



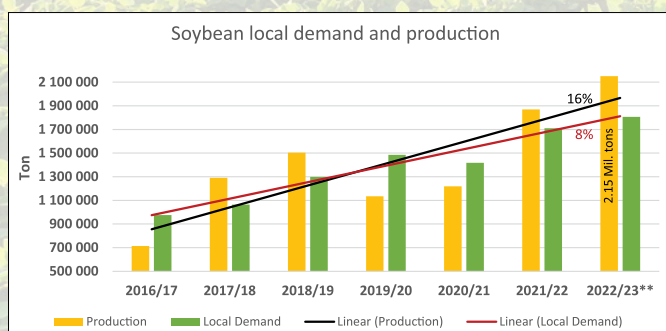
# NEWSLETTER

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## SOYBEAN EXPORTS – Could this be a new opportunity?

Starting last year, when for the first-time, soybean local production exceeded demand with 158 000 tons (with even higher surpluses expected this season), there has been talk that South Africa will soon need to create export opportunities. Although both production and local demand is still growing, it is expected that production will outpace demand in the coming years. In the past 7 years, the average yearly growth in production was 16% compared to 8% for local demand. Production increases would have been even higher if the 2019/20 and 2020/21 seasons did not suffer the setbacks depicted in the graph, below.



\*\* Current season forecast

With a bad start to the production season due to flooding and excessive rain damage and maize bookings that dominated the harbour terminal export slots, nobody expected much to happen in terms of exports in 2022. The industry, however, was pleasantly surprised when ETG, a multi-national exporting member of SACOTA, announced in early July that it had secured three soybean export vessels through Maputo and another one through Durban in early November. Malaysia will receive three vessels and the fourth is destined for Bangladesh. The last significant exports occurred in 2018/19 when 27,600 tons were exported to Turkey.





## South Africa and China sign soybean export protocol

Since the turn of the century, China has dominated the global import market for soybeans. In 2022/23 China is expected to import 100 million tons, compared to South Africa's new 2022 record production of 2.15 million tons – see a few of the latest global production and trade estimate numbers in the table below. Clearly, if this market could be opened for South African exports, it would mean unlimited off-take, even if local production had to double. Unfortunately, China's strict import regulations have in the past meant that for all practical purposes the market was inaccessible. However, this changed when in December 2019, DALRRD and Grain SA hosted a Chinese delegation with the objective of opening up the Chinese market. Covid unfortunately

delayed implementation of this objective for two years but good news was received in June when the *Protocol of Phytosanitary Requirements for the Export of Soybeans from South Africa to China* was finally signed by the relevant ministers of both countries. SACOTA provided support in the latter part of the initiative and is currently coordinating the registration of exporting members, export silos, and terminals as per the protocol requirements. In the future, the protocol will require production monitoring during the season, and inspections of storage and loading facilities by DALRRD. Hopefully, the last of the procedures on both sides will be implemented in time to allow for transactions in the current season.

	USA	Argentina	Brazil	China
<b>Local production</b>	113M Tons	50M Tons	135M Tons	16.4M Tons
<b>Exports</b>	53M Tons	Whole 4.5M Tons Meal 26.5M Tons Oil 5.7M Tons	81.2M Tons	
<b>Imports</b>				100M Tons

*Note, rounded estimates, seasons/years not aligned.*

## The impact of the KZN floods on Transnet Freight Rail supply lines and the maize export programme

Even before the KZN floods, Transnet Freight Rail (TFR) had its challenges, mostly related to cable theft (see article elsewhere), locomotives, resources and general maintenance. The KZN floods that occurred from 11 – 13 April were a major set-back with the main grain export line down to Durban washed away at several places (see photo). Transnet had miraculously succeeded in restoring a single line by 13 June 2022, with repairs to the second line targeted for 17 September 2022. Given limited capacities, a single train carrying 40 wagons of 44 tons each, five days a week, has been allocated to grain exports. In theory, this is a target of 8800 tons per week. Unfortunately, additional problems such as a derailment in mid-July that closed the line for 7 days, locomotive problems and cable theft have resulted in further delays. In the six weeks since re-opening of the line, only approximately 26,000 tons of maize, or 4,400 tons per week, have been transported to Durban. This compares to the roughly 100,000 tons per week that are required in Durban when the export programme is running at full capacity at the three export terminals of Agriport and SABT, as is currently the case. The high volume of road trucks supplementing rail is not sustainable, and the grain industry is in desperate need for TFR to fully re-instate its services as soon as possible.





## Railway line security camera initiative to combat cable theft



At the conclusion of the SACOTA-TFR-Industry workshop on 27 January 2022, SACOTA members and industry partners took a decision to contribute to a solution for the TFR cable theft issue. This specifically applies to the ongoing cable theft problems on the TFR line between Bethlehem and Harrismith, as well as the stretch from Harrismith to Danskraal (Ladysmith), as it impacts on the maize export programme. One cable theft incident can effectively close the line for as much as twelve hours. With 5-8 incidents occurring per month, this has been costing farmers and industry many millions of Rands in lost or inefficient export business. It was agreed to purchase two security cameras on a pilot project basis in partnership with TFR, industry and Grain SA (representing the Bethlehem farming community). The first camera was commissioned on 22 July 2022 and is fully operational. A three-way partnership has been established with SACOTA members and industry paying for the cameras, the farmer control centre in Bethlehem monitoring the cameras on a 24-hour basis, and TFR Security responding when suspicious activity is detected. Each such a camera pole has three cameras, including number plate recognition, motion detection and night vision capabilities, as well as a satellite connection, solar panels and battery power. The image to the left depicts the effectiveness of the camera.

## Imported sunflower seed against short JSE futures contracts

The physical delivery of imported sunflower seed against short futures positions on the JSE Commodity Derivatives Market is currently not allowed. SACOTA had discussions with the oilseed industry and reached an agreement that whole sunflower seeds imported from any origin may be delivered on the condition that the imported seed is of the same or a better quality than local sunflower seeds.

As a rule of thumb, the oil content of the seeds from overseas exporting countries is higher than that of the local sunflower seeds. Ukraine and Russia are the largest producers of sunflower seeds and according to the research company, APK Inform, the oil content of these countries' products in 2019 and 2020, was 44.47% and 43.96% respectively (see table below). This must be compared to the local oil content which averaged 39.5% and 38.7% in 2019 and 2020, respectively, as listed in the SAGL Sunflower Crop Quality report.

It is important to note that only small quantities of whole sunflower seeds are imported to South Africa (with the exception of the 2016/17 season). Even with the shortage in 2021, no seed



Statistics, crop 2019	OIL, % as is	OIL, % on dry
AVE	44.47	47.91
Statistics, crop 2020	OIL, % as is	OIL, % on dry
AVE	43.96	47.42

was imported, apparently because there was a short supply everywhere. Despite this, the ability to deliver imported product on the JSE SUNS futures contract will prevent the futures market from being manipulated. Furthermore, it will bring the SUNS contract in line with the rest of the futures contracts where imported deliveries are allowed.

SACOTA submitted an application for JSE approval to deliver imported sunflower seed against JSE SUNS contracts. The application was debated before the JSE advisory committee on the 21<sup>st</sup> of July 2022. The final decision is still pending.





*Maize being loaded onto the M/V Simple Honesty.*

# The first maize vessel sailed from East London

SACOTA and its members, with the cooperation of Transnet Port Terminals, have successfully re-opened the Port of East London for maize exports for the first time since 2012. This took place after the need arose in the industry to have access to another exporting port due to the constraints and limited capacity at the Durban-harbour terminals.

The first vessel, the M/V Simple Honesty was successfully loaded with 41 800 tons of yellow maize and exported. This achievement effectively means that South Africa now has access to another deep-sea bulk grain export port. Admittedly there were teething problems in loading the first vessel and East London harbour may require

new investments towards infrastructure. However, it has been established that the private sector is willing to enter into a joint venture with government to make these investments possible. Such infrastructural investments may be well worth it, as each vessel exported through this port could generate approximately R200 million in forex for the country with many direct spin-offs for local industries and rural development.

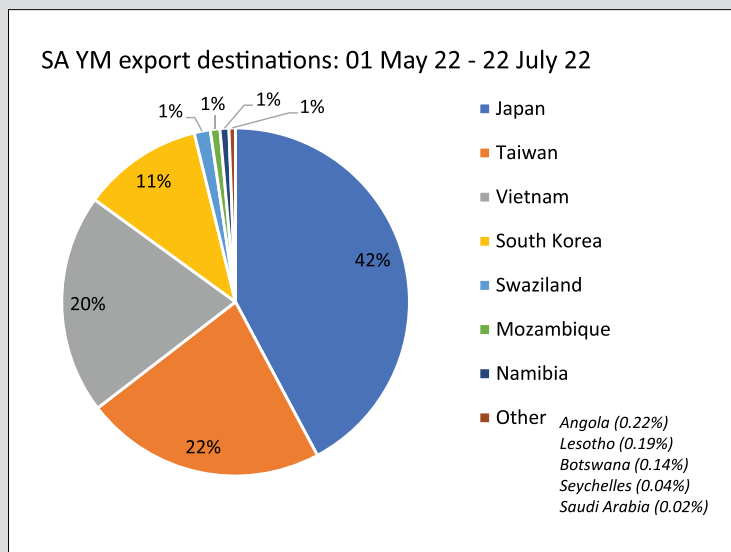
Credit goes to Naliya Stamper, Terminal Manager, and her team, as well as Seaboard Overseas Trading and Shipping (represented by Francois de Wet, MD, and Phil Swart, Operations Manager) for being willing to book the first export vessel.



*Phil Swart (Seaboard), André van der Vyver (SACOTA) and Naliya Stamper (TPT Terminal Manager).*

# Maize deep-sea export programme – update

At the close of the season at end April 2022, South Africa had exported 2.79 and 0.17 million tons of yellow and white maize, respectively, through Durban. This is a total of 2.96 million tons, a figure last seen in 1995. With the deep-sea export programme still running at maximum capacity until at least end October and despite some set-backs in cancellations and re-allocations, many analysts are predicting total deep-sea export for the 2022/23 season at approximately 2.2 million tons (YM 2.0mt & WM 0.2mt). 900 000 tons of yellow maize and 97 000 tons of white maize had been exported until 22 July 2022. The graph below depicts the export destinations for yellow maize.



## Other focus points

SACOTA has also been and still is involved in various other initiatives. Examples include:

- JSE – Basis trading contract. The JSE is in the final testing phase of launching a new basis trading futures contract. The contract will trade premiums on a per silo basis. Due to software limitations, initially only selected silos will qualify. This will be hugely advantageous for both farmers and buyers who will be able to fix premiums at preferred silos in advance. It also automatically means that premiums paid at such silos will in future be a transparent process. Various SACOTA members have made input to the JSE.
- The IGTC (International Grains Trade Coalition) (of which SACOTA is a member) and the IGC (International Grains Council) organised the London Grain Week in June 2022. SACOTA's Executive Director, André van der Vyver, attended the proceedings online.
- SACOTA received a delegation from Haropa Port, who are managing the European ports of Havre, Rouen & Paris, the fifth largest European port complex with 110 million tons of traffic per annum. They wish to strengthen relationships with South African infrastructure management and traders.
- PPECB: Konrad Keyser (Chairperson) and André van der Vyver met with management to strengthen relationships.
- SACOTA also welcomed two new members, namely, ABSA Structure Trade & Commodity Finance, and Migelo.

## UPCOMING SACOTA & INDUSTRY MEETINGS

**4 August:** SACOTA – Transnet National Port Authority (TNPA)

**5 August:** DALRRD – Industry

**17 August:** SACOTA Trade Environment Committee (TEC)

**19 August:** Industry Maize Steering Committee

**24 August:** SACOTA Board of Directors

**31 August:** SACOTA – Transnet Freight Rail (TFR) – Industry

**26 October:** SACOTA AGM, Centurion, Pretoria

For more information on any of the projects and actions reported on in this SACOTA Newsletter, kindly contact André van der Vyver on +27 (0)83 412 0287 or [andre.vandervyver@sacota.co.za](mailto:andre.vandervyver@sacota.co.za) or visit the SACOTA website at [www.sacota.co.za](http://www.sacota.co.za)