

NEWSLETTER

28 March 2023

Volume 04 • 2023

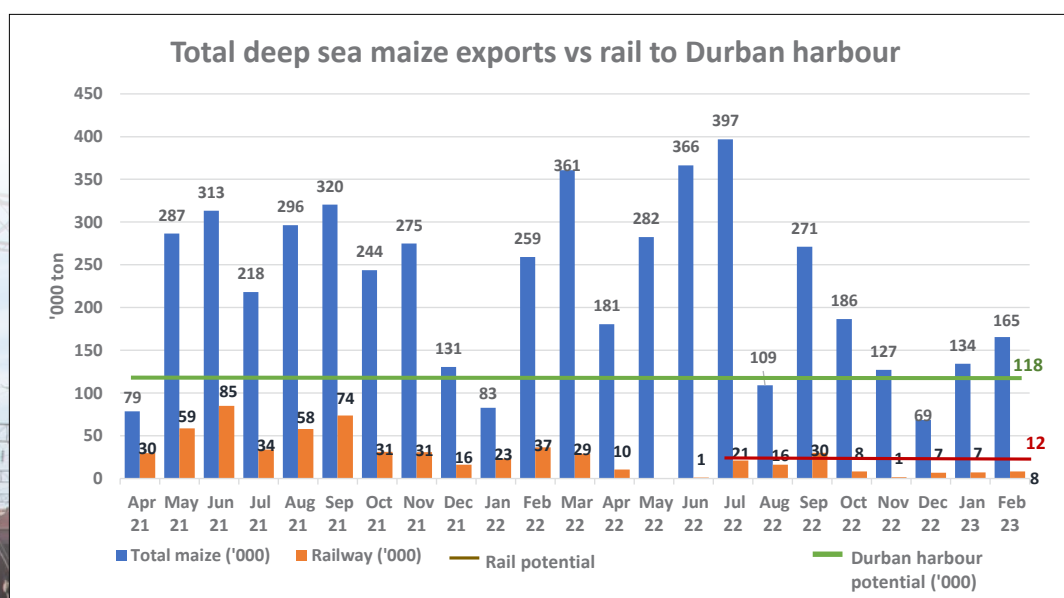
Transnet Freight Rail (TFR) performance

The cost and efficiencies associated with the bulk transport of agricultural commodities remain crucial for any country to be competitive in the export market. This is even more important for South Africa, where agricultural commodities are primarily produced in inland areas with relatively high transportation costs to the export terminals. Globally it is a known fact that rail transport is much more suitable for transporting bulk commodities and also more cost-effective. Unfortunately,

the graph shows that TFR continues to underperform in the South African environment. Admittedly, sometimes for reasons outside of their control. First, the KZN floods in April 2022 brought their operations to a standstill. After that, cable theft and load shedding (power outages) continued seriously hinder their operations.

The unfortunate reality is volumes are currently only averaging approximately 12,000 tons per month since July 2022

and are declining. When this is compared to grain facilities in Durban harbour that can potentially handle 118,000 tons per month, and a pre-booked total export demand of 300,000 – 350,000 tons per month until probably the end of 2023, rail transport is nearly something of the past. It is about to become not worth the effort. This is unless new and drastic action is taken immediately. SACOTA continues to engage with TFR senior management to find possible solutions.



UPCOMING SACOTA & INDUSTRY MEETINGS

4 April 2022: SACOTA – TFR – Industry meeting (online)

18 April 2022: SACOTA & PPECB Training session, Centurion (in-person)

11 & 12 May 2023: International Grain Trade Coalition (IGTC) visit (in-person)

25 May 2023: SACOTA Trade Environment Committee (TEC) meeting (online)

30 May 2023: SACOTA Board of Directors meeting (in-person)

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

East-London harbour

TPT East London continues to perform. In a team effort, SACOTA, its members, and TPT East London re-opened the terminal for grain exports last year. The terminal, in June 2022, loaded its first grain (yellow maize) export vessel in ten years. SACOTA's member Seaboard took the initiative. This time it was another SACOTA member, Ameropa, together with TPT, who, in February 2023, successfully loaded a second vessel. However, what makes this significant is efficiencies were significantly improved. The average daily loading capacity increased from approximately 3200 tons to 5100 tons. The terminal is still loading with skips, as seen in the photo. Some of the main reasons for the increased efficiencies were that a third gang or crane was added when loading the Belsouth and improvements to the out-loading shoots at the terminal silo. An on-site weighbridge was also added.

Naliya Stamper, TPT Terminal Manager, is optimistic that with a few more improvements in the pipeline, they could reach their loading target of 6000 tons per day. Moving beyond this will require re-



building the gantry or conveyer belt that moves the grain from the silos to the vessel. Another interesting fact about the Belsouth is that it carried the first ever South African white maize destined for Guatemala – 43,600 tons were loaded. Discussions are also underway on how to increase the draft, maybe utilising the tide more effectively.

Reviving East London harbour as an additional agricultural export terminal is crucial not only for the economy of the Eastern Cape Province but also for the grain

and oilseed sector. Maize production in the Eastern Cape is again on the increase, and East London may also be highly suitable for soybean exports that are reaching record production numbers in the Western Free State and North West Province. Another exciting development was the privatisation of rail slots by Transnet Freight Rail on the East London line. Traxtion won the tender. SACOTA and TPT East London have already reached out to exploit the potential. The East London grain terminal was initially built only for rail in-take.

Export slots 2023

As early as November 2022, there was an anticipation in some circles that we may see another large summer grain crop. This could have been attributed to the forecast for La Niña conditions, high prices and a good start to the planting season. Needless to say, a large crop also means the potential for more exports.

Already at TPT Agriport's tender on 23 November 2022, the exporters took up all slots from May to October 2023 – two

vessels per month. Towards the end of January 2023, when SABB opened their export slot tender, a large crop and potential exports were a reality; therefore, we saw renewed interest by exporters, and again all slots until October 2023 were booked (4 – 5 vessels between DBS and RBT terminals, plus top-ups).

In the meantime, East London has also secured three export slots for 2023, of which one white maize vessel has already

left – although you could argue it was old-season stock. Therefore, until the end of October 2023, approximately 2.0 million tons of maize (mostly yellow) and soybeans are pre-booked. Interest was shown, and additional bookings occurred in November and December 2023. There is also a fair chance that some products will again be exported through Maputo harbour – last year, two vessels with South African soybeans left via Maputo.

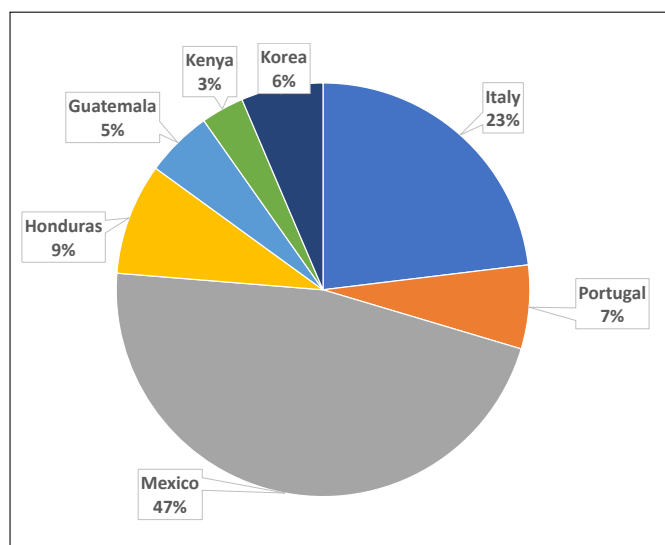


EXPORTS

White maize

South African white maize has been in high demand through the 2022/23 season. Deep-sea exports are estimated to be 800 000 tons to 7 different countries. A further 550 000 tons of whole grain white maize is estimated to be exported across borders.

Mexico's demand for South African white maize was a significant additional development. In 2016/17, the last time trade occurred between these countries; South Africa was experiencing El Nino conditions and a severe drought. White maize was imported from Mexico. The last time South Africa exported a significant amount of maize to Mexico was in 2013/14. With the conclusion of the yellow maize programme, white maize exports commenced in November 2022 continuing through to March 2023. South Africa is expected to export approximately 900 000 tons of white maize in the 2023/24 season. Most exports are across the border; merely 150 000 tons are estimated to be deep-sea. This number could still increase depending on market conditions towards the end of the 2023 and early next year. Most white maize deep-sea exports in 2022/23 were booked during this period.

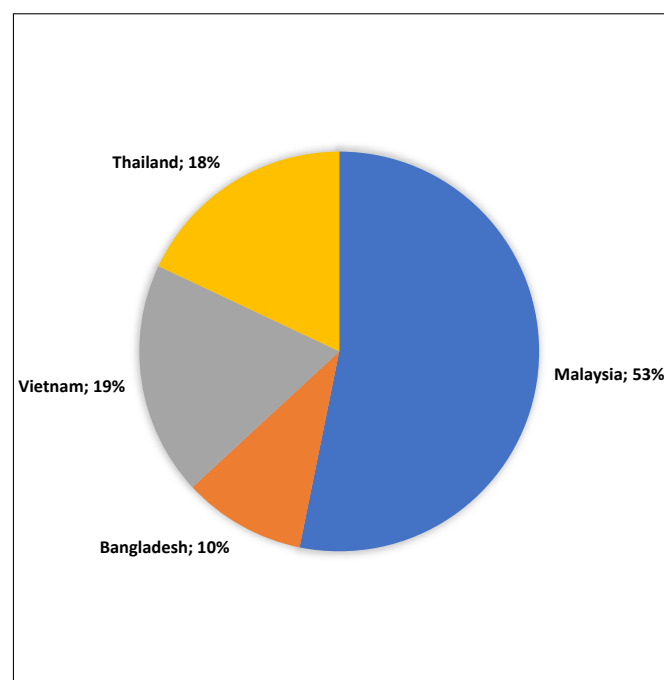


2022/23 estimated white maize deep-sea exports

Soybean

South Africa ended the 2022/23 season with a record crop of 2.23 million tons; deep-sea exports are estimated at 290 000 tons. Ten soybean vessels have been exported to date; two vessels were exported through Maputo, and the remaining eight departed from Durban. The chart illustrates that deep-sea exports were sent to four countries, namely Malaysia, Vietnam, Thailand, and Bangladesh.

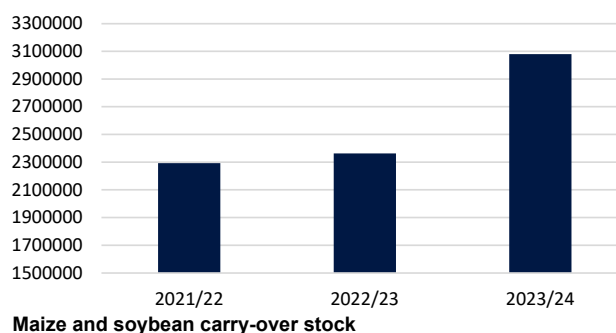
The CEC estimates the 2023/24 soybean crop to be 2.65 million tons, a 420 000-ton increase from the previous year's record crop. This large supply is accompanied by 1.99 million tons needed for the local demand, leaving South Africa with a surplus of 658 000 tons. This probably will require South Africa to export 500,000 tons or more to prevent a build-up of stocks. Already four soybean vessels are booked through Agriport for April/May 2023 loading.



2022/23 indicative deep-sea soybean exports

Grain and oilseeds

In recent years, South Africa has seen an increase in the carry-over stock for maize and soybeans. The NAMC estimates the combined ending stock for soybeans and maize being three million tons for the 2023/24 season, compared to 2.4 million tons in the 2022/23 season. It is evident that the South African grain and oilseed industry finds itself in an export position regarding maize and soybeans. If the current trend persists regarding South Africa's increased surplus in the past years, South Africa will urgently need to increase the capacity for deep-sea exports.



Maize and soybean carry-over stock

JSE future contracts – Multiple reference points

The JSE published notice [022A/2023](#) on 24 January 2023, informing the market that they will begin with a two-year trial from 1 March 2024, where soybeans will no longer be traded with a single reference point and instead make use of the multiple reference point system. According to the JSE, the purpose of the new model is to recognise multiple points of demand to enable an effective derivative contract. The concept of location differentials remains but will consider the supply

available to each point of consumption. The model's performance will be evaluated at the end of each marketing season, allowing for comments by the market. The JSE will then decide on the continued implementation of the model at the end of the two years; therefore, the model will be used for three years. The JSE has since published (Notice [105A/2023](#)) indicative location differentials for the 2024 marketing season, relying on the 2023 data and a list of the reference points that will be included in the model.

They also intend to publish soybean stock levels per registered JSE silo. Due to confidentiality, crushing capacities and/or volumes vital in replicating the model will no longer be available. The JSE prepared an information [video](#) on the new model for individuals unfamiliar with the multiple reference point model. The JSE also hosts two information sessions on 3 and 13 April 2023 to acquaint market participants with the model.

Profitability of maize and soybeans

Being active in the international market is an important aspect of having a sustainable and competitive market. Having the ability to export products that are in surplus allows for growth within the market. It ensures that prices are kept market-related both locally and internationally. The table below indicates prices and input costs at the commencement of the planting season around September 2022 (Grain SA, adjusted).

Production cost: 2023 season	Maize	Soybeans
Producer price (R/ton) (planting time)	4243	8536
Total costs (R/ton)	3312	6266
Gross profit ex silo (R/ton)	931	2270
Average yield (ton/ha)	5.5	2.5
Gross profit (R/ha)	5120.5	5876

The table above illustrates that maize and soybeans could have been produced profitably for the local market. However, gross soybean profit per hectare greatly exceeds that of maize, indicating that soybean production will continue to grow. Using the gross profit per ton from table 1, the table below illustrates that both crops can be profitably exported, particularly from the eastern

production areas. This is indicative of the longer-term sustainability of potential export volumes. Cognisance is taken of the fact that both local and international prices and exchange rates are cyclical, and the numbers are a snapshot at a specific time.

Export profitability: 2023 season	Maize	Soybeans
Gross profit ex silo (R/ton)	931	2270
Transport to Durban (R/ton)	600	600
Harbour costs (fobbing) (R/ton)	220	220
Industry gross profit, harbour (R/ton)	111	1450

To be realistic, one must also keep in mind that the invasion of Ukraine drove all commodity prices higher. At the same time, currency dealers adopted a no-risk approach, weakening the currencies of developing nations such as South Africa. South African exports, primarily made up of minerals, soft commodities, and fruits, unexpectedly benefitted. In addition, high inflation in the US and other western countries and high-interest rates continue to encourage money flows back to these countries and devalue the Rand. Although South Africa's exports will benefit in the short term, the country requires foreign investment in the long run.



International Grain Trade Coalition (IGTC) visit South Africa



The IGTC is a global not-for-profit organisation. Its main objective is to provide technical and economic evaluations of certain current and future practices and policies. Determining the impact of practices and policies on the food distribution chain regarding safety, security, and affordability is critically important to all countries in a global trade environment.

The IGTC plays a prominent global role in contributing to and influencing policy decisions regarding the implementation of measures and standards, specifically concerning Plant Health Risk Management. This includes the role IGTC plays at the International

Plant Protection Convention (IPPC) and the Cartagena Protocol on Biosafety. The IGTC strives to make input to aspects, movements or conventions that will impact trade.

The IGTC's membership comprises prominent associations in the most important grain and oilseed importing and exporting countries. SACOTA is a member of the IGTC and therefore welcomes a visit by IGTC members from 11 – 16 May 2023 for discussion with members, government and industry. They will also visit Nampo Harvest Day, where Grain SA will co-host them.



Transnet Port Terminals (TPT) Durban Agriport

SACOTA welcomed TPT Durban Agriport as a new member in February 2023.

Agriport Durban received rail wagons for the first time in three years. Given the

renovation at Agriport over the last two years and the declining number of export rail wagons, TFR could not service the Durban TPT terminal. After continuous engagement between SACOTA and its members, TPT and TFR, the first rail

wagons were finally pushed into the side towards the end of 2022. Once rail volumes pick up again, the ability to service more than one customer in Durban will undoubtedly contribute towards future viability.

Obituary: John Gordon – Past Chairperson of SACOTA

We are sad to announce the passing of John Gordon in February 2023. John was the last Chairperson of the South African Grain Traders Association before it became SACOTA.

John worked for Epic Oil and JL Clark Cotton, both part of the

Premier Group at the time. He was Chairman of the National Marketing Council for many years and the CEO for Andre-Genfood after deregulation. He was the Chairperson of the SA Grain Traders for many years until the SA Grain Traders and the SA Shippers Association were combined into SACOTA.

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.