



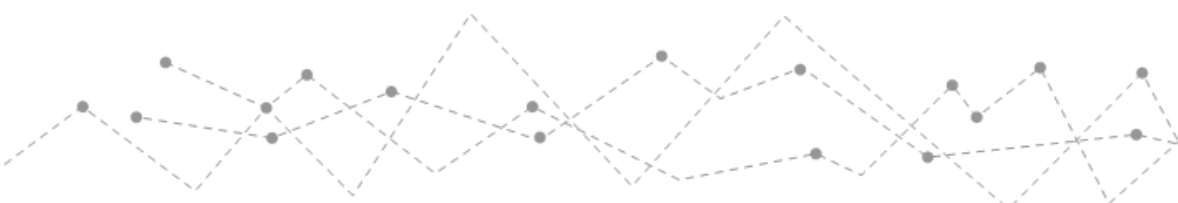
10 July 2020

WEEKLY

FOOD-FOR-THOUGHT

FOOD-FOR-THOUGHT

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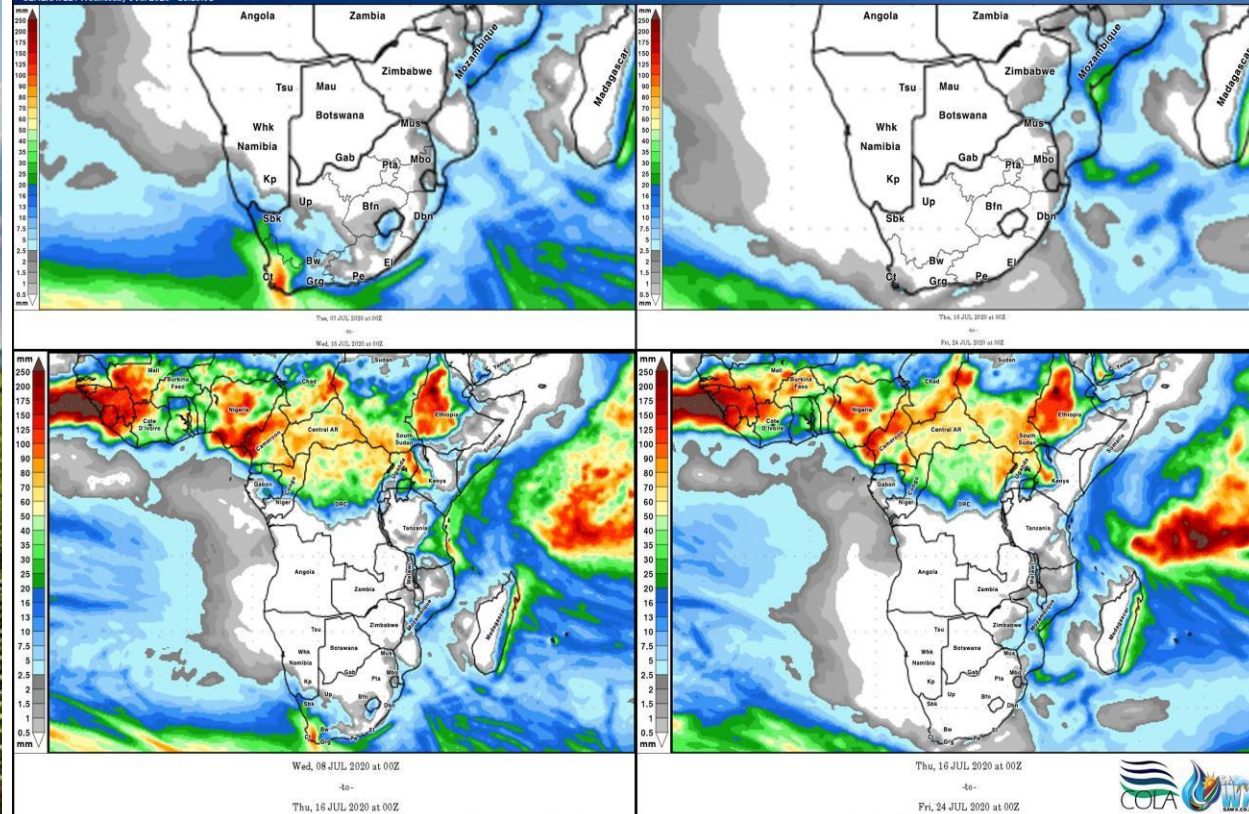
Minimum/maximum option strategy



LOCAL
WEATHER

2 WEEK RAINFALL OUTLOOK FOR AFRICA & SOUTHERN AFRICA

GENERATED: Wednesday 8 Jul 2020 - 18:15:01



HIGH RESOLUTION IMAGES AVAILABLE AT www.rainfall.co.za

Fourteen-day forecast:

The long-expected cold front made landfall in the Western Cape on Thursday, 09 July. Very cold weather, strong winds and snow will occur on the higher altitudes. Widespread rain is predicted for the Western Cape, which will be ideal for the new season grain plantings.

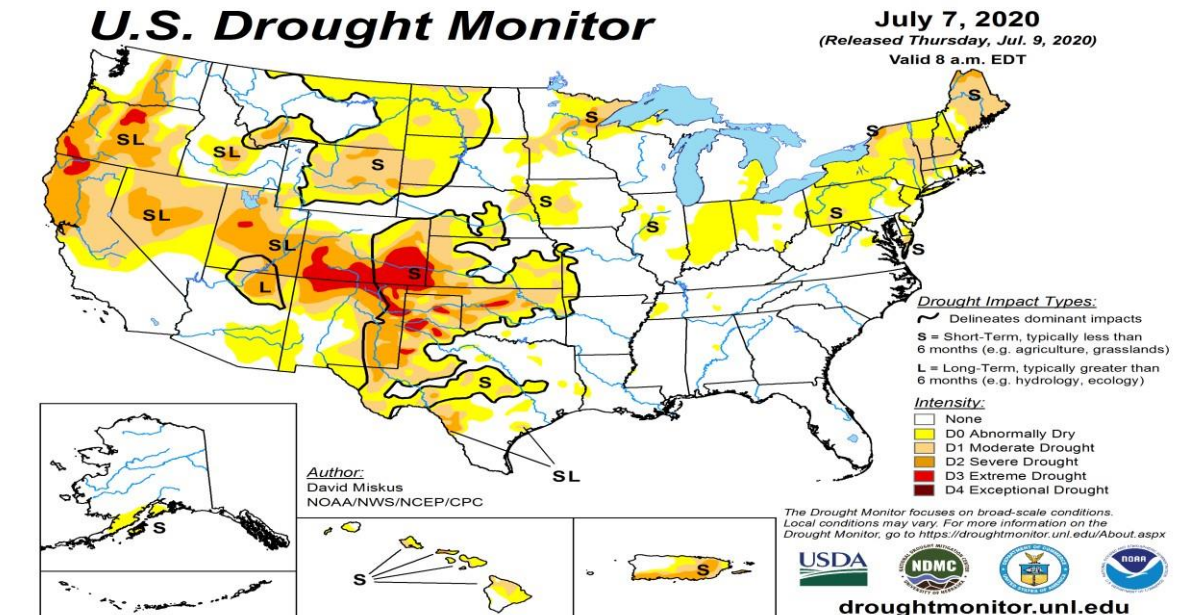
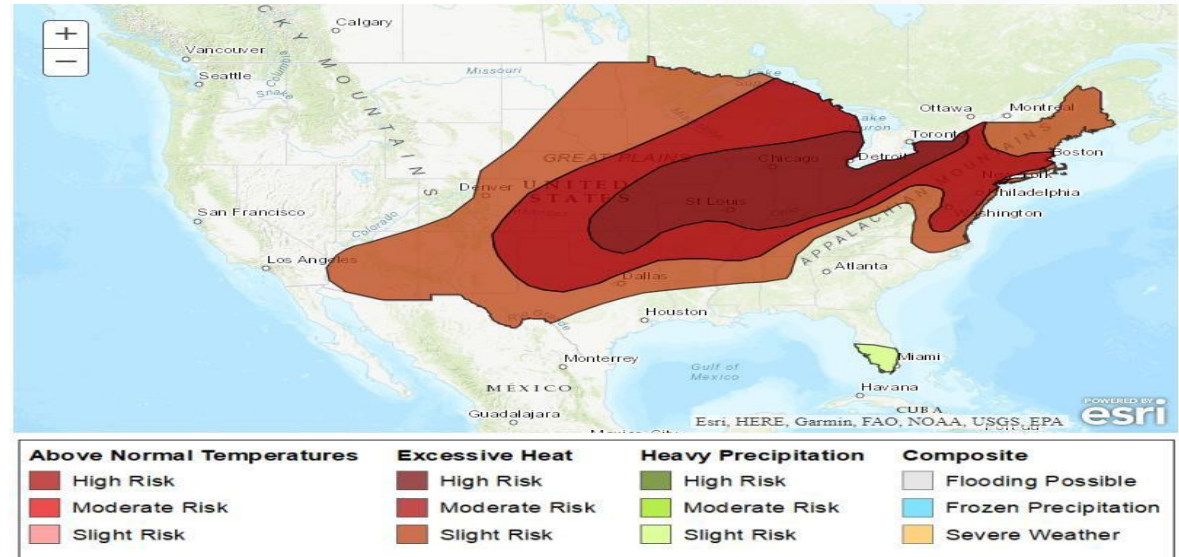
INTERNATIONAL WEATHER



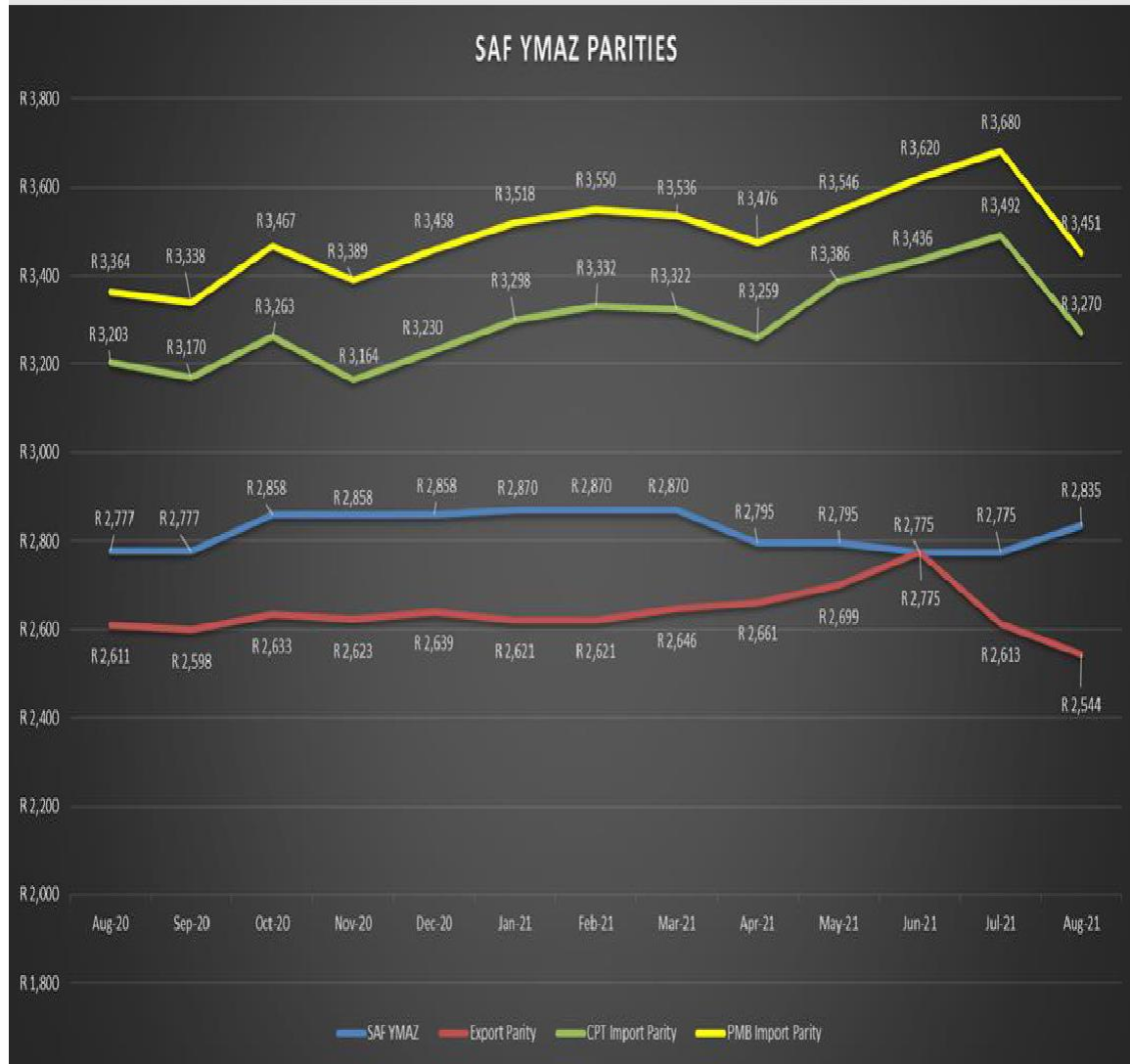
North America:

Above-average temperatures are expected in the USA between 15 – 21 July.

The high temperatures will negatively affect the grain plantings, especially since parts of the corn belt are already suffering drought conditions.



IMPORT AND EXPORT PARITIES



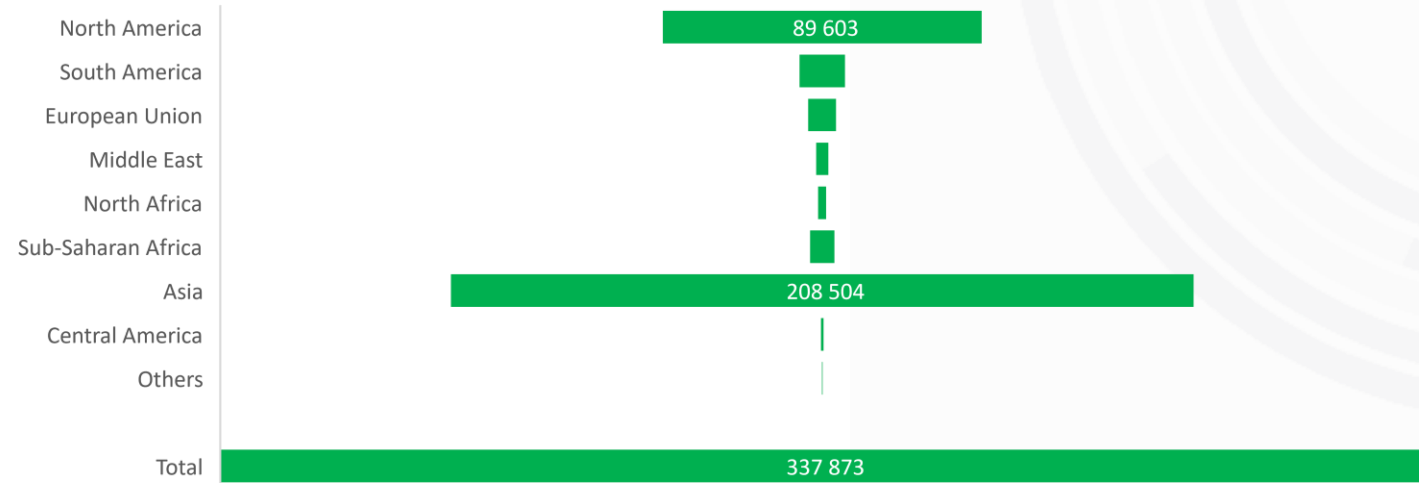
	AUG '20	SEP '20	DEC'20	MAR '21
PMB import parity	R3 364	R3 338	R3 458	R3 536
Cape import parity	R3 203	R3 170	R3 230	R3 322
SAFEX yellow maize	R2 777	R2 777	R2 858	R2 870
Export parity	R2 611	R2 598	R2 639	R2 646



INTERNATIONAL AGRICULTURE



Maize: world ending stock in million tons



Ending stocks - maize	2016/17	2017/18	2018/19	2019/20	May 2020/21	Jun 2020/21
North America	66236	62433	63479	57663	89485	89603
South America	22066	14827	9714	9728	13305	12893
European Union	7597	9820	7762	7993	7893	7893
Middle East	2775	3225	3063	3535	3438	3438
North Africa	2555	2462	2505	2116	2327	2327
Sub-Saharan Africa	10810	10354	8136	8119	7117	6889
Asia	234020	233466	220776	218428	209779	208504
Central America	1056	1060	988	826	713	794
Other	447	354	339	277	303	295
Total	352198	341275	320130	312907	339622	337873



USA: crop conditions as at 06 July 2020

Maize: Excellent
= 17%

Good
= 54%

Fair
= 23%

Poor
= 5%

Very poor
= 1%

Soybean: Excellent
= 14%

Good
= 57%

Fair
= 24%

Poor
= 4%

Very poor
= 1%

AGRICULTURE



2020/21 season

White maize

- Export = 224 270 t
- **Previous week = 43 548 t**
- Import = 0 t

Yellow maize

- Export = 412 037 t
- **Previous week = 87 702 t**
- Import = 0 t
- **Previous week = 0 t**

Destination for majority of exports:

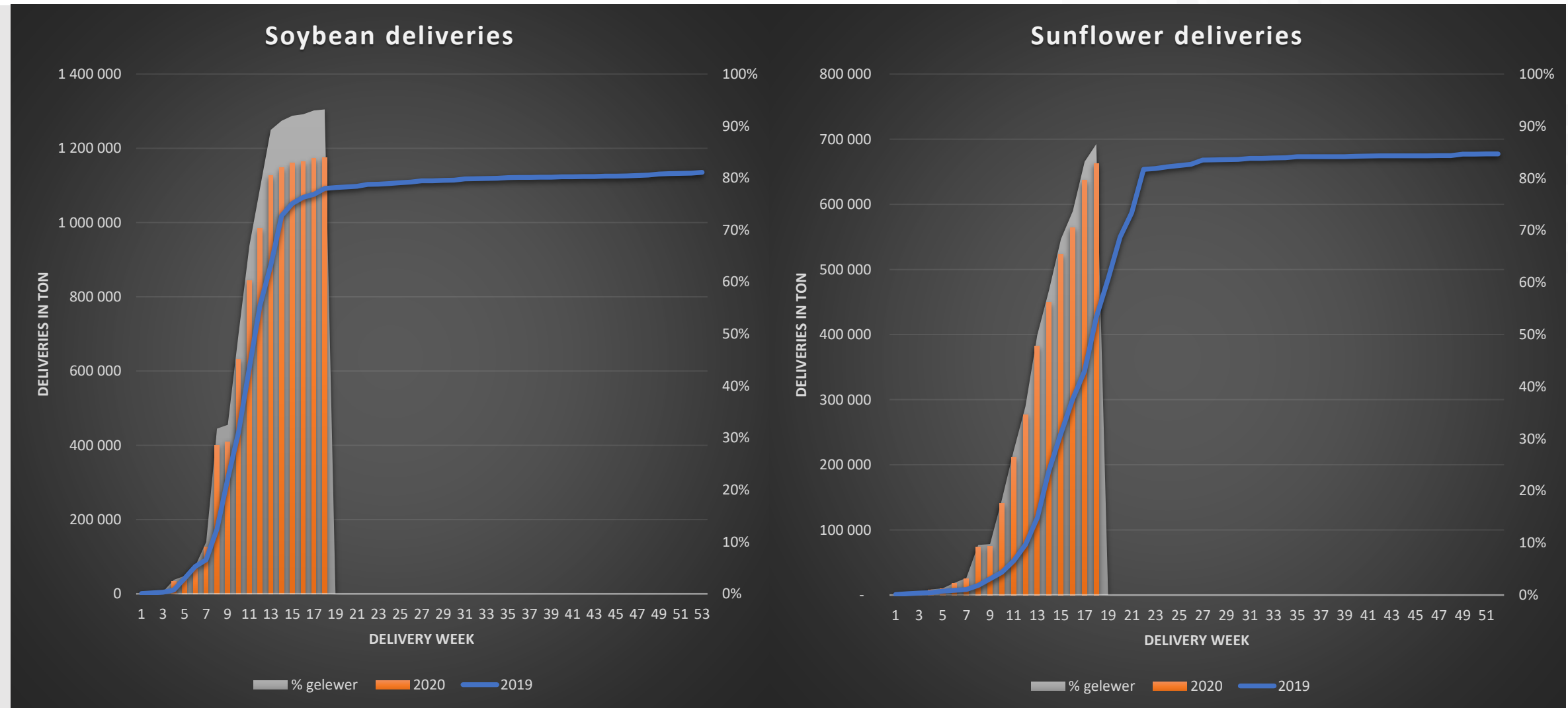
WM export:
Zimbabwe = 50%

YM export
Taiwan = 39%

LOCAL AGRICULTURE



Cumulative oilseed producer deliveries as at 03 July



EXCHANGE RATE

R/\$



DOLLAR - RAND CHART



On Thursday, the South African currency performed better against the US dollar, trading below the level of R17,00.

The rand is now testing the stronger resistance level of R16,80. If the currency gains sufficient momentum, it could strengthen to R16,60.



Argentina cuts wheat production estimate for 2020/21 season

On Wednesday 8 July, the Rosario Grains Exchange adjusted Argentina's wheat production forecast to between 18 - 19 million ton, which is significantly lower than the 21 - 22 million ton estimate of earlier this year. Dry weather in the western and northern regions is expected to decrease the planting area to 6,6 million hectare. This is 400 000 hectare less than the previous estimate.

Argentina did however increase the estimated total maize production for the season by 500 000 ton to 51,5 million ton.

Source:
Reuters.com

Opinion:
A smaller wheat crop will have a positive impact on local prices in Argentina, which might stimulate an upward move in world markets.



Fuel theft causes headaches for South African economy

Diesel shortages in the interior of the country, caused by diesel theft from the main pipeline between Durban and Germiston, is damaging the economy. The problem especially affects the North West Province and the Free State, where fuel suppliers cannot meet consumer demands. According to Mr. Corné van der Walt, it has been almost two months since the shortage first occurred. Grain producers are particularly hard hit, since most producers in the western regions are already harvesting, or will start harvesting within the next week.

Read more at:
<https://www.netwerk24.com/landbou/Nuus/diefstal-van-diesel-bedreig-ekonomie-20200706>

Opinion:
Fuel problems can slow down the harvesting tempo in the west and delay the so-called harvesting pressure on local prices..



South African currency

On Thursday morning, 9 July, the South African currency traded lower against the US dollar, after having made gains during the previous day's trading sessions on the back of fears about sharp increases in Covid-19 infections worldwide and in the USA in particular. This resulted in a temporary weakening of the dollar in favour of the rand. Investors started taking profits ahead of the release of manufacturing data that is expected to highlight the weaknesses in the economy.

The sentiment changed negatively overnight as a result of the release of key economic data in Europe and locally, and on the back of job loss numbers in the USA.

The currency however recovered later during the day and is currently testing the resistance level of R16,80.

Read more at:
<https://www.moneyweb.co.za/news/economy/rand-edges-lower-ahead-of-manufacturing-data/>

Opinion:
A weaker American currency will benefit the local currency and place local grain prices under pressure.



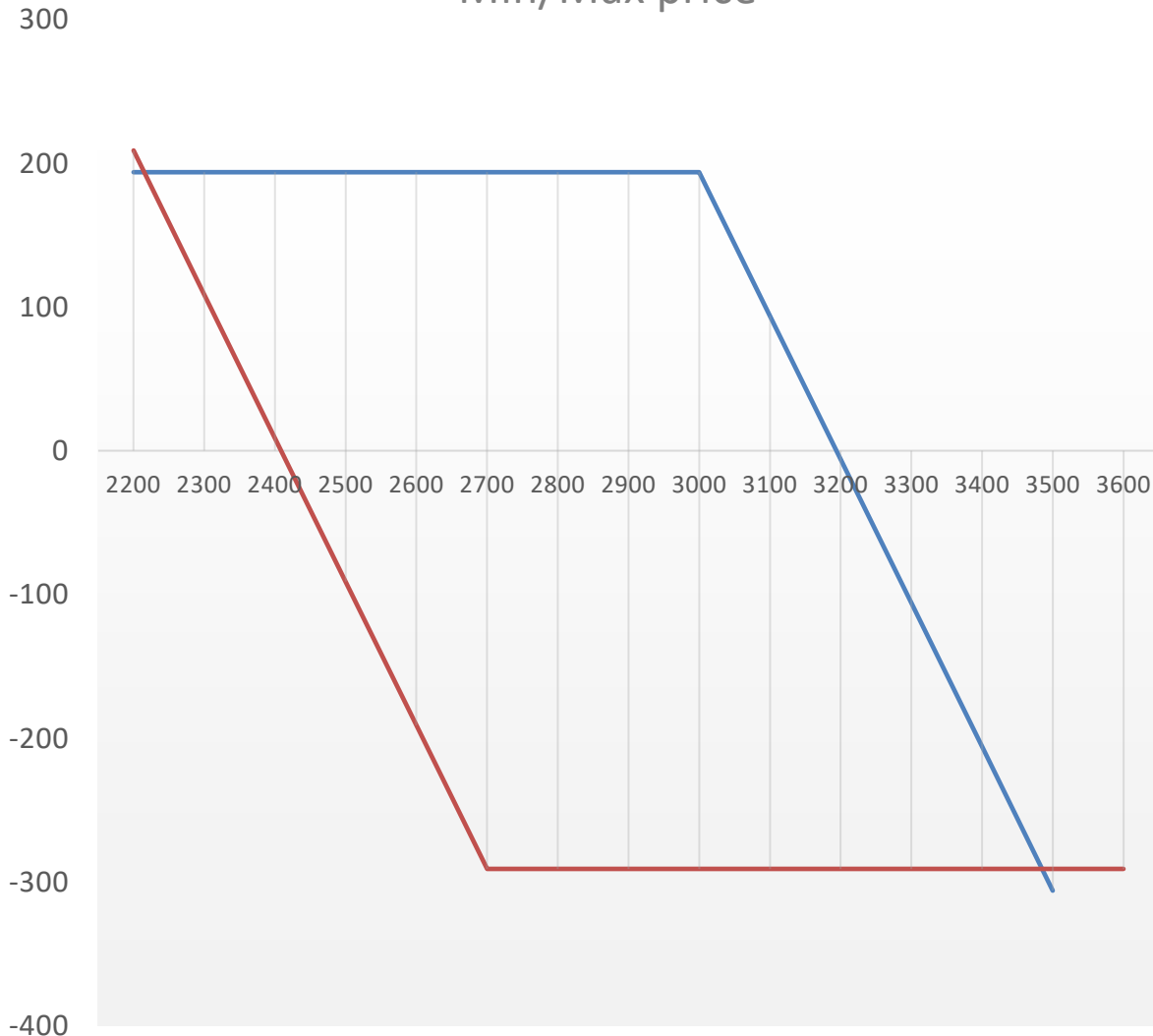
SUMMARY

- Cold weather across the entire country can be expected from tomorrow. Good rainfall is predicted for the Western Cape, which will support grain conditions.
- South African yellow maize is trading further from export parity. This means that there is room for a downward move in grain prices.
- The USA can expect hot, dry weather over the next few days.
- The performance of the South African currency is stronger this week and local grain prices may come under pressure.

RISK MANAGEMENT



Min/Max price



Minimum/Maximum price

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.

Bulk Grain Trade and Supply

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and delivered - directly
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processing
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since 2002.

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specialising in
hedging services.

Proudly delivering
quality raw materials
to millers and
processors.



Wheat



White Maize
Yellow Maize



Sunflower Seeds
Sunflower Oil Cakes
(vegetable protein)



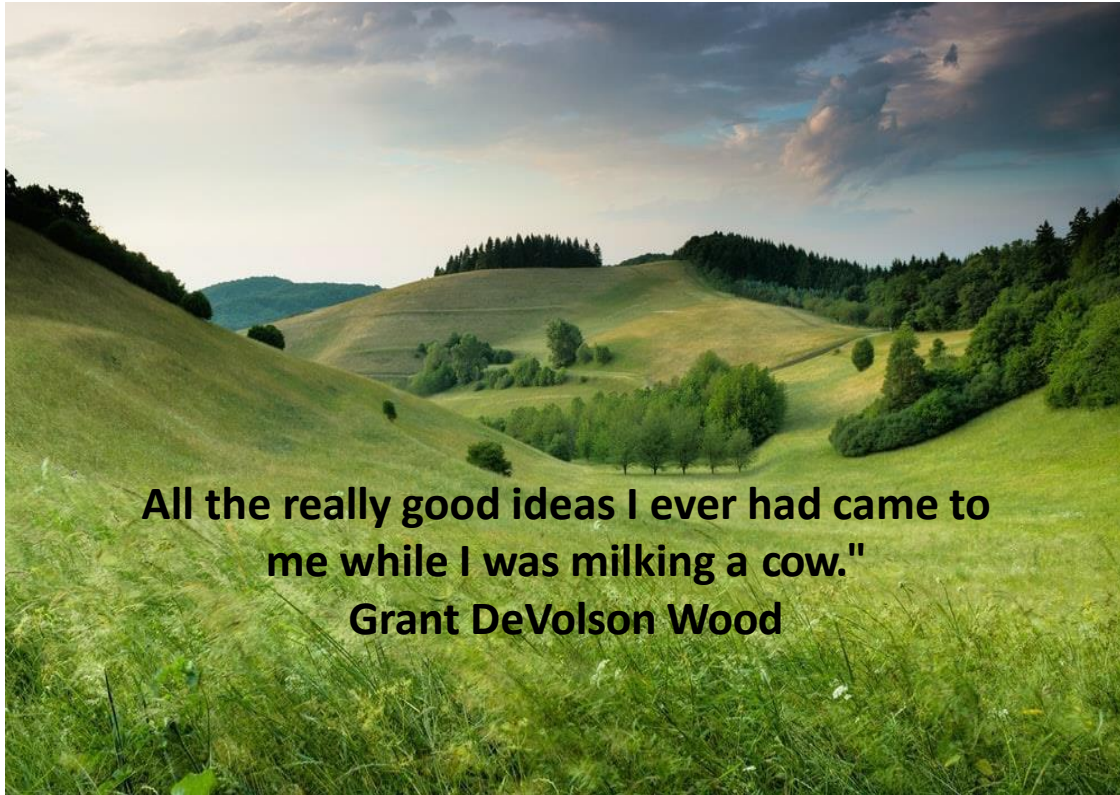
Soya Bean
Soya Bean Oil Cakes
(vegetable protein)

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**All the really good ideas I ever had came to me while I was milking a cow."
Grant DeVolson Wood**

CONTACT US



Tel: +27 (0) 13 243 1166

E-mail: info@randagri.co.za

Web: www.randagri.co.za

Address: 24 Samora Machel Street
Middelburg, Mpumalanga

