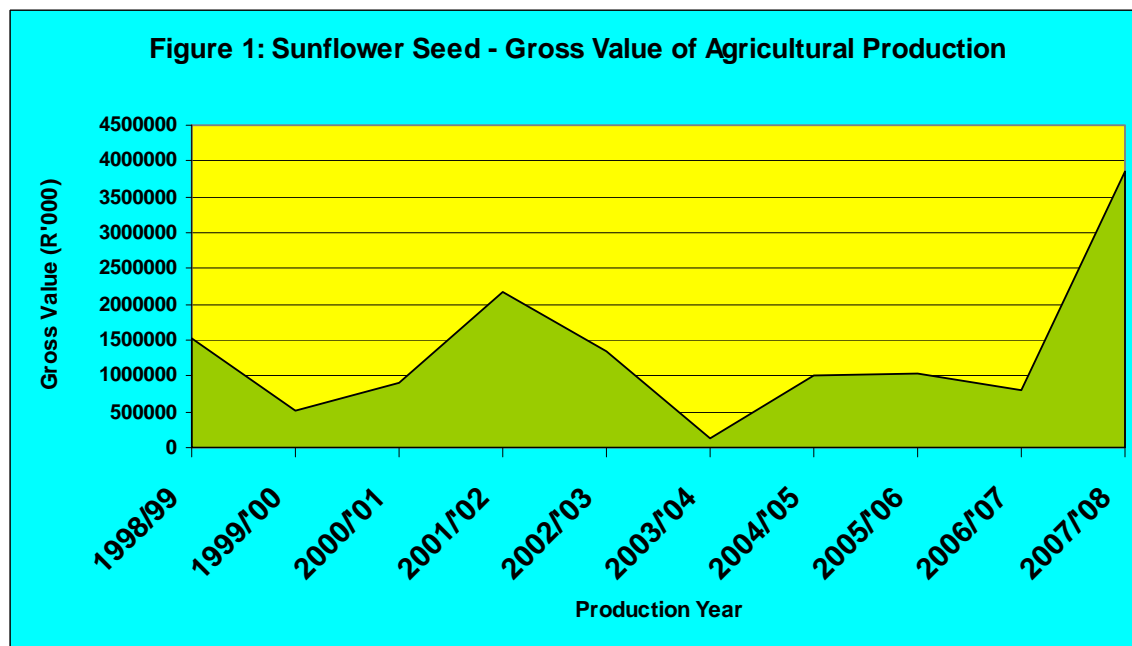


SUNFLOWER SEED MARKET VALUE CHAIN PROFILE

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 period between 1998 and 2007, sunflower seed production amounted 700 000 tons on average while the gross value was approximated at 1 000 million. South Africa is not a significant role player 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 behavior of the gross value of production, which can be associated with the cycle of the producer prices received of sunflower seed. During 2004/05 sunflower seed production contributed approximately 1.2% to the gross value of agricultural production; which is the lowest over the ten year period under review.



Source: Agricultural Statistics

The contribution of the sunflower industry to the gross value of agricultural production continued to decrease during the 2006/07 production year owing to decreases in the total area planted to this crop and decreases in the total production. However, the industry's contribution to the gross value of agricultural production experienced a substantial increase during 2007/'08 owing to increases in the area planted and total production.

1.1 Production Areas

Sunflower seed is produced mostly in the eight provinces out of the nine provinces. Traditionally, the North West and Free State Provinces produced a significant amount 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.

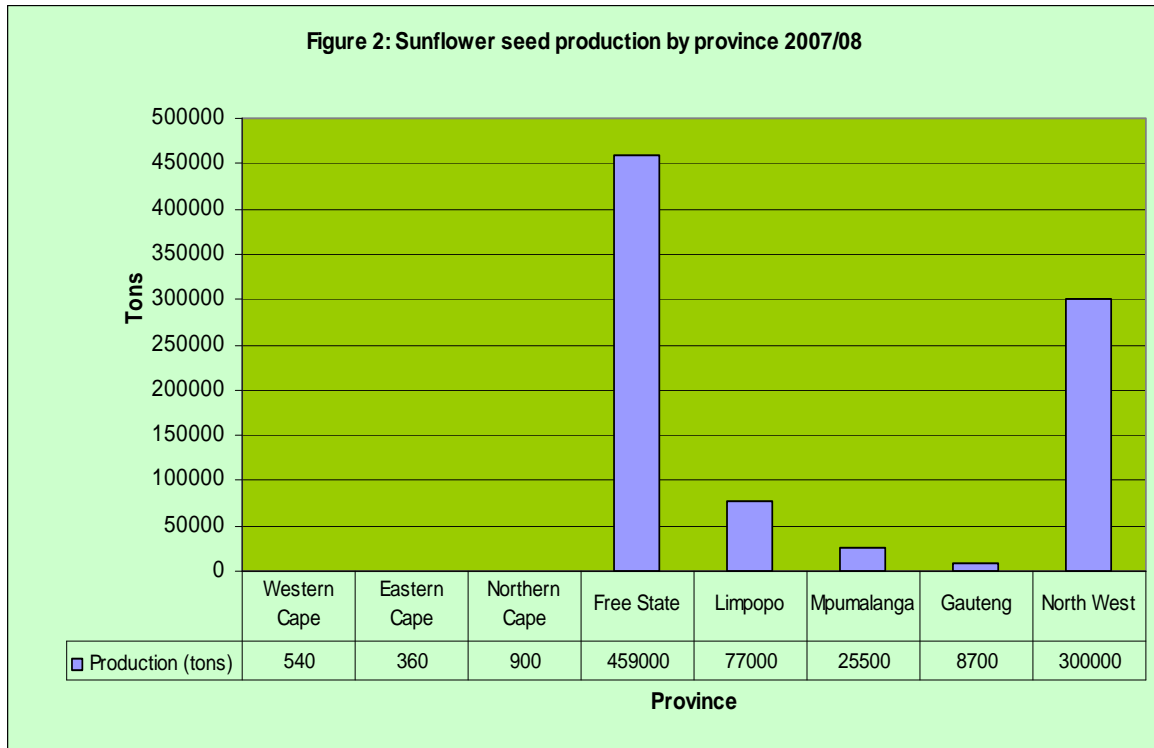
Table 1: Sunflower seed production by provinces

Province	Production in 2004 (tons)	Production in 2005 (tons)	Production in 2006 (tons)	Production in 2007 (tons)	Production in 2008 (tons)
Western Cape	380	450	80	300	540
Eastern Cape	270	240	240	180	360
Northern Cape	850	1 000	1 800	1 320	900
Free State	276 000	260 000	204 000	155 000	459 000
Limpopo	37 000	36 000	42 800	12 500	77 000
Mpumalanga	46 000	45 500	56 230	13 000	25 500
Gauteng	22 500	13 900	14 850	7 700	8 700
North West	265 000	262 910	200 000	110 000	300 000

Source: Agricultural Statistics

The general observation from Table 1 is that during the five year period between 2004 and 2007 production of sunflower seed has experienced a downturn in almost all the major producing provinces. The Free State Province has consistently experienced a downward trend in sunflower seed production during this period; while another major producer the North West Province has also had a similar experience. The same trend is observed in other provinces such as the Limpopo and Mpumalanga Provinces.

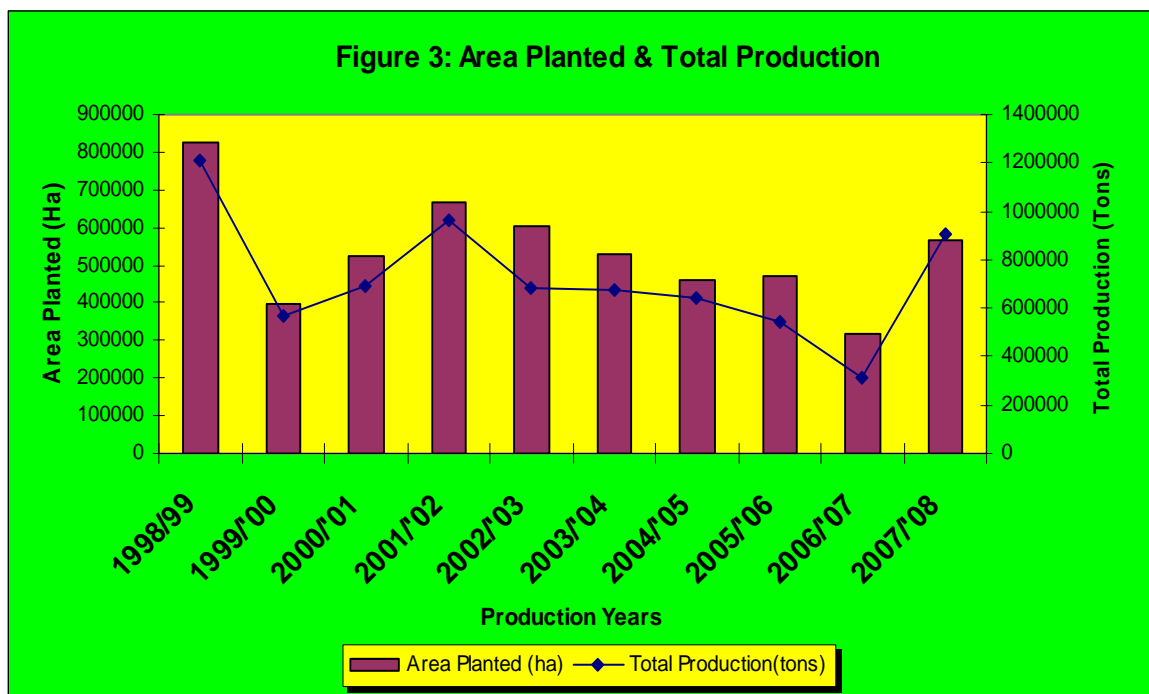
The actual production of sunflower seed during the 2007/08 production season is depicted in Figure 2 and shows that the Free State and North West provinces were the major producers of this crop, followed by Mpumalanga and the Limpopo provinces. Very small quantities of sunflower seed were produced in the Western, Eastern and Northern Cape Provinces of South Africa. The Free State and North West provinces are the major traditional producers of sunflower seed since the main grain production areas are situated within these provinces even though production in the North West province.



Source: Agricultural Statistics

1.2 Production Trends

Production of sunflower seed has an inverse relationship with the production and prices of maize as can be seen in Figure 3 below. This can be ascertained by the large production experienced in 1998/99 where production of maize was lower due to unfavorable weather conditions during that particular season. 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 stabilized at around 600 000 hectares per annum with the exception of the 2006/07 production season when the total production was around 450 000 tons. Both area planted and total production of sunflower seed experienced substantial increase during the 2007/'08 season as compared to the past four seasons.



Source: Agricultural Statistics

Information on the number of sunflower producers is not available, but industry sources believe the number of producers is just slightly lower than the number of maize producers. This is due to the fact that farmers plant both crops simultaneously as part of their diversification strategy (FPMC report December 2003).

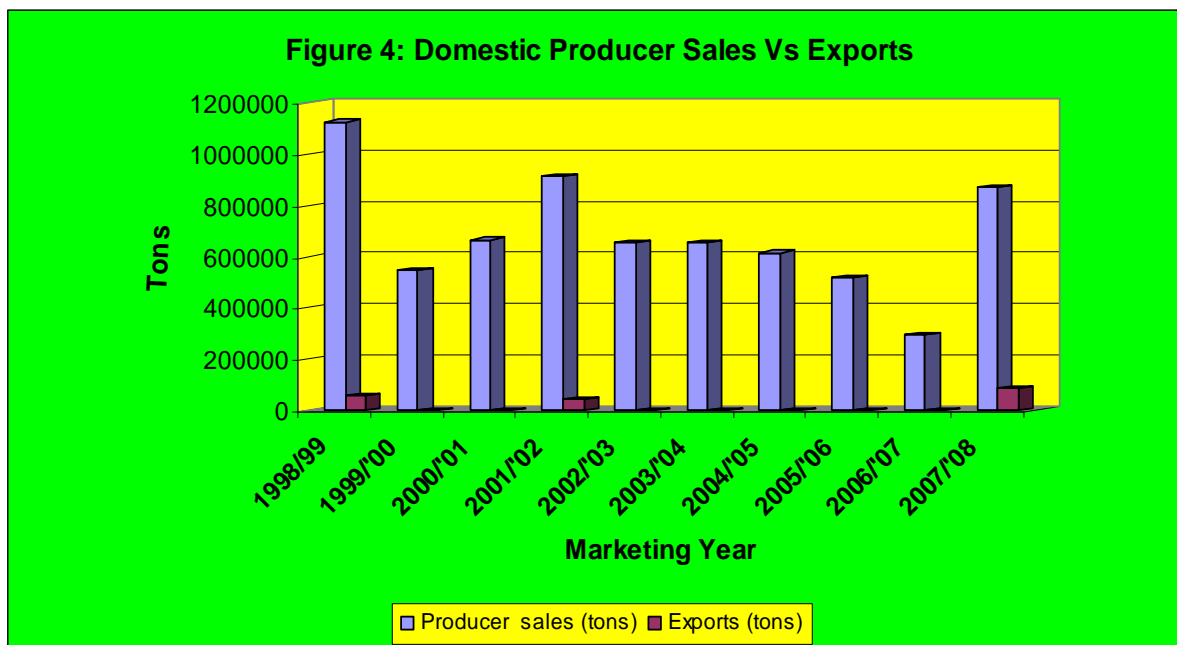
2. MARKET STRUCTURE

2.1. Domestic Market

The processing of sunflower seed is highly capital intensive and requires high technology and specialized 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.

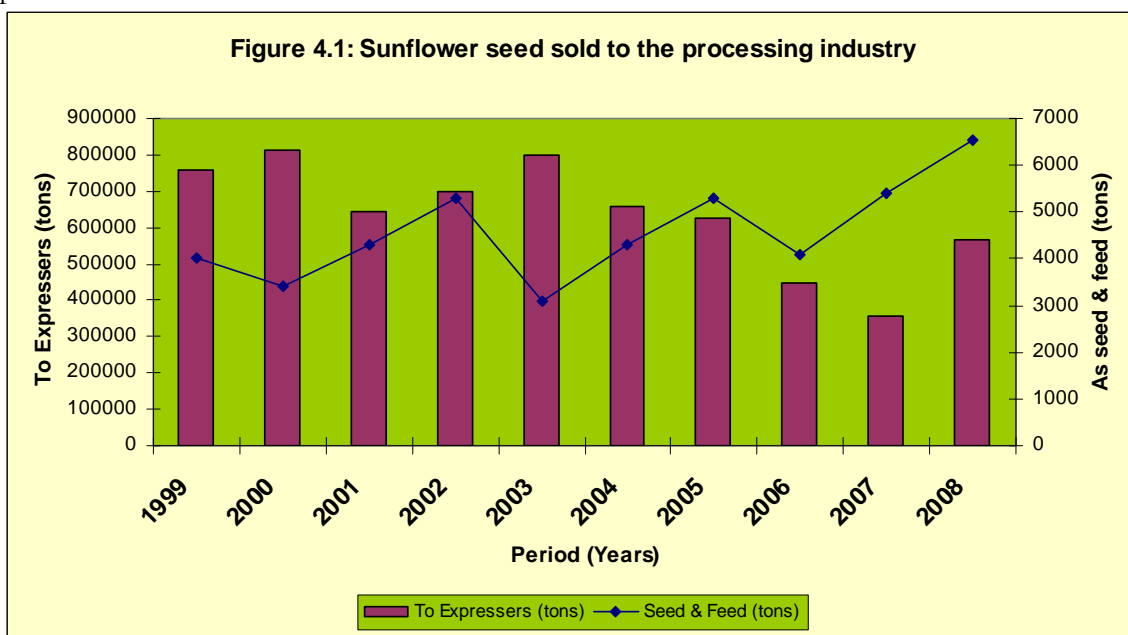
The greatest importance of sunflower production is the extraction of oil from the seed. South Africa has produced about 230 000 tons of sunflower oil for the past ten years, which represent about 30% of the seed produced. The industry does not import any significant sunflower seed but import sunflower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

For the past ten years the quantity of sunflower crude oil imported has decreased by 17%, which indicate that the processors were able to source their input cheaply in the domestic market 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.



Source: Agricultural Statistics

Figure 4 indicates that South Africa is not a major exporter of sunflower seed. Over the past ten years sales of sunflower seed have been in the domestic market with very little quantities destined for the export market. This can be due to the fact that our processing capacity in the country is big enough to accommodate most of sunflower seed produced locally. In actual fact South Africa remains a net importer of sunflower seed. Sales in the domestic market increased substantially during 2007/08 owing to increased production during this period.

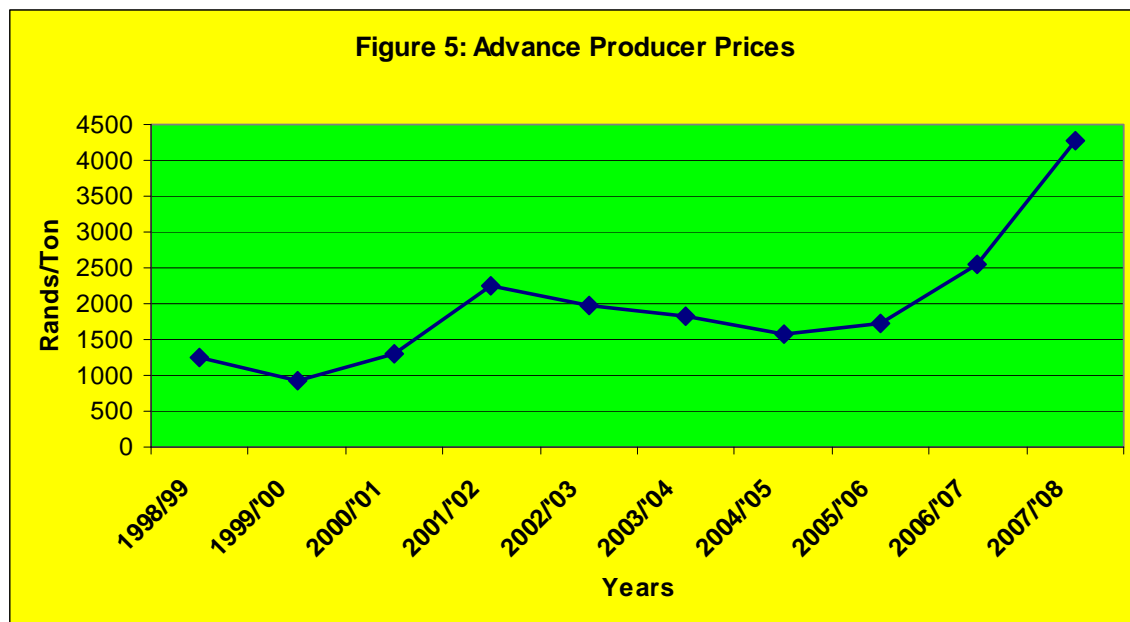


Source: Agricultural Statistics

Figure 4.1 clearly indicates that the quantity of sunflower seed sold to expressers was relatively higher than the quantity sold as seed and for animal feed manufacturing between the years 1999 and 2004. This trend exhibited some fluctuations between the periods 1999 and 2008 after which the quantity of sunflower seed sold to expressers declined to levels lower than 400 000 tons during the period 2007 while the amounts used for animal feed manufacturing and as seed saw an increase to the 2005 levels during 2007, until a peak was reached slightly below 7 000 tons during the 2008 period.

2.2. Producer prices

The sunflower seed is one of the commodities traded on SAFEX (South African Futures Exchange). The SAFEX price serve 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, and the demand and supply in 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.

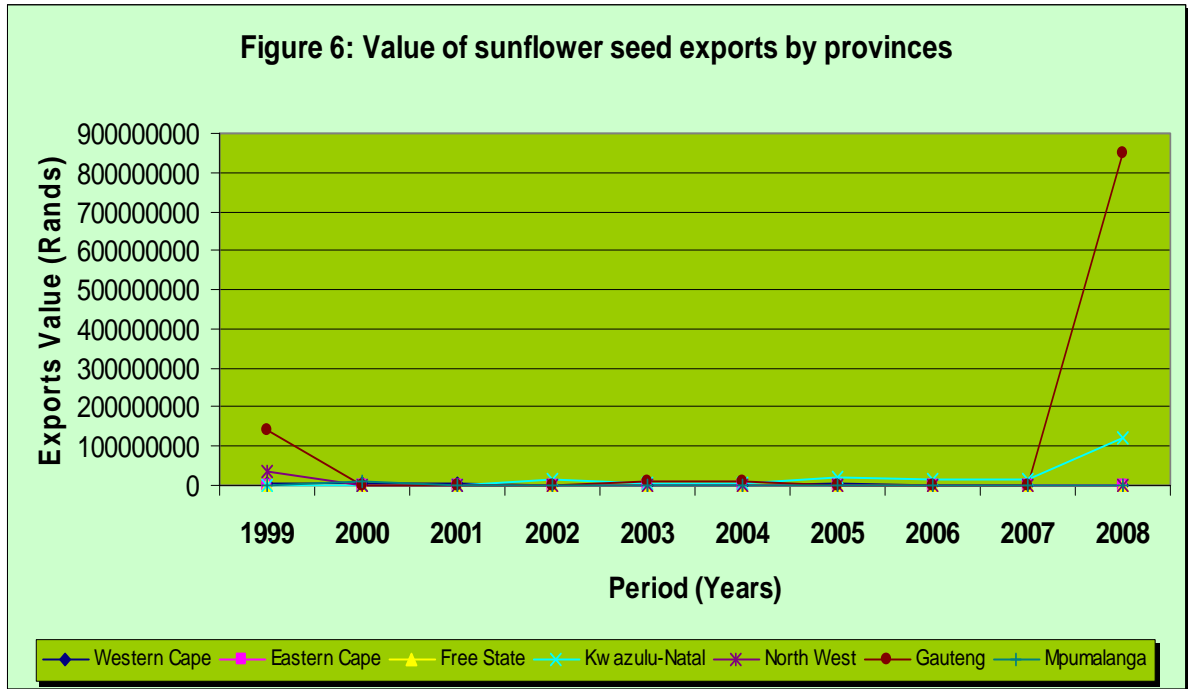


Source Agricultural Statistics

The prices producers received for sunflower oil produced has been around R1 000 per ton prior to 2000, then increased just over R1 500 up to 2006 but showing a general decrease from the year 2003 up to 2005 which can be attributed to a strengthening rand against the US dollar over the same period. Producer prices increased substantially during the 2006/07 year to levels close to R3 000/ton, until a peak was reached to levels below R4 500 per ton during the year 2008.

2.3. Exports

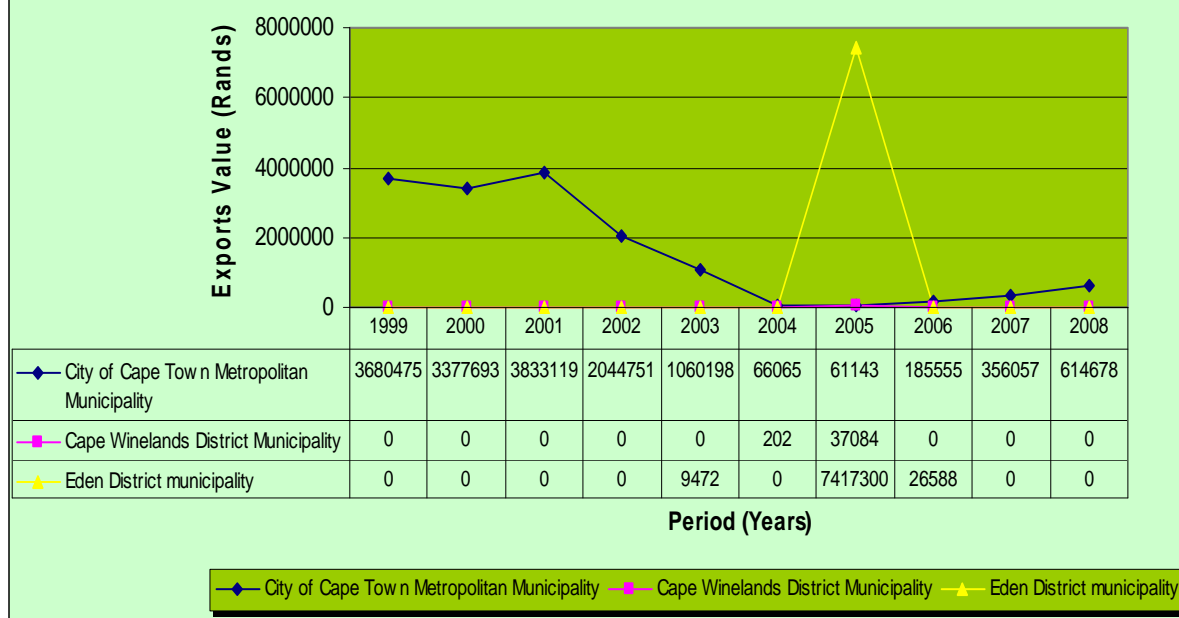
The major exporters of sunflower seed to South Africa are China, Malawi, Australia and India. During 2005, China commanded 65% share in South Africa's sunflower seed imports, followed by Malawi (15%), Australia (15%) and India (3%).



Source: Quantec Easy Data

Sunflower seed exports over the period between 1999 and 2008 are mainly from the Gauteng Province, and very minimal exports originating from the North West and Kwazulu Natal province of South Africa. The Gauteng province recorded high sunflower seed export values with peak experienced during 1999 that correspond with increased production levels and increased areas planted to sunflower seed domestically followed by very few sunflower seed exports levels from the North West Province. Between 2001 and 2007 exports of sunflower seed through the KwaZulu-Natal Province were greater than from any other province in the republic with greater export values recorded during this period. However, during the period 2008, trends in sunflower seed exports from the Gauteng Province showed a magnificent increase to levels above R800 000, 000 until a peak was reached, followed by very few exports from Kwazulu Natal Province to levels slightly above R100 000, 000. Generally, sunflower seed export values have decreased from 2001 until 2005 owing to decreased production levels and areas planted to sunflower seed. Decreased production and areas planted to sunflower seed are attributable to the fact that grain farmers can switch from sunflower to maize easily and most of them plant both as a way of diversifying their farming operations.

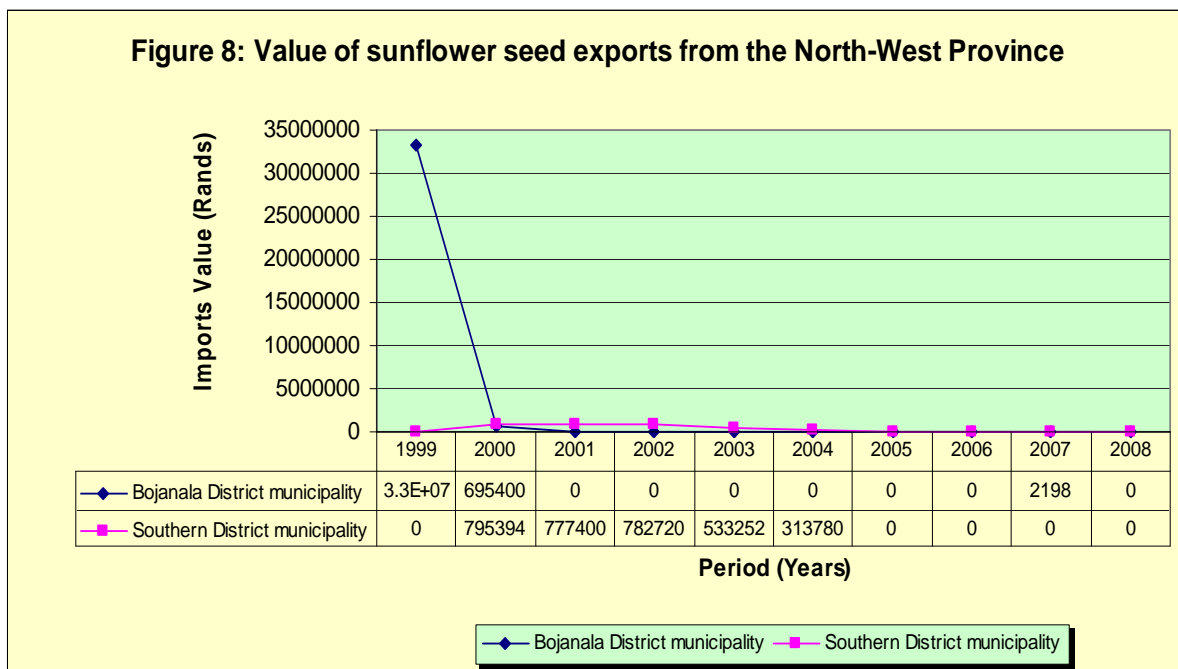
Figure 7: Value of sunflower seed exports from the Western Cape Province



Source: Quantec Easy Data

In the Western Cape Province sunflower seed exports occur mostly through the City of Cape Town Metropolitan municipality which recorded a peak during 2001 and then declined substantially between the periods 2002 and 2005. Sunflower seed exports from the Eden district municipality have been constantly low between the period 1999 and 2004, increasing substantially in 2005 but later decreased in 2006 until there was no export in 2008. The trends in sunflower seed exports from the City of Cape Town Metropolitan Municipality continued to increase from 2006 until 2008, showing an upward movement. The location of ports in this province accounts for high export values recorded from the City of Cape Town municipality. It is also important to note that insignificant exports of sunflower seed also occur from the Cape Winelands District Municipality.

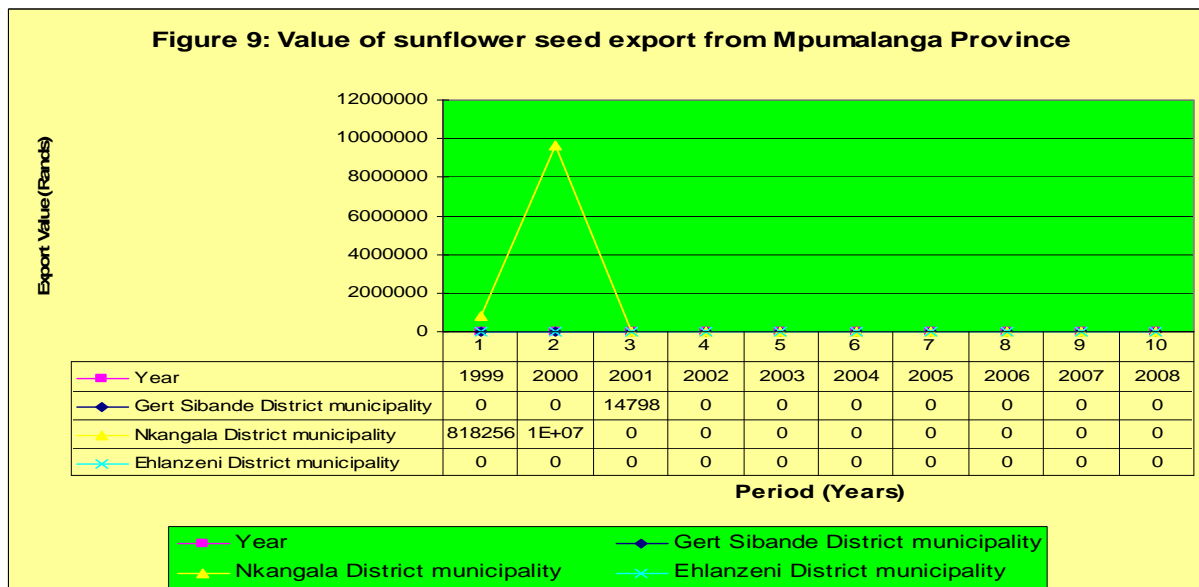
Figure 8: Value of sunflower seed exports from the North-West Province



Source: Quantec Easy Data

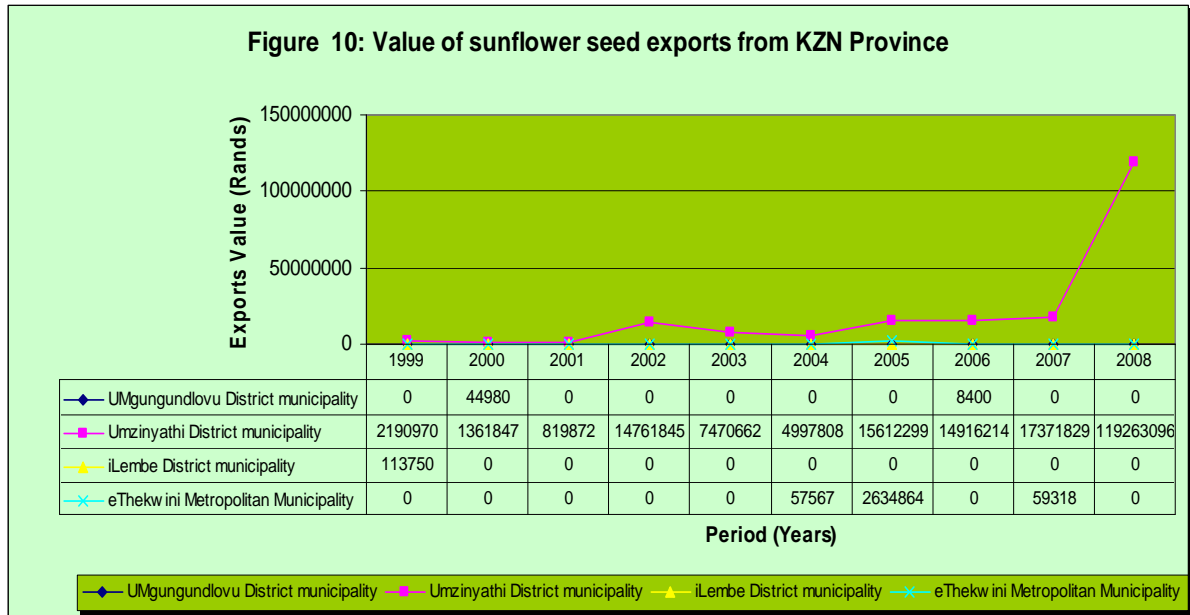
A peak was reached slightly below R35 000, 000 in Sunflower seed exports from Bojanala District municipality of the North West Province during the period 1999. Sunflower seed exports from the North West province originate mainly from Dr Kenneth Kaunda District (formerly the Southern District) which is a major grain producing region within the province. However, the values of sunflower seed exports from this district diminished during the recent years between 2005 and 2008.

Figure 9: Value of sunflower seed export from Mpumalanga Province



Source: Quantec Easy Data

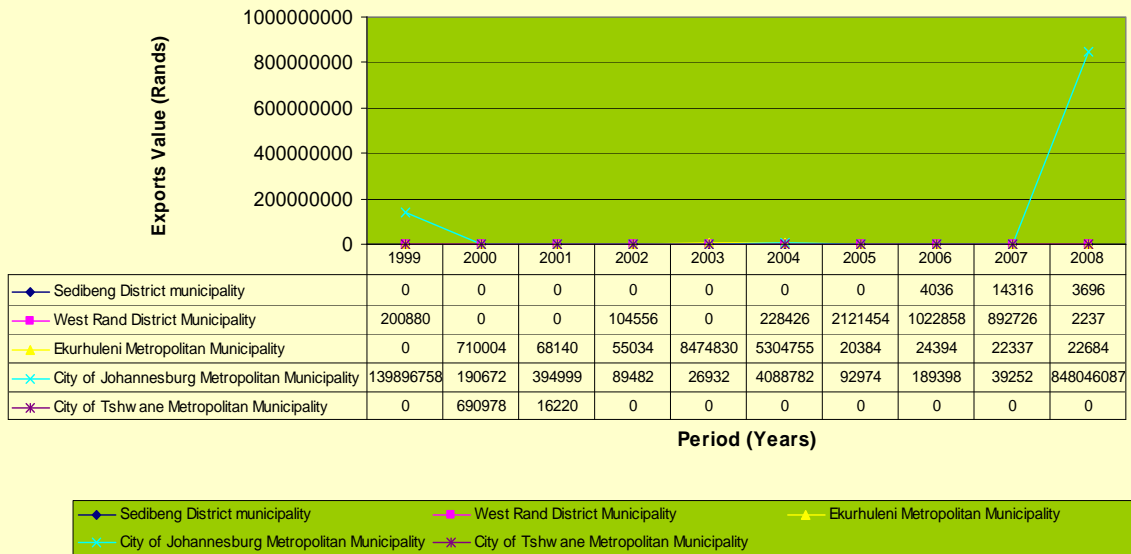
In spite of the fact that the Mpumalanga province is the third largest producer of sunflower seed in the country, its contribution to exports has been very minimal between the periods 1999 and 2001. These exports originate mainly from the Nkangala district and insignificant values from the Govan Mbeki district.



Source: Quantec Easy Data

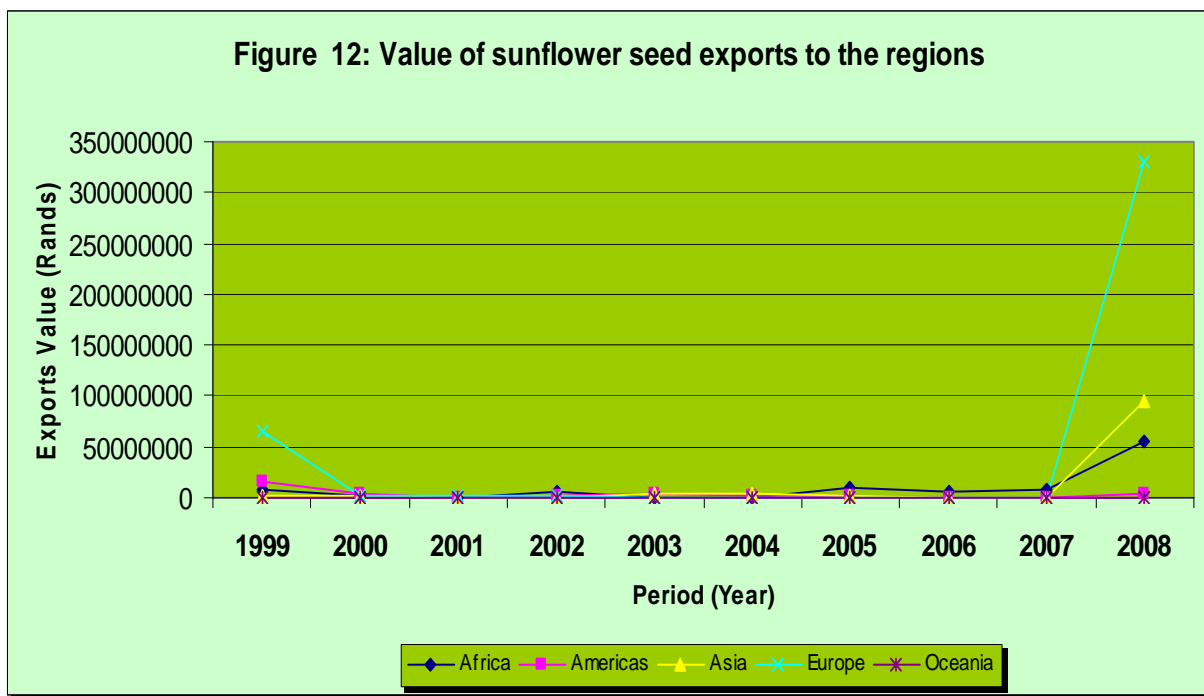
The value of sunflower seed exports from the Kwazulu-Natal province were fluctuating between the periods 1999 and 2008 with the lowest levels having occurred between the periods 1999 and 2001. Sunflower seed exports from the UMzinyathi district increased to reach a peak in 2002 and then decreased substantially between 2003 and 2004. Significant increases in the value of sunflower seed exports occurred between 2005 and 2007, until a peak was attained at levels above R100 000, 000 during the period 2008 from the UMzinyathi district. These exports that originate mainly from the UMzinyathi district municipality are mainly because some of the large refineries that produce sunflower oil are located in the Kwazulu-Natal province and in addition the availability of the Durban harbor in the province gives the Province a comparative advantage when it comes to exportation of many agricultural products.

Figure 11: Value of sunflower seed exports from the Gauteng Province



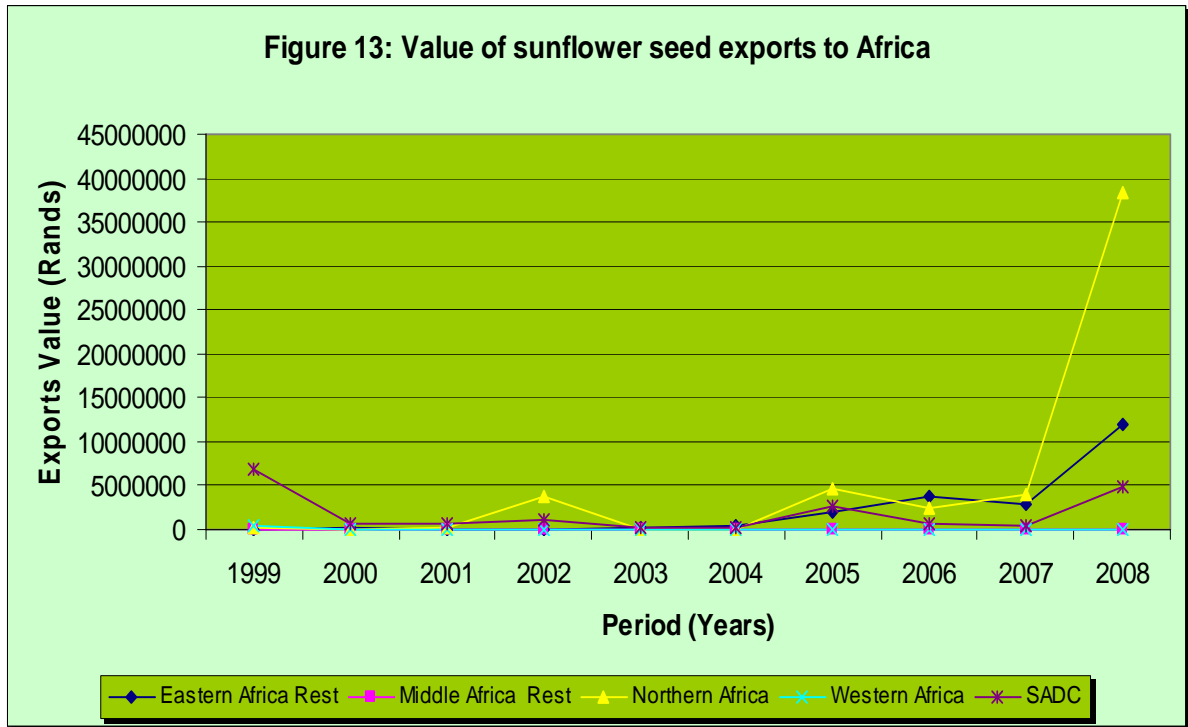
Source: Quantec Easy Data

In the Gauteng province, as shown in Figure 11 sunflower seed exports arise mainly from the City of Johannesburg Metropolitan Municipality while sunflower seed exports from the other three districts namely, Sedibeng, West Rand and Ekurhuleni have been very irregular over the period between 1999 and 2008. The value of sunflower seed exports originating from the City of Johannesburg municipality has peaked during 1999 and then declined substantially between the periods 2000 and 2007 while exports from the other three districts have been considerably lower during the period under review. However, during the year 2008, sunflower seed exports from the City of Johannesburg Municipality peaked at levels slightly above R800 000, 000 dominating the total Gauteng district in sunflower seed exports. The Gauteng Province, in spite of not being a major producer of sunflower seed is an exporter of sunflower oil because some of the largest refineries that produce sunflower oil are located within this province.



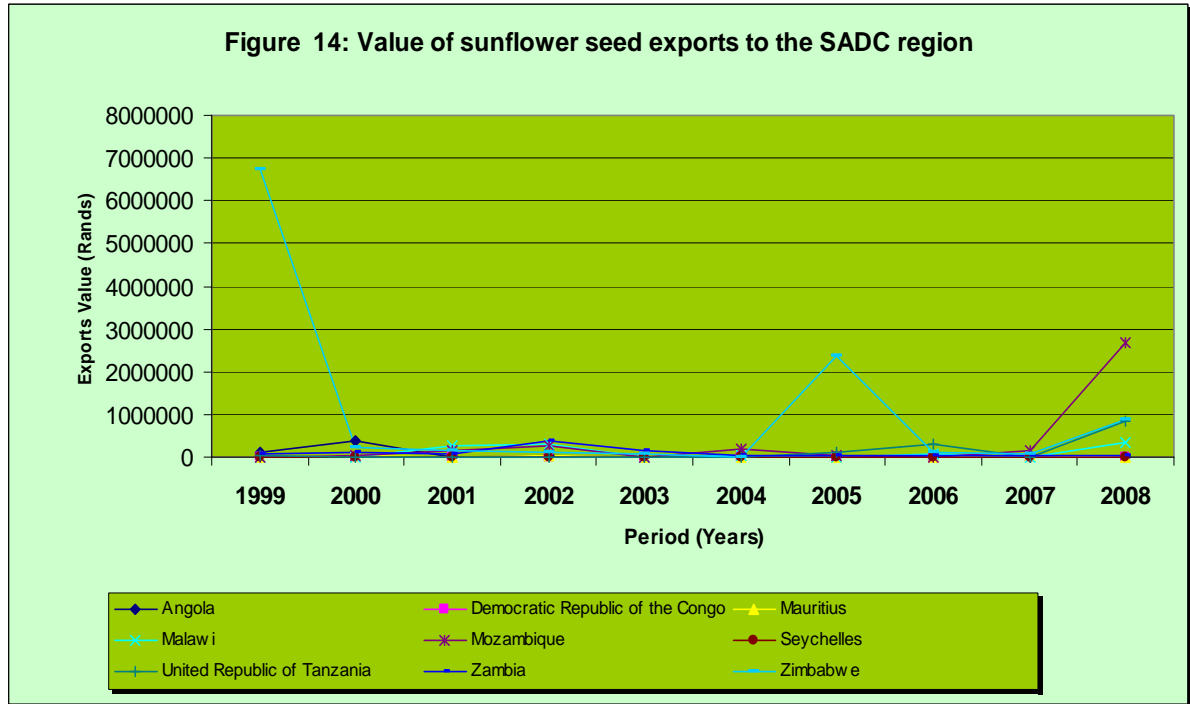
Source: Quantec Easy Data

Sunflower seed from South Africa is exported mainly to Africa, Americas, Asia and Europe and intermittently to Oceania. The exports to these regions fluctuated considerably over the past ten years with a peak of exports destined to Europe, Americas, Africa and Asia in the year 1999. Sunflower seed exports to all the main four regions experienced a dramatic decrease between the years 2000 and 2007 with exports to the African region increasing slightly between 2005 and 2007. During the period 2008, sunflower seed exports to Europe peaked at levels slightly below R350 000, 000, followed by exports from Asia and Africa with levels below R100 000, 000 and very few sunflower seed exports from the Americas.



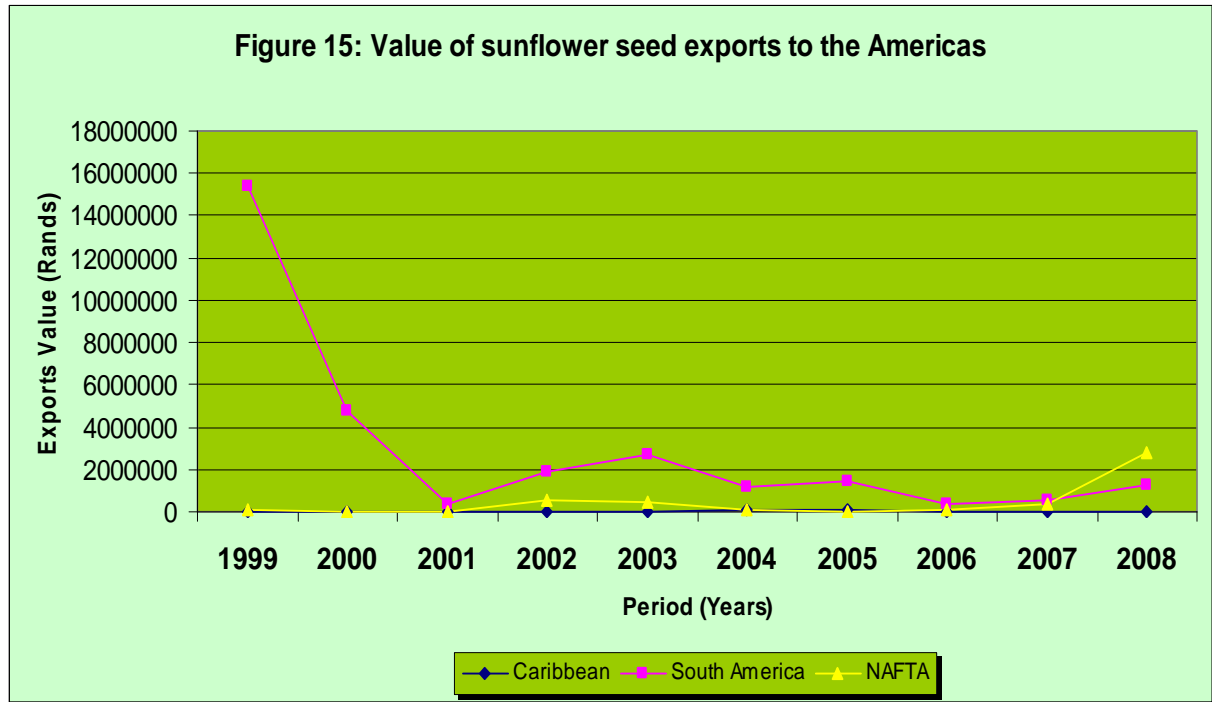
Source: Quantec Easy Data

On the African continent we export our sunflower seed to Eastern Africa, Middle Africa, Northern Africa and Western Africa with significant amounts of exports during the period 1999 going to the SADC countries. In the SADC region Zimbabwe is the major importer of sunflower seed originating from South Africa and this can be attributed to the economic crisis that the country is facing. In the year 2005, higher amounts of sunflower seed exports from South Africa were destined to Northern Africa, with a peak reached slightly below R5 000, 000, followed by exports to SADC and the Eastern Africa Rest. However, from the period 2005, several fluctuations occurred with regard to sunflower seed exports to Africa until a peak was attained during the period 2008 with more exports being destined to the Northern Africa, followed by exports to Eastern Africa Rest and the SADC region.



Source: Quantec Easy Data

In the SADC region as shown in Figure 14, the main destinations for sunflower seed exports originating from South Africa have continuously been Angola, Malawi, Mozambique, Zambia and Zimbabwe over the period between 1999 and 2008. During the period 1999, advanced amounts of exports in value, slightly below R7 000 000 were destined to Malawi followed by very few to other African Countries. The figure shows that Sunflower seed exports to Malawi were higher than any other SADC Country during the period 2005. however, several fluctuations occurred considering the sunflower seed export to SADC between the periods 1999 and 2008, until a peak was reached with regard to sunflower seed exports to Mozambique, followed by Zimbabwe, United Republic of Tanzania and Malawi during the period 2008.



Source: Quantec Easy Data

The Main exports of sunflower seed originating from South Africa to the Americas were destined to South America and NAFTA countries but the trend exhibit a decline between the periods 2001 and 2007. during the period 1999, sunflower seed exports from South Africa to Americas were destined to the South America, with a peak attained slightly below R16 000, 000 in value. Several fluctuations occurred between the period 1999 and 2007, until the trends in sunflower seed exports showed an increase to the 2008 period, with more exports destined to the NAFTA, followed by South America.

2.3.1. Share Analysis

Table 2: Share of provincial sunflower seed exports to the total SA sunflower seed exports (%)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Province										
Western										
Cape	2.04	19.30	63.73	11.46	6.07	0.44	26.84	1.29	1.89	0.06
Eastern										
Cape	0.00	0.00	1.49	0.00	0.15	0.00	0.00	0.00	0.00	0.00
Free State	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.04	0.00
Kwazulu-Natal	1.27	8.04	13.63	82.75	42.44	33.57	65.17	91.11	92.88	12.32
North-West	18.46	8.52	12.92	4.38	3.02	2.08	0.00	0.00	0.01	0.00
Gauteng	77.76	9.09	7.96	1.39	48.29	63.90	7.98	7.57	5.16	87.61
Mpumalanga	0.45	55.03	0.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Calculated from Quantec easy data

The Kwazulu-Natal, Gauteng and North-West provinces commanded the greatest share of sunflower seed exports between the years 1999 and 2004 with some fractional exports recorded for the Western Cape Province between 2001 and 2006. Between the years 2005 and 2007 the KwaZulu-Natal Province increased its share of sunflower seed exports substantially. Sunflower seed exports from the North-West province are attributable to the fact that Dr Kenneth Kaunda Region in the province is the major producer of sunflower seeds while the Kwazulu-Natal province has an advantage due to the presence of the Durban harbor which serves as a viaduct of exports that are transported from the Randfontein grain market in the Gauteng province. During the 2006 year, 91.11% of the total South African sunflower exports were exported via KwaZulu-Natal while 7.5% and 1.29% were exported through Gauteng and Western Cape Provinces. This figure increased to 92.88% share for the KwaZulu-Natal province in 2007. During the period 2008, Gauteng Province commanded the greatest shares around 87.61% of provincial sunflower seed exports to the total South African sunflower seed export followed by the Kwazulu Natal Province with almost 12.32% shares.

Table 3: Share of district sunflower seed exports to the total Western Cape sunflower seed exports (%)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
District										
City of Cape Town	100	100	100	100	99.11	99.68	0.81	87.46	100	100
Cape Winelands	0.00	0.00	0.00	0.00	0.00	0.03	0.49	0.00	0.00	0.00
Eden	0.00	0.00	0.00	0.00	0.88	0.00	98.69	12.53	0.00	0.00

Source: Calculated from Quantec easy data

Table 3 clearly shows that the City of Cape Town municipality serves as a bypass of sunflower seed exports due to the use of the Cape Town harbor since it commanded the greatest share of sunflower seed exports between the years 1999 and 2004. During the 2005 year the Eden district commanded 99% share of all sunflower seed exports in this province after which the situation returned to the one experienced pre-2005. However, during the period 2008, the City of Cape Town commanded almost 100% shares of district sunflower seed exports to the total Western Cape sunflower seed exports.

Table 4: Share of district sunflower seed exports to the total North West sunflower seed exports (%)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
District										
Bojanala Platinum	100	46.65	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00
Dr Kenneth Kaunda	0.00	53.35	100	100	100	100	0.00	0.00	0.00	0.00

Source: Calculated from Quantec easy data

Sunflower seed exports from the North West Province have been recorded in the Bojanala Platinum and Dr Kenneth Kaunda districts. During the period 1999 the Bojanala Platinum district commanded the greatest share of sunflower seed exports after which exports of this product arose from Dr Kenneth Kaunda district primarily between the years 2000 and 2004. The Bojanala Platinum district commanded 100% share of sunflower seed exports in 2007 after a two absence of exports of this product from this province. However, during the period of 2008, there was no share of sunflower seed export commanded by any of the district in the North West Province, which shows a decline in exports by the Province during that period.

Table 5: Share of district sunflower seed exports to the total Gauteng Province sunflower seed exports (%)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
District										
Sedibeng	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.32	1.47	0.00
West Rand	0.14	0.00	0.00	41.97	0.00	2.37	94.92	82.44	92.16	0.00
Ekurhuleni	0.00	44.60	14.21	22.09	99.68	55.13	0.91	1.96	2.30	0.00
City of Johannesburg	99.85	11.97	82.40	35.92	0.31	42.49	4.16	15.26	4.05	99.99
City of Tshwane	0.00	43.41	3.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Calculated from Quantec easy data

The City of Johannesburg, Ekurhuleni and West Rand districts in the Gauteng province are the main players in the export of sunflower seeds due to the role played by the Randfontein market in the trading of grain. The City of Tshwane Metropolitan District only recorded sunflower seed exports between the years 1999 and 2001 with the greatest share commanded in 1998. Grain gets transported by rail from Randfontein to the harbors for export purposes. During the period 2008, the City of Johannesburg commanded 99.99 % shares of district sunflower seed export to the total Gauteng Province sunflower seed exports.

Table 6: Share of district sunflower seed exports to the total Kwazulu-Natal sunflower seed exports (%)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
District										
UMgungundlovu	0.00	3.19	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.00
UMzinyathi	95.06	96.80	100	100	100	98.86	85.56	99.94	99.66	0.00
ILembe	4.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EThekwini	0.00	0.00	0.00	0.00	0.00	1.13	14.43	0.00	0.34	0.00

Source: Calculated from Quantec easy data

In the Kwazulu-Natal province, the UMzinyathi district commanded the greatest share of sunflower seed exports between the periods 1999 and 2008 with very fractional exports recorded for the EThekwini district in 2004 and 2007. During the 2007 season the UMzinyathi district accounted for 99.66% of sunflower seed exports from the KwaZulu-Natal Province with the remaining 0.34% coming from EThekwini Metropolitan district.

However in 2008, there was no sunflower seed export shares commanded by any of the district in the Kwazulu Natal Province.

Table 7: Share of district sunflower seed exports to the total Mpumalanga sunflower seed exports (%)

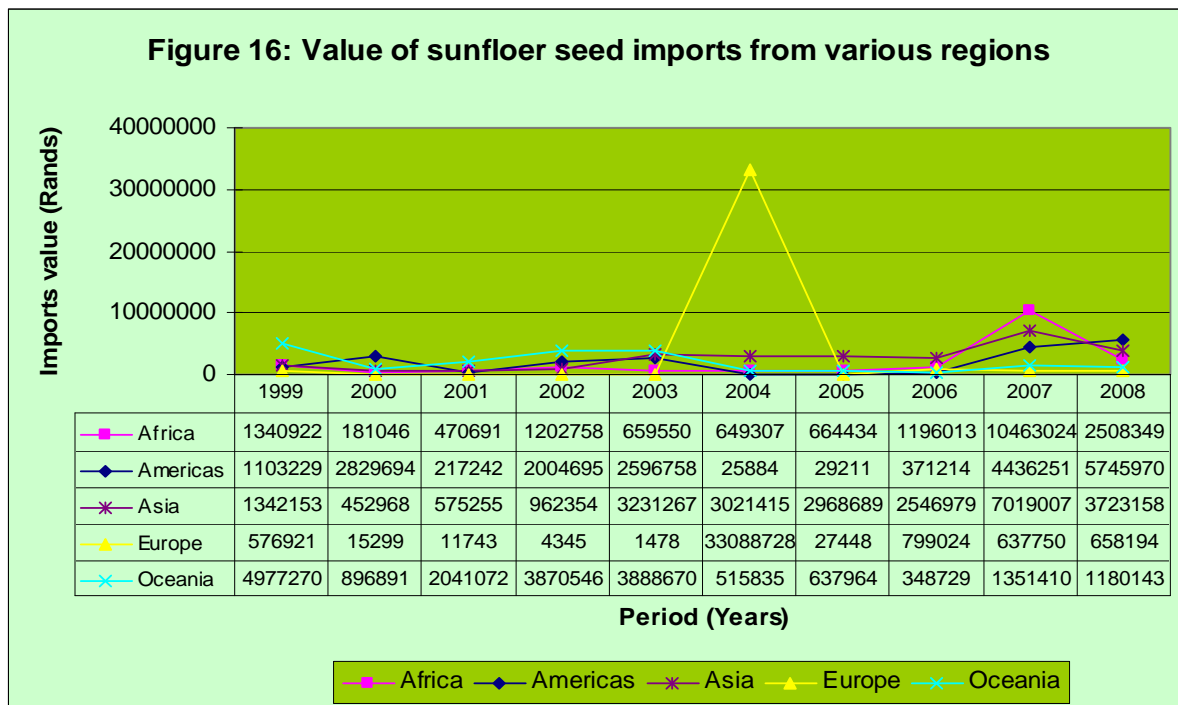
Year	1999	2000	2001
District			
Govan Mbeki	0.00	0.00	100
Nkangala	100	100	0.00

Source: Calculated from Quantec easy data

The Mpumalanga province recorded sunflower seed exports between the years 1999 and 2001 mainly from two districts namely, Govan Mbeki and Nkangala districts. Table 7 shows that the Nkangala district commanded the greatest shares of district sunflower seed exports to the total Mpumalanga sunflower seed exports between the periods 1999 and 2000. During the period 2001, Govan Mbeki district commanded almost 100% shares of the total Mpumalanga sunflower seed exports.

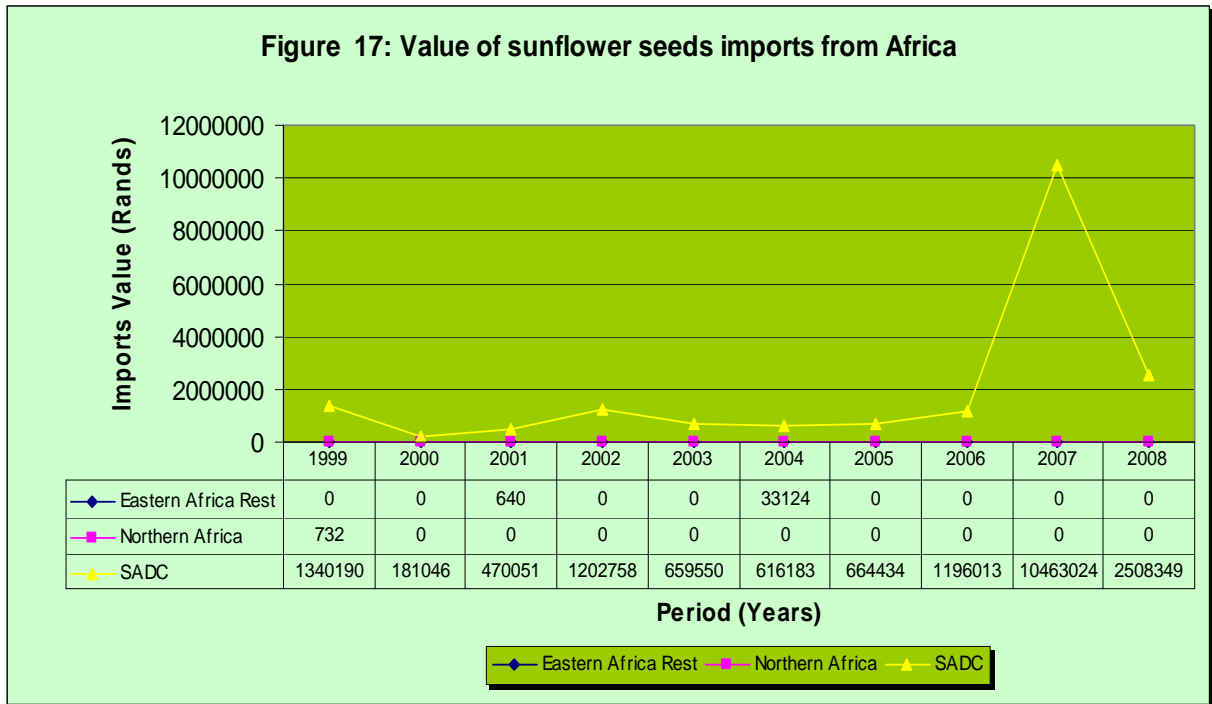
2.4. Imports

South Africa imports sunflower seed from the following regions: European Union, Asia, the Americas and Africa, particularly from the SADC region. The European Union is a very small, irregular import market for sunflower seed since very small quantities have been imported from countries in this region between the periods 1998 and 2003.



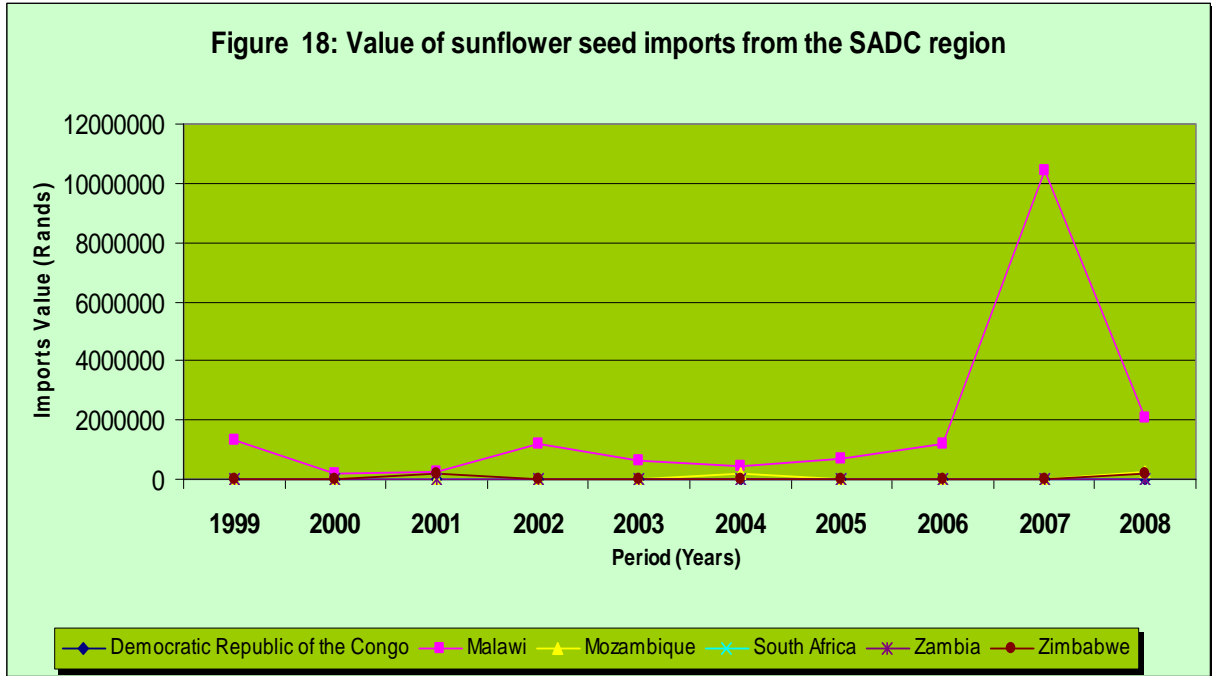
Source: Quantec Easy data

Figure 16 indicates that over the past ten years South Africa has been importing sunflower seed consistently from Africa, the Americas, Asia, Europe and Oceania with irregular imports coming from Europe. During the period 1999, South Africa imported sunflower seed mainly from the Oceania, followed by Africa, Asia, Americas and Europe to levels below R10 000, 000 in value. However, imports from all five regions have been insignificant over the period under review, until imports from Europe peaked with the maximum amount in 2004. In the periods between 2007 and 2008, a trend in South Africa's imports of sunflower seed mainly from the Americas was showing an increase, while imports from other regions were decreasing.



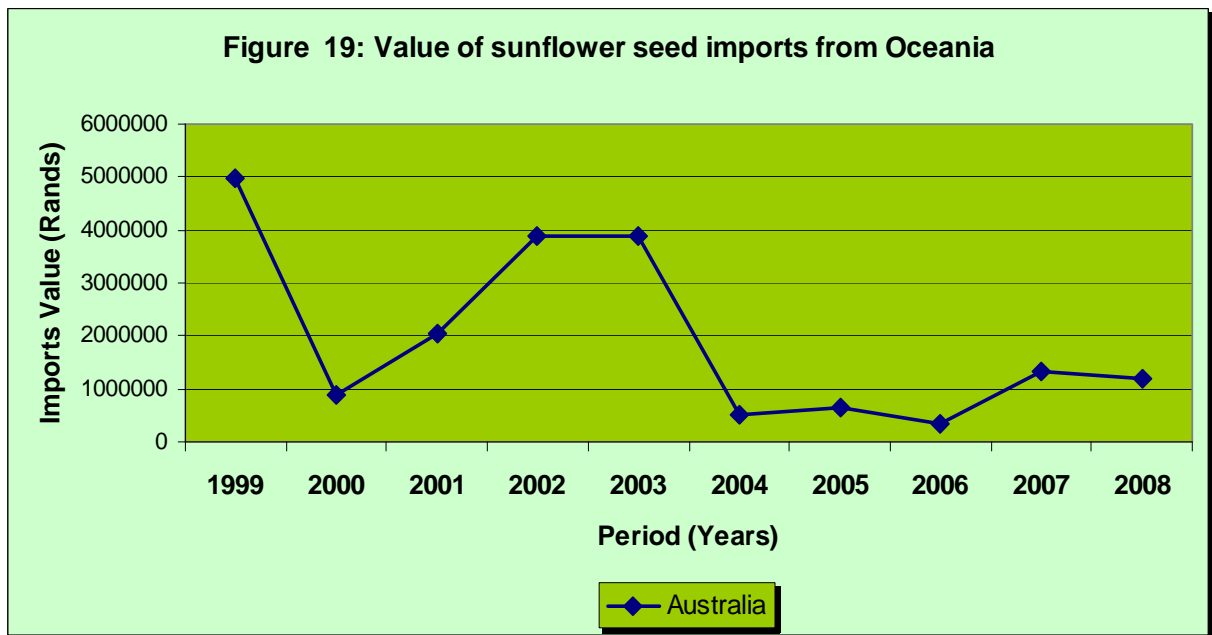
Source: Quantec Easy data

As Figure 17 demonstrates, on the African continent South Africa imports its sunflower seed mainly from SADC region which is because of the SADC Free Trade Agreement which facilitates flow of commodities among SADC countries at no tariff charges. Looking at Figure 17 it becomes clear that we import our sunflower seed mainly from Malawi with fractional quantities emanating from Zambia and Zimbabwe. Sunflower seed imports from the SADC region increased substantially during 2007 compared to the past seven years, as depicted in Figure 17 and began to decrease towards the period 2008.



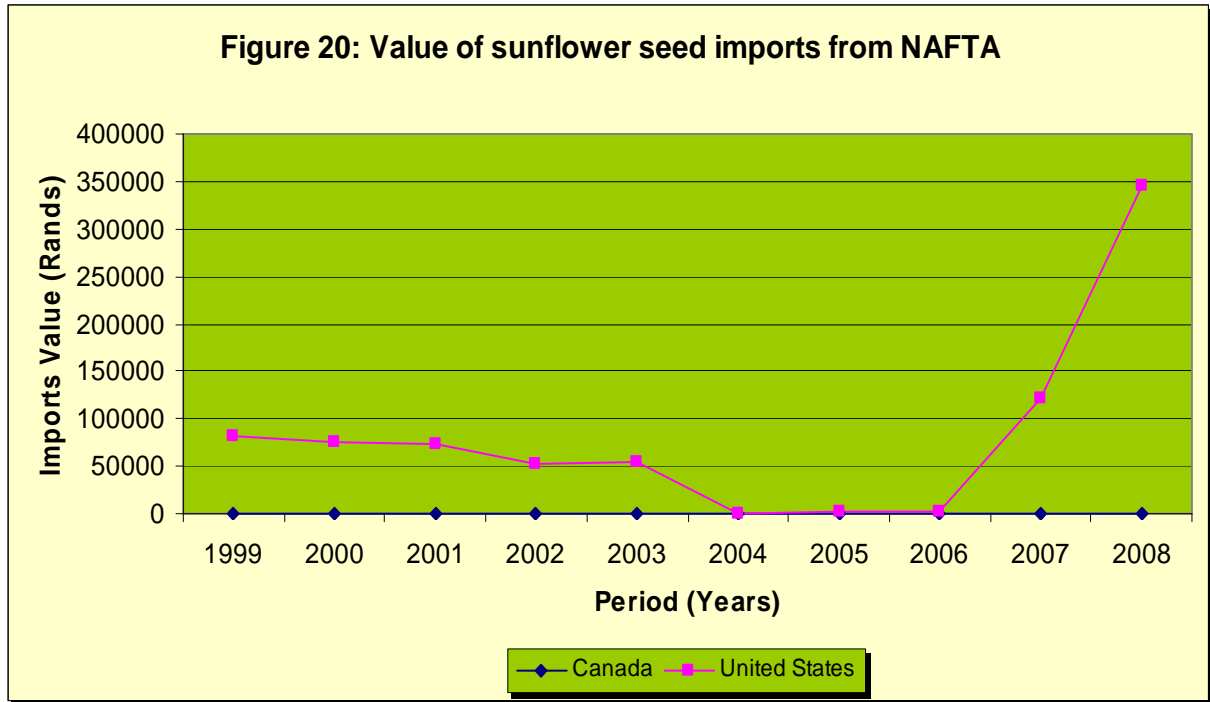
Source: Quantec Easy Data

During the periods 1999, sunflower seed imports in the SADC countries originated mainly from Malawi, but started declining as from the year 2000 until 2001. Between the periods 2006 and 2007, imports of sunflower seed increased drastically from Malawi which practically replaced Zimbabwe and Zambia as sunflower import sources from South Africa. However, these drastically increases in sunflower seed imports from Malawi began to decline towards 2008 to levels around R2 000, 000 in value.



Source: Quantec Easy Data

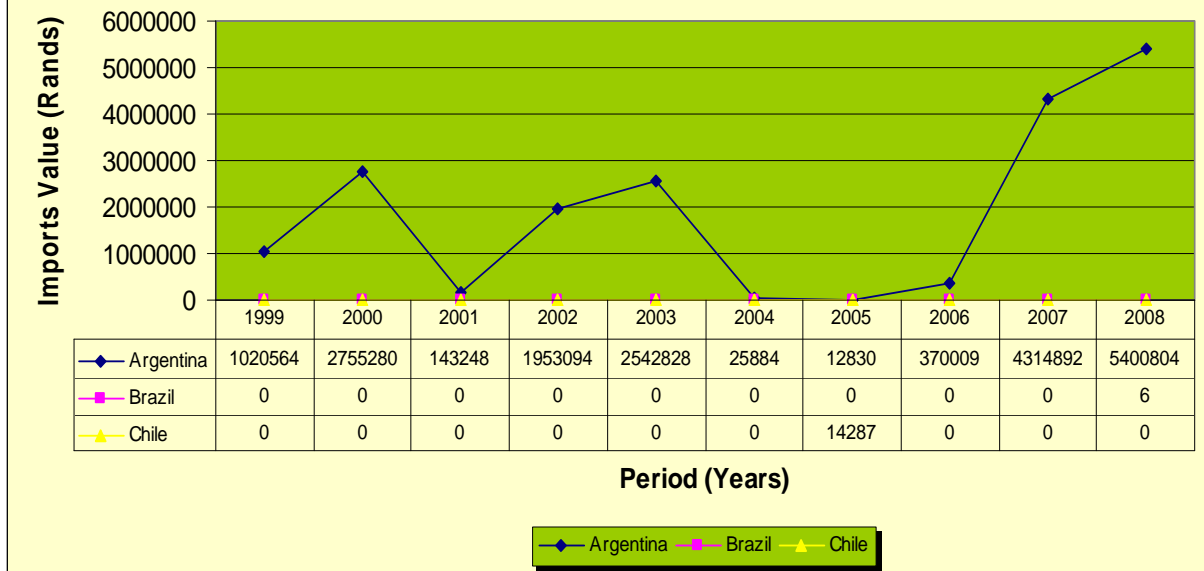
Sunflower seed imports originating from Oceania are mainly from Australia. During the period 1999, South Africa imported sunflower seed to the value of approximately R5 000, 000 from Australia. However, the value of sunflower seed imports from this region reached a steady decline in 2000 primarily due to the fact that greater volumes and values of sunflower seed were imported from Argentina during this year. In recent years between 2003 and 2007 sunflower seed imports from Australia declined substantially with minimal import values recorded during 2007.



Source: Quantec Easy Data

The principal exporter of sunflower seed to South Africa in the NAFTA is the United States of America, with minimal amounts being exported from Canada. Sunflower seed imports from the United States of America have declined steadily since 1999 due to the fact that since 1999 South Africa started importing more sunflower seed from Oceania (Australia), South America (**Argentina**) and China in Eastern Asia. Furthermore, in recent years the United States of America has diverted greater volumes of its oilseeds towards the production of bio-fuels, thus reducing their exports of grains to developing countries. However, in 2008, South Africa increased its sunflower seed imports from the United States of America, with its imports reaching a peak around R350 000 in value.

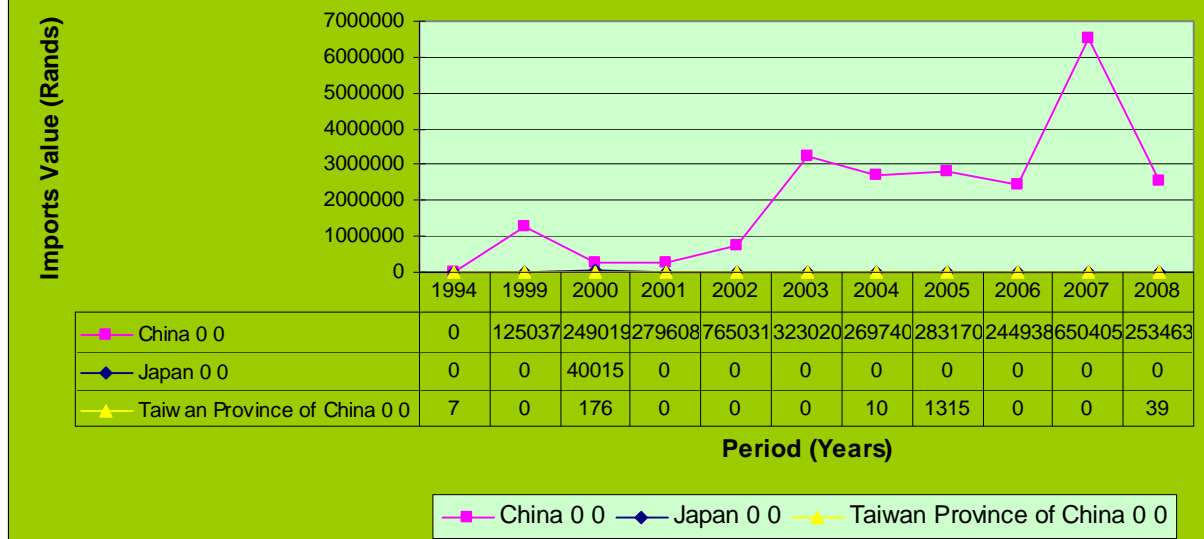
Figure 21: Value of sunflower seed imports from South America



Source: Quantec Easy Data

Figure 20 makes an indication that in South America we get our sunflower seed imports mainly from Argentina. This is not surprising since Argentina is one of the largest producers of grains in the world. Imports of sunflower seed originating from Argentina have fluctuated tremendously between the periods 1998 and 2008 with greater values of imports recorded during the periods between 2007 and 2008, slightly above R5 000, 000 in value during the year 2008.

Figure 22: Value of sunflower seed import from Eastern Asia



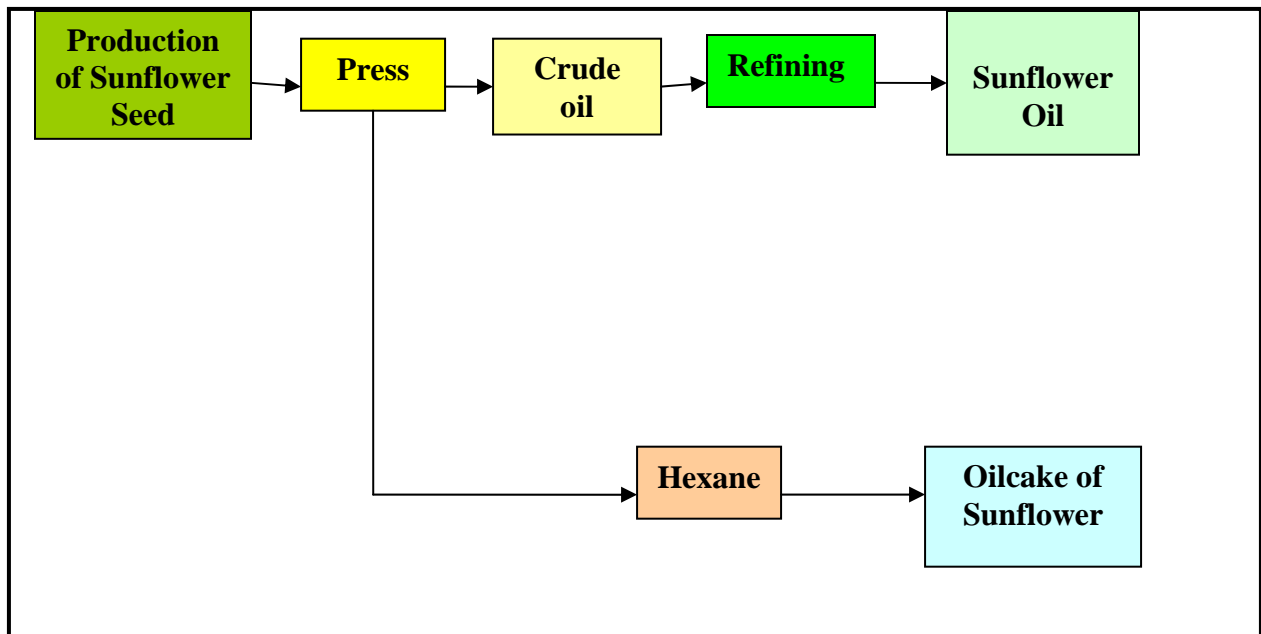
Source: Quantec Easy Data

Figure 22 clearly indicates that China's share in South Africa's sunflower seed imports has increased dramatically since the year 2001, surpassing those from Australia, New Zealand, Argentina and the SADC region. During 2007 imports of sunflower seed originating from China increased substantially while there were no sunflower seed imports from other East Asia countries such as Japan and Taiwan. Minimal values of sunflower seed imports were recorded sporadically from Japan and Taiwan during the period under review. During the year 2008, very few sunflower seed exports were recorded from China than during 2007, but more than from Japan and Taiwan.

2.5. Processing

Sunflower seed provides 40-50% of oil, which is mostly processed to cooking oil. The oil is used on a daily basis in households, restaurants and various food industries. Sunflower is the basic raw material for the preparation of margarine and spreads, used daily by millions of people. Some pet food also contains oilseed raw material. In desperate times sunflower oil can also be converted to diesel for use in diesel engines as bio-fuel.

Figure 23: The production of oil

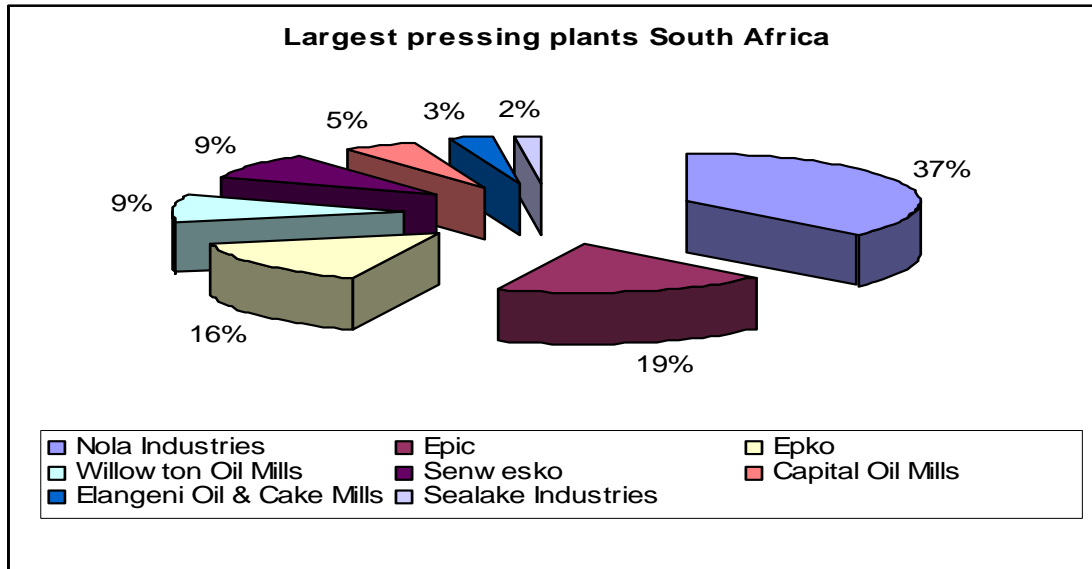


Source: Grain SA

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 the (Figure 23) 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 feeds (as sunflower oilcake meal) 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.

The eight crushing plants indicated in (Figure 24) utilize 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.

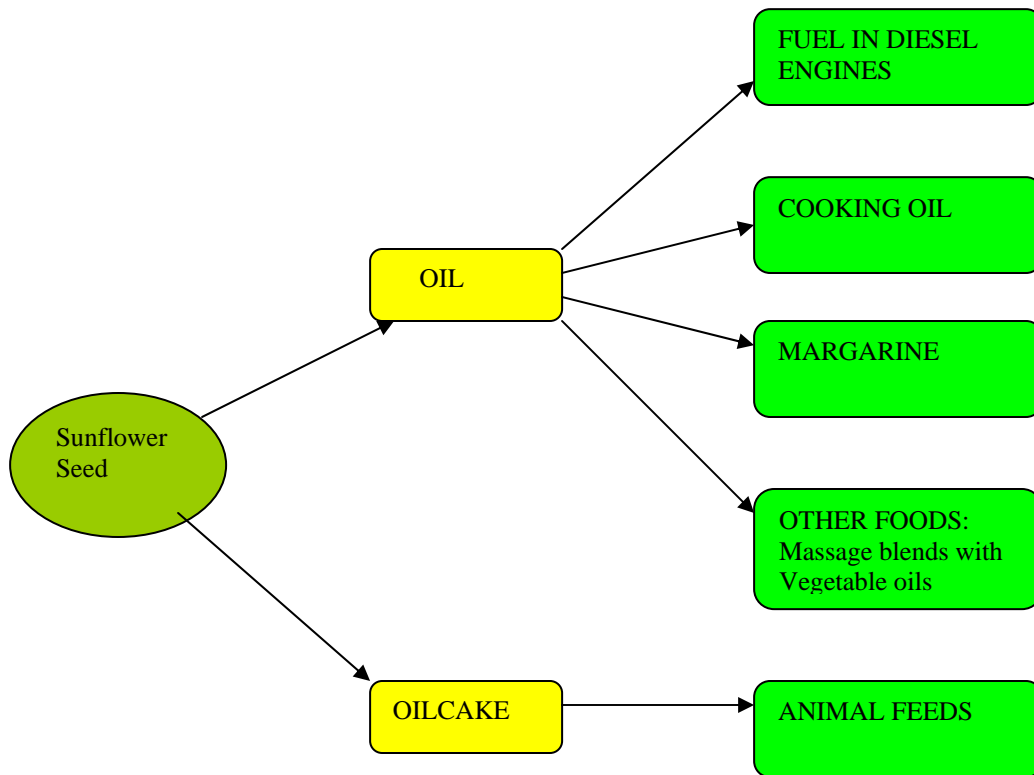
Figure 24: The largest pressing plants in SA and their crushing capacity



Source: Food Pricing Monitoring Committee Report

Figure 24 indicates that Nola Industries have the biggest crushing capacity in the country (at 37%), followed by Epic and Epko with crushing capacities of 19% and 16% respectively. Pressing plants with the smallest crushing capacity in the country are Sealake Industries, Elangeni Oil & cake Mills and Capital Oil Mills. According to the South African Oil Processors Association there are thirteen oil refineries in South Africa, namely Capital Oil Mills, Continental Oil Mills, Elangeni Oil & Cake Mills, Epic Foods, Epko Oil Seed Crushing, Hentiq 1320, Nedan Oil Mills, Nola Industries, Sealake Industries, Sun Oil Refineries, Sunola Oil Mills, UBR and Willowton Oil Mills.

Figure 25: The uses of sunflower seed.



Source: Adapted from Grain SA

Figure 25 indicates that when sunflower seed is crushed the oil is extracted from the seed and the oilcake that remains is then used to manufacture animal feeds in the form of sunflower oilcake meal. The oil can be used as cooking oil or if hydrogenated it becomes margarine that is used by households. The oil can also find its usage in the biofuel industry to manufacture biodiesel that is used in automotive engines or it can be blended with other vegetable oils to manufacture other foods.

3. MARKET VALUE CHAIN

There are five main levels that can be identified in the sunflower seed-to-sunflower oil value chain: sunflower seed producers, crushers of seed, refineries of crude oil, the wholesalers and retailers, and finally the consumers as shown in Figure 26 below:

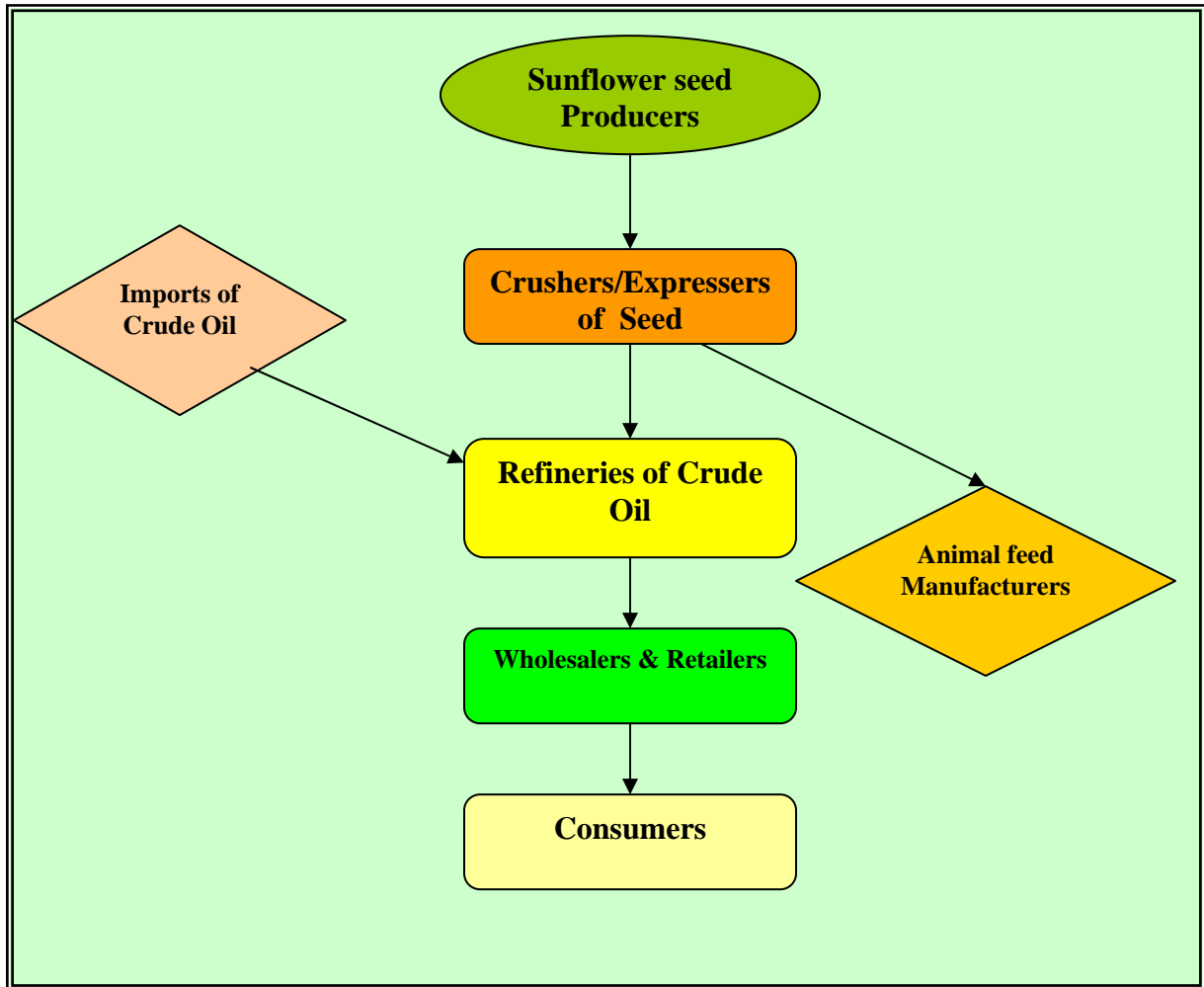


Figure 25: Sunflower Seed market value chain.

Producers of sunflower seed usually deliver their produce to seed expressers who crush the seed to produce crude oil and oilcake. The crude oil can then be used by refineries to produce various products as explained in Figure 25 while the oilcake is used by animal feed manufacturers to manufacture a concentrate in the form of sunflower oilcake meal. Refineries may also import crude oil from the international market and, their products and those of the animal feed manufacturers are packaged, labeled and sent to wholesalers and retailers who in turn will sell to consumers.

4. MARKET INTELLIGENCE

4.1. Tariffs

South Africa applies the following tariffs to the imports of sunflower seed arising from the various countries (2007, 2008 and 2009):

Table 8

EXPORTING COUNTRY	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFF	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFF	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2007		2008		2009	
Argentina	MFN duties (Applied)	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
Australia	MFN duties (Applied)	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
Austria	Preferential tariff for European Union Countries	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Bulgaria	MFN duties (Applied)	0.00	0.00	9.40%	9.40%	9.40%	9.40%
China	MFN duties (Applied)	9.4%	9.4%	9.40%	9.40%	9.40%	9.40%
France	Preferential tariff for European Union Countries	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Hungary	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
India	MFN duties (Applied)	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
Malawi	Preferential tariff for SADC countries	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Romania	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Russian Federation	MFN duties (Applied)	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
Slovakia	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
United States of America	MFN duties (Applied)	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%

Source: ITC Market Access Map

Table 8 indicates that South Africa charges 9.40% tariff on imports of sunflower seed from other countries, but all the European Union Countries (such as Austria, Bulgaria, France, Hungary, Romania and Slovakia) and SADC countries receive preferential treatment of not having to pay any tariff when they export to South Africa. This is because of SADC Free

Trade Agreement and the EU-SA Trade, Development and Cooperation Agreement that exist between South Africa and EU.

The following countries apply the following tariffs to the exports of sunflower seed originating from South Africa (2008 and 2009):

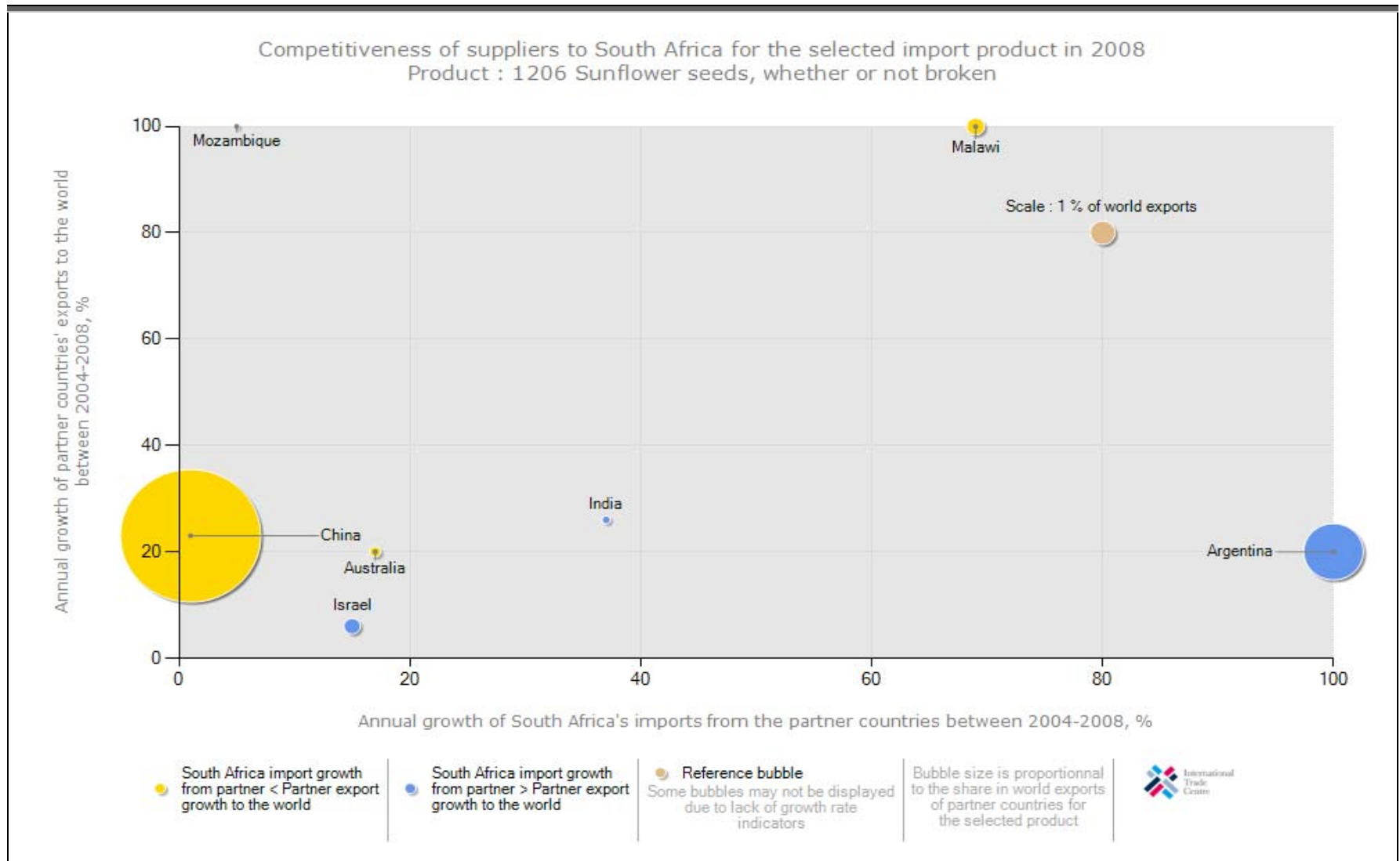
Table 9

IMPORTING COUNTRY	PRODUCT DESCRIPTION	TRDE REGIME DESCRIPTION	APPLIED TARIFFS 2008	TOTAL AD VALOREM ESTIMATED TARIFF 2008	APPLIED TARIFFS 2009	TOTAL AD VALOREM ESTIMATED TARIFF 2009
Austria	<i>Sunflower seeds for Sowing</i>	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
	<i>Sunflower seeds, whether or not shelled and in grey and white stripped shell (excl. for sowing)</i>	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
France	<i>Sunflower seeds for Sowing</i>	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
	<i>Sunflower seeds, whether or not shelled and in grey and white stripped shell (excl. for sowing)</i>	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Germany	<i>Sunflower seeds for Sowing</i>	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
	<i>Sunflower seeds, whether or not shelled and in grey and white stripped shell (excl. for sowing)</i>	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Sudan	<i>Sunflower seed, whether or not broken</i>	MFN duties (Applied)	30.00%	30.00%	30.00%	30.00%
United Republic of Tanzania	<i>Sunflower seed, whether or not broken</i>	MFN duties (Applied)	10.00%	10.00%	10.00%	10.00%
	<i>Sunflower seed, whether or not broken</i>	Preferential tariff for South Africa	5.00%	5.00%	5.00%	5.00%

Source: ITC Market Access Map

Table 9 indicates that South Africa can enjoy exporting sunflower seed to Austria, France and Germany at no tariff charges and this is due to healthy trade conditions that exist between South Africa and European Union Countries. Sudan and Tanzania generally charges higher tariffs at the levels of 30% and 10.00% respectively to their imports of sunflower seed but there is a preferential tariff of 5.00% for South Africa for sunflower seed exports to Sudan. These tariffs remained unchanged between 2008 and 2009 year.

4.2. Performance of the South African sunflower seed industry



Source: ITC Trade Map

Between the periods 2004 and 2008 sunflower seed imports from the Argentina into SA grew by more than 100%, those from Malawi grew by 69%, from India grew by 37%, and imports from China increased by 1% in value and declined by 6% in volume per annum. During the same period, imports from Malawi, Australia and China grew at a slower rate than these countries' exports to the rest of the world.

Table 10 below shows the major export destinations of sunflower seed produced in South Africa. On average South Africa's sunflower seed exports to the world have increased by 109% in value terms and 171% in volume terms between 2004 and 2008. The value of sunflower seed exports to the world increased significantly between 2007 and 2008. During 2008 South Africa exported sunflower seed mainly to Portugal, Turkey and. A total of 80 563 tons of sunflower seed originating from South Africa was exported to the world during 2008.

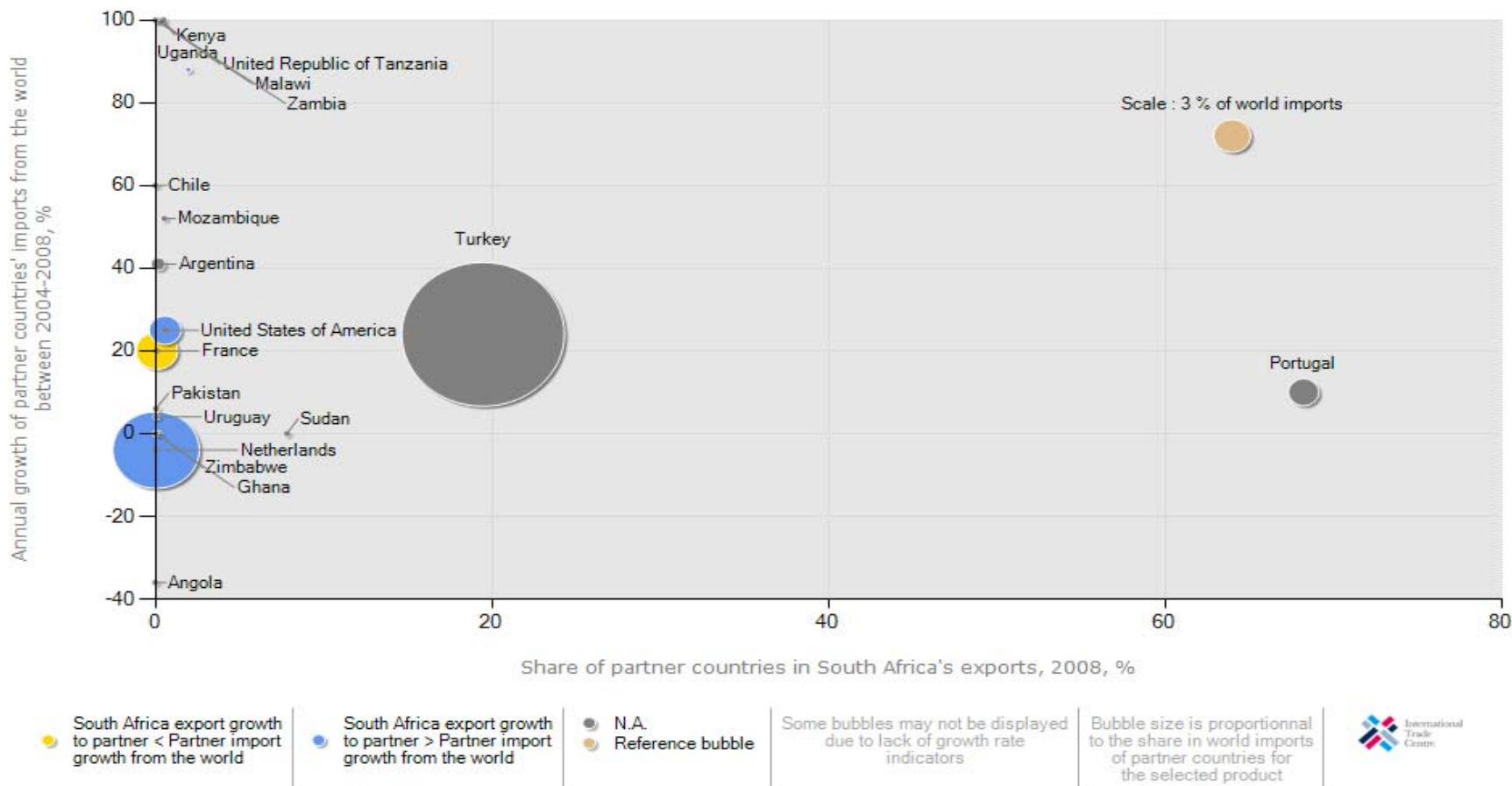
Table 10: Importing markets for sunflower seed (120600) exported by SA in 2008

Importers	Exported value in 2008 (thousand US\$)	Share in SA's exports (%)	Exported quantity in 2008 (tons)	Unit value (US\$/unit)	Exported growth in value between 2004 and 2008 (% p.a.)	Exported growth in quantity between 2004 and 2008 (% p.a.)	Exported growth in value between 2007 and 2008 (% p.a.)
World	59 970	100	80 563	744	109	171	4 392
Portugal	40 927	68.2	61 055	670	-	-	-
Turkey	11 681	19.5	18 115	645	-	-	-
Sudan	4 694	7.8	762	6 160	-	61	716
Uganda	1 175	2	324	3 627	97	91	191
USA	346	0.6	67	5 146	158	189	621
Mozambique	327	0.5	77	4 247	89	16	1 457
Kenya	293	0.5	64	4 578	1	2	-
Zimbabwe	107	0.2	23	4 652	-	-43	664
Argentina	102	0.2	5	20 400	-	25	28
Tanzania	102	0.2	39	2 615	100	-	5 000

Source: ITC Trade Map

During 2008 Portugal and Turkey commanded the greatest share of sunflower seed exports originating from South Africa. During the year 2008, Portugal absorbed 68.20% of South Africa's total sunflower seed exports followed by Turkey with 19.5%.

Prospects for market diversification for a product exported by South Africa in 2008
 Product : 1206 Sunflower seeds, whether or not broken



Source: ITC Trade Map

If South Africa is to diversify its export markets of sunflower seed the biggest markets exist in Turkey, France, Zimbabwe and USA. The smaller markets exist in Mozambique, Argentina, Zambia, Kenya, Tanzania and Ghana.

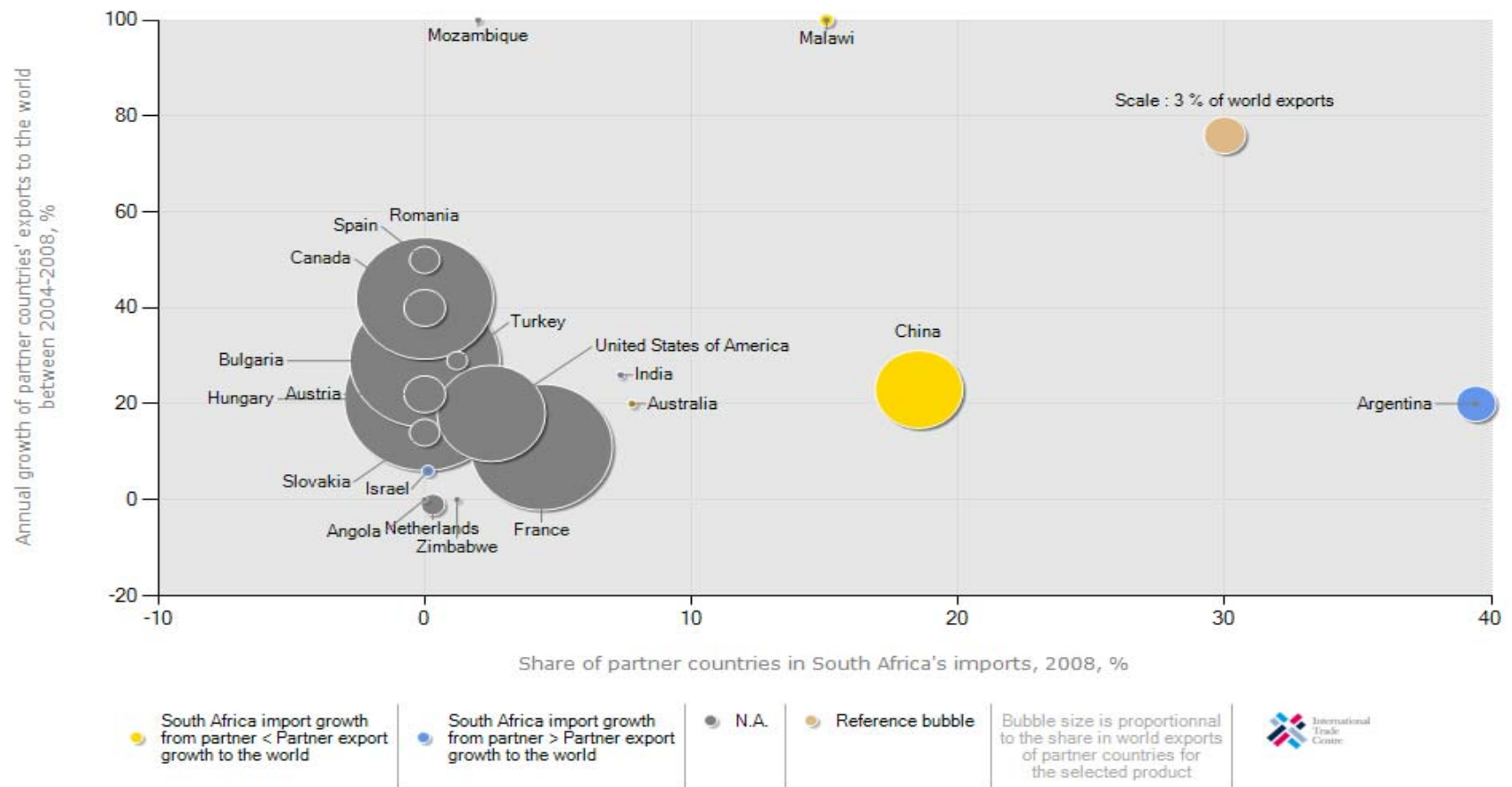
Table 11: Supplying markets for sunflower seed (120600) imported by SA in 2008

Exporters	Imported value in 2008 (thousand US\$)	Share in SA's imports (%)	Imported quantity in 2008 (tons)	Unit value (US\$/unit)	Imported growth in value between 2004 and 2008 (% p.a.)	Imported growth in quantity between 2004 and 2008 (% p.a.)	Imported growth in value between 2007 and 2008 (% p.a.)
World	1 646	100	1 362	1 209	-9	-29	-15
Argentina	649	39.4	289	2 246	391	-	6
China	305	18.5	229	1 332	1	-6	-67
Malawi	248	15.1	564	440	69	48	-83
Australia	128	7.8	32	4 000	17	84	-32
India	121	7.4	73	1 658	37	-	73
France	72	4.4	51	1 412	-	239	1
USA	41	2.5	1	41 000	-	-	141
Mozambique	33	2	81	407	5	-	-

Source: ITC Trade Map

During 2008 South Africa imported a total of 1 362 tons of sunflower seed from the world. These imports originated mainly from, Argentina, China, Malawi and Australia. Argentina commanded the greatest share in South Africa's sunflower seed imports followed by China and Malawi. Imports of sunflower seed from Argentina grew by 391% and 63% value during the period between 2004 and 2008. Sunflower seed imports originating from China into South Africa increased by 1% in value and declined by 6% volume between 2004 and 2008.

Prospects for diversification of suppliers for a product imported by South Africa in 2008
 Product : 1206 Sunflower seeds, whether or not broken



Source: ITC Trade Map

If South Africa is to diversify its sunflower seed imports, the biggest markets exist in France, Hungary, Bulgaria and Romania. Other markets exist in countries such as Argentina, China and Malawi since these countries commanded a greater share in South Africa's sunflower seed imports during 2008.

5. STRATEGIC CHALLENGES AND OPPORTUNITIES

As mentioned in the description sunflower seed production is very suitable for South African climatic conditions and is performing well for income generation to the rest of the agricultural sector. According to the FPMC report in 2003 the crushing capacity is not fully utilized by the companies therefore, there is an opportunity for any role player in the industry to crush seed, sell the crude oil at a lower price than the import parity price and still manage to realize profit. The challenge is how to get new role players in the industry as it is highly capitalized and requires sophisticated technology.

There is a lack of black economic empowerment in this industry and also in the seed trade industry in general. Lack of funding to purchase equipment to get projects off the ground is often cited as one of the major obstacles to transformation.

The fact that the growth season of sunflower is short, added to its drought tolerance; it can serve as an ideal alternative crop on low-potential soils when it is late to plant maize.

6. OTHER INFORMATION

In the agricultural sector, food safety is very important. As result the oilseed industry is also expected to adhere to o 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)
- Fertilizers, Farm Feeds Agricultural Remedies A of 1947 (Act 31 of 1947)
- Agricultural Products Standards Act of 1990 (Act 119 of 1990)

6. ACKNOWLEDGEMENTS

The following organizations and references are acknowledged:

- **Animal Feed Manufacturers Association**
Tel: (012) 663 9097
www.afma.co.za
- **Grains South Africa**
Tel: (056) 515 0918
Fax: (056) 515 1517
www.grainsa.co.za
- **Food Pricing Monitoring Committee Report 2003**
- **Directorate Agricultural Statistics**
Tel: (012) 319 8453
Fax: (012) 319 8031
www.nda.agric.za
- **Quantec Easydata**
www.quantec.co.za
- **ITC Market Access Map**
<http://www.macmap.org/SouthAfrica>
- **ITC Trade Map**
<http://www.trademap.org>.

Disclaimer: This document and its contents have been compiled by the Directorate Marketing of the Department of Agriculture, Forestry and Fisheries for the purpose of detailing the sunflower seed industry. Anyone who uses the information as contained in this document does so at his/her own risk. The views expressed in this document are those of the Department of Agriculture, Forestry and Fisheries with regard to the industry, unless otherwise stated. The Department of Agriculture, Forestry and Fisheries therefore accepts no liability that can be incurred resulting from the use of this information.