

# Is local still *lekker* in the soya bean market?

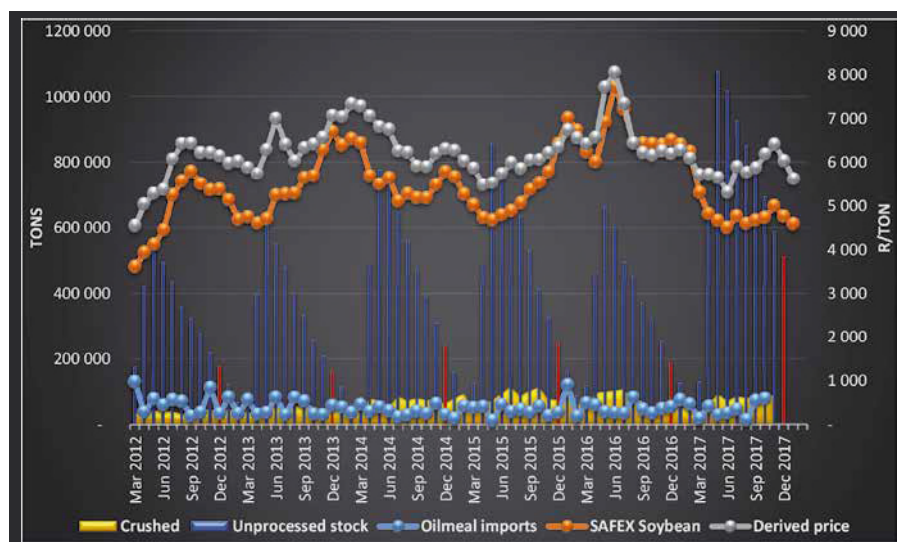
By Dr Dirk Strydom, Grain SA

**S**upplies in the local market are slowly building up with each season. The new production year started off slowly with very late planting dates. Soya bean plantings on the eastern side of the country were mostly behind schedule, although most producers managed to reach their planting goals.

On the western side of the country, the situation was more challenging. Some producers had to make use of alternative crops and could not plant all the hectares as planned. According to the Crop Estimates Committee (CEC), the preliminary planting estimate of soya beans is 701 000ha, which is lower than intended but still higher than the previous season's 573 950ha.

In terms of sunflowers, planting of hectares took place far beyond the optimal planting dates, with some still being planted by mid-February. The CECs preliminary estimate of hectares planted is 560 100ha, which is lower than the previous year's 635 750ha.

Figure 1: Supplies processing and prices of soya beans. (Source: Grain SA)



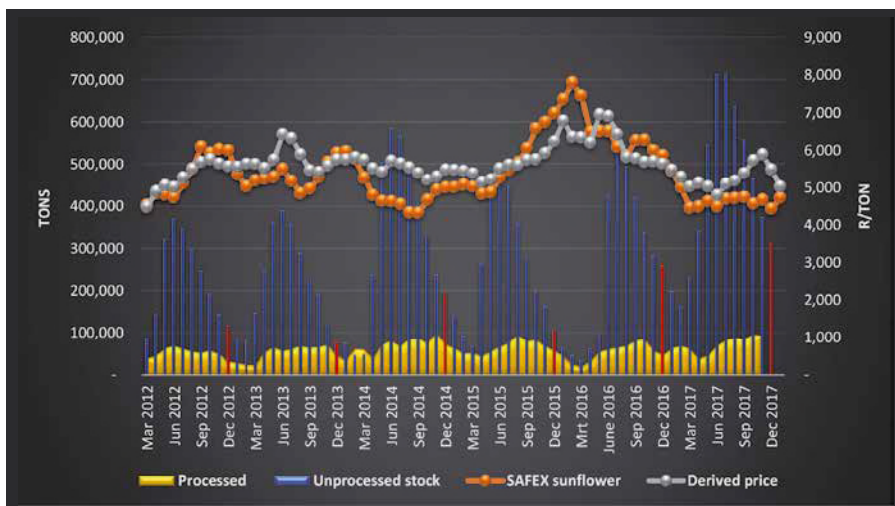
## Carry-over stocks

If one examines the current marketing season, however, it is expected that there will be some carry-over stocks from the previous production season. In the soya bean market, the carry-over is 340 862 tons

and in the sunflower market it is 183 031 tons, according to the Supply and Demand Estimates Committee (Figure 1 and 2).

Figures clearly indicate that soya bean stocks have increased over the past few years, especially in terms of unprocessed

Figure 2: Supplies processing and prices of sunflowers. (Source: Grain SA)



stocks in the last season. There are various reasons for this, including facilities experiencing breakdowns, explosions influencing the total crushing capacity, and an unexpected record crop.

Over the past ten years, imports of soya bean meal have decreased as a result of an increased crushing capacity. However, during the past few years we have seen a more sideways movement of imported soya bean meal. Although South Africa currently has an estimated 1,8 million ton crushing capacity, soya bean meal imports are putting pressure on local stock levels.

The country imported 560 000 tons of soya bean meal, which is roughly equivalent to 760 000 tons of soya beans. This, in addition to the large crop, resulted in the sizeable carry-over stock and downward price pressure, which moved prices closer to export parity levels.

According to local role-players in the market, reasons for importing soya bean meal ranges from quality to logistics – specifically within the Western Cape market. There are, however, different views in this regard. If most of the imported meal can be replaced with local meal, it will free up some market space for soya bean production.

Yet, if imported meal is not substituted with local meal, it would discourage the expansion of soya bean production due to risk exposure (profitability). A solution to this problem would be to export soya beans and import soya bean meal, although this does not make

economic sense from an agro-processing perspective.

### The sunflower industry

Within the sunflower industry, the South African market is utilising 850 000 tons on average. If production is higher than this threshold, prices will experience downward pressure. In addition, the sunflower seed market is experiencing a similar challenge as the soya bean industry in terms of carry-over stock.

The sunflower export market, though, is very limited and challenging. Therefore, if the new production season exceeds the barrier of 850 000 tons, some price pressure towards export parity will be experienced, and even below export parity in extreme cases.

### International market

Although the global soya bean market has very large ending stocks, demand is strong. A change can also be seen in the South American market. In the 2017/18 marketing season, the global soya bean consumption is expected to exceed production, because of the additional deterioration of the South American crop.

The Argentine soya bean crop has been adjusted downwards even further, and the total South American soya bean production for the season is expected to be roughly 13 million tons lower than last year's production. A decline in soya bean production in Argentina would lead to lower soya bean crushing, due to lower stock levels. That would bring certain

bullish fundamental changes to the global soya bean meal market.

The United States (US) soya bean market is likely to benefit from the lower crop in South America, since the biggest importers of soya beans will turn to the US as South American supplies start to dry up. Expectations are that the global demand for US soya beans will increase in the next few months after year-on-year reductions in US exports were seen in the previous few months.

Global sunflower seed crushing is declining, both seasonally and year-on-year, compared to the same time last year. This is the first year-on-year decline since the first quarter of 2016.

### Processing of sunflower seed

Although the processing of sunflower seed in the CIS countries has shown major decline, the total reduction in global processing was partly offset by higher processing in the European Union (EU), Turkey and Argentina. The production estimates regarding sunflower seed in the EU has been raised to a new high, which will keep the EU processing of sunflower seed elevated in the second half of the season.

While sunflower seed stocks are likely to remain high in the EU in coming months, the lower stocks in Russia and the Ukraine will probably be a supportive factor to the international prices of sunflower seed. In Argentina, sunflower seed production will also be lower for the season.

In the EU, canola and rapeseed supplies are fairly high for the season, which will probably keep the EU prices under pressure, unless the global prices start to increase due to factors such as lower production estimates in Argentina.

Rapeseed and canola imports to the EU for the season are slightly down from the previous year's record imports, but are still higher than the initial expectation for the season. An upward revision in the imports will thus be made. The upward revision in the EU imports of canola and rapeseed is mostly due to record imports from July to December 2017 and large Australian export supplies. 🌱

For more information, contact Dr Strydom on email [dirks@grainsa.co.za](mailto:dirks@grainsa.co.za).