



24 April 2020

WEEKLY

FOOD-FOR-THOUGHT

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- Local weather forecast
- 10-day forecast for North and South America



Parities

Import and export parity of yellow maize



International Agriculture

- Africa Focus: Mozambique
- USA crop progress



Local Agriculture

- Producer deliveries
- Import and exports of maize for the new season



National and international news



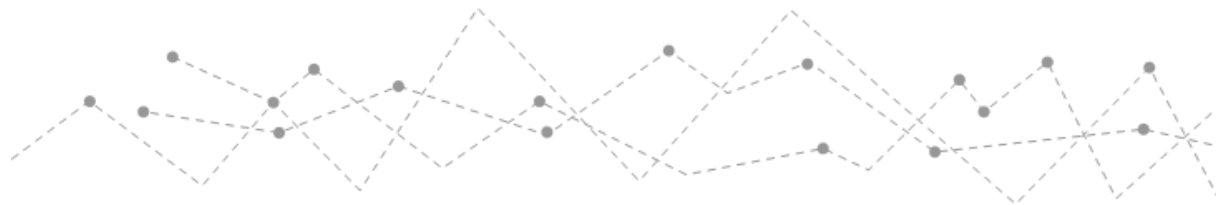
Exchange rate

Overview of the Rand against the US\$



Price risk management

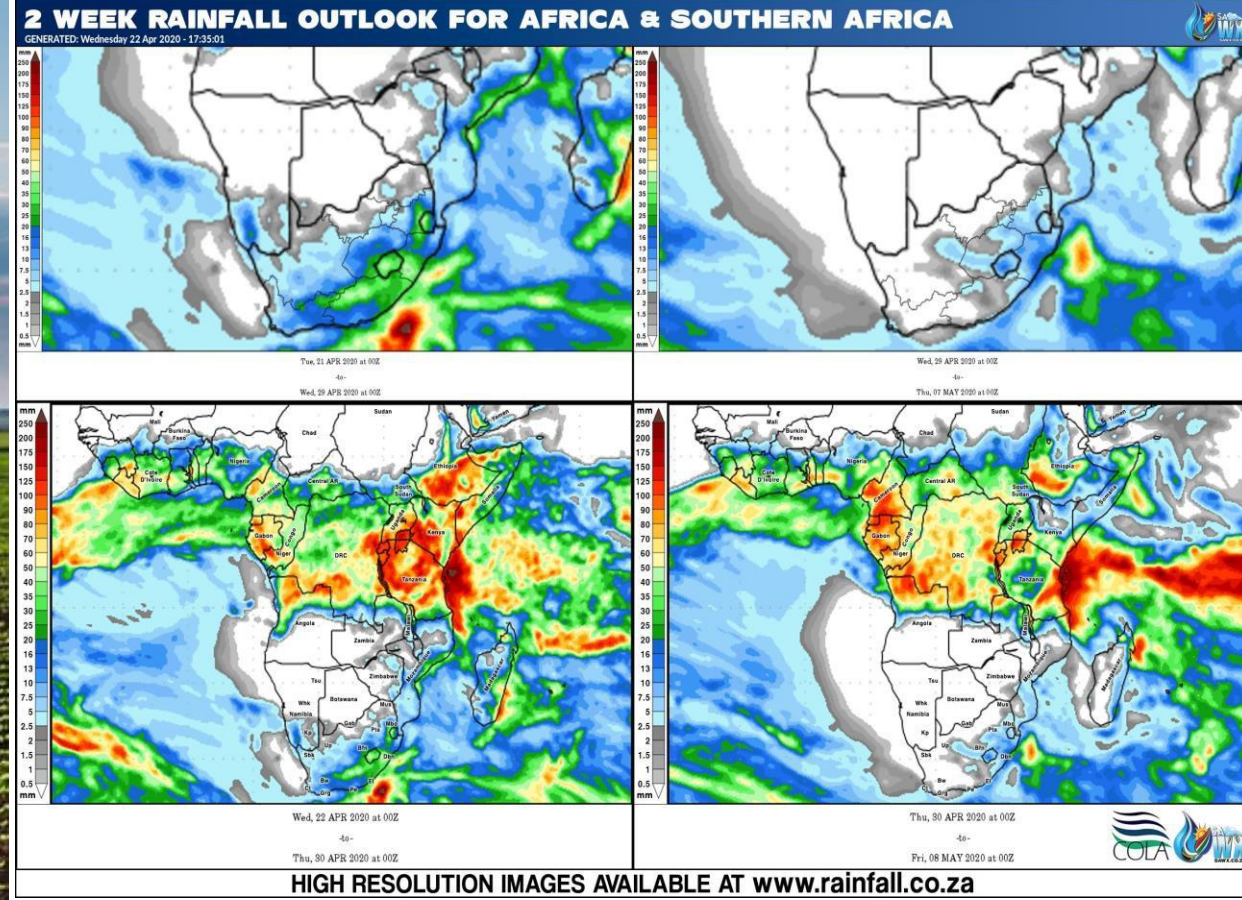
Minimum/Maximum option pricing strategy





LOCAL

WEATHER

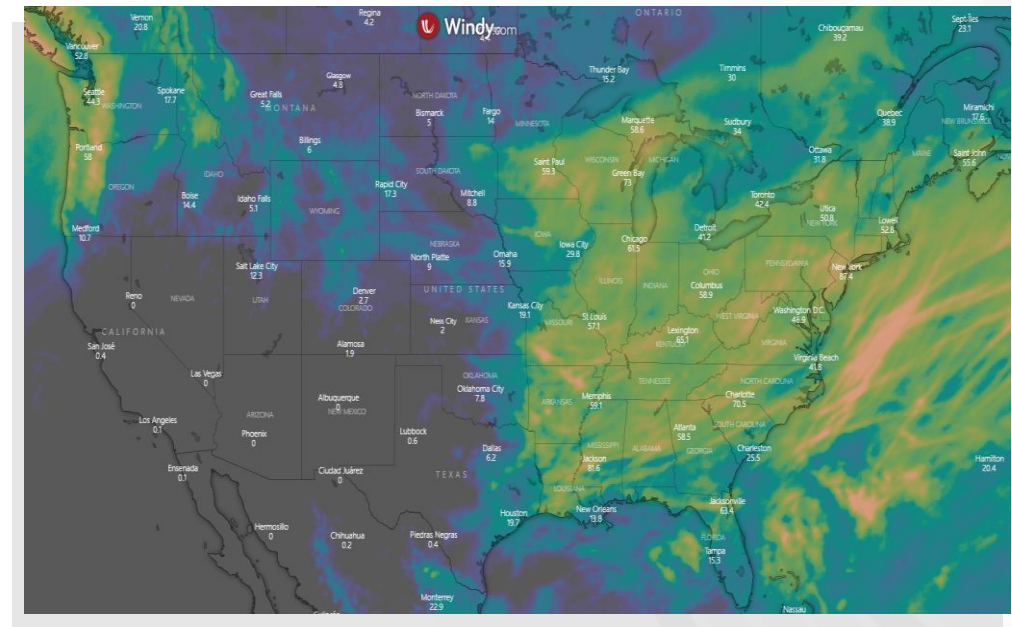


14-day weather outlook

Minimal rainfall can be expected in the summer grain areas over the next two weeks. In the eastern parts of the country where soybean harvesting is underway, rain could cause delays and may damage current soybean crops.

Ten-day forecast: North America

The eastern parts of the corn-belt can expect good rainfall which will support the current planting progress in these areas. Temperatures started to rise in these states, which will also contribute to a faster planting pace.



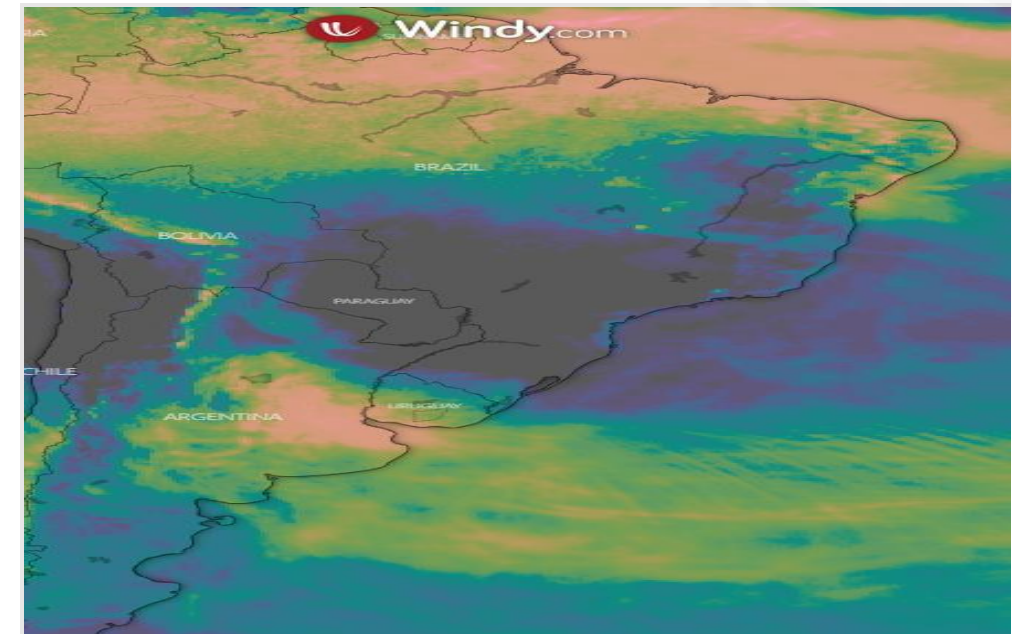
INTERNATIONAL

WEATHER



Ten-day forecast: South America


Dry weather conditions in Brazil will support the current pace of harvesting of soybeans. Very wet conditions are predicted for the eastern parts of Argentina which will slow down the progress of the current harvesting of corn.




National RAINFALL



Eastern Free State

Town		April 2020 total	2019/20 Season total	April 2018/19	April 2017/18
Bethlehem		35	408	115	0
Frankfort		77	693	164	0
Harrismith		95	566	160	0
Heilbron		62	669	124	0
Kroonstad		19	486	209	0
Marquard		41	387	139	0
Senekal		22	415	121	0
Theunissen		59	457	224	0
Ventersburg		36	528	222	0


Western Free State

Town		April 2020 total	2019/20 Season total	April 2018/19	April 2017/18
Allanridge		37	651	241	0
Bloemfontein		59	466	128	0
Bothaville		72	652	167	0
Bultfontein		38	482	205	0
De Brug		68	502	135	0
Losdoorns		48	685	231	0
Orkney		32	695	173	0
Viljoenskroon		31	546	245	0
Welkom		52	536	258	0
Wesselsbron		35	633	242	0


National RAINFALL



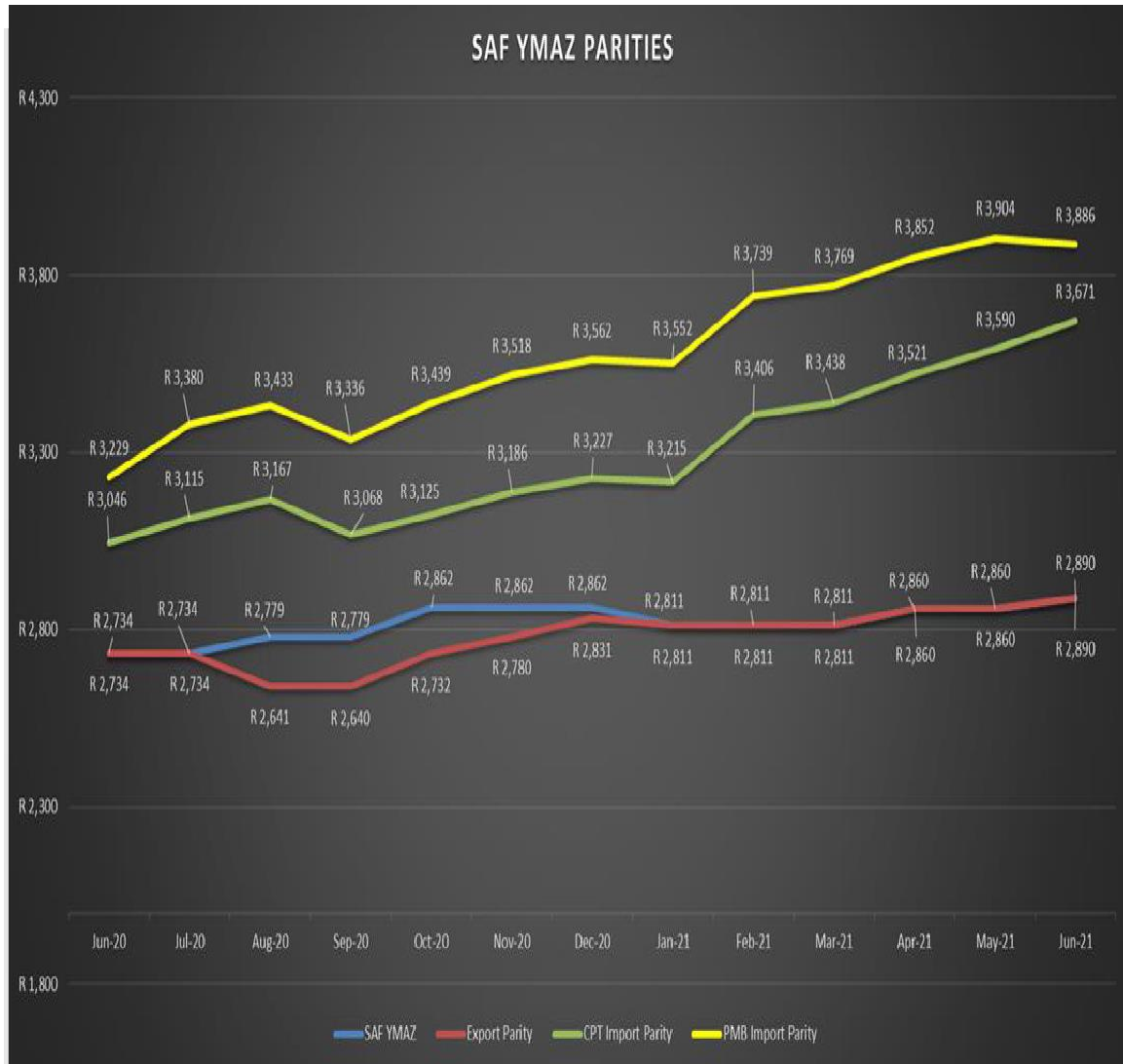
Mpumalanga

Town 	April 2020 total	2019/20 Season total	April 2018/19	April 2017/18
Amersfoort	42	389	16	0
Balfour	26	322	35	0
Bethal	24	384	52	0
Carolina	80	410	11	0
Delmas	67	722	55	0
Ermelo	25	702	57	0
Greylingstad	82	671	95	0
Hendrina	91	906	124	0
Middelburg	58	783	52	0
Morgenzon	82	756	215	0
Standerton	63	520	9	0
Wonderfontein	32	610	126	0

North West

Town 	April 2020 total	2019/20 Season total	April 2018/19	April 2017/18
Bloemhof	56	539	126	0
Delareyville	36	633	221	0
Derby	43	468	190	0
Klerksdorp	72	881	287	0
Lichtenburg	42	498	134	0
Ottosdal	44	331	221	0
Potchefstroom	61	780	183	0
Regina	57	639	153	0
Sannieshof	20	298	174	0
Schweizer-Reneke	37	569	165	0
Ventersdorp	58	630	255	0

IMPORT AND EXPORT PARITIES



	JUL '20	SEP '20	DEC '20	MAR '21
PMB Import parity	R3 380	R3 336	R3 562	R3 769
CAPE Import parity	R3 046	R3 068	R3 227	R3 438
SAFEX Yellow maize	R2 734	R2 779	R2 862	R2 811
Export	R2 734	R2 640	R2 831	R2 811



INTERNATIONAL AGRICULTURE



Focus: Mozambique

Maize:

Production (Million ton)	Demand (Million ton)	Imports (Million ton)
2,5 - 2,7	1,9 - 2,0	0,15 - 0,2

- Total production for the new season was adjusted upwards due to an increase in planted areas as well as favourable growth conditions.
- A production surplus will make it possible for the country to export to neighboring countries.
- Imports might still be necessary in the southern parts of the country, because of the high costs of transporting the maize from the main production regions to the south.





USA planting progress ending 20 April 2020

CORN: Previous year
= 5%

Previous week
= 3%

Current week
=7%

5-year average
=2%

SOYBEAN: Previous year
= 1%

Previous week
= 0%

Current week
=2%

5-year average
=1%

LOCAL AGRICULTURE

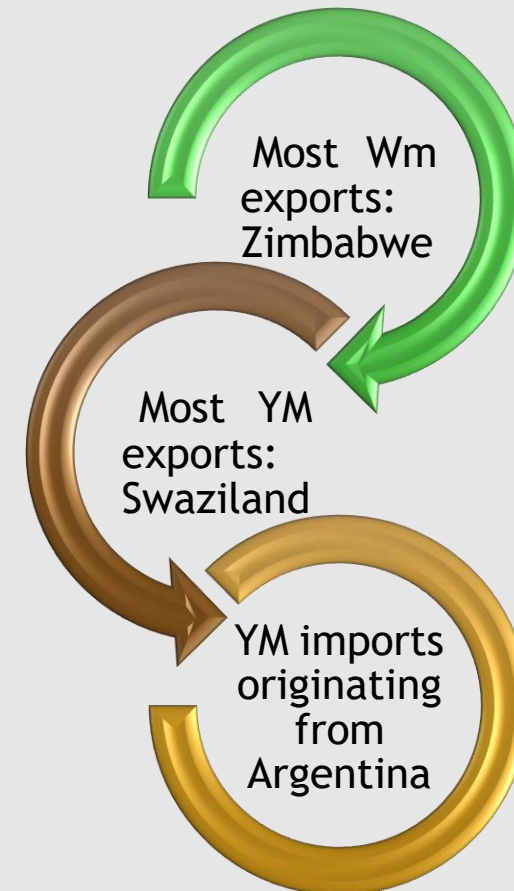


White maize

- Exports = 986 276 t
- **Prev week = 19 938 t**
- Imports = 0 t

Yellow maize

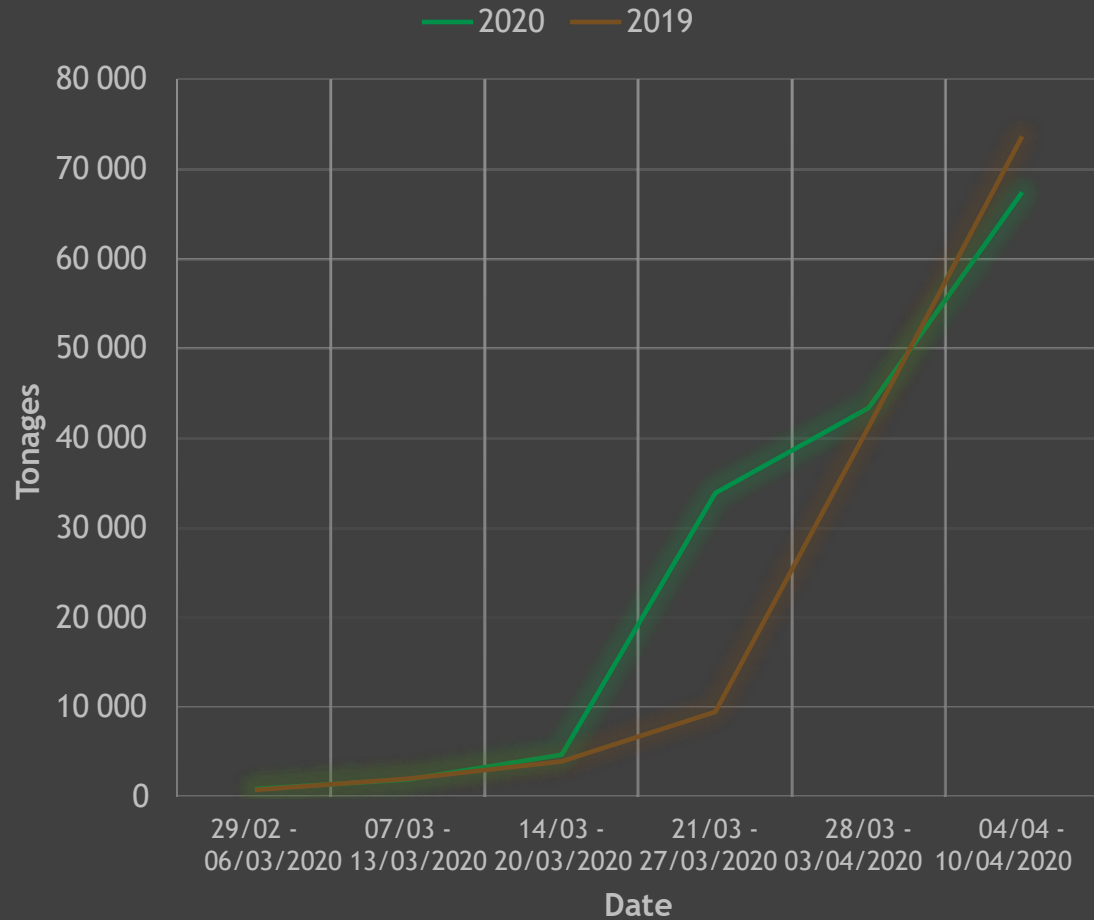
- Exports = 389 349 t
- **Prev week = 7 360 t**
- Imports = 509 684 t
- **Prev week = 0 t**



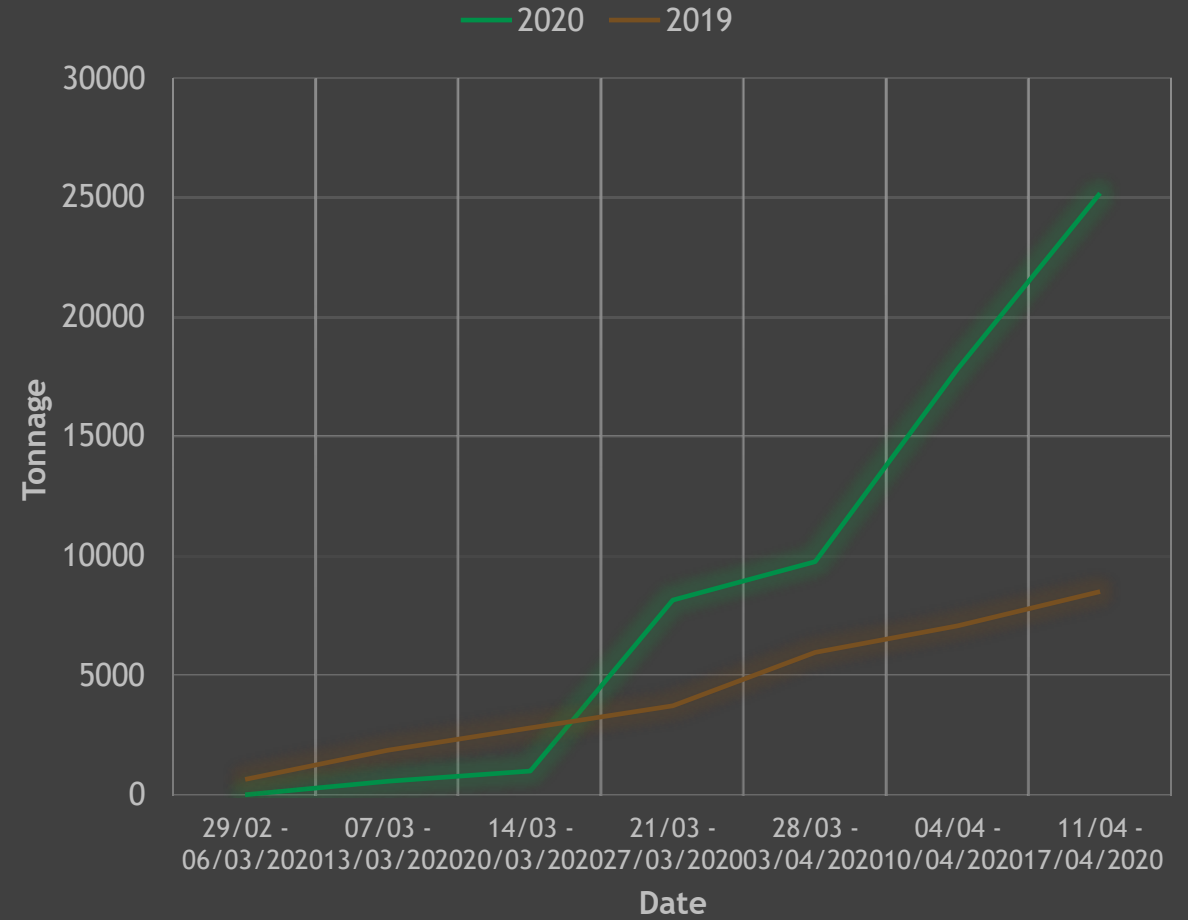


Oilseed producer deliveries

Soybean deliveries



Sunflower deliveries



R/\$



DOLLAR - RAND CHART



The South African rand is still struggling against the US dollar and is trading at lower levels compared to last week. The impact of the Covid-19 pandemic is still pounding the local economy and consumer expenditure, causing uncertainty about the economical outlook for South Africa.

On the technical analysis we can see that the rand will most likely depreciate further in the long term to a level of R21/USD and only start to strengthen at the end of the year.

NEWS



Drought in southern Brazil hits corn crop

Farmers in southern Brazil continue to be worried about their safrinha corn due to increasingly dry conditions. The state of Parana planted about 30 days later than normal. The corn is in a critical phase for determining yield. In addition to being impacted by the dry weather, the later planted corn could also be subject to freezing temperatures before reaching maturity.

Read more at:

http://www.soybeansandcorn.com/news/Apr23_20-Safrinha-Corn-Dry-in-Southern-Brazil-Doing-OK-in-Central-Brazil

Opinion:

Lower yields in Brazil will put total production under pressure, limit exports and support international prices.



Winter rainfall might come early this year

Climatologist Johan van den Berg is of the opinion that rainfall may occur between the last week of April and the second half of May.

He recommends that winter grain producers complete their planting preparations early this year, as it might rain in these regions as early as May.

Read more at:

<https://www.netwerk24.com/landbou/Nuus/neerslae-oor-somer-en-winterreenstreek-moontlik-in-mei-20200421>

Opinion:

If rain does fall in May, the soybean harvest will be slowed down and current crops may suffer damage which will support SAFEX prices.



Decreasing fuel prices in May

Fuel prices in South Africa will decrease further in May. Petrol prices are expected to fall by about R2,00 per liter and diesel by around R1,37.

The price decrease can be contributed to lower oil prices worldwide. On Wednesday 22 April Brent crude oil traded at a 20-year low at \$16,50 per barrel.

Read more at:

<https://www.businessinsider.co.za/petrol-price-set-to-hit-its-lowest-level-in-years-as-oil-collapses-2020-4>

Opinion:

Lower fuel prices will limit input costs and increase profits, thus encouraging producers to plant more in the coming season.



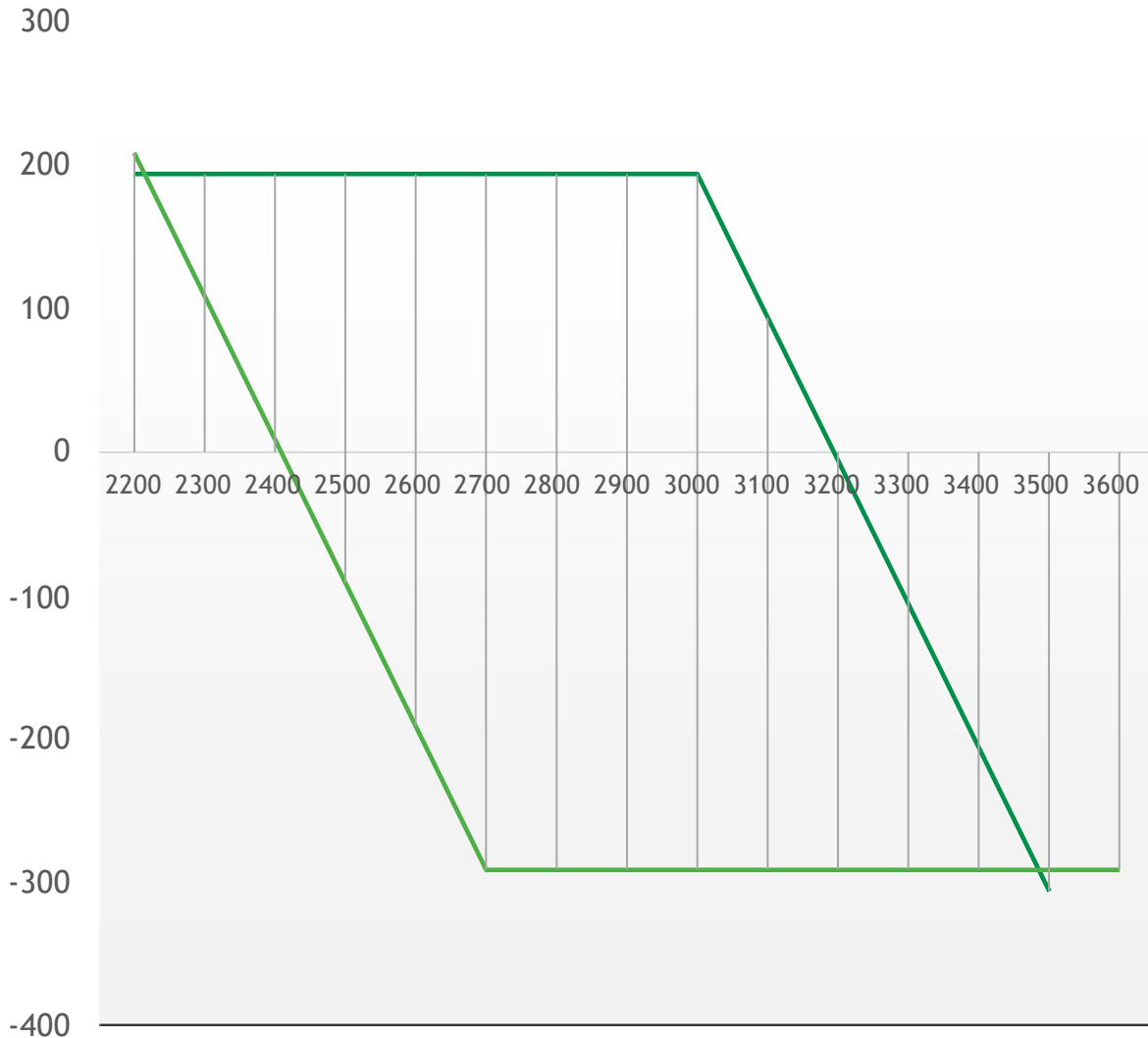
Summary

- Late rains in April and May over the eastern parts of South Africa will decrease the pace of harvesting soybeans and negatively affect the yield.
- South African yellow maize is currently trading at export parity meaning that the commodity is cheap enough to export to other countries.
- Initial soybean deliveries kicked off this week. We believe that the soybean harvesting season of will be in full swing from next week.
- The USA planting progress started slowly this week. Warm weather and good rainfall over the next ten days will support the planting pace in the corn belt.

RISK MANAGEMENT



Min/Max price



Minimum/Maximum price

How does it work?

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 price trade at 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 (put option), the client can be sure that they will be able to deliver at this level no matter how far the price falls below the minimum 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 (maximum level) at a premium of R25/t. The client is now protected against a low price of R2 560/t but will have a ceiling price of R3 000/t.

The cost of the strategy will be $R120(\text{put}) - R25(\text{call}) = R95/t$

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