GRAIN MARKET INFORMATION DAY REPORT

agriculture, land reform & rural development
Department:
Agriculture, Land Reform and Rural Development
REPUBLIC OF SOUTH AFRICA

NAMC
Promoting market access for South African agriculture

ARC • LNR
Excellence in Research and Development

SAGIS
South African Grain Information Services NPC
Suid Afrikaanse Graaninligtingsdiens NWM

sacta
SA cultivar & technology agency NPC

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ACKNOWLEDGEMENTS

The National Agricultural Marketing Council (NAMC) would like to thank the speakers, industries and the many farmers who participated in the grain market information day.

Additionally, the NAMC extends a word of appreciation to the organisers of the information day, who also contributed immensely to the development of this report. These include Mr Lindikaya Myeki, Mr Kayalethu Sotsha, Mr Khathutshelo Rambau, Ms Khodani Madula and Mr Phathisisa Thobindlala, who are all from the NAMC.

The communications team of the NAMC is also thanked for designing the invitations, the programme and the final report.

EXECUTIVE SUMMARY

On the 20th October 2022, the National Agricultural Marketing Council (NAMC) conducted its second national market information day for the 2022/23 financial year. The information day set out to discuss various issues related to production and marketing within the grain industry value chain. Seven speakers were lined up for the event and shared information on various topics on South African grain production and marketing, with consideration also being given to the global grain market. The key areas of consideration were: an overview of South Africa's grain value chain; supply and demand estimates for grains; transformation from a farmer's perspective; grain information; crop estimates for grain and oilseeds; climate change in relation to grain production and marketing; and crop insurance and early warning intelligence. However, owing to the unavailability of some of the speakers, the information day only covered the first four areas. This report provides a summary of what transpired on the day and is intended to keep all participants and other interested parties abreast of the production and marketing status of grain in South Africa.

LIST OF ABBREVIATIONS

ABBREVIATIONS	EXPLANATION
DALRRD	Department of Agriculture, Land Reform and Rural Development
FAO	Food and Agriculture Organization of the United Nations
IPCC	Intergovernmental Panel on Climate Change
MERC	Markets and Economic Research Centre
NAMC	National Agricultural Marketing Council
SACTA	South African Cultivar and Technology Agency
SAGIS	South African Grain Information Service
SASDE	South African Supply and Demand Estimates
UAE	United Arab Emirates
USA	United States of America
VAT	Value Added Tax

1. WELCOME BY PROGRAMME DIRECTOR: MR ELVIS NAKANA (NAMC)

The programme director introduced himself as the manager responsible for the Smallholder Market Access Research Unit within the division known as the Markets and Economic Research Centre (MERC) in the National Agricultural Marketing Council (NAMC). “It is my honour and privilege to be directing this programme today, which is intended to deal with issues relating to marketing information within the grain industry”, said Mr Nakana. He also acknowledged the presence of various stakeholders from different institutions, including colleagues from government, state owned entities, industry, private sector and individual farmers. Mr Nakana continued: “Please feel free and welcome to this session. The intention really is to share information and keep each other abreast regarding some of the recent developments in as far as the grain industry is concerned so that we are aware of what each one of us is doing and identify opportunities for collaborations whenever and wherever it is possible.” He then declared the grain market information day as officially opened.

2. OPENING REMARKS BY THE NAMC: MR ELVIS NAKANA, ON BEHALF OF DR NDIADIVHA TEMPIA

Mr Nakana delivered the opening remarks on behalf of Dr Ndiadivha Tempia who could not attend the market information day owing to another emergency. However, Dr Tempia had prepared notes for the participants of the event. Mr Nakana advised that Dr Tempia wrote: *"I must pass the gratitude of the NAMC to the government officials present here today, industry partners and participants in general. Special thanks go to all the presenters and guests that have taken the time out of their busy schedules to come and share with us diverse perspectives regarding the grain industry, with the purpose of enriching each other with information relating to grains in South Africa."*

The information day is designed to provide a platform to share knowledge that is vital towards maintaining the ongoing efforts to ensure that South Africa is a food-secure country. Citing the FAO (2021) report, Mr Nakana continued: *"In general, [our] country has a diverse domestic grain production system and is secured in most commodities, except for food staples like rice and wheat due to limited capacity arising from unfavourable weather conditions."*

Mr Nakana then continued to report and summarise the written remarks of Dr Tempia, as follows: "The favourable weather conditions for other crops continue to enable South Africa to maintain its tradition of producing enough grains to meet local demand, as well as exports to other countries. Despite a drop of almost 8% from the previous production season, the country will remain a net exporter of maize for the 2022/23 production season. It is projected that the production of other commodities, such as wheat and

soybean, will also increase during the aforesaid production season. However, because of the threat of climate change and high input costs, as well as the conflict between Russia and Ukraine, the world finds itself with a grain market that remains very unstable. Nonetheless, South Africa, as a noticeable player in the global grain markets, is once more expected to receive good rains that are likely to translate to good harvests. Summer crop production for crops such as maize, sunflower and soybean begins around October".

Mr Nakana then advised that Dr Tempia went on to say: "As we meet today, the event offers an opportunity for us to ponder upon developing a respectable grain industry founded on principles of inclusive growth, sustainability and competitiveness. This can be achieved by also addressing issues such as poor road infrastructure, climate change and port inefficiencies".

One of the critical issues in our agenda for today relates to climate change in relation to grain production and market information. The Intergovernmental Panel on Climate Change (IPCC) defines climate change as a change in the status of the climate that can be identified by changes in the mean and or the variability of its properties which persists for an extended period, typically a decade or longer. It also refers to any change in climate over time, whether natural due to natural variability or as a result of human activity. According to the same IPCC source, climate change will continue to pose devastating effects if left unchecked. Results of climate change may include, according to the World Meteorological Organization (WMO), severe and extreme weather events including flash floods, widespread flooding, heat waves, droughts, as well as mudslides. Generally, we look at this phenomenon within the context of the floods and drought, leading to the outbreak of diseases. Some parts of the country have witnessed an outbreak of locusts, which has resulted in untold magnitude of loses. This has recently been coupled with COVID-19, loadshedding, and water shortages. In light of all this, we need to continuously engage and ensure that we preserve the sector that plays a critical role in the economy", concluded Mr Nakana.

OVERVIEW OF SOUTH AFRICAN GRAIN VALUE CHAIN: MR MPHATENG MOLAHLEGI (DALRRD)

The presentation of Mr Mphateng focused on three specific areas, namely: market observations on global supply and demand; domestic supply and demand; and other related issues of interest. On the first key area (market observations), he highlighted the following:

- Since peaking earlier this year, international food prices have returned to levels last seen prior to the Ukraine war.
- However, prices of most foodstuffs remain high and continue to be under an upward pressure from a range of factors, including low stock-to-use ratios for some commodities.
- High energy and fertiliser costs, poor weather in several key producing countries, and risks associated with the unresolved conflict in Ukraine.
- With a majority of countries experiencing food price increases of between 10 and 30% over the previous year, domestic food price inflation is particularly worrisome, especially for the poor who spend a higher share of their disposable income on food.

On the issue of global demand and supply, his attention was placed on maize, wheat and soybean.

Maize: the stocks in the market are low, compared with the previous years, but consumption remains stable. The top world exporters of maize in 2021 were the United States (US) at 41%, followed by Argentina (19%),

Ukraine (13%) and Brazil (9%), with the United Arab Emirates (UAE), France and Romania at 4%. South Africa commanded only 2% of the world's exports for maize over the same period. The list of the top maize importers included China, Mexico, Japan, and Iran, while the lowest importers were the Netherlands and Italy.

Wheat: After 2018/19 season, wheat production has shown an upward trend, while utilisation remains stable. Leading the list of the top exporters in 2021 were the Russian Federation, the United States, Australia, Canada, and Ukraine. Germany, Romania and India each had the same share of exports, at 4%, while Bulgaria had the lowest share of world exports for wheat, at 3%, over the reference period. World importers included Indonesia, China, Nigeria, Turkey and Iran.

Soybean: Since 2018/19, the stocks have exhibited a downward trend, but are forecasted to grow in the 2022/23 production season. Production has been fluctuating since 2013/14, while utilisation remains fairly stable. Brazil and the United States commanded over 70% of the share of the world's exports in 2021. Other countries amongst the list of top exporters included Paraguay, Argentina, Uruguay, the UAE, Croatia, the Russian Federation, the Netherlands and Ukraine. Canada had the lowest share of world exports, at 2%. China was the single highest importer of soybean, at 72%.

Domestically, South Africa does have sufficient stocks of maize. Although maize production significantly increased during the 2020/21 and 2021/22 production seasons, this is forecasted to decline in the next production season. Overall, the country is able to meet the local consumption, estimated at 11.8 million tons per year. The demand for maize for human consumption is stable, but for other uses such as industrial purposes and animal feeds, demand has increased over the recent years. Some markets are still reluctant to open up for South African maize because of the fact that 90% of it is genetically modified. However, South

African maize is still doing well, largely in export markets such as Japan, Taiwan, South Korea and Zimbabwe. South Africa is a net importer of wheat, largely from Australia, Lithuania, Latvia, Poland and the Russian Federation. The domestic utilisation of wheat is high and exceeds the local production, which is mostly used for human consumption, as opposed to feed production for animals. Similar to wheat, the country is an insignificant producer of soybean. However, the local production capacity for soybean is being strengthened. Nonetheless, the utilisation remains quite high because of the growing demand in the crash for oil and oil-cake products, which are largely utilised in the poultry sector. However, there is minimal use of soybean for food in the country.

Key issues of interest:

- Throughout 2022, grain markets have been highly volatile, with prices of many staple food commodities reaching record or near-record highs.
- One important driver of this volatility in prices has been low global stocks held by major exporters.
- However, price volatility is above the levels seen during recent periods of market tightness (2007/08 for wheat, 2012/13 for maize and soybeans), and stocks-to-use ratios, which constitute a key measure of available supplies, are above the levels that could be observed during these periods.
- The adverse weather events, high energy and transportation costs, and government policies such as export restrictions have significantly impacted on markets.
- Geopolitical risks deserve special attention.

4. SUPPLY AND DEMAND ESTIMATES FOR GRAIN: MS FUNZANI SUNDANI (NAMC)

Building on the previous presentation delivered by the representative from DALRRD, Ms Sundani's presentation dealt mainly with sorghum and sunflower. It was based on the reports prepared by the South African Supply and Demand Estimates (SASDE) Committee.

Furthermore, she highlighted the point that the production of maize has fluctuated over the years because of unfavourable weather conditions and farmers shifting to other profitable crops. For instance, during the 2014/15 and 2015/16 production seasons, South Africa witnessed the worst drought. This led to constrained local production, thus allowing for more imports of maize. Despite this, the country has shown some recovery in maize production, and this is evident from the 2021/22 production season and recent crop estimates for 2022. Ms Sundani stated that, "During 2021/22 season, South Africa was at 3% below from the crop produced in 2017/18. For the current season (2022), which is still ongoing, we are anticipating a drop of about 6% from the record crop that we had in the previous season due to heavy rainfall experienced throughout the season, resulting in low yields". Nonetheless, the country has returned to the tradition of being a net exporter of maize. Furthermore, we are expecting a slight drop in the 2022/23 production season, based on the estimations from the committee.

Sunflower is another important crop in South Africa. It has two major advantages. Firstly, the planting season for sunflower is long, extending until late January. Secondly, the crop is very conservative in terms of fertiliser consumption, compared with other grain crops. Over the years, sunflower production has exhibited a similar pattern of fluctuation as those for maize and wheat. Given the prevailing conditions of high input costs such as fertiliser, a significant number of farmers are opting to plant more of sunflower crop. At one stage, the SASDE committee forecasted that sunflower would rank second, at around 976 000 tons for the current season. However, this has been revised downwards to 845 000 tons owing to outbreaks of sclerotinia, a plant pathogenic fungus that causes a disease called white mould. However, this estimation is still high by 25%, as compared with the 2021/22 crop.

For a very long time, sorghum has been viewed as an alternative crop to maize because of its low production cost. However, the country has shown a decline in the production of sorghum over the years, which is attributable to low profit margins and a lack of market availability. As a result of this, it has been observed that more farmers are shifting to maize and sunflower production. For the 2022 season, the crop is estimated to drop by as much as 42.5% from the 2021 crop. Sorghum is mainly processed in the country for meal, sorghum rice, and malting. However, the consumption trend follows that of production because of the Value Added Tax (VAT) imposed on sorghum products, which makes sorghum less competitive. Hence, the committee estimates a similar trend, based on the monthly declining consumption figures. Malting also shows a drop over the 2008 to the 2021 seasons. This can be attributed to consumer preferences turning to opt for lager beers, as opposed to traditional beer made from sorghum. Efforts are being made to remove the VAT so that sorghum products might also become competitive.

5. TRANSFORMATION FROM THE FARMER PERSPECTIVE: MR SANDILE MAHLANGU (SACTA)

Making a presentation on behalf of SACTA on farmers' perspectives, Mr. Sandile Mahlangu indicated that he was not representing any farmers as such, and that he was making a presentation drawn from the knowledge and the learning derived from their transformation programme. Accordingly, he proceeded to illustrate what they have done, investigated, and ascertained is happening on the ground. Mr. Mahlangu gave a background review on what the SACTA transformation unit does, particularly as to how they administer statutory measures on crops, and how they are required to utilise 20% of the money derived from those statutory measures for transformation in the form of enterprise development for new commercial farmers. He continued by indicating that their focus is on enterprise development, although they also focus on other pillars of transformation as guided by the NAMC. They provide a three-year loan at a zero interest rate to farmers through service providers who are reputable in the industry, and are acceptable for dealing directly with the farmers and helping the farmers by being their credit advisors. They also assist farmers with the production and the marketing of their grains.

Small-scale farmers are eager and committed to becoming commercial-scale farmers and increasing their production. Several young farmers are also coming in to agriculture, and they are doing very well in terms of

production. Most farmers these days want to be in the driver's seat in terms of their growth. They want to drive and provide the direction as to where they want to go. This may be regarded as a bottom–up approach, and this might in a way bring attention to the types of sustainability programmes and interventions that should be implemented. There is a noticeable growth in terms of business culture and some sort of independence among farmers. After making profits made possible through the loans that farmers have received from SACTA, farmers then use a significant percentage of the profits to reinvest in their businesses, and as a result, they are buying themselves tractors and all other necessary equipment to help them with their farming processes. As highlighted by the previous speakers, more effort is going towards the production of soybeans, and this shift does provide an opportunity, although if not done properly, it might lead to certain challenges. It is an interesting point that farmers are now producing greater amounts of soybeans and are looking to the commercial sector. This may be seen as a call to the industry to gather and coordinate efforts to assist farmers and various stakeholders, as this would have a greater impact on farmers' development. There is a need to increase the efforts in integrating the value chains, as these crops are utilised for human consumption and as animal feed. As we integrate the grain value chain, we will need to find a way to accommodate some of these crops, especially those of smallholder farmers who are still learning and may have poor quality products, so that they could still have an alternative market in the value chain.

There are several large-scale farmers who are willing to mentor smallholder farmers and work with them, and there is a noticeable good impact of that. Farmers are gradually increasing their participation in the market and they are also showing interest in contract farming. Reflecting on some of the comments received from different organisations, people are appreciating how the SACTA funds are structured. We give a farmer a loan for three years and them sitting with the money assists them because it is readily available. As soon as

the season ends, a farmer can then easily access the same amount to purchase inputs for the next season. Farmers have started to build valuable relationships and to establish track records with input suppliers. When the SACTA loan is available to them, they are involved in various transactions, and where they have built good purchasing track records, they strengthen their business plans with their credit records, overtime. Moreover, they are creating employment opportunities along the way.

The challenges that they face are associated with the effects of climate change. Although small-scale farmers are really struggling, one also appreciates how they are surviving, whether by planning ahead and paying for insurance, or by following other forms of mitigation, such as by rotating crops. They are also not exempted from high input prices. Moreover, there is an issue with land use. In terms of soil correction, some of these farmers have inherited areas of land that have soil erosion issues. Furthermore, some of these farmers have struggled with their land because, over time, they have had contracts with a particular buyer who would compel them to conduct monoculture in a particular crop, and later, there is a need to apply soil correction. However, soil correction is expensive, and is more of a long-term investment. Furthermore, what financiers want to see, as in other programmes, is farmer development, and their expectation for them is growth and sustainability. We are placing pressure on them because we expect them to grow.

However, this is expected in a short space of time, and we all know in business that rapid growth is not necessarily a good result. Then there is a group of forever emerging farmers wherein even in the transformation space, we need to help draw a clear path on how a farmer can grow to see if we are moving from one stage to another stage.

As mentioned above regarding soil correction, there is an issue where farmers are challenged by having to deal with sustainability versus profitability. Typically, a farmer would want to be profitable, and would thus be tempted to sign a good-paying contract with a company that requires the farmer to produce one particular crop, whether it is for five or three years. However, this results in degrading the soil because the farmer keeps on producing the same crop, with no new nutrients being put back into that soil. This relates back to the need to identify which types of measures can be integrated in the value chain to find the best way to assist farmers facing these challenges.

A few proposals that arose from engaging with various service providers are set out below:

1. The industry should adopt a farmer aspiration approach, instead of the industry stipulating what a farmer must do. The farmer should tell them about where they see themselves, and the industry can then come in as advisors to indicate how the farmers could attain their aspirations.
2. There is a need to integrate efforts, while support should be sustainable and driven by a clear commercialisation aspect, but not be limited to a single crop. With the issues of integrating value chains in farming, it is quite rare that a farmer would focus on only one crop. The farmer would probably have other crops, or even have other enterprises operating on their farm.
3. There is also a very great need, and there is a body of good literature on this, for attention to be given to farmers when selecting specific initiatives. We, at times, select farmers who we want to commercialise, while the farmers themselves are not ready for commercialisation or are not even interested in commercialisation. Accordingly, five years might be spent with them, and at the end, they do not achieve the commercialisation of their farming operations. Therefore, there is a need for stakeholders to join together to assist these farmers and see what we might achieve through the multi-stakeholder approach.

In conclusion, transformation efforts are not going to waste. We are seeing great progress, but there is a room for improvement. There are farmers who are doing well. Moreover, public–private partnerships promise greater results.

Q: What have the trends of commercialising been, particularly of those farmers who are in provinces that are dominating in terms of grain production in general, such as maize and sunflower?
Ans: There is a trend that farmers, who have commercialised their farming, do very well in terms of the profit that they are making and in increasing their production. In the Free State and the Eastern Cape, there is a notable number of young farmers who are coming in to agriculture and are doing very well. One of the issues is ascertain how we should integrate their efforts with various stakeholders, because we could still do more if we are able to concentrate investments towards a specific crop of farmers who we can work with.

8. CLOSING REMARKS: MR S KELEMBE (DALRRD)

"In accordance with the previous presenters who discussed the data aspect of SAGIS's work, I will provide a general overview of who we are, how we were founded, and what our position in the supply chain is." – Bernard Schultz

He continued, *"SAGIS can't foretell the future, but it can provide the facts."* SAGIS only works on historical data or actual physical movement; it does not engage in predictions or projections intended for industry. In November 1997, with the deregulation of all control boards, SAGIS was incorporated as a non-profit organisation. Four industries that understood the value of trustworthy and accurate data in the marketplace came together to form SAGIS. These sectors included those producing maize, oilseeds, sorghum, and winter cereals. As a result, SAGIS receives funding from the Winter Cereal Industry Trust, The Maize Trust, The Oil and Protein Seeds Development Trust, and the Sorghum Trust. SAGIS does not constitute a government organisation, although it functions and is administered under statutory measures. The main objective is the collation, processing, analysis, and timeous distribution of reliable and accurate data to all the industry role players and stakeholders regarding certain grains and oilseeds.

Who supplies the info and what sources do we use?

SAGIS operates in accordance with statutory regulations, which require that anyone who handles grains and oilseeds for a living should register with SAGIS and provide data on a monthly and weekly basis for the various grains and oilseeds involved, as well as reports on the actual movement of these grains and

oilseeds. Owners of commercial grain silos, harbour silo owners, dealers with physical locations, importers, exporters, processors, final consumers, and producers operating as any of the entities do submit the returns. Additionally, traders without physical locations and Spoornet and Portnet provide optional information that is used for data validation and reconciliation. Furthermore, they have an inspection department, with inspectors visiting the locations to physically count stock and ensure that they disclose the correct quantities each month.

Data release

Monthly information is the primary responsibility of SAGIS, and it reports on nine different grains and oilseeds, comprising barley, canola, groundnuts, maize, oats, sorghum, soybeans, sunflower seed, and wheat. The items SAGIS usually reports on are opening and closing stocks, imports, exports, producer deliveries per province at commercial premises, and the quantity of tons processed or utilised for all these grains and oil seeds. This information has been made gradually available each month and each marketing year since 1997. Additional information on producer deliveries by province, processing of wheat and maize by province, and imports and exports by country is also available. There is additional monthly information for certain products that is also available, such as for maize, wheat and oilseed products that are manufactured, imported and exported, and these are typically samp, sifted maize meal, super maize meal, white flour, cake flour, bran, sunflower oil and soya bean oil. SAGIS also reports on the amount of pan-baked bread in South Africa on a monthly basis.

Weekly industry reports on imports, exports, and deliveries for maize, wheat, soya beans, and sunflower seeds are published. For the industry to be kept aware of the logistical situation at the harbours, co-workers who intend to import or export wheat must announce their intentions eight weeks in advance. A weekly

bulletin also covers additional tariffs and prices, as well as providing access to historical data for research purposes, such as producer deliveries, consumption, imports and exports for maize dating back to 1924, information on hectares and product production dating back to 1945, price data for maize and wheat dating back to 1911, parity prices dating back to 2016, and population data dating back to 1947.

SAGIS' role in the information chain

Because SAGIS operates in a free market system in South Africa, it is essential for it to have access to reliable and accurate data in order for subsequent users of the data as collated by SAGIS to make sound business and policy decisions. SAGIS is associated with, and thus is seen as accountable for, the information, facts, and statistics that are provided by co-workers. Users of SAGIS data include key participants in the business, such as primary producers who are able to obtain advice on how much to process and when to market their products, as well as merchants and processors who can check on the availability of local items and arrange imports and exports. The data also assist policymakers that are involved in trade agreements, food security, and the development of new producers.

Questions and Answers

Q: Are there any areas and or industries where data can be disaggregated to indicate participation by mainly smallholder producers and/or previously disadvantaged producers in the various commodities covered by SAGIS?

Ans: Unfortunately, we do not work directly with any producers, unless they are classified as a holder of commercial premises where they store produce on behalf of other producers, and then receive income for that, or where they have a model operation on a farm. So, unfortunately, we do not carry any data regarding producers. Any other person involved with milling for an upcoming season will be registered with SAGIS, which unfortunately does not carry that type of data in its system.

7. CLOSING REMARKS: MRS NONHLANHLA GWAMANDA (NAMC)

"Let me take this opportunity and thank all the organisers of this successful event and also thank everyone who participated and attended the livestock market information day. Without you, this even would not be successful." ~ Stephen.

Mr Monamodi delivered the closing remarks to the event, and he reminded us of the number of issues that were raised by different speakers during the presentation and discussion of the event items. He also stated that we need to hold more of these workshops and that there is a need for further policy reviews in South Africa so that we can achieve more. He also stressed the importance of collaboration between the farmers, agricultural industries, and the government in order to grow the livestock industry and to progress the smallholder farmers to the commercial level. This would also help in reducing the food security problem that South Africa faces at the moment, with the ever-increasing population.

11. APPENDIX: OFFICIAL INVITATION AND PROGRAMME

NOTES:

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