



22nd ANNUAL GENERAL MEETING

18 JULY 2019

CSIR Convention Centre, Pretoria

REPORT BY THE CHAIRPERSON, MS MARIANA PURNELL, FOR THE 2018/19 FINANCIAL YEAR

1. Welcome

Ladies and gentlemen, good morning and welcome to the 22nd Annual General Meeting of South African Grain Information Service. Thank you for making time to be here – your interest is highly appreciated.

1.1 Grain around the world

We are operating in a changing, highly volatile environment. According to recent assessments of the Anomaly Hotspots of Agricultural Production (ASAP), droughts are causing pressure in many parts of Southern Africa, including Lesotho, Mozambique, Namibia, Zambia and Zimbabwe. Poor maize harvests caused by prolonged drought and cyclones are driving maize prices upwards in Zimbabwe, Lesotho and Mozambique, and represent a possible challenge to regional maize supply in the second part of 2019.

Available data suggests that Zimbabwe, Kenya and Mozambique will collectively need to import about 2.5 million tonnes of maize in the 2019/20 marketing year in order to satisfy the domestic demand in the respective countries. The dilemma, however, is where will these countries source the maize supplies, specifically if it is white maize?

South Africa and Zambia, who are typically the region's maize exporters, will have tight supplies due to lower production in 2018/19 production season.

Due to our own late plantings and minimal rainfall, South Africa could only have about 1.1 million tonnes for exports, but this will largely be destined for Botswana, Namibia, Lesotho and Eswatini (formerly Swaziland).

Zimbabwe

The biggest concern is Zimbabwe and it is thus unclear where this country will get its maize supplies. Conditions have become worse and currently their maize production down by 53% from the previous year with:

- a reduction in area planted,
- expectations of poor yields due to dry weather conditions at the start of the season
- damage caused by Cyclone Idai earlier this year.

In addition, there are also concerns about wheat. Zimbabwe produces just a third of its wheat requirements (350 000 to 400 000 tonnes yearly) and relies on imports from as far as Russia, Ukraine and Canada. Wheat stocks have declined - this has resulted in shortages of fresh bread in Zimbabwe and bread prices have gone up more than three times this year.

HOWEVER, problems are not just on the African continent.

Australia

Due to a drought across Australia, the country has imported wheat for the first time in 12 years. Wheat production in the 2018/19 season totalled 17.3 million tonnes compared to the 10-year average of 24.4 million tonnes. This was the smallest crop in a decade for the world's fourth largest wheat exporter. Australia lowered its wheat export forecast for next year, 2019/20 season, by nearly 18% due to drought.

United States of America

The USDA adjusted its 2019/20 maize supply and demand forecasts to reflect significant decreases in projected plantings and yields for the 2019 crop, down 3 million acres from what producers intended to plant. There the problem was too much rain.

Russia

Russia's wheat exports have been revised downward in the 2019/20 season due to partial droughts. That means Russia may lose its title as the world's largest grain exporter to Ukraine. Both wheat and total grain export outlooks were revised downwards.

India

On the other hand, in India, wheat has been left to rot after a bumper harvest and a lack of storage facilities.

So, all around the world there are severe challenges with quality and quantity of grain, and more importantly the availability of information regarding the status of their crops. Fortunately, for the South African grain value chain, we have an organisation that has its finger on the pulse. The South African Grain Information Service provides each and every role player in this country with the most current information that is required by the whole grain industry.

1.2 **The Annual Report** of SAGIS was distributed to all and I shall, therefore, only touch on a few of the more pertinent matters included in the report.

1.3 **Highlight in 2018**

On 18 May 2018 an amendment of the Statutory Measure was promulgated to include the reporting of maize weekly import and export intentions. The first data was published a month later on 22 June 2018, another proud extension in SAGIS' service to the industry.

2. **SAGIS' Structure**

2.1 **Directors serving on the Board during 2018/19**

The following persons represented the four Trusts on the 2018/19 Board of Directors:

Trust	Directors		Alternate Director
The Maize Trust	Mr Zuvuyo Ngejane	Dr John Purchase	Mr Chris Schoonwinkel
Oil & Protein Seeds Development Trust	Mr De Wet Boshoff	Dr Erhard Briedenhann	Ms Marie vd Merwe
Winter Cereal Trust	Mr Tato Make	Ms Mariana Purnell	Mr Geoff Penny
The Sorghum Trust	Mr Happy Mohane	Mr Anton Nebe	Mr Willem Groothof

The Members of the four Trusts appointed all the current SAGIS Directors to serve another year. During the closed meeting held earlier Dr John Purchase was elected as Chairperson and I will support him as Vice-Chairperson. We wish to congratulate all the Directors on their re-election and wish them well for the 2019/20 term of office.

2.2 **Staff**

SAGIS' operational activities were managed on a day-to-day basis by:

Nico Hawkins	General Manager
Bernard Schultz	Head of Information
Martie Thomas	Head Corporate
Chris Herbst	Head of Inspection

On 28 February 2019 SAGIS had 24 fulltime employees.

3. **Operational Activities**

On behalf of the Board of Directors I wish to confirm that all operations conducted during the 2018/19 financial year were successfully concluded.

3.1 **Whole grain and oilseeds**

3.1.1 **Co-workers**

With regard to the main function of SAGIS (publication of whole grain and oilseeds monthly data), a total of 626 co-workers were registered with 1 218 monthly returns at the end of February 2018.

An analysis of these SAGIS co-workers shows four major groupings, namely:

- 79% Processors
- 12% Traders
- 6% Storage operators
- 3% Harbour-silo owners

For the reporting period 100% of the total returns were received, of which 73% were received on or before the due date each month. Co-workers with outstanding returns after the due date are contacted and followed up by SAGIS.

Although letters of non-compliance had to be served on some co-workers, we are pleased to report that all matters could be resolved and no prosecution of co-workers was necessary.

3.1.2 ***Information with regard to whole grain and oilseeds:***

During the 2018/19 financial year:

- 18.6 million tons of whole grain and oilseeds were delivered in South Africa. This is a decrease of 4.1 million tons in deliveries from the previous production year which was above average.
- Imports decreased from 2.1 million tons the previous financial year to 1.6 million tons.
- Exports showed a slight increase from 2.5 million tons the previous year to 2.6 million tons during the 2018/19 financial year.

3.2 **Products**

3.2.1 ***Co-workers***

The total number of monthly returns for Maize, Oilseeds and Wheaten Products were 1 077.

3.2.2 ***Product information***

During the 2018/19 financial year the following processing figures were achieved:

- 5.5 million tons of white and yellow maize products for human consumption
- 2.1 million tons oilseeds products
- 3.3 million tons wheaten products
- 2.3 billion pan-baked breads

3.3 **Inspection**

The main objectives of the Inspection team are to:

- Confirm the correctness and completeness of SAGIS' information against source documentation;
- Identify co-workers who should register at SAGIS; and
- Ensure compliance with all measures and regulations.

As part of the SAGIS commitment to good working relationships, the inspectors also provide training where necessary to the co-workers to ensure the correct reporting of data. Some 857 premises across the country were visited for stocktaking, audits, new registrations and cancellations. A total of 6.6 million tons of grain and oilseeds were physically verified. The average cost per premise visited was R759.

The mistakes as well as non-compliance to the statutory measures that were found during these inspections, have been corrected, and had virtually no impact on the information that had already been released by SAGIS.

3.4 **SAGIS' website and principles of data distribution**

3.4.1 ***The SAGIS website***

For SAGIS, the main line of communicating information / data to its co-workers, market participants and other interested parties is through its website.

- During the 2018/19 financial year the SAGIS website had approximately 64 000 visits.

- The visitors to the SAGIS website came from 148 countries.
- The most popular topics were the monthly whole grain and oilseeds data as well as the weekly import and export data.

3.4.2 ***With regard to the principles of data distribution the following needs to be noted:***

- Only the General Manager may release information.
- All individual information received is treated as confidential and will never be released, except by court order.
- SAGIS is not involved in any trading of grain and oilseeds.
- Data is released on specific dates and times to ensure that there is no preference or bias to anyone.

3.5 **Finances**

3.5.1 ***Financial statements***

The 2018/19 financial statements were audited by *The Ashton CA (SA) Group Inc.* and SAGIS received an unqualified audit report. The financial statements for the reporting period were approved during the closed AGM.

A net amount of R14 million for the SAGIS main function, was approved by Members for utilisation during the 2018/19 financial year. The total funds required by SAGIS to perform all functions (including weekly data and products) was R15.4 million. An actual amount of R14.8 million was utilised leaving a total saving of R540 000.

When the total net annual expenditure is divided by the local deliveries plus imports of grain and oilseeds, SAGIS' information cost for the 2018/19 financial year was 73 cents per ton.

3.5.3 ***Basis for calculation of subscription***

The Whole Grain and Oilseeds basis for subscription per Member for the 2018/19 financial year was as follows:

The Maize Trust	66.1%
Oil and Protein Seeds Dev. Trust	15.5%
Winter Cereal Trust	13.7%
The Sorghum Trust	4.7%

4. **Acknowledgements**

- To the members and trustees, thank you for your trust in the Directors, Management and staff of SAGIS. Your continued support, funding of projects and the positive way in which SAGIS' matters are always treated, is highly appreciated.

Please be assured of the determination of the Board of Directors and the administration to render the best and most cost-effective service possible to your respective industries.

- On this note I would like to extend my appreciation to the Vice-Chairperson, Dr John Purchase, and my fellow directors. Thank you for your willingness to serve and co-operate in the interests of an organisation that is not only important to each of us, but also our agricultural partners in South Africa and internationally. Your availability and willingness to make time available, amid full programmes, to discuss matters of interest to SAGIS contributes to the success that is achieved.
- The administrators of the four Trusts, Mr Leon du Plessis of The Maize and The Sorghum Trusts, Mr Gerhard Keun of the Oil and Protein Seeds Development Trust and Mr Ishmael Tshame of the Winter Cereal Trust. Thank you for the work you do to ensure the smooth operation of the structures in the grain and oilseeds industries, of which SAGIS is one.
- Thank you to the General Manager and each member of the SAGIS staff for your dedication and drive in keeping SAGIS a trustworthy, competent and reputable company.

Steve Jobs said: *“Great things in business are never done by just one person; they are done by a team of people.”*

- We thank our heavenly Father for wisdom, guidance and grace on our daily, somewhat roller coaster rides, but we also thank Him for the blessings and solutions He provides on all our daily challenges.

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