

OPERATIONAL REVIEW - 2021/22
SILO SERVICES



GRAIN MANAGEMENT



WORLD-CLASS TECHNOLOGY SECURE STORAGE

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AFGRI – A member of AGH (AFGRI Group Holdings).

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OPERATIONAL REVIEW

Each marketing year has its own set of challenges and AFGRI Grain Management will, like in the past, strive to maintain its service levels on a high standard and ensure that producers can deliver their crop to operational points with the least disruption. Agricultural production outlook remains buoyant, thanks to increased plantings and favourable weather conditions. But the data we have thus far provides comfort that we could have a good summer crop production season in 2020/21. Since the 2014 season there has been a shift away from maize to soya beans. This trend seems to continue with the number of oil processing being installed. AFGRI Grain Management should therefore position itself so that larger volumes of soya beans can be received and stored at our silos.

SERVICE DELIVERY

The services offered by AFGRI Grain Management at operational points are aimed at taking over the risks from producers. Once the grain has dried off sufficiently on the fields, it is essential to get the grain from the field to an operational point as quickly as possible. AFGRI Grain Management then takes over all risks with regards to quality and quantity and the producer can then decide when and how to market his product according to market conditions.

STORAGE AGREEMENT

Clients should note that a storage agreement should be signed at the relevant operational points in advance. It is in the client's best interest that the agreement be signed, as it is in the clients' interest to be protected by the agreement.

GRAIN DELIVERY INSTRUCTION

To ensure that producers' grain is delivered on the correct contracts, it is extremely important that it is indicated on which contract the load concerned has to be delivered. The necessary documentation is available at operational points.

WORKING HOURS

Working hours will be extended during the crop intake period to enable producers to harvest and deliver in quick succession to reduce risks.

GRAIN DRYING

Silos that are equipped with driers will be able to dry maize with up to 16% moisture. In instances where the moisture is between 16% and 17%, a special arrangement may be made with the manager. This arrangement may only be made under certain circumstances.

AERATION OF GRAIN

Where available and if capacity allows, bins will be available for aeration this year enabling the receiving of grain with a higher percentage of moisture than that of the base moisture. This will benefit producers as crops will be harvested faster resulting in less risk for themselves. Costs for this service will be R 19.03/ton.

MOISTURE BASIS OF GRAIN AND OIL SEEDS

The moisture basis of grain and oil seeds is as follows:

Sunflower:	9.0%	-	10.0%
Maize:	12.5%	-	14.0%
Soya beans:	12.0%	-	13.0%
Sorghum:	12.5%	-	14.0%

Under certain circumstances and where driers are available, soya beans may be taken in at maximum moisture of 14%, to be dried. This is not a general arrangement and the silo manager concerned will take such decision in conjunction with his/her regional manager. This action can only be carried out if circumstances and activities at the silo involved allow.

PHYSICAL LOSS DEDUCTION

The physical loss deduction on products is as follows:

Sorghum:	1.75%
Maize:	0.97%
Soya bean:	0.47%

GRAIN CLEANING

If a client needs to clean grain he or she may contact the operational point involved to make the necessary arrangements.

OFF-LOADING OF TRUCKS DURING CROP INTAKE

This year staff will once again be made available to assist with the off-loading of loads during the harvest period. We trust that this service, like in the past, will be valuable to clients.

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BENEFITS OF STORING GRAIN AT AFGRI'S OPERATIONAL POINTS

Producers may well ask how they benefit from storing their grain at AFGRI. A few of the benefits for producers are set out below:

- Different grades and quality can be stored separately.
- Qualified grain graders are responsible for grading grain.
- Receipt and dispatch of grain are done by means of calibrated mass meters.
- Grain is fumigated on receipt.
- Quality and quantity are guaranteed. Clients therefore get the same quality and quantity back, irrespective of the storage period.
- Silo certificates may be requested (this includes SAFEX and electronic certificates to market grain quickly and efficiently).
- Stock information may be obtained via the internet.
- Consolidation of stock at strategic operational points can be done where circumstances allow.
- Opportunities for exchanges of stock can be utilised strategically. (AFGRI's administration can assist clients at competitive rates and to the benefit of the client in this regard).
- Stock confirmation by e-mail in the format the client requires, at minimal rates.
- Niche market products can be stored separately. Certain protocol has to be followed and this information is available on request.
- Grain can be bagged if there is a need, and silo activities and set-up allow it.
- Grain can be cleaned on request, for example noxious seeds can be sifted out.
- Grain can also be handled on a throughput basis at silos.
- All operational points comply with the required legislation on food safety.
- Contract administration.

SILO CERTIFICATES

AFGRI only issues electronic certificates that are administered by Price Waterhouse Coopers on behalf of Electronic Silo Certificates (Pty) Ltd (ESC). The issue cost for certificates is R 3.67/t (Exl VAT), from 1 May 2021.

In cases where grain needs to be dried, certificates will only be issued after the drying process has been completed. When low levels of stock occur, this may also result in the inability to issue certificates at certain points of operation while stocks are still under fumigation.

SILO COST RATE STRUCTURE FOR SUMMER GRAIN

(2020/2021 MARKETING SEASON)

Marketing years to which rates apply are:

Sunflower/Soya beans: 1 March to 28 February

Maize/Sorghum: 1 May to 30 April

Clients will again this year have a choice between a daily and seasonal rate. This choice may be exercised per transaction which means that clients could choose between a daily rate and seasonal rate for each load. Clients have to provide a delivery option with each load to confirm the delivery choice. This option per load is exercised once-off and no corrections will be made afterwards. This is an important choice for clients in their marketing strategy and we trust that clients will use this opportunity to their best advantage.

The handling fee will consist of a handling in and handling out fee. The handling in fee is debited against the folio of the client on whose folio the grain is to be delivered. In instances where producers deliver grain on their own storage, the producer is debited with the handling in fee. However, when producers deliver grain directly on another client's storage or contract, such client and not the producer is debited with the handling in fee.

DAILY RATE

Clients, who intend storing their grain for a short period, are advised to use this option. This option consists of the following components:

Handling in: Invoicing is done at the end of the month in which the grain was delivered.

Storage fee: Invoicing is done at the end of the month, calculated at daily stock.

Handling out: Invoicing is done when the grain is dispatched or when a SAFEX Certificate is issued.

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SEASONAL RATE

Clients who intend storing their grain for a long period, are advised to use this option. This option consists of the following components:

Handling in: Invoicing is done at the end of the month in which the grain was delivered.

Storage fee: The fixed storage fee is invoiced when the grain is dispatched, transferred to another client or new marketing season or when an electronic SAFEX certificate is requested.

Handling out: Invoicing is done when the grain is dispatched or when a SAFEX Certificate is issued.

RATES (EXCLUDING VAT)

SILO SERVICES	MAIZE R/T	SORGHUM R/T	SOY BEANS R/T	SUNFLOWER R/T
Handling In	16,69	16,69	20,87	41,74
Handling Out	38,96	38,96	41,74	62,62
Storage (c/t/d)	0,89	0,89	0,94	1,70
Fixed storage	88,36	88,36	91,30	154,65

THROUGHPUT RATE DURING HARVEST TIME

This year there will again be a throughput rate for maize at various operational points for clients who wish to supply their maize to buyers during harvest time. Clients who are interested in this service should contact AFGRI at the start of the harvest to make the necessary administrative arrangements.

The rate for this service is R 29.40/t, (Exl VAT) which includes handling in and handling out. This is a special contract and all rates that apply to other contracts do not apply to this specific contract. Clients should note that this rate only applies when maize is handled at the first operational point on a throughput basis on the assumption that is dispatched to a buyer and not another AFGRI operational point.

Grain dispatched from one AFGRI operational point to another AFGRI operational point.

When grain is dispatched from one AFGRI operational point to another AFGRI Operational point the following arrangement applies:

When grain is initially received at the first operational point the applicable daily or seasonal rate applies. However, should grain be dispatched from the first operational point to another operational point a handling fee of R 32.66/t, (Exl VAT) applies at the second operational point. The applicable storage fee further applies for the period that the grain is stored, but no handling out fee will be charged at the second operational point.

ADDITIONAL CONTACT NUMBERS

STOCK ENQUIRY	
Koos Lombard	011 063 2124
Johan Swart	011 063 2244
Ferdie Venter	011 063 2130

SILO CERTIFICATES	
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SILO COSTS AND STORAGE ACCOUNTS	
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LOADING INSTRUCTIONS	
Leatitia Louw	011 063 2142

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NOTES

MARKETING OF GRAIN

Developing and implementing a marketing strategy is critical towards a profitable farming business. A marketing strategy will help you make rational marketing decisions, allowing you to manage price risk and improve market returns.

The right strategy

Marketing of grain commodities, with the goal of reaching reasonable selling price for your product, involves meticulous planning. It is definitely not a case of "one size fits all". Various marketing strategies are available to producers and it is of importance that all options are explored in order to accomplish the best strategy for the specific agricultural holding. Options that are chosen for the marketing of grain can also change yearly. A strategy that was successful one year can be changed to adapt to the market climate of the next year.

Available marketing options

The following marketing options are available

- Preseason contracts
- Fixed price contracts
- Minimum price contracts
- Minimum - Maximum contracts
- Extended pricing contracts
- Basic contracts

PRESEASON CONTRACTS

Preseason contracts are continuously available before the crops are planted and during the growing seasons.

Advantages

- Preseason contracts include deliveries to the silos and/or directly to the mills (farm loading).
- Prices of the commodity are immediately available. Planning regarding input costs can be exported and credit can be arranged in a timeous function.
- No capital is needed to set up the contract or to give guarantees.
- The contract is binding to both the buyer and the seller.
- Price risks can be handled effectively.

Disadvantages

- A product that is contracted has to be delivered. If the planned surface cannot be planted it will mean that grain will have to be bought on the cash market to comply with the conditions of the contract. In addition to this, drought or too much rain can also harm the cultivation of crops. If the producer cannot meet the demands of the contract and the grain prices rise, it can cost the producer heavily to meet these demands. The facts that buyers generally do not add the so-called force majeure-clause to their contracts, also increases the producer's risk.
- If the price of grain rise after the contract is signed it can mean losses on paper. It is thus of the utmost importance not to enter into agreement for an excess amount of grain but to rather follow a diversified marketing strategy.
- The contract between buyer and seller, once signed is binding. Should the need arise to be release from a contract, it will usually only take place at certain costs.

FIXED PRICED CONTRACTS

These are contracts that are available during harvest time.

Advantages

- The harvest size is known to the producer. The risk is thus largely being avoided.
- Risks for force majeure are minimal. During shipping the total amount for which the grain were contracted, is paid over to the producer, as a lump sum. Should an interest factor be linked to this it can be advantageous to market a part of the harvest.

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Disadvantages

- During harvest time the volume of the national harvest is already known to the buyers. Consequently this kind of contract is linked to the market price of the specific product at that specific time. In a surplus year the price can thus be very low.
- The product that is contracted has to be delivered. If hail or very wet conditions delay the harvest process it will mean that grain will have to be bought on the cash market to comply with the demands of the contract.

MINIMUM PRICE CONTRACTS

With this contract a minimum price is linked to the product.

Advantages

- The product won't be sold for less than the known minimum price for the product.
- Should prices escalate the buyer will have to adjust the contract price at the same tempo as the market prices.
- Should grain prices go down the producer will be protected against lower prices.
- A part of the plant costs can be paid to producers during planting time.
- Contract management executed by the buyer.
- No capital is needed to set up the contract or to give guarantees, which contributes to a positive cash flow for the producer.

Disadvantages

- An option cost can be linked to this contract and will be for the sellers account.
- The product must be delivered as in the contract. Circumstances such as hail or very wet conditions that can delay the harvesting process will mean that grain will have to be bought on the cash market to comply with the demands of the contract. The fact that buyers generally do not include a force majeure-clause in the while shipping contract, puts a fair amount of risk on the producer.

MINIMUM - MAXIMUM PRICE CONTRACTS

A minimum price as well as a maximum price is linked to the product.

Advantages

- The producer won't be paid less than the known minimum price for the product.
- Should the prices rise the buyer will have to adjust the prices at the same tempo as market prices at maximum.
- Should grain prices fall, the producer will be protected from low prices.
- Contract management will be executed by the buyer.
- No capital is needed to set up contract or to give guarantees which can contribute to a positive cash flow for the producer.

Disadvantages

- An option structure cost can be linked to the contract and will be for the sellers account.
- The producer will not be paid more than the known maximum price for the product.
- In some variations of the minimum and maximum price contract the ton measurement that needs to be shipped might be solved should the SAFEX price on a specific date be higher than the maximum price as specified in the contract.
- The product must be delivered as agreed upon in the contract. Circumstances such as hail or very wet conditions that can delay the harvesting process will mean that grain will have to be bought on the cash market to comply with the demands of the contract. The fact that buyers generally do not include a force majeure clause in the while shipping contract, puts a fair amount of risk on the producer.

EXTENDED PRICING CONTRACTS

With this contract the pricing of the product can be extended and determined at a later stage.

Advantages

- The basis on which the contract is priced is known.
- The producer is a market participant without having to pay the margins.

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- Should prices rise the buyer will have to adjust the contract prices according to the market prices.
- Storage are limited and will be for the sellers account.
- Contract management is executed by the buyer.
- No capital is needed to set up contract or to give guarantees which can contribute to a positive cash flow.

Disadvantages

- The producer isn't hedged against price shuffles should the prices in the grain market decline.

BASIS CONTRACTS

By making use of this contract option the basis against which the final price of the product will be determined at a later stage is known to the producer.

Advantages

- The basis on which the product's price is based is known.
- The producer is a market participant without having to pay margins.
- Should prices rise the buyer will have to adjust the contract prices according to the market prices.
- Contract management is executed by the buyer.

- No capital is needed to set up contract or to give guarantees which can contribute to a positive cash flow for the producer.

Disadvantages

- The producer isn't hedged against price shuffles should the prices in the grain market decline.

TRADING ON THE SOUTH AFRICAN FUTURES MARKET

Agricultural derivatives can be traded on the South African futures market.

JSE standard contract grain commodities:

JSE COMMODITIES	CONTRACT UNIT
White maize	100 ton
Yellow maize	100 ton
Wheat	50 ton
Sunflower seeds	50 ton
Soybeans	50 ton
Sorghum	30 ton

GroCapital's Broking division offers clients (individuals or companies) a facility to hedge price risk of agricultural commodities on the JSE Commodity Derivative Market (SAFEX) and currency risk on the JSE Currency Derivative Market (Yield-X), by making use of futures and options transactions.

SAFEX grain trading advantages

- Price risk can be lowered.
- The market is user friendly as contracts can be bought as well as sold.
- Costs are known should trading take place.
- Producers are not required to provide grain. The position can be managed and contracts can be bought or sold at a gain or loss.
- Gains can be applied to hedge cash sales.

Disadvantages of term markets

- A margin must be paid to a clearing house before any trading can take place. This margin can affect the cash flow of producers negatively.
- Standard contract size.
- The producer makes use of a broker to do the trading.
- Clear instructions about where to buy or sell contracts has to exist between the producer and the broker.

SUMMARY

Marketing is a necessary part of crop production. In order to develop a sustainable agricultural holding it is necessary to develop a marketing strategy that adapts to every farm.

Various mechanisms exist to make decisions regarding the application of marketing instruments in a marketing plan.

It is, however, necessary to collect the correct market information and make the correct marketing decisions in time.

Apart from the fact that marketing is managerial action that needs attention 365 days of the year there are critical growth periods where bigger decisions need to be made.

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CONTACT NUMBERS AND SERVICE AREAS

JAN POSTHUMUS

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JACQUES OOSTHUIZEN

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- 082 510 2810

Areas: Bethal, Bakenlaagte, Driefontein, Leslie, Vlakfontein

NICO VAN DER MERWE

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JACO GROBLER

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FRIKKIE BARNARD

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JOHAN VAN ROOYEN

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HERMAN SMIT

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Areas: Crocodile River Scheme, Battery, Beestekraal, Brits, Northam, Pretoria-Wes

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ADDITIONAL CONTACTS

YELLOW MAIZE

Gerhard Troskie

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-

WHITE MAIZE

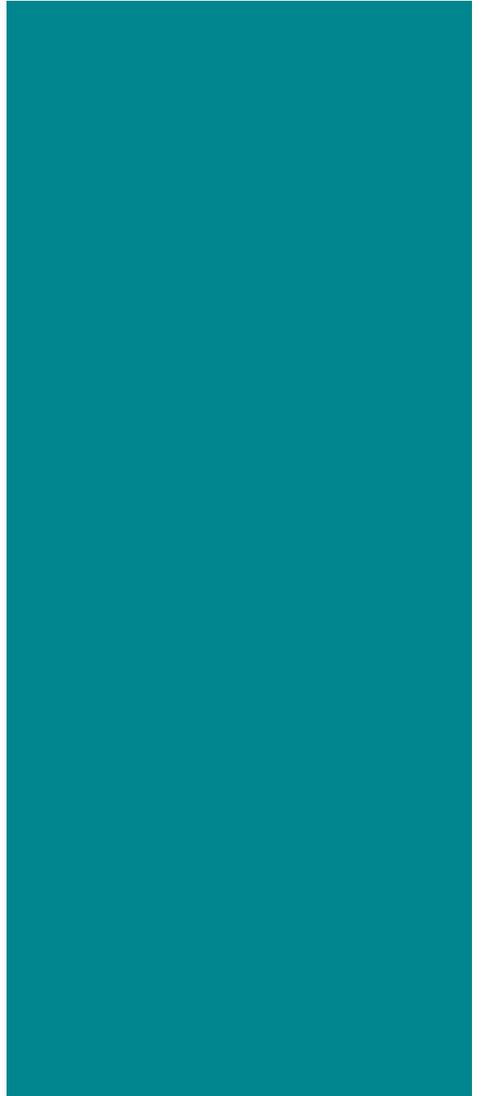
Amal Ramkelawon

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-

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SILO SERVICES - OPERATIONAL POINTS

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AREA MANAGER

Jaco Naude

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Beestekraal Silo

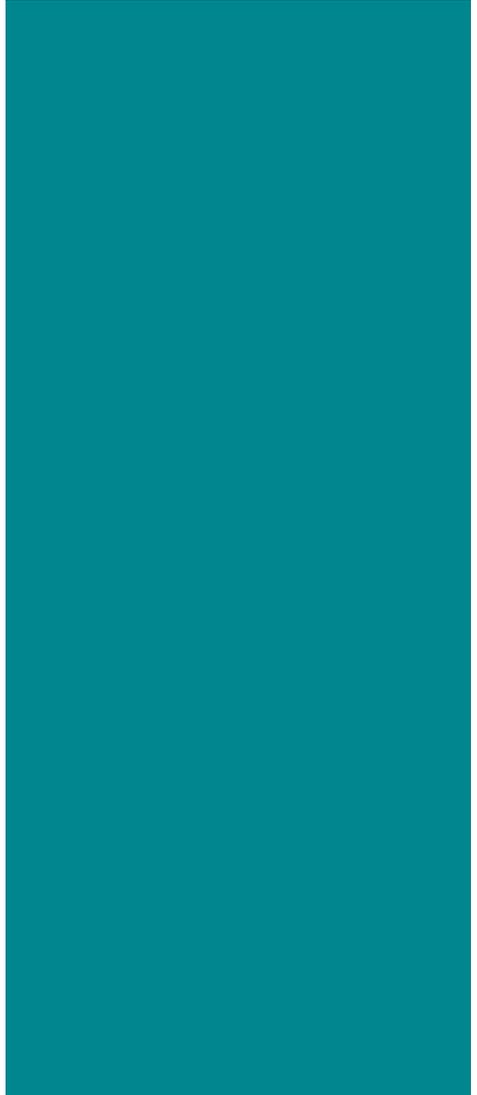
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