



NEWSLETTER

25 March 2022

Volume 01 • 2022

SACOTA GOING SOLO

Since 2010 SACOTA'S secretariat has been managed by the Animal Feed Manufacturers Association (AFMA). During this period, SACOTA has grown from a relatively informal gathering of traders to a full-blown association with a vision and mission, a constitution, a budget and a board of directors. Although AFMA did a great job, the time has come for SACOTA to function independently. We know, and this was confirmed by the feedback received from SACOTA members, that traders have some unique

challenges that a more focused approach can only address. I can do no better than to refer to the current maize export programme and the numerous challenges that must be addressed before a vessel can finally depart for the importing country. This includes the timely loading of grain at various silos, transport by road or rail, export permits, phytosanitary clearances, berthing of incoming vessels, etc. As of 1 January 2022, SACOTA is a fully independent association catering for its trading members' needs.

EXECUTIVE DIRECTOR



With their move towards an independent trading association, the Board also resolved to appoint **Dr André van der Vyver** as the Executive Director of SACOTA. André has vast experience in the trading environment, having owned his own JSE broking and trading company and working in the milling industry, the banking sector, and the Department of Agriculture.

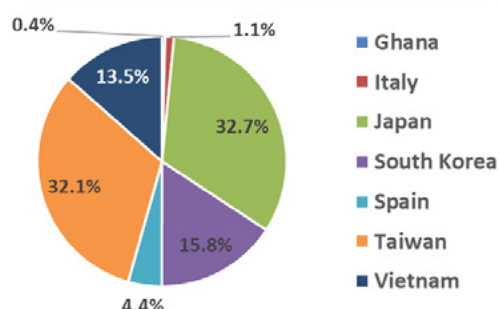
THE MAIZE EXPORT PROGRAMME THROUGH DURBAN

The current maize export programme clearly overshadows other developments in the local commodity markets and, rightly so, given the benefits for agriculture and the rural economy. Traditionally the optimal period for South Africa to export maize is from May to October before the US new crop is harvested and competition increases. However, due to large carryover stocks in May 2021, as the industry entered the new season with another surplus crop about to be harvested, local prices continued to trade at or near export parity into 2022. This, combined with high international prices, resulted in exports being booked well into 2022. The latest predictions are that South Africa will have deep-sea exports of about 3.0 million tons through Durban from May 2021 to April 2022. May 2022 signals the start of the new marketing year and the start of the new harvest.

Such was the interest in new season exports that available vessel slots until June 2022 were already booked out by the end of 2021. In fact, during March 2022, the export terminals (Agriport & SABB) decided to open their export slot bookings, and traders secured all available bookings until October 2022.

This means that in the new season (currently May to October 2022), seven supramax vessels (50-55,000 tons) will likely leave Durban harbour each month, five from SABB and two from Agriport. There are the odd exceptions, like in September and October 2022, when bookings are slightly less because of the start of the rainy season. This adds up to approximately 2.1 million tons. It is expected that 95% of exports will be yellow maize, with the balance being white maize.

SA YM export destinations: May 21 - February 22



TRANSNET NATIONAL PORT AUTHORITY (TNPA)

With the maize export season in 2021 reaching near all-time highs, SACOTA members quickly realized that to be efficient and globally competitive, all sections of the value chain from where farmers are loading until the vessel sails away are important. This includes the activities inside the harbour, meaning the process of managing the berthing of incoming vessels to load maize and again when they are leaving the port. However, it is not only about maize. South Africa annually imports approximately 1.6 million tons of wheat, 300,000 tons of rice, and soybean and sunflower cake and oils – all of which are necessary to ensure ongoing food security for South Africa, mainly through Durban harbour.

For this purpose, after André joined in September 2021, SACOTA established an ongoing dialogue with the management of TNPA. The purpose is to streamline the port's activities, the terminals and the off-loading and loading of grain and oilseed products in the harbour, either by road or rail. Due to the relatively low volumes of product currently being transported by rail, road truck congestion in and around the harbour is a massive problem. Furthermore, delays with vessels' berthing and/or moving could cost the industry millions in demurrage costs. Regular discussions between the parties involved help to avoid or decrease inefficiencies.



Maydon wharf, with the Agriport silos in the front and SABT further away.



MAIZE EXPORTS THROUGH EAST LONDON HARBOUR

Due to large maize export surpluses available and the fact that the Durban-harbour terminals of Agriport and SABT will be utilized to the maximum this year, members asked whether we could not re-open East London harbour for bulk exports. SACOTA took on this challenge and is pleased to report that after months of negotiations and a very cooperative Transnet, as recently as mid-March 2022, four vessels have been booked for exports. This is likely to happen from 25 April to 6 October 2022. At the time of publishing, two more slots were still available for a targeted total of 300,000 tons.



TRANSNET FREIGHT RAIL (TFR)

For South African maize farmers to compete on the global export market, they require an efficient value export chain. Given the high cost of transportation to move maize from the farms or storage owners to the Durban harbour, this could make or break an export deal. It is the direct cost and the efficiencies required with releasing the grain (if financed), loading it, and then moving it in the shortest possible time to the export terminals in Durban harbour. Everywhere in the world, the most efficient way to move bulk grain is by rail. South Africa is no exception. Unfortunately, South Africa's rail network has deteriorated over the years and is currently struggling from inadequate locomotive power and cable theft. With the help of SACOTA, the industry is now attempting

to find a way in which its members and industry can contribute to combating the cable theft that has become a national crisis. So serious is the problem that since approximately September 2021, when crime syndicates aggressively targeted railway lines, TFR performance has dropped to only 40% of what was achieved earlier in the season. Ideally, TFR should transport approximately 35% of the total export volume, but currently, this has dropped to as low as 10%. SACOTA hosted a TFR-industry workshop in January 2022, where we agreed to contribute to addressing the problem. SACOTA and its industry partners are in an advanced stage of negotiations to install security cameras on the railway line.

SACOTA MANAGEMENT REACHING OUT TO MEMBERS AND PARTNERS



At the October 2021 SACOTA AGM, when the announcement was made that we are to “go solo”, the objective was set to visit and engage with all members and partners. It is critical for any association to understand its members’ needs and maintain good relationships with its industry partners. During mid-March, Konrad Keyser (Chairperson) and André van der Vyver (Executive Director) paid a visit to Durban, where several SACOTA members are



based. Also, with the ongoing export programme, the relationship with industry partners is more important than ever. SACOTA management succeeded in engaging with three partners, namely Transnet National Port Authorities (TNPA), TPT Agriport and SABT, and four trading members, namely FR Waring, Seaboard, Ameropa and Olam. SABT is also a member of SACOTA. Further engagements are planned.

OTHER FOCUS POINTS

SACOTA is also involved in various other initiatives, all at different stages of completion. Examples include:

- The Passport System (which will provide safe and secure traceability of products from farmer to end consumer).
- The revision of the maize grading regulations (which is pending publication by DALRRD).
- An e-phytosanitary system (the rollout of an online system by DALRRD in line with global practices, which will increase efficiencies for members).
- SACOTA's relationship with the IGTC (International Grain Trade Coalition), of which SACOTA is a member, is considered invaluable given the importance of global trade. Another key relationship is that with the JSE.
- Almost all SACOTA's members actively use the JSE futures and options market to hedge their trading activities and risks. SACOTA has taken the lead in opening up additional opportunities for members on the JSE, for example, the delivery of Polish, Latvia and Lithuanian wheat against hedged positions.

UPCOMING SACOTA & INDUSTRY MEETINGS

- 24 March:** JSE Advisory Committee
- 30 March:** SACOTA Im/exporters – TFR – Industry
- 30 March:** SACOTA Exporters – TPT East London
- 31 March – 1 April:** National Chamber of Milling (NCM) AGM
- 7 April:** Wheat Forum: Steering Committee
- 7 April:** SACOTA Im/exporters – Transnet National Port Authority (TNPA)
- 20 April:** SAGL Board meeting
- 18 May:** SACOTA Trade Environment Committee (TEC)



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 or visit the SACOTA website at www.sacota.co.za