Sunflower makes giant strides internationally

By Ikageng Maluleke, agricultural economist, Grain SA

Global sunflower seed production and consumption are mostly aligned, while consumption is driven mainly by production. In the 2020/21 season, both production and consumption declined significantly. Production declined mainly due to poor conditions in Russia and Ukraine, which are the leading production areas in the world. Consumption also declined as stocks in these countries were significantly lower. This contributed to shortages of vegetable oils and provided good support to international prices.

Global supply and demand

Table 1 depicts an expected increase of approximately 14,9% in production for the 2021/22 season. According to data from *Oil World,* a record forecast is anticipated for Russia, Ukraine and Romania. However, these countries have been experiencing hot and dry weather conditions. Although the situation is not critical, additional rainfall is required to sustain a favourable production outlook.

In general, sunflower imports are expected to increase by 18,6% year-on-year; however, there is an anticipated decline in sunflower oil and meal imports by China for the same period. Global exports are also expected to increase by around 28,1% compared to the previous season, while consumption is expected to increase by around 12,9%, mainly due to domestic consumption.

Sunflower seed crushing in Argentina has increased sharply on a year-on-year basis. Ending stocks for sunflower seed is expected to decrease by approximately 13,6% in 2021/22. In June, the European Union (EU) already experienced tight old crop supplies and earlier than usual shutdowns for seasonal maintenance, which significantly reduced oilseed crushing in the region.

Figure 1 indicates the increase in international sunflower prices which, as already alluded to, is due to unfavourable weather conditions and low stocks. Between July 2020 and July 2021, sunflower

Figure 1: International sunflower prices. (Source: International Grains Council)

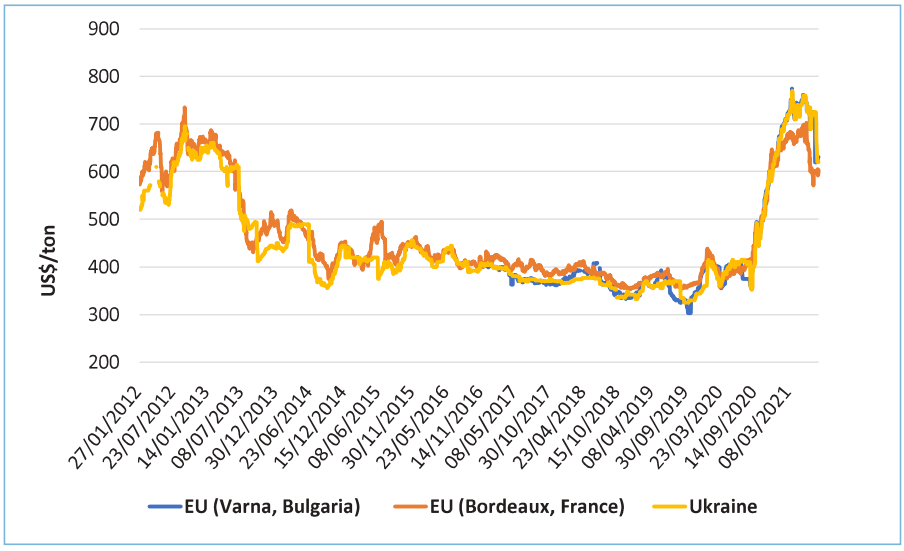
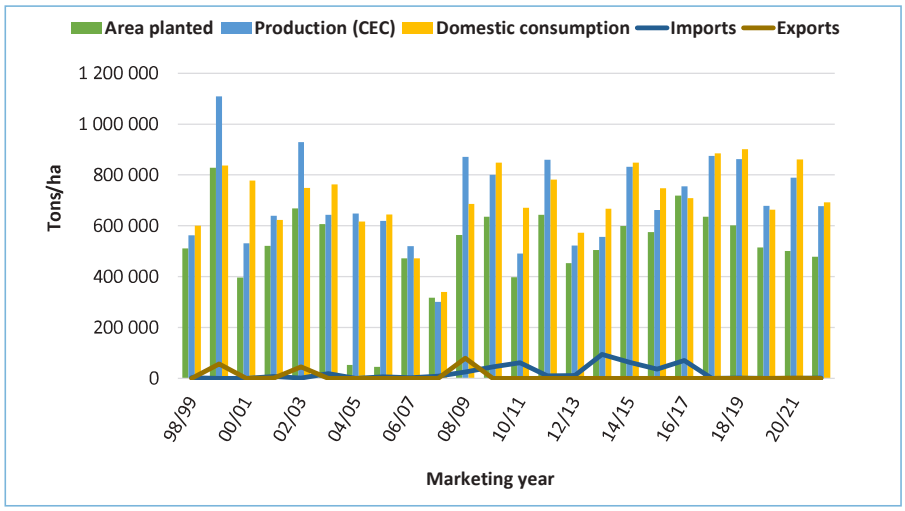


Table 1: Global supply and demand of sunflower seed. (Source: United States Department of Agriculture)

	2017/18	2018/19	2019/20	2020/21	2021/22*	Year-on-year changes
Beginning stocks (1 000 mt)	3,426	2,697	2,420	2,495	1,866	-25,2%
Production (1 000 mt)	48,010	50,659	54,754	49,546	56,937	+14,9%
Imports (1 000 mt)	2,467	2,943	3,436	2,883	3,418	+18,6%
Exports (1 000 mt)	2,747	3,231	3,638	3,033	3,885	+28,1%
Consumption (1 000 mt)	48,459	50,648	54,477	50,025	56,468	+12,9%
Ending stocks (1 000 mt)	2,697	2,420	2,495	1,866	2,119	+13,6%

2021/22 August 2021 (Source: USDA)*

Figure 2: Local sunflower production, consumption ending stocks and trade flows. (Source: South African Grain Information Service, the National Agricultural Marketing Council)



seed prices for Bulgaria increased by 75%, France by 49% and Ukraine by 69%. Weather conditions for the 2021/22 season are still uncertain, thus prices continue to increase, making sunflower an attractive crop in terms of profitability.

Local trends

Sunflower in South Africa has gained the reputation of an ideal crop to grow under low-input and marginal cropping conditions, with consistent yields under adverse conditions. However, it is not uncommon for producers in certain production regions to leave sunflower as a last resort, waiting until the very last day to plant, especially during dry seasons.

Sunflower production in South Africa has remained relatively flat over the past two decades, with a visible decline in the area planted over the past five years. During the period depicted in *Figure 2*, South Africa produced a decent sunflower crop, including seven seasons in which production exceeded 800 000 tons.

Fundamentally, when prices increase towards import parity levels, expansion occurs, but this typically causes a correction in the market and prices to decline to export parity levels. Consequently, profitability deteriorates, and producers start cutting back on the sunflower planting area.

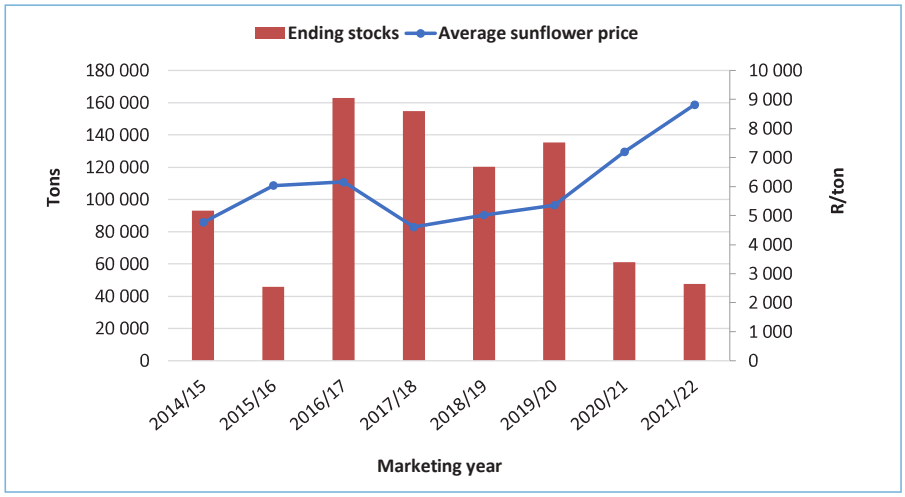
According to the Crop Estimates Committee's (CEC) sixth production forecast for 2021, the sunflower crop is estimated to drop by 14% to 677 240 tons, compared to the final estimate of 788 500 tons for 2020. The area estimate for sunflower seed is 477 800ha – around 4,5% lower than the previous season – while the expected yield is 1,46t/ha.

Sunflower processing in South Africa has been variable over the years, but mostly trending upwards, generally determined by production. Demand for sunflower exports is minimal. Over the past five years, sunflower imports have decreased significantly, which can be attributed to the local increased crushing capacity and the use of locally produced sunflower. During years of lower sunflower production, the activities at crushing plants are reduced and the refineries import more crude oil as it is more cost-effective than importing sunflower seed.

As can be seen in *Figure 3*, the past few seasons have been marked by fluctuating ending stocks. For the 2020/21 season, ending stocks were 54% lower, fundamentally pushing prices up. It is expected that ending stocks for 2021/22 will be 21% lower.

The average price between 2019/20 and 2020/21 increased by 25,5%, from R5 359 to R7 201/ton. Between July 2020 and July 2021, sunflower prices increased by 31,5% and moved from R6 029 to R8 804/ton. On a month-on-month basis, prices increased by 5% between June and July 2021.

Figure 3: Ending stocks and average sunflower prices. (Source: Grain SA, South African Futures Exchange)



In conclusion

Although record production is expected internationally, especially for Ukraine, Russia and Romania, weather developments will determine the ultimate outcome. Another aspect to consider is the expected decrease in ending stocks, which could lead to further increases in prices for the 2021/22 season.

South Africa is expected to follow a similar trend to the rest of the world, with lower ending stocks and less than expected production. This will have an impact on prices for 2021/22, making sunflower an attractive crop for most producers in the coming planting period, given the current price and minimal input requirements for sunflower.

For more information, email the author at ikageng@grainsa.co.za.