



NEWSLETTER

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Transnet Freight Rail and the importance of agriculture

The Managing Executive of Transnet Freight Rail (TFR), Rudzani Ligege, was the guest speaker at the 2022 SACOTA AGM. He enthusiastically pledged TFR's commitment to the agricultural industry, and confirmed that TFR is eager to work with the private industry to enable the productive use of rail for agriculture.

Rudzani stated that he sees agriculture as one of the most important industries in South Africa, due to the high employment that this industry provides to the South African population.

Rudzani further also pointed out that rail is the only green solution to transport that is available. He added that sustainable and responsive logistics solutions are essential and only feasible by making use of public-private partnerships (PPPs). He invited SACOTA and partners to make a proposal. TFR is considering managing the five branch lines in and around the Bethlehem area, in collaboration with the private sector.



SACOTA Annual General Meeting, 26 October 2022

Having just emerged from the Covid era in October 2021, SACOTA took a chance to present an in-person AGM at the Centurion Country Club. Needless to say, many members and guests were reluctant to attend last year and some declined outright. This year, however, SACOTA could hardly cater for the number of participants.

The AGM was a huge success, with many trading members and guests having had the first opportunity in a post-Covid era to meet their colleagues. We sincerely thank everyone that put in the effort to attend.

UPCOMING SACOTA & INDUSTRY MEETINGS

8 December 2022: Transnet Freight Rail (TFR) – Industry

24 December 2022 – 2 January 2023: SACOTA Office closed for summer holidays

16 February 2023: SACOTA Trade Environment Committee (TEC) meeting

23 February 2023: SACOTA Board of Directors' meeting

Railway line security camera initiative – Second camera installed and operational



You will recall that the first camera was installed during July 2022. The second camera was commissioned in November, southeast of Harrismith. The line is still electrified on the section from Harrismith to Ladysmith (Danskraal). During the Transnet strike in October and thereafter, this area suffered renewed incidents of cable theft, disrupting the grain export services to Durban. What makes this site unique is that it also covers the fuel/gas pipeline – you will notice the two metering boxes in the photo. This opens further possibilities for collaboration.

With regard to the first camera installed, until now there have been no incidents of attempted theft at the Kransfontein intersection. The question is, are the criminals aware that they are being monitored and therefore rather choose another area? Only time will tell as more cameras are added.

JSE basis trading contract

The JSE is in the final testing phase for launching a new basis trading futures contract. The futures contract will be silo specific. To isolate the basis, a participant will “go long” at that specific silo, and “short” the Randfontein contract (or the opposite). The contracts will also trade on a split screen. The idea is that silos are identified based on the following criteria: Maize previously traded at significant premiums, the storage capacity and out-loading rate at the nominated silo is above average, and silos identified have an even geographical distribution. Interest is significant and participants have proposed 58 silos. Unfortunately, during the test phase only 10 silos or products can be accommodated due to software and bandwidth limitations. The next steps are to narrow down the list and to confirm participation by the storage owners and clearing members.

Industry Port of Durban visit

Given the importance of the current maize and soybean export programmes, and the ability to again travel in a post-Covid environment, there has been significant interest from industry to once again visit the Port of Durban. The objective was to personally see and understand the challenges experienced by Transnet and the industry to maintain an effective export programme. During October, SACOTA organised a trip to Durban to which we invited several industry representatives from Grain SA, the JSE, National Chamber of Milling, SAGL, Agbiz Grain, financiers and local trading members. The group was firstly hosted by Transnet National Port Authorities (TNPA) Durban Port Manager, Mpumi Dweba-Kwetana and her team, followed by Transnet Port Terminals (TPT) Agriport, South African Bulk Terminals (SABT), and Seaboard Shipping. The photo below depicts the first soybean shipment to load at Agriport.



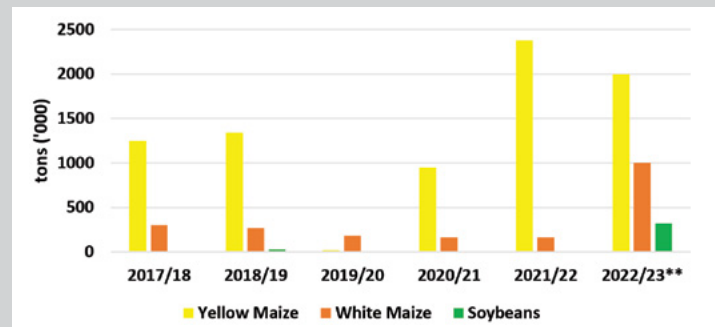
Transnet Port Terminals (TPT) Agriport – opening of export slots for 2023/24

The current demand by exporting members of SACOTA to secure export slots is ongoing. This was again illustrated last week when Agriport opened its export slots for the period 1 April 2023 to 31 March 2024. Slots in peak demand are usually those during the traditional maize harvesting season from June to August. However, immediately after opening traders booked all twelve slots available for the period 1 May to 30 October 2023. Apart from two slots booked for soybeans in May 2023, the rest are reserved for yellow maize.

Other focus points

- Johann Theron of Polarstar Capital was elected as a new director of SACOTA during the AGM on 26 October 2022. The other members of the Board of Directors are: Konrad Keyser – Brisen Commodities, Johan Steyn – COFCO (re-elected), Francois de Wet – Seaboard Shipping, Machiel Jacobsz (re-elected), Gavin Schultz – Cargill, Jan-Christoph Kabath – LDC, Hein Barnett – ETG (re-elected). Unfortunately, Johan Steyn has since resigned. During a Board meeting on 23 November 2023, Konrad was re-elected as Chairperson and Machiel was elected as Deputy-Chairperson.
- Erich Jordaan of Tiger Brands and Willem Stander of Meadow Feeds received awards from SACOTA for their lifetimes of dedication and achievement in the grain and oilseed industry.
- Port of East London: After opening for grain bulk export business in June earlier this year, two more white maize export vessels have been booked for February and March 2023. SACOTA continues to work with TPT East London in promoting the option of an efficient and viable second deep-sea export harbour. SACOTA is of the view that export surpluses will continue to grow over the next ten years. It may also include soybeans as production (hectares & yields) rapidly expands into the western parts of the country.

The changing dynamics of the export market



Yearly deep-sea exports for maize and soybeans

South Africa is traditionally a net exporter of yellow maize, especially for deep-sea exports. However, the South African grain and oilseed industry has entered a new era in which it appears that South Africa could start exporting more soybeans and white maize in the future. This creates big opportunities for the industry but does not come without all kinds of challenges regarding the logistics of transporting and loading the various products.

The challenges arise with the time it takes to clean all the required equipment, when changing to a different commodity for exporting at the various sites. At least 2 – 3 days are required to switch between products. Every single day is extremely valuable when the export programme is running at full capacity and a delay of even one day could cost you tens of thousands of US dollars. Furthermore, different products have to be received and stored separately.

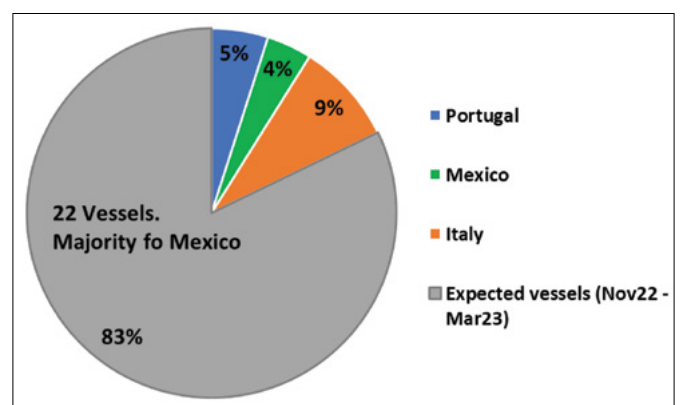
White maize in high demand

The South African export market has seen an increase in demand for white maize for deep-sea exports. Some industry players expect that white maize deep-sea exports will be around 1 million tons for the 2022/23 season, a significant increase from the previous season's 174 000 tons. It is expected that 22 white maize vessels will be exported during the period November 2022 to March 2023. Most of these will be heading for Mexico.

Further opportunities may be possible for the South African white maize industry to export white maize to Kenya as the import ban on GMO white maize has been lifted. Kenya has a demand for an additional 700 000 – 1 000 000 tons of white maize imports over the next year. It is a different matter whether they will be able to source this much white maize on the global market. South Africa may be able to supply some cargoes and the situation is carefully monitored by SACOTA (*also see the articles published on the SACOTA website for the business dynamics of such a transaction*). The import tariff applicable to South African maize must be waived and the legal importation of GMO maize must be published in the Gazette.

Availability of South African WM1

There are some rumours in the industry that South Africa might not have enough WM1 to satisfy local and international demand. This is due to excessive rains during the growing season and a high percentage of WM2 compared to previous years. SACOTA is engaging with storage operators to get clarity on this matter.

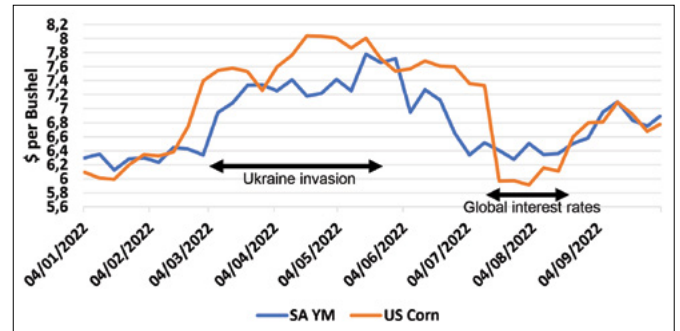


2022/23 indications for deep-sea white maize exports

South African vs global grain markets

SACOTA members are responsible for 85% of the grain and oilseed trade for the international markets, through deep-sea imports and exports and/or land border imports and exports. This emphasises the importance of the international markets to SACOTA. Maize exports will generate approximately R1.5 billion in net forex exchange value during 2022/23.

The Invasion of Ukraine by Russia has had a severe influence on the grain market, as Ukraine is a large exporter of various grain and oilseed commodities. The increase in prices due to this invasion was seen in South African grain products shortly after the invasion started in February 2022. This being said, South African prices did not increase out of proportion, when evaluated next to international prices. The graph below depicts this, and as can be seen, South African maize prices followed the trend of the international markets and as an exporter of maize, even traded below the benchmark price



US corn vs SA yellow maize prices

for US corn. When a country produces a surplus, it automatically means that local prices will trade at export parity, which is the lowest possible price a product can trade in a free and fair-trade environment. It is also the most cost-effective way to achieve food security.

Soybean exports gaining momentum

Soybeans have in recent years been gaining more interest among farmers for planting, and South Africa has seen a continuous increase in the hectares planted for the past four years. According to the Crop Estimate Committee (CEC), a further increase of approximately 16% to 1 075 000 hectares in the 2022/23 production season is expected. We may therefore see another record local soybean crop in the coming season. This season, the industry has seen a substantial surplus of supply over local demand for the first time. This immediately reminded the industry about the importance of the ability to export. Fortunately, prices

worked in favour of the industry, and we have seen some significant exports. ETG was the sole deep-sea exporter, having succeeded in opening various markets. It is anticipated that more exporters will exploit this opportunity in future. It is likely that South Africa will remain a growing net exporter of soybeans in the future.

SACOTA's members estimate soybean exports for 2022/23 to be approximately 330 000 tons. If production estimates realise, the export potential for 2023/24 could easily be as high as 500,000 tons. Having said that, we have to bear in mind

that the export harbours are functioning at full capacity. It may be a challenge as to what products will get preference for exporting.

Furthermore, the trading route to China has been opened and SACOTA assisted in the registration of 10 exporters and 132 silos, of which all have been approved for exporting soybeans to China. There is optimism that South Africa will be able to export soybeans to China in the new season. Apart from China, some other markets have also shown interest, notably Indonesia and Egypt.



South African Soybean exports 2022/23			
Date	Terminal	Destination	Approx. tons
Deep-sea exports			
Jul-22	Maputo	Malaysia	28 000
Aug-22	Maputo	Bangladesh	30 000
Sep-22	SABT, Durban	Malaysia	33 000
Oct-22	Agriport, Durban	Malaysia	33 000
Nov-22	Agriport, Durban	Malaysia	27 000
Nov-22	Agriport, Durban	Vietnam	33 000
Dec-22	SABT, Durban	Thailand	32 000
Jan-23	SABT, Durban	Malaysia	32 000
Jan-23	SABT, Durban	Thailand	32 000
			est 280 000
Inland			
22/23	Zimbabwe & Mozambique		50 000
			est 330 000

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.