
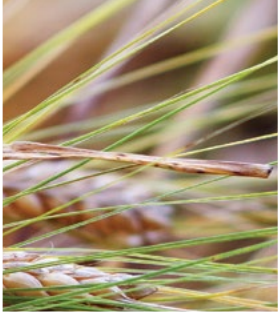
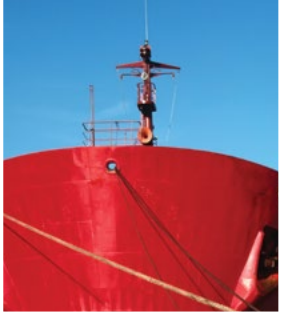
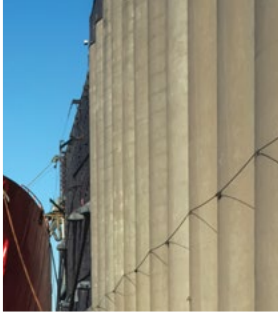


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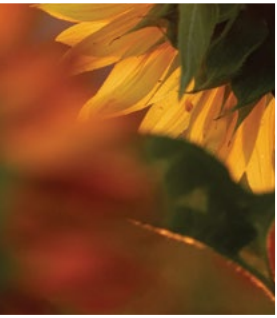
South African Cereals and Oilseeds Trade Association









CHAIRMAN'S REPORT 2018/2019

Presented by Konrad Keyser at SACOTA's Annual General Meeting on 10 October 2019, hosted at the Centurion Golf Estate and Country Club

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CONTENTS

ACKNOWLEDGEMENT OF SOURCES

AFMA Chairman's Report – 2018/19
BFAP Baseline Agricultural Outlook – 2019-2028
Crop Estimates Committee – Industry Statistics
International Grains Council – Industry Statistics and Grain Market Report
NAMC – Industry Statistics and S&DEC Reports

CHAIRMAN'S REPORT 2018/2019

1. INTRODUCTION

1.1 Global grain and oilseeds outlook

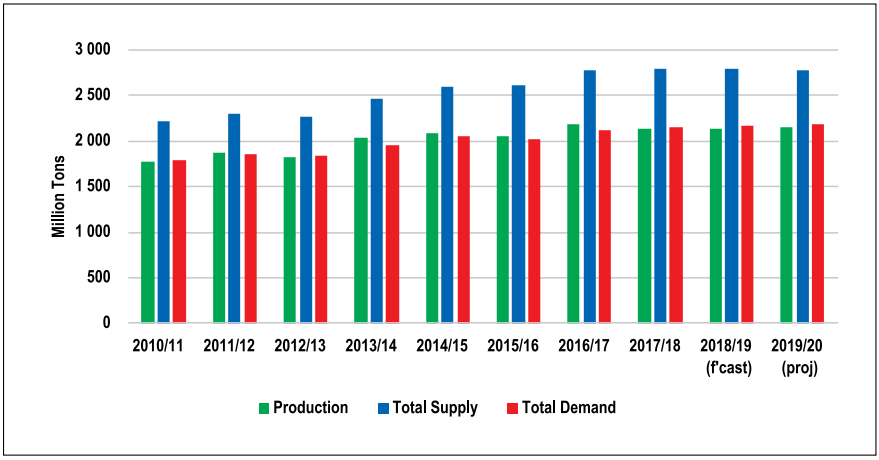
Total grain production 2019/20

Total global production of wheat and coarse grains in 2019/20 is forecast to increase by only 1% year-on-year, to 2 159 million tons, as bumper harvests of wheat and barley are partly countered by a smaller maize crop. The more significant grains production almost compensates for tighter opening inventories, so ultimately, total supply is only a fraction down, coming in at 2 784 million tons during 2019/20 against 2018/19's 2 186 million tons.

However, with increased consumption, world closing stocks are expected to fall for the third successive season. At 598 million tons, the reduction will be about 27 million tons year-on-year, with the global grains carryover at the end of 2019/20 dropping to a four-year low. This reduction can be attributed entirely to a decline in demand for maize contracting to the lowest levels recorded in six seasons, mostly because of anticipated lower production in the US and China.

In contrast, wheat stocks could reach a record level. Barley stocks, which dropped to their lowest level in six years, are expected to post a recovery. Trading in grains (June/July) is projected to increase to 370 million tons, fractionally exceeding the peak recorded in 2017/18. Larger shipments of wheat, barley, sorghum and rye are expected, but trade in maize is forecast to drop modestly for the first time in 11 seasons.

Figure 1: World grains – production, supply and demand



Source: International Grains Council 2019

Maize

Production

The global maize crop for 2019/20 is forecast at 1 100 million tons, down 3% year-on-year, but in line with the five-year average.

The **EU** crop projection has been adjusted slightly upwards, to 66.7 million tons (66.5 million tons in 2018/19). Summer heatwaves across western Europe sapped soil moisture. The result, particularly in regions of France and Germany, has been the possibility of more fields than usual being cut for silage. More moderate summer conditions prevailed in the southeastern parts of Europe, with higher production levels being predicted in Romania, Bulgaria and Hungary.

Based on an official update, the harvested area in **Ukraine** is expected to increase and reach a record 4.9 million hectares. Conditions during the first half of August were generally beneficial for grain fill, with colder than average temperatures across most regions. Even though projected yields exceed previous expectations, they will still be about 34.7 million tons, or 3%, below those of 2018/19.

Recent cool weather that was accompanied by rain showers benefitted crop production in **Russia** and boosted the expectations regarding maize yields. However, with a reduction in acreage, the crop production level is expected to reach 12.6 million tons (an increase of 10% on 2018/19).

Owing to severe rain-related delays to spring fieldwork and uncertainty about final acreage, the US Department of Agriculture re-surveyed **US** maize producers in 13 states in July. Incorporating these latest findings, as well as figures from the Farm Service Agency and satellite data, the USDA pegged sowings at 36.4m hectares, 2% lower year-on-year but more extensive than most private estimates.

After an earlier dry spell, the weather turned favourably in the latter part of August, with timely rains benefitting late-pollinating crops. Development continued to lag seasonal norms, particularly in the eastern parts of the 'Corn Belt', where there are fears of potential damage arising from early frosts. A recent crop tour indicated the potential for below-average productivity being recorded in several states. With much depending on the weather between now and harvest time, the yield projection has been maintained at 10.3 tons per hectare (down 7% in 2018/19). Because of a revised acreage, forecast output is at 341.5 million tons for 2019/20, a decline of 7% against 2018/19's 366.3 million tons.

Early fieldwork is expected to begin soon in **Brazil** and **Argentina**, where seedings are tentatively predicted to climb to record highs. Production forecasts for 2019/20 are 101.0 and 56.1 million tons respectively.

Consumption

Global maize consumption is placed fractionally below the previous year's record, at 1 139 million tons (1 141 million tons in 2018/19). This reduction could be the first contraction to be recorded in four seasons.

With production declines in China, the EU, the USA and Canada only partly offset by gains in South America and elsewhere, world feed use is projected to dip to 664 million tons in 2019/20 against 2018/19's 670 million tons. However, although reduced, this volume will be the second-largest on record. This volume includes a downgrade for the EU, to 61.0 million tons, which has been linked to expectations for the increased use of wheat for feed.

With pig farmers in China struggling to repopulate herds decimated by African swine fever (ASF), latest official data estimates that national pork and sow stocks will decline by 32% below the previous year's level. While rising uptake from other livestock, poultry and aquaculture sectors is expected to limit the overall fall in feed demand, consumption is projected at a three-season low of 175 million tons in 2019/20.

The US feed residual forecast for 2019/20 is expected to be a six-year low of 127.1 million tons, due mainly to the stronger competition posed by wheat.

At a record, 309 million tons for 2019/20 (303 million tons for 2018/19), the forecast for world industrial maize demand is up slightly owing to an updated ethanol figure for Brazil.

The year-on-year rise is tied to increasing starch and ethanol output in China, while advances in US processing demand is expected to be relatively modest. Total US consumption is pegged at 168.6 million tons, but much will rest on production margins and overseas demand for ethanol.

Stocks

Global 2019/20 maize carryover stocks are projected to be at their lowest in six seasons, down by 12% year-on-year at 284 million tons.

Cumulative stocks for the four major exporters are expected to be at a four-year low of 64.0 million tons against the 75.0 million tons for 2018/19. However, at 51.1 million tons, closing stocks are expected to be down 18% from 2018/19 and slightly tighter when compared to the five-year average. Owing to a firmer outlook for demand, estimates for **Argentina** and **Brazil** are down to 6.5 million tons (7.0 million tons in 2018/19 and 5.2 million tons (5.5 million tons in 2018/19), respectively.

Amid weakening feed uptake, the notional stock figure for **China** is projected at 181.5 million tons (204.5m in 2018/19), potentially the lowest since 2013/14.

Trade

World trade in maize is expected to decline to 164.1 million tons in 2019/20, marking the first year-on-year contraction in 11 seasons.

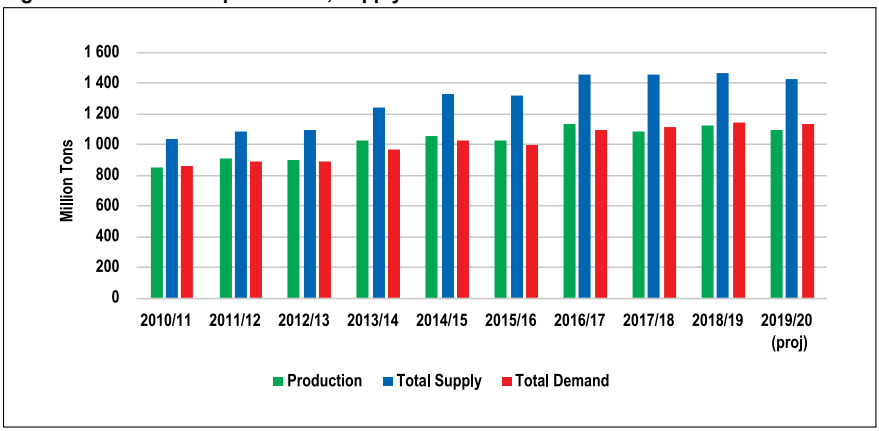
Owing to tighter supplies and higher availabilities of other feed grains, **EU** imports are projected to shrink to 18.2 million tons (24.4 million tons in 2018/19), potentially a three-season low. At this level, the EU will maintain its position as the world's largest buyer for a third consecutive year, with purchases again surpassing those by **Mexico** (17.9 million tons) and **Japan** (15.9 million tons).

With **Vietnam**'s pork sector struggling with ASF outbreaks, shipments are expected to be limited to around 10.3 million tons (10.9 million tons last year). A domestic bumper crop may cap **Brazil**'s purchases, typically sourced from neighbouring Argentina and Paraguay, at 0.6 million tons (1.2 million tons last year).

In contrast, growing feed demand will likely result in additional purchases by Bangladesh, Colombia, Iran, Mexico and Saudi Arabia. Smaller than average crops may lead to larger deliveries to parts of sub-Saharan Africa, most notably Kenya and Zimbabwe.

Following an upgraded crop outlook, **Ukraine**'s trade is projected at 26.5 million tons, still down 12% from the previous season's high. Apart from weaker demand from the EU, shipments may also be constrained by stiffer international competition, from Russia and other countries.

Figure 2: Total maize – production, supply and demand



Source: International Grains Council 2019

Wheat

Production

The world's wheat production forecast for 2019/20 is set at a record 764 million tons (733 million), 3% above the five-year average. While occasionally hot and dry weather

curbed yield potential in Russia, Kazakhstan and some other countries, winter wheat harvests in the US, Ukraine and parts of the EU were more abundant than expected.

In the **EU**, harvesting progressed quickly in northern areas, where productivity is in line with the production levels of recent years. However, recent rains have raised concerns about a possible reduction in the quality of wheat crops in parts of Germany, Poland, Romania and the UK.

Primarily because of an upgrade in expectations in France, the production forecast for 2019/20 is projected at 150.2 million tons, a year-on-year increase of 9%.

Despite some disruption to fieldwork caused by abnormally wet and cold weather in the first part of August, harvesting in **Russia** was about 64% complete, slightly ahead of last season's pace. Conditions for spring crops have deteriorated in Russia and Siberia where the weather has been unfavourably dry and hot. Total wheat production is forecast at 73.7 million tons.

With northern regions of **Kazakhstan** suffering from drought, production has been set at 13.0 million tons (7% down on 2018/19). Following confirmation of strong yields from **Ukraine**'s recently concluded winter harvest, production is forecast at a record 29.0 million tons, up 16% on last year).

Following favourable weather, **Canada**'s production is forecasted to be 32.8 million tons (31.8 million for 2018/19). Yield prospects vary across the prairies, but the late planting of spring wheat benefitted from late rains in July.

The **US** winter wheat harvest was almost completed by late-August. Despite a decline in planted area, the output is predicted to rise by 12% year-on-year, with gains in HRW and WW (white winter) wheat more than compensating for an unusually small SRW production.

Following this season's developmental delays, combining of spring varieties made slow progress. However, because of better weather, production prospects, particularly in parts of North Dakota, have recently improved. Total wheat production is forecast at a three-year peak of 53.9 million tons (an increase of 5% against 2018/19).

The production estimate for **Turkey** is 19.2 million tons (20.0 million tons in 2018/19), reflecting production from a smaller acreage than anticipated, as well as lower than expected yields due to unfavourable early-summer heat.

Owing to insufficient rainfall in the final few months of **Morocco**'s growing season, total production declined by around 45% year-on-year, to just 4.0 million tons.

Because of potentially higher returns, plantings in **Argentina** increased for a fourth consecutive year. Fortunately, planting was completed before the favourable conditions

gave way to drier weather. The larger harvested area has led to production forecasts being set at 20.4 million tons (up by 5% in 2018/19), which, if achieved, could set a new record.

The outlook for **Australia**'s production is projected at 21.2 million tons (17.3m last year). While recent showers across core cropping regions were useful, more rains are needed.

Consumption

World wheat consumption, primarily for feed, is expected to reach a new peak of 758 million tons in 2019/20, 3% up on a year-on-year basis. The increase in food use (up by 1.2% year-on-year) is expected to broadly match the long-term trend, taking demand to a record 524 million tons, a year-on-year increase of 6 million tons.

Global wheat supplies are predicted to be at the highest levels yet achieved. Attractive prices for wheat, especially when alternatives such as maize are considered, could lead to increased demand for wheat to be used for feed. This demand on wheat for use as feed could increase demand to 150 million tons (an increase of 10 million tons year-on-year), nearly equalling the all-time high recorded in 2011/12. Almost half the year-on-year increase in the global feed figure is in the EU, but substantial gains are predicted in the USA, CIS and several countries in the Far East and Asia.

Stocks

Because of modest adjustments in the major export markets, the forecast for world wheat stocks at the end of 2019/20 is slightly higher at 271 million tons, an increase of 6 million tons over 2018/19. Inventories in the major exporters at 68.1 million tons (68.9 million tons last year) are showing little change when measured on a year-on-year basis.

Increases are predicted in China (an increase of 6 million tons) and India, where stocks are expected to increase by 2 million tons. A stock decline of about 2 million tons, to 4.3 million tons, is projected for Morocco, where increased import levels will have to be introduced to compensate for a disappointing local harvest.

At 35.7%, the world stocks-to-use ratio is expected to be slightly lower on a year-on-year basis, but be 2.4% above the average for the prior five years.

If inventories in China are excluded from the calculation, world stocks at the end of 2019/20 will be unchanged at 143 million tons from a year earlier, and only 1% below the five-year average. However, because of growing demand, the ratio of stock-to-use could retreat by 0.7% year-on-year, to 22.8%, 1.1 points under the five-year average.

Trade

The forecast for trade in 2019/20 is projected at 172.5 million tons. Increased shipments to the Far East Asia (both for food and feed) and sub-Saharan Africa (food) are expected to more than compensate for lower export levels to several countries in Near East Asia, where demand has decreased due to above-average outputs achieved by local producers. Harvest results were mixed in North Africa; good-sized crops are expected to

constrain imports in Algeria, Egypt and Tunisia, but Morocco's purchases are expected to rise to a three-season high after a steep fall in local output.

Exports by **Russia** have started relatively slowly. Even though the pace is expected to accelerate in coming months, the forecast at 33.0 million tons (35.5 million tons in 2018/19) will be sufficient for Russia to remain the world's largest exporter of wheat for a third consecutive year.

EU shipments have also started slowly. However, with more stock available, good quality and improved price competitiveness, the forecast for exports are projected at 24.5 million tons (23.0 million tons last year).

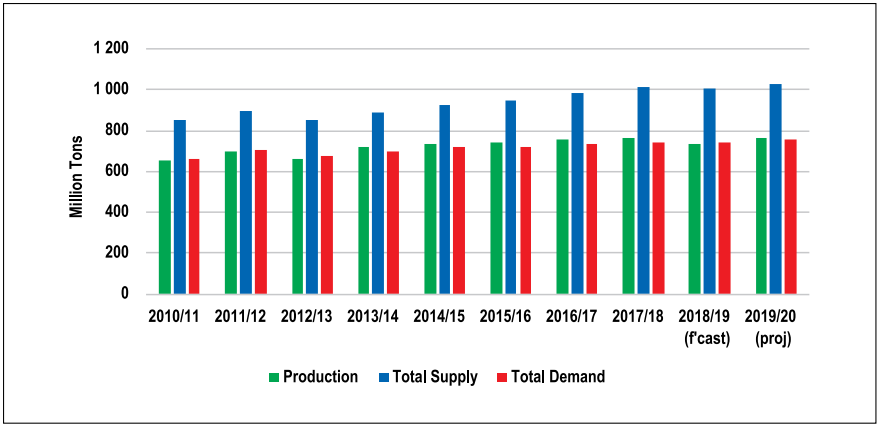
A plentiful harvest and attractive prices are contributing to robust early-season sales by **Ukraine**, where exports are predicted to reach 18.5 million tons.

Owing to a tighter supply outlook, the forecast for exports by **Kazakhstan** is projected at 7.0 million tons.

Export commitments by the **USA** are about 20% ahead of schedule when compared on a year-on-year basis. Although competition from other sources, including exporters from the southern hemisphere, could crimp sales later in the year, exports from the USA are projected at 25.7 million tons.

While harvests are still some weeks away in **Australia** and **Argentina**, both are on course to increase crop yields and potentially boost exports. After dipping to an 11-year low in 2018/19, Australian exports could lift by about 33%, to 13.2 million tons (10.0 million tons in 2018/19). In Argentina, currency volatility has increased, and there has been some speculation about potential changes to export taxes, but with an upgraded crop forecast, exports are projected at 14.0 million tons for 2019/20.

Figure 3: Total wheat – production, supply and demand



Source: International Grains Council 2019

Soya beans

Production

Following the prior season's robust recovery, global soybean production is now tentatively projected to contract by 5% year-on-year to 344 million tons in 2019/20. The steep annual fall is connected to an anticipated plunge in US production in a season which has been characterised by challenging conditions. While other producers, including Brazil, could see bigger crops, this may only partly compensate for reduced outputs.

The USDA's National Agricultural Statistics Service re-surveyed growers in 14 states during July after encountering difficulties in collecting a complete dataset in June. Revised figures place total plantings lower, with reductions in Illinois, North and South Dakota and Ohio contrasting with no change or slight gains in Indiana, Iowa and other states. Based on marginal abandonment, the gross harvested area, at 30.7 million hectares, reflects a 14% year-on-year contraction and is the smallest area recorded in eight seasons. The 2019/20 crop forecast is at a six-year low of 100.0 million tons (123.7 million tons for 1018/19).

Amid abundant availability of the crop and depressed values, together with trade uncertainties, farmers in western **Canada** have scaled back their planted areas. Moreover, with maturation some way off, there are concerns for late-planted fields in the central province of Ontario with reports indicating pest infestations in some areas. Total production is predicted at 6.7 million tons for 2019/20 (7.3 million tons last year).

At 3.0 million hectares, full-season sowings in **Russia** are fixed slightly below expectations, but still marginally higher when measured year-on-year. With yields in line with trends, production is forecast at a new record of 4.2 million tons (3.9 million tons in the previous year). As a much smaller crop is likely in Ukraine where planting areas have been reduced, total production in the CIS is seen to be retreating from last year's peak to 8.4 million tons (8.6 million tons in 2018/19).

By mid-August, seeding of **India**'s soybean crop was nearly complete. Boosted by domestic demand for vegetable oils, and with grower support prices lifted by 9% on a year-on-year basis, planted areas are expected to be 2% higher when measured year-on-year. Since yields are unlikely to match the previous season's record, the output may drop to 13.0 million tons compared to 2018/19's 13.8 million tons.

Brazil's 2019/20 planting season will commence in mid-September with the expiration of the soybean-free period. Despite an uncertain horizon for Chinese demand amid abundant world supplies, growers are expected to expand acreage for the thirteenth consecutive year. Planting decisions will be influenced by the broader economic backdrop, with recent currency losses pushing up local soybean prices. This could encourage farmers to plant additional acres, even though the cost of imports, such as fertilisers could become inflated. Tentatively based on trends, production is projected at 121.0 million tons (116.0 million tons in 2018/19).

Given the prevailing economic and financial situation, prospects for Argentina's 2019/20 season are uncertain. With the onset of fieldwork still about two months away, the expectations for a small reduction in area is being maintained. Assuming that growing conditions allow for a recovery in yields, production in Paraguay could rebound.

Consumption

After the previous season's increase, further gains in uptake by major exporters are likely in 2019/20. These gains will help push global use to a peak of 358 million tons (352 million tons in 2018/19).

EU demand is set to stay close to the 2018/19 record amid tight rapeseed supplies and, along with modest growth in the smaller markets of Asia and Africa, could help compensate for the limited growth prospects offered by China.

Stocks

Although the outlook for **US** exports in 2019/20 has reduced, a lower crop forecast links through to a lower figure for end-season stocks. Inventories are predicted to contract year-on-year by almost 33.3% to 20 million tons. Nevertheless, this would still be nearly double the recent average, highlighting a global market that should remain amply supplied in the year ahead. Together with projections for Brazil and Argentina, the total for the major exporters is predicted to be 24.3 million tons (35.8 million tons in 2018/19).

Crude stocks and use ratios underline prospects for comfortable supply levels being achieved in 2019/20, especially in the US where, despite an anticipated year-on-year fall, the measure sits much higher than in past years.

Trade

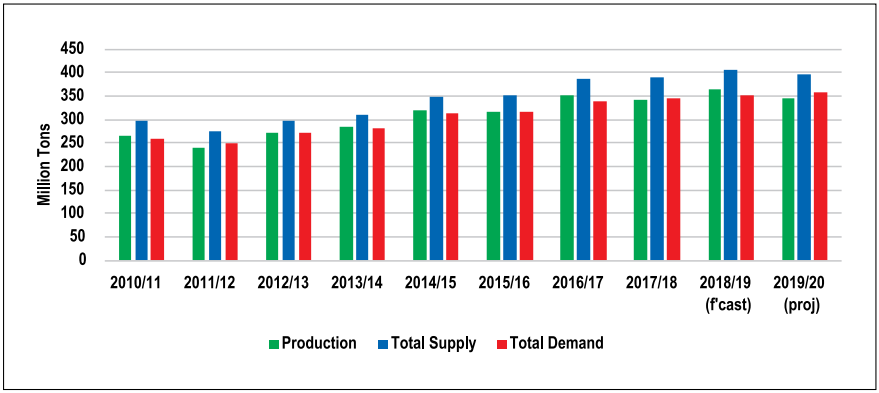
Owing to protracted demand and policy uncertainties in China, the outlook for trade in 2019/20 is projected at 149.7 million tons. Nevertheless, this reflects a slight year-on-year increase as larger shipments to Asia and Africa will more than offset a reduction in imports by countries in South America and the **EU**. Deliveries to the EU may not match the previous season's high, but with reports highlighting prospects for the smallest rapeseed production in more than a decade, imports at 15.8 million tons, will stay elevated. Growth in feed demand from Egypt's poultry and aquaculture sectors should push up North African imports to a high of 4.8 million tons.

Given the limited potential for more significant shipments to China, and with other buyers unable to fully compensate, the projection for **US** exports in 2019/20 has been reduced by 3.1 million tons, to 48.4 million ton. This, however, is still 6% up when measured on a year-on-year basis. Among other northern hemisphere suppliers, availability for export in **Canada** will be contained by a smaller harvest, and shipments are predicted to fall to 4.7 million tons (5.0 million tons last year).

Outlooks for southern hemisphere majors are highly tentative, but Brazilian exports could recover from the prior season's sizeable fall. However, with uncertain Chinese

demand prospects, volumes are likely to fall short of 2018/19 record levels.

Figure 4: Total soya beans – production, supply and demand



Source: International Grains Council 2019

1.2 Domestic grain and oilseed commodity outlook

Maize

Despite the relative stability of international markets, the domestic market experienced a period of immense volatility. This market volatility was primarily due to prevailing local weather conditions and the declining value of the rand against international currencies. Following the worst drought in 100 years in 2016, 2017 produced the largest maize crop on record – enough to replenish stocks and reduce prices to export parity levels.

Ample carryover stock kept prices low in 2018. However, with production levels returning to longer-term norms, the gross value of maize production declined by 16% year on year (25% and 4% for white maize and yellow maize respectively), to levels that were well below the five-year average measured between 2014 and 2018.

In 2019, a dry early summer again raised concerns during the planting period. When the rains did arrive, producers managed within two weeks to plant 94% of the originally-planned maize hectares, with 95% of white maize plantings and 93% of yellow maize plantings being achieved.

This rapid response effectively prevented a situation where South African prices could have moved to import parity levels, an event which would have caused a much sharper increase in maize prices. The total of 2.3 million hectares planted in 2019 is only 0.8% below the area planted to maize in 2018. Yield reduced from 5.4 to 4.79 tons per hectare, resulting in a crop reduction from 12.510 million tons to 11.016 million tons.

The white maize crop for 2019/20 is estimated at 5.572 million tons and the yellow maize crop at 5.444 million tons.

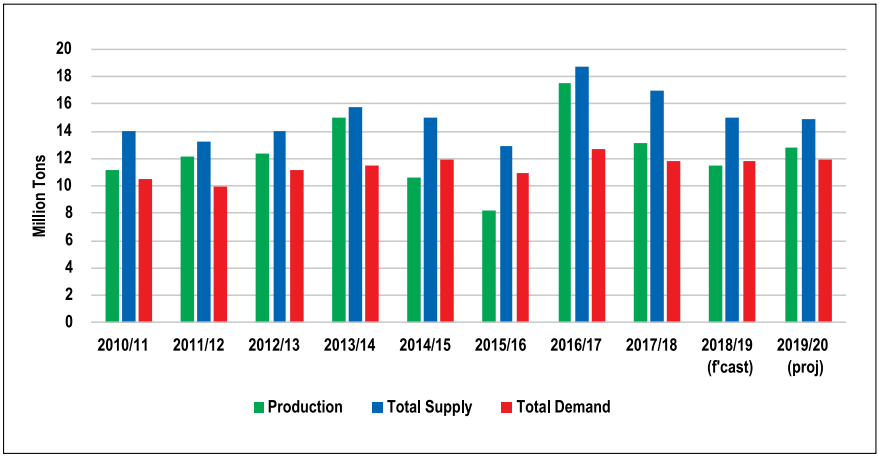
During the 2018/19 marketing season, 2.07 million tons of maize was exported. Of these exports, yellow maize accounted for 1.526 million tons, of which 1.273 million ton was deep-sea exports to Italy, Japan, South Korea, Taiwan and Vietnam.

White maize exports amounted to 544 371 tons, of which 397 657 tons were exported to neighbouring countries. A total of 146 714 tons of white maize was deep-sea exports to Italy, Spain and Ethiopia.

Total export earnings for the 2018/19 marketing season was R5.8 billion compared to the R9.95 billion for the 2017/18 marketing season. For the 2019/20 marketing season, a total of 382 000 tons of maize had been exported to African countries by the end of the first week in September. According to the latest report of the Supply and Demand Estimates Committee, a projected export quantity of 900 000 tons of total whole maize is expected to be exported during the entire 2019/20 marketing season.

The trade wars between the USA and China continues to influence Rand/USD levels. A weakening rand will assist in exports, but also continue to increase import parity, leading to an overall firming of prices.

Figure 5: RSA maize – production, supply and demand



Source: International Grains Council 2019

Wheat

In recent years, South Africa's winter rainfall regions have faced weather-related challenges. Most recently,in 2017 a drought in the Western Cape was so severe that it raised concerns about the city of Cape Town's water supply.

However, with South Africa already accustomed to importing close to 50% of its domestic wheat requirements, the impact of the drought on wheat prices was far less severe than was the case with summer crops such as maize. Wheat prices tend to trade at or close to import parity. The prices are, therefore, influenced by world price levels, the level of the

variable import tariff that is applied and exchange rate dynamics. The sharp depreciation in the exchange rate in 2016 increased barley prices because barley is linked to wheat.

Markets generally were less volatile than those of summer grains over the same period, even though the lack of a price response occurred in a year where wheat yields declined sharply and placed producer profitability under severe pressure. Despite this combination of meagre yields resulting from the drought and falling prices in the face of exchange rate appreciation in 2017, the area under wheat production increased marginally in 2018.

The area planted to wheat during the 2018/19 production season in the Western Cape, and Free State increased by 2% and 25% respectively over the 2017/18 production season – above the 10-year average for both provinces.

According to Wandile Sihlobo, Chief Economist at Agbiz, warmer and drier weather conditions, especially in the Western Cape, have led to crop damages in several areas. It is anticipated by the Crop Estimates Committee that there will be a substantial downward revision of the wheat crop for the 2019/20 marketing season.

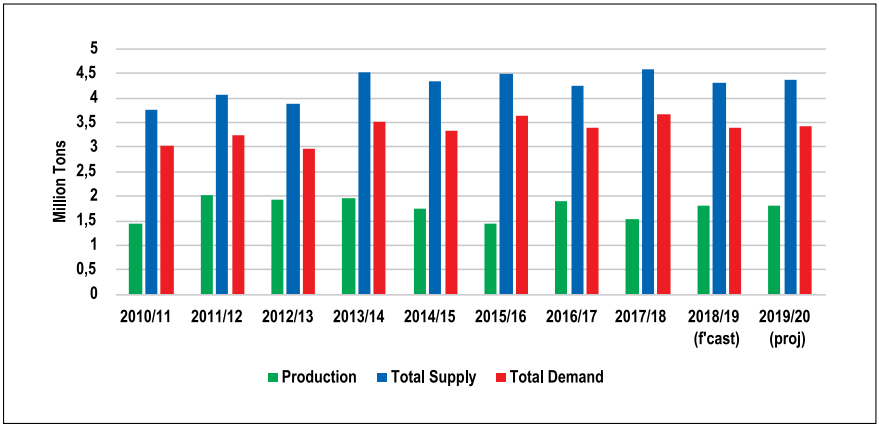
A comparison of yield trends for wheat production across the globe indicates that, apart from wheat-producing regions in the Wheat Belts of Australia and Kansas in the United States, South African dryland yields lag behind those of key global wheat producers.

The wheat yield between 2008 and 2017 on the average southern farm in the Western Cape averaged three tons per hectare. In the eastern Free State, the average yield between 2012 to 2017 was 2.4 tons per hectare, well below the international sample average of 5.2 tons per hectare.

Financial comparisons reveal that South African wheat farmers have to invest more to produce a ton of wheat than farmers elsewhere in the world. In the southern region of the Western Cape, direct costs amount to US$ 149, approximately US$ 56 per ton more than the international sample average. The eastern Free State pays an average US$ 181 to produce a ton of wheat, the most expensive in the sample. Higher costs on South African dryland farms are mainly driven by lower yields compared to the rest of the sample. However, they can also be attributed to higher fertiliser costs. For the eastern Free State, in particular, the fuel component is substantially higher due to the sheer number of operations required to keep fields clear of weeds.

For many South African crops, fertiliser is the single most expensive input cost. Since South African producers are disadvantaged by the high unit cost of fertiliser, farmers should use efficiency indicators to monitor the use of fertiliser nutrients. It must also be acknowledged that, as is the case with fertiliser, that many factors beyond the control of farmers impact on their activities. However, in an era where technology such as variable rate application becomes more prominent, input allocation and yield response should be carefully monitored.

Figure 6: RSA wheat – production, supply and demand

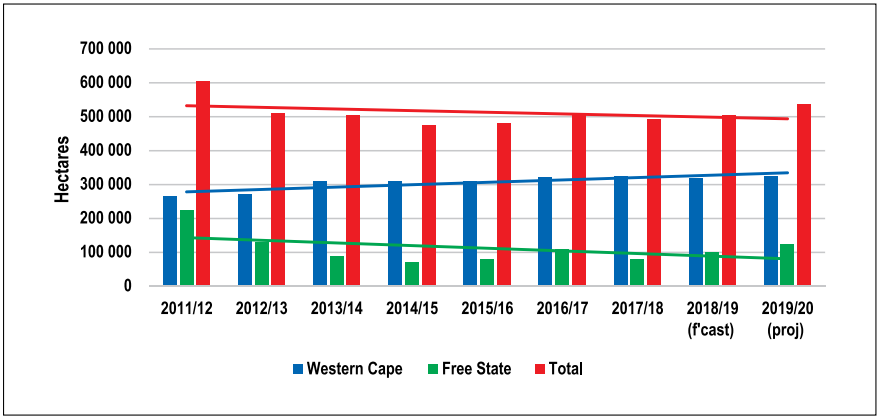


Source: International Grains Council 2019

The area planted to wheat has steadily declined during the last decade. In the case of the Western Cape, however, the area planted stayed relatively stable at about 300 000 hectares. In the case of the Free State, the decline over the same period has been marked. The projected area planted for the 2018/19 season at 105 000 hectares was well below the ten- year average of 133 000 hectares. The decline in the area planted to wheat in the Free State can be attributed to the increased production of more profitable crops, especially soya beans.

After a period of continuous decline, the area devoted to wheat stabilised over the past five years, following an increase in the reference price that triggered the variable import tariff in 2013. The decline in the wheat area was rapid in the Free State, where wheat production became less competitive and riskier when compared to alternatives such as maize and soybeans. With the area planted to wheat in the Free State stabilising at approximately 105 thousand hectares, the share of South Africa's total wheat area attributed to the winter rainfall areas of the Western Cape increased steadily, to reach 63% in 2018.

Figure 7: RSA wheat – area planted



Source: Crop Estimates Committee

Soya beans

Only 86% of the intended soybean area was planted for the 2018/19 production season. The area cultivated to soybeans in 2019 declined by 7% to 730 500 hectares compared to 2018's 787 200 hectares.

The area planted to soya beans has increased by 155% since the 2009/10 production season to 787 200 hectares for the 2017/18 production season.

While profitability in the western parts of the country has been under severe pressure, the margins associated with soybean production have been more favourable, supporting the rapid growth in the planted area during the last decade. In the western production regions, it will, however, be critical to reduce year-on-year yield volatility to lower the relative production risk of soybeans against alternative crops.

The rapid expansion in soybean crush capacity since 2014 has significantly increased the demand for soybeans. Despite the rapid expansion of the area devoted to soybeans in South Africa, soybean imports were required for processors. These imports helped producers to attain acceptable utilisation rates, a situation which was exacerbated by the 2016 drought.

In 2018, this scenario changed when a record soybean harvest coincided with a fire that closed production for several months at a large crushing plant. These two factors created a soybean market surplus. Prices declined almost to export parity levels but recovered in 2019 on the back of a weather-induced production declines and the capacity of the damaged plant being expanded. Consequently, crush volumes are expected to increase by 15% year-on-year and South Africa is expected to be nearly self-sufficient, something that will require a careful balance being maintained between supply and demand.

Following rapid expansion for five years, the soybean industry is maturing, and further extension will be much slower than was previously the case.

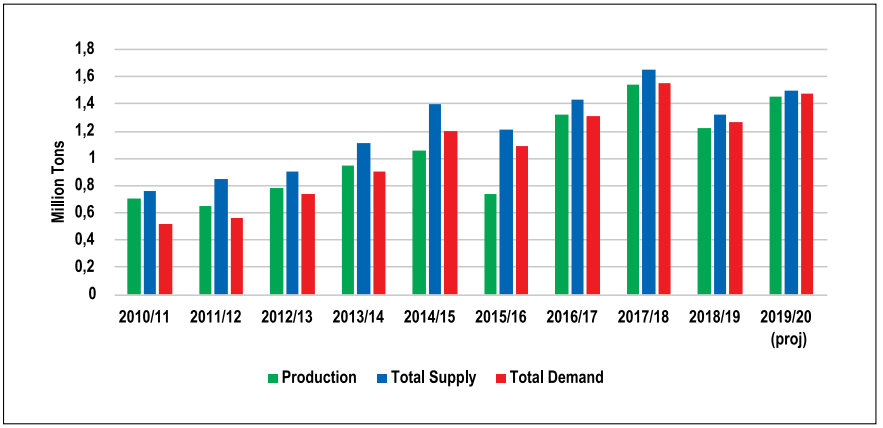
Total soybean processing capacity in South Africa (crush and full fat) arises from a combination of dedicated soybean processing facilities as well as facilities that can alternate between soybean and sunflower processing. A return to longer-term trend yields suggests that, as early as 2020, enough soybeans will be produced in South Africa for dedicated soybean processing facilities to reach a benchmark utilisation rate of 80%.

Combined with dual plants, however, total capacity exceeds two million tons. Consequently, South Africa has ample capacity to process (crush and full fat) projected volumes until 2025. This depends on crush margins being sufficient to induce dual plants to switch to soybean crushing.

Increased crush volumes have resulted in South Africa being able to replace substantial quantities of imported oilcake during the last ten years. Net imports accounted for a declining share of total oilcake consumption, from 71% in 2008 to 27% in 2018.

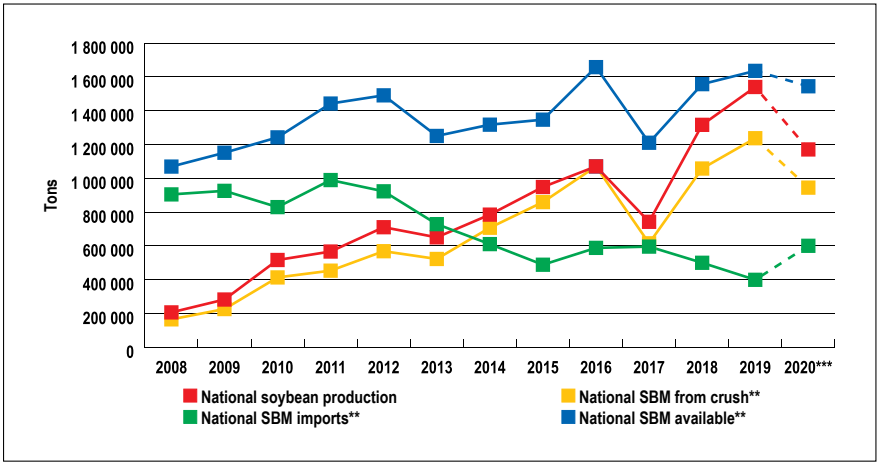
Dominant in the oilcake complex, the use of soybean oilcake is projected to expand from 1.2 million tons in 2018 to 1.6 million tons in 2028. This increase will be derived from increasing livestock production, as well as favourable price ratios relative to alternative proteins such as fish meal.

Figure 8: RSA soya beans – production, supply and demand



Source: International Grains Council 2019

Figure 9: Soya bean production, national SBM crushed & SBM imported



Source: AFMA Chairman's Reports
*** For the year April to March (AFMA stats year)*
**** Estimates available for the next marketing year*

Sunflower seed

The total supply of sunflower seed was projected at 1 021 946 tons for the 2018/19 marketing season. This supply included an opening stock level (as at 1 March 2018) of 154 841 tons, local commercial deliveries of 858 605 tons and sunflower seed imports of 500 tons.

The total demand (domestic plus exports) for sunflower seed is projected at 913 600 tons. This demand includes 1 500 tons processed for human consumption, 3 500 tons processed for animal consumption and 900 000 tons for crush (oil and oilcake).

The projected closing stock level on 28 February 2019 was estimated at 108 346 tons. At an average processing rate of 75 417 tons per month, this represents available stock levels for 1.4 months or 44 days.

South Africa's grain trade

South Africa's cereal exports declined by 5% from R7.7 billion in 2017 to R7.3 billion in 2018. Maize exports decreased by 5% from R6.3 billion in 2017 to R5.95 billion in 2018.

Following the record maize crop of 16.8 million tons in 2017/18 and carry-over stock of 7.3 million tons on 1 January 2018, a total of 2.2 million tons of yellow maize was exported in 2018. Of this total, 68% was exported to Asian countries such as Japan, South Korea, Taiwan and Vietnam. The balance was absorbed mainly by African countries.

Wheat exports, mainly to neighbouring countries, decreased from R277 million in 2017 to R237 million in 2018.

According to the latest report of the Supply and Demand Estimates Committee of the National Agricultural Marketing Council, exports of maize for the 2019/20 marketing season are expected to be 850 000 tons, comprising 600 000 tons of white maize and 250 000 tons of yellow maize.

Being a net importer of wheat, coupled with a below-average wheat crop, resulted in South Africa's wheat imports increasing from 1.722 million tons in 2017 to 1.984 million tons in 2018.

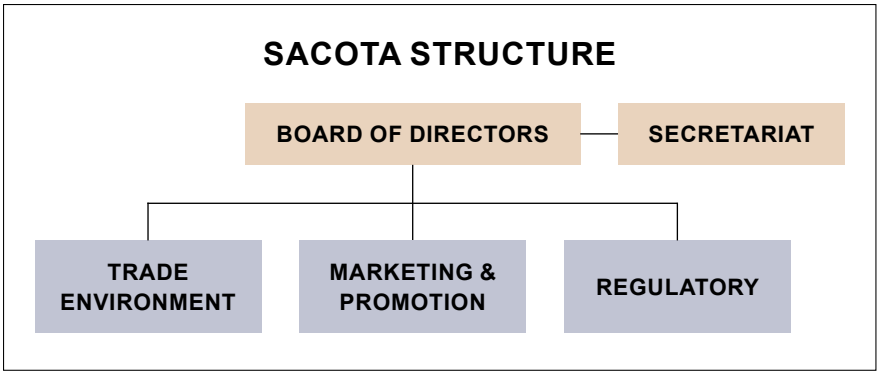
The bulk of imported wheat was sourced from the Russian Federation and European Union countries. The total value of imported wheat during 2018 increased by 25% compared to 2017 at R5.5 billion.

Imports of oilseeds declined from R1.8 billion in 2017 to R1.56 billion in 2018, a decrease of 13%. The value of soya beans imported during 2018 at R40 million is well below the five-year average of R555 million. This reduction in value is due to the constant reliable output of domestic soya bean production.

For the 2018/19 production season, the soya bean crop is estimated at 1.216 million tons. Following increased soya bean production, South Africa was able to export soya beans worth R183 million during 2018. In 2017, this figure was R20 million, of which 77% was exported to Turkey and the remainder to neighbouring countries.

2. ORGANISATIONAL STRUCTURE

The SACOTA organisational structure is as follows:



The matters handled by the Trade Environment Committee and the Marketing & Promotion Committee were combined as they deal primarily with trade-related issues, membership and the strategic marketing and branding of SACOTA.

The Regulatory Committee focuses on regulatory matters that need to be addressed to ensure an even trading environment for all SACOTA's members.

Members are strongly encouraged to take part in the meetings of the above committees, as the committees form the backbone of SACOTA as far as industry matters are concerned.

3. INDUSTRY REPRESENTATION

SACOTA is officially represented on the following organisations by:

• Oilseeds and Protein Seeds Development Trust	De Wet Boshoff (Trustee)
• Oilseeds Advisory Committee	Machiel Jacobsz (Member)
• SAGIS	De Wet Boshoff (Director)
• SAGL	Dirk Kok (Director)
• Sorghum Trust	De Wet Boshoff (Trustee)
• Maize Forum	De Wet Boshoff (Member)
• Maize Forum Steering Committee (MFSC)	De Wet Boshoff (Member)
• Information Group of MFSC	De Wet Boshoff (Convenor)
• Trade Group of the MFSC	Dirk Kok (Convenor)
• Wheat Forum	Konrad Keyser (Member)
• Wheat Forum	Dirk Kok (Member)
• Wheat Forum Steering Committee (WFSC)	Konrad Keyser (Member)
• Wheat Forum Steering Committee (WFSC)	Dirk Kok (Member)
• Information Group of WFSC	De Wet Boshoff (Convenor)
• Trade Group of the WFSC	Dirk Kok (Convenor)
• JSE Agricultural Advisory Committee	Hein Barnett (Member)

4. MATTERS ADDRESSED AND SUCCESSES OF SACOTA

4.1 Trade Environment Matters

Genetically Modified Organisms (GMOs)

The registration of GMO events in traditional maize exporting countries (Argentina, Brazil and the USA) is continuously monitored by SACOTA in cooperation with multinational seed companies to prevent the reoccurrence of the situation that existed following the drought of 2015/16 when certain events were not registered in South Africa for commodity clearance purposes. South Africa is currently synchronised with the traditional maize exporting countries.

There is currently good co-operation between AFMA, SACOTA and local seed companies regarding the timeous applications of new GMO events for commodity clearance.

Standardised Handling and Storage Contract

During 2014, SACOTA requested Agbiz Grain to consider the development of a standardised storage and handling contract, using the SAGOS trading contract as an

example. The aim of a standardised contract is fairness and impartiality to both parties entering into such agreements as both parties would follow standardised terms and conditions. This request was initially received favourably by Agbiz Grain, and SACOTA was requested to draft a document.

Unfortunately, Agbiz Grain decided subsequently not to pursue a standardised handling and storage contract.

Their withdrawal from the project followed a SACOTA presentation to the Agbiz Grain Steering Committee on 11 April 2019 on the principle of a standardised handling and storage contract. SACOTA was later notified by the Agbiz Grain Steering Committee that it felt that it could not compel their members to implement a standardised handling and storage contract. They, however, indicated that SACOTA should feel free to engage with individual silo owners on this matter.

Dispute resolution process

A document has been drafted by SACOTA and AFMA, setting out a standardised dispute resolution process to be utilised when grain that is out-loaded by the silo owner does not conform to contracted quality specifications.

This document is currently being discussed by the Trade Group of the Maize Forum Steering Committee.

Revival of the wheat industry

Wheat grading regulations

The amendment of the wheat grading regulations was one of the measures implemented to address the revival of the wheat industry and get more hectares planted to the crop.

The following amendments were agreed by the wheat industry value chain:

- The introduction of a Super Grade, Grade 1, 2 and 3 with minimum protein content of 12,5%, 11,5%, 10,5% and 9,5% respectively.
- Minimum hectolitre mass for Super Grade, Grade 1 and 2 was pegged at a minimum 76kg/hl while the hectolitre mass for Grade 3 was pegged at a minimum 74 kg/hl.
- All grades will have a minimum falling number of 250 seconds (with 30 seconds deviation).

The wheat industry is waiting for the Minister of Agriculture to sign off the revised wheat grading regulations. The grading regulations will then be forwarded to the WTO for a sixty-day period where it will be available for comment. Agbiz Grain indicated that they intended to implement the amended wheat grading regulations from 1 October 2019.

The Wheat Forum Steering Committee has requested the JSE to implement the

amended grading regulations from 1 October 2019 on SAFEX wheat futures contracts, regardless of whether the Minister has, or has not, approved the grading system.

Wheat import duty

A delegation from the Wheat Forum Steering Committee (WFSC) met with Minister Patel to discuss the publication of the wheat import duty after it was triggered. The Minister indicated that he was aware of the challenges facing the wheat industry and requested that the delegation make recommendations on how to address the problem. Three possible solutions were recommended. These were:

- The automatic publishing of the import tariff, for example, so that if a trigger is announced on a Thursday, that it automatically gets published the next Thursday;
- Posting of the tariff every month, regardless of whether a change in the local tariff has been triggered or not, as is the case in the petroleum industry; and
- Expediting the current process.

Minister Patel also indicated that he had had discussions with the Minister of Finance regarding simplification of the process.

EU/EPA Agreement

A delegation of the Wheat Forum Steering Committee met with Mr Xavier Carim, Deputy Director-General: International Trade and Economic Development Division of the DTI, to discuss the EU/EPA agreement regarding the quota allocation on the duty-free imports of wheat under the EU/EPA agreement, and whether it can be based on Minimum Market Access (MMA) instead of the current first come first served process.

Mr Carim indicated that the agreement could not be changed to accommodate this, but the regulations do make provision for an import licensing system where MMA can be used as the basis for the allocation. DAFF has been requested to start an administrative process to accommodate this and make a recommendation by the end of September 2019 as the industry would like to implement it from 1 February 2020.

Origin discount

The Trade Group of the WFSC recommended that the JSE should be requested to revert to the following origin grade discounts:

- Two percent as calculated by the JSE on the average period and average Safex price calculated as per standard grade discount calculations.

The following were also recommended regarding physical delivery on SAFEX:

Wheat from the following origins being acceptable for delivery at a ZERO origin discount:

- USA Hard Red Spring (Dark Northern Spring and Northern Spring wheat),
- USA Hard Red Winter wheat
- No 3 or better Canadian Red Western Spring wheat
- Australian Hard, Australian Prime Hard, Australian Prime White and Australian Standard White wheat

Wheat from the following origins acceptable for delivery at a 2% calculated JSE discount:

- Argentina
- German Type A or B wheat
- Ukraine
- Russia

There should also be clarity if the origin discount is also to apply to imports of wheat from Poland and Baltic countries.

The JSE has been requested to implement and publish the origin discount as soon as possible, preferably for the May 2020 contract.

At the meeting of the Wheat Forum Steering Committee held on 9 September 2019, it was decided that a detailed list of countries of origin to which the origin discount will apply will be determined and made available by the JSE.

JSE: Soya meal and sunflower oilcake local futures contracts

Following a request from AFMA for the introduction of a locally-traded soya meal and sunflower oilcake futures contract, a meeting was held on 17 July 2018 where the matter was discussed with oilseeds crushers and the JSE.

The contract specifications have been agreed by industry and are as follows for soya meal and sunflower oilcake respectively:

Soya meal

- Protein – a minimum of 46%
- Moisture – a maximum of 12%
- Ash – a maximum of 6.5%
- Acid insoluble – 1.5%
- Fibre – a maximum of 5%
- Fat – Basis 2% (Maximum 2.5%)
- Particle size – 10mm maximum
- Urease activity - 0.15% Maximum

Sunflower oilcake

- Protein – a minimum of 36%
- Fibre – a maximum of 21%
- Moisture – 10% maximum
- Fat – a maximum of 2%

It was also agreed that the contract should make provision for physical delivery for settlement of the futures contract. The following was also decided:

- The contract size should be 50 tons.
- Isando should be the basis of the reference price for both products.
- Imported soy meal and sunflower oilcake of any origin that complies with the

minimum (or better) agreed quality specifications should also be allowed to be delivered. Only deliveries in bulk will be allowed.
- The storage period should be a maximum of one month.
- A storage rate process similar to that applied in the Durban port should be adhered to.
- Only SANAS accredited laboratories should be used for all analysis.
- Only agreed reference methods are to be used for all analysis.

The JSE has requested a meeting with the crushers to discuss certain outstanding matters. This meeting took place on 26 September 2019.

AFMA has submitted delivery volumes per participating crusher to the JSE.

The JSE indicated that it is ready to implement these contracts relatively quickly.

JSE: Location differentials

A conference call was held with the JSE on 13 September 2018 to discuss the relevance of location differentials as well as how the JSE is calculating the published differentials. It was resolved during the conference call and supported by AFMA, Grain SA, the National Chamber of Milling and SACOTA that:
- The JSE will do an independent updated review of the 2009 study commissioned by the National Agricultural Marketing Council and undertaken by Professor Matthew Roberts.
- It was decided that Professor Roberts again be approached to do the study.
- The Terms of Reference will be drawn up by the JSE and circulated to the Advisory Committee for comment and ratification.
- The JSE will carry the cost of the study.
- The status quo regarding location differentials will remain until the independent review is available.
- It was agreed that the study should be completed as soon as possible, but it is envisaged that the final report would only be available during the course of 2019.

Professor Roberts visited South Africa during January/February 2019 and SACOTA was also invited by the JSE to make a presentation to Professor Roberts on 1 February 2019.

The JSE held a meeting on 22 August 2019 to give feedback to role players in the grains and oilseeds value chain on the recommendations made in the Roberts report:
- The JSE indicated that location differentials would be maintained for wheat, white and yellow maize and sunflower futures contracts.
- Location differentials will be implemented for soybeans and sorghum futures contracts. The JSE has decided that Randfontein shall be the reference point for soybeans. This approach will only be implemented on 1 March 2021.
- The current method and frequency of calculating location differentials will be retained. The JSE will, however, engage with transporters for improvements.

- The JSE will again consult with Professor Roberts on the implementation of a Redelivery Differential.
- The JSE has decided that origin discounts will be implemented for all commodities traded on the JSE.
- The JSE decided to further consult with Professor Roberts on the anonymity of electronic trading.
- The JSE accepted the recommendation to incentivise higher Spot Basis Windows volumes and are looking at ways to make improvements.

JSE: Commitment of Traders Report

The JSE has met with the Financial Sector Conduct Authority (FSCA) (formerly the Financial Services Board) to investigate the introduction of a Commitment of Traders report similar to that published by the U.S. Commodity Futures Trading Commission (CFTC). There was support from both parties for additional information (JSE clients are obliged to report their "reporting position") and to improve transparency. The FSCA will provide the regulatory framework for this process, while the JSE will assist in collecting and publishing the information.

A proposal was made by the JSE to the Financial Sector Conduct Authority (FSCA) on the methodology to be used.

The FSCA informed the JSE that they have decided that this matter should be regulated and that it will be incorporated in their regulations.

The JSE is currently looking at implementing an interim arrangement until the FSCA's regulations are in place.

JSE: Position limits

Only two physically settled commodities traded on the JSE, namely white maize and soya, had speculative position limits.

The JSE, through its Agricultural Advisory Committee, discussed in detail the principle of extending the position limits across all physically settled commodities and several written submissions were received. The discussion centred on ensuring that any changes to position limits will ensure the continued operation of a fair and efficient derivatives market and require a careful balance of market participants to ensure the continued development of the liquidity of each product.

Having considered all the submissions and considered the information, the JSE resolved that:

- They acknowledged the need to be consistent and introduce position limits across deliverable grain products, especially on those commodities that previously were not subjected to limits, with the principle being applied particularly during the delivery month.
- They also acknowledged the need to strike a balance between the levels at which

limits were pegged versus the need to allow for active trading on our market.

- It is to achieve this balance that the final speculative position limits were published on 28 January 2019 for implementation from 1 April 2019.
- The JSE will closely monitor market behaviour post-implementation of these limits to ensure minimum disruption to the existing market structure.
- Should there be a need to revisit the new position limits, changes will be implemented in consultation with the market.

JSE: MTM Process Options Trading

The JSE is considering implementing an MTM process for money options trading based on the far-out money options ("the Skew") at different market-to-market volatilities. The aim is to make the buying and selling of money options more affordable and to make money options more tradeable so that they can add to liquidity levels.

JSE: Calendar spreads

The JSE has completed a research paper on spread trading and initial margins for spread trading within (intra) and between (inter) seasons on white maize. The JSE concluded that the initial margin for spread trading within a season could be reduced. The JSE will also do a similar exercise for other grains and oilseeds trading on the JSE. Reducing the initial margin can enhance spread trading and liquidity.

Grains and Oilseeds Trade Forum

The inaugural meeting of the Grains and Oilseeds Trade Forum (GTF), took place on 8 October 2018. The meeting was attended by representatives from the Directorate Plant Health, Directorate Genetic Resources, Grain SA and SACOTA with the Chief Director: Plant Production and Health, Dr Julian Jaftha acting as Chair for the meeting. AgbizGrain was unable to attend the meeting.

The following matters were addressed:

- **China Protocol**

  The protocol dictates that maize must be inspected during the growing season for quarantine pests as listed by China. Maize producers will need to apply for the registration as Food Business Operators (FBOs) of their farms as Production Units for South Africa to be made part of the protocol to be able to export maize to China.

  In the case of soya beans, the same protocol must be followed. DAFF indicated however that they would take a political approach so that exports of soya beans to China can be made on a permit system, due to the current trade distortions in the market after the USA announced the implementation of tariffs on Chinese products.

- **Iran**

  It was indicated to DAFF that although Iran is open for exports, no exports had

taken place as no import permits were issued by the Iranian authorities.

During the World Nutrition Forum 2018 (WNF) in Cape Town from 3 to 5 October 2018, Mr De Wet Boshoff met with the Chairman and delegation of the Iran Feed Industry Association (IFIA), who indicated that they are keen to import South African maize. Mr Boshoff was tasked with requesting the IFIA to assist with the issuing of import permits.

The Directorate Plant Health was requested to start with the process to address the phytosanitary requirements for export of soya beans to Iran, due to the interest from Iran in importing soya beans.

- **Potential export markets**
  SACOTA was requested to provide a list of potential export markets for both maize and soya beans with a specific focus on the Middle East.

- **Legal opinion**
  SACOTA received feedback from DAFF on the legal opinion on the GMO Act and the Cartagena Protocol. The feedback was sent to SACOTA's legal advisor to study and provide any comments.

Corn Exports to Korea – Positive List System (PLS) and Import Tolerance (IT)

South Korea has requested South Africa to propose maximum residue limits for pesticides and herbicides used in South Africa that are not currently on their Positive List System so that exports of maize to Koreacan be facilitated .

SACOTA has noticed that the list of active ingredients registered in South Africa is more comprehensive than those currently listed by either the Department of Health or Department of Agriculture.

The Trade Group of the Maize Forum Steering Committee (MFSC), has subsequently requested quotations from experts in this field to update the lists as well as to indicate or propose suitable MRLs for maize exports to South Korea. This exercise will be undertaken with the office of the Registrar of Act 36. A funding application will be made in this regard to the Maize Trust.

A similar exercise and funding applications to the relevant Trusts will be prepared for other grains and oilseeds, to be implemented for both domestic and international trade.

Maize grading regulations

A follow-up meeting of the Trade Group of the Maize Forum Steering Committee (MFSC) took place on 2 September 2019 to finalise:

- Amendments to the definitions of defective maize kernels.
- Maximum levels of noxious seeds.

- The implementation of a passport system (Certificate of conformance).
- Dispute resolution process.

There was no consensus on all the matters discussed, and a follow-up meeting will be arranged to address specific issues including the passport system and the dispute resolution process.

BBBEE

Agbiz made a presentation to the AgriBEE Council on 20 February 2019, requesting a special BBBEE dispensation (separate AgriBEE Scorecard) for grain and oilseeds traders considering the high volumes and high turnover but relatively low margins when trading is compared to other industries.

The issue was well received by the Council as members realised that the issue could result in no funding being allocated for any of the elements as trading companies would not be able to comply.

Agbiz was requested to prepare an alternative proposal for consideration by the Council. This will be forwarded to the DTI for approval and the insertion of an amendment to the AgriBEE Sector Code. The proposal, in short, is that a Net Profit After Tax percentage specifically for grain trading companies be developed in terms of enterprise and supplier development and socio-economic development targets that will be lower than the industry norm of between 4% and 5%.

In a follow-up meeting with the Council, the Agbiz proposal was accepted in principle.

Subsequently, the DTI indicated that although it understood the problem, Agbiz should conduct a study in the industry to obtain support for the proposals. Agbiz has subsequently requested commodity trading companies to participate in a survey to substantiate its claims.

SACOTA members have been requested to take part in the survey.

Agbiz indicated that they have received feedback from 20 trading companies and that this gives them a large enough sample to provide them with the opportunity to make an informed presentation to the DTI.

The next meeting of the AgriBEE Council is scheduled to take place in November 2019. Agbiz is endeavouring to arrange a meeting with the DTI in advance of this meeting to discuss the process going forward and for the DTI to make a presentation to the AgriBEE Council.

SACOTA extends its appreciation to Machiel Jacobsz of Farmwise Grains for driving this matter.

International Grains Trade Coalition (IGTC)

SACOTA officially became a member of the IGTC during November 2016.

The current activities of the IGTC include:

- Global Low-Level Presence Initiative (GLI)
- Plant Breeding Innovation
- Cartagena Protocol on Biosafety
- ePhyto Electronic Trading documentation
- Maximum Residue Limits
- IPPC International Standard on Phytosanitary Measures for the movement of grain

IGTC welcomed at South African grain trade annual meeting

Ms Katy Lee from the International Grains Trade Coalition (IGTC) expressed her appreciation to the South African Cereals and Oilseeds Trade Association for giving her the opportunity to attend its annual meeting on 10 October 2018 in Pretoria and make a presentation to highlight the activities, projects and successes of the IGTC's collective work on achieving a market and regulatory system that supports the grain trade. Ms Lee's presentation is available on the SACOTA website.

At the meeting, SACOTA Chairman Konrad Keyser, and executives De Wet Boshoff and Dirk Kok *(pictured with IGTC Secretariat)* presented the vision of SACOTA to be regarded as a significant, influential and respected force in the southern African grain and agricultural sector.

SACOTA/IGTC Round Table Discussion

A round table discussion was held on 11 October 2018, with representatives from DAFF and Industry role players on:

- **Low-Level Presence (LLP)**
  It was ascertained that AfricaBio had been requested by the Executive Council (EC) of the GMO Act to make a submission on LLPs. The outcome of the submission is being awaited from the EC. South Africa's current stance is a zero-tolerance for imports of GMO commodities (events) not approved in South Africa for FFP purposes.

  It was made clear by the GMO Registrar and the Chief Director of Plant Production and Health – Dr Julian Jaftha, that to prevent running into a challenging situation on LLP of FFP, that the industry should be required to apply for asynchronous approvals for GMO events not yet approved in South Africa, to maintain the synchronised status with South Africa's traditional trading partners of Argentina, Brazil and the USA.

- **The Cartagena Protocol on Biosafety (CPB)**
  The IGTC does not expect major changes to the CPB but will be alert SACOTA and DAFF of any possible developments. COP-MOP 9 takes place during November 2018 in Egypt.

  SACOTA has been invited by the Department of Environmental Affairs to a national stakeholder consultation workshop on 26 October 2018 to provide input into the country's position on key agenda items to be discussed during COP-MOP 9.

- **Electronic Trading Documentation**
  It is understood that South Africa is currently in discussions with the International

Plant Protection Convention (IPPC) on the implementation of the Electronic Phytosanitary Certification (ePhyto) system. A beginner's guide is available at https://www.ippc.int/en/ephyto/

- **IPPC International Standards for Phytosanitary Measures (ISPM) for the movement of grain**
  It was noted that the ISPM for grain is being drafted for the movement of grain and will, amongst other matters,address quarantine pests, foreign material, end-use, sampling methodology and traceability.

- **Maximum Residue Limits (MRLs)**
  The global harmonisation of MRLs is being addressed.

- **Plant Breeding Innovation**
  New plant breeding techniques, such as gene editing, are being developed and introduced. It is as yet uncertain how commodities developed from new plant breeding techniques will be treated by governments from a regulatory point of view. A study on the regulatory Implications of new plant breeding techniques has been completed by the Department of Science and Technology (DST).

World Grain Trade Forum: Beijing, 27 November 2018

The SACOTA Chairperson, Konrad Keyser, attended the General Assembly meeting of the IGTC in Beijing on 28 November 2018.

This event was preceded by the World Grain Trade Forum that was hosted by Cofco, the China National Association of Grain Sector (CNAGS) and the IGTC.

The Forum was a high-level event during which speakers addressed the opportunities in the grains sector to further the goals of global food security and economic development. Insights were also provided in the current state of market conditions.

Over 200 thought and decision leaders with interest in the global supply of grains, oilseeds and other agri-bulk food, feed and energy commodities enjoyed and participated in the ground-breaking forum.

Speakers at the November 27 World Grain Trade Forum included:

- China National Grain and Oils Information Centre (CNGOIC)
- China Ministry of Agriculture and Rural Affairs
- World Trade Organization (WTO)
- International Grains Council (IGC)
- China National Association of the Grains Sector (CNAGS)
- International Grain Trade Coalition (IGTC)

Konrad Keyser participated in a panel discussion that occurred on the day.

IGTC signs MoU with the International Grains Council (IGC)

At the 48th session of the International Grains Council (IGC) in Paris, a Memorandum of Understanding (MoU) was agreed by the IGC and its 53 member governments, and IGTC. The MoU aims to promote and facilitate the international trade of grains, oilseeds and other agri-bulks. It was signed in-person by Arnaud Petit, Executive Director of IGC, and Gary C. Martin, President of IGTC.

This was the first initiative of its kind proposed by the IGC and is framed in the broader context of its work to foster international collaboration in trade.

IGTC representation at International Grains Council (IGC) Market Conditions Committee (MCC)

IGTC Secretariat Katy Lee and Henry Yang, member representatives of the China National Association of Grains Sectors (CNAGS) attended the September 2019 Market Conditions Committee (MCC) of the International Grains Council (IGC) in London.

More than 15 government delegates were present at the meeting. High on the agenda were forecasts for cropping, harvest, and trade, as communicated by the IGC's regular Grain Market Reports (GMR).

IGTC took the opportunity to highlight some of the policy and accepted practices that are currently impacting the international trade of grains, oilseeds, pulses and other agri-bulks. Specifically reported were developments in the IGTC's work on plant breeding innovation and ePhytos.

Ukraine trade delegation

SACOTA met with a delegation from Ukraine during December 2018. The delegates who indicated that they are keen to strengthen trade relations with South Africa. SACOTA raised certain quality issues experienced with maize imported from Ukraine and the delegation was requested to escalate the matter to the testing authorities in Ukraine. This was subsequently achieved. SACOTA has also requested that SGS, which is a member of SACOTA, to elevate this matter to their offices in Ukraine.

Value Chain Indaba

The grains and oilseeds industry Steering Committees met on 12 April 2019. Common sectoral key components in the Five-Year Plan for Agriculture were identified for their potential of increasing the likelihood of success for the amendment of agricultural policies and investments. These are:

- Expansion of markets
- Training and Skills development
- Feasible Financing Opportunities
- Climate change Adaptation and Disaster Management
- Pest and Disease Management, including Food Safety consideration

The soya industry and the poultry value chain have been identified as industries that can

provide opportunities for the entire value chain to ensure growth, expansion of markets (exports of poultry), and increased use of domestic soya produced meal.

A soya industry meeting is scheduled for later this year (November) to discuss the way forward.

4.2 Marketing and promotional matters

Membership drive

This is an ongoing process driven by the secretariat with the assistance of the Board of Directors.

We look forward to welcoming many of the interested, but undecided, amongst us soon.

Website

The upgrading of the website has made it possible for it to be viewed from any platform. There is a wealth of industry-related information accessible on the website, which also includes links to member websites of which we have been made aware.

News items of interest are regularly placed on the website.

Strategic marketing

SACOTA co-sponsored the dinner during the AFMA Golf day which was held in August 2019 to promote SACOTA as an Association.

Marketing and promotional pamphlet

The new-look marketing and promotional pamphlet have been finalised and are now available to all members to market SACOTA and its activities.

Formal meetings

SACOTA will continue, as part of its marketing and branding activities, to drive the following actions:

- One-on-one meetings with other industry associations;
- Incorporating scheduled meetings and actions with other role-players as part of the SACOTA Year Planner (to be circulated);
- Introducing SACOTA to associations, institutions and role players outside SACOTA; and
- Discussing matters of mutual concern with associations, institutions and role players outside of SACOTA.

5. FINANCE AND MEMBERSHIP

SACOTA runs a zero-based budget every year, while still trying to:

- Increase its membership numbers.
- Accumulate reserve funds.

The goal aspired to when calculating membership fees is to pay the costs of the association and build a solid financial base to ensure the sustainability of SACOTA. Membership fees must be affordable to current members, attractive to prospective members, and, over time, as the membership grows, be reduced.

A revised funding model for SACOTA was approved by the SACOTA Board and was subsequently approved by the 2018 SACOTA Annual General Meeting (AGM). The new model will focus on capping volumes into certain categories according to their respective membership contributions. The approved funding model is as follows:

Categories of sales volumes	Membership Fee
1 to 100 000 tons	R20 000
100 001 to 250 000 tons	R70 000
250 001 to 500 000 tons	R110 000
More than 500 000 tons	R170 000
Associate members	R15 000

6. ACKNOWLEDGMENT

I thank my fellow Directors:

- Heinrich Barnard
- Hein Barnett
- Brendon de Boer
- Francois de Wet
- Machiel Jacobsz
- Cornelius Odendaal
- Gido van Rensburg

For their support and the for the spirit of cooperation we shared for the benefit of SACOTA during the year. Much was achieved, many issues were analysed, and outcomes were positive.

Again, I thank De Wet Boshoff and Dirk Kok for the excellent way in which they handled SACOTA's affairs during the preceding year; including secretarial matters; representation and preparatory work and research on various issues.

CONCLUSION

In conclusion, I highlight a portion of SACOTA's vision and principles:

TO BE A SIGNIFICANT AND RESPECTED FORCE
IN SA AGRICULTURE AND REGIONAL TRADE

As is clear from this report, we as Association have lived up to this vision in the past year.

I am confident that we have laid strong foundations for our Association, and have no doubt that the Board of Directors will expand SACOTA's reach, influence and contribution to the Southern African agricultural industry.

I wish the Board of Directors every success for their next term.

Thank you.

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