

The significant role of storage in the grain supply chain

By Jerry Maritz, chairperson: Agbiz Grain

Storage operators play an important role in the issuing of both Johannesburg Stock Exchange (JSE) and general silo receipts that guarantee quantity and quality. The sector must ensure that the relevant stock as indicated by JSE and general silo certificates, are available when trades take place.

For this reason, storage operators clearly play an important role in the price discovery of grains and oilseeds, and thus the functioning of an efficient market. This is also why the storage sector collaborates closely with the JSE to improve JSE rules, so as to ensure liquidity in the market.

Role of the storage operator

Storage operators are well trained and experienced in the grading and management of stock. They are a critical link in the value chain, making a direct contribution to the credibility of our grain and oilseeds market. Since deregulation, the storage sector has ensured that grain and oilseeds are graded correctly and in accordance with published grading regulations and the requirements set out in the *Agricultural Product Standards Act, 1990 (Act 119 of 1990)*. Correct grading of grain and oilseeds is necessary to determine monetary value, and to ensure the efficient management of and trade in quality stock.

Storage operators do not only play an important role in respect of safely storing stock on behalf of clients such as producers; it is also important that traders, financiers, processors and the end consumer know that stocks stored for food and feed manufacturing purposes adhere to quality and food safety requirements.

Financiers are involved in commodity financing and therefore the safe storage of grain is important to them as well. To insure stock in a silo, it is necessary for that

stock to be graded correctly and stored effectively. However, storage operators cannot store grain and oilseeds if the risk-to-reward ratio is not sufficient.

Local grain and oilseeds storage is a competitive business and best global standards are applied. This serves to confirm that current grading practices by storage operators not only adhere to the requirements set by storage operators themselves, but also to standards set by producers, financiers, insurance companies, traders, millers, feed manufacturers and the JSE as a platform for price discovery in South Africa.

Importance of accurate grading

Accurate grading and efficient stock management are essential as they determine the value of grain and oilseeds. Several auditing processes take place throughout the season. For example, the JSE and South African Grain Information Service, SAGIS, audit the quality and quantity of stock in storage facilities. Storage facilities need to be registered as food business operators (FBOs) with each delivery point registered as such. Storage operators are also audited on an annual basis by the Perishable Produce Export Certification Agency, the PPECB, to ensure that they comply with FBO requirements.

Insurance companies and financiers also undertake audits to ensure that the product is graded correctly. Storage operators ensure that the self-regulation of grading as prescribed by the *Agricultural Product Standards Act*, are in fact performed successfully and regulated efficiently by the Act without additional costs or functions for the producer or the lower-income end consumer of staple foods.

A sizeable contribution

Compared to other sectors in the economy, the storage sector is relatively small.



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However, the members of the sector add very significant value to the largest portion of our population by ensuring the safe storage of commodities, before they are processed into staple foods and animal feeds.

South Africa is home to more than 300 commercial storage complexes. The training of staff at these complexes takes place at no additional cost to the consumer or any other role-player in the value chain. Members of Agbiz Grain employ some 1 200 staff who are well-versed in the grading of grain and oilseeds. Training of these employees contributes directly to the economic growth of South Africa and ensures food security in terms of safe food. 🌱

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