

Sunflower seed







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COMMODITY PROFILE

Sunflower seed

1. DESCRIPTION OF THE INDUSTRY

Sunflower seed is primarily used for the manufacturing of sunflower oil and oilcake. In South Africa, sunflowers are well adapted in both hot and dry climate. The seed can be consumed after the hull has been removed as a snack or used for different oil production. Most of the seed produced is marketed locally to expressers, animal feed and for seed. Sunflower is the third largest grain crop produced in South Africa after maize and wheat. For the past ten years production amounted to 700 000 tons on average, while the gross value is approximated at 1 million tons. South Africa is not a significant roleplayer in the production and trade of oilseeds in the international market since it contributes only 3 % to the sunflower seed produced in the world.

The gross value of sunflower seed produced in South Africa has been relatively volatile for the past ten years. From figure 1 below there is an indication of cyclical behaviour of the gross, which can be associated with the cycle of the prices received of sunflower seed. Another factor, which should not be ignored is the dismantling of the marketing boards, which coincided with the period under consideration. During 2004/05 sunflower seed production contributed approximately 1,2 % to the gross value of agricultural production.

Information on the number of producers of sunflower is not available, but industry sources believe the number of producers is just slightly lower than the

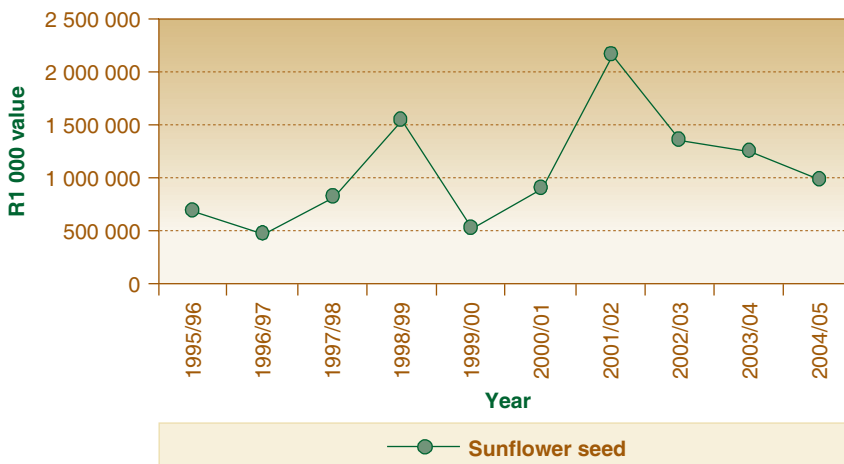
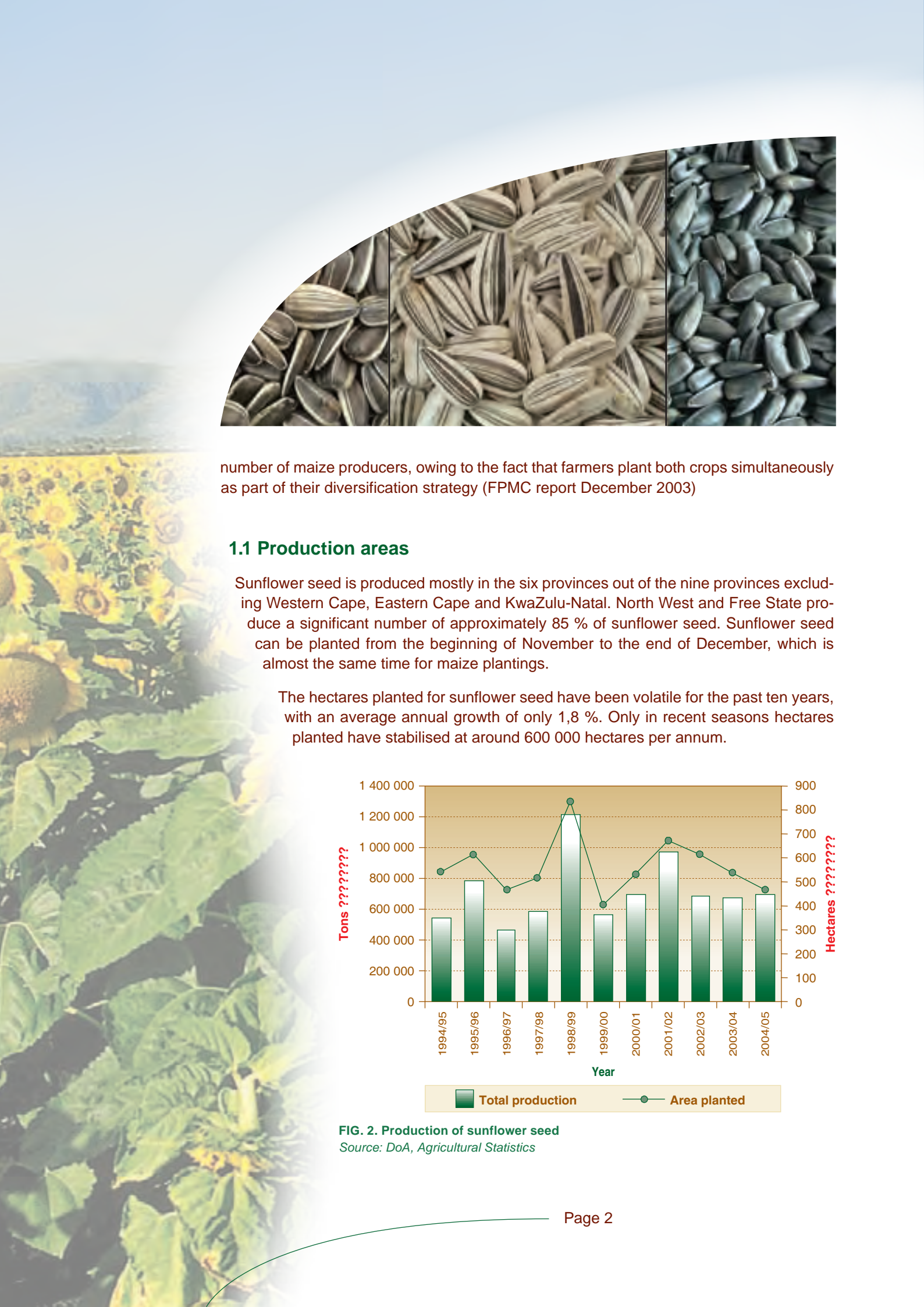


FIG. 1. Gross value of sunflower seed
Source: DoA, Agricultural Statistics



number of maize producers, owing to the fact that farmers plant both crops simultaneously as part of their diversification strategy (FPMC report December 2003)

1.1 Production areas

Sunflower seed is produced mostly in the six provinces out of the nine provinces excluding Western Cape, Eastern Cape and KwaZulu-Natal. North West and Free State produce a significant number of approximately 85 % of sunflower seed. Sunflower seed can be planted from the beginning of November to the end of December, which is almost the same time for maize plantings.

The hectares planted for sunflower seed have been volatile for the past ten years, with an average annual growth of only 1,8 %. Only in recent seasons hectares planted have stabilised at around 600 000 hectares per annum.

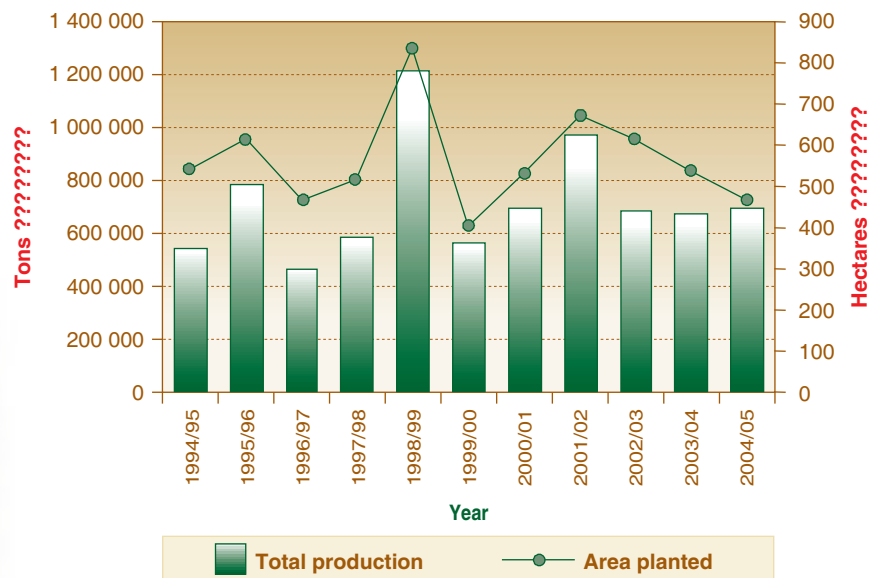


FIG. 2. Production of sunflower seed
 Source: DoA, Agricultural Statistics

1.2 Production trends

Production of sunflower seed has an inverse relationship with the production and prices of maize. This can be ascertained by the large production experienced in 1998/99 where production of maize was lower, owing to unfavourable weather conditions in that particular season. Over the past ten years production has increased by 5 %.

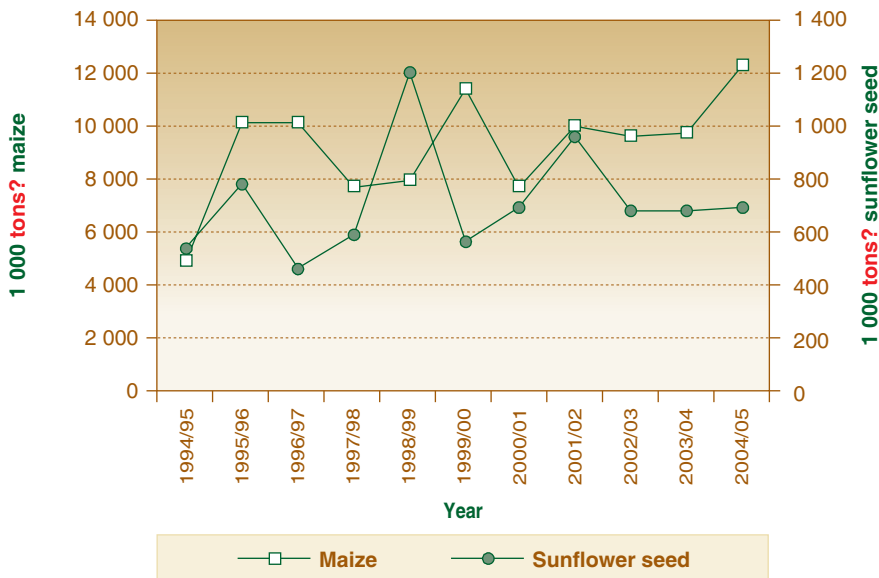


FIG. 3. Production of sunflower seed vs maize
 Source: DoA, Agricultural Statistics

2. MARKETING STRUCTURE

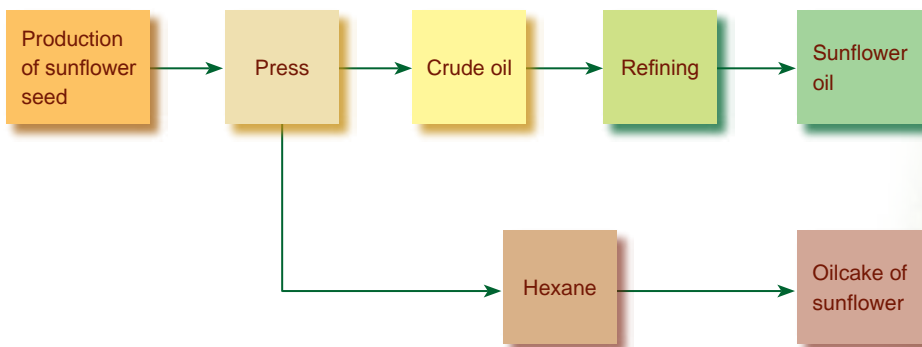


Diagram 1: The production of oil
 Source: GrainSA

During pressing there are two different methods of extracting oil from the oilseeds i.e. production of crude oil and production of oil cakes from hexane. Sunflower seed provides 40 – 50 % of oil and about 40 % of oilcake, which is processed to cooking oil and for animal feed respectively; see diagram 1 above. Other oil products include margarine, fuel in diesel engines



and other foods. The sunflower seed also produces oil cake, which is widely used for animal foods because of its high protein content. Sunflower oil is marketed in the form of refined oil for domestic and industrial cooking as well as baking processes.

2.1 Domestic markets

The processing of sunflower seed is highly capital intensive and requires high technology and specialised knowledge. The refining process produces sunflower oil, which is used mostly for cooking. Most of the large refineries are situated in Gauteng and KwaZulu-Natal, this may be due to market based.

The most importance of sunflower production is the extraction of oil from the seed. South Africa has produced about 230 000 tons of sunflower oil for the past ten years, which represents about 30 % of the seed produced. The industry does not import any significant sunflower seed but import sunflower crude oil.

For the past ten years the quantity of sunflower crude oil imported has decreased by 17%, which indicates that the processors were able to source their input cheaply than in the international market. Specifically during 2002 imports amounted to only 4 000 tons, which was mostly affected by the depreciated exchange rate hence it was expensive to import.

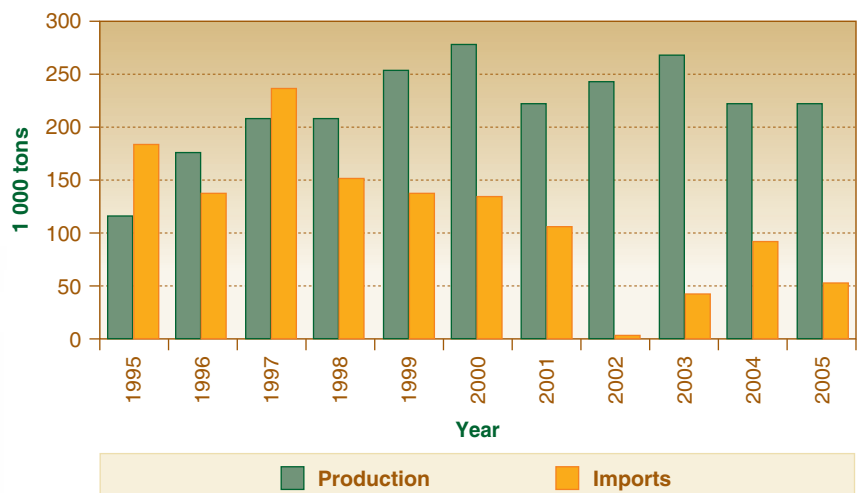


FIG. 4. Production and imports of sunflower oil in South Africa

Source: DoA, Agricultural Statistics

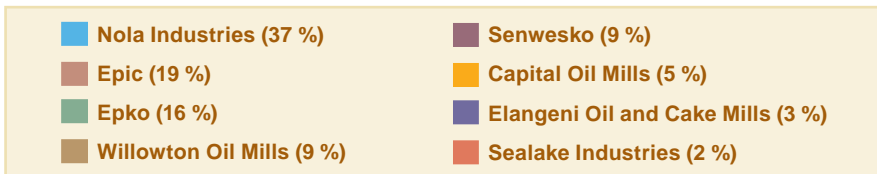
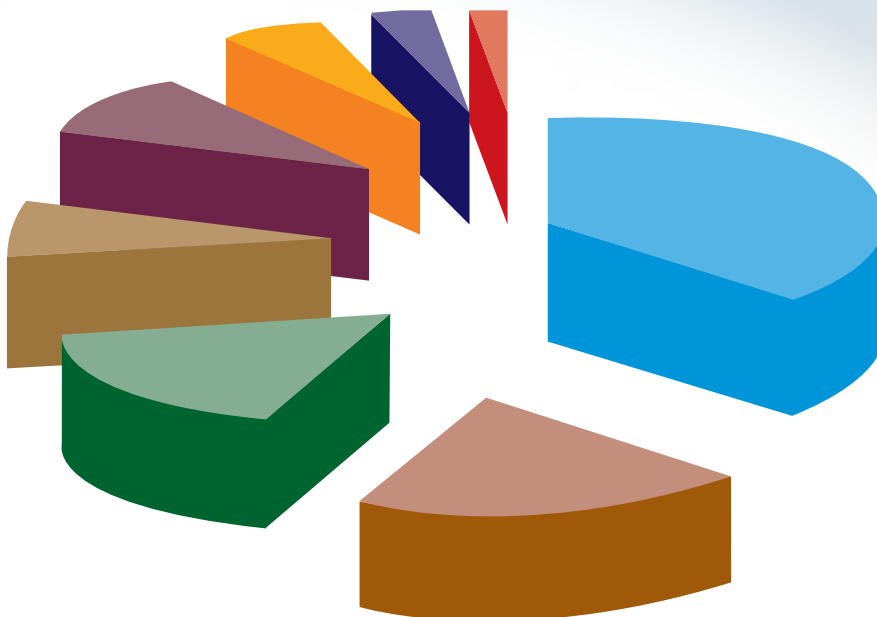


Figure 5: Largest pressing plants South Africa
 Source: Food Pricing Monitoring Committee Report

The eight crushing plants indicated in (figure 5) utilise just little over one third of the capacity available in South Africa since they yield more than 300 000 tons of sunflower meal annually of the 700 000 tons produce of the seed.



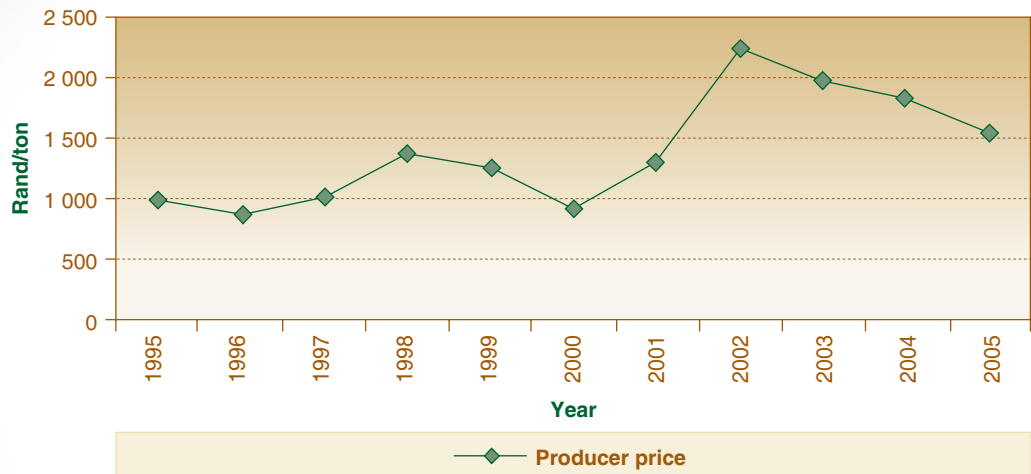


Figure 6: Average producer prices
 Source: Abstract of Agricultural Statistics

2.2 Producer prices

The sunflower seed is one of the commodities traded on SAFEX (South African Futures Exchange). The SAFEX price serves as an indicator for producers to what they can ask for their produce in the market, as at the current marketing system they are responsible for marketing their produce. The price of sunflower seed is definitely dependent on local demand and supply factors, also important are the demand and supply of the international market. The international oil prices act as a guideline for domestic seed and oil prices. In particular, the situation of the Argentinean oil market has a significant impact on the local market since the Argentina oil market has the same marketing period of sunflower seed as South African producers (FPMC report 2003). The sunflower seed price is determined at import parity.

The prices producers received for sunflower oil has been around R1 000 per ton prior to the year 2000, then increased to just over R1 500 to date.

3. STRATEGIC CHALLENGES

As mentioned in the description the sunflower seed production is very suitable for South African climate conditions and is performing well in income generation to the rest of the agriculture sector. According to the FPMC report in 2003 the crushing capacity is not fully utilised by the companies therefore, there is an opportunity for any roleplayer in the industry to crush

seed, sell the crude oil at a lower price than the import parity price and still manage to realise profit. The challenge is how to get new roleplayers in the industry as it is highly capitalised and requires sophisticated technology.

4. OTHER INFORMATION

Food safety is very important in the agriculture sector. As a result the oilseed industry is also expected to adhere to several regulations in this regard. The regulations include:

- Foodstuffs, Cosmetics and Disinfectants Act of 1972 (Act 54 of 1972)
- Health Act of 1977 (Act 63 of 1977)
- Fertilisers, Farm Feeds Agricultural Remedies A of 1947 (Act 31 of 1947)
- Agricultural Products Standards Act of 1990 (Act 119 of 1990)

More information on the roleplayers in the industry could be obtained from the National Agricultural Directory of South Africa 2004/05, www.eagri.co.za

5. REFERENCES

- Abstract of Agricultural Statistics
- Animal Feed Manufacturers Association
Tel: (012) 663 9097
Web: www.afma.co.za
- Grains South Africa
Tel: (056) 515 0918
Fax: (056) 515 1517
Web: www.grainsa.co.za
- Food Pricing Monitoring Committee Report 2003
- Trends in Agricultural Statistics.

