

The political and economic environment influencing soya production

South Africa transitioned from an independent republic in 1961 to a fully inclusive democracy in 1994. The nation is hailed for what it has achieved thus far, yet is still in its growth stages and anxiously awaits a resolution to ever-present challenges and struggles to cope with the complex internal and global environment.

Less than six months ago, when the rand-dollar exchange rate was at 16,5, the common view among banks and the business community was that the local currency could only weaken further. The weakening of the rand was a logical assumption considering its dismal performance at the time. Overshooting to either side of fair value is also a historical phenomenon of the rand.

The recent speed of recovery shown by the currency took many by surprise. Although the effective local elections have re-confirmed our democracy, it was, in fact, global windfalls that have assisted the recovery of the rand rather than domestic achievements. The positive recent feedback by rating agencies has confirmed the fact that South Africa is once again geared for business.

Global soya bean production

The three major global soya bean-producing countries remain critical in the longer term to balancing the delicate global supply and demand of soya beans, in order to maintain the recent reduced price levels.

Argentina still has major agricultural potential that has not been unlocked to its fullest, due to the numerous years of government regulation and unfavourable trade policy which have placed a heavy burden on the industry. Recent shifts in the political regime have brought major changes and reform to that nation's agricultural industry and markets. South Africa could face more stiff competition in the form of wheat and maize imports from Argentina, given the reduced export taxes.

The economic and political environment in Brazil is currently not favourable, with major bureaucratic constraints, corruption and an unstable economic environment having an impact on the sector in that country. Despite the enormous investment in export ports to the north of the country, logistics remains a major challenge for Brazil.

The United States (US) production machine of soya bean oil demand dynamics is a unique one, with high-oleic soya beans (in an effort to alleviate the trans-fatty acid challenge) receiving major attention in an attempt for soya beans to regain market share in US oil consumption.

Local soya bean plantings

The ratio of soya bean to maize prices remains favourable for local soya bean hectares to continue to be planted in the new season.

The positive contribution of rotational cropping has been clearly visible in the Mpumalanga area. Crop rotation between maize and soya beans will have to be improved in the Free State, and the challenges experienced in the North West should be addressed in order for soya bean production to increase in these provinces.

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