Oilcake imports persist despite local soya bean supply

PRF press release

The soya bean industry is currently facing a situation where the supply of soya beans is substantial, yet oilcake is still being imported. On 6 December 2018 the Sunflower and Soybean Forum called an industry meeting between key stakeholders to discuss this matter.

Stakeholders included representatives of the Animal Feed Manufacturers' Association (AFMA), South African Cereals and Oilseeds Trade Association (SACOTA), Grain SA, Protein Research Foundation (PRF), South African Cultivar and Technology Agency (SACTA), the Department of Trade and Industry (dti), the Department of Agriculture, Forestry and Fisheries (DAFF) and oilseed processors.

The planning session was facilitated by the PRF, Prof Ferdi Meyer of the Bureau for Food and Agricultural Policy (BFAP), and Dr Erhard Briedenhann of the PRF. Five priority categories were discussed: Supply and demand balance, pricing transparency, soya bean quality, issues with infrastructure, and imports and exports.

Overview of the soya bean industry

During the last five years, the soya bean industry has made excellent progress. Local production has doubled and processing of local soya beans has increased substantially. This led to an improved trade balance with significantly less oilcake imported into South Africa, which was a positive step for everyone in the value chain.

De Wet Boshoff, executive director of AFMA, indicated that the soya bean industry is the cornerstone of various other industries, such as the livestock industry, and it is important to ensure industry growth. "It is time to create an entire value chain plan to generate additional value for our consumers," Boshoff said.

Those present acknowledged that although the industry had experienced substantial growth during the last few years, it was still relatively young and in a maturing phase. However, the industry has been identified as one that can expand, with ample future opportunities.

Confirmation of processing capacity

In terms of supply and demand, processing capacity was yet again confirmed at 2,1 million tons, which at a level of 80% utilisation would result in crushing capacity of 1,68 million tons. The full fat capacity is 450 000 tons and 360 000 tons at 80% utilisation. Given the production increase during the last few years, this is still sufficient for the next two to three years.

In a radio interview on *RSG Landbou* regarding the industry meeting, Gerhard Keun, CEO of the PRF, said soya represents 46,6% of all protein sources available in South Africa for the livestock industry. "Although we are not yet self-sufficient, the local industry has grown by leaps and bounds to provide soya oilcake to the local livestock industry."

During the past two seasons, crushers faced numerous challenges, including mechanical failure, which severely affected crushing capacity. Prospects for the new season are optimistic, with an increase in crushing numbers a possibility.

The expansion in production is predominantly in the western parts of the country and various role-players who took part in the meeting said there was opportunity for expansion in crushing capacity in this area. The dti indicated that existing incentive schemes may be able to assist with further expansion.

Infrastructure issues

However, local infrastructure is of great concern. Load shedding and constraints relating to access to water are creating substantial downtime in the processing industry. In addition, this directly results in large-scale wastage and losses, affecting crushing margins, which are a concern within all agro-processing industries.

Improved infrastructure in terms of logistics is needed if total replacement of imported oilcake is to be achieved, especially for the coastal regions. To transport oilcake from Argentina by sea costs in the region of $30/ton, whereas local transport from the soya bean/soya bean oilcake producing regions to the Western Cape is more than $55/ton, making it difficult to compete with sea freight.

In terms of the replacement of imported oilcake, animal feed manufacturers confirmed their commitment towards the consumption of locally manufactured products and self-sufficiency of the inland market.

The coastal areas will always be a challenge due to the logistics system and competitive imports. It was reconfirmed that South Africa has good quality beans and oilcake, which must be combined with reliable and consistent supply to build confidence in the sector.

An industry norm is to be developed and published in respect of oilcake quality, in order to manage and coordinate the quality of oilcake in South Africa. Imports of Zambian oilcake into South Africa was also raised as a concern, given the price levels of imports.

Soya bean quality

The industry makes use of an annual soya bean quality survey carried out by the South African Grain Laboratory (SAGL) to ensure that the country's produce is of the highest quality. To build on this, the industry will investigate best practices in comparison with international standards and quality handling.

This is important if consistency and a reliable supply of soya beans is to be created. Part and parcel of this is the development of additional information and quality monitoring to facilitate and fast-track the maturity process and to create export markets.

A futures contract in the making

In order to develop better transparency in the market, the industry is in the process of developing an oilcake futures contract that will be listed on SAFEX. This will afford buyers and sellers of oilcake the opportunity to hedge local oilcake under local conditions, resulting in transparency in the oilcake market. Physical delivery of these contracts has been identified as a challenge that needs to be resolved before the contract can be listed.

In years of oversupply it is important to be able to export. DAFF is currently in the process of applying for access to markets such as China and has conducted bilateral meetings with the Chinese. However, a protocol market such as China is time-consuming to access.

A grain trade forum, including role-players from industry and DAFF, has also been established to facilitate communication and cooperation in this regard. The industry is furthermore collaborating with DAFF in order to find additional markets. Then again, it is important to ensure that the quality of local products provided to export markets is above the required minimums. The quality of local products is in place, but systems need to be developed that will provide guarantees and consistency.

Jozeph du Plessis, chairperson of the Sunflower and Soybean Forum, stated: "The soya bean has a lot of potential to assist producers to remain financially viable, to boost the economy and create job opportunities in South Africa, as well as to create a positive trade balance. However, to do this we need the correct systems in place so that we can be proactive and create opportunities."

Eye on the future

The industry agreed that South Africa has good quality produce but that there is a need for better systems and information to create constant supply, reliability, minimal variability and confidence. It was also decided that a Grain and Oilseed Value Chain Indaba will be planned for this year to develop a five-year plan for the industry.

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