

## Canola – growing and growing in South Africa – 1 December 2016

Although it is among the least discussed, canola seed is a crop experiencing significant growth in South Africa. This particular crop has seen tremendous progression over the past 18 years - from just 17 000 hectares in 1998 to 68 075 hectares in 2016.

In line with area plantings, canola seed production increased from 21 000 tons in 1998 to 108 860 tons in 2016. Due to improvement in production practices and technological innovation, yields also grew by 29% - from 1.24 tons per hectare to 1.60 tons per hectare within this period.

All of these developments have largely been driven by growing domestic demand. The rise of the middle class in the early 2000's has, in part, been one of the driving factors that has led to the increase in canola oil and products demand. South Africa's canola seed demand has grown from 16 200 tons in 1998 to 108 800 tons in 2016. Approximately 98% of South Africa's canola seeds get processed into oil and oilcake or meal. The balance is normally saved by some farmers for planting purposes in the following season.

Worth noting is that over the observed period, South Africa has neither imported nor exported canola seeds. However, the country has seen notable growth in canola oil imports. According to Trade Map data, South Africa's canola oil imports grew from 36 tons in 2001 to 13 922 tons in 2015. A closer look at the annual imports trend shows consistent growth year by year.

In 2015, 99% of canola oil imports came from just three countries – France (50%), Netherlands (43%) and Spain (6%). In fact, these countries have been consistent suppliers of canola oil to South Africa over the observed period (2001 to 2015). On the exports side, South Africa's canola oil exports grew from zero to 518 tons in 2015. About 98% of 2015 canola oil was exported to just seven countries, namely: Lesotho (49%), Sri Lanka (24%), Zimbabwe (7%), Kenya (6%), Swaziland (6%), Botswana (3%) and Mozambique (3%).

Although a relatively small crop in the domestic market, in the global market canola seed is featured amongst the key vegetable oilseeds such as sunflower seed and soybeans, among others. This is largely due to its production prominence and global consumption levels. Its key global producers are Canada, Australia, Ukraine, European Union, China, and India.

Last month the International Grains Council estimated that 2016/17 global canola production could reach 66.7 million tons. Although this is just 5% behind the previous season, it is still the fourth largest volume in the past 10 years.

This decline emanates from the European Union (EU) and China, where 2016/17 overall crops are set to fall by 15% and 9% to 12 million tons and 20 million tons, respectively. For the EU, this decline is largely on the back of reduced sowings and adverse weather late in the season. Similarly to the EU, the decline in Chinese canola seeds production is largely due to unfavourable weather conditions and a decrease in area planted.

Moreover, the 2016/17 global canola seeds consumption is set to decline by 4% year-on-year to 66.7 million tons, due to relatively low expected supplies. A large part of this decline is set to impact the feed industry – from 2.5 million tons in 2015/16 to 2.2 million tons in 2016/17.

Overall, South Africa's canola seeds and products market is growing, and increasingly becoming interlinked with the global market. It is, therefore, important that domestic producers are aware of these emerging global production trends, and plan accordingly.

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