REFINED SOYA BEAN OIL, NOT MECHANICALLY MODIFIED 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.

Soya bean production is usually confined to large-scale commercial farmers, as due to high input costs and low margins and is not an appropriate crop for small-scale farmers. Soya beans are grown on the Highveld, Mpumalanga and in areas of Kwazulu-Natal, the Free State and parts of the Eastern Cape. Genetically modified soya bean seeds have only been licensed in South Africa since the early 2000s although soya beans have been grown since the 1980s. South Africa is an importer of plant protein, of which 90% is made up of soya oilcake. The annual requirement of the South African animal feed industry is about 180 000 tons of full fat soya and 1.4 million tons of soya oilcake, according to Willem Stander, procurement executive for Astral Food's Seeds division. The local supplies of soya oilcake represent 10% to 15% of this total requirement

2. Import and Export

About 85% of the world's soya beans are processed into soya bean meal and oil. Approximately 20% of the South African soya bean crop is used for oil and the balance, a high protein meal, is used either as food or for farm feedstock.

The total supply of soya beans is projected at 937 000 tons for the 2013 marketing season. This includes an opening stock at 1st January 2013 of 175 900 tons, local commercial deliveries of 787 100 tons, and soya bean imports of 1 000 tons. In 2012, the soya bean stock exceeded the sunflower stocks and the forecast predicts the same trend to continue in 2013. The soya bean seeds stock at the end of August 2013 was 403 655 tons which is 12% higher year-on-year.

The total local and export demand for soya beans is projected at 835 200 tons. A projected export quantity of 30 000 tons is expected for the 2013 marketing season.

Detailed Supply and Demand Table for Soya beans Based on CEC Estimate

		Soybeans	Soybeans
		Actual	Estimate
	Marketing season	**2012**	**2013**
			Sep 2013
		(tons)	**(tons)**
1	CEC (Crop Estimate)	650 000	787 100
2	Retention	0	30 000
3	**SUPPLY**		
4	Opening stock (1 Jan)	306 100	175 900
5	Producers deliveries	623 900	757 100
6	Imports	300	1 000
7	Surplus	3 100	3 000
8	**Total Supply**	**933 400**	**937 000**
9	**DEMAND**		
10	Processed*	584 000	793 000
11	-human	27 000	28 000
12	-animal feed (full fat soya)	144 700	165 000
13	-crush (oil/oilcake)	412 300	600 000
14	Withdrawn by producers	4 600	4 500
15	Released to end-consumers	3 400	2 000
16	Seed for planting purposes	5 700	4 500
17	Net receipts(-)/disp(+)	2 300	1 200
18	Deficit	0	0
19	Exports	157 500	30 000
20	**Total Demand**	**757 500**	**835 200**

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

The estimated demand for soya beans for 2015 is 2 million tons and 2.3 million tons for 2020. To achieve this total capacity, South Africa is spending an estimated R1bn on soya bean processing plants. Since 2001, soya bean hectarage has increased by 252% and production by 376%, but it will take production five or six years to match capacity. Noble's new crushing plant in Standerton, which will be completed towards the third quarter of 2013, will be the biggest in South Africa with a crushing capacity of 620 000 tons. RussellStone Protein's 250 000 ton soya bean crushing facility should be commissioned towards the third quarter of 2013. Willowton's Isando plant will be converted to a soya bean crushing plant and its capacity is estimated to be 1000 tons per day.

Soya bean oil is increasingly used to manufacture biodiesel. To attract biofuel investors into South Africa, the government offered a number of incentives including the exemption of bioethanol from fuel tax, a three-year "accelerated depreciation allowance" for renewable energy projects and a 50% general fuel levy rebate on biodiesel. Eight companies, with a total annual capacity of more than one billion litres, have been granted licences or provisional licences to produce either biodiesel or bioethanol but no plants have been built so far, the facilities exist only on paper according to Mokgadi Modise, the Department of Energy's Chief Director for Clean Energy. First In Spec Biofuels aim is to be the first biodiesel production company in South Africa to produce biodiesel from waste vegetable oil. Biogreen diesel produces biodiesel from both virgin and waste oil.

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: H 150790 Refined Soya-Bean oil, not mechanically modified. Soya-bean oil and its fractions, whether or not refined (excl. chemically modified and crude)

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 150790 Refined Soya-Bean oil, not mechanically modified	Zimbabwe	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	Industrial Oleochemical Products (Pty) Ltd
	Zambia	General Tariff	25%	25%	None recorded	None recorded	Certificate of Origin	
		Preferential tariff for SA	0%	0%**	None recorded	None recorded	Rules of Origin	
	Democratic Republic of the Congo	MFN duties (Applied)	20%	20%**	None recorded	None recorded	None recorded	
		Preferential tariff for SA	None recorded	None recorded	None recorded	None recorded		
	Malawi	MFN duties (Applied)	25%	25%	B 700	Product quality & performance requirement	Certificate of Origin	
		Preferential tariff for SA	15%	15%	B 310	Labelling requirements	Rules of Origin	
					B 820	Testing Requirement		
	Mozambique	MFN duties (Applied)	20%	20%	None recorded	None recorded	Certificate of Origin	
		Statutory rate of duty **	15%	15%	None recorded	None recorded	Rules of Origin	

** 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.
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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
Website: 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.
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