

# **SUNFLOWER SEEDS EXPORTS FROM KWAZULU NATAL**

## **1. Description of the Industry**

The bulk of plant oils (75%) are produced from soya bean, rapeseed/canola, palm and sunflower seeds and 80% of world production is used for human consumption and of the remaining 20% is used in the manufacture of animal feeds and in various chemical industries.

Vegetable oils are generally extracted from seeds although in some cases oil can be obtained from other parts of a plant. Coconut, palm and palm kernel oilseeds are grown in tropical climates whereas the other major oils, sunflower, rapeseed/canola and soya bean are grown in more moderate climates, including South Africa.

South Africa is the 12th largest producer of sunflower seed in the world. Sunflower is the third largest grain crop produced in South Africa after maize and wheat. Sunflower seed can be planted from the beginning of November to the end of December. Sunflower is the most important oilseed crop in South Africa and accounts for approximately 60% of all oilseeds produced locally. Cooking oil is extracted from sunflower seeds which are grown in the Free State, Kwazulu-Natal and the Northern Province. There is a concentration of sunflower farms around Randfontein, where Continental Oils and Nola have established processing plants. Sunflower oil dominates the South African vegetable oil market, refineries focus on sunflower oil rather than soybean oil due to the higher demand for sunflower oil by the consumer.

## **2. Import and Export**

The sunflower crop is well suited to South African conditions as it can be grown in rotation with corn and maize and it is drought resistant. Despite this, the country is usually a net importer of sunflower crude oil. Although seeds are imported, South African edible oil manufacturing companies export globally. Willowton Oil and Cake Mills, for example export into Southern and Central Africa, the Middle East, the Far East, Europe and the United States.

The crushing capacity for sunflower seeds is estimated at around one million tons per annum, while the capacity of oilseed refineries is estimated at 950 000 tons per annum. South Africa consumes about 1.1 million tons of oilseed oil per annum.

The total supply of sunflower seed is projected at 710 534 tons for the 2013 marketing season. This includes an opening stock at 1st January 2013 of 114 434 tons, local commercial deliveries of 566 600 tons, and sunflower seed imports of 26 500 tons. The sunflower seeds stock at the end of August 2013 was 288 747 tons which is 2.8% lower than the 297 404 tons at the end of August 2012.

The total local and export demand for sunflower seed is projected at 592 360 tons. A projected export quantity of 60 tons is expected for the 2013 marketing season

#### Detailed Supply and Demand Table for Sunflower Seed Based CEC Estimate

	Sunflower seed	Sunflower seed
	Actual	Projection
Marketing season	for 2012	for 2013
		Sep 2013
	(tons)	(tons)
<b>CEC (Crop Estimate)</b>	<b>522 000</b>	<b>566 600</b>

<b>SUPPLY</b>		
Opening stock (1 Jan)	232 700	114 434
Prod deliveries	521 100	566 600
Imports	11 800	26 500
Surplus	6 800	3 000
<b>Total Supply</b>	<b>772 400</b>	<b>710 534</b>

<b>DEMAND</b>		
Processed	652 300	584 200
-human	1 000	1 200
-animal	3 000	3 000
-crush (oil and oilcake)	648 300	580 000
Withdrawn by producers	2 900	2 500
Released to end-consumers	3 300	2 900
Seed for planting purposes	2 700	1 700
Net receipts(-)/disp(+)	-3 200	1 000
Deficit	0	0
Exports	0	60
<b>Total Demand</b>	<b>658 000</b>	<b>592 360</b>

[Source: South African Supply and Demand Estimates Report, National Agricultural Marketing Council, 30<sup>th</sup> September 2013]

The below tables detail the areas planted for sunflower seeds and the production forecast for 2013. In 2012, the final crop was 15% larger than the area planted.

#### Sunflower Seed Area Planted and Seventh Production Forecast

Crop	Area Planted 2013 (Ha)	7th Forecast 2013 (Tons)	Area Planted 2012 (Ha)	Final Crop 2012 (Tons)
Sunflower Seeds	504 700	566 600	453 350	522 000

[Source: NDA Crop Estimates Committee Seventh Production Forecast Summer 2013]

### 3. Regulations

There are several pieces of regulations which govern the industry.

One of the areas of concern is the effect of fungal and immune-suppressive diseases on domestic and farm animals fed on products which include oil-based raw materials. **Notice 511 Of 2008 Department: Agriculture, Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act No. 36 of 1947)**, South African Policy On Animal Feeds is intended to set out controls to avoid and ultimately eliminate these and other dangers. The regulations are intended to control the way in which animal foods are prepared and blended and to eliminate contaminants which present serious threats to the consumers of

pet and animal foods, particularly vegetable oils and oil residues. These are termed “denatured oils”.

**The Fertilizers and Feeds Bill 2012** seeks the amendment of the **Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act 36 of 1947**, insofar as it relates to fertilizers, farm feeds and sterilizing plants in order to provide for:

- licensing of facilities and rendering plants, registration of feed additives, raw materials, animal by-products, imported fertilizers;
- establishment of the Technical Standards Advisory Council; and
- the regulation of the import, export, acquisition, disposal, sale or use of fertilizers and feeds.

#### **4. Barriers to Entry**

In South Africa, there is a shortfall of feedstock for the existing oil refineries and opportunities exist for the entry of new players. Approximately 75% of arable land in the country is potentially suitable for growing oilseeds with the added attraction that small farmers, by practising crop rotation, can enter the market with good prospects.

The high costs of equipment both at source, where farming involves the purchase of land and equipment through to the processing stage, where enormous capital expenditure is required to establish a refinery or crushing plant, makes entry into the market problematic particularly in a time of financial constraints.

The legal restrictions which control the industry, from detailed regulations governing the farming environment through to strict international controls over how the finished product is transported cannot be ignored and result in considerably increased costs compared to the past when the industry was in its infancy.

Refineries need to be located where harvested seeds can be transported without incurring excessive cost and the finished product can be distributed easily to the market. Good road networks and location alongside rail sidings are plus factors in deciding where a refinery should be situated but accordingly, costs of land are high. Several major refineries are located on or close to the Kwa-Zulu Natal coast in Pietermaritzburg, establishment costs are formidable in these areas where demand for industrial land is high.

#### **5. Product**

**Description as per product code:** 120600 Sunflower seeds

Product & code	Trading partners	Barriers to entry					Trade Agreements	Key Industry Role Players
		Tariffs			Non-Tariffs			
		Tariff Regime	Applied tariff	Total ad valorem equivalent tariff	Non Tariffs Measures (NTM) Code	Measures applied by importing country	Preferential tariff for SA	
H 120600 Sunflower Seeds	Kenya	MFN duties (Applied)	10%**	10%	None recorded	None recorded	None recorded	Elangeni Oil & Soaps (Pty) Ltd
		Preferential tariff for SA	None recorded	None recorded	None recorded	None recorded	None recorded	
	Sudan	General Tariff	25%	25%	None recorded	None recorded		
		Preferential tariff for SA	None recorded	None recorded	None recorded	None recorded		
	Pakistan	MFN duties (Applied)	0%	0%**	F 710	Consumptions Tax	None recorded	
		Preferential tariff for SA	None recorded	None recorded	F 790	Internal taxes and charges levied on imports		
	France	MFN duties (Applied)	0%	0%	B 700	Product quality and performance requirement	Certificate of Origin (Eur.1)	
		Preferential tariff for SA	None recorded	None recorded	B 310	Labelling requirements	Rules of Origin (Protocol 1)	
	Argentina	MFN duties (Applied)	0%	0%	None recorded	None recorded	None recorded	
		Statutory rate of duty **	None recorded	None recorded	None recorded	None recorded	None recorded	

\*\* <http://www.macmap.org>

## 6. Industry Associations

**The South African Agricultural Processors Association (SAAPA)** is an industry representative body playing a liaison role between the agricultural processing industry and government. SAAPA conducts economic research and analysis on international trade and other agreements, policies and/or strategies impacting on the agricultural value chain as well as transformation issues (AgriBEE) with a view to influencing Government to act in the best interests of the South African agricultural processing business.

Tel No.: +27 12 663 1660

Fax No.: +27 12 663 3109

Email: [info@grainmilling.org.za](mailto:info@grainmilling.org.za)

Website: [www.grainmilling.org.za](http://www.grainmilling.org.za)

**The National Institute of Oilseed Products (NIOP)** serves the needs of its international membership representing a variety of trades related to the oilseeds industry. It's members include growers, processors, refiners, samplers and weighers, testing laboratories, transportation and storage tank operators, brokers, importers and exporters, insurance companies, and manufacturers in the food, cosmetic, and soap industries.

Email: [niop@kellencompany.com](mailto:niop@kellencompany.com)

Website: [www.oilseed.org](http://www.oilseed.org)

**The Federation of Oils, Seeds and Fats Associations (FOSFA)** is an international contract issuing and arbitral body concerned exclusively with the world trade in oilseeds, oils and fats with 986 members in 82 countries. These members include producers and processors, shippers and dealers, traders, brokers and agents, superintendents, analysts, shipowners, tank storage companies and others, providing services to traders. Internationally, 85% of the global trade in oils and fats is traded under FOSFA contracts. The Federation's contracts incorporate a dispute procedure involving arbitration by experienced individuals from within the trade.

Tel No.: +44 207 283 5511

Fax No.: +44 207 623 1310

Email: [membership@fosfa.org](mailto:membership@fosfa.org)

Website: [www.fosfa.org](http://www.fosfa.org)