

# Navigating the Future of South African Agriculture: Insights into Grain Handling and Storage Sector

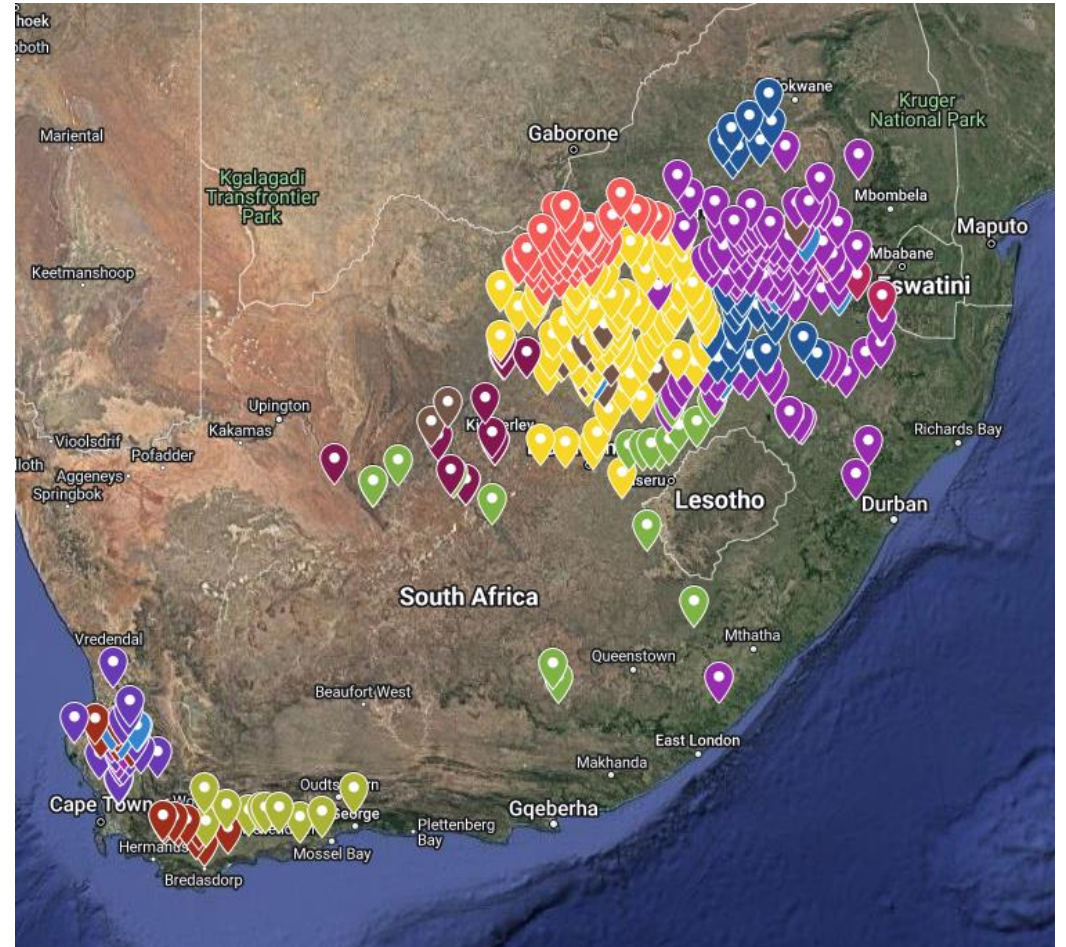
Wessel Lemmer  
General Manager



# Agbiz Grain in perspective

**Our members jointly own 98% of all the JSE-registered sites**

**We jointly handle and store 70% of all grain and oilseeds produced**



# The Producer Price Index as indicator for the adjustment in JSE storage rates – Questionable?



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## JSE storage rate as % of white maize price: 2000/01 to 2022/23

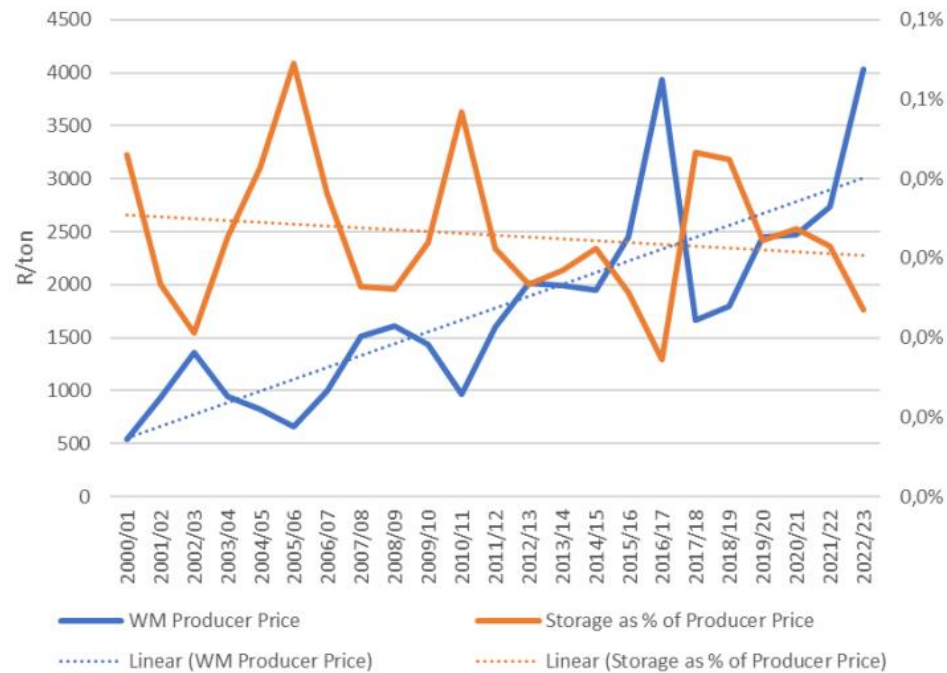


Figure 1: Comparison of the white maize producer price trend and the declining JSE storage rate as % of the white maize producer price in the 2001/02 to 2022/23 marketing years.

## Comparison of JSE & CME storage rates: 2018 vs 2023

|     | Day storage  | Day storage           | Price       | Cost as % of price |
|-----|--------------|-----------------------|-------------|--------------------|
| CME | 0,05 c / bu  | \$1,97 / ton / month  | \$154 / ton | 1,28 %             |
| JSE | 0,76 c / ton | R 22,80 / ton / month | R1791 / ton | 1,27 %             |

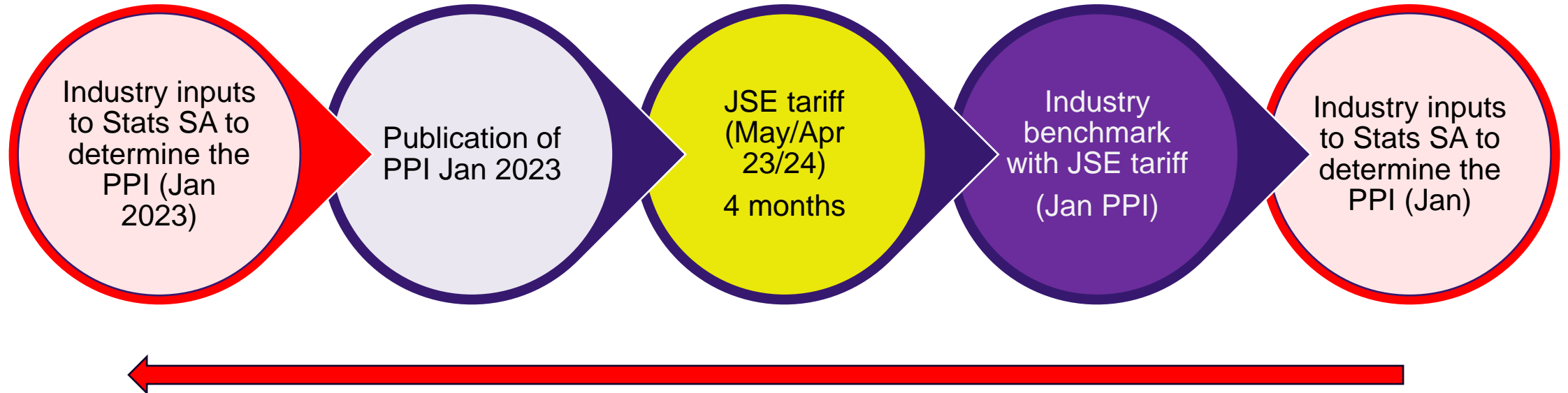
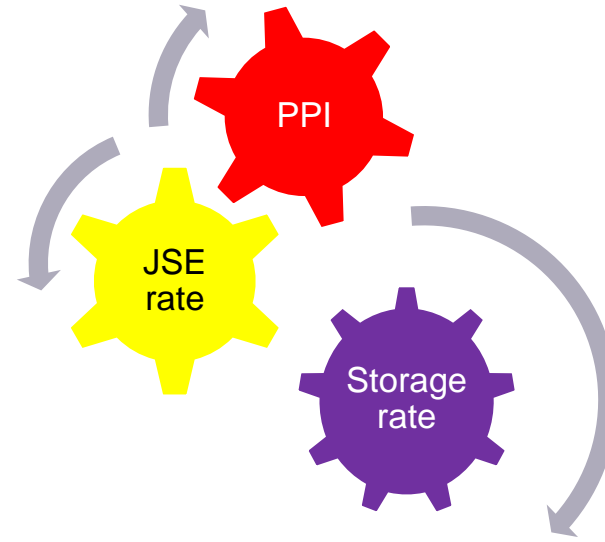
Sources: JSE, CME, SAGIS & own calculations

Table 2: Comparison of JSE and CME storage rates for maize in 2023

|   | Day storage | Day storage          | Price       | Cost as % of price |
|---|-------------|----------------------|-------------|--------------------|
| CME   | 0,06        | \$2,33/ton/month     | \$208 / ton | 1,12 %             |
| JSE   | 1,07        | R32,10 / ton / month | R3603 / ton | 0,89 %             |
| <i>Required JSE daily storage rate to equal US daily storage rate</i> |             |                      |             |                    |
| JSE   | 1,34        | R40,20 / ton / month | R3603 / ton | 1,12%              |

Sources: JSE, CME & SAGIS & own calculations

# Annual adjustment based on PPI does not reflect the increase in actual storage rates



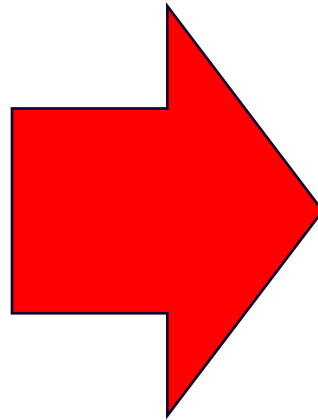
# THE INDUSTRY DO NOT SUPPORT THE INTRODUCTION OF INSPECTION SERVICES



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## BEFORE DEREGULATION

- LABORATORY SERVICES
- MARKETING INFORMATION
- INSPECTION SERVICES
- RESEARCH



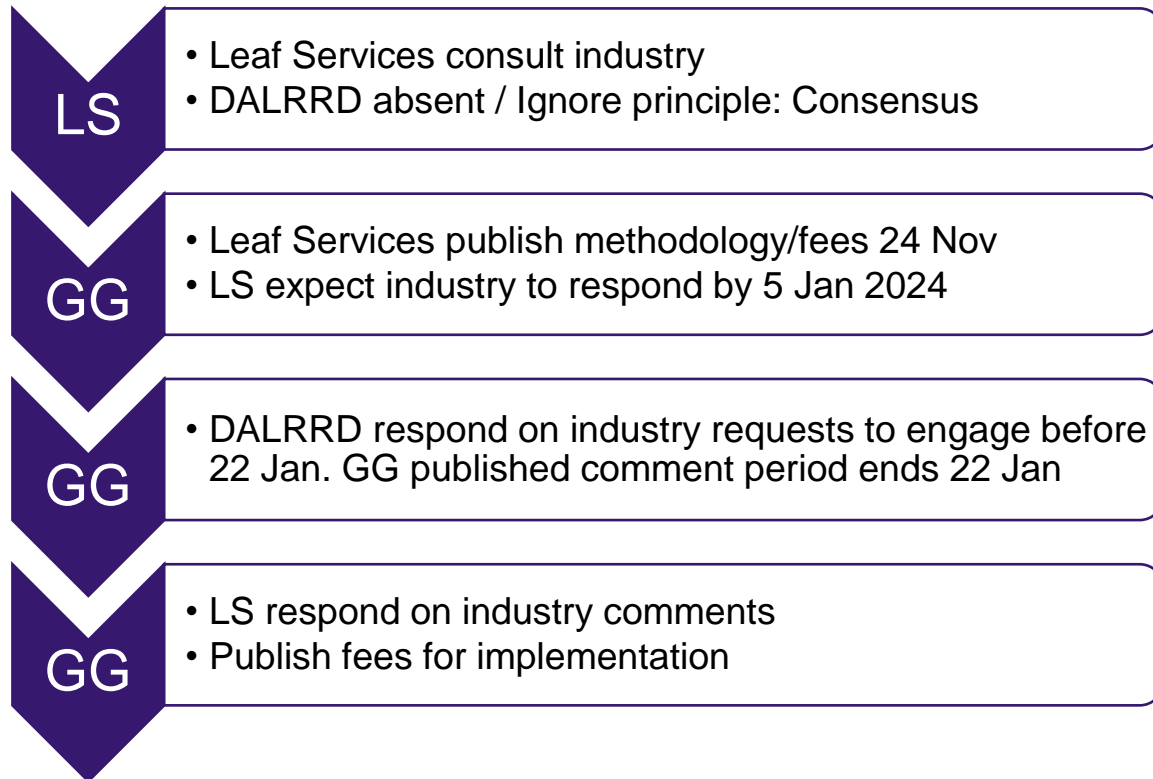
## AFTER DEREGULATION

- The following were introduced
  - AGRICULTURAL FORUMS
  - INDUSTRY TRUSTS
  - SAGL
  - SAGIS
  - **NO INSPECTION SERVICE**
  - RESEARCH

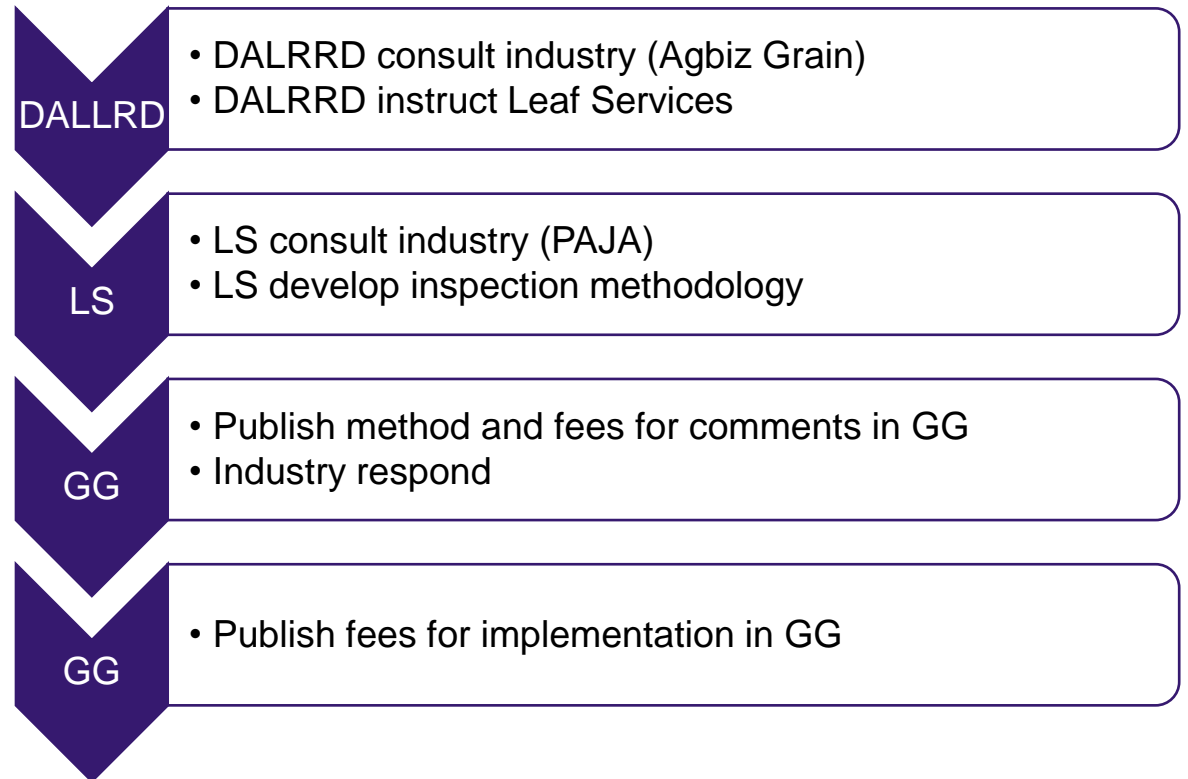
The Agricultural Product Standards Act No 119 of **1990** provide for assignees to perform inspection services  
The Agricultural Forums advise against the introduction of Inspection Services. DALRRD ignore industry.  
The APS Act facilitates trade by assigning grades to commodities to be priced – not about food safety.  
Allocated grades are verified at intake, outloading and delivery at the processor (Potentially 3X) by the stakeholders involved – No need to incur R18 million to perform the inspection of quality on commodities

# WHAT IS GOING WRONG? (Industry won the previous appeal)

## DALRRD absent



## APS Act request DALRRD oversight





# AGRICULTURAL PRODUCT STANDARDS ACT IS THE BENCHMARK

## Industry faces potential legal costs

- How? At industry's cost to create certainty
  - Legal advice needed so that DALRRD, the assignee & stakeholders interpret the APS Act correctly
  - Court interpretation of the APS Act
  - Legal opinions
  - Appeal (Administrative vs legal)
  - Interdict
- Unnecessary legal costs

## Why?

- DALRRD absent
- Assignee has incentive to profiteer
- Ignore principles document: Concensus needed on inspection methodology and fees are published in Government Gazette
- Different interpretations of APS Act by
  - DALRRD
  - Assignee
  - Different sectors

# What does the assignee propose?

Government Gazette: No. 49757 24 Nov 2023  
Notice 2187 of 2023

Stakeholder consultation process

Should a meeting be held, the details will be published at: <https://leafservices.co.za/engagement>

Proposed inspection procedures  
<https://leafservices.co.za/methodology>

| Grain analysis                        |   |        |
|---------------------------------------|---|--------|
| Maize, Sunflower, Soya beans, Sorghum | 1 | R 523  |
| Wheat Bread, Wheat Durum              | 1 | R 1024 |
| Barley                                | 1 | R 829  |

|   |   |
|---|---|
| <p><b>Raw grain:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Canola</li> <li><input type="checkbox"/> Dry Beans</li> <li><input type="checkbox"/> Ground nuts</li> <li><input type="checkbox"/> Maize</li> <li><input type="checkbox"/> Malting barley</li> <li><input type="checkbox"/> Sorghum</li> <li><input type="checkbox"/> Soya Beans</li> <li><input type="checkbox"/> Sunflower seeds</li> <li><input type="checkbox"/> Wheat (all types)</li> <li><input type="checkbox"/> Rice</li> </ul> | <p><b>R43 per inspected ton or part thereof</b></p> |
| <p><b>Production environment:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Maize products</li> <li><input type="checkbox"/> Wheat products</li> <li><input type="checkbox"/> Bread</li> </ul>  | <p><b>R645 per hour per batch inspected</b></p>     |

# TRACEABILITY AND COMPLIANCE (GENERIC PASSPORT SYSTEM)



# TRACEABILITY AND COMPLIANCE (GENERIC PASSPORT SYSTEM)

| Proposed  | Impact   |
|---|--|
| A passport system for South Africa will have to be voluntary because it is not legally enforceable  | Negative value creation would be forced into the system if it were to be voluntary. The cost to industry will be passed down the value chain as additional costs for administration and requirements.  |
| A passport system consisting of a set of passport documents passed from producers to storage operators upstream in the value chain to the processor/buyer is difficult to justify | The passport would certainly become very large if all the original descriptions had to be copied to every subsequent lot/file that might contain some of the original, at which point who would use it?  |
| Producers wants it  | It is surprising that producers would want to do this unless they were convinced by buyers that it would mean more sales and that the marketing system would have to bear the cost until there are some sort of liability claim where the various original suppliers could theoretically be identified in a pool that shares the liability |

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| Proposed   | Impact   |
|--|--|
| <p>A passport system consisting of a set of passport documents passed from producers to storage operators upstream in the value chain to the processor/buyer</p> | <p>On the contrary, in order to comply with the requirements of the Competition Act (Act 89 of 1998) and traceability, the processor/buyer should make his passport requirement known to the contracted storage operator and producers in return for a premium as an incentive to supply the required product.</p> |
|  | <p>The buyer/processor determines what the traceability requirements should be in terms of acceptable mycotoxin levels and MRLs for registered pesticides and fumigants, not the producer.</p>   |
|  | <p>The direction of traceability is downstream from the processor/consumer to the producer in the value chain, not upstream.</p>   |

# TRACEABILITY AND COMPLIANCE (GENERIC PASSPORT SYSTEM)

| Question  | Impact  |
|---|---|
| <p>Do the principles of our free market for grains and oilseeds in South Africa support the introduction of a single generic passport system with identical requirements for all stakeholders in the value chain?</p> | <p>The probability of accurately identifying the producer responsible for a product being taken off the shelf is 70% at best. With the random allocation of stocks on silo certificates, there is also limited to no traceability of stocks on JSE certificates</p> |
|   | <p>The Competition Commission's buyer power guidelines prohibit the exploitation of suppliers (producers, storage operators) with a turnover of R35 million or less.</p>  |
|   | <p>Government subsidies are not a reality in South Africa as they are in France. Producers in France must be registered with a cooperative that sells their product on their behalf.</p>  |
|   | <p>Producers in South Africa are in favour of maintaining the free market in South Africa, as in the USA and not France. There is far too much grain production that will quickly move to fill the gaps created by forced cost increases</p>                        |

# RECOMMENDATION

For the sake of the free market, a single, inclusive, generic passport system with no differentiation at national level should not be supported.

Instead, Agbiz Grain encourages market participants in the grain value chain to;

***Negotiate among themselves on an individual, vertical basis in the grain value chain in order to***

- ***realise benefits and costs within the guidelines of the Competition Act,***
- ***with sufficient incentives to achieve their objectives.***

**It should be emphasised that similar contractual systems already exist between producers, storage operators and processors, sharing costs and benefits**

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 3002 | Fax. +27 12 807 5600

annelien@agbizgrain.co.za | [www.agbizgrain.co.za](http://www.agbizgrain.co.za)

Vat nr. 4920204684

