

A crushing success

Continental Oil Mills (Pty) Ltd commissions their new R220 million crusher today, 1 April 2008 at this second crushing facility in Randfontein will boost the company's share of the oil processing industry to become the largest single crusher and refiner of edible oil seed in the country. The company's MD had a few salutary comments, however...

"We took the decision to expand our crushing facilities as we felt the opportunities in the local market were inevitable," says the company's MD, Mohammed Ferouze Moosa. "In addition, we want to mitigate the foreign exposure on importing of sunflower crude oil and to boost local agriculture on the back of an increasing world demand with a weakening local currency."

The commissioning is just in time to take advantage of this year's record crop, which is estimated to reach 806,000 tons.

"If the farmer knows that the product he is planting and taking off the land is going to be bought he will produce it so we anticipate the increased tonnages will continue to extend his plantings for the next season which ultimately assists in easing the deficit in supply for the increase in demand," says Moosa. He adds that as more land is distributed to previously disadvantaged people, the ideal rotation crop to maize and wheat which are South Africa's largest crops, is edible oil seed.

"The world's population is growing; demand for food and for bio-diesel is always going to increase. As soon as you have an increase in demand that outstrips supply, you will naturally have a competitive environment developing for the product that is in demand."

"The international market is volatile and this year's local crop is double that of the previous five years so farmers will be able to make a massive return as prices are at an all-time high. Recently, SAFEX sunflower seed futures for May and July contract touched all-time highs at R5259 and R5378 per ton."

Entire crop can be handled

Presently the South Africa's crush capacity collectively is in excess of 90,000 tons per month spread over eight facilities, excluding the cold-press processors. With the new facility, the production of this year's crop will be easily crushed and the excess exported.

Moosa continues, "The recent call by the SA Oil Producers Association (SAOPA) to drop the duties on imports due to a poor local crop resulted in a significant increase of imports from South America, with a corresponding increase in the deficit of foreign exchange. However, the long-term benefit must be for South Africa to increase the planted area for sunflower seed, which will benefit the farmer from high global demand, keep the local crushers operational and create employment security in the industry. Conversely, closure of local crushers and refineries can only mean that staff will be out of work."

At Continental Oil Mills alone, this will equate to 90 staff per crushing plant closed; not to mention the supply industry staff losses. In a worst-case scenario, if all eight crushers and refiners closed, the possible total loss of employment would be in the region of 700.

We're using only a fraction of our land

“Information from SAOPA was grossly misrepresented and I am not in favour of the government dropping duties on imported edible oils. What SAOPA should be doing is lobbying the government to utilise the duties received from imported oil to promote more planting of edible oil seeds.”

“According to information from a local biofuel conference in S.A. we are utilising less than 25% of our total arable land and we have more “empowered” farmers with no skills or knowledge of what to plant.”

“By dropping the duties, importing crude edible oils and refined edible oils from a country that is the largest producer of edible oil seeds in the world helps to strengthen their agricultural industry, increase their plantings and improve their foreign currency reserves. It also helps them decrease their trade deficit – and it's all at the cost of the South African industry.”

“With SAOPA calling for the duties to be dropped on imported oils; the cost of the local product which is cheaper than imported oils plus readily available will be fighting for survival.”

“In 2007 South Africa imported approximately 60,000 tons of soft oil and palm product per month last year calculated at an average of US\$1000 per ton equates to US\$60 million. If the exchange rate is US\$ 6+ to the dollar approximately R360 million left South Africa every month” (that's about R4,3bn for the year).

“And the effect of this is felt most by the poor consumer.”

“If South Africa imports product compared to current local product, the import will be far more expensive than local product, even without the duties. At present it is cheaper for greater Europe to import product from South Africa than it is to import from historical oil seed producing countries,” says Moosa.

Both his company's plants are the most modern and highly rated of its kind in the Southern Hemisphere. To complement the expansion project, a state-of-the-art packaging line utilises artificial intelligence to ensure high levels of productivity and also subscribes to world best practice and process to ensure safety of food product caters for the high standards determined by the company's quality assurance department. All expansion projects will take place in and around the existing factory site to ensure that Randfontein and surrounding areas benefit from these expansions.

“The future of the oil industry lies in more plantings, the oil industry plays a bigger role in this country's economy than we ourselves even realise,” concludes Moosa.