

A volatile environment for the oilseeds industry

The effect of the drought has been evident in the drop of 27% in hectares planted to soya beans, with a predicated reduction of 53% in crop size resulting in the requirement of a stiff import programme currently estimated at 265 000 tons of soya beans.

Economic factors

The volatility in pricing, driven by a combination in crop size, global markets and exchange rate, has been dramatic. Soya bean prices were at a low of R4 575 in late May 2015, peaked at R7 800 in late January and settled again at R6 400 in early May 2016.

The large production in South America, despite the extreme wet conditions experienced in Argentina, has had a profound effect in assisting the buffering in the consumer price increases the industry would have experienced.

Sunflower seed has been affected in an entirely different manner with an increase of 25% of hectares from 2015, mainly due to the forced late planting. Poorer yield as a result of the drought can, however, be expected, resulting in merely an 8% increase in crop size. Significant requirements for imports are unlikely.

The recovery of the rand from a weekly low of R16,74 to a weekly high of R14,17 during 2016, has certainly added to the volatility in prices – the weak rand having supported high domestic prices.

Regulatory environment

The manner in which government has maintained the regulatory environment that the oilseed industry operated in under the drought conditions, can be commended.

The interference with quantitative restrictions on importation and exportation of agricultural products, such as has been experienced in Argentina over the last ten years, can have a dramatic effect on the sustainability and viability of industries. Fortunately for that country, after many years of suffering their new government is resolving this matter.

The current duty structure on soya beans and soya bean meal has been in place for a very long time, and it assists in price stability by allowing the ability to hedge and plan pricing into the future without the added doubt of duty structure changes. Volatility caused by the numerous other factors in the market is challenging enough to cope with.

How will the next year unfold?

The economy remains under pressure; buying power is stretched and the demand for basic staple food such as poultry is becoming more evident, as consumers feel the pinch on disposable income.

This takes place, while on the demand side we have to deal with the increased imports of poultry meat due to nationally structured trade agreements, which will automatically dampen demand for domestic animal feed and oilseed meals.

We remain positive that the country's economy will continue to grow, and that demand for protein food will pick up. South Africa's recent temporary escape from a junk status downgrade provides us with a slight amount of breathing space to put into action those commitments which have been undertaken.

Dr Erhard Briedenhan

Send us your contributions and suggestions to make *Oilseeds Focus* an enjoyable and valuable publication for the oilseeds industry. Contact Dr Briedenhan at erhardb@netactive.co.za for more information.

Editor: Dr Erhard Briedenhan
082 551 1634 • erhardb@netactive.co.za

Committee members
Gerhard Scholtmeijer • 011 803 2579
Gerhard Keun • 011 803 2579
De Wet Boshoff • 082 301 1035

Panel of experts
Dr Jos de Kock
Prof André Agenbag
Mr Chris Cumming
Mr Adam Mostert
Prof Hettie Schönfeldt
Dr Dirk Strydom
Dr Ferdi Meyer

Published by: Plaas Publishing (Pty) Ltd
217 Clifton Ave, Lyttelton, Centurion, RSA
Private Bag X2010, Lyttelton, 0140, RSA
Tel: +27 12 664 4793 • www.veeplaas.co.za

Chief editor: Lynette Louw
+27 84 580 5120 • lynette@veeplaas.co.za

Sub-editor: Gerry van Niekerk
+27 12 664 4793 • gerry@veeplaas.co.za

Design & layout: Karien van Wyk
+27 12 664 4793 • karien@veeplaas.co.za

Advertising: Monique van der Walt
+27 71 893 3731 • monique@veeplaas.co.za

Accounts: Marné Anderson
+27 72 639 1805 • marne@veeplaas.co.za

Subscriptions: Rochelle Mabebe
+27 74 153 8380 • rochelle@veeplaas.co.za

Printed and bound by: United Litho
+27 11 402 0571

Oilseeds Focus, Plaas Publishing and its staff and contributors do not necessarily subscribe to the views expressed in this publication.

© Copyright: No portion of this magazine may be reproduced in any form without the written consent of the publishers.

Published on behalf of:
Protein Research Foundation
PO Box 1564, Rivonia 2128
Tel: 011 803 2579 • Fax 011 803 2287 / 086 634 8067
Enquiries: gkeun@proteinresearch.net