

Zimbabwe's soya bean production for cooking oil

THE ROAD TO SELF-SUFFICIENCY

For roughly 14 years, South African and Botswanan cooking oil brands dominated supermarket shelves across Zimbabwe. As the country's economic crisis impacted local manufacturers and farmers, President Robert Mugabe's government suspended the duty on imported basic commodities, making it possible for local retailers and ordinary people to purchase large volumes of cooking oil, among

other food items, from South Africa, Zambia, Mozambique and Botswana for resale and household consumption.

Around the same period, President Mugabe's land seizure campaign was at its peak. His government forcibly evicted

approximately 4 500 white farmers from their land and resettled 380 000 indigenous people there. Output of key crops – maize, tobacco, wheat and soya beans – dropped drastically.

As almost 95% of all cooking oil in the country is soya-based, processors ran out of raw material to manufacture the product. Then, according to the Oil Expressers' Association of Zimbabwe (OEAZ), locally produced cooking oil accounted for 15% of the market share, with 85% met by imported products.

Meeting the demand

It took a government ban on cooking oil importation in January 2014 to improve the availability of local brands. After two years, oil expressers say, their brands now control the market at 95%. This recovery, however, has exposed local farmers who are failing to produce sufficient amounts of the product, to meet manufacturer demand.

"There is a huge gap with regard to our ability to satisfy the demand from processors, not only of soya-based cooking oil, but sunflower as well," says Zimbabwe Farmers' Union (ZFU) president, Abdul Nyathi. "But the interest and skills are there. The problem is the price which is inadequate to cover production costs."

Information from the OEAZ indicates that Zimbabwe requires 300 000 tons of soya beans per year to produce 48 million litres of soya-based cooking oil, yet farmers produce an average of 70 000 tons per annum. A 2014 study by the Zimbabwe Commercial Farmers' Union (ZCFU)



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indicates that a producer price of at least US\$800/t would be viable, but processors were buying the crop at a maximum of US\$520/t at the time.

Industry role-players

Given the failure by growers to produce sufficient amounts of soya beans and the relative expense of importing crude oil, manufacturers have this season started contracting farmers to grow the crop. United Refineries Limited, whose production capacity rose from 60% in 2014 to 80% in 2016, is spending US\$2 million on soya bean contract farming this season. The factory requires 96 000 tons of oilseed per year, but is receiving half of this volume from local farmers, says CEO, Busisa Moyo.

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Pure Oil Industries is planning to finance the growing of soya beans on 2 000ha under contract, while another manufacturer, Surface Wilmar, recently announced a plan to invest in 1 500ha to grow the crop. The Grain Millers' Association of Zimbabwe (GMAZ) and



Grain and Oilseed Traders' Association of Zimbabwe (GOTAZ) announced that they will invest US\$200 million in soya bean and maize contract schemes in 2016. Contracted farmers are set to put a total of 100 000ha under soya beans and 50 000 under maize.

OEAZ chairman, Sylvester Mangani, noted the following at a recent stakeholders' conference: "It is necessary for us to integrate backwards into corporate farming so we can produce the soya beans ourselves. We have made presentations to government and hopefully will receive a positive response. We import crude oils, since the country cannot produce enough soya beans. Agriculture should be geared toward producing more seed for us to crush and reduce crude oil imports."

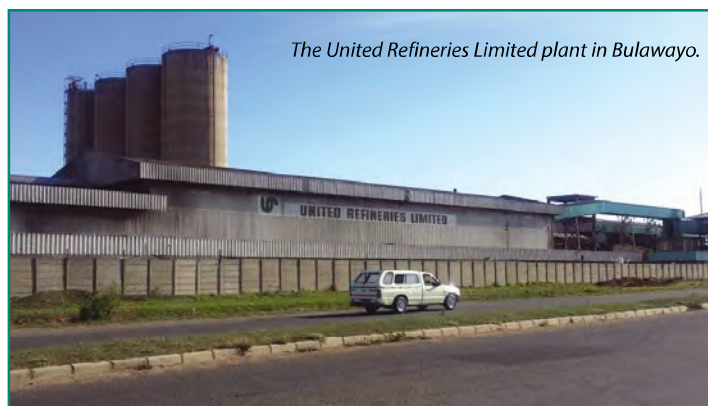
In an effort to beat the import restrictions, South Africa's Willowton Group has built a US\$40 million cooking oil manufacturing plant in Mutare. The factory was scheduled to start operations in December 2016, CEO Bruce Henderson said recently.

The plant will manufacture the full range of Willowton's products, including D'Lite cooking oil, a popular brand before the January 2014 import ban which has created 100 jobs. Pure Oil Industries, which is importing 50% of its crude oil, says its plant can produce seven million litres of cooking oil, but the shortage of soya beans is hampering progress.

Government involvement

Mugabe's government points to the recovery of the domestic cooking oil sector as evidence of the positive implications of its protectionist policies. In June 2016, his government imposed further restrictions on the importation of up to 80 products, defending the move as a strategy to minimise imported competition for local industries.

In its 2016 manufacturing industry survey report released on 23 November, the Confederation of Zimbabwe



The United Refineries Limited plant in Bulawayo.

Industries (CZI), the national union of manufacturers, said industrial capacity utilisation rose from 34,3% in 2015 to 47,4 % in 2016, thanks to the import restrictions. The foodstuffs subsector ranks third at 56,1%, metallic mineral products second at 57,5% and the wood and furniture subsector is at 57,8%.

Speaking after touring Surface Wilmar and Pure Oil Industries plants in Harare in September, vice-president, Emmerson Mnangagwa, praised the companies for increasing output, but was not pleased with the failure of farmers to grow enough soya. "Our Ministry of Industry and Commerce made correct recommendations to the government, since we are now producing cooking oil in Zimbabwe and I am advised that we have domestic supplies being produced locally, which has reduced our import bill," he told journalists.

Profitability of crops

He said the boom in cooking oil manufacturing has encouraged the government to consider expanding its command farming system – originally targeted at supporting some 2 000 farmers to grow 400 000ha of maize – to include soya beans. However, Davis Marapira, deputy minister of agriculture, recently observed in an interview that the average producer price of the bean will likely continue to discourage farmers from growing it. Maize, he says, is more profitable to grow than soya beans.

"We have three key crops whose growing we always want to encourage," said Marapira, also a farmer. "These are maize, wheat and soya beans. We are faring well with maize, but are facing a few challenges with wheat and slightly

more with soya. Our farmers show more profit when growing maize rather than soya, considering the fact that the Grain Marketing Board (GMB) is paying US\$390/t while private buyers are paying between US\$580 and US\$600 for a ton of soya beans.

"On the surface, it may seem that soya is more profitable, but locally a capable farmer produces more maize per hectare than soya beans. A skilled farmer growing maize can harvest between 12 and 15 t/ha, but 4t/ha will be the best he can achieve in case he grows soya beans. Therefore, with maize one can achieve as much as US\$5 850/ha, while the best soya bean grower reaches only US\$2 400 at best."

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Commercial maize millers and oilseeds processors, he says, do not offer an attractive price for soya beans under their US\$200 million contract deal announced in September. Therefore, chances are that they have failed to attract a sufficient number of growers to put 100 000ha under soya. "Be that as it may," said Marapira, "we want to grow more soya beans in a bid to reduce imports. Farmers who grow wheat can use soya beans as an effective rotational crop which also matures quite fast."

Edible oils manufacturers are importing crude oil from Zambia where ZCFU president, Wonder Chabikwa, says farmers are subsidised to up to 50%. "Without a subsidy," he says, "we cannot compete and they will continue to import their raw materials. Local farmers cannot bear the cost of production, given what the market pays. Local production cost is uncompetitive compared to other countries." 🌱