



**National Agricultural
Marketing Council**
Promoting market access for South African agriculture

Functioning of the South African Grain and Oilseeds Supply and Demand Estimates Committee (2014)

Introduction & Background

In light of the importance of food security, volatile grain prices and insufficient information about future stock levels, Grain South Africa (GrainSA) and the South African Cereals and Oilseeds Trade Association (SACOTA) agreed that there is a specific need for the aforementioned information. The need arose from a Supply and Demand Estimates Liaison Committee (SAS&DELC) for grain and oilseed to debate this issue. Industry appointed Dr John Purchase from Agbiz as the Chair of this committee and the NAMC as the secretariat.

This led to the establishment of the South African Grain & Oilseed Supply & Demand Estimates Committee (S&DEC). The first official Supply and Demand Estimates (SASDE) report was published at the end of June 2013. The National Agricultural Marketing Council (NAMC) is the secretariat for this initiative and is responsible for the organizing and functioning of the committee.

GrainSA, in 2011, applied for a statutory measure to get grain traders to report on export and import contracts. Similar practices are commonly used in the United States of America (USA). The application was originally opposed by SACOTA, but with further collaboration an S&DEC was established. The committee has sought to tread a path without statutory interference. The following proposals were tabled:

hment of an independent committee with the primary aim to publish official grain and oilseeds supply and demand figures on a monthly basis.

This would occur through:

- Collection of information regarding imports and exports figures, production and consumption figures, by the National Agricultural Marketing Council (NAMC). The information is processed and reported in an aggregated manner during the S&DEC meetings.
- Extrapolation of historical data obtained from the South African Grain Information Service (SAGIS) where necessary.
- Processing of the National Crop Estimates Committee (CEC) information regarding the crop estimate in terms of supply.
- Determination of an official estimate of grain and oilseed stocks levels at a specific month for the rest of the marketing year, based on the above sources.

Operation and publication dates

S&DEC meetings take place on a monthly basis. Each session takes place under a "lock down" principle. During the meeting, estimates on supply and demand are compiled in a report. After signing off by the Chairman, the report is published on the NAMC website. The S&DEC has no authority to make any recommendations regarding prices. The committee reports directly to the Supply & Demand Estimates Liaison Committee (S&EDLC). Publication of the report occurs between 12h00 and 16h00 on the day of the meeting.

The SDE Reports and their publication dates are available at the following link:

<http://www.namc.co.za/pages/research--publications/publications/supply--demand-estimates>

Competitiveness issues

The NAMC requested an opinion from the Competition Commission regarding the the initiative in terms of the Marketing of Agricultural Products Act 47 of 1996 ("MAP Act"). With regards to the legislation on exchange of information, it is important that the Commission gives an opinion in terms of the legality of activities that involve information sharing. The results of the opinion were favorable but with certain conditions namely:

- *The Commission was concerned that unintended outcomes of the proposed exchange may be price stability coupled with price increases, due to co-ordination, or increased price volatility due to Increased manipulation of the market by traders through the exchange. However measures such as the implementation of a review to check for bias and assuring the independence of the S&DEC may lessen the risk of manipulation.*
- *In view of the above and having regard to the information exchange framework already in place within the market, the Commission does not anticipate the proposed exchange is likely to result in a substantial lessening of competition.*
- *The opinion was provided on the basis of the information provided to the Commission, in order to provide guidance for compliance with the Act. It is not binding on the Commission or the parties requesting it. Should the information provided for purposes of this opinion change, this opinion spur apply to industry leaders changed facts.*

The opinion is available at the following link: <http://www.namc.co.za/pages/research--publications/publications/supply--demand-estimates>

Composition of the Committee

- Three independent grain market experts appointed by the industry, namely:
Dr Andre Jooste (Chairman); Dr Anton Lubbe & Mr Dawie Van Straaten
- A representative of SAGIS, namely:
Mr. Nico Hawkins

- Representatives of the Department of Agriculture, Forestry and Fisheries (DAFF) – a Crop Estimates Committee (CEC) member, namely:
Rona Beukes & Marda Scheepers
- A representative/s of the NAMC for the collection and processing of data and information, and is also responsible for reporting communication namely:
Christo Joubert & Rika Verwey
- A representative/s of the NAMC organization responsible for administration and secretarial services to the S&DEC:
Lizette Mellet
Rika Verwey

Funding

The NAMC and the grain & oilseeds Trusts (Oilseeds and Protein Development, Maize, Sorghum and Winter Cereal) agreed that 50% of the initiative will be funded by the NAMC and 50% by the different Trusts.

Conclusion

The functioning of the S&DEC committee is perceived to be very successful. The principles of the initiative are unique in the world; the participants' information is offered on a voluntary base. The initiative is supported and welcomed by many stakeholders, nationally and internationally. Very positive feedback was received from the Agricultural Market Information System (AMIS), Famine Early Warning System (FEWS), United States Department of Agriculture (USDA), Economic Research Service (ERS), and the South African Reserve Bank (SARB) and other organizations and stakeholders.

The NAMC is in the process to employ a grain specialist to focus on the above initiative to ensure sustainability.

Compiled by: South Africa Grain & Oilseeds Supply & Demand Estimates Committee
Enquiries: Christo Joubert 012 341 1115
Christo@namc.co.za

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