Growing feed demand to drive soya bean expansion

In South Africa, the area under field crops reached the highest level in 10 years in 2013, even as adverse weather conditions affected production volumes, resulting in lower stock levels and record prices. This was according to the Bureau for Food and Agricultural Policy’s Baseline Report. A decline in local maize prices followed a 30% slide in world prices.

• Maize

According to BFAP, since demand was likely to catch up with production over the medium term, the price of maize could strengthen to around US$230/mt (about R2 500) from 2017 to 2020 before flattening out again to about US$210 (R2 300 under current exchange rates).

“Local maize producers are expected to face a further reduction in real gross income per hectare in 2015 as yields return to trend levels and local prices are set to decline, following the world price trends in the context of a relatively stable exchange rate,” said the report.

As a result, maize plantings were projected to decrease by approximately 70 000ha to 2,62 million hectares in 2015.

“The real gross income from maize production is expected to increase again from 2016 towards the end of the baseline period due to higher projected prices and continual yield improvements,” said the report. It projected gross income per hectare of roughly R2 300 for 2015, increasing to R2 500 for white maize and R2 700 for yellow maize over the baseline period.

From 2017 to 2023, more yellow maize was set to be planted at the expense of white maize, but the total area planted was expected to decline gradually by between 200 000ha and 300 000ha to around 2,4 million hectares.

• Wheat

With ample wheat stocks available and growth in production expected to outperform demand, should normal weather prevail, world wheat prices were projected to come under pressure over the medium term and only start increasing again from 2017, before moving largely sideways towards the end of the baseline period.

“Over the longer term, producers in especially the western part of the winter rainfall area are projected to progressively incorporate other crops such as canola in what is considered to be a more sustainable crop rotation system,” said the BFAP report.

Wheat plantings were projected to consolidate just below 250 000ha by the end of the period, down from the 320 000ha planted in 2014.

In dryland conditions in the summer rainfall regions, wheat plantings were expected to decline further in favour of other crops, mostly soya beans.

• Soya beans

“In light of the increasing demand for meat products, which implies growing demand for protein feed, higher relative returns are expected to drive a shift in crop area from cereals to oilseeds,” said the report.

Therefore, the soya bean production boom that saw plantings expand from 135 000ha in 2004 to more than 500 000ha in 2013 was likely to continue.

According to the report, as more producers in the summer rainfall area become aware of the benefits of soya beans in a crop rotation programme, production would jump to reach 900 000ha by 2023 despite price pressure in the short term.

National average yield was expected to rise from roughly 1,8t/ha to 2,3t/ha by 2023, which would boost soya bean production to approximately two million tons, up from 900 000t in 2014. – Denene Erasmus

Urbanisation and income growth in Africa might be overestimated

Africa is home to some of the fastest-growing economies in the world and is therefore considered to be an attractive developing market.

However, the Baseline Agricultural Outlook for 2014 to 2023 compiled by the Bureau for Food and Agricultural Policy (BFAP) discusses recent research findings, which show that the assumptions underpinning economic and consumer growth predictions are often based on questionable expectations about the degree to which certain mega-trends would influence the economy.

Some of the widely published and generally accepted mega trends thought to be driving economic growth in the region were “neither irreversible nor inevitable”. According to the BFAP’s Lulama Ndibongo-Traub, who spoke at the Western Cape launch of the report, “rising income and the emerging middle-class in Africa are often taken as given. As a result, there was a proliferation of reports that found evidence of a rising middle-class in Africa, and on this basis rapid modernisation of Africa’s food systems and major employment growth were envisaged in the downstream stages of the food systems.”

But, said Ndibongo-Traub, these conclusions depended on how one defined middle-class. New research suggested that there was, instead, increasing concentration of wealth in the hands of a few. She referred to recent research showing that between 1980 and 2010, the middle-class (those earning between US$54 and US$20/day) had shrunk from 14,6% to 13,4% of the total population while the poor (less than US$54/day) had increased by 1,2 percentage points to 81,6% of the population.

The segment classified as rich (those earning more than US$20/day) remained unchanged at 4,8%.

“Concentrated income growth will result in changing consumption patterns among the urban elite, moving away from staple commodities into high-value food items. However, this concentration of wealth will reduce the income multiplier effects that otherwise might encourage more rapid and inclusive growth,” said Ndibongo-Traub.

Similarly, the rate of urbanisation has become highly contested. Recent census data quoted by Ndibongo-Traub showed that many countries in sub-Saharan Africa had experienced less than 2% increase in the urban share of their populations. – Denene Erasmus