



# IMPORTANCE OF AN EXPORT MARKET

GOSA

16 March 2023

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- Growth in the industry
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# Who is SACOTA?



- Represent the grain & oilseed traders, and supporting services
- Promote free and fair trade to the benefit of all South Africans and the country as a whole
- Exports = improved food security
- Members responsible for 80% of local grain trade, and 85% of imports/exports
- Value of an export vessel: YM R254 mil, and Soybeans R322 mil



# 27 Members

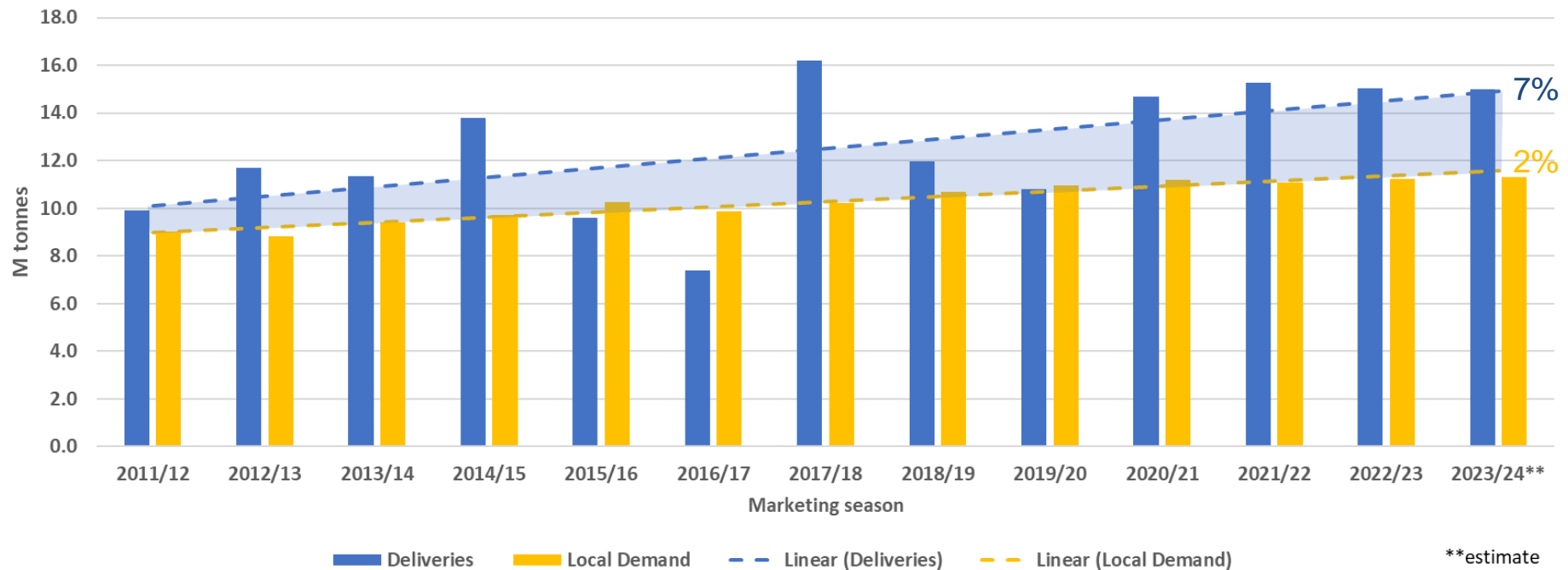
International traders	Local traders	Associated members
<ul style="list-style-type: none"> <li>• Ameropa Commodities</li> <li>• Bunge</li> <li>• Cargill RSA</li> <li>• COFCO</li> <li>• ETC. Agro</li> <li>• FR Waring</li> <li>• Louis Dreyfus</li> <li>• Olam</li> <li>• Seaboard</li> </ul>	<ul style="list-style-type: none"> <li>• Afgri</li> <li>• Allem Bros</li> <li>• Bester Feed and Grain</li> <li>• Brisen Commodities</li> <li>• Condito</li> <li>• Farmwise Grains</li> <li>• Hochfeld Grains</li> <li>• RandAgri</li> <li>• Unigrain</li> </ul>	<ul style="list-style-type: none"> <li>• ABSA</li> <li>• CEOCO</li> <li>• Migalo</li> <li>• Polarstar funds</li> <li>• RMB</li> <li>• SABT</li> <li>• SGS South Africa</li> <li>• TPT DBN Agriport</li> <li>• Vanguard Derivatives</li> </ul>





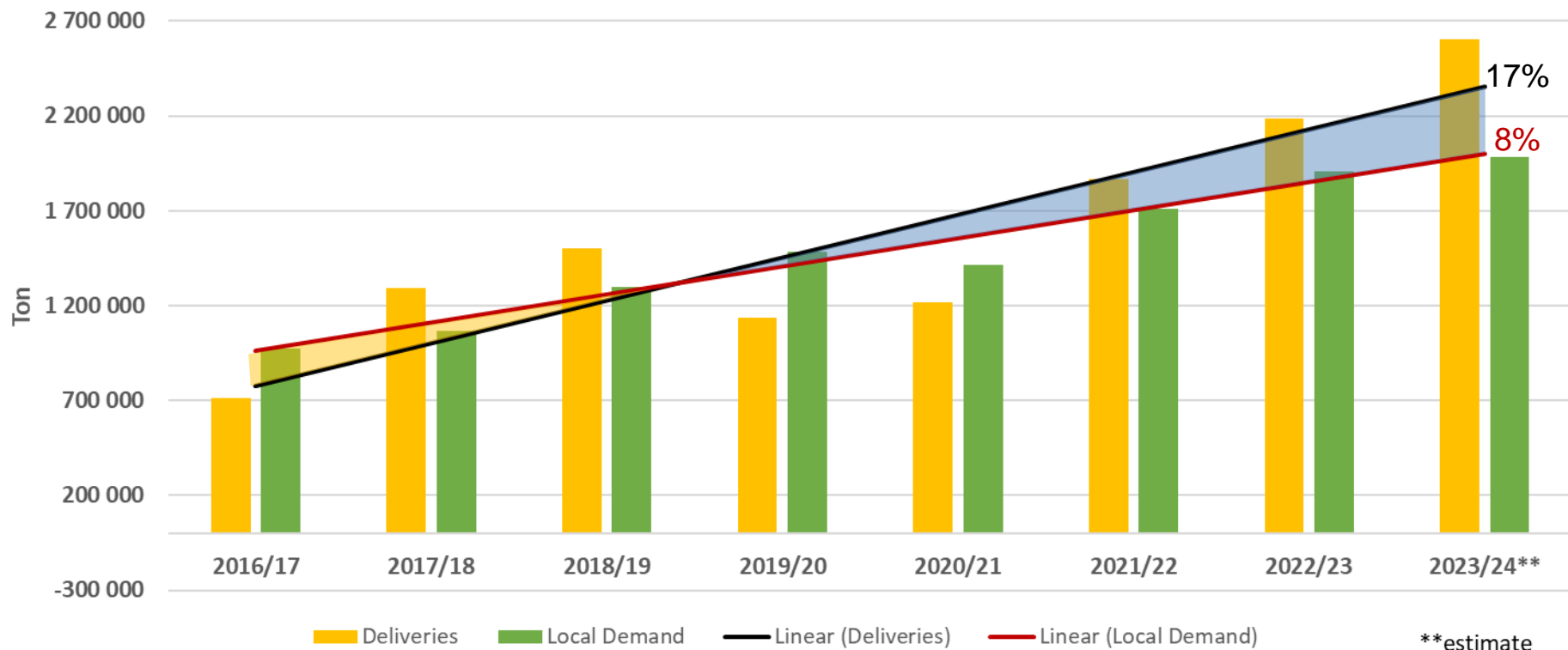
# Maize demand and supply

Maize Local demand and deliveries



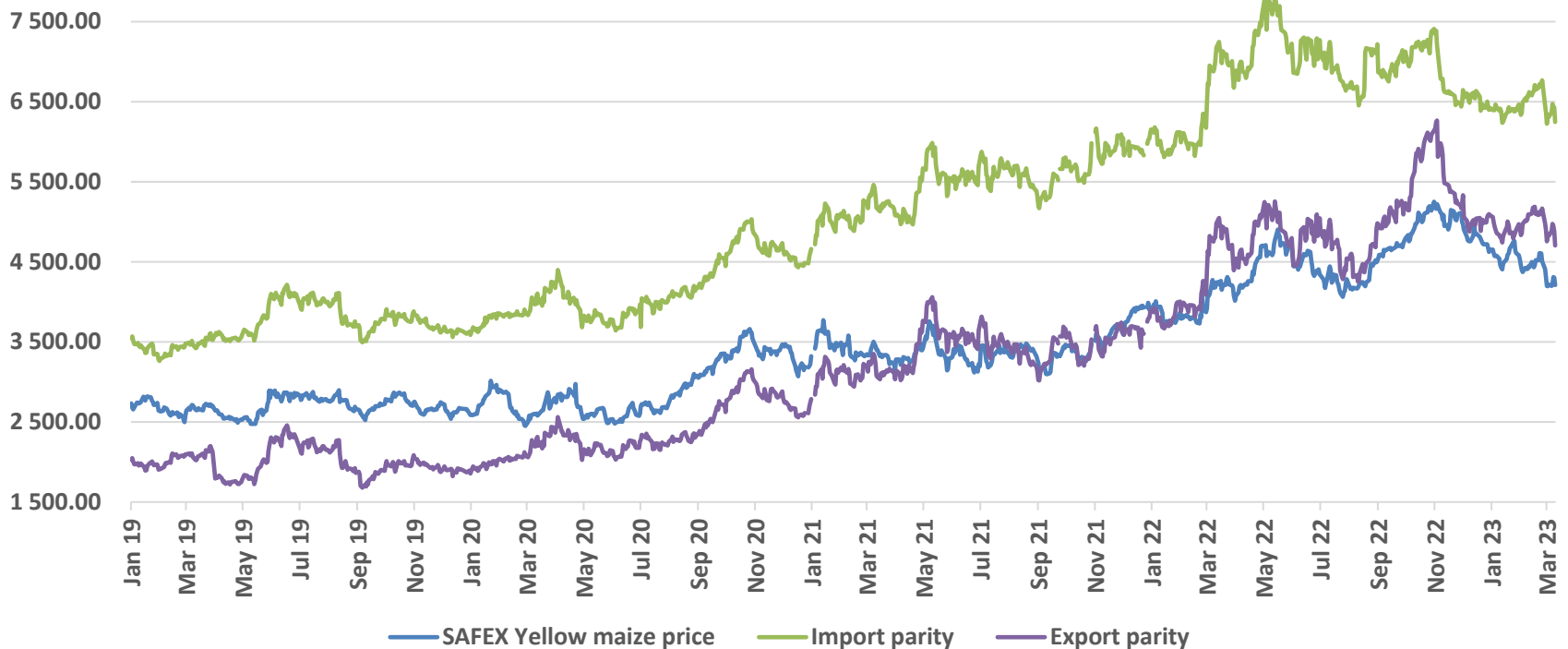
# Soybean supply and demand

## Soybean local demand and deliveries



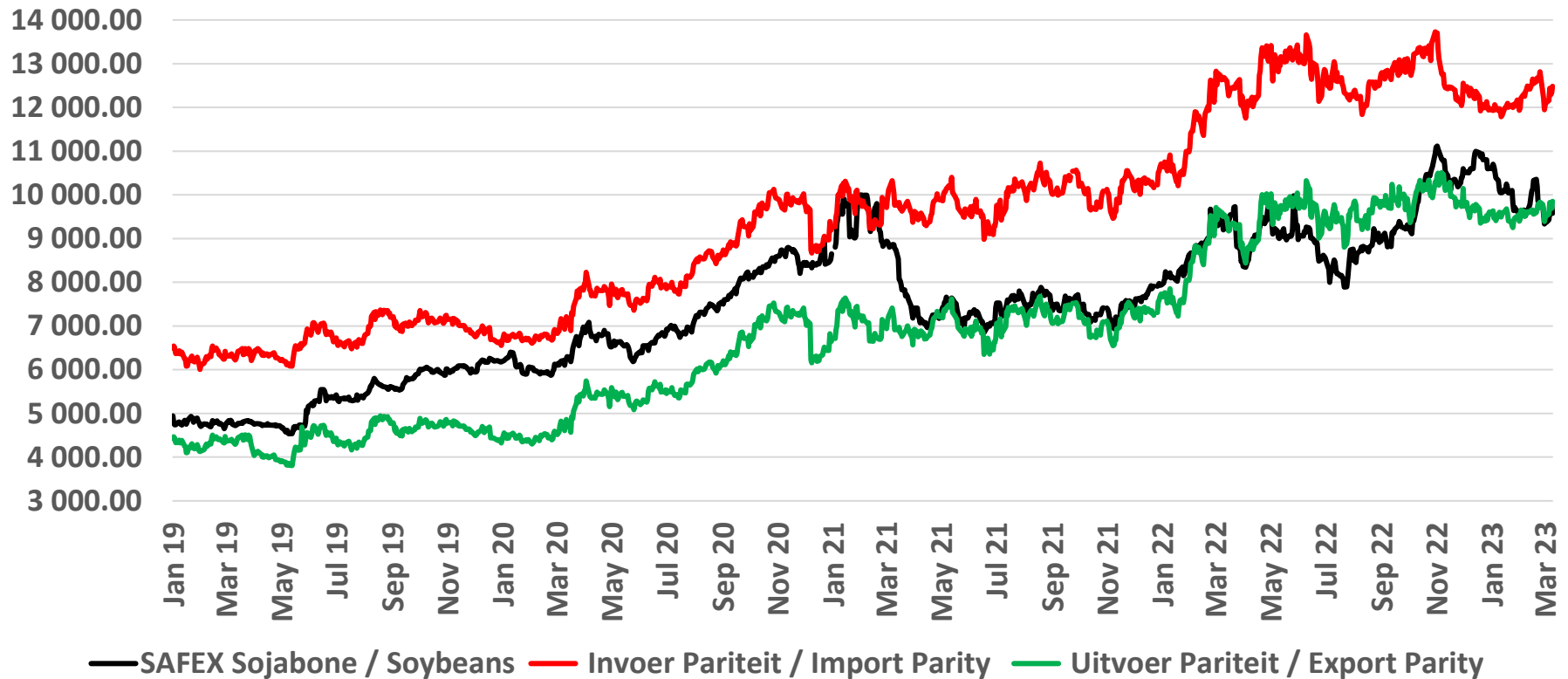
# Yellow maize parity prices

Yellow maize parity prices



# Soybean parity prices

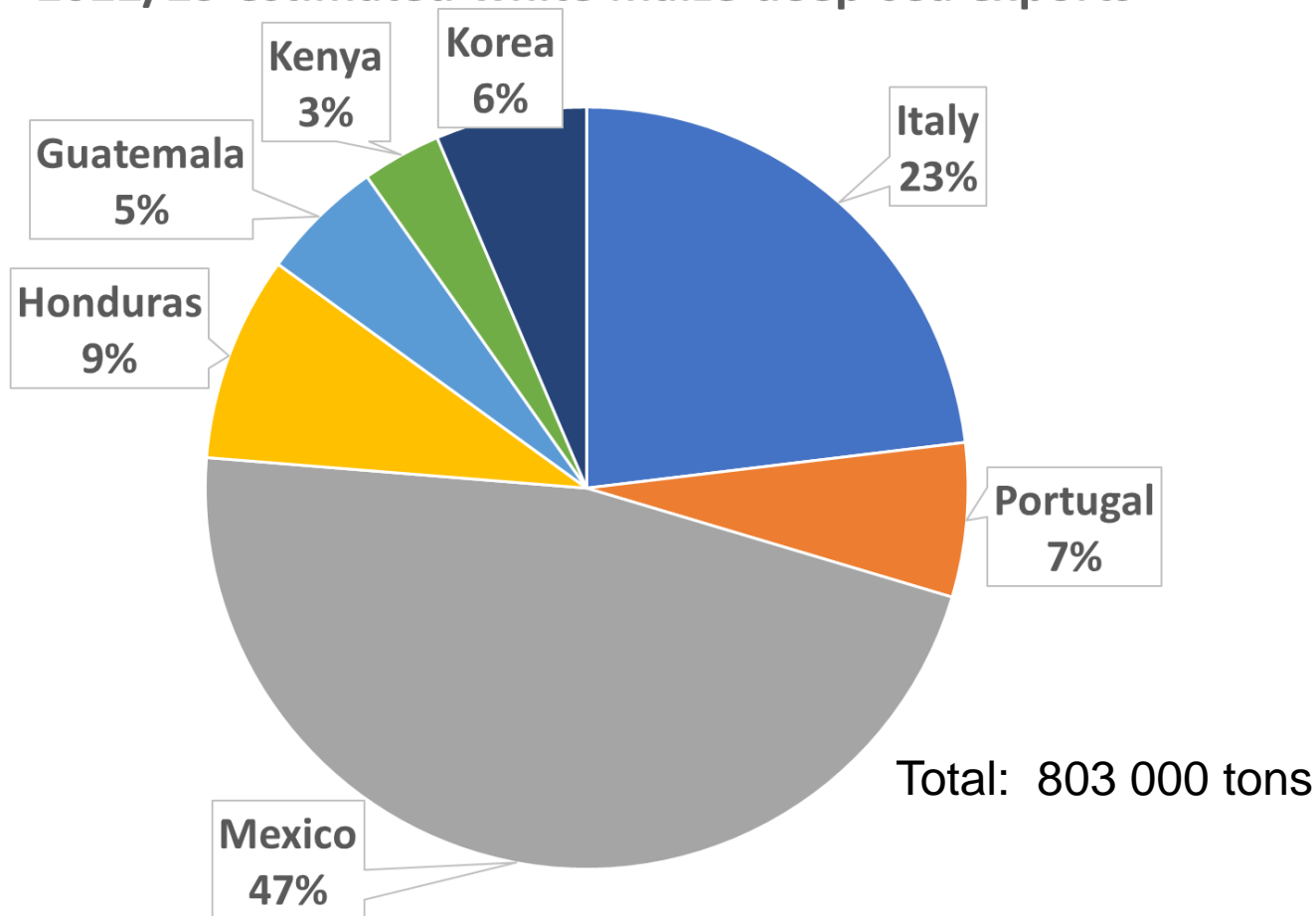
## Soybean parity prices





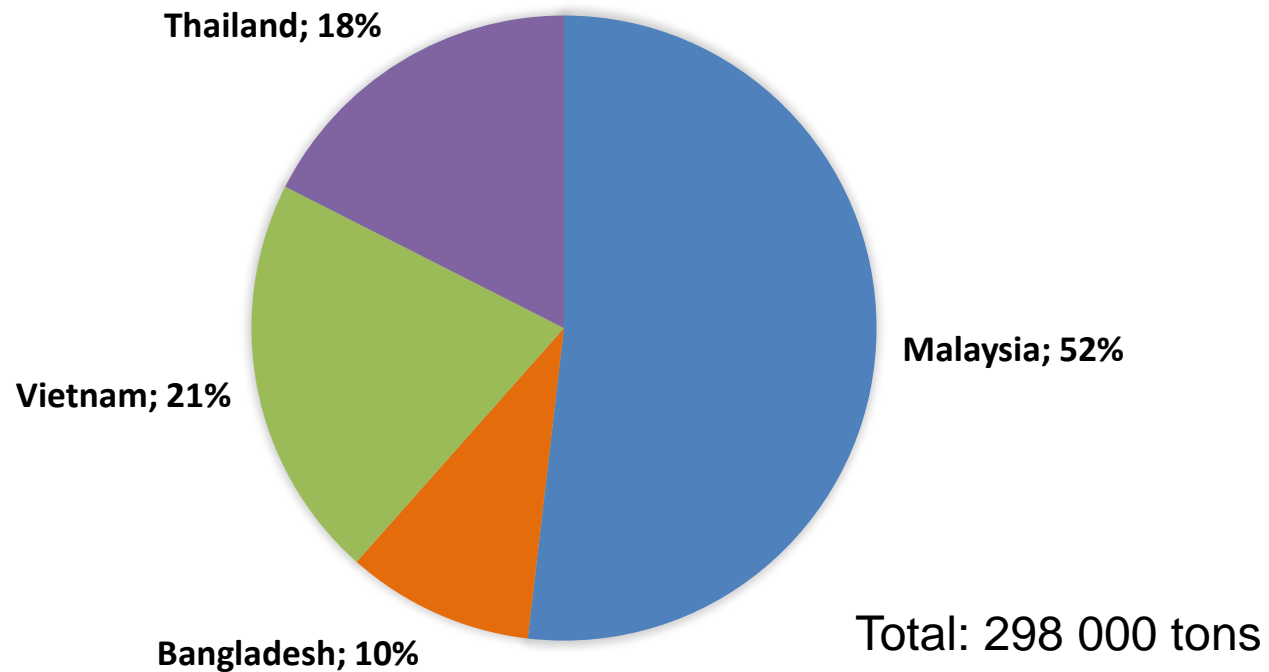
# White maize exports

2022/23 estimated white maize deep-sea exports



# Soybean exports

## 2022/23 SOYBEAN CROP DEEP-SEA EXPORTS



*Estimated values for February and March 2023.*



# Production cost (Soybeans & Maize)

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)	5121	5876



# Export profitability (Soybeans vs Maize)

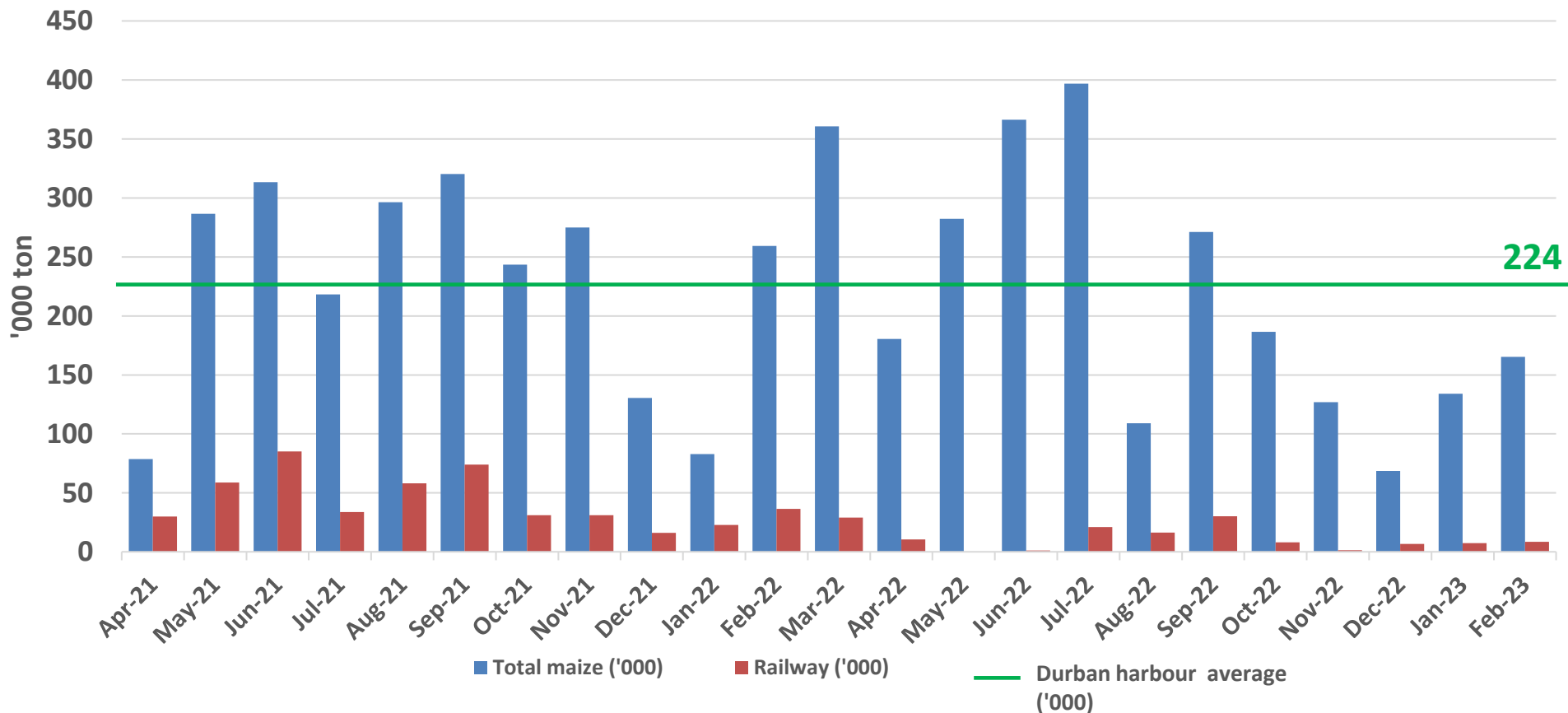
Export profitability: 2023 season	Maize	Soybeans
Gross profit ex silo (R/ton)	931	2270
Transport to Durban (R/ton)	600	600
Harbour costs (fobbing) (R/ton)	220	220
Industry gross profit, harbour (R/ton)	111	1450





# Exports vs rail

Total deep sea maize exports vs rail to Durban harbour



# The importance of a JSE Safex silo certificate



- Transparent pricing mechanism – still used by everyone – direct or indirect
- Tells you what your stock is worth
- But on the assumption you can access the stock
- This makes it possible to convert a futures price to a cash price
- It does not matter that physical delivery is a small percentage of total – it still is the benchmark
- Access to stock means, how readily you can outload



# The importance of a JSE Safex silo certificate (cont.)

- When Safex started, two key criteria for success were standardization and guaranteed performance
- Great care was taken to ensure delivery by farmers, and the ability of the buyer to pay.
- Hardly anytime was spent to ensure the storage operator can outload – it was a non-issue at the time
- However, today it is different



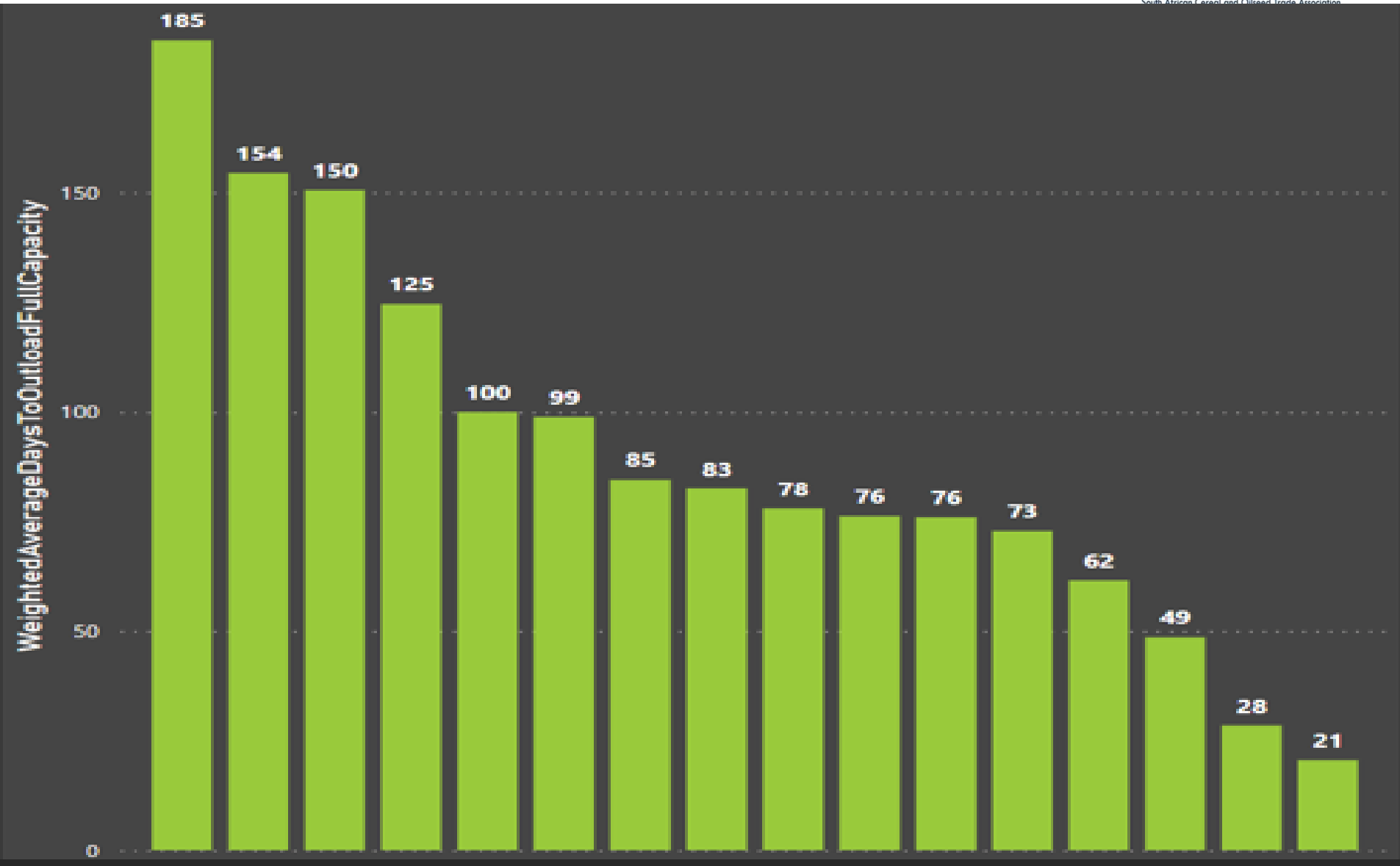
# Not all silos are equal?

- Each approved JSE Silo has a published
  - outload rate per hour
  - total storage capacity
- If full, how quickly can storage operator outload its silos?
- Theoretical exercise
  - not all silos are fully utilised
  - differs between commodities
  - differs between silos
  - silos perform better (or worse) than published rates





# Days to outload (2023/24)



# Today's realities

## Some silos

- work overtime and weekends to improve delivery of service
- locations cannot outload during all weather conditions (a requirement)
- Access roads are deteriorating and impacting on operations
- have generators  
(some charge, others share, and some include in storage cost)
- Trucks failed to turn-up, resulting in empty slots
- Offload points do not have generators, resulting in delays



# What are the solutions?

- Without standardization incl. minimum requirements for outloading, users of physical stock will not be able to price the economic value of grain in silo
- Buyers who wish to outload physical stock need to be able to identify their maximum cost and timeframe.
- Specific requirement, JSE approved silos
- Question – do we need that many JSE registered silos after 25 years?



# What are the solutions? (Cont.)

- The JSE Derivative market is standardized in terms of type, quantity, quality, price, location, etc.
- BUT it is NOT standardized in terms of when you can expect to receive ex-silo delivery and the costs associated with it.
- This needs to change if we wish to have a successful futures market going forward.





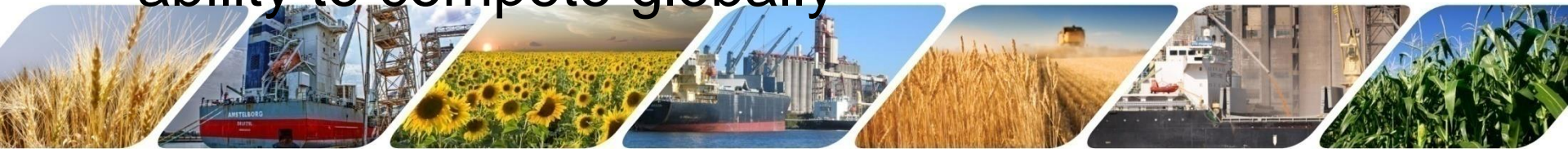
# What could happen?

- Safex certificates - the dumping ground vs. a premium product and benchmark
- More re-deliveries
- Safex prices will trade lower to accommodate the uncertainty of access to stock
- Silos will fill up with stock not moving
- Buyers will pay increased premiums (and make deals) with those silos that can guarantee outloading (within reason)
- There will be winners and losers



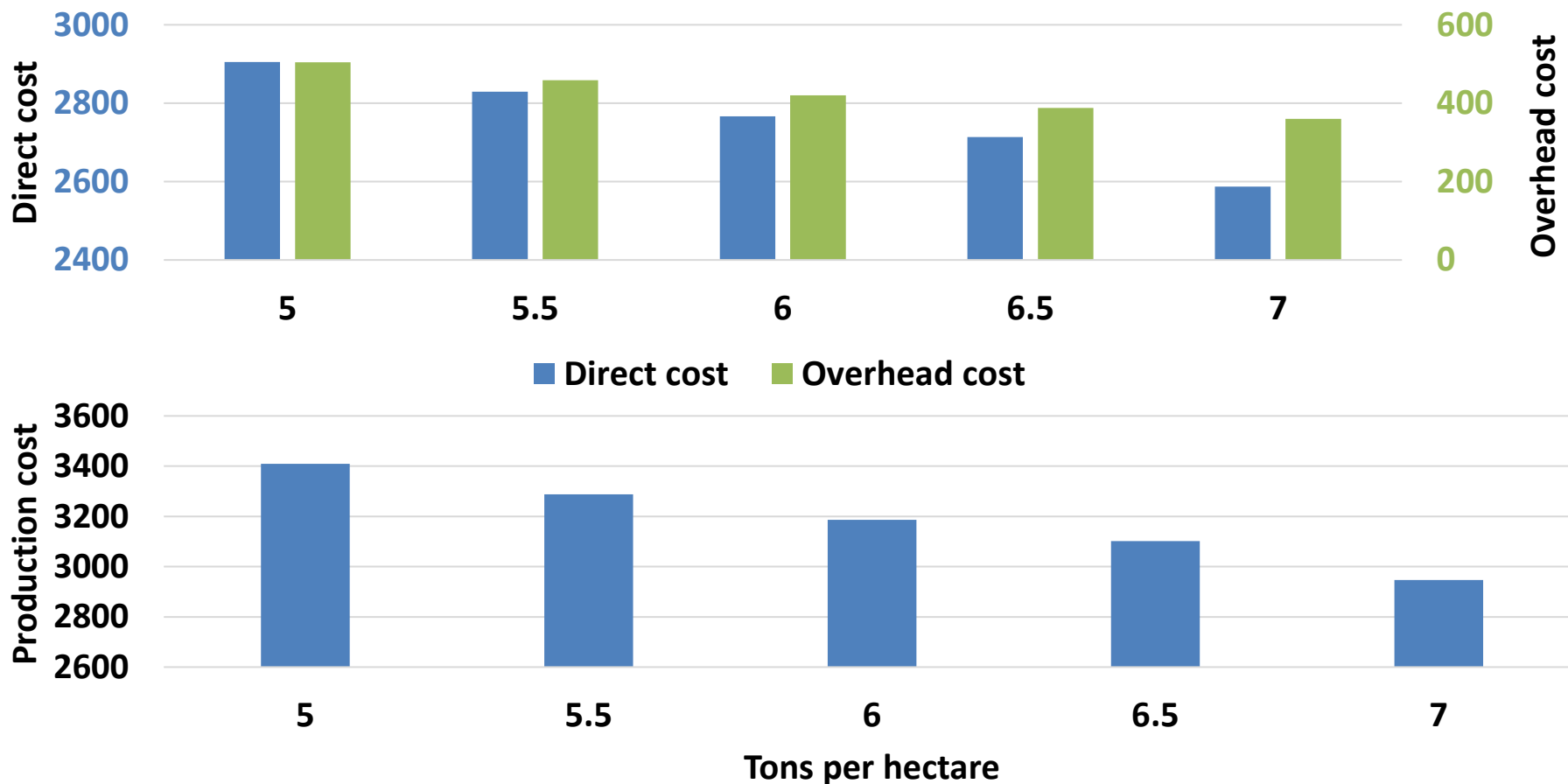
# Conclusion: Benefits of exports

- With 34% unemployment – food security is a major issue
  - “Surplus production” means “export parity” = cheapest form of food security
- Exports generate much-needed forex
- Exports are created by various economic activities throughout the value-chain – spreading benefits everywhere
- Agriculture biggest creator of jobs in rural economy
- Increase volume brings economies of scale – and ability to compete globally



# Economies of scale

Direct and indirect cost for producing Maize per hectare



# “Impossible to produce only for local market”

- Who “controls” production? Maize crop this year will exceed local demand by approximately 33%
- What will happen to “surplus capacity” if we produce for the local market?
- Less production threatens food security – not because there will not be enough BUT because food prices will be more expensive (import parity)





# Conclusion:

Together we can achieve more  
for the benefit of all South Africans

