

Biofuels industry needs an extra 3m tons of soya beans

Plans to build between four and six new biofuel refineries in South Africa over the next decade could see demand for soya beans escalate drastically.

The draft mandatory blending regulations gazetted in September last year make it compulsory for mineral petroleum and diesel to be blended with biofuels. The final regulations will be published in the next few months.

Stephen Hanival, chief director of agro-processing at the Department of Trade and Industry, said that refineries would be looking at signing feedstock agreements by the end of 2012 for delivery in 2013.

"About 3 million tons of additional soya beans will be needed for the petroleum industry to comply with a 5% bio-diesel inclusion. With local production of soya beans reaching about 710 000t in the 2010/11 marketing season, local farmers will have to massively increase their production to meet the additional demand," said Hanival.

Frans Potgieter, chairperson of Grain SA's soya bean working group, said the

blending regulation was "a good resolution that will help build the soya industry." He believed that with a long-term rotation crop system, achieving an additional three million tons of soya beans was not impossible.

"This would translate into at least another one million hectares planted to soya beans," he said.

Potgieter added that it was possible to increase the area planted to soya beans from the current 400 000ha to 800 000ha but this would depend on the price of soya relative to that of maize and the number of farmers who use soya bean as a rotation crop.

"Farmers need to be encouraged to plant at least one-third of their lands to soya beans and two-thirds to maize," he said.

Biofuel refineries will buy feedstock at market-related prices and the additional demand for soya beans will eventually result in a higher price, which will make the crop more attractive to farmers.

Hanival said that work was underway to develop an incentive to support biofuel refineries. "Modest

subsidies will be required to make biofuels commercially viable at the current crude oil price of about US\$111/barrel. As the oil price rises, biofuels become increasingly commercially viable, thereby reducing the need for government subsidies," he explained.

Hanival said that biofuel refineries would provide stable demand for feedstock, so farmers could mitigate their market risks by signing medium-term and long-term supply agreements.

Asked about the possibility of refineries sourcing feedstock from international markets where soya beans might be cheaper, Hanival said that although the government, as a World Trade Organisation signatory, wanted feedstock to be sourced locally, it would be difficult to apply a ban on imports.

"Nonetheless, there are other measures that government intends to put in place to ensure that local farmers are best placed to provide feedstock to refineries," he said, without giving examples.

— *Lindi van Rooyen*

BELOW: Frans Potgieter, chairperson of Grain SA's soya bean working group, believes it's possible to double the area under soya beans in South Africa, from 400 000ha to 800 000ha.
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