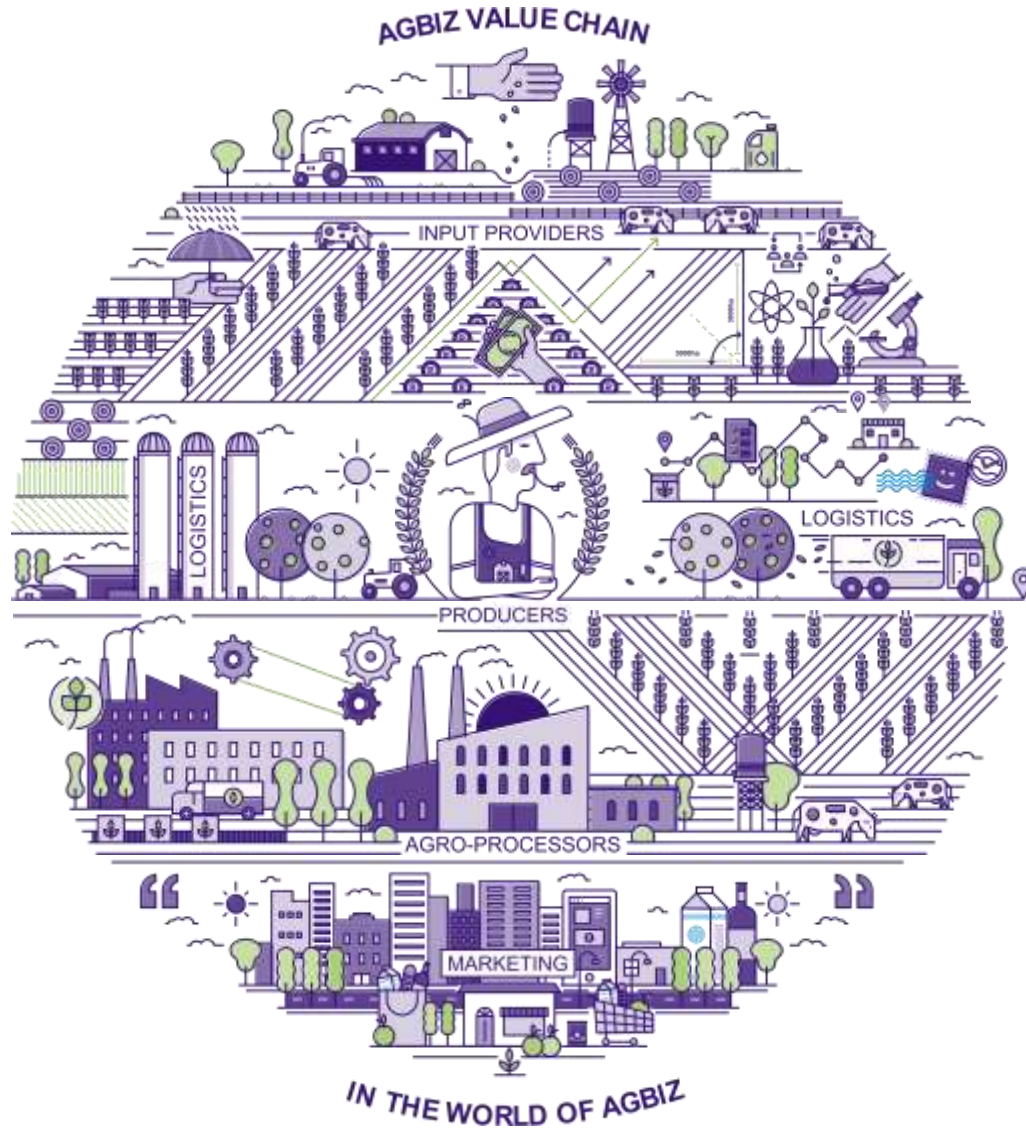


Agribusiness input into the Network Statement

Birchwood
14 May 2024
Theo Boshoff





www.members.agbiz.co.za

Agribusiness:

- Input providers;
- Farmers;
- Co-operatives & agribusinesses;
- Silos, packhouses etc;
- Traders;
- Agro-processors

Primary Agriculture 2-3% but
 whole value chain 14% of
 GDP;
 10% of employment.

Agribusiness history - deregulation



Central marketing

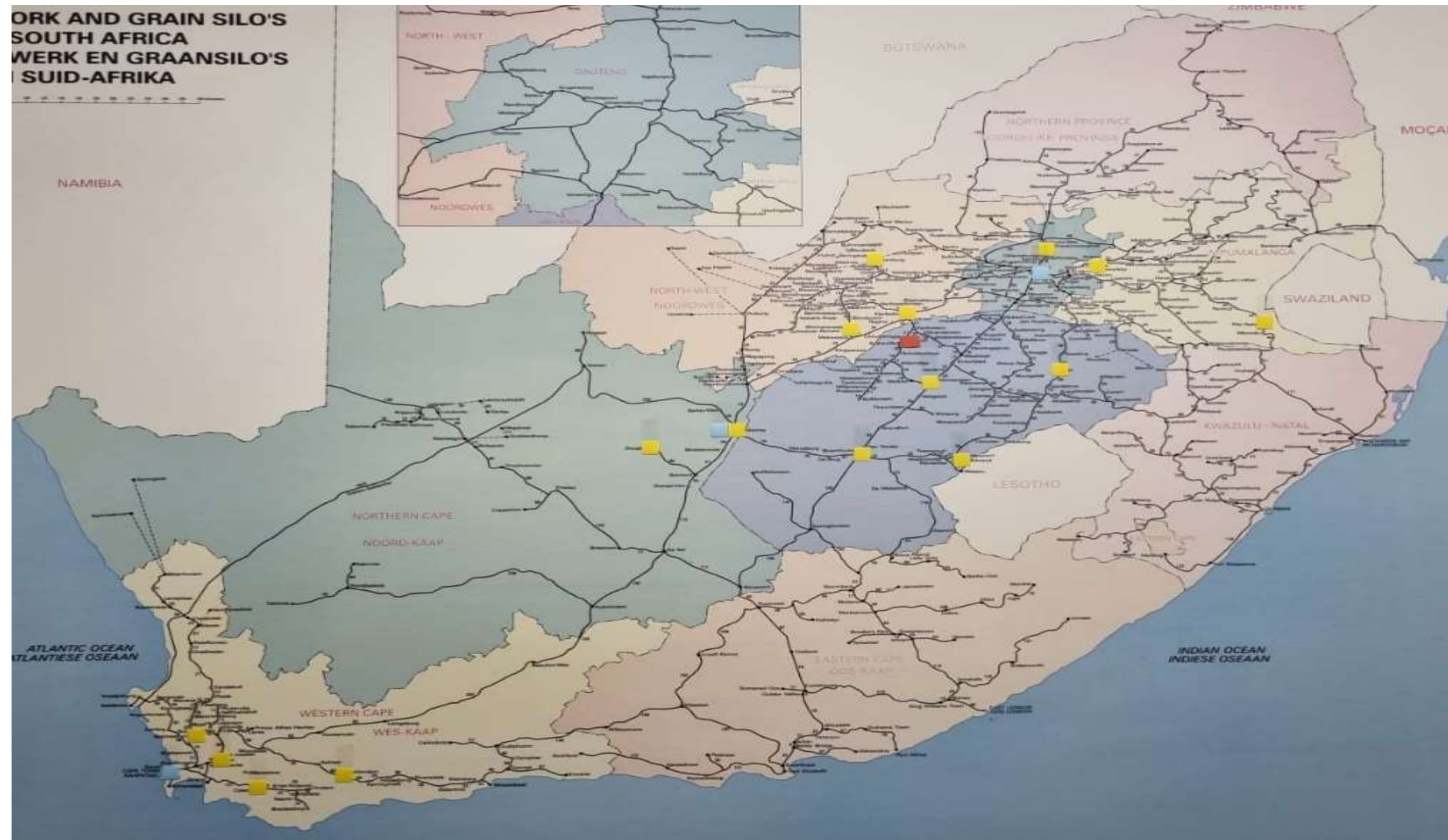
- Inward focuses on SA
- Single buyer, everyone in the value chain gets a cut
- Co-ops formed
- 80 000+ commercial farmers
- Highly subsidised infrastructure



Deregulation

- SA Joined the WTO & abolished marketing boards
- Export opportunities
- Many co-ops changed to Pty (Ltd) or Ltd & diversified
- +-40 000 commercial farming entities, highly mechanised & capital intensive;
- Least subsidised in world (Cairns group)
- Consolidations!

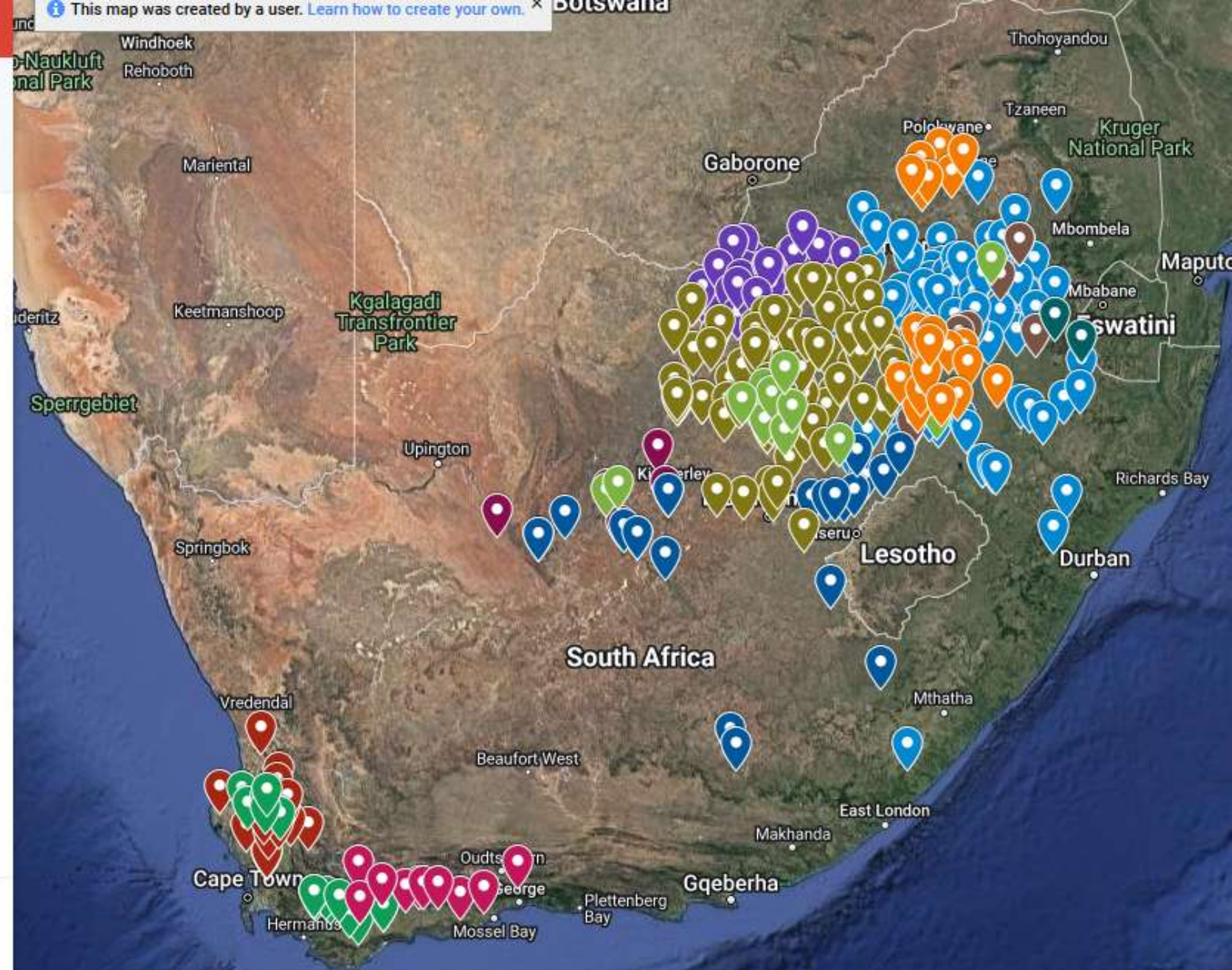
**ORK AND GRAIN SILO'S
SOUTH AFRICA
WERK EN GRAANSILO'S
SUID-AFRIKA**



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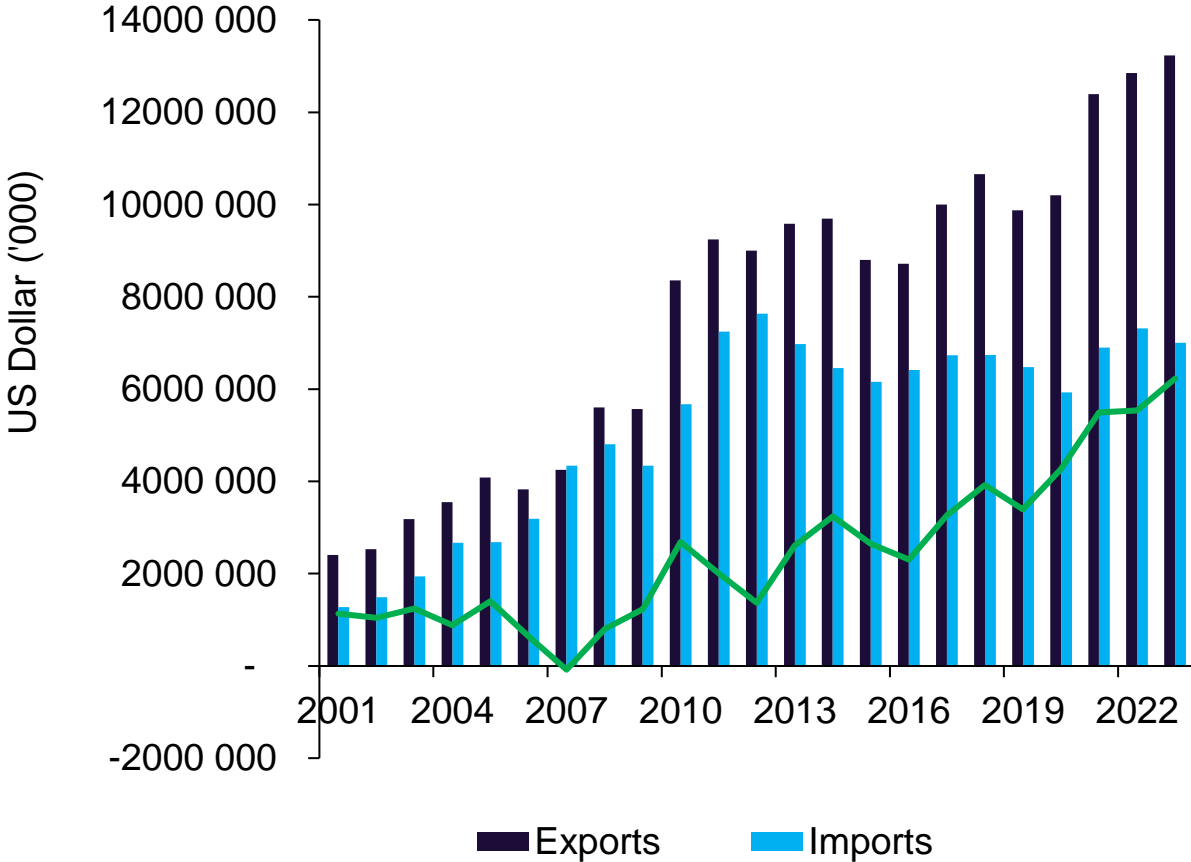
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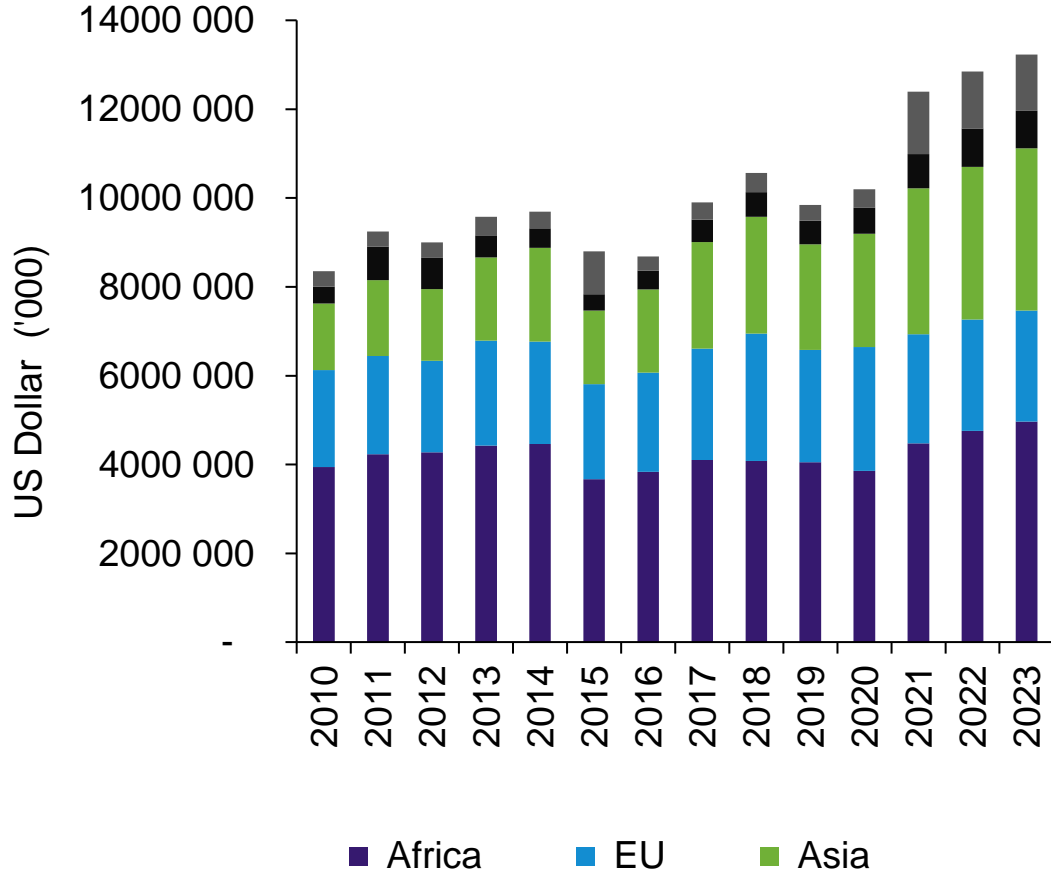


SA's agricultural growth is export-led but rising protectionism is a new challenge

SA agriculture trade



SA agriculture exports by region

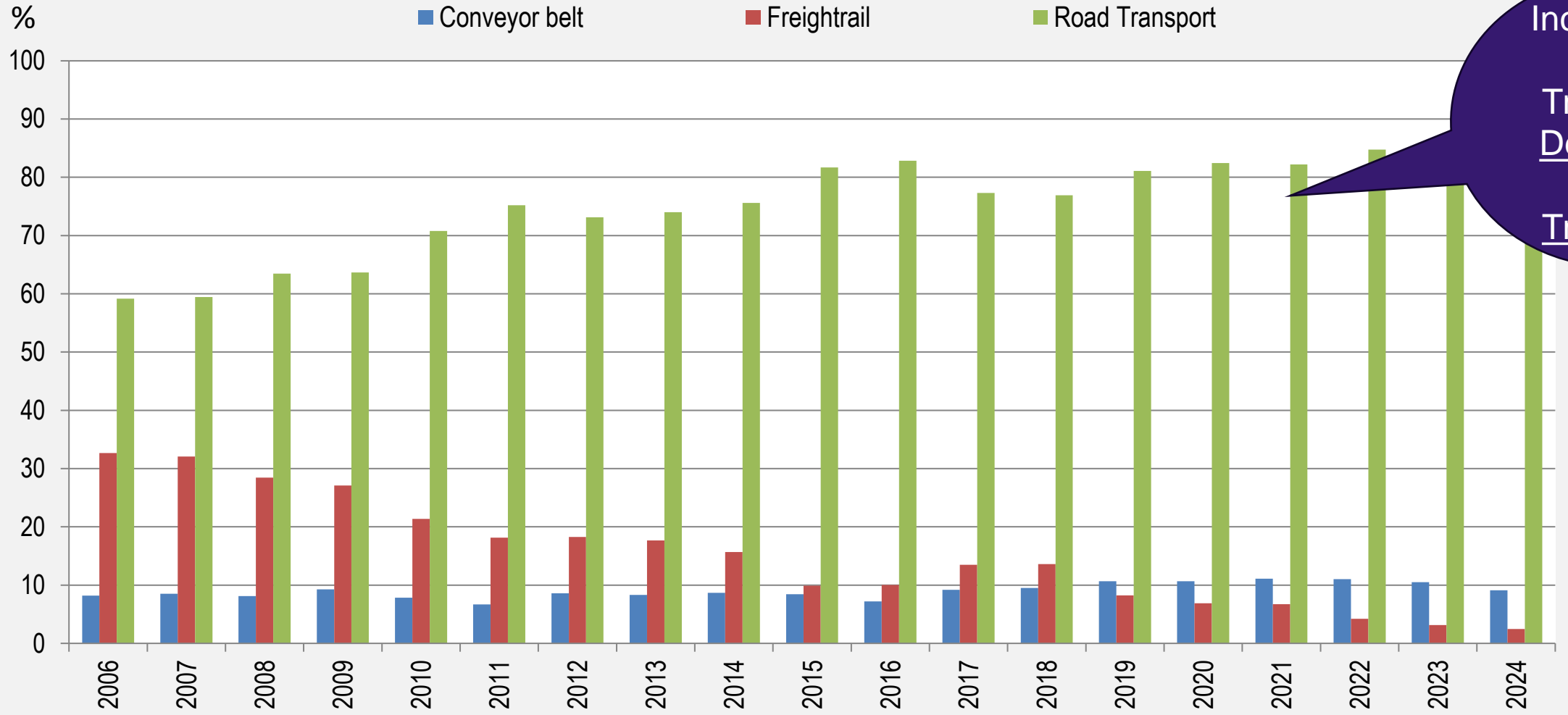


Potential key

- Fruit = around 35% of SA's agricultural exports. Top products citrus, grapes, apples, pears and avocados.
- **2nd largest citrus exporter;**
- **4th largest grape exporter**
- **6th largest pear producer;**
- **8th largest apple exporter,**
- **9th largest avos exporter.**
- **Worlds largest macadamia nut exporter**
- **Worlds largest chicory root producer**
- **World largest Maize meal exporter**
- **3rd largest abalone producer**
- **6th largest wool producer (clean equivalent)**
- **8th largest wine producer**

Maize Transport Trends...

Maize: Transport by Component



Increase in Road Transport
Decline in Rail Transport

Grain Flows and Maize Processing/Province..

Transport of Grain and Oilseeds in South Africa: Five year average (2019-2023)

	Wheat	Maize	Barley	Oats	Soybeans	Other Grains and Oilseeds	Total
Dispatch to RSA premises	3 836 485	8 859 831	459 445	80 391	1 676 740	2 216 576	17 129 468
Exports through border post	384 697	1 051 116	1 737	97	43 664	45 498	1 526 809
To end consumers	1 508	64 434	5 069	551	301	5 921	77 784
To harbours	27 678	1 134 905	0	30	122 061	122 091	1 406 765
Withdrawn	4 114	39 662	2 252	360	320	2 932	49 640
Total dispatch	4 254 482	11 149 948	468 502	81 429	1 843 088	2 393 018	20 190 467
Freight rail	372 648	647 161	188 364	0	6 089	194 453	1 408 714
%	9,2%	6,5%	40,3%	0,0%	0,4%	9,5%	7,8%
Road Transport	3 683 725	9 300 388	279 526	81 429	1 487 559	1 848 514	16 681 140
%	90,8%	93,5%	59,7%	100,0%	99,6%	90,5%	92,2%
Total freight rail and road transport	4 056 373	9 947 548	467 890	81 429	1 493 648	2 042 967	18 089 855

Source: SAGIS & Agbiz Grain calculations

Grain has to move from storage to processors – transport

Processing of Maize/Province: May 2022 to April 2023 (2022/23 Full Marketing Year)

Processed For	Cape Provinces	Free State	Kwazulu-Natal	Mpumalanga	Limpopo	Gauteng	Northwest	Total
Human Consumption and Gristing	225 342	1 681 418	337 216	633 211	360 924	832 565	923 425	4 994 101
Animal Feed and Industrial	518 034	245 440	57 790	6 407	1 304	324 320	430 036	1 583 331
	743 376	1 926 858	395 006	639 618	362 228	1 156 885	1 353 461	6 577 432

Agricultural specific considerations

Agricultural volumes doubled since de-regulation but market needs shifted:

- Just-in time supply chains;
- Multiple buyers (no central buyer anymore)
- Smaller volumes, more often (not ideal for rail);
- Road offers more flexibility;
- Perishable products – time sensitive;
- Many feeder lines no longer economically viable without cross-subsidization;
- NB! – these feeder lines will never run again and should be removed from the Regulated Asset Base for calculating fees.

Implication for Network Access Statement

- Cost is the only benefit of rail over road & only long distance:
- Must be significantly cheaper than road;
- For export – easier route into port;
- Only a handful of lines for long-haul that will be economically viable;
- NB! – the feeder lines will never run again and should be removed from the Regulated Asset Base for calculating fees.

Cost calculation

RAB calculation;

- Most feeder lines will never work again;
- Need to 'right-size' the rail network first, then recalculate the RAB that needs to be maintained;
- What about concessions? Should they not be excluded from RAB?

Public interest case to be made

- Road (excluding national roads), are highly subsidised;
- How can rail compete economically with roads that are state-subsidised?
- Case can be made to de-congest provincial roads (and reduce maintenance burden) by subsidising rail alternatives;
- Rail also critical for just-transition to decarbonise the economy;

Annual Slot Capacity Planning and allocation

- Support principles: equity, non-discrimination, transparency and the best possible utilisation of available infrastructure capacity; but
- Agriculture is seasonal – seasons are predictable but volumes can vary;
- Volume can also vary depending on climatic conditions – decision must be made quickly;
- *Annual & quarterly planning for slot allocation needs flexibility!*

Fruit exports critical success factors:

- Two crucial elements for this option to be successful are:
 1. The availability of gensets (generators).
 2. Time: reefer trains should be given priority and should not be put on hold at sidings.
 - This is important for two reasons:
 - The cargo is time-sensitive;
 - The export value chain inside the ports is dependent on timeous arrival and loading of containers onto ships.
 - ‘Back freight’ key – empty reefers coming in could be used better: imported fish, meat, rubber for tyre manufacturing.

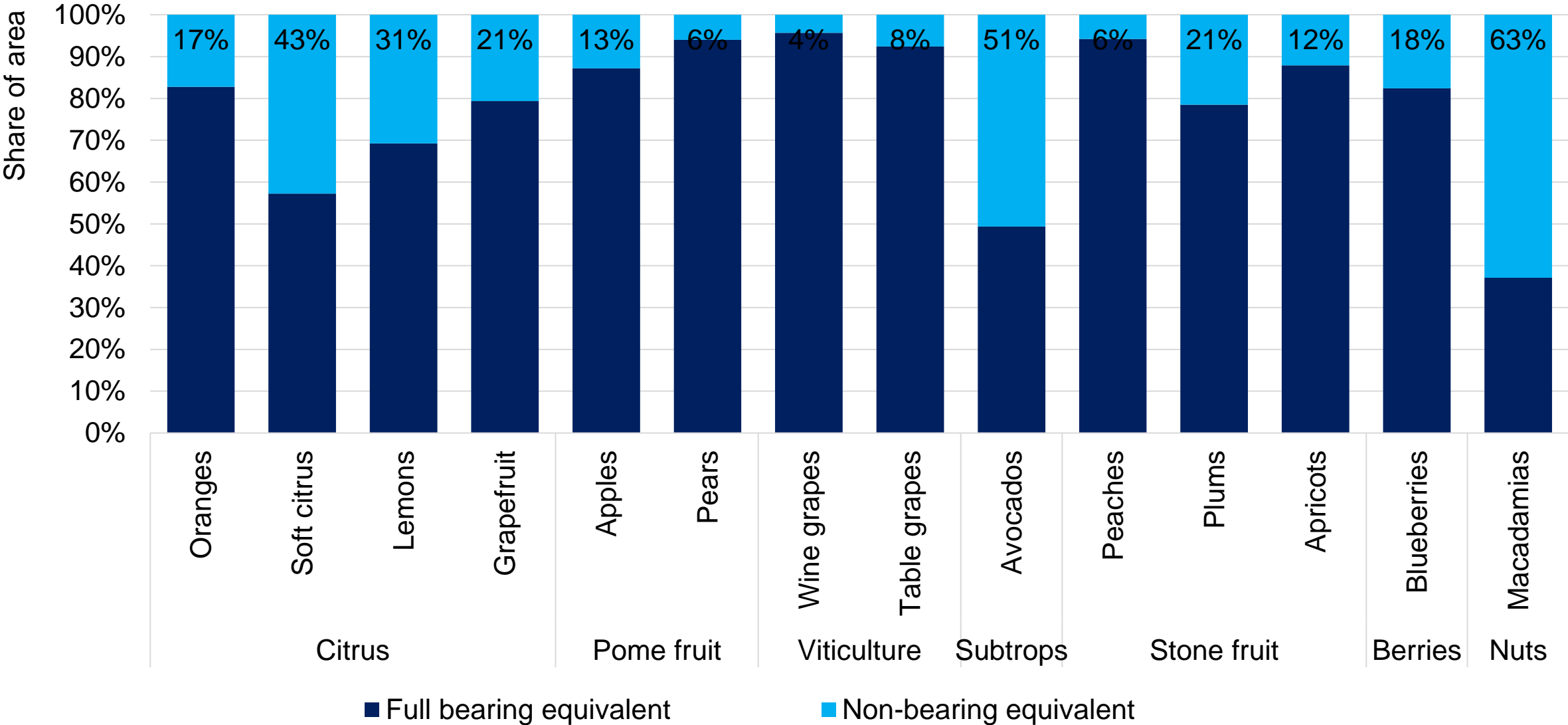
Case studies

- The fresh fruit export industry have invested in constructing a loading facility for reefers about 4 km from the (derelict, non-operational) Tzaneen station.
- The construction included investing in a power line to bring Eskom power to the facility as well laying additional tracks. During the citrus season two trains of 38 wagons run from this facility to the port in Durban.
- not as successful as was hoped due to cable theft, lack of reliable rolling stock and non-priority treatment of the train (it sometimes had to wait on a siding close to City Deep in Johannesburg for many hours).
- Another example was a “fruit train” running from Kakamas to the port of Cape Town during the table grape season.
- This unfortunately had to cease due to large portions of the railway tracks being stolen.

Branch lines and feeder lines

- Categorised as strategic or non-strategic;
- Assessment on current volumes not sufficient;
- Other factors:
 - Expansion plans (e.g. maize in the Eastern Cape – Master Plan)
 - State of the infrastructure;
 - Incidents of cable theft & vandalism;
 - Rail infrastructure & condition at sender & receiver;.
- Clarity is key – agribusinesses are maintaining rail sidings in the ‘hope’ it will run again one day. If not, they must have clarity.

Large share of total area not yet in full production



Thank you!

Grain Building, 1st Floor, 477 Witherite Street, The Willows, Pretoria, South Africa, 0184

PO Box 76297, Lynnwood Ridge, South Africa, 0040

Tel. +27 12 807 6686 | Fax. +27 12 807 5600

admin@agbiz.co.za | www.agbiz.co.za

Vat nr. 4920204684

