South Africa’s soya bean boom to continue

The future for soya beans in SA seems bright on all fronts, with increases expected for soya bean production, consumption, processing and prices.

According to the BFAP baseline outlook for 2013 to 2022, drastic structural changes were taking place in the local oilseed market, with soya bean production and processing expanding fast.

SOYA BEAN

“The favourable return per hectare projected for soya beans due to improved yields and strong prices will result in further increases in plantings in the long term,” said the report.

The soya bean production area was projected to increase from about 500 000 ha in 2013 to 900 000 ha in 2022. If improved yields are added to the equation, production was likely to increase from 800 000 t to 2.1 million tons over this period.

The report said soya bean crushing capacity was also increasing rapidly and by 2015 the entire crop was anticipated to be processed locally.

“Due to increased domestic utilisation of soya beans, the local soya bean price is projected to move away from export parity to trade at a significant premium.”

In 2014, soya beans were expected to trade on Safex for close to the export parity price of about R4 000/t. But by 2022 the export parity price for soya beans was predicted to reach R5 000/t with the Safex price close to R6 000/t.

SUNFLOWER

According to the report, whereas soya bean oil cake consumption had tripled over the past decade, the demand for sunflower cake stayed flat and was likely to remain so over the baseline period.

“The projected demand of between 700 000 t to 800 000 t will most likely be met by increasing yield trends,” said the BFAP report.

There was little potential for price increases for sunflower, as even if the area under production decreased slightly, local demand would still be met.

CANOLA

Canola, a key oilseed crop in winter rainfall areas, was less significant for SA compared with soya beans and sunflower. However, it has made progress in the past few years.

The BFAP report showed that the total area under canola production in the Western Cape nearly doubled in the past five years from 33 000 ha in 2007 to 60 000 ha in 2013.

Canola area under production is set to increase further over the baseline period to 100 000 ha by 2022, yielding a total crop of 160 000 t. This will put pressure on canola processors to increase crushing capacity which is currently at around 80 000 t.

Budding export demand for apples and pears, but uncertainty looms

Initial industry reports suggest that the 2013 export crop of apples and pears will be the largest in SA’s history, but uncertainty is discouraging further investment by farmers.

According to BFAP, apple exports were estimated to be 382 300 t, some 18% higher than the 2010 to 2012 average. Pear exports were estimated at 193 600 t, about 8% higher than the preceding three year average.

“The higher supply is mainly due to bigger crops and good quality,” said the report, adding that this boom in supply coincided with highly favourable market conditions.

Europe’s markets - SA’s main export market for apples and pears - were “exercising upward pressure on prices”. If the weakness of the rand were factored in, farmers could expect the average price for apple exports to increase by 15% and the price for pears to strengthen by 20%.

The report showed that prices would drop to lower levels in 2014, but prices were projected to increase on average by 7.8% and 7.2% per year for apples and pears respectively over the baseline period.

After taking into account inflation of about 5%, the real price gains translate into 2.8% for apples and 2.2% for pears per annum.

“The two main driving forces behind the promising growth in prices are the assumed depreciation in the value of the rand and increasing world demand,” said the report. It added that intervention and support in existing markets, the opening of new markets and negotiations of trade protocols would be of utmost importance for the competitiveness of SA’s fruit industry as a whole.

Despite healthy demand and rising prices, mounting input costs were restricting the establishment of new orchards.

Investment in the sector had been further curtailed by the violent farm wage strikes in the Western Cape.

As a result the area planted to apples and pears was not expected to increase over the next decade, and could even decrease marginally, but gains in efficiency and increasing yields were likely to offset the loss in area.

Apple production was projected to remain above 800 000 t and the pear crop above 355 000 t.