World soya bean outlook: Many opportunities to grow hectares

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Over the past few years, oilseed production has been booming. The reason is quite simple: oilseed profitability is increasing compared to that of maize. Oilseed supplies have suffered some difficult scenarios in recent months, resulting in the current situation where low international oilseed stocks are supporting oilseed prices.

These difficult scenarios include:

- Drought affecting the Canadian canola crop which lowered production by 35% in the 2021/22 marketing season.
- A 12% or almost 30 million ton reduction in soya bean production in Brazil, Paraguay and Argentina due to intense droughts experienced during the production seasons of these countries.
- The damaging effect the Russian invasion is having on the world's largest sunflower seed producer, Ukraine. Ukraine produces 30% of the world's sunflower seed and is responsible for 50% of the world's sunflower oil exports and 61% of the world's sunflower meal exports.

United States of America

The increasing trend in oilseed production is visible in the fact that the United States (US) has shifted 4% of viable production hectares from maize to soya beans. Soya bean hectarage has slowly but steadily increased over time. If the intentions to plant soya beans in the 2022/23 production season are realised, it will be the biggest hectarage in US history.

US soya bean supply and consumption figures for the 2021/22 marketing season include increased exports and consumption, which resulted in lower ending stocks.

US-origin soya bean exports are showing an upward trend due to the weak crops in South America. Compared to maize, soya bean consumption also increased as soya bean profitability increased; this is illustrated by a 19 and 5% increase in production over the past two seasons, and major increases in export sales during the 2022/23 production season.

South America

South America is the world's largest producer of soya beans, with most of its soya beans destined for export. For the last five years, South America has on average produced more than half of the world's soya bean crop. On 13 March 2022, Argentina closed its borders for exports of soya bean oil and meal due to tight supplies. This news gave rise to a very volatile and uncertain international soya bean market, which resulted in price increases on the global market on the back of the strong Chinese demand.

China

China is the world's largest importer and consumer of soya beans due to their extensive pork production industry. In the last ten years, China has imported an average of 80 million tons of soya beans per year. That accounts, on average, for 64% of the world's total imports. Following the difficult swine flu period, China's demand for soya meal has increased substantially as its pork industry is recovering.

Major drivers in the soya bean market

- **Weather:** Weather is a major factor influencing crop performance and production, especially in major producing countries such as Brazil, China or the US, which can influence global stocks significantly.
- **Protein demand:** The importance of Asia as a market for soya beans has been driven by an increased demand for meat as consumers shift from a predominately rice-based diet to a diet consisting of more pork, poultry and meat.
- **Chinese demand:** This demand driver was discussed earlier.
- **Price of other crops:** Maize and soya beans compete at multiple levels, including the cooking oil industry, animal feed industry and the biofuels industry.

Figure 1: US soya bean export sales in the new marketing year to date. (Source: USDA)

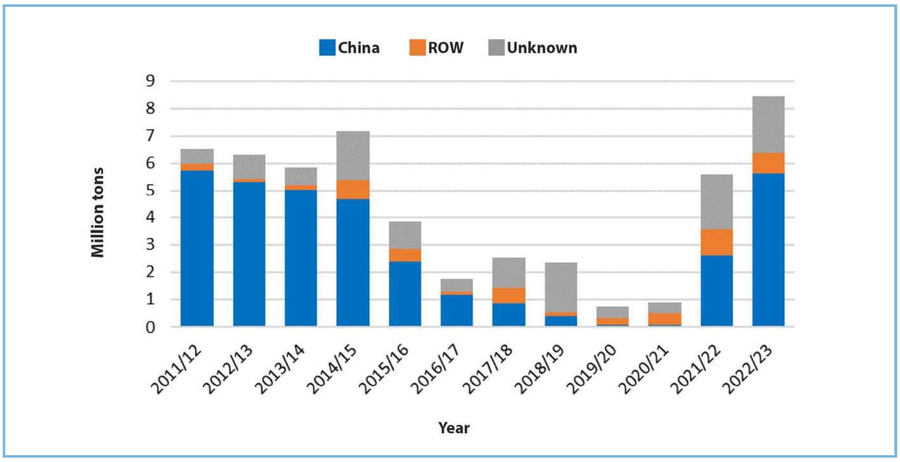


Figure 2: China's imports of soya beans compared to world imports. (Source: USDA)

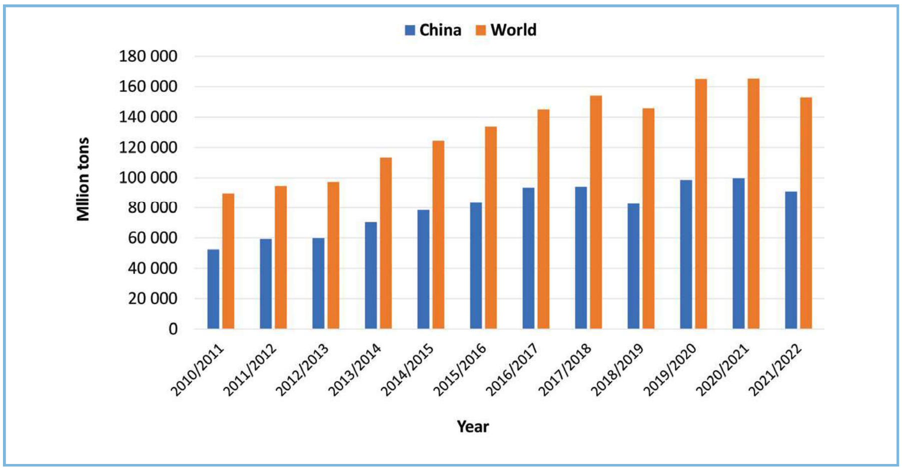


Figure 3: Soya beans crushed monthly for oil and oilcake in South Africa. (Source: Grain SA and SAGIS)

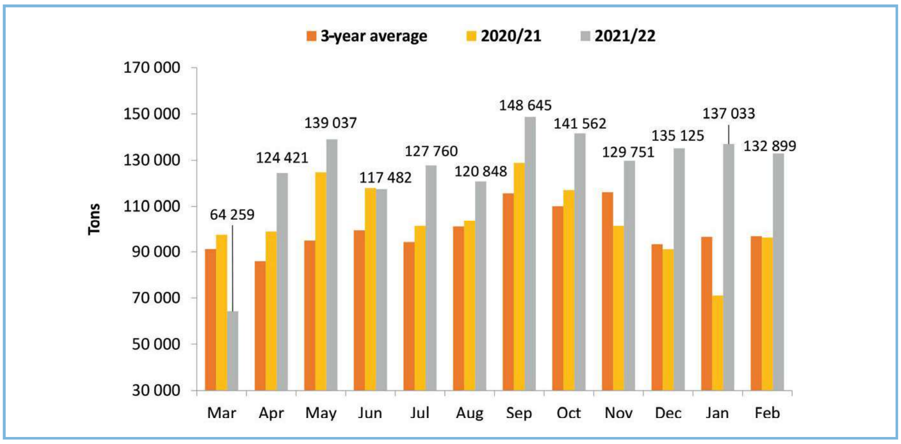
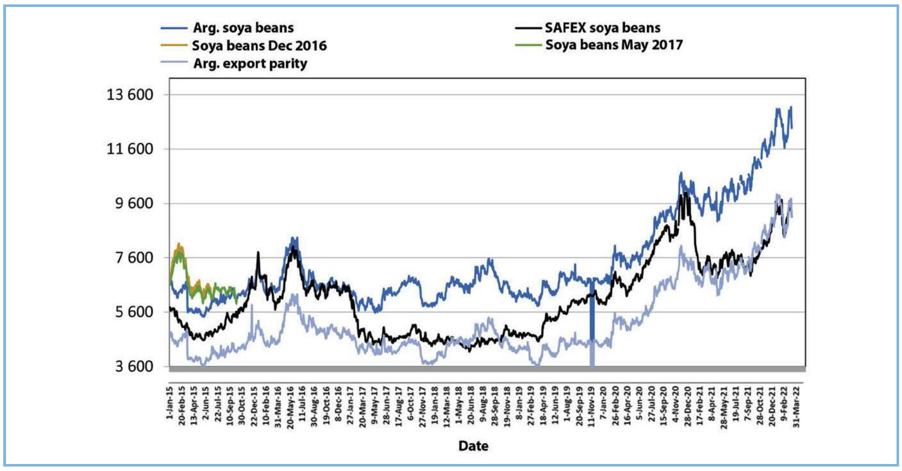


Figure 4: SAFEX and parity prices of soya bean seed delivered in Randfontein. (Source: Grain SA)



An evaluation of the South African supply and demand scenario of soya beans shows that the 2021/22 season resulted in an ending stock of 170 000 tons. This amounts to 36 days of stock. This is a lot less than was expected in the market, and was mainly due to an increase in crushing figures.

The 2021/22 season was one of South Africa's best soya bean crop years with 1,89 million tons of soya beans harvested. If the Crop Estimates Committee's hectare estimates are realised, the 2022/23 crop will be South Africa's largest soya bean area planted to date. It is, however, estimated that production will be slightly lower due to unfavourable weather conditions in the initial stages of planting. At the start of the season, various areas were subject to water damage due to excessive rain and insufficient heating units.

Along with the record harvest of the 2021/22 season, soya bean and soya bean product imports were also at low levels. This created an opportunity for South Africa to increase its local processing of soya beans. If the season's processing figures are compared to that of the three-year average, it is clear that the demand increased and South Africa utilised more local oilcake. This is good news for the local market, given the high production figures and the need to plant more soya beans in future.

However, the higher production figures did have an impact on prices, and since the end of 2020 prices were trading closer to export parity prices on the local market.

Given the Crop Estimates Committee's latest estimate of 1,85 million tons for the 2022/23 marketing season, prices can be expected to continue trading closer to export parity prices. This means that the exchange rate and international market prices will be the greatest determining factor of prices within the local market, and must therefore be closely monitored.

Conclusion

Soya bean prices are currently at strong levels due to continued lower stock and uncertainty caused by the South American crop, and a slower than usual planting progress in America. With harvesting already in process and given the expected crop, the local market will continue to trade closer to export parity prices.

This also provides an opportunity to increase local processing and utilisation of soya beans, even to the coastal areas. There are also some opportunities for export. However, this must be facilitated with competitive prices and an efficient supply chain to ensure the required specifications.

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