AGRICULTURE, ENERGY AND LIVELIHOOD SERIES

Corporate concentration and control in the grains and oilseed value chain in South Africa:

A case study of the Bunge/Senwes joint venture

african centre for biosafety
www.biosafetyafrica.net

The African Centre for Biosafety (ACB) is a non- profit organisation, based in Johannesburg, South Africa. It was established to protect Africa's biodiversity, traditional knowledge, food production systems, culture and diversity, from the threats posed by genetic engineering in food and agriculture. It has in addition to its work in the field of genetic engineering, also opposed biopiracy, agrofuels and the Green Revolution push in Africa, as it strongly supports social justice, equity and ecological sustainability.

The ACB has a respected record of evidence based work and can play a vital role in the agro-ecological movement by striving towards seed sovereignty, built upon the values of equal access to and use of resources.

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Acronyms

ABCD group	ADM, Bunge, Cargill & Louis Dreyfus group of grain traders
ACB	African Centre for Biosafety
ADM	Archer Daniels Midland
AFIP	Argentinean revenue service
AFMA	Animal Feed Manufacturers Association
BEE	Black Economic Empowerment
BFAP	Bureau for Food and Agricultural Policy
DAFF	Department of Agriculture, Forestry and Fisheries
DTI	Department of Trade and Industry
FOB	Free on Board (see references for definition)
GMO	Genetically Modified Organism
ITAC	International Trade Commission of South Africa
JSE	Johannesburg Stock Exchange
M & A	Mergers and Acquisitions
NAMC	National Agricultural Marketing Council
NWK	Noordwes Ko-operatiewe
SABT	South African Bulk Terminals
SAFEX	South African Futures Exchange
SAGIS	South African Grain Information Service
SANSOR	South African National Seed Association
SAPA	South African Poultry Association
TPTs	Transnet Port Terminals
UNFAO	United Nations Food and Agricultural Organisation
WTO	World Trade Organisation

Key issues/findings

In this paper we present an overview of the Senwes/Bunge joint venture in order to show the following:

- The joint venture represents the first significant investment by Bunge in Africa. Bunge is one of the world's largest and most influential corporations and is amongst a handful of companies dominating global trade in agricultural commodities. Its revenues in 2010 were $45 billion.
- Senwes holds a dominant position in the South African market for the storage and handling of grain crops, controlling approximately 25% of South Africa's storage capacity. The company also holds significant positions in the market for the trade in these agricultural commodities. Senwes has previously been investigated by the Competition Commission in respect of allegations that Senwes abused its dominant position in the grain storage market in South Africa. Indeed, the Competition Commission has shown particular concern for concentrated market power in the ago-processing sector and has since 2006, conducted several investigations into the agro-processing value chain, from grain storage to milling and retailing.
- Bunge is the world's largest handler of soybeans and has the ability to import massive amounts of GM soy products into South Africa from Latin America either for use in SA or for re-export to neighbouring African countries. This will benefit a large number of players in the GM soya value chain and secure new markets for GM soybeans.
- GM soybeans are a vital component of the industrial meat chain, particularly for poultry and beef. The global south, including South Africa, has seen a prolific rise in poultry consumption over the last 20 to 25 years. As such, it is now the country's largest individual agro-business segment; many of the larger agribusinesses (including former grain co-operatives) have made strategic investments in this sector. This is a microcosm of the problems inherent in industrial agriculture. GM soya and cheap industrial poultry, aside from their disastrous environmental impacts, will not provide adequate nutritious food for the majority. Yet the market is so lucrative for these companies that they have no incentives to produce alternatives.

Background

During April 2011, a media release appeared on the website of the South African agribusiness company, Senwes, announcing that it had entered into a joint venture with multinational grain and oilseed trader, Bunge. In terms of the new venture, a new legal entity, Bunge Senwes Africa (Pty) Ltd has been formed, with each party controlling 50%. The purpose of the venture is to develop grain and oilseed operations in South Africa, with a view to supplying both domestic and African export markets. Owing to the size of the merger and the parties involved, the joint venture required the approval of South Africa's Competition Commission.

The African Centre for Biosafety (ACB) has an established track record of monitoring and shedding light on corporate consolidation and control within the agricultural value chain, though, to date, our major focus has been on the commercial seed industry. In this regard, we have noted our disquiet at the extreme levels of consolidation in the South African seed industry, which traverses all the way up the food chain - from storage, trading and transportation of agricultural produce - to the retail sector.

In late 2010, the ACB imparted substantial information to the Competition Commission on the South African seed industry, enabling it to prohibit the acquisition of Pannar Seed (the country's

largest remaining seed company) by Pioneer Hi-Bred, a US multinational seed and biotechnology company (and itself a subsidiary of the chemical giant DuPont).[1] This information, though primarily based on new research, was significantly aided by the ACBs long institutional memory around seed issues, particularly our work around genetically modified (GM) seeds. The same, however, cannot be said of the market for the storage, handling and trading of grains. We acknowledge that this represents our first significant foray into this segment of the value chain, and that there are still significant gaps in our knowledge that will need to be supplemented by additional work in the future.

The ACB made a written submission to the Competition Commission, which forms the bulk of work contained in this document, though some subsequent findings have been added.

On the 2nd September 2011, the Competition Commission approved the transaction subject to the following conditions:

- That Senwes is to ensure that all services it offers regarding the storage and handling of grains to Bunge Senwes Africa be offered on the same terms and conditions to all its other storage customers;
- The conditions shall remain in force for as long as the joint venture agreement is in existence;
- Senwes is to monitor its compliance with these conditions, and be ready to confirm this compliance with the Commission upon request;
- Senwes is to notify its clients that the joint venture has been approved subject to the above conditions.

Structure of paper

This briefing paper provides:

- A brief overview of the global situation regarding the grain trade;
- A breakdown of the value chains of the various grains and oilseeds that the joint venture will focus upon, with particular attention being paid to the storage and handling of these crops;
- Some background information on South Africa's three largest grain storage companies – Senwes, NWK and Afgri (the latter two being Senwes' main competitors);
- A summary of the merger and acquisition activity in the agribusiness sector (drawing heavily upon work previously done by the Commission), including areas of strategic convergence such as poultry production and grain storage and trading; and
- An outline of our major concerns around the joint venture, and areas we feel needs further investigation.

Introduction

Feeding people is big business: Wall-Mart, the world's largest corporation by revenue, sold over $100 billion worth food in the United States during 2010.[2] The Swiss food giant Nestle is the world's most profitable company; the $36 billion it made during the latest financial year leaving even the major oil companies in its wake.[3] The global trade in agricultural grains serves as a vital strategic link between food producers (who are increasingly falling under the sway of multinational seed companies) and these retail behemoths. Figures on its exact value are hard to come by, though the trade just in genetically modified commodities (mainly maize, soy and cotton) is estimated to be worth $150 billion annually.[4]

Four companies, namely, Archer Daniels Midland, Bunge, Cargill and Louis Dreyfus, also known as the 'ABCD group', dominate this sector. Estimates of their global market share vary between 75% and 90% of all grain commercially traded on the planet.[5] This market share has resulted in enormous revenues and profits for the four companies. In 2010, Cargill's revenue was a whopping $107 billion, with net income at $2.6 billion[6]; Archer Daniels Midland recorded revenues of $61 billion, and net profits of $1.9 billion[7]; Bunge's 2010 figures were $45.7 billion and $2.35 billion for revenue and net income respectively. Bunge's net income for 2010 represented an astonishing 552% increase over the previous year.[8]

http://www.reuters.com/resources/r/?m=02&d=20080415&t=2&i=3893428&w=460&fh=&fw=&ll=&pl=&r=2008-04-15T165536Z_01_WBT008787_RTRUKOP_0_PICTURE0

Bunge

Bunge Ltd was established in 1818, as a grain trading company in Amsterdam, before moving to Antwerp in 1859. The company then uprooted again in 1884, establishing its headquarters first in Buenos Aires, and then Sao Paulo, Brazil. In 2001, the company went public with an Initial Public Offering (IPO) of stock, having paved the way for this by moving the company headquarters to White Plains, New York. Latin America has been the focal point of Bunge's operations for the past century or so, though it is the largest soybean processer in both North and South America and the world's largest exporter of soybeans based on volume.[9] In 2010, its agribusiness division, Bunge's largest in terms of volumes and sales, handled 108 million tons of goods, raking in a gross profit of $1.6 billion.[10]

All of the company's soybean, soybean meal and soybean oil operations are co-ordinated from its headquarters in White Plains. Bunge's primary soybean origination offices are in Gaspar, Brazil, Buenos Aires, Argentina and St. Louis, in the USA. The three main offices are responsible for selling

products Free On Board (FOB)[11] to the company's international marketing groups, who operate from three primary offices: White Plains, Geneva and Singapore. While the White Plains office is responsible for all Bunge's soybean oil sales and maintaining its global soybean and soybean product operations, the Geneva office is Bunge's primary destination soybean office, covering all sales in Europe, North Africa and the Middle East. The Geneva office also houses Bunge's head soybean and soybean meal traders.[12]

The Singapore office, which has satellite offices in Shanghai and Mumbai, maintains all Bunge's soybean positions in the rapidly expanding Asian market. Singapore sends its position list and sales contracts to Geneva, who buy products from Bunge's major origination offices in North and South America.[13]

Bunge's global footprint is enormous; it employs approximately 32,000 people in 30 countries. Its 2010 annual report lists 251 agribusiness facilities around the world. Its agribusiness division can handle greater volumes than all storage capacity in South Africa combined: 17.9 million tons, spread across 172 commodity storage facilities.[14] It also has 56 oilseed processing plants around the world. The same report states Bunge is the world's number one seller of bottled vegetable oils to consumers, and the world's second biggest producer of margarine. It is the largest miller of dried maize in North America and the largest wheat miller in Brazil. In 2010, Bunge acquired five grain elevators in the United States and two oilseed processing facilities in Turkey. It is currently constructing its fourth oilseed processing facility in China and an integrated soybean and oil processing plant in Vietnam.

In 2006, Bunge entered the sugar and bio-energy market. It wasted little time in establishing itself in the sector by acquiring Tate & Lyle's International Sugar trading and marketing arm. In 2010, it purchased Moema, a group of five sugarcane mills in Brazil. The latter acquisition expanded Bunge's bio-energy-crushing capacity in Brazil to 21 million tons per annum. The company expects 60% of global sugar exports to originate from Brazil by 2020.

The proposed joint venture with Senwes will be conducted with Bunge's European operating arm, Bunge Europe, based in Switzerland. Although better known for its banking industry, structural changes in the world commodity trading sector has led to 'an explosion of activity' in the country, particularly in Geneva.[15] As a result commodity trading now accounts for 2% of Switzerland's GDP, up from 0.5% in 2003. As well as Bunge, some of the world's largest commodity traders have established their operations in the country, including Glencore, Vitol and Trafigura; all of whom benefit from Switzerland's opaque financial and business environment.[16]

Bunge is no stranger to controversy. In May this year it was expelled from the export register of the Argentinean revenue service, having been accused (along with the other three members of the ABCD club) of tax evasion. Until 2007, Bunge's tax bill in Argentina was approximately $100 million a year. Bunge then suddenly moved its main offices across the River Plate, to Montevideo, Uruguay, a tax free zone. According to Ricardo Echegaray, head of the Argentinean revenue service (Afip), cross checking in Uruguay revealed 'they (Bunge) had not exported anything from Montevideo and had almost no staff there'. In its investigations, the Afip said it had found evidence of false sales declarations, re-routing of profits through tax havens and phantom companies and excessive cost declarations.[17]

Senwes

Senwes was established in 1909 and has been one of South Africa's largest regional agricultural co-operatives. In terms of the Co-Operative Act, competition was forbidden between grain silo owners, resulting in entire areas becoming dominated by silos owned by one Co-Operative. The removal of guaranteed maize prices for farmers, as part of a much wider liberalization of the sector in the mid 1990s, made many farms in ecologically or logistically marginal areas unviable. As such, the maize growing area in South Africa has shifted in a general north-easterly direction towards areas of higher rainfall, and closer to higher concentrations of grain silos, millers and processors. Senwes has been a beneficiary of this process, as its silos have remained centrally located in the main maize growing areas of the North West Province and the Free State.[18] In 1997, Senwes became a publically listed company, along with other former Co-Ops such as Afgri and NWK. Since listing Senwes, has significantly diversified its operations into areas such as trading and finance, and aspires 'to be the most admired agri-business in South Africa'.[19]

According to its website, Senwes handles approximately 30% of SA's total maize, sunflower, sorghum and soybeans and winter grain (wheat and barley). It owns 70 grain silos, bunkers and transit ports, with a combined intake tempo of approximately 15,000 tons per hour. Its total storage capacity is 4.8 million tons; approximately 25% of total capacity in South Africa. Senwes recently acquired yet more storage capacity, from local grain handler, MGK. The deal, which had to be granted approval by the competition commission, will see MGKs grain business spread across the North West, Gauteng and Limpopo, and its grain marketing business, grain brokerage business and SAFEX brokerage sold to Senwes. MGK will rent silos to Senwes on a long- term basis.[20]

Data gleaned from a previous matter at the Competition Commission involving Senwes indicates that, as well as being a dominant firm[21] in the upstream market for grain storage, it had 'a market share of 16% in the white maize trading market, 9% in...yellow maize..., 24% in sunflower...and 13% in wheat...In the white maize trading market it is the largest player, in the yellow maize market it is the 3rd largest (after Cargill and Afrgri), in the sunflower seed market it is by far the largest (the next player has 14% and Senwes is also the largest player in the wheat trading market'.[22]

Senwes has also undergone significant structural changes during 2011, relating to its Black Economic Empowerment (BEE) obligations. In July the company's major BEE partner, Royal Bafokeng Holdings, sold the 17% share it had acquired in 2006 to Senwesbel, the majority shareholder in the company.[23]

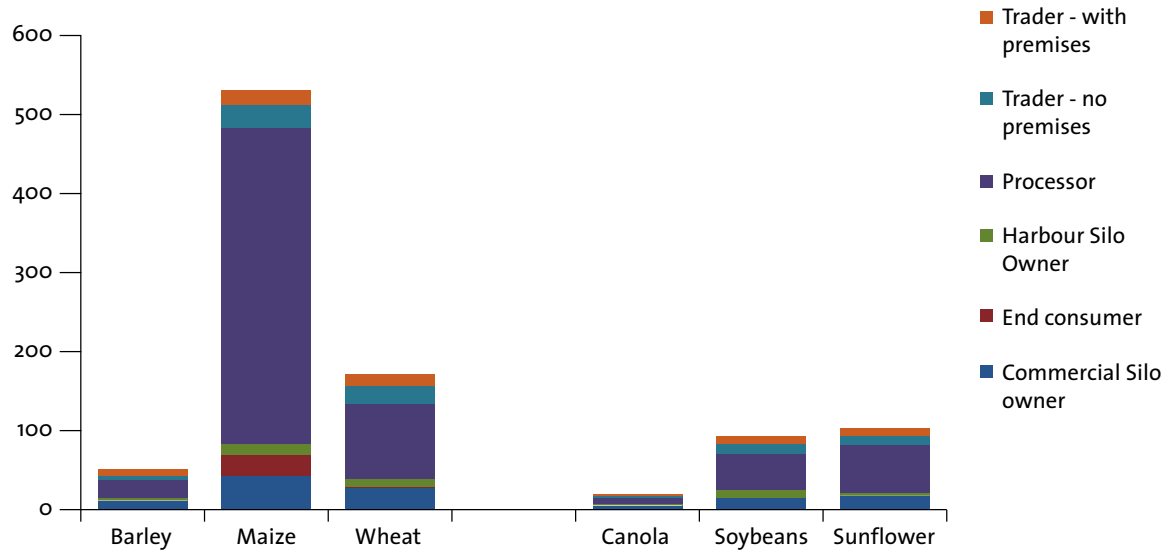
Industry structure

The initial statement from Senwes and Bunge stated that the joint venture would focus on six grain and oil seeds: Barley, maize, wheat, canola, soybean and sunflower. However, information we received from the Competition Commission towards the end of this investigation revealed that just maize, soybean and wheat would be of primary concern. Being the most significant crops in terms of international trade, they had been covered in greater detail. Some information was collected on barley and canola, which can be viewed in the annexure (sunflower, though not explicitly mentioned, is often in direct competition with soya for processing capacity, hence it is intimately interlinked with any developments in the soya value chain and for this reason is included in the main document).

For any one of these crops, the value chain from the farm to the final product follows a similar path: from the farm to storage; to processing and finally on to final customers (be they industrial users or retail outlets). Each value chain has its own peculiar intricacies that distinguish one from another. For example, the majority of maize and soya grown in South Africa is genetically modified, the international trade of which is regulated, inter alia, by the Cartagena Protocol on Biosafety and agreements of World Trade Organisation (WTO). Production changes also influence their relative compositions; the area grown to wheat has generally declined in South Africa, which could impact upon domestic wheat industries further down the value chain. Conversely, the area planted to soybean has increased dramatically, which could impact upon the animal feed industry (soya being a significant supplier of animal feed protein).

However, the broad structure still holds. Using information obtained from the South African Grain Information Service (SAGIS), it becomes apparent that in each value chain, there are significantly fewer companies involved in storage and trading than in processing. Information from the Competition Commission indicates that this joint venture will focus on these two major areas. This is a significant cause for concern given that the two companies have such large market shares in these segments at the global and South African level.

Figure 1: Registered SA companies in grain and oilseeds



Source: South African Grain Information Service

Imports and Exports

As shown above, the international trade in agricultural commodities is incredibly lucrative, with the companies at the commanding heights of this system bringing in extraordinary revenues.

Though the South African Grain Information Service (SAGIS) publishes regular import and export statistics for all South Africa's major grain and oil seed crops, market shares by company are difficult if not impossible to find, save for sporadic generalized statements made in the media. Maize

represents by far the biggest, and most lucrative, traded agricultural commodity in South Africa, with over 5 million tons being imported since 1999/2000, and over 15 million tons exported over the same period.[24] Unfortunately there is no indication of import and export volumes by company available in the public domain. There are ensuing, under the direction of the National Agricultural Marketing Council (NAMC), efforts to improve the consistency and level of agricultural information publically disclosed.[25]

In terms of volume, maize and wheat are South Africa's most internationally traded crops. In addition to the above figures for maize, cumulative wheat imports for the period 2000 – 2010 were 10 million tons, with a further 1.8 million tons of exports. Barley imports over this period have been approximately 1.1 million tons, with negligible exports of around 28,000 tons. Soybean is the most imported and exported oilseed over the same period, though the figures are much lower, at 346,800 and 305,800 respectively. Sunflower imports and exports were lower still, at 179,000 and 127,100 tons. According to SAGIS there were no commercial imports or exports of canola. For annual figures see annexure.

Figure 2: SA grain and oilseed imports – 2009/10

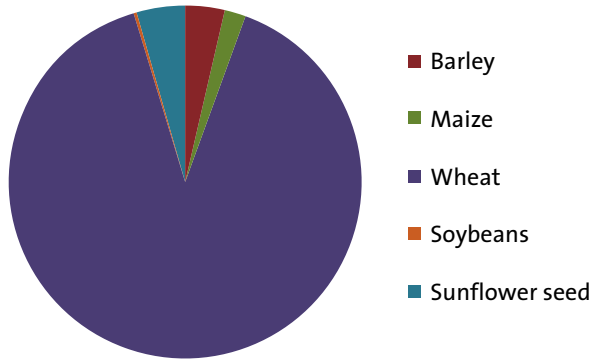
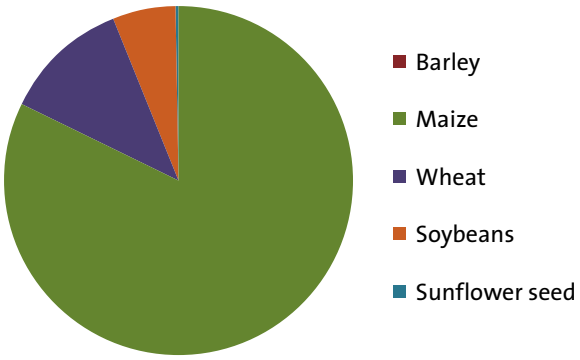


Figure 3: SA grain and oilseed exports – 2009/10



As a signatory to the Cartagena Protocol on Biosafety, South Africa and by extension, the Department of Agriculture, Forestry and Fisheries (DAFF), are obligated to make publically available a list of all GMO permits it has granted, including for the trade in agricultural GM commodities. Though the listed permits only signify an importer or exporter's permission to carry out the specific grain movement (they have 90 days from the granting of the permit to complete the transaction),

and not a physical shipment,[26] it does give a good indication of the capacities of the different players involved in grain handling and shipping in the country. The table below gives figures for the ten largest importers and exporters of GM maize since 2005, when the size of the trade started to increase dramatically.

GM maize import permits granted since 2005

Company	GM maize imports (tons)	Country company registered in
Cargill	1 192 990	USA
Louis Dreyfus	636 380	Netherlands
Seaboard	489 443	USA
Meadow	363 483	SA
Astral	285 705	SA
Sasko	197 689	SA
Epol	101 836	SA
Afgri	95 357	SA
Noble	81 540	China (Hong Kong)
Rocklands	40 620	SA

Source: GMO permit lists, DAFF

GM maize export permits granted since 2005*

Company	GM maize exports (tons)	Country company registered in
Louis Dreyfus	2 220 000	Netherlands
Noble	1 086 009	China (Hong Kong)
Cargill	293 000	USA
Afrgi	220 740	SA
Senwes	175 635	SA
Seaboard	107 500	USA
InterAfrica	83 569	SA
Olam	30 000	Singapore
Brisen	24 000	SA
TWK	4 000	SA

Source: GMO permit lists, DAFF.

*Barring the 293,000 tons exported by Cargill (in 2005 & 2008), all of the above exports have taken place in 2010 and 2011

It is evident that the international trade in GM maize leaving and entering South Africa is dominated by the large multinational grain traders, who have a logistical capacity far in excess of domestic companies. The vast majority of these and other shipments of agricultural commodities entering and leaving South Africa do so by sea.

Transnet

Transnet owns all the land used at South Africa's ports. Transnet in turn, leases out the land, through long term contracts, to port operating companies.[27] The principle grain and oilseed handling ports in South Africa are: Cape Town, Durban, East London and Port Elizabeth.

Cape Town

The bulk terminal handles barley, grain, wheat, maize, soya and oats. New development projects include: Increasing bulk capacity to 20,000 tons of product per shed, focusing mainly on soya, but also other bulk agri-business products, such as maize. According to Johann Botha at Transnet, Cape Town mostly handles imports of wheat and soya, in much smaller volumes than ports on the east coast.[28]

Durban

The Durban harbour is Africa's busiest. It handles a considerable quantity of the country's grain and oil seeds that are imported and exported. Between its three main terminals it has an annual grain handling capacity of about 4.5 million tons.[29]

South African Bulk Terminals (SABT)

SABT was formed in 1994, as a joint venture between Durban Bulk Shipping (DBS), owned at that time by Tiger Foods, and Rennies Bulk Terminal (RBT), owned then by the Rennies group. In 1998, Bidvest acquired the Rennies Group, before acquiring 50% of the joint venture from Tiger Foods. SABT has 57 silos with a storage capacity of 137,000 tons. The company handles over 1.9 million tons of products annually.[30]

SABT own the physical storage and handling structures they operate, though they lease the land on a long-term basis from Transnet. Grain traders are charged a handling fee per ton to store grains at SABTs facilities. While not willing to divulge the names of their clients, SABT confirmed that some of their larger clients have long term agreements with SABT, while other companies operate on more short term and intermittent relationships.[31]

Agriport

Along with SABT, Agriport is the only other specialized grain handling port at Durban's harbour.[32] It was the first port in South Africa to have a grain elevator, which was built in 1927, with a capacity of 42,000 tons.[33] In response to increasing local demand for soybean meal, a new 80,000 ton bulk storage warehouse was completed in 2010, receiving its first shipment in October of that year. Transnet Port Terminals (TPTs), who built the facility, expects it to handle 500,000 tons of cargo during its first year of operation, which could expand to up to 700,000 tons. Initial imports are expected to come from Brazil and Argentina, two of the world's largest producers of soybeans.[34] The new warehouse is the only dedicated soya handling facility in South Africa. Due to fluctuations in the market for soy, there are plans to upgrade the new soy warehouse to be able to handle multiple grains, including wheat. According to Johann Botha at TPTs there have been no exports of soybeans from Agriport in the last 18 months[35], reflecting the fact that South Africa has generally been a net importer over the last decade.

Agriport arranges the majority of its contracts with port users (that is the major grain traders) at the beginning of the year and has long-term contracts with many of the larger trading companies, including Seaport, Atlas and Louis Dreyfus. Currently there are no agreements in place with Bunge.[36]

There is no long-term storage at Agriport, unlike inland silo storage facilities. Agriport is operated as a 'throughput' facility; the average 'dwell time' being between 15 and 30 days. There is also a more consistent level of grain handling throughout the year.[37]

East London

The Port of East London is South Africa's only remaining river port, being situated at the mouth of the Buffalo River in the Eastern Cape Province. In addition to its container and car terminals, East London boasts the largest grain elevator in South Africa, with a storage capacity of 76,000 tons. In the 1970s, the elevator handled 3.8 million tons of exports annually. In recent years the elevator was converted to handle imports, including shipments of food aid for the United Nations.[38] The fact that East London has actual silos at its port as opposed to just warehouses means it handles more grain exports than other ports in South Africa.[39]

Oilseeds

Soybeans

Between 1996, when genetically modified soybeans were introduced into the United States, and 2009, the global soybean planted area increased by 62.9%, more than any other major grain or oilseed crop. Maize, the second most prolific global GM crop, increased its total area by 13.3%.[40] However, these figures pale in comparison with the rapid extension of the GM soybean area, which, over the same period, grew by an incredible 13,700%! (from 0.5 million ha in 1996, to 69 million in 2009). It should be noted that only three countries, the United States, Brazil and Argentina account for the vast majority of this production.[41]

Trends in South Africa broadly reflect the global situation. In 1999, just over 100,000 ha of soybeans were planted nationwide, which had increased over four fold, to 418,000 ha by 2011 (the 2011 area was in itself 34% larger than the previous year). Over 50% of production takes place in Mpumalanga, with the Free State and KwaZulu-Natal accounting for a further 19% and 15% respectively. Soybean production also saw a dramatic increase from 2010 to 2011, rising from 566,000 tons to 699,250 (or 23.5%). From 1999 to 2011, the gross value of soybean production in South Africa increased from R200 million to over R1.6 billion.[42]

These trends are expected to continue into the future, as farmers look to substitute soya for traditional grain crops such as wheat and maize. The President of the Protein Research Foundation expects South Africa to be producing one million tons of soybeans on 500,000 acres by the 2015/16 cropping season.[43] By 2020, the soybean area is likely to have increased to 656,000 ha, with total domestic production of 1.7 million tons. The Bureau for Food and Agricultural Policy (BFAP) estimates that total domestic soybean consumption will increase by nearly 300% over the next decade.[44]

It is likely that the majority of future increases in production and planted area will be with GM soybeans, as currently 85% of the soybean crop is GM.[45] Additionally, 381 tons of GM soybean seed have been imported into South Africa this year, compared to just over 30 tons during 2010.[46]

Sunflower

Sunflower seed is primarily used for the manufacturing of sunflower oil and oilcake. It is the third largest grain crop produced in South Africa after maize and wheat, though it produces only about 3% of the global sunflower crop. The gross value of production has varied significantly over the last decade, from R50 million in the year 2000, before peaking at nearly R450 million in 2008. In 2009 (the last year figures were available for), production was worth just under R250 million. Nearly 85% of production takes places in the Free State and the North West Province.[47]

The production of sunflower seed has an inverse relationship with the production and prices of maize. In 2001/02, the value of sunflowers produced was more than double that of the previous year (over R200 million), while a huge glut of maize from 2009/10, has resulted in farmers planting 38% more ha of sunflower (642,700)[48] than the previous year.[49]

According to the Department of Agriculture, Forestry and Fisheries (DAFF), the processing of sunflower is 'highly capital intensive and requires high technology and specialized knowledge'. Most of the large refineries are situated in Gauteng and KwaZulu-Natal. The majority of sunflower oil is processed to cooking oil. It is also the basic raw material for the preparation of margarine and spreads. Sunflower oil cake, which is high in protein content, is widely used in the animal feeds sector.[50]

In South Africa the main crushers of Sunflower seed are Nola Industries, Epic and Epko. The South African Oil Processors Association lists thirteen oil refineries in South Africa.[51]

Soybean and Sunflower processing

Soybeans and sunflower seeds are crushed and processed to produce edible oils and oilcake. Oilcakes comprise a significant component of the animal feed industry. Once crushed, Sunflower produces 46% cake, 40% oil, and 15% husk / waste. The figures for crushed soybean are 79%, 19% and 1% respectively. Broadly speaking, the main demand for sunflower is for the edible oil it produces. This is driven by both consumer preference for sunflower over soy-oil and because sunflower produces more than twice the amount of oil per ton than soya. In spite of its greater supply, sunflower oil is still generally more expensive than soya oil due to consumer demand. Soy cake is favoured by the animal feeding industries, especially for pork and poultry, as it has higher protein content. Though sunflower cake is used in dairy beef farming, it is considered too fibrous for use in the pork and poultry industry as feed.[52]

The total processing capacity for soy and sunflower is estimated at 1.5 million tons per year, with dual processing plants accounting for 1.1 million of this. Because domestic sunflower production has historically outstripped that of soya, coupled with average imports of soy products (mostly oil and oil cake) of over 820,000 tons per year from 2000 – 2007[53], refiners often favour processing sunflower over soy in order to keep processing plants as close to maximum utilization as possible. As a result, soybeans currently account for only 29% of total processing capacity.[54]

The oilseed crushing industry is likely to undergo further changes after the announcement by the Noble group, a Hong Kong based multinational with 2010 revenues of nearly $60 billion, that it plans to establish a $16 million oilseed crushing plant in Mpumalanga. The plant, that will be the largest of its kind in South Africa, will process both soybeans and sunflower into edible oils and animal feedstocks.[55]

From 2000 to 2010, consumption of chicken meat grew by 71% in South Africa (compared to 24% for beef and 41% for pork). An increase of 41% is expected for the period up until 2020, with the figures for beef and pork rising by 28% and 25% respectively, to give an annual consumption of 2.2 million tons. Domestic production is expected to account for 1.9 million tons of this (an annual growth rate of 3.8%), with imports making up the shortfall.[56] Given the preference of the poultry industry for soy cake over sunflower, the projected expansion of soybean plantings in South Africa appear to have considerable merit.

Aside from changing consumer demand patterns, there has been a concerted effort by some sections of the agribusiness sector to push for the inclusion of certain crops, soya among them, as 'climate friendly'. For example, soya has been put forward as a potential nitrogen-fixing rotational crop[57] (thereby negating the need for synthetic fertilizers), while GM soybeans that are tolerant to broad-spectrum herbicides are being advocated, as they require minimum tillage of the soil. To provide a thorough critique of these supposed 'green' or 'smart' agricultural practices is beyond the purview of this report. Suffice to say, agribusiness is unlikely to pass up the policy space that Climate Change debates have already opened up to them, meaning that any future analysis of where the agricultural value chain is going cannot ignore these issues.

Grains

Maize

Maize is South Africa's principle grain crop, being the major source of carbohydrates for human consumption and a significant provider of animal protein feed. In 2009/10, over 12.8 million tons, on a planted area of 2.7 million ha, was produced.[58] This was South Africa's largest maize harvest since 1982, providing the country with a surplus of between 4 – 6 million tons. The Free State and the North West Province are the two largest maize producers, with maize areas of 1.16 million and 775,000 ha respectively in the last cropping season. Mpumalanga planted 482,000 ha in the same period. Between them the three provinces account for approximately 83% of total production.[59] In 2008/09, the gross value of maize production in South Africa was over R15 billion; slightly down on the over R20 billion recorded the previous year, but double the average of the proceeding ten years.[60]

In the wake of the liberalization of the agricultural sector and with farmers no longer guaranteed fixed prices for their produce, the maize production area of South Africa shifted in a north-easterly direction.[61] A combination of advances in plant breeding and maize being planted in ecologically conducive conditions resulted in yield increases from an average of 2.2 tons per ha over the period 1986 – 1991 to 4.32 tons per ha for 2006 – 2011. This enabled the average production to increase between the two periods by nearly 35%, in spite of a 30% reduction in the average planted area.[62]

Unlike the world's major maize growers, the United States, Brazil and Argentina, South Africa produces significant quantities of both yellow and white maize. White maize is principally produced for human consumption but maize is not a staple food in the US, Argentina or Brazil, so yellow maize is the favoured option for its use predominantly in the manufacture of animal feed and, in the United States, for biofuels.

In South Africa, the majority of white maize is grown in the western growing region, with most yellow maize production occurring in the eastern region. Aside from agronomic and climate reasons

for this geographical spread, the higher concentration of cattle and poultry farming in the east of the country determines the principle demand for yellow maize in this area.[63]

South Africa currently holds the dubious honour of being the only country in the world to grow a genetically modified variety of its staple food, maize. First commercially cultivated in South Africa during the late 1990s, up until 2005 GM maize seed still accounted for just 20% of all maize seed sold. For the current maize season the South African National Seed Association (SANSOR) now estimates that over 77% of the maize crop is GM.[64] Further, the maize seed industry is itself now highly concentrated. Between them Monsanto, Pioneer Hi-Bred (both US multinationals) and Pannar seed own close to 60% of all maize varieties registered, and 85% of all the GM varieties listed. This in itself is a misnomer, as all the GM varieties Pannar and Pioneer sell are under license from Monsanto, giving the latter a de facto monopoly over this crucial market.

The maize-handling (which will further explored below) and maize-milling sectors are also highly concentrated. Though the number of maize millers operating in the country has increased from 111 to 296 since 1996[65], nearly three quarters of all output is still processed by four firms: Premier Foods, Tiger Milling, Pioneer Foods and Afgri. In 2003, the food price monitoring committee found 'asymmetric price transition' in the maize sector following rapid price rises of the time. In theory, any increase in the SAFEX spot price (the price for that day) should take four months to impact upon retail prices, as most commercially trader maize is purchased on 'Futures' contracts, where the price is agreed four months in advance. In this instance, retail prices rose almost immediately, indicating that somewhere along the value chain, prices were being artificially manipulated. Further, when the spot price of maize began to decline again, retail prices took much longer to fall. This is highly symptomatic of high levels of concentration within a market, where there is little genuine competition or regulation to prevent this kind of abuse.[66]

In its Industrial Policy Action Plan the Department of Trade and Industry (DTI), recognized the anti-competitive nature of the milling sector and advocates for the creation of a small scale milling industry as a means to both combating escalating food costs and the unemployment crisis the country is facing.[67]

Wheat

Wheat is the second most important grain crop in South Africa. In 2010, from a planted area of 558,100 hectares (ha), production was 1,430,000 tons.[68] Approximately 82% of production takes place in the Western (36%) and Northern Cape (14%) and the Free State (32%).[69] Since the turn of the century, both the area planted to wheat and the volume produced has fallen consistently, from highs of 950,000 ha and 2.5 million tons respectively. Since 2003, domestic consumption has out-stripped production by close to 2 million tons per year. Consequently South Africa has become a net importer of wheat over this period. Since 2004, (with the exception of 2006) South Africa has imported over 1 million tons of wheat annually, representing a 21% increase in value between 2005 and 2009. In 2009, Germany and Argentina were South Africa's two largest foreign suppliers of wheat, representing 57.4% and 18.2% respectively. The combined value of imports from the two countries was in the region of US$ 208 million. In 2009, South Africa's major wheat export destinations were Zimbabwe (72.2%), Zambia (24.9%) and, to a much lesser extent, Mozambique (2.5%).[70]

According to the DAFF, wheat farmers provide employment opportunities for about 28,000 people in South Africa. During the 1990s, employment in the milling industry decreased by 25%. Bread

accounts for between 70 and 80% of wheat use, with consumers spending R6.7 billion on bread in 2000 (compared with R6.2 on maize products in the same year).[71]

The producer price of wheat has fluctuated between R1,000 and R2,500 per ton over the last decade, increasing from the low to the high prices between 2005 and 2007, before declining again in the following period. In November 2010, the Competition Commission fined Pioneer foods a record R800 million following a number of investigations into Pioneer's activities in maize and wheat milling, baking, poultry and eggs. In the case of wheat, the Commission found Pioneer guilty of engaging in Cartel behaviour with other major millers (who were granted conditional immunity for admitting guilt and co-operating with the investigation) to fix the price of bread and wheat. It was also under investigation for colluding with other firms, using the South African chamber of baking as a conduit, thereby enabling, what the Commission euphemistically referred to as, 'coordinated outcomes without the necessity of meeting'. An independent baker in the Western Cape also laid a complaint against Pioneer that the company had threatened it with a 'price war' if it did not stick to fixed prices.[72]

SA Grain traders

Figures from 2004 indicate that the total grain silo capacity in South Africa was estimated at 17.5 million tons, 85% of which was owned by 22 silo owners. At this time three major companies controlled 70% of this capacity:[73]

Silo Group Owner	Relative share	Equivalent in tons
Senwes	31.2%	5,400,000
Afgri	21%	3,675,000
Noordwes (NWK)	18.1%	3,168,000

The DAFF estimates a current silo capacity of 16.3 million tons in the maize industry, of which 17 owners own 94%. Moreover, the three major silo owners (as they were in 2004) currently own 74% of storage capacity.

Company	Number of silos	Storage capacity (000s tons)
Afrgri	65	4,300
Kaap Agri	14	322
OVK	13	348
NWK	37	-
Senwes	70	4,800
Suidwes	16	-
VKB	13	763

Most of South Africa's major domestic grain handlers and marketers are re-incarnations of the old regional grain co-operatives that emerged throughout the country following the marketing Act of 1937. Thus, though grain handling and storage form significant components of their operations, many of them have adapted to the de-regulation of the agricultural landscape and diversified their focus to new areas such as seed, agro-chemicals and finance.

Afgri

Afgri was created in 1923, as the Oos-Transvaalse Landboukooperasie (OTK), formed by 29 original members. By the early 1980s, it had a silo capacity of 2.7 million tons. The former co-operative listed on the JSE in 1996, changing its name in 2003 to Afgri 'in an effort to move away from co-operative structure to world-class agri services.'[74] In 2005, Afgri sold 27.7% of its shares to BEE consortium Agri-Sizwe. After purchasing Rossgro Chickens in 2010, Afgri now has the capacity to process more than 1 million birds per week.

Afgri owns 65 grain silos in South Africa, with a total capacity of 4.3 million tons. It also has 9 'bunker silos'- recently introduced into South Africa.[75] In June 2011, Afgri entered into a binding agreement with Pride Milling to acquire the latter's yellow grits and by-products of the milling business for R220 million.[76] Afgri refused to comment to ACB on the proposed joint venture.

NWK (Noordwes)

NWK was founded as De Lichtenburg Cooperatieve Landbouw Maatschappij in 1909. In 1939, it was registered as the North West Co-Operative, erecting its first conventional grain silo at Sannieshof in the now North West Province in 1960. Two mergers, with Koster Co-Operative in 1987, and Marico Co-Operative in 1992, ensured that NWK entered the de-regulation period in South Africa agriculture in a strong position.[77] Today it has a highly diversified business portfolio, including: grain storage and marketing; agricultural management services; agricultural inputs; financial services; animal feeds and even a Volkswagen dealership.[78]

Like Afgri, NWK has also sought to enter the poultry market, establishing Opti Chicks in 2008. Seeing enormous potential growth in demand for poultry specifically, NWK plans to be able to supply 500,000 day-old broiler chicks per day once fully operational.[79] When asked about the potential impacts of the joint venture, Jan Grobbelaar of NWK Grain called it a 'smart move', and reflected the increasingly globalised nature of South African businesses. Though unsure of any specific implications, Mr. Grobbelaar expected the deal to result in intense competition within the sector.[80]

Mergers and acquisitions in the sector

Between 1999 and 2006, a spate of mergers and acquisitions within the agricultural sector were notified with the Competition Commission. Of the 26 notifications the Commission received, eleven involving firms who compete in the same market, known as horizontal integration. Most of the transactions were for large players increasing their market shares or entering other geographic markets where they were not previously active. A relatively large amount of horizontal integration took place in the maize sector. Several transactions transpired, involving some of the country's largest agribusiness companies, including: OTK Agri and Farm Feeds, Cargill Cotton and Afgri Operations and Tiger Brands and Enterprise Foods. [81]

Other mergers recorded were examples of strategic diversification, where generally larger market players are incorporating other products into their business. Pioneer Foods is a case in point; formed by the merger of Sasko, who were mainly engaged in milling and baking, and Bakomo, who had interests in milling, baking, poultry, animal feeds and consumer goods. Though milling and baking still account for roughly 70% of Pioneer's activities, it is also one of the most prominent consumer brand owners.[82]

Several other high profile mergers and acquisitions have taken place since this report was compiled by the Competition Commission. A brief perusal of the Commission's merger and acquisition (M & A) updates reveals that, in the last 12 months alone, 32 M & A notices have been filed with the Commission in the agricultural and food sector, with all but 5 being at least 'intermediate'[83] in size.

Trends in vertical consolidation

As shown above, commercial agriculture in South Africa has, since the early 1990s, undergone dramatic and far-reaching structural changes. Although affected under the moniker of political and economic 'transformation', sectoral shifts have done little to alter the underlying political economy of agriculture or to foster the 'agrarian transformation' that is a pre-requisite for any meaningful change in South Africa. While a brief and predominantly desk-top study cannot provide a definitive overview of the complex web of inter-linkages within the agribusiness sector, certain notable trends are apparent even to the uninitiated observer. These include: the dual storage and trading role now played by South Africa's former agricultural co-operatives and their expansion into the production of animal protein, particularly poultry.

Handling, storage and trading

Though grain handling has been fully de-regulated in South Africa, the bulk of grain storage infrastructure was built prior to this. Under the old Co-Operatives Act, competition was prohibited between the regional Co-Ops, resulting typically in one silo constituting its own market for up to 60 km in all directions. Thus, the large regional grain storage co-ops emerged from the de-regulation of agriculture in a very strong position. Senwes, for example, owns 56 of 80 silos in its main area of operation (the 'Senwes area'), and has 90% of the storage capacity in 45 of these silo areas.[84]

Following the sweeping liberalization of the South African agricultural sector, the grain trade has undergone a profound shift. With the abolition of the control boards, grains became just another tradable commodity: subject to the vagaries of the free market. The South African Futures Exchange (SAFEX) began trading grain in 1995. In 2001, SAFEX was purchased by the Johannesburg Securities Exchange (JSE) and now forms part of its Agricultural Products Divisions (APD).[85]

Grain is traded on a spot (current price) market, as well as a futures market. Grain must be traded by way of a negotiable instrument that can be traded multiple times, in this case known as a silo certificate. A silo certificate entitles the holder to collect 100 tons of maize from the silo issuing it. In the post-liberation era, agricultural control boards have been replaced by private grain traders, acting as intermediaries between farmers and millers. Many traders never physically handle any grain; the amount of grain traded on SAFEX exceeds the actual amount of physical trade by a factor of 8.[86]

Significantly, in the South African grain market, silo owners now also act as traders. This is important because the price that traders buy grain from farmers at is not the actual SAFEX spot price, but a price derived from it; based on additional costs such as storage and transport tariffs. These additional tariffs are set by Committees within SAFEX, based upon recommendations from silo owners of the grain silo association.[87] Historically, grain traders would offer a daily storage rate at the SAFEX tariff for a certain period, after which it would be 'capped'. Senwes, for example, would charge a daily rate for the first 100 days. After this, no further storage charges would accrue to the grain farmer or the trader for the remainder of the season.[88]

http://static.panoramio.com/photos/original/46955549.jpg

Up until May 2003, both farmers and traders could benefit from the capped tariff. After that time, Senwes only offered a capped tariff to farmers. Other grain handlers, including Afgri and NWK followed suit, though the two latter firms dropped this 'differentiated tariff' in response to an investigation by the Competition Commission into the grain silo industry. For traders without their own storage capacity, having to factor these extra storage costs into their overheads put them at a significant disadvantage when competing with Senwes to supply grain millers. Some margins could be saved if a trader could find a non-Senwes silo (that offered them a capped tariff) that would not entail prohibitive extra transport costs. However, the 'Senwes area' is, in the words of the Competition Commission, 'unusually well located to supply millers'.[89]

It was within these circumstances that a complaint was laid against Senwes by CTH trading in 2005. Over the course of an extensive investigation, the Competition Commission found Senwes guilty of using its dominant position to induce farmers not to sell to rival traders, as the extra storage costs rival traders had to pay would inevitably influence the price they could offer farmers for grain. Senwes appealed this decision, which was then overturned by the Competition Tribunal. However,

the Tribunal did find Senwes guilty of a 'margin squeeze'. This occurs when a vertically integrated company uses its position of dominance in an upstream market (grain storage in this instance) to 'prevent(s) its non-vertically integrated downstream rivals from achieving an economically viable cost price margin'.[90]

This decision was eventually overturned after Senwes appealed to the Appellate Division of the High Court, though tellingly, only on the technical grounds that the 'margin squeeze' charge had not been initially investigated by Competition Commission, and was therefore beyond the remit of the Tribunal to rule upon.[91] Looking beyond the intricacies of competition law and trade economics, it is at least clear from the above that the privatization of the grain trade in South Africa has disproportionately favoured the large former grain Co-Operatives and that these private companies are now using the benefits accrued during the period of closed agriculture to consolidate their hold over the sector.

The grain - poultry value chain

According to the UN Food and Agricultural Organistion (FAO), per capita meat consumption in developing countries doubled between 1980 and 2005, while the consumption of eggs has tripled. Cheap factory farmed meat is the principle reason for this consumption boom and these factory farms are in turn fed by an abundance of maize and soya (production of which in the global north is heavily subsidised).[92] By some estimates, up to 40% of global cereal production is now used as animal feed.[93] The real beneficiaries of this have been a small group of global meat companies, who have manipulated global trade and investment agreements to extend their reach into the global south, both in cereal and meat consumption. Tyson foods, the largest meat packer in the United States, now has large operations in China, India, Argentina and Brazil. Two of the world's top 10 meat producers in the world are Brazilian.[94] Though the scale of meat production in South Africa is not at these levels, the underlying logic of unfettered market expansion is a common denominator in both cases.

The South African meat industry has undergone rapid expansion over the last decade; from 2004/05 to 2008/09, the gross value of animal products has nearly doubled to a total value of almost $60 billion.[95] Poultry in particular has experienced phenomenal growth. Whereas per capita consumption of beef and mutton/lamb have both declined since 1993, and pork consumption has marginally increased, poultry consumption has more than doubled.[96] Consequently, it has become the country's largest individual agricultural industry, accounting for 60% of all animal protein consumption and 20% of all agricultural production.[97] The expansion in domestic production has been fed predominantly by yellow maize and soya. Processing capacity in the poultry sector increased by 50% over the last decade, to 18 million birds a week in 2010. Two firms, Rainbow and Astral, own over 50% of this capacity. A further 28% is owned between 5 companies, resulting in 7 firms owning 78% of total capacity.[98]

In response to this new lucrative market for grains, two of South Africa's largest former co-operatives have strategically manoeuvred themselves into this rapidly growing segment: Afgri, after purchasing Daybreak farms in 2006 and Rossgro Chickens in 2010, now has the capacity to process 1 million birds per week.[99] In 2007, NWK made a strategic decision to enter the broiler industry, beginning construction of facilities for this in 2008. Upon completion, these gave NWK the capacity to produce 100,000 eggs per day and 500 000 day-old broiler chicks per week.[100] Though confident of long-term expansion, industry tacitly acknowledges there is currently excess capacity.[101]

http://biologybiozine.com/images/white_turkeys.jpg

The poultry industry is heavily influenced by the price of maize and soya (which are the primary feed ingredients) and the Rand / Dollar exchange rate. It consumes approximately 2.4 million tons of maize[102] (mostly yellow), and 1.2 million tons of soy cake per year; 25% and 75% of total domestic maize and soy-cake consumption respectively. During 2008, feed prices increased by 32%. Though prices fell slightly in 2009, they were still significantly above historical levels, putting profit margins in the sector under severe pressure. Interestingly, Rainbow Chicken currently imports its entire soya feed requirements. While the R/$ exchange rate will no doubt have an impact upon this, it does illustrate that there is still considerable scope for expanding domestic soya cultivation and processing within South Africa.

The strength of the South African Rand against the US Dollar has exacerbated these problems being faced by domestic producers: poultry imports in 2010 were 265,791 tons, a 15% increase over 2009, and imports for the first quarter of 2011 are 18% more than for the same period last year.[103] Brazil is the main country of origin for poultry imports into South Africa, accounting for 73% in 2010.[104] In June this year the International Trade Commission of South Africa (ITAC) initiated anti-dumping[105] investigations, at the behest of the South African Poultry Association (SAPA), into poultry imports from Brazil, and a 'sun-set review'[106] of anti-dumping duties that were initially put in place against poultry imports from the United States in 2000. In 1999, the USA accounted for 33% of South Africa's poultry imports.[107] As a result of these measures, by 2010, this figure had fallen to 1.7% (in spite of overall imports increasing by 171% over the same period). Cleary, the outcome of this new case brought against Brazilian exporters could have far reaching effects in the poultry value chain.

Allegations of anti-competitive behaviour in the sector abound. The Competition Commission is currently investigating the SAPA, the Animal Feed Manufacturers Association (AFMA), Rainbow chickens, Astral foods, Pioneer foods, Country Bird Holdings and Afrgi. Chief amongst the complaints are collusion to divide markets between each other and placing onerous conditions on their customers regarding their source of broiler breeding stock and poultry feed.[108]

Conclusion

The agricultural landscape in South Africa has shifted dramatically since the demise of formal Apartheid. Whether this shift has been 'transformative' in any meaningful sense of the word is open to serious debate. These changes have not occurred in a vacuum, but have imitated developments at the global level and are shaped by extraordinarily powerful corporate interests. One of these corporations, Bunge, has strategically entered South Africa's agri-business sector through a joint

venture with Senwes, an agribusiness company that has a very strong position in the domestic market that has been found by the Competition authorities to have abused this position in the past. The fact that the Commission felt impelled to approve the deal subject to conditions is indicative of their ongoing concerns.

This joint venture will focus on three highly strategic agricultural value chains: maize, wheat and soya. Domestic production of wheat has declined consistently over the last decade, with the shortfall being made up by imports. Prior investigations by the Commission into bread and wheat price cartels and exclusionary conduct against small retailers illustrate the potential for predatory behaviour by a handful of powerful companies. The milling segment of the value chain has, in theory, created more competition, as there are more registered companies engaging in this activity. The market for the storage and handling of grain and oilseeds is even more concentrated, reflected in several high profile investigations in this part of the value chain.

Bunge is the world's leading handler of soybeans and has the ability to import massive amounts of soy products into South Africa from Latin America. Recent developments at SA's ports have increased the potential for this, but recent domestic production increases have negated this extra capacity thus far. An alternate scenario could see Bunge and Senwes exporting vast quantities of GM soya to neighbouring African countries. This is a scenario that would not only be beneficial to Bunge and Senwes, but also to a myriad of players in the biotechnology industry, as it would entail the inevitable opening up of new markets for GM soybeans.

The Competition Commission has prioritized food and agro-processing since 2006 and has initiated investigations into a number of agricultural markets. This is to be commended, as the poorest and most marginalized in society are disproportionately affected by food price increases, yet they often have the weakest voice in these debates.

Grain trading and poultry production are highly lucrative and present further opportunities for consolidation within agribusiness. On a recent visit to South Africa, Olivier De Schutter, the UN Special Rapporteur on the right to food, highlighted the important role the Competition Commission can play to address 'imbalances in the food chain'.[109]

These imbalances are the result of a food system in South Africa that produces a 6 million ton surplus of maize, yet leaves nearly 12 million people at risk of food insecurity.[110] Further research from three large urban areas puts food insecurity at a shockingly high 70%.[111] Statistics such as these highlight the paradox of want amongst plenty. Bunge's ability to transport millions of tons of agricultural produce will not alleviate hunger in a society where inequality is as stark as it is in South Africa.

Annexure 1

Grain and oilseed chains by company

	Commodity	Commercial Silo owner	End consumer	Harbour Silo Owner	Processor	Trader - no premises	Trader - with premises
Grains	Barley	11	0	3	23	6	8
	Maize	42	27	13	400	30	18
	Wheat	27	1	11	94	24	14
Oil Seeds	Canola	5	0	2	7	3	2
	Soybeans	14	0	11	45	13	10
	Sunflower	17	0	4	60	12	10

South African grain imports and exports, 2000 - 2010 (tons)

	Barley		Maize		Wheat	
	Imports	Exports	Imports	Exports	Imports	Exports
2010	53 500	2 500	27 000	1 670 000	1 285 000	240 000
2009	98 700	2 100	27 000	2 162 000	1 192 000	231 000
2008	96 600	3 700	1 120 000	472 000	1 396 000	223 000
2007	51 100	8 800	931 000	548 000	777 000	211 000
2006	79 500	6 400	360 000	2 143 000	1 055 000	111 000
2005	101 600	5 000	219 000	732 000	1 227 000	158 000
2004	69 500	0	441 000	1 096 000	1 042 000	158 000
2003	132 700	0	925 000	1 070 000	747 000	179 000
2002	166 900	200	395 000	1 281 000	407 000	149 000
2001	134 800	0	0	1 423 000	308 000	103 000
2000	157 300	0	569 000	533 000	624 000	72 000
Total	1 142 200	28 700	5 014 000	13 130 000	10 060 000	1 835 000

South Africa oilseed imports and exports, 2000 - 2010

	Canola		Soybeans		Sunflower	
	Imports	Exports	Imports	Exports	Imports	Exports
2010	0	0	2 300	121 300	62 200	100
2009	0	0	1 400	155 600	69 400	0
2008	0	0	16 300	5 400	1 500	79 400
2007	0	0	120 100	1 200	9 200	0
2006	0	0	10 400	1 200	2 800	100
2005	0	0	14 300	8 400	6 000	100
2004	0	0	18 000	2 200	17 500	100
2003	0	0	23 400	5 100	1 500	200
2002	0	0	34 800	1 200	1 800	45 700
2001	0	0	13 900	1 400	7 500	1 100
2000	0	0	91 900	2 800	400	300
Total	0	0	346 800	305 800	179 800	127 100

Source: South African Grain Information Service.

Annexure 2

Canola

Canola is mostly grown in the Southern Western Cape. The handling of canola after harvesting is slightly more labour intensive than other crops because of canola's small pips. In South Africa, demand for canola usually out-strips supply. From the late 1990s until 2003/04, the majority of canola used was for 'commercial consumption', though from this time, the vast majority has been crushed for its oil, and for oilcake.[112]

The area planted to canola over the last decade has fluctuated significantly: climbing from 20,000 ha in the year 2000, to a plateau at around 45,000 ha from 2003 – 2004, before declining to approximately 30,000 ha from 2006 onwards. The canola industry has been experiencing some fluctuations in producer prices over the last decade because of limited production in the country and less supply in the market. In 2009/10, the area planted to Canola was 34,820ha, with production of 36,900 tons.[113]

Barley[114]

Since the year 2000, the area planted to barley has oscillated between around 70,000 and 90,000 ha. Production over the same period peaked at over 250,000 tons during 2005 and 2006, while hovering around 200,000 tons for other years. It is a winter cereal crop and production is restricted to specific areas of the Western and Northern Cape (accounting for around 97% of production in 2009), as well as the North West province. In international terms, South Africa is not a significant

producer, ranking 49th in global Barley production in 2009. (In the same year Russia produced nearly 18 million tons.) On the African continent, South Africa, ranked third, though its production still lagged significantly behind Algeria and Ethiopia, who produced 2.2 million and 1.5 million tons respectively.

Barley is predominantly used for the production of malt, used to brew beer, with small quantities used in the manufacture of animal feed and pearl barley. For the last ten years, the local barley supply has been lower than consumption, necessitating the need for imports.

The barley value chain in South Africa is fundamentally different from those of other grains and oil seeds, as there is only one major buyer on the market, South African Breweries malting (SABM) Ltd, which supplies its major stakeholder South African Breweries (SAB). SABM processes approximately 250,000 tons of raw Barley a year, to convert into malting Barley for brewing. Approximately 150,000 tons of this is currently produced domestically. According to Andre Uys, grain manager at Overberg Agri (the largest Barley handler in the country), SAB also sources barley directly from abroad using the large multinational grain traders and has previously used Bunge.[115]

Barley producers have a guaranteed market and fixed price contracts. Between 2005 and 2008, the producer price of Barely more than doubled, from slightly above R1,000 a ton, to over R2,200 per ton, before decreasing slightly in 2009.

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