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The re-opening of the Port of East London – Agricultural exports bring new opportunities

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Executive Summary

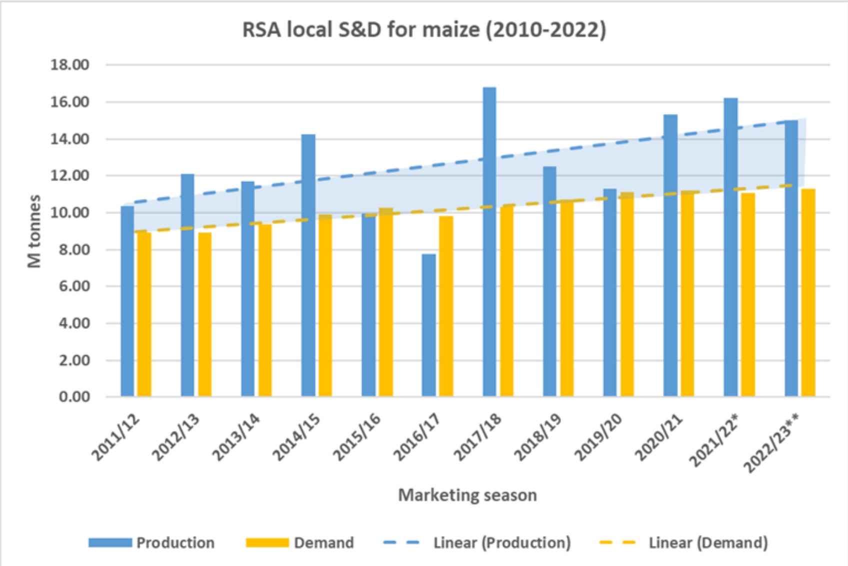
The Port of East London will re-open for agricultural maize exports for the first time in ten years. The first vessel arrived in the port and commenced loading on the weekend. The last time that maize was exported through East London was in 2012. However, with maize production growing and surpluses accumulating over the past two years, supply routes to Durban congested, and the Durban bulk grain terminals fully booked, grain exporters were looking for other opportunities. During November 2021 SACOTA and its members initiated the first round of discussions with Transnet Port Terminals (TPT) East London. Eager for new business, the Port of East London jumped at the opportunity.

Despite its success, the Port of East London faces several longer-term challenges to attract business on a sustainable basis. These include quayside depth, port equipment, and the supply and receipt of product, all items that require new investment. Fortunately, the private sector is willing to participate in some kind of joint venture. Amongst the members of SACOTA, are a dozen multi-national corporations who own and/or lease logistical and port infrastructure across the globe. With the right opportunities, and in collaboration with the Government, they will be willing investment partners in South Africa. South Africa is in need of another deep-sea bulk grain export port. East London may hold this potential and in the process unlock the economic potential of the Eastern Cape. For each vessel exported through East London it generates in maize income alone the equivalent of approximately R200 million in forex and an injection to the local economy.

Article

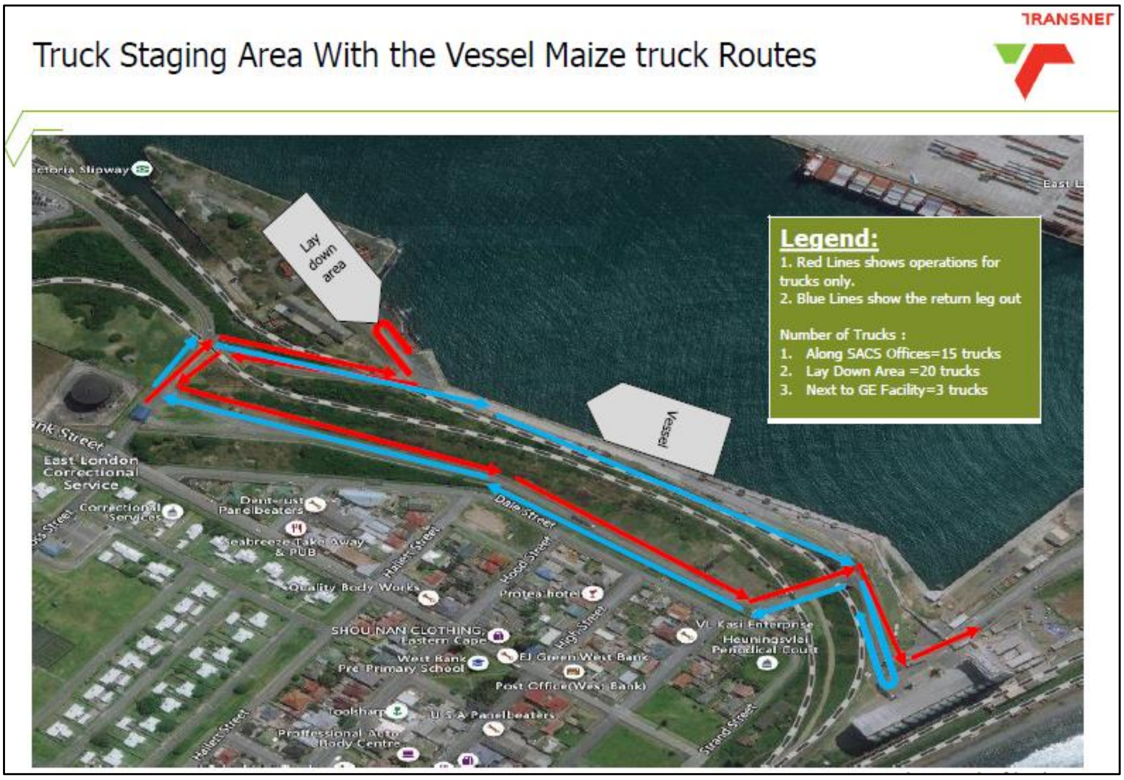
The Port of East London will re-open for agricultural maize exports for the first time in ten years. The first vessel, the M/V Simple Honesty, is currently loading yellow maize in the port, with another vessel to follow shortly. The last time that maize was exported through East London was in 2012. Due to opportunities dwindling, even in other industries, the grain bulk silos were “officially” mothballed two years ago.

Graph 1 South African maize production vs. demand (2010 – 2022)



However, South Africa's average growth in maize production over the last twelve years has exceeded the average growth in demand. This is mainly due to modern production technology. This means that the longer-term outlook for South African deep-sea maize exports has turned positive. With maize surpluses accumulating over the past two years, supply routes to Durban being congested, and the Durban bulk grain terminals fully booked, grain exporters were looking for other opportunities. During November 2021 SACOTA and its members initiated the first round of discussions with Transnet Port Terminals (TPT) East London. Eager for new business, the Port of East London jumped at the opportunity. Under the auspices of SACOTA, stakeholders, which included its exporting members and a TPT East London team of technical experts, met every three weeks to plan the way forward. A detailed product process flow was compiled to ensure that the terminal will be able to take receipt of the maximum tons per day, and load the vessels optimally. The stevedoring company also participated. Transnet National Port Authorities (TNPA) made input confirming that it will be able to berth the vessel without any delays. Transnet Freight Rail (TFR) was invited, and the possibility of TFR moving the product, or part of it, by rail rather than road was explored. Exporting maize is not a once-off opportunity, it is likely that South Africa will continue to be in the maize export market every year. This may create future incentives and opportunities to once again use the port of East London as an export terminal for maize.

The Port of East London has a grain elevator with a total storage capacity of 76,000 tons spread over 83 silos. This is more than adequate for receiving product, both when exporting or importing.



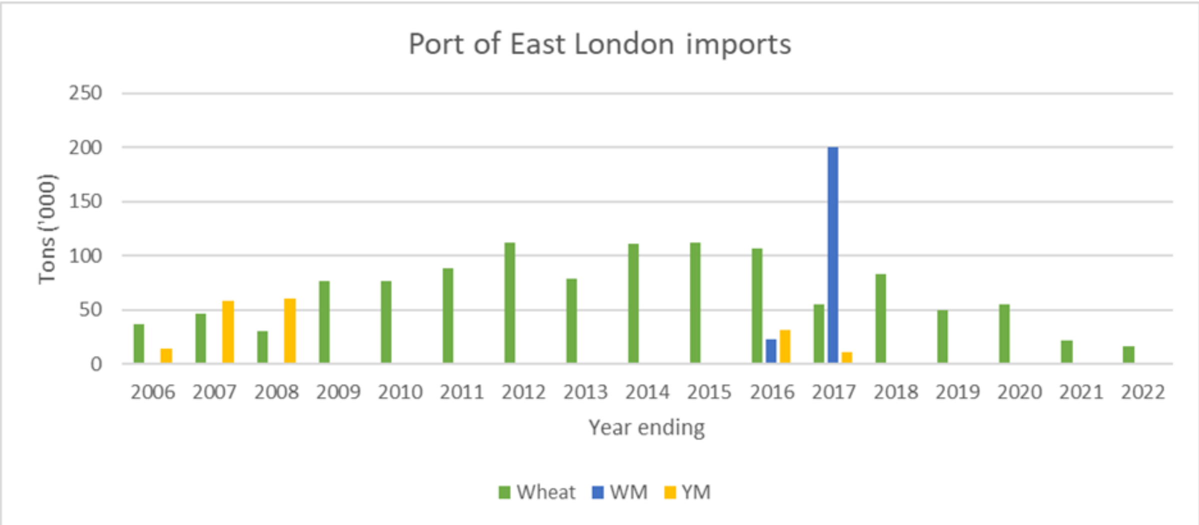
Import and export history at the port of East London

The Port of East London used to play an important role in the import and export of grain products to and from South Africa. The bulk of white maize exports took place through East London port until 2012 (graph 2), at which time the Durban port started dominating. Although initially built for exports only, when exports started to decline, the Port of East London was converted to accommodate imports. Coincidently, this served the port well in 2017 when imports increased due to the national drought and 200,408 tons of white maize were imported through the port.

While the importing of wheat has still occasionally occurred at the East London port, Durban also dominates this business. East London's share of wheat imports has declined both in volume and percentage since 2016 (graph 3).

Graph 2

Graph 3



Challenges for the Port of East London

Despite using the current opportunity, the Port of East London faces several longer-term challenges to attract business on a sustainable basis:

- The draft in the port is only 10.4m. This restricts the port to what is known as 'handysize' vessels which can only accommodate a maximum of 40,000 tons. To be competitive in the export of bulk grain products, (and even to off-load), the port should be able to accommodate 'supramax' vessels that can load 50,000 – 60,000 tons. This requires a draft of 12.5m. In the absence of the required draft, the exporters' potential market is significantly limited. Shipping freight will also cost more per ton exported, meaning that maize has to be purchased and transported to the port at less cost to the exporter. Durban port, in comparison, can handle the larger size vessels. Deepening the draft will cost millions in capital expenditure.

- Although still functional, the Transnet Port Terminal facilities are in dire need of upgrades. All-weather off-loading facilities, suitable road off-loading facilities, a permanent weighbridge, the overhead gantry for high volume loading of vessels, etc., are only a few critical investments required.

  The loading rate of product onto the vessel is critical in the competitive export business. In the case of the Port of East London, the overhead gantry for bulk loading of products was decommissioned several years ago and will require additional investment to be repaired and upgraded. For this season, the vessels will be loaded by skips and hoppers, which significantly reduces the loading rate and increases the cost. A modern facility with automated feeders can load as much as 12,000 tons per day. With the current manual process, TPT may be fortunate if they can achieve half of this rate.

- Another critical element in the export and import business is the economical transport of product to and from the harbour. The most economical manner of transport is rail. However, product for the first vessel will solely be supplied by road. It will probably take at least sixty trucks off-loading per day, and a fleet of at least one hundred trucks. Imagine the strain this will put on the road network. When originally erected, the grain silo facilities were built to accommodate rail only. Unfortunately, it seems that rail infrastructure has deteriorated to such an extent that TFR struggles to compete. As in the case of the smaller vessels (above), in order to compensate for this and to be competitive, the exporter now has to purchase maize at a reduced price. For the exporter to award his business to the Port of East London, he must still be able to compete globally while both the exporter and the Port of East London compete with services offered by the Port of Durban which is able to handle bigger vessels. The Port of Maputo has also attracted renewed interest from exporters.

Outlook for the future

South Africa is in need of another deep-sea bulk grain export port. While East London may not be ideal and requires new investment, it will unlock the economic potential of the Eastern Cape. Fortunately, it is accepted that this cannot and need not be achieved by Government alone. The private sector is willing to participate in some kind of joint venture. Amongst the members of SACOTA, are a dozen multi-national corporations who own and/or lease logistical and port infrastructure across the globe. With the right opportunities, they will be willing investment partners in South Africa. The re-opening of East London was made possible purely by a process of voluntary collaboration between SACOTA and its export members, and TPT East London. It is a remarkable success story and should serve as an example of what can be done when the public and private sector collaborate. Imagine how much more can be accomplished with additional aid and investment from the Government and the private sector.

Credit goes to Naliya Stamper, Terminal Manager, and her team, as well as the exporter, Seaboard Overseas Trading & Shipping (represented by Francois de Wet, MD, and Phil Swart, Operations Manager). Seaboard was willing to support the project and booked the first export vessel. These people worked relentlessly to make this happen. Fortunately, there are already initiatives by the Government and Transnet underway – the auction of Transnet Freight Rail (TFR) slots in the Eastern Cape may hold potential for future collaboration. SACOTA is engaging in this process under the leadership of Rudzani Ligegi, Executive Manager at TFR. As far as future collaboration between TPT and private sector is concerned, participating stakeholders are fortunate that Saleem Peterson, who is responsible for strategic planning at TPT head office, participated in the discussions which will in future give such a process a head start. The future looks promising, and the grain industry seems set to benefit from the latest developments. For each vessel exported through East London it generates in maize income alone the equivalent of approximately R200 million in forex and an injection to the local economy. The solution lies in the ability to produce more and to export competitively. If this can be achieved, there will be many spin-offs for the economy and the rural areas in the form of job creation, additional investments and food security, to mention a few.

End

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Additional info:

Below, a road vessel delivering product to the silos.

East London port has one berth allocated to bulk grains (T-Berth, indicated with a red circle in image below) that is 194 meters long and has a depth 10.4m.