

# Sunflower scenarios for the new season: International perspective

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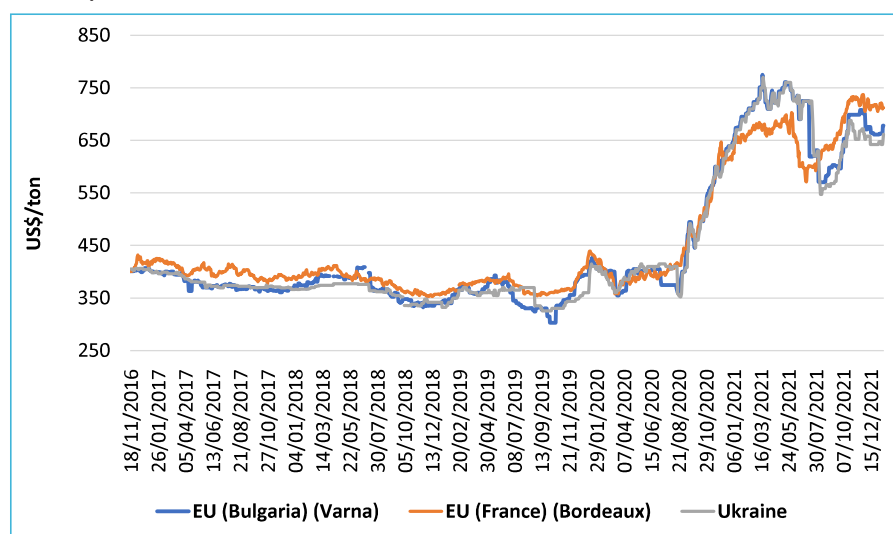
According to the United States Department of Agriculture (USDA), global sunflower production is anticipated to be at a five-year peak of 57,3 million tons. The vegetable oil market is currently facing a situation where there is subdued demand and limited supplies for the early months of 2022.

According to Oil World, exports of sunflower oil and meal have thus far been reduced in the season due to lower than expected crushing in Ukraine and Russia, caused by reserved selling by producers who are now holding back record stocks of sunflower seed. The stocks will likely move into the market in the second half of this season.

## A closer look at the bigger picture

Iran banned soya bean oil imports effective from March 2022. This will trigger changes in trade flows, with more imports of sunflower oil expected in the

Figure 1: International sunflower seed export prices. (Source: International Grains Council)



country. It is expected that sunflower oil as a feedstock for biodiesel, will increase in Europe due to demand rationing of other oils and restrictive policies regarding palm oil and used cooking oil.

Exports of sunflower meal were smaller than expected in late in 2021 compared to the year before. This may be attributed to some logistical issues, which resulted in an accumulation of stocks. China remains the key destination for sunflower meal in recent months. Global sunflower seed stocks at the end of the 2021/22 season are forecast to increase by almost 10%, but remain within the five-year average.

The scale and timing of producer sales are major factors in terms of price determination for both sunflower seeds and their derivatives. High prices in international sunflower seeds are expected to continue in 2022 after unprecedented increases in 2021 (Figure 1), supported by bullish fundamentals and the shortage in vegetable oils.

## Local perspective

According to the October report of the Crop Estimates Committee (CEC) on intentions to plant, the expectation is that the intended plantings of sunflower could increase to a four-year high by 78 000ha

Figure 2: South African sunflower oil imports. (Source: South African Grain Information Service)

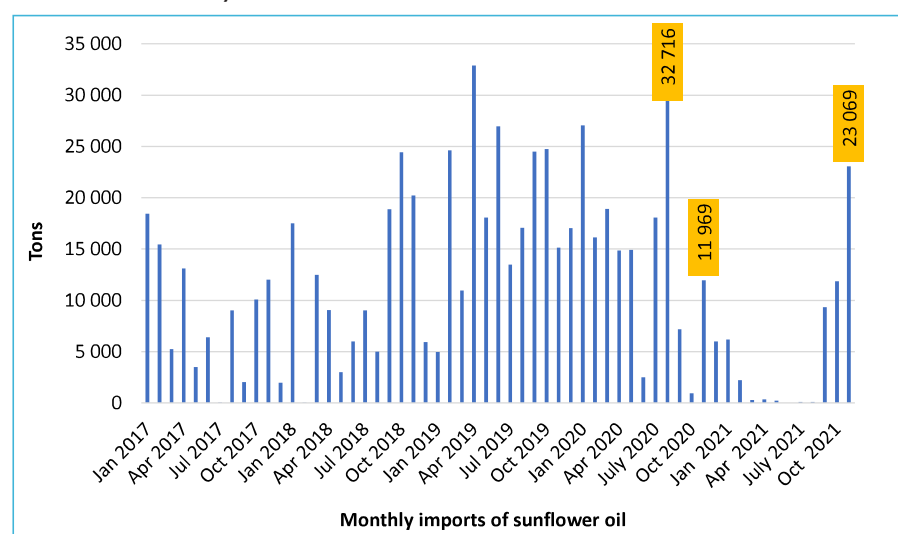
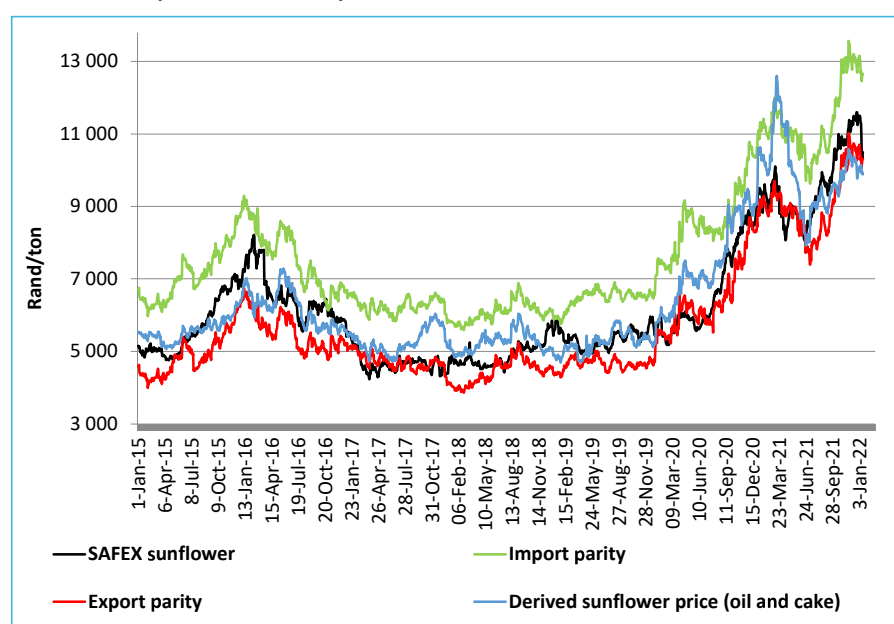


Table 1: The supply and demand for sunflower in South Africa. (Source: Grain SA)

	CEC 9th estimate	Low yield	Avg yield	High yield
2021/11/29	2021/22*	2022/23**	2022/23**	2022/23**
Marketing year		Scenario 1	Scenario 2	Scenario 3
Area planted (x1 000ha)	478	556	556	556
Yield (ton/ha)	1,5	1,3	1,4	1,6
CEC crop estimate ('000 ton)	677	723	778	889
Commercial supply	'000 ton	'000 ton	'000 ton	'000 ton
Opening stocks (1 March)	61,4	27,6	27,6	27,6
Commercial deliveries	677	693	748	859
Imports	0,5	-	-	-
Total commercial supply	739	720	776	887
Commercial demand				
Commercial consumption				
• Food	1,8	1,8	1,8	1,8
• Feed (full-fat soya)	5,65	5,5	5,5	5,5
• Crushed for oil and oilcake	700	680	720	830
Total South African soya bean demand	707	687	727	837
Other consumption	4	6	6	6
Exports	0,2	-	-	-
Total commercial demand	712	693	733	843
Carry-out (28 February)	28	27	43	44
Pipeline requirements	88	86	91	105
Surplus above pipeline	-61	-59	-48	-61
Carry-out as a % of South African consumption	4%	4%	6%	5%
Carry-out as a % of total commercial demand	4%	4%	6%	5%

Figure 3: Prices of sunflower seed from the European Union delivered in Randfontein. (Source: Grain SA)



(16,32%) compared to the previous season, from 477 800 to 555 800ha. This comes as no surprise, given the price incentive for sunflowers as well as the excessive increases in input prices, which usually create a shift from maize to oilseeds. However, it is not advised that producers plant oilseeds without applying fertiliser, especially if long-term effects are considered.

With the CEC report as background, Table 1 illustrates different scenarios that could occur in the new season based on low, average or high yields. The most likely scenario is that of an average yield (scenario 2). With this in mind, production can be around 778 000 tons, and given total commercial demand of about 733 000 tons, the carryover stocks will be moderately low at 43 000 tons, which would create a deficit in terms of pipeline requirements. This situation could likely keep local prices strong.

Sunflower oil imports increased to a 15-month high in November 2021 (Figure 2), all from Europe. Between September and November 2021, sunflower oil imports doubled compared to the same period in 2020. South Africa currently

faces declining sunflower seed stocks and therefore reduced crushing by 39% compared to 2020, which will keep oil import requirements high until harvest time.

Sunflower seed and its derived products have been trading at export parity for the second half of 2021 (Figure 3). At the time of writing, the weather both internationally and locally remained unpredictable with drought in certain parts of South America, while other areas were inundated with floods. South Africa is also in a predicament where most areas were receiving an influx of rain, causing flooding in most parts of the country. Given both international and local fundamentals as well as the uncertain weather conditions, indications are that sunflower and its derived products could remain high for 2022.

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