0	20	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1352	1345	1725	1821	1905	1961
MY Exports	4	0	5	50	10	50
MY Exp. to EU	0	0	0	0	0	0
Crush	1000	892	1200	1250	1350	1350
Food Use Dom. Cons.	28	25	30	30	30	30
Feed Waste Dom. Cons.	170	158	180	180	190	190
Total Dom. Cons.	1198	1075	1410	1460	1570	1570
Ending Stocks	150	270	310	311	325	341
Total Distribution	1352	1345	1725	1821	1905	1961
Yield	2.2927	2.2927	1.962	1.9708	1.75	1.8333

(1000 HA) ,(1000 MT) ,(MT/HA)

Table 4: Production, supply and demand for sunflower seed in South Africa

Oilseed, Sunflower seed Market Begin Year South Africa	2016/2017		2017/2018		2018/2019	
	Apr 2017		Apr 2018		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	640	640	610	610	600	600
Area Harvested	636	636	605	602	600	600
Beginning Stocks	52	52	81	36	99	60
Production	874	874	800	859	760	850
MY Imports	5	1	70	0	70	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	1	0	50	0	50	0
Total Supply	931	927	951	895	929	910
MY Exports	1	0	1	0	1	0
MY Exp. to EU	0	0	0	0	0	0
Crush	830	878	830	820	830	820
Food Use Dom. Cons.	1	1	1	2	1	2
Feed Waste Dom. Cons.	18	12	20	13	20	13
Total Dom. Cons.	849	891	851	835	851	835
Ending Stocks	81	36	99	60	77	75
Total Distribution	931	927	951	895	929	910
Yield	1.3742	1.3742	1.3223	1.4269	1.2667	1.4167

(1000 HA) ,(1000 MT) ,(MT/HA)

Total Meals

Production

Post forecasts that South Africa will crush a record of 2.2 million tons of oilseeds in the 2018/19 MY, in line with increased production and the expansion in crushing capacity. In the 2017/18 MY, Post estimates South Africa will crush 2.1 million tons of oilseeds. South Africa crushed approximately 1.8 million tons in the 2016/17 MY, which included 878,000 tons of sunflower seed and 892,000 tons of soybeans. In Table 5, the production of soybean meal and sunflower meal in South Africa is indicated for the 2016/17 MY, 2017/18 MY and 2018/19 MY. Crushing yields used includes 42 percent meal for sunflower seeds and 80 percent meal for soybeans.

Table 5: Oilseed meal production in South Africa

Oilseeds (1,000MT)	Crushed			Meal produced		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
Sunflower (42% meal)	878	820	820	369	345	345
Soybean (80% meal)	892	1,250	1,350	714	1,000	1,080
TOTAL	1,770	2,070	2,170	1,083	1,345	1,425

Consumption

Soybean meal and sunflower meal are the major protein meals used by feed manufactures in South Africa and represent more than 90 percent of protein meal usage. The average inclusion rate of oilseed meal in feed rations is about 20 percent. Corn is the major product used by feed manufacturers with a 52 percent inclusion rate in feed rations. The use of fishmeal as protein source in feed rations is determined by availability, product mix and price in relation to other available protein sources. However, the inclusion rate of fishmeal has been small in recent years at less than 1 percent.

Consumption of sunflower meal and soybean meal decreased by 7 percent in the 2016/17 MY to 1.53 million tons, due to the drought of the previous season that impacted negatively on animal stocks and hence the demand for animal feed. Post projects marginal increases in the demand for oilseed meal in the 2017/18 MY and 2018/19 MY to 1.57 million tons and 1.60 million tons, respectively, as the herd rebuilding phase after the drought continues. In addition, South Africa's economic growth is expected to continue to be sluggish in the next few years, despite a change in leadership, as structural and policy constraints still need to be resolved. The South African government estimates economic growth of less than two percent in 2018 and 2019, which would likely limit the increase in the demand for animal protein and hence animal feed. Economic growth is the main overall driver for the increase in the consumption of meat and meat products. In Table 6, the estimated consumption of soybean meal and sunflower meal in South Africa is shown for the 2016/17MY, 2017/18 MY and 2018/19 MY.

Table 6: The consumption of soybean meal and sunflower meal in South Africa

Oilseeds (1,000MT)			
Marketing year	2016/17	2017/18	2018/19
Sunflower meal	375	360	360
Soybean meal	1,150	1,210	1,240
TOTAL	1,525	1,570	1,600

Trade

In the 2018/19 MY, Post forecasts that oilseed meal imports will drop by 15 percent to 285,000 tons as a record of 1.4 million tons of oilseeds will be crushed locally. This means that imported oilseed meal will contribute less than 20 percent to local consumption, decreasing from more than a 70 percent contribution 10 years ago.

Post estimates that South Africa will import 335,000 tons oilseed meal in the 2017/18 MY, 35 percent less than the 514,000 tons imported in the 2016/17 MY, due to a 24 percent increase in local oilseed production. In the 2016/17 MY South Africa imported 491,000 tons of soybean meal and 23,000 tons of sunflower meal. Almost all oilseed meal is imported from Argentina.

Post estimates, South Africa will export about 120,000 tons of oilseed meal (100,000 tons of soybean meal and 20,000 tons of sunflower meal) to neighboring countries in both the 2018/19 MY and the 2017/18 MY. In the 2016/17 MY, South Africa exported 81,000 tons of oilseed meal, mainly to neighboring countries.

South Africa has over the past few years invested in new crushing facilities. Figure 4 illustrates the trend in the replacement of oilseed meal imports with locally produced oilseed meal. Dating back to the 2006/07 MY, more than 80 percent of the local consumption of oilseed meal was imported, while it is projected that imports will drop to less than 20 percent of local oilseed meal consumption in the 2018/19 MY.

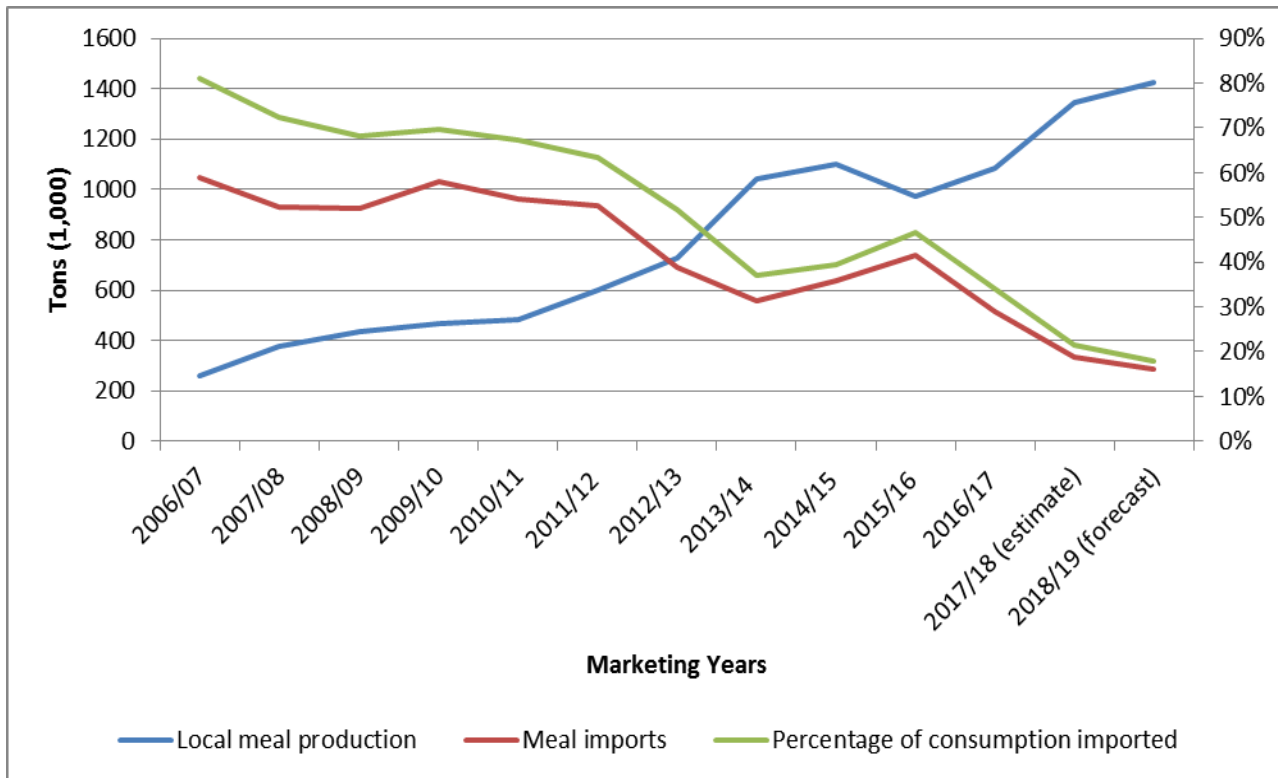


Figure 4: The increasing gap between oilseed meal produced in South Africa and oilseed meal imports

Table 7: Production, supply and demand for soybean meal in South Africa

Meal, Soybean Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jun 2017		Jun 2018		Jun 2018	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1000	892	1200	1250	1350	1350
Extr. Rate, 999.9999	0.789	0.8004	0.7892	0.8	0.7889	0.8
Beginning Stocks	121	121	70	113	72	103
Production	789	714	947	1000	1065	1080
MY Imports	540	491	495	300	460	250
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1450	1326	1512	1413	1597	1433
MY Exports	70	63	60	100	75	100
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1310	1150	1380	1210	1450	1240
Total Dom. Cons.	1310	1150	1380	1210	1450	1240
Ending Stocks	70	113	72	103	72	93
Total Distribution	1450	1326	1512	1413	1597	1433

(1000 MT) ,(PERCENT)

Table 8: Production, supply and demand for sunflower seed meal in South Africa

Meal, Sunflower seed Market Begin Year South Africa	2016/2017		2017/2018		2018/2019	
	Apr 2017		Apr 2018		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	830	878	830	820	830	820
Extr. Rate, 999.9999	0.4253	0.4203	0.4253	0.4207	0.4253	0.4207
Beginning Stocks	33	33	13	32	11	32
Production	353	369	353	345	353	345
MY Imports	25	23	45	35	45	35
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	411	425	411	412	409	412
MY Exports	18	18	20	20	20	20
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	380	375	380	360	380	360
Total Dom. Cons.	380	375	380	360	380	360
Ending Stocks	13	32	11	32	9	32
Total Distribution	411	425	411	412	409	412

(1000 MT) ,(PERCENT)

Total Oils

Production

Post estimates that South Africa will produce a record of 555,000 tons of oilseed oil in the 2018/19 MY on higher soybean production. This is 3 percent more than the 537,000 tons of oil post estimates South Africa will produce in the 2017/18 MY. In the 2016/17 MY, South Africa produced 494,000 tons of oilseed oils. In Table 9, the production of soybean oil and sunflower oil in South Africa is indicated for the 2016/17 MY, 2017/18 MY and 2018/19 MY. Crushing yields used include 38 percent oil for sunflower seed and 18 percent oil for soybeans.

Table 9: Oilseed oil production in South Africa

Oilseeds (1,000MT)	Crushed			Oil produced		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
Sunflower (38% oil)	878	820	820	334	312	312
Soybean (18% oil)	892	1,250	1,350	160	225	243
TOTAL	1,770	2,000	2,100	494	537	555

Consumption

South Africa consumes about 1.2 million tons of vegetable and oilseed oil per annum. Most of the oilseed oil consumed in South Africa is palm oil which is mainly imported from Indonesia and Malaysia. South Africa also consumes about 300,000 tons of soybean oil and around 400,000 tons of sunflower seed oil, annually. In Table 10, the consumption of soybean oil, sunflower oil, palm oil and other vegetable oils in South Africa are indicated for the 2016/17 MY, 2017/18 MY and 2018/19 MY. Post estimates that the consumption of oilseed oil will grow by only about two percent in the 2017/18 MY and by another two percent in 2018/19 MY. Economic growth is the main overall driver for the increase in the demand for oilseed oil and, as already mentioned, South Africa's economic growth rate is expected to remain sluggish at less than two percent per annum in 2018 and 2019.

Table 10: The consumption of soybean oil, sunflower oil and palm oil in South Africa

Oilseeds (1,000MT)

Marketing year	2016/17	2017/18	2018/19
Sunflower oil	410	375	375
Soybean oil	300	310	320
Palm oil	490	525	545
Other oils	20	30	30
TOTAL	1,220	1,240	1,270

Trade

South Africa imported about 917,000 tons of vegetable and oilseed oil in the 2016/17 MY. The majority of oils imported included palm oil (about 509,000 tons), soybean oil (about 184,000 tons) and sunflower oil (about 150,000 tons). Imported oil represented about 80 percent of local consumption in the 2016/17 MY.

For the 2017/18 MY, post expects oilseed oil imports to drop 885,000 tons on a 9 percent increase in locally produced oil. Post estimates South Africa will import about 130,000 tons of sunflower oil, 135,000 of soybean oil and 545,000 tons of palm oil. In the 2018/19 MY, oilseed oil imports is expected to increase marginally to 900,000 tons on increased consumption. However, soybean imports are forecast to drop to 130,000 tons on increased production while and sunflower oil imports should stay constant also at 130,000 tons.

South Africa also exports oilseed oils to neighboring countries and other countries in southern Africa, such as Zambia and Angola. In the 2016/17 MY, South Africa exported about 120,000 tons of oilseed oil, including 71,000 tons of sunflower seed oil and 52,000 tons of soybean oil. Oilseed exports in the 2017/18 MY and 2018/19 MY are expected to continue at the same level as in the 2016/17 MY i.e. at about 120,000 tons.

Table 11: Production, supply and demand for soybean oil in South Africa

Oil, Soybean	2016/2017	2017/2018	2018/2019
Market Begin Year	Jun 2017	Jun 2018	Jun 2018

South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1000	892	1200	1250	1350	1350
Extr. Rate, 999.9999	0.183	0.1794	0.1833	0.18	0.183	0.18
Beginning Stocks	48	48	36	40	36	40
Production	183	160	220	225	247	243
MY Imports	180	184	170	135	165	130
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	125	125	100	100	90	100
Total Supply	411	392	426	400	448	413
MY Exports	55	52	50	50	50	50
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	320	300	340	310	360	320
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	320	300	340	310	360	320
Ending Stocks	36	40	36	40	38	43
Total Distribution	411	392	426	400	448	413

(1000 MT) ,(PERCENT)

Table 12: Production, supply and demand for sunflower seed oil in South Africa

Oil, Sunflower seed Market Begin Year	2016/2017		2017/2018		2018/2019	
	Apr 2017		Apr 2018		Apr 2018	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	830	878	830	820	830	820
Extr. Rate, 999.9999	0.4193	0.3804	0.4193	0.3805	0.4193	0.3805
Beginning Stocks	32	32	35	35	33	32
Production	348	334	348	312	348	312
MY Imports	135	150	150	130	160	130
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	95	95	115	80	115	80
Total Supply	515	516	533	477	541	474
MY Exports	65	71	65	70	65	70
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	415	410	435	375	445	375
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	415	410	435	375	445	375
Ending Stocks	35	35	33	32	31	29
Total Distribution	515	516	533	477	541	474

(1000 MT) ,(PERCENT)