

Soya bean prospects for the next growing season

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Global soya bean production for 2019/20 is expected to tentatively drop by 5% year-on-year (y/y), due to the smallest United States (US) harvest expected over six seasons, with gains elsewhere only offsetting this drop marginally.

According to the United States Department of Agriculture (USDA), US production in 2019/20 is forecast at a six-year low of 96,6 million tons, with the drop due to severely reduced hectares and below-average yields as indicated by weekly conditions reports. Harvesting was well below-average. In addition, there was cold, snowy weather towards the end of October in parts of the US, which posed threats to yields and quality, especially in fields that lacked maturity.

Global soya bean outlook

The International Grains Council (IGC) has reported that Argentina has started planting soya bean for the 2019/20 season, with only a few fields planted in the core production areas. The weather in central and eastern Argentina continued to be conducive, whereas the south and west remained too dry.

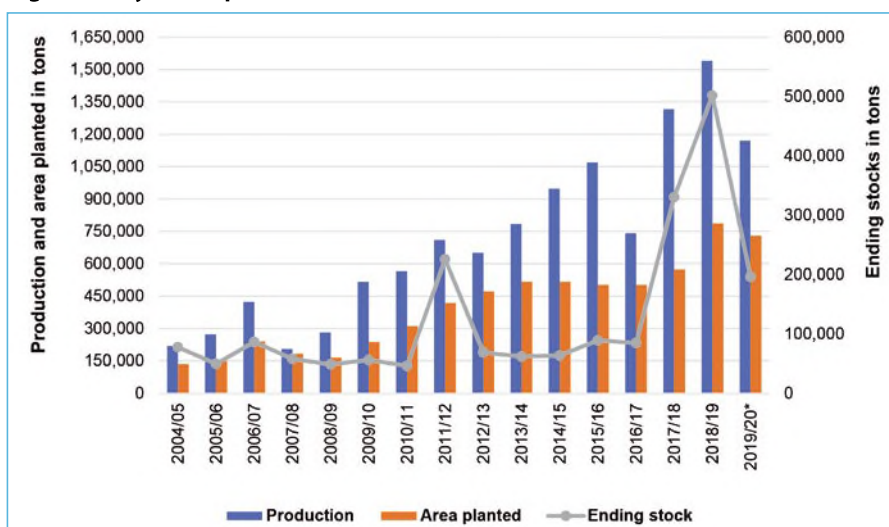
Nevertheless, producers will likely plant more soya beans due to lower

Table 1: World soya bean supply and demand.
(Source: USDA 2019)

	2018/19	2019/20*
	Estimate (million tons)	3 October (million tons)
Production	364	346,2
Supply	408,9	408
Consumption	352,1	360
Trade	150,3	150
Ending stocks	61,8	48,2

*Forecast

Figure 1: Soya bean production in South Africa. (Source: Grain SA)



production costs compared to alternative options. Plantings are expected to expand by 3% to 17,5 million hectares. Planting of Brazil's crop was also underway at the time of writing this article, with a forecast of regular rain in some regions, while other core states are drier than normal, making progress slower than

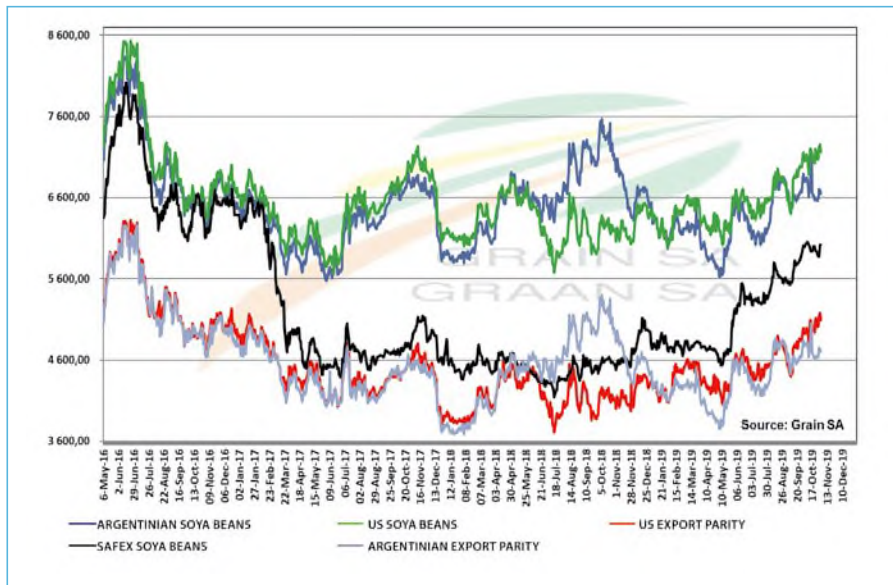
previous years. The optimal planting period for the country is from 8 October until 31 December. Certain areas are still hoping for an excellent soya bean crop in 2019/20. Official forecasts point to a 13th annual increase in hectares.

Consumption for 2019/20 is anticipated to grow to a new high, reflecting an

Table 2: Local demand for soya beans. (Source: Grain SA, NAMC 2019)

Commercial demand		
	2018/19	2019/20
Processed		
Food	25 005	25 500
Feed (Full-fat soya)	218 973	230 000
Crushed for oil and oilcake	1 054 566	1 160 000
Other consumption		
Withdrawn by producers	567	750
Released to end consumers	431	450
Seed for planting purposes	10 600	11 000
Total South African soya bean demand	1 309 902	1 428 300
Exports	32 810	4 000
Total commercial demand	1 342 712	1 432 300
Ending stocks	502 241	224 286

Figure 2: Soya bean parity prices. (Source: Grain SA, 2019)



increase in demand for countries such as Argentina, Brazil and China (Table 1). Global trade is expected to remain relatively unchanged at 150 million tons, with a drop in Argentina’s soya bean needs offset by increases in import forecasts for several countries, including China.

Moreover, the global soya bean market remains uncertain due to the continuing US–China trade dispute. In terms of global stock levels, the drop in US production will significantly reduce US carryover stocks, with major exporting countries expected to have half of their inventories, leaving global stocks nearly 22% smaller y/y.

Local soya bean outlook

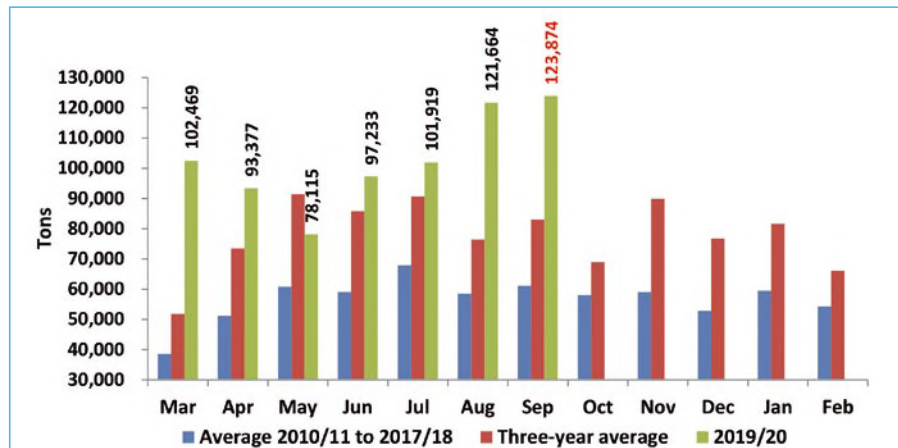
According to the Supply and Demand Estimates Committee (S&DEC), South African soya bean supply for the 2019/20 season is

projected at 1,67 million tons; this includes an opening stock level (at 1 March 2019) of 502 241 tons. Local commercial deliveries are expected to be 1,17 million tons, with soya bean imports 9 000 tons and a surplus of 5 000 tons. The estimated area planted to soya beans in South Africa is 730 500ha, with an expected yield of 1,6 tons/ha.

According to the Crop Estimates Committee (CEC) report, the intention to plant soya beans for 2020/21 shows an increase of 2,05% or 15 000ha compared to the previous season – from 730 500ha to 745 500ha.

Over the past decade, soya bean production has been on the rise among summer crops. It has been a good alternative for maize as it compares well in terms of profitability, especially for drought-prone areas in the North West and parts of the Free State.

Figure 3: Soya bean crushed for oil and oilcake per month. (Source: Grain SA 2019)



Although the soya bean area has been expanding substantially, yields remain low. In order to achieve good yields, the assumption is that there should be good rain and improved cultivars. It is expected that the breeding and technology levy for soya beans will accelerate yield gains in future. The choice to plant more soya beans in the coming season can also be attributed to the movement of the derived price from export parity levels towards import parity levels (Figure 2).

However, weather will be a significant determining factor. The optimum planting period is from mid-November. Some producers had received some rain at the time of writing this article, while others are optimistic that they will receive enough to plant during the planting window. According to the South African Weather Service, there are good prospects of rain for December 2019 and January 2020. Things are definitely looking up in terms of fulfilling local demand.

Due to increased investment in the soya bean processing sector, soya bean expansion can also be attributed to increased processing capacity, with ever-increasing volumes enabling South Africa to replace imported oilcake. The soya bean processing industry continues to reach new record highs; in September 2019 soya bean crushing almost doubled compared to the three-year average and almost tripled compared to the average between 2010/11 and 2017/18 (Figure 3). South Africa has reached sufficiency in terms of processing capacity to meet local demand for soya bean meal.

A final thought

Although things are not looking good for the US, other soya bean-producing countries such as Brazil and Argentina are showing great prospects. There is great optimism for the domestic market this coming season, with the production area intended to grow and rainfall showing great prospects in most of the regions that produce summer grains. It can also be noted that the soya bean oilcake replacement strategy is working well, as processing capacity is being utilised effectively.

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