



NEWSLETTER

15 August 2023

Volume 05 • 2023

SACOTA block train pilot project

As early as March this year, SACOTA made a proposal to TFR Management to re-introduce the concept of a block train to its members. This had the dual objective of increasing the bulk grain export volumes transported by rail and reducing the turnaround time of wagons; more precisely, to reduce the time it takes for loaded wagons to reach the port, which is often reported to be 30 days and more. There is, however, another objective. SACOTA members are sponsoring a security camera on the main export line, which until now has been very successful in preventing cable theft in the areas where implemented. SACOTA has agreed to expand the project if TFR can increase volumes and/or efficiencies through the block train concept – this will enable SACOTA to charge a small security levy to members to finance the expansion of the security camera project.

The plan of execution was that SACOTA members would collaborate and present an aggregated maize order, aligned with the configuration of the block train, to be loaded at a single branch line and at one or two silos. The train would receive “priority” on its return journey to Durban, meaning that no other wagons would be added or unhooked. The pilot project would operate independently or separately from TFR's regular weekly business with its clients, ensuring dedicated resources and focus.

On the 15th of July 2023, the pilot project commenced with empty wagons departing from Durban. They were designated for loading at Danielsrus and Reitz. Although some discrepancies were experienced in the placement of the wagons, in the end, they were successfully loaded. Once released at Bethlehem, the block took



only two days to arrive in Durban, and eight days for a complete turnaround from the empty wagons initially departing Durban to again being empty after offloading. This was previously unheard of.

SACOTA would like to thank Ntombi Mzombi (TFR) who was in charge of the operational project, VKB, the participating storage member, for loading the wagons, Matthew Riethuis (Migalo) who coordinated SACOTA's technical input, and its participating members, LDC and Cofco, who volunteered to make stock available. The success of the pilot project underscores the potential benefits it offers to SACOTA members in coordinating their efforts. SACOTA management will continue to engage with TFR Management to determine the viability of continuing with the pilot project.

UPCOMING SACOTA & INDUSTRY MEETINGS

24 August 2023: SACOTA Trade Environment Committee (TEC) meeting

31 August 2023: SACOTA Board of Directors meeting

5 October 2023: SACOTA AGM, Centurion (in-person)

In line with supporting the re-establishment of East London as a grain and oilseed import / export harbour, SACOTA has invited Naliya Stamper, TPT Terminal Manager, and James Holley, CEO Traxtion, as guest speakers at the AGM.

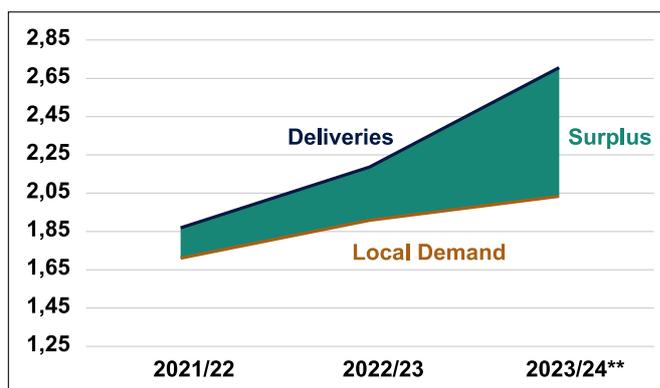
27 October 2023: Maize Forum

Record-breaking growth in the soybean industry

On a positive note, the soybean industry in South Africa is witnessing robust growth, and we are poised to achieve another record-breaking crop this year. The substantial increase in soybean plantings and higher profitability per hectare indicates a remarkable increase in production compared to the previous season. The introduction of the new Intacta trait (MON87701 & MON89788) by Bayer is also expected to enhance profitability and yield improvements in the soybean sector. Furthermore, there are also new Corteva events that were approved for general release in 2022 and that should come on the market soon.

This year, South Africa is projected to produce an estimated 2,755,300 tons of soybeans, an increase of 525,000 tons or 23.6%, following last year's record-breaking crop of 2,230,000 tons. This exceptional growth in soybean production is a testament to the dedication and hard work of our farmers and the opportunities presented by the industry.

While the national average yield for soybeans is expected to remain constant at 2.4 tons per hectare, certain areas like Delmas, Standerton, and Potchefstroom, have achieved yields exceeding 4 t/ha, as per the ARC soybean cultivar recommendations report. This emphasizes the potential for further increases in both the area under cultivation and yield.



Deliveries vs Local demand

Except for certain coastal areas such as in the Western Cape, local soybean cake has almost completely replaced imported cake. The latter will be more difficult to replace with local product given the high transport cost from the inland crushing plants to the Western Cape. However, we are aware of large soybean meal discounts that are currently being offered in the market, but this is cyclical because of current high crushing numbers. Therefore, if production continues to grow as expected, South Africa will be increasingly dependent on finding profitable export markets.

Challenges during the export season

The maize crop is expected to show another great production year, causing South Africa to have a large exportable surplus. Accordingly the market expects yet another very big export season for yellow maize.

The maize export season commenced with promising prospects, but the pricing challenges faced by yellow maize in the international market have raised concerns about achieving the expected export levels. The competitive pricing of South African yellow maize seems to be overtaken by global competitors, affecting our ability to meet export expectations.

NAMC's supply and demand report projects 3.27 million tons of maize to be exported in the 2023/24 season, a decrease of 680 000 tons from the 3.95 million tons exported in

2022/23. This will leave South Africa with ending stocks of 2.85 million tons, which would be an increase of nearly 900 000 tons from the previous season.

Several factors have contributed to the competitive pricing challenge experienced by yellow maize exporters. The main reason is local maize prices increased more than global prices, resulting in South African yellow maize currently being priced above export parity. This was caused by the weakening of the Rand, which led to an overreaction on the local market, and maybe early talk of the upcoming El Nino phenomena which may impact production numbers in the coming season.

If this decrease in expected maize exports realises, new opportunities will open for exporting soybeans, as one of

the limiting factors for soybean exports was the availability of export slots at Durban harbour. Traders would be able to change their initial maize slot bookings to soybeans.

Durban is also facing some challenges due to congestion at the grain export terminals while other products, such as minerals, are also contributing. The almost simultaneous arrival of a large number of wheat-importing vessels for off-loading, has also contributed to the congestion. What makes this worse is that there is only one deep-sea berth (12.3m) at DBS and all large vessels (>50,000 tons) either have to be lightened-up (imports), or topped-up (exports). Due to the congestion and waiting time, some traders have again started using Maputo and East London as alternative options.

SACOTA's discussions with PPECB on Export Grading Inspections

Given the significance of maize and, more recently, the soybean export programs, SACOTA and PPECB took the initiative to organize discussions between SACOTA members and PPECB staff. The aim of these discussions was to address key regulatory issues impacting the export trade, particularly concerning deep-sea exports and cross-border trade into Africa.

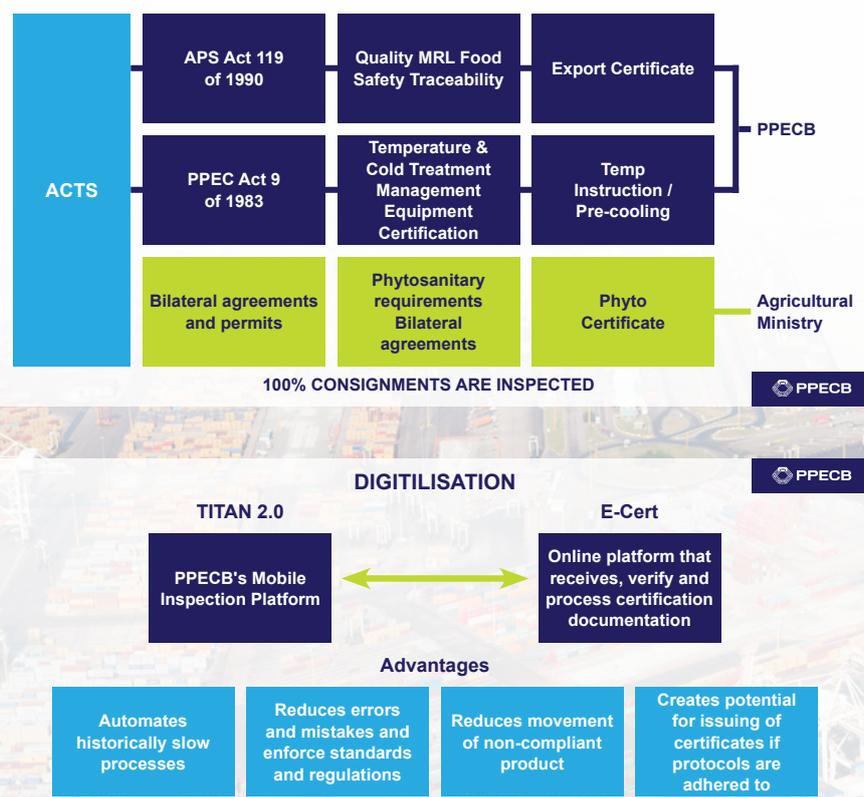
SACOTA hosted the discussions at the Grain Building in Pretoria on 18 April 2023. During the sessions, PPECB presented several crucial key regulatory issues that are essential for certifying all exports, ensuring compliance with international standards and requirements.

This workshop marked the first of its kind since the South African grain and oilseed export program started to excel during the challenging times of the Covid pandemic two years ago. With another promising year ahead, the workshop provided a valuable

platform for members to engage with PPECB officials and gain insight into the latest regulatory developments.

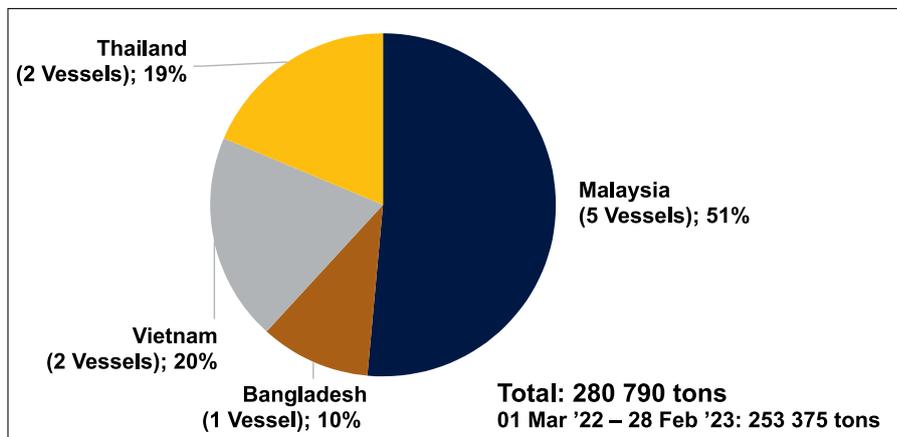
The discussions covered a range of critical topics, including export grading inspections, certification protocols, and natural resources management. By addressing these issues proactively, SACOTA and PPECB aim to enhance the efficiency and effectiveness of export processes, ensuring compliance with global standards while safeguarding the interests of local industries and consumers.

The positive interactions and strengthened relationships between the various representatives during the workshop are indicative of their shared commitment to maintain the highest standards of quality and safety in South Africa's export trade. Moving forward, SACOTA will continue to collaborate closely with PPECB and other stakeholders to promote best practices and foster growth in the grain and oilseed export sectors.



Expanding export opportunities for soybeans

The growth in the exportable surplus of soybeans has opened significant opportunities for multinational traders. In the 2022/23 season, ETG took the lead in opening four new markets in Southeast Asia, including Bangladesh, Malaysia, Thailand and Vietnam. During the last season, 280 790 tons of soybeans were exported through ten vessels. These positive trends indicate potential for another big export season for soybeans, with major destinations once again being Malaysia and Vietnam.



2022/23 deep-sea soybean exports

An increase in interest among SACOTA trading members to enter the profitable soybean export market, resulted in a further 166 522 tons of deep-sea exports between April and June 2023. It is expected that South Africa will see more deep-sea exports through the season, as an estimated 240 000 tons could still be exported, which will mean that South Africa will have exports exceeding 480 000 tons, including cross-border exports. This would be an increase of 62% in soybean exports since the previous season and therefore a new record in terms of soybean exports.

South Africa's strategic geographical location offers a unique advantage for bulk soybean

shipments to Southeast Asian countries. When examining a world map, South Africa's positioning provides better access to these markets than other major soybean-exporting countries like Brazil, Argentina or the United States. This geographical advantage sets South Africa apart and enhances its competitiveness in accessing the growing demand in Southeast Asia.

As we explore new markets and expand our export footprint, we are actively engaging with international stakeholders to ensure compliance with regulatory standards, including phytosanitary requirements, to

meet the demands of importing countries. SACOTA's membership in the International Grain Trade Coalition (IGTC) plays a vital role in this process, providing technical evaluations and influencing policy decisions related to plant health risk management.

Moreover, South Africa's soybean industry is well-positioned to seize the opportunity to export to China, which recently opened its market to South African soybeans. The arrival of the first two South African maize vessels at a Chinese port earlier this season, is a milestone that also signals the potential for soybean exports to China.



TPT East London adapting to the market

As we navigate through dynamic market conditions, Transnet Port Terminals (TPT) East London deserves commendation for its magnificent adaptability to meet the changing demands of the grain and oilseed trade. TPT East London has demonstrated resilience and flexibility in once again making its harbour available for maize and soybean exports.

TPT East London has confirmed five export vessels between May and December this year, with another 3 slots available to the market up to April 2024. East London provides a strategic and competitive alternative for grain and oilseeds exports, especially during periods when other ports face logistical bottlenecks or prioritize other commodities. The team at TPT East London has further increased its loading capacity to now exceed a daily average of 5 000 tons. Unfortunately, like all ports, it is subject to

weather and load shedding delays. The port has an exemption up to and including Stage 5, but thereafter it is also negatively affected.

TPT East London still faces some challenges and requires further investment to achieve full efficiency to compete on a global scale. The Terminal Manager, Naliya Stamper, is confident that it could achieve this goal, however, it also requires a step-by-step approach – more vessels will bring more investment, and more investment (efficiencies) will increase vessel demand.

By providing a reliable export gateway for maize, and more recently soybeans, TPT East London is significantly contributing to the success of our trading community. We extend our gratitude to the TPT team for their dedication and efficient handling of our exports.

SACOTA's role in the International Grain Trade Coalition (IGTC)



As part of SACOTA's commitment to a healthy trading market in South Africa, SACOTA actively participates in the International Grain Trade Coalition (IGTC). This global organization plays an important role in addressing critical issues concerning food distribution and safety, security and affordability.

The IGTC's main objective is to provide comprehensive technical evaluations of existing and future practices and policies, assessing their impact on the food distribution chain. This includes aspects related to safety, plant health risk management, and adherence to international standards, such as the International Plant Protection Convention (IPPC) and the Cartagena Protocol on Biosafety, amongst others. Furthermore, the IGTC influences policy decisions related to measures and standards governing the grain trade.

Given the significance of our grain and oilseed export programs, SACOTA recognises the importance of staying informed about the latest global developments concerning plant health and biosafety. By being a member of the IGTC, we ensure that SACOTA remains



at the forefront of emerging trends and regulations impacting our industry.

In May 2023, SACOTA hosted a workshop in Pretoria, bringing together representatives from the IGTC, officials from the Department of Agriculture, Land Reform, and Rural Development (DALRRD), multinational trading members and industry guests. The workshop featured insightful discussions on production, biosecurity and natural resource management.

Through this collaborative platform, we engaged in fruitful exchanges with agricultural representatives from

embassies, strengthening relationships between the government and the industry. The workshop also covered the role that GAFTA superintendents play in international trade, shedding light on vital aspects of grain exports.

SACOTA remains committed to aligning South African policies with international developments, while safeguarding the interests of our local industries and consumers. By actively participating in the IGTC, we contribute to shaping global policies and ensuring the highest standards of safety and quality in our grain and oilseed trade.

For more information on any of the projects and actions reported on in this SACOTA Newsletter, kindly contact André van der Vyver at andre.vandervyver@sacota.co.za or Juan-Pierre Kotzé at info@sacota.co.za. Visit the SACOTA website at www.sacota.co.za.