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To: SACOTA members

SACOTA VALUE PROPOSITION

When a SACOTA member asks the question – What’s the value of being a member and should I remain a member of SACOTA, the first thing that comes to mind is the question, where did SACOTA come from prior to 2011?

Before 2011, SACOTA was handled as a one-man office with a retired ex-colleague handling affairs and attending industry meetings where possible. The one-man office, however, didn’t lend enough time for all industry matter to be attended to as SACOTA would have liked and SACOTA reverted to a system of requesting Board Members to attend certain meetings on behalf of SACOTA, where the one-man office could not get to.

This model in itself was flawed and had to overcome its own challenges i.e.

- lack of report back,
- lack of communication,
- lack of alignment of industry actions with the value chain,
- etc.

This, however, wasn’t due to the unwillingness or competency of SACOTA members but merely a flaw of the model.

Since mid-2011, SACOTA repositioned itself in the Grains and Oilseeds Value Chain by signing a management agreement with AFMA, handling SACOTA as a legal entity and full-fledged association secretariat, reporting to its own Board of Directors and having its own operational committee structure. Additionally, SACOTA was registered as a Non-Profit Company under the new Companies Act and annually has its own Annual General Meeting where its financials are reported on and signed off.

The AGM furthermore allows the platform for the election and/or rotation of the Board of Directors and the tabling and the approval of the next year’s budget.

Regarding operational matters, SACOTA fully fulfil its place and duties on all relevant value chain structures and within its own committees, due to a well-structured secretariat being aware of all industry actions and addressing it in the most appropriate way for the optimal result, due to a well-run association keeping SACOTA matters aligned with that of the full value chain and related industries.

BOARD OF DIRECTORS:

Konrad Keyser (Chairperson)	☎ 012 640 1600	✉ konrad@brisen.co.za	Machiel Jacobsz	☎ 011 787 3666	✉ machiel@farmwise.co.za
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Francois de Wet	☎ 031 581 4500	✉ francoisdw@seaboardship.co.za	Secretary (AFMA)	☎ 012 663 9097	✉ dirk@sacota.co.za

SACOTA takes on numerous industry activities, not always being 100% successful, but merely being the negotiations table gives SACOTA members the edge, light-year ahead from where it was eight years ago.

SACOTA has now fully established itself as the officially recognised industry body for the traders and is well known by the majority of the value chains and by Government as the voice of the TRADERS.

In the association business, and in this case specifically SACOTA activities, the age-old and well-known principle still remains valid – ***“The more you are involved, and taking part in industry activities, the bigger the reward or gain would be”***, of being a SACOTA member.

Despite the fact that SACOTA activities and actions continuously change, herewith a number of value propositions of being a SACOTA member:

Trade Rules – *Conditions for fair trade*

Trade rules spell out the rights and obligations of buyers and sellers trading grains and oilseeds. **SACOTA** was instrumental in developing the SAGOS contract for the purchase and sale of grain, pulses and oilseeds and products derived therefrom. SAGOS 1 version 9 has been effective since August 2012 and is currently the operative contract used in domestic trade. The SAGOS contract lays down the conditions that the trade must comply with and it governs matters such as delivery, risk transfer, quality, and payment.

SACOTA took the lead in developing a standardised contract for the transport of grain, pulses, and oilseeds. SAGOS Contract 2, Version 1 was implemented in 2014.

Arbitration System – *A fair solution for both parties*

SACOTA took the initiative to implement an Arbitration System for the trading of grains and oilseeds. The SAGOS contract makes provision for a dispute resolution agreement. The dispute resolution procedure is administered by the Arbitration Foundation of Southern Africa (AFSA). It is a quick, inexpensive and practical alternative to resolving trade disputes in court. Cases are heard and decided by industry volunteers who know the business – not by unpredictable judges with no expertise in the industry.

Agricultural Derivatives/Futures Markets – *Price risk management*

SACOTA is the leading advocate of policies designed to ensure futures markets meet the needs of commercial hedgers of grains and oilseeds. **SACOTA** is represented on the Agricultural Advisory Committee of the Johannesburg Stock Exchange (JSE) and works extensively with the exchange to promote efficient price discovery and risk management.

Promotion of members' interest – *Together we stand strong*

SACOTA promotes member's interest through representation on various bodies in the grains and oilseeds value chain including CELC, Maize Forum Steering Committee, Wheat Forum Steering Committee, Sorghum Forum Steering Committee, Oilseeds Advisory Committee, Sorghum Trust, Oil and Protein Seeds Development Trust, Transport Working Group, JSE Agricultural Advisory Committee, SAGIS, SAGAS, AFSA, and SAGL.

SACOTA further promotes members' interest through liaison with major role-players in the industry, including Agbiz Grain, GOSA, Grain SA, AFMA, NCM, Government Departments, Parastatals, financial institutions, value chain role players and related service providers.

In representing our members' interests, SACOTA pursues one key priority: to prevent and remove obstacles to trade.

Policy groups and committees – *Every effort to facilitate trading*

As a **SACOTA** member, you will have the opportunity to play an active role in the Association's work through our functional committees including the Trade Environment Committee, the Marketing, and Promotion Committee and the Regulatory Committee. These committees are composed of members with in-depth knowledge of the subject matter concerned.

Communication and information – *Keeping members informed*

SACOTA's comprehensive support includes the dissemination of relevant industry information and updates on legislative developments. Members receive regular industry reviews, current market situational analysis, information on production, trade, and consumption, as well as the latest developments around public, announced prices, import/export rates, and national policy and regulatory developments.

SUCSESSES OF SACOTA

Sunflower Seed and Soya Bean Regulations

Buyers that took physical deliveries on SAFEX were subject to either receive the sunflower seed and soya beans either on a so-called "dirty" or "clean" basis.

In order to address this situation, SACOTA proposed certain amendments to the grading regulations in so far as the determination of the mass of a consignment was concerned. The amended regulations meant that the method of delivery of sunflower seed and soya beans is now standardised and all deliveries are now done on a clean basis.

Genetically Modified Organisms (GMO's)

The registration of GMO events in traditional maize exporting countries (Argentina, Brazil and the USA) is constantly monitored by SACOTA in cooperation with Multinational Seed Companies in order to prevent 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 in sync with the traditional maize exporting countries.

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

Dispute resolution process

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

This document is currently under discussion at the Trade Group of the Maize Forum Steering Committee.

Wheat grading regulations

SACOTA, through its Chairperson, Konrad Keyser, played a vital role in making proposals in order to revive the domestic wheat industry. One of the successes was the amendment of the wheat grading regulations to get more hectares planted to wheat.

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 minimum 76kg/hl while the hectolitre mass for Grade three as pegged at minimum 74 kg/hl.

All grades shall have a minimum falling number of 250 seconds (with 30 seconds deviation).

Wheat import duty

A delegation from the Wheat Forum Steering Committee (WFSC), including SACOTA, met with Minister Patel to discuss the publication of the wheat import duty after it has 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, which are:

- The automatic publishing of the import tariff, for example, if a trigger is announced on a Thursday, that it automatically gets published the next Thursday;
- Publishing of the tariff on a monthly basis, whether a change in the tariff has been triggered or not, like in the petroleum industry; and
- Expediting of the current process.

Minister Patel also indicated that he has already been in talks with the Minister of Finance that the process should be simplified.

EU/EPA Agreement

A delegation of the Wheat Forum Steering Committee, including SACOTA, 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 serve basis. He indicated that the agreement cannot 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 end of September 2019 as the industry would like to implement it from 1 February 2020.

Origin discount

The Trade Group of the WFSC, of which SACOTA is a member, recommended that the JSE should be requested to revert to the following origin grade discounts:

2% as calculated by the JSE on the average period and average SAFEX price calculated as per normal grade discount calculations.

The following were also recommended regarding physical delivery on SAFEX:

Wheat from the following origins 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

BBBEE

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

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

Agbiz was requested to prepare an alternative proposal for consideration by the Council, after which it will be forwarded to DTI for approval and an amendment to the AgriBEE Sector Code. The proposal, in short, is that a Net Profit After Tax percentage specifically for grain trading companies is 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 in principle accepted and it will now be forwarded to the Department of Trade and Industry (DTI) for approval and for an amendment to the AgriBEE Sector Code.

The DTI has subsequently indicated that they understand the problem but requested Agbiz to conduct a study in the industry to support the proposals. Agbiz has subsequently requested commodity trading companies to participate in a survey to substantiate its claims. SACOTA members have actively participated in the survey.

Agbiz indicated that they have received valuable feedback from 20 trading companies that give them a big enough sample to provide them the opportunity to make an informed presentation to the DTI.

SACOTA is currently awaiting feedback from the AgriBEE Council.

Plant Health: Phytosanitary measures

Following the drought experienced during the 2015/16 maize production year, South Africa needed to import vast quantities of yellow and white maize.

The Directorate Plant Health indicated that imports of maize will not be allowed should any presence of Maize Chlorotic Mottle Virus (MCMV) and Wheat Streak Mosaic Virus (WSMV) be found.

SACOTA was able to successfully have these sanitary measures waived by Plant Health after recommending that the requirements for the safe receiving, handling, transportation and storage of commodities as set out in Section 4 of the SANS 910:2011 be implemented for maize imported for feed and food purposes.

NON-SUCCESS MATTERS - (However still work in Progress)

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 its 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.

S&D Estimates Committee – Statutory Measures

Grains SA has requested the NAMC for a statutory measure to compel importers and exporters to declare their intentions to import or export certain grains and oilseeds, SACOTA was originally opposed to the implementation of this statutory measure but as a compromise proposed an amendment to the statutory measure for the reporting of imports and exports.

It was formally accepted at the meeting of the Maize Forum Steering Committee held on 27 July 2017 that the statutory measure shall only apply to maize imports and exports (and not wheat as well – South Africa being a net importer of wheat) and that:

- In the case of imports, the quantity of maize to be imported is to be declared eight weeks prior to the date on which the vessel transporting the maize to be imported is expected to arrive in South Africa, and
- In the case of exports, the quantity of maize to be exported is to be declared eight weeks prior to the date on which the vessel transporting the maize to be exported is expected to depart from South Africa.

The statutory measure for the reporting of intentions to import and export maize has been implemented by the NAMC.

Grain SA has at a later stage also applied for the statutory reporting of intended imports and exports of wheat, soya beans, and sunflower seed. SACOTA was unsuccessful opposing this and the Wheat and Sunflower and Soyabean Forums applied to the NAMC for the introduction of these statutory measures.

Pioneer Foods and Seaboard Overseas and Trading Group provided legal opinions objecting to the introduction of the statutory measures.

The matter is currently unresolved between the NAMC and the Wheat and Oilseeds industries.

SACOTA SECRETARIAT

13 December 2019