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Global oilseed markets:

AVAILABILITY OF STOCKS

Global oilseed production is projected at a record level of 532 million tons, according to the United States Department of Agriculture (USDA) *World Supply and Demand Estimates Report*. The global soya bean production is projected at a record level of 315 million tons. This secured an ending stock increase of 26% from the 2013/14 to 2014/15 season.

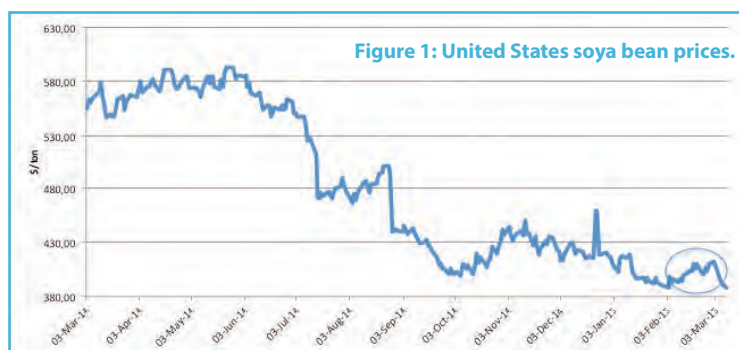
Due to the low maize prices, various fields in the United States were converted to soya beans and it resulted in an increase of 18%. These record levels, together with a large increase in Brazil, lead to the record crop produced for 2014/15.

However, the high-ending stock is not reaching the market, mainly due to logistical issues, especially with regards to labour. Truck drivers in Brazil are unhappy, striking and blocking roads to ports. In ports such as Paranagua and Santos the daily arrivals decreased to levels as low as 5 – 10% of the normal intake.

These constraints have led to an increase in the United States soya bean price, due to shifts in the

market from Brazil to the United States.

The week of 2 to 6 March 2015 showed some signs of temporary relief, in terms of the strike that had a bearish effect on prices. The vulnerable situation, however, has the ability to create significant volatility in the international market.



Source: CME

Table 1: World supply and demand of soya beans.

		Beginning stock	Production	Imports	Domestic crush	Domestic total	Exports	Ending stock
Million tons								
World	2013/14	57,29	283,74	110,85	240,8	272,9	112,72	66,25
	2014/15	66,32	315,06	114,08	254,19	288,5	117,42	89,53
United States	2013/14	3,83	91,39	1,95	47,19	49,85	44,82	2,5
	2014/15	2,5	108,01	0,68	48,85	52	48,72	10,48
Total foreign	2013/14	53,46	192,35	108,9	193,61	223,06	67,91	63,75
	2014/15	63,82	207,04	113,4	205,33	236,5	68,7	79,05
Major exporters	2013/14	37,21	152,4	0,63	76,1	82,05	62,41	45,78
	2014/15	45,63	162,4	0,31	80,58	86,95	61,98	59,41
Argentina	2013/14	21,81	54	0	36,17	38,97	7,84	29
	2014/15	29	56	0	39,18	42,28	8	34,72
Brazil	2013/14	15,33	86,7	0,61	36,28	39,28	46,83	16,53
	2014/15	16,53	94,5	0,3	37,6	40,75	46	24,58
Paraguay	2013/14	0,04	8,2	0,03	3,5	3,64	4,4	0,23
	2014/15	0,08	8,5	0,01	3,6	3,7	4,8	0,09
Major importers	2013/14	13,23	14,78	95,97	91,34	108,37	0,29	15,31
	2014/15	15,33	15,44	100,3	97,71	115,25	0,35	15,47

Source: USDA

Local supply and demand

South Africa has experienced severe droughts, specifically in the Free State and North West provinces. According to the latest Crop Estimates Committee (CEC) report of 26 February 2015, the production of soya beans will be 938 350 tons on 687 300ha. This represents a yield decrease from 1,88 to 1,36 ton/ha year on year. However, it is difficult to do an accurate estimate since it is still early in the season.

According to the National Agricultural Marketing Council's (NAMC's) supply and demand estimate reports for soya beans, South Africa will have an ending stock of 94 986 tons for the 2015/16 marketing year – 950 tons more than the previous marketing season.

INTERNATIONAL OILSEED PRICES HAVE DECREASED SUBSTANTIALLY.

In terms of sunflower seed, the production projection for 2015/16 is much lower than the previous season (315 tons), and this will result in more imports from countries such as Romania and lower local processing.

Table 3: Main oilseed products (US \$/ton and R/ton).

Product	March 2015	February 2014	% change
Soya beans (US CIF Rotterdam)	405	591	-31
Soya beans (Brazil)	413	560	-26
Sunflower seed (EU)	435	492	-12
Ground nuts (USA 40/50)	1 300	1 320	-2
Palm oil (Malaysia)	650	846	-23
Soya bean oil (US)	762	920	-17
Sunflower oil (Argentina)	820	896	-8
Soya meal (Argentina)	412	594	-31
Fishmeal (Peru)	2 350	1 530	54
Rand/\$	11,81	10,82	9
Sunflower seed	5 000	5 140	-3
Derived sunflower	5 365	5 714	-6
Soya beans	5 095	6 568	-22
Derived soya beans	5 812	7 007	-17
Soil canola	4 300	4 600	-7

Table 2: Soya beans and sunflower supply and demand figure – South Africa.

	Soya beans	Soya beans	Sunflower seed	Sunflower seed
Marketing season	Projection for 2014/15	Projection for 2015/16	Projection for 2014/15	Projection for 2015/16
	Tons		Tons	
CEC (Crop estimate)	948 000	938 350	832 000	574 300
Retention	30 000	30 000		
SUPPLY				w
Opening stock (1 March)	61 806	94 036	47 116	85 266
Prod deliveries	918 000	908 350	832 000	574 300
Imports	110 000	150 000	63 000	90 000
Surplus	0	2 500	6 000	5 000
Total supply	1 089 806	1 154 886	948 116	754 566
DEMAND				
Processed	977 000	1 046 000	853 500	684 000
Withdrawn by producers	2 300	3 000	1 500	2 200
Released to end-consumers	3 100	3 000	3 000	3 000
Seed for planting purposes	5 120	5 400	3 800	3 000
Net receipts (-) / disp (+)	2 500	2 000	1 000	1 000
Deficit	5 200	0	0	0
Exports	550	500	50	40
Total demand	995 770	1 059 900	862 850	693 240
Closing stock (28 Feb)	94 036	94 986	85 266	61 326
Processed per month	81 417	87 167	71 125	57 000
Months stock	1,2	1,1	1,2	1,1
Days stock	35	33	36	33

Local prices

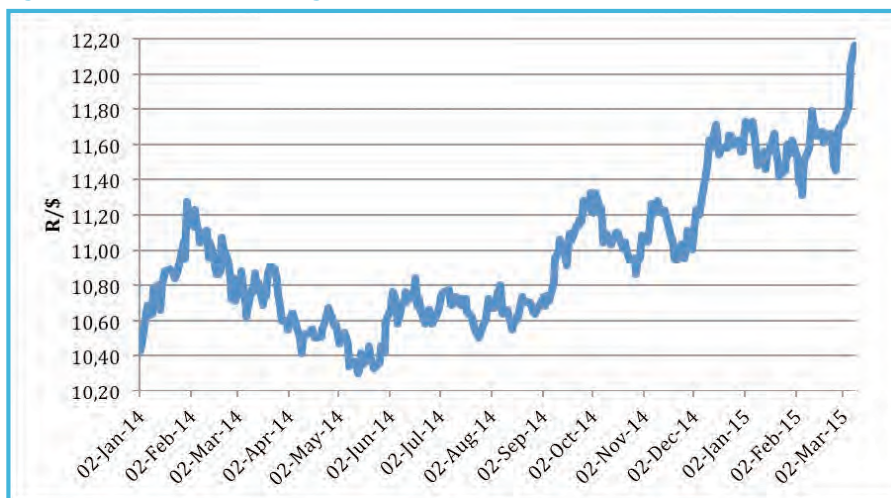
One of the factors that will play a fundamental role in the local oilseed price is the exchange rate. Over the last year the South African rand has weakened substantially due to factors such as a current account deficit, political issues and the strong US dollar. International oilseed prices have decreased substantially since November 2014, while the weaker exchange rate have supported the local prices to some extent.

As indicated in *Table 3*, the international soya bean prices decreased by 31% and 26% respectively, while the South African price decreased by 22%. In terms of sunflowers, the decrease in international prices was 12%, while South African prices only decreased by 3%. In combination with the exchange rate, the current drought has also influenced the prices.

Source: South African Reserve Bank and Oil World



Figure 2: The rand/dollar exchange rate.



Source: South African Reserve Bank

Traditionally, the price of oilseeds is low in March, due to the harvesting period and the high availability of stock. In the second quarter of the year there may be some space for price increases relative to international prices. This is, however, highly dependent on the exchange

rate and producer delivery. A key factor is that the international market is dependent on the availability of stock, and thus prices have a bearish current outlook due to the high stock supply of 2014/15. Points to monitor for the next few months will be:

THE PRICE OF OILSEEDS IS LOW IN MARCH, DUE TO THE HARVESTING PERIOD.

- The interest rate fluctuations, which are linked to the exchange rate.
- The South African producer delivery figures.
- Exports of Brazilian soya beans and the local producer delivery figures.
- Planting of soya beans in the United States at the beginning of April.

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