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SACOTA

South African Cereals and Oilseeds Trade Association

NEWSLETTER

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Chinese market receives its first South African soybean vessel

The soybean industry in South Africa achieved a significant milestone with the successful shipment of its first bulk soybean cargo to China. Transnet Port Terminal Agriport in Durban completed the loading operation on October 15, 2023. This is a notable achievement for the South African oilseed industry and is a testament to the potential for growth in the cereal and oilseed sector through collaborative efforts between the government and the private sector.

The first shipment, destined for Guangzhou port, China, was facilitated by Louis Dreyfus Company (LDC), a prominent global merchant and processor of agricultural goods as well as being a SACOTA member. LDC played a key role in opening the Chinese market for South African soybeans, leveraging its presence at both the origin and the destination. The successful loading and shipment of the first vessel was followed shortly thereafter by two more shipments. A combined total of approximately 147,000 tons of soybeans have been dispatched to China. The first vessel arrived in mid-November 2023 with the next two vessels expected to arrive at the beginning of December 2023. This accomplishment aligns with the goals of the BRICS agreement, emphasizing collaboration between nations.

The signing of the soybean export protocol between South Africa and China in June 2022 paved the way for this achievement. The protocol, signed by the Minister of Agriculture, Thoko Didiza, and her Chinese counterpart, established phytosanitary requirements for the export of South African soybeans to China, including testing, pest control measures and the registration of exporters and storage facilities.

China is the biggest consumer and importer of soybeans in the world and is expected to import 100 million tons of soybeans this year (USDA, PS&D online). China currently allows for the importation of soybeans from 15 countries, of which only 11 countries have in the past supplied China with soybeans. South Africa is the twelfth country to join this list. The biggest suppliers to China are Brazil (60%), United States (32%) and Argentina (4%), which are also the biggest global exporters of soybeans. However, there is "plenty of room" for smaller exporters such as South Africa. Excluding the "big three exporters", the graph below depicts the remaining eight exporting countries and their share of the supply to China during the previous season. These eight countries contributed a total of 3.5 million tons. To give some perspective, South Africa is expected to export around 147,000 tons of soybeans to China this season. Given the growth and export potential of the local industry, it may in future possibly rank between Canada and Benin. Accessing the Chinese market is a crucial step for the South African soybean industry, providing an avenue to sell surplus stock and explore profitable export opportunities *(see Figure 1)*.

Transnet Terminal Agriport during the loading operation.

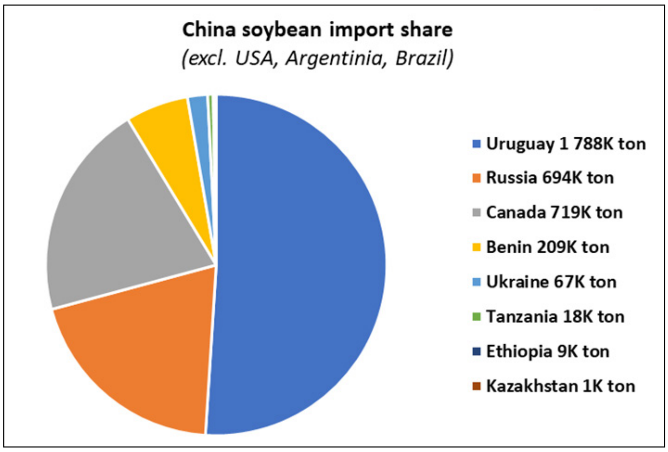

Figure 1: Oilseeds – World Markets and Trade.
USDA Foreign Agricultural Service (August 11, 2023).

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Chinese market receives its first South African soybean vessel

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The soybean industry's expansion has not only benefited from technological advancements and new cultivars but has also extended to previously unprofitable regions. The deep-sea exports of soybeans from South Africa amounted to 253,000 tons in the 2022/23 season, and SACOTA anticipates this figure will be close to 600,000 tons in the current season. The growth in soybean production in South Africa has been remarkable and is expected to continue, although at a reduced rate. One key reason for this is that it is currently comparibly more profitable to produce soybeans than any other grains or oilseeds *(see Figure 2)*.

The access to the Chinese market presents opportunities for South Africa's soybean industry, contributing to the country's economic development and the well-being of rural communities.

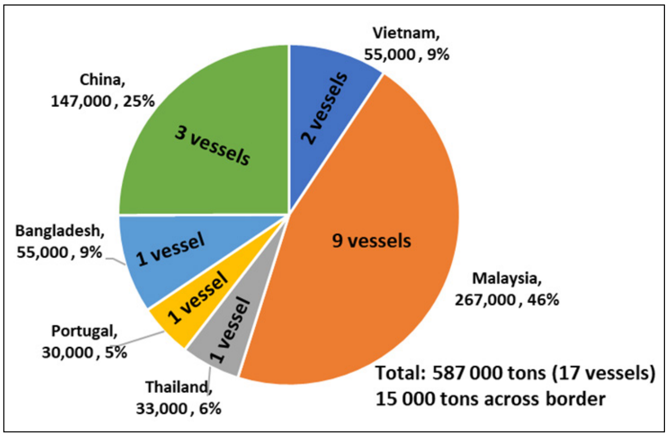


Figure 2: 2023/4 Projected soybean deep-sea exports

SACOTA 2023 AGM

The Annual General Meeting (AGM) of the SACOTA took place on October 5, 2023, at the Centurion Country Club. The event was once again well attended by members and guests. It serves as an ideal platform for industry members to share insight on the cereal and oilseed industry. This year the invited speakers focused on recent developments and upcoming changes in the field of export logistics.

The event featured two guest speakers: Naliya Stamper, Terminal Manager at TPT East London, and James Holley, CEO of Traxtion. The discussions revolved around the potential that the Port of East London holds as well as the insights by Traxtion CEO, James Holley on the future of the South African railway. The timing of the latter was perfect given subsequent policy announcements with respect to Transnet Freight Rail *(see article on page 4)*.

James Holley: Restructuring of South Africa's Railway

James Holley, CEO of Traxtion, delivered an insightful speech on the state of South Africa's railways, emphasizing their critical role in the nation's economy. With South Africa possessing one of the world's most extensive rail networks, spanning 36,000km and constituting over 80% of Africa's rail track, Holley highlighted the need for revitalization. He noted a significant maintenance expenditure backlog of around R30 billion, emphasizing the urgency of addressing infrastructure challenges, as this backlog is increasing.

Despite challenges, Holley expressed optimism about the possibilities of restoring South Africa's railways to their former glory. He advocated for streamlining the railway network by reducing unnecessary lines and fostering closer collaboration with the private sector. Holley's vision prioritises increased efficiency, reliability, and cost-effectiveness in rail transport. He proposed that private sector involvement could bring in fresh investments, innovative solutions, and operational expertise, ultimately reducing the cost of operating the railway lines. Holley explained that due to the high fixed costs aspects of railway lines, increased efficiencies could cut costs per trip significantly.

Given the cost-effectiveness of rail for grain exports, SACOTA is actively collaborating with Transnet Freight Rail (TFR) and Transnet Port Terminals (TPT) to enhance operational effectiveness. SACOTA recognises Private Public Partnerships as crucial for maintaining export competitiveness.

James Holley (CEO, Traxtion) presenting at the SACOTA 2023 AGM.

East London Harbour growing with the soybean industry

The Port of East London has celebrated its first ever soybean vessel that loaded and sailed on 5 September 2023. This indicates that the Port of East London can once again become an important role player in the cereals and oilseeds industry. The port's success story in the last two years further illustrates its potential as a viable alternative to the congested Port of Durban for bulk grain exports.

Naliya Stamper, Terminal manager at the Port of East London, was invited to address the SACOTA AGM on the progress and the future plans of the port. Her presentation focused on the Port of East London's remarkable progress, emphasizing its silo capacity of 66,000 tons and its role in handling imports and exports across all commodities. The Port of East London prides itself on the fact that it does not have any berthing delays, and despite the operating equipment being old, most was well maintained. Currently, it can achieve a loading rate of 5,000 tons and more per day. Naliya is also confident that this rate can be increased to 6,000 tons per day with minor improvements to their current equipment and increased efficiencies. She further pointed out that the Port of East London has a good geographical position for receiving white maize and soybeans.

The photo depicts the St Columba on arrival to load soybeans destined for Malaysia. Ameropa, a multinational trader and SACOTA member, played a crucial role in this historic shipment, loading approximately 33,000 tons of soybeans.

Building on the success of last year's yellow maize vessel, the first in a decade, the Port of East London has continued its upward trajectory. It started the year with loading three additional yellow maize vessels for export and offloading two imported wheat vessels. The harbour has demonstrated resilience in the face of challenges such as neglected equipment and intermittent load shedding.

Following the first soybean vessel, Ameropa exported another vessel while a third is scheduled for early December. The vessels

St. Columba vessel standing at East London Harbour loaded with soybeans.

are all destined for Malaysia. The first two vessels loaded approximately 33,000 tons and 30,000 tons respectively, with the expectations of similar tonnage for the third vessel. It appears that the Malaysian port facilities and/or the market prefers smaller handy-size vessels. The grain terminal can load up to approximately 44,000 tons. Subject to the final numbers, the Port of East London will do approximately 18% of the total deep-sea soybean exports for the season.

Despite facing challenges, Naliya Stamper is confident and determined that the Port of East London should play a key role in promoting the Eastern Cape economy. The harbour's ability to secure additional vessel slots and enhance its loading capacity reflects a positive trajectory for East London. With this in mind, it will also complement recent grain and oilseed farmer development projects in the Eastern Cape.

In the light of these achievements, there is a growing optimism surrounding East London's potential to contribute significantly to South Africa's grain export capabilities. The collaborative efforts between industry stakeholders, SACOTA and the Port of East London showcase a commitment to overcoming challenges and revitalizing the nation’s grain transport infrastructure.

JSE Basis Futures contracts

As a follow-up to our article a year ago (2 December 2022), and after having taken many months to obtain internal legal approval for the contract, the JSE is now in the process of finalising the ten silos. As mentioned before, given JSE software limitations the basis futures contract will only be traded at ten silos – five white maize and five yellow maize. SACOTA and its members, along with other industry participants, have made input to what they believe should be the most suitable silos for a pilot programme, taking into consideration factors such as regional exposure, size, out-loading rate, premiums traded and the best chance for success during a pilot phase. The JSE announced they received nominations for fifty-eight silos and has narrowed this down to their shortlist of ten silo.

The JSE is currently engaging with the various storage operators to confirm their participation in the basis contracts. According to the JSE, some of these storage operators still need to commit to making some system changes in order to participate. To date, only TWK has confirmed its participation.

The launching of the pilot project has come with considerable delays despite demand in the market. The urgency is illustrated by the fact that a member such as The Match Exchange has already developed its own basis-trading system to cater for this demand. There are also other similar systems in the market.

Changes in South Africa’s grain transport dynamics

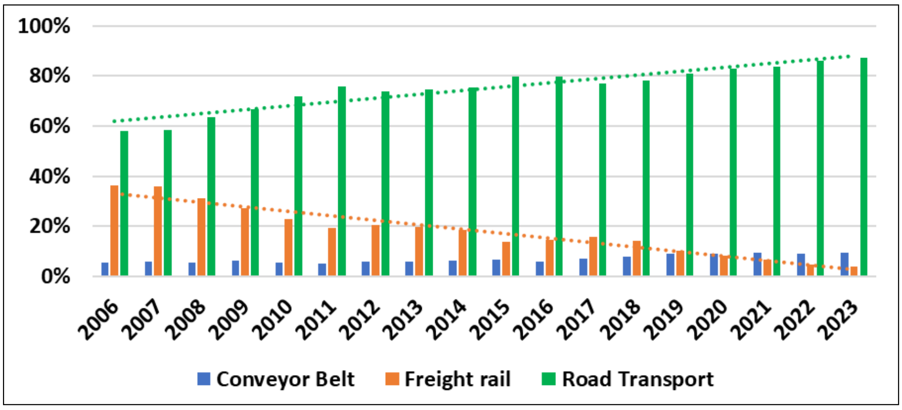


Figure 1: Maize and wheat transport by component
(Compiled by SACOTA. Data supplied by SAGIS.)

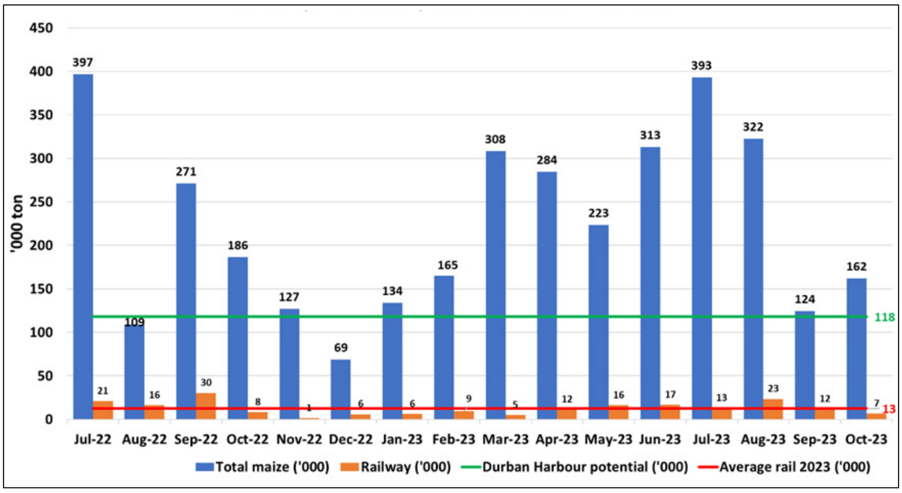


Figure 2: Total deep sea maize exports vs rail to Durban harbour

The dynamics of grain transport in South Africa have undergone drastic changes over the past two decades. In 2006, 36% of maize and wheat were still transported by rail, with 58% moved by roads. However, this balance has shifted significantly, with only 4% of grain currently transported by rail, while 87% is now moved by roads. Challenges such as cable theft and a shortage of functional locomotives have contributed to this decline in rail transport, dropping from 4.2 million tons in 2006 to a mere 700,000 tons in 2022, with further reductions predicted for 2023.

This shift in the grain transport system has wide-ranging implications for the South African agricultural industry and the logistics sector. The country's logistics infrastructure was traditionally developed for predominantly rail transport, making the increased reliance on road transport challenging for loading and unloading freight, particularly evident in ports for grain imports and exports.

The reduction in the use of rail transport for exports also hampers the industry's competitiveness, compared to other grain-exporting countries. Rail is globally recognized as the most cost-effective mode of transportation for bulk products. While competing countries either maintain functional rail systems or upgrade them, South Africa's system is on the decline.

It is critical for Transnet Freight Rail (TFR) and the private sector to collaborate urgently to find operational solutions. SACOTA and its members, who are the primary TFR grain clients, are already working together to address these challenges.

South Africa has not only seen three consecutive years of good production, and therefore exports, but is also faced with the challenge of diverse products being exported via deep-sea. The addition of substantial amounts of white maize and soybean exports adds more pressure on the railway lines.

On average, only 13,000 tons of maize per month were moved by rail since July 2022, this is 11% of the 118,000 tons that the grain terminals at the Port of Durban can offload per month. If we factor in potential investment opportunities based on actual export numbers, this is only 5.8% of the average maize exported per month during the same time.

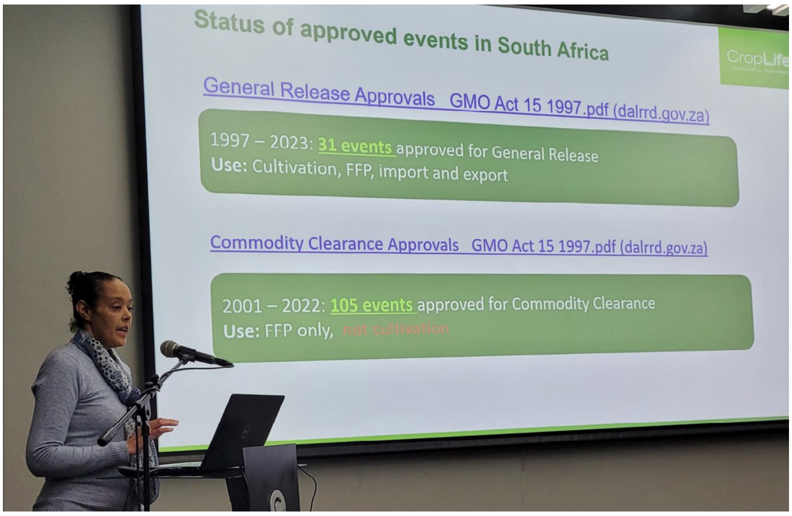
This decline in rail transport is a cause for concern, especially considering that as recently as May/June 2021, Transnet managed to transport around 55-70,000 tons per month. The situation reflects a lack of key resources, of which security and locomotives are probably the most important. Admittedly, the KZN floods negatively affected rail operations. Given the economic challenges and limited government funding for state-owned enterprises, a partnership with the private sector is seen as the only viable solution.

Key rail policy changes

Given the dire state of the rail network as described above, it is important to take note of two key policy developments. First, the National Logistics Crisis Committee (NLCC) which was not only created by the President, but is also chaired by him. Its main objective is to increase efficiency. Secondly, the Freight Logistics Roadmap. One potential outcome will be the separation of Transnet Freight Rail infrastructure from its operations. At the same time, private sector operators will be allowed to enter and compete on the rail network against what will be left from the current TFR operations, and against each other. The Roadmap is on version 7 and the objective is for sign-off by the Parliament/Cabinet as early as April 2024.

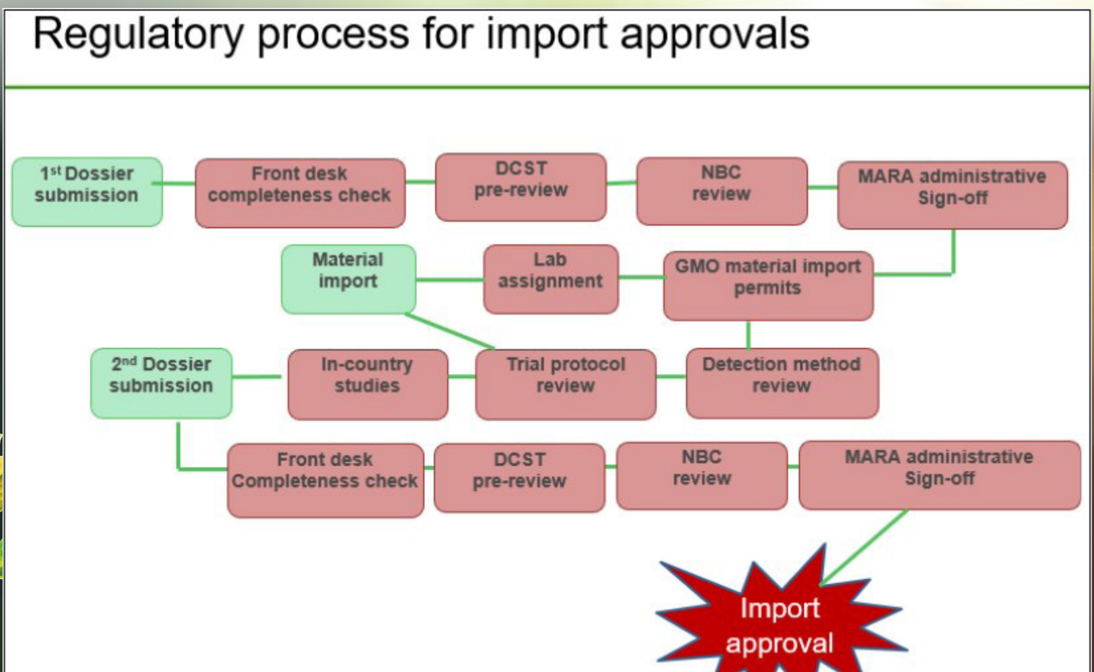
SACOTA and CropLife SA working together

In a collaborative effort between SACOTA and CropLife SA, two mini-workshops were hosted. The first was on September 27, 2023, at the Capital Hotel in Menlyn Maine. This workshop also incorporated the technology developers from Bayer, BASF, Syngenta and Corteva. This event provided a unique platform for SACOTA members to discuss the processes surrounding the registration of GMO events for general release and commodity release from DALRRD in South Africa. Chantel Arendse, Lead Biotechnology, also demonstrated to members the global CropLife database whereby members can verify the events that are approved and the purpose on a per-country basis.



Of particular significance was the revelation that events approved for general release in South Africa, and subsequently registered for seed multiplication, must align with the approvals of countries importing from South Africa. This synchronization is needed for South Africa to export these genetically modified products to international markets. The inverse holds true for South African imports as well.

The 2nd workshop was held on 17 November 2023 and was specifically focused on exports to China *(bottom photo)*. The mini-workshop was led by John Zhao from CropLife China who is based in Beijing. This additional session focused on the import requirements and processes of China. Although South Africa and China have signed export protocols for both maize and soybeans, the process and approval of exporting the physical products are still complicated.



Source: CropLife

Other News

During the October 2023 AGM SACOTA elected new directors. Congratulations to Nathanael Seeber (Louis Dreyfus Company), Lesley Heads (Seaboard), Oloff Bergh (COFCO), Warren de Souza (ETG). Retaining their positions are: Konrad Keyser (Brisen Commodities), Machiel Jacobsz (Farmwise), Gavin Schulze (Cargill), Johann Theron (PolarStar Capital), André van der Vyver (Executive Director). The Chairperson and Deputy-Chairperson will be confirmed at the next Board meeting on 30 November 2023.

SACOTA honoured Paul du Plessis, Director at Brisen Commodities, with a "Life-Long Service Award" for his dedicated 37-year contribution to developing and promoting the South African cereals and oilseeds industry (1986-2023).

Paul du Plessis (right) receiving his "Life-Long Service Award" from Konrad Keyser (left), Chairman of SACOTA.

SACOTA welcomed three new members in 2023:

- Sierentz South Africa
- The Match Exchange
- TPT East London

UPCOMING SACOTA & INDUSTRY MEETINGS

30 November 2023: SACOTA Board of Directors' meeting

22 February 2024: SACOTA Trade Environment Committee (TEC) meeting

7 March 2024: Transnet Freight Rail (TFR) – Industry

Note, the SACOTA offices will be closed from 21 December 2023 to 3 January 2024.

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.