WEEKLY

FOOD-FOR-THOUGHT

24 July 2020
Fourteen-day forecast:

South Africa can expect dry conditions over the next two weeks.

Winter grains in the Cape province are in good condition thanks to good rains thus far this season.
North America:

Above-average rainfall is expected over the largest part of the corn belt over the next two weeks. This will bring relief to the drought-stricken areas indicated on the map and increase yields.
## Import and Export Parities

- **PMB Import Parity**
  - AUG '20: R3 300
  - SEP '20: R3 339
  - DEC '20: R3 460
  - MAR '21: R3 587

- **Cape Import Parity**
  - AUG '20: R3 134
  - SEP '20: R3 217
  - DEC '20: R3 281
  - MAR '21: R3 400

- **SAFEX Yellow Maize**
  - AUG '20: R2 675
  - SEP '20: R2 760
  - DEC '20: R2 772
  - MAR '21: R2 680

- **Export Parity**
  - AUG '20: R2 497
  - SEP '20: R2 552
  - DEC '20: R2 607
  - MAR '21: R2 525

### SAF YMAZ Parities Graph

- The graph shows the parity values for PMB, Cape, SAFEX yellow maize, and export parity from August 2020 to March 2021.
The price of maize moved sideways this week, due to the good harvesting pace of dry maize. The majority of local supplies currently come from the southern regions, placing prices under pressure and preventing any upward movements. Kenya is currently a net importer of Tanzanian maize, and the opportunity price therefore offers support to maize in the northern parts of the country. Estimates indicate that Rwanda will remain a net importer of maize from Tanzania until early in the 2021 season. Good yields are forecast for Tanzania, which means that the country will have a surplus, enabling it to export to neighbouring countries.

Source: Commodity Insight Africa
Jacques Pienaar
<table>
<thead>
<tr>
<th></th>
<th>Maize:</th>
<th></th>
<th>Soybean:</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Excellent</td>
<td>= 17%</td>
<td>Excellent</td>
</tr>
<tr>
<td></td>
<td>Good</td>
<td>= 52%</td>
<td>Good</td>
</tr>
<tr>
<td></td>
<td>Fair</td>
<td>= 23%</td>
<td>Fair</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>= 6%</td>
<td>Poor</td>
</tr>
<tr>
<td></td>
<td>Very poor</td>
<td>= 2%</td>
<td>Very poor</td>
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White maize
- Export = 258,294 t
- Previous week = 16,669 t
- Import = 0 t

Yellow maize
- Export = 603,624 t
- Previous week = 104,478 t
- Import = 0 t
- Previous week = 0 t

2020/21 season

Destination for majority of exports:
- WM export:
  - Zimbabwe = 50%
- YM export
  - Taiwan = 39%
Cumulative oilseed producer deliveries as at 17 July

**Soybean deliveries**

- Deliveries in TON
- % delivered, 2020, 2019
- Delivery Week: 1, 3, 5, 7, 9, 11, 13, 15, 17, 19, 21, 23, 25, 27, 29, 31, 33, 35, 37, 39, 41, 43, 45, 47, 49, 51, 53

**Sunflower deliveries**

- Deliveries in TON
- % delivered, 2020, 2019
- Delivery Week: 1, 3, 5, 7, 9, 11, 13, 15, 17, 19, 21, 23, 25, 27, 29, 31, 33, 35, 37, 39, 41, 43, 45, 47, 49, 51
Cumulative maize producer deliveries as at 17 July

**White maize deliveries**

**Yellow maize deliveries**

**LOCAL AGRICULTURE**
The South African currency generally traded stronger this week. On Thursday 23 July, the rand however dropped back, following the announcement of a further cut in the repo rate by the South African Reserve Bank.

The technical analysis however still indicates the possibility that the rand can improve over the short term.
Earlier this week, oil prices reached a four-month high. The strong price increase was however halted on Thursday due to larger than expected US stock build and a steady increase in the production of crude Brent oil. Crude oil stocks increased by 4,9 million barrels, in contrast to the expected decrease of 2,1 million barrels. The increase in stocks is due to the drop in fuel consumption in the USA as a result of the Covid-19 pandemic.

Read more at: https://www.businesslive.co.za/bd/markets/2020-07-22-oil-prices-fall-on-us-stock-build-and-likely-fall-in-demand/

Opinion: An increase in oil stocks will place prices under pressure and cause fuel prices to drop.

On Thursday 23 July, the South African Reserve Bank cut the repo rate by a further 25 basis point from 3,75% to 3,50%. This brings the total decrease this year to 300 basis points. The repo rate cut means that it is now at its lowest level in more than four decades. The prime commercial lending rate now stands at 7%. It is now expected that the GDP will shrink by 7,3%, which is 0,3% more than the May estimate.

Read more at: https://www.moneyweb.co.za/news/south-africa/sarb-cuts-the-repo-rate-cut/

Opinion: A weaker GDP will put the South African economy further under pressure and will negatively affect the exchange rate.

Brazil is well on its way to equal its 2018 record soybean exports. As of now, exports stand at 6,1 million ton and expectations are that this figure will reach 9 million ton by the end of July. According to consulting firm Brandalizze Consulting, total soybean exports could reach 83 million ton by the end of this season.

Despite the record export volumes, soybean is also imported due to poor production in the southern regions of the country.

Read more at: http://www.soybeansandcorn.com/news/Jul23_20-Brazil-to-Export-Record-Soy-in-July-but-it-is-also-Importing-Soy

Opinion: High export volumes will decrease the demand for soybean in world markets and thereby put prices under pressure.
SUMMARY

• Normal, dry conditions can be expected in South Africa in the next week.

• Winter grains are in excellent condition, which will contribute to good yields.

• The USA can expect above-average rainfall over parts of the corn belt, which will support grain conditions.

• South African yellow maize trade close to export parity for the further months, which means that maize prices will be much lower in the next year.

• The South African currency performed weaker against the US dollar on Thursday 23 July as a result of the repo rate cut.
A put option is bought for the client to establish a minimum level. To keep costs low, a call option is simultaneously sold, which establishes the maximum price.

Should the market in future reach the maximum level (call option) the client will receive a short futures position which will force the client to deliver at the maximum price level.

If the market price trades at the minimum level (long put option), the client can be sure that they will be able to deliver at the minimum level no matter how far the price falls below this level.

Example:

The client buys a put option @ R2 560 (minimum level) at a cost of R120/t. At the same time, the client also sells a call option @ R 3000 (maximum level) at a premium of R25/t. The client can now receive a minimum price of R2 560/t and a maximum price of R3 000/t for his grain.

The cost of the strategy will be R120 (put) – R25 (call) = R95/t.
Trading grain crops such as soybean, wheat, sunflower, GMO/non-GMO white and yellow maize, sorghum and sugarbeans.

Logistics including sourcing, storage, export and delivery of grains and agricultural lime directly to customers.

Milling, processing and selling of white and yellow maize meal, yellow maize grits, starch and super fine maize meal.

Process and supply animal feed by-products such as hominy chop, wheat bran, molasses, as well as soybean, cotton and sunflower oilcakes.

Price and risk management by our experienced traders.

Rand Agri - the vital connection between farm and plate

Contact us today for your grain trading and supply chain needs.
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“An idea is a commodity, while execution is an art.”
- Peter Drucker