Oil incentives:
Thinking differently about sunflowers

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The late Steve Jobs once stated that "Simplicity is the ultimate sophistication". In an oil industry that does not reward oil content, the simplistic value of sunflowers' oil content is overlooked. The value chain does not incentivise farmers for oil yield, which is perhaps the biggest disadvantage to the development of a crop in an industry that seems to be more focused on yield development.

Factors limiting yield

Research by stalwarts such as Dr André Nel suggests unequivocally that gains in sunflower yield lags far behind that of maize when measured over the same period. A few limitations relating to sunflower contribute to this harsh reality. Maize has a less complex genome when compared to sunflower and could be classified as a much more simplistic crop to breed.

Add to this the fact that genetically modified breeding technology is not available for sunflowers, and it becomes obvious that yield will be limited. Sunflowers are also not grown under irrigation and are often relegated to marginal soils for commercial production.

Combining these factors really does not bode well for sunflower farmers either, as the cost squeeze of rising input costs require them to have access to improved hybrids with superior yields that puts them ahead of the squeeze. The reality is that the gain in yield for sunflower is only 1% per annum; a dismal number compared to maize that has over 4% gain in yield year-on-year.

Sunflower does, however, have some industry advantages when compared to maize. When looking at Crop Estimates Committee numbers, there is some stability in sunflower plantings, indicating that the crop has value in marginal areas and is especially well-suited to areas where late plantings are the norm. Many farmers can testify to the value of harvesting sunflower early, as it relieves pressure on cash flow and workloads can be spread during the harvesting period.

The value of incentives

When comparing the local oil industry to that of our international peers, our value chain lacks a reward system for oil content. In the United States, European Union and Argentinean markets, farmers are rewarded for oil content on top of their commodity prices. This begs the question: As oil is such a valuable plant-based commodity, why is the same route not followed in South Africa?

Several arguments could be tabled, ranging from a price sensitive consumer base, crushing capacity that is fairly concentrated in ownership, and genetics that do not lend themselves to oil content as they were the casualties of a system that does not reward oil content. Whatever the argument, the essence is that everyone involved in the value chain – from farmers to crushers to consumers – is at a disadvantage when there are no incentives for oil.

Perhaps the Argentinean model gives some much needed clarity. It allows for farmers to be rewarded a 2% price premium for every one percentage point above 40% oil content on an 'as is' basis. For example, a farmer delivering sunflower with a 44% oil content will receive a price premium of 8%.

This oil content increase also has significant downstream advantages for crushers who simply procure based on volume needs and who do not benefit from higher grain yields directly. By simply increasing the oil content in a ton of sunflower that is fed into a crushing facility, no additional expenses have to be incurred to extract the oil, which benefits output.

Local drive to boost oil content

Local efforts to drive the value capture of oil incentives have been actioned by the Oilseeds Advisory Committee (OAC). The project entails the OAC's commissioning of the Bureau for Food and Agricultural Policy to study the viability of oil incentives in the industry, as well as the factors that influence oil yield at farm level.

The Agricultural Research Council's annual sunflower trial report also gives some interesting insights into the difference between hybrids when comparing oil. From these reports it is evident that significant value can easily be unlocked by simply selecting hybrids based on their oil yields, and not getting stuck in the groove of grain yield as primary selection criteria for hybrid selection.

The 2019 report shows that SY 3970 CL has a whopping 51% oil concentration average across sites. This underlines the value of hybrid selection for oil concentration in a bid to easily unlock the largest gains in value capturing in the oil industry, as opposed to improvements in grain yields.

The reset button on the value of oil concentration needs to be pressed for the whole industry to benefit. If farmers benefit from improved oil yield hybrids that are already available, the industry can be transformed, and the simplicity of an oil trait will initiate true market sophistication.

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