



4 September 2020

WEEKLY

FOOD-FOR-THOUGHT

FOOD-FOR -THOUGHT

CONTENTS



Weather

- Local weather forecast
- Weather forecast for the USA and South America



Parities

Import and export parities for yellow maize



International agriculture

- USA Harvest Conditions
- USA Harvest Progress



Local agriculture

- Maize imports and exports
- Producer deliveries



News

International and national news



Exchange rate

Overview of ZAR and US dollar movements



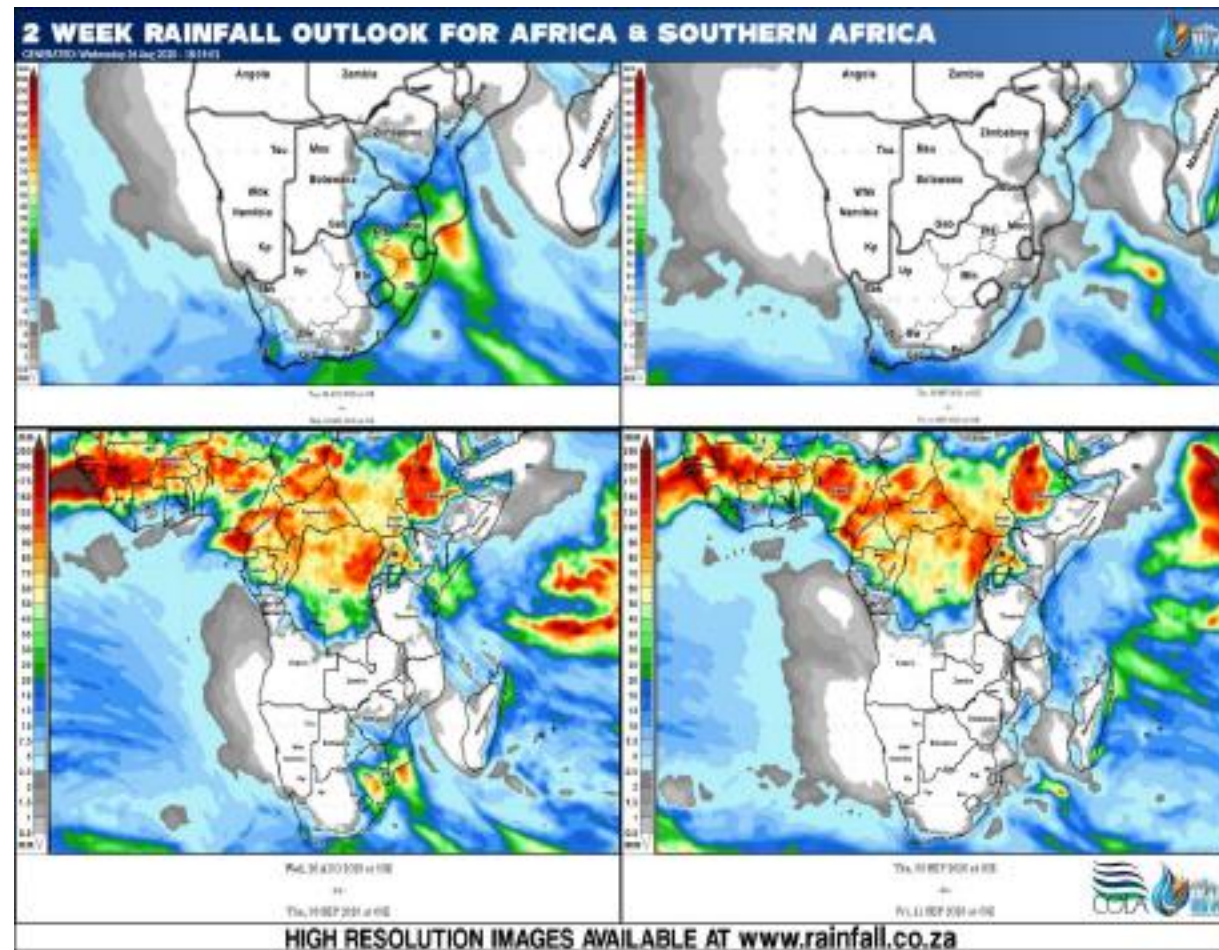
Price risk management

Minimum/maximum option strategy





LOCAL
WEATHER

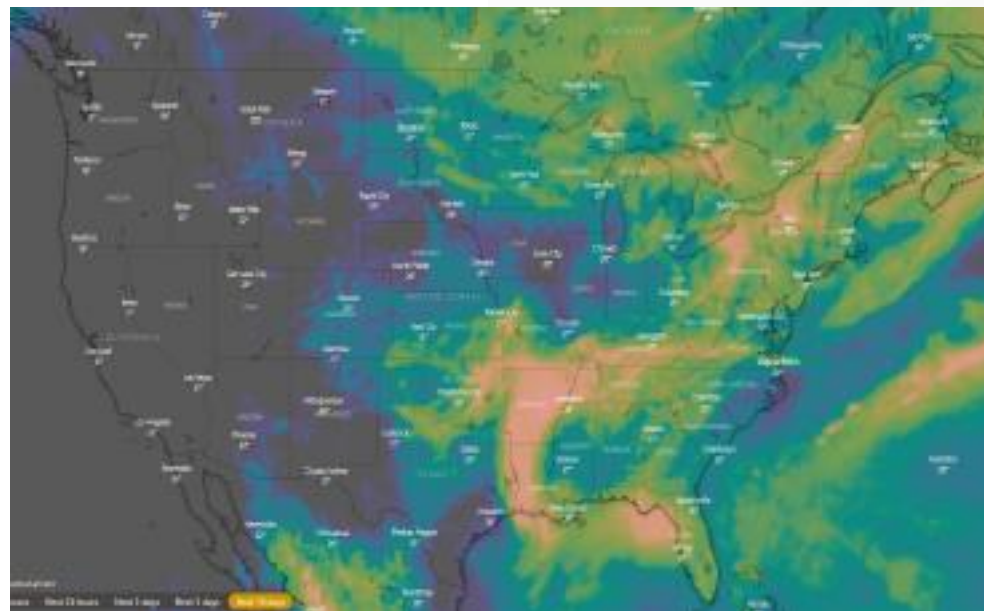


Fourteen-day forecast:

Dry weather can be expected over the entire country, with a few scattered showers possible over the southern regions.

North America:

The largest parts of the corn belt can expect dry weather. Harvest conditions have already deteriorated due to the lack of soil moisture and rain over the past week.

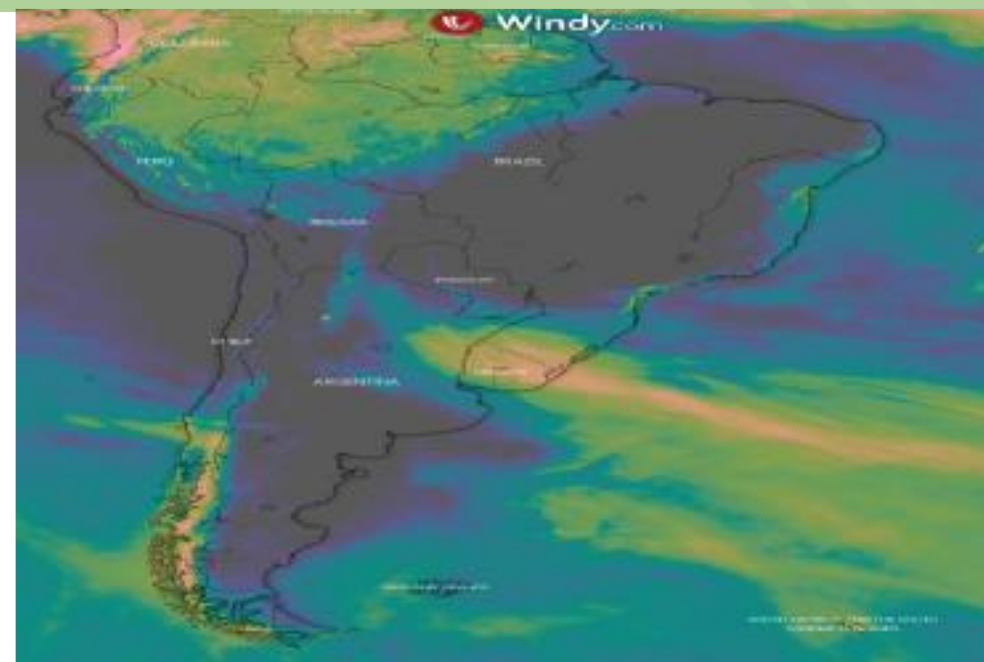


INTERNATIONAL

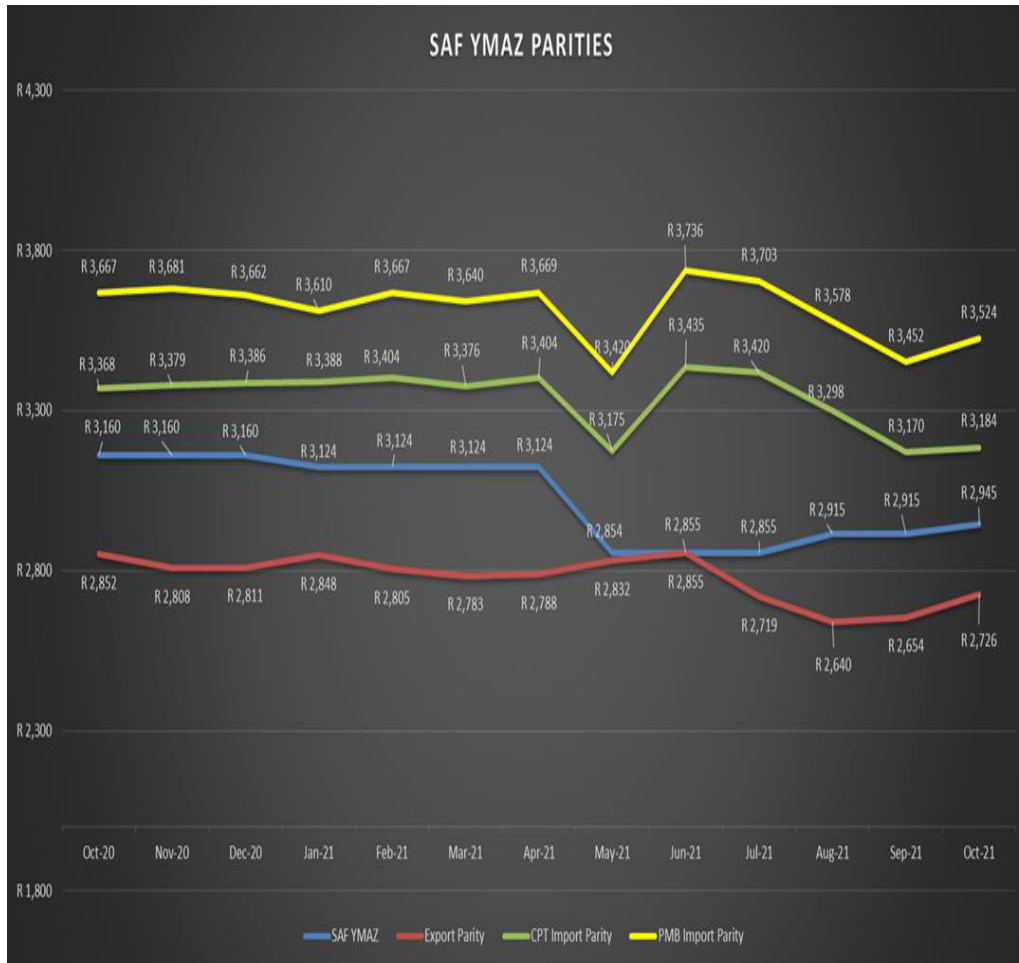
WEATHER

South America:

South America can likewise expect dry conditions. This will be very detrimental to the region as early planting are due to start in September.



IMPORT AND EXPORT PARITIES



	OCT'20	DEC'20	MAR'21	JUL'21
PMB import parity	R 3 667	R 3 662	R 3 640	R3 703
Cape import parity	R 3 368	R 3 386	R 3 376	R 3 420
SAFEX yellow maize	R 3 160	R 3 160	R 3 124	R 2 855
Export parity	R 2 852	R 2 811	R 2 783	R 2 719





USA: crop conditions as at 30 August 2020

Maize: Excellent

= 14%

Good

= 48%

Fair

= 24%

Poor

= 9%

Very poor

= 5%

Soybean: Excellent

= 13%

Good

= 53%

Fair

= 24%

Poor

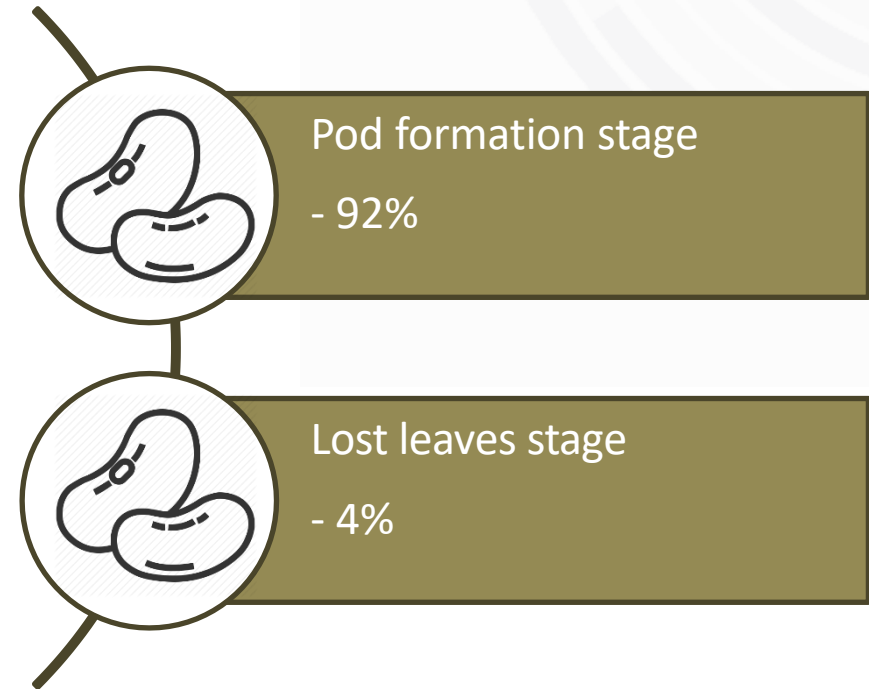
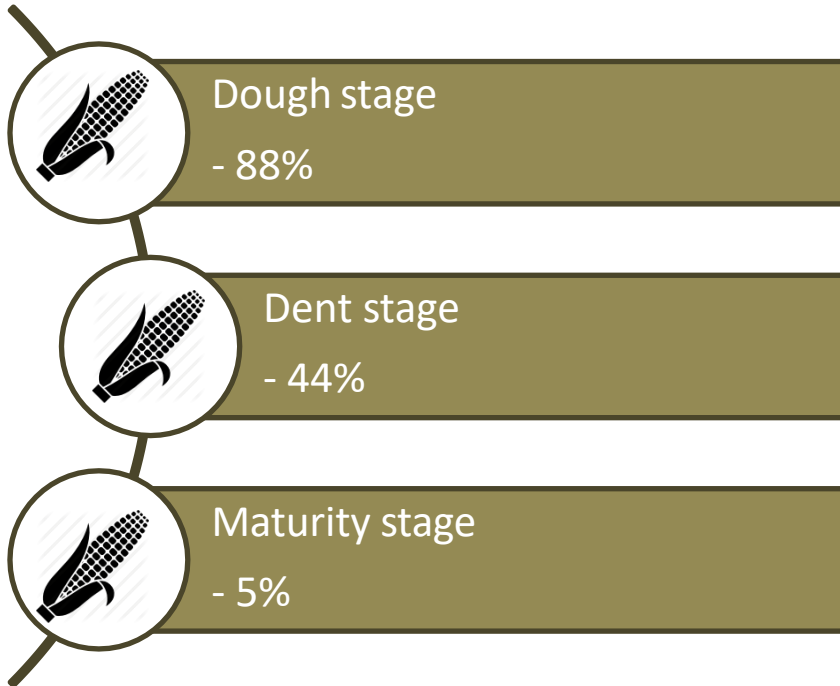
= 7%

Very poor

= 3%



USA Harvest Progress as at 30 August 2020



LOCAL AGRICULTURE



2020/21 season

White maize

- Export = 310 963 t
- **Previous week = 10 992 t**
- Import = 0 t

Yellow maize

- Export = 873 530 t
- **Previous week = 2 157 t**
- Import = 0 t
- **Previous week = 0 t**

Destination for majority of exports:

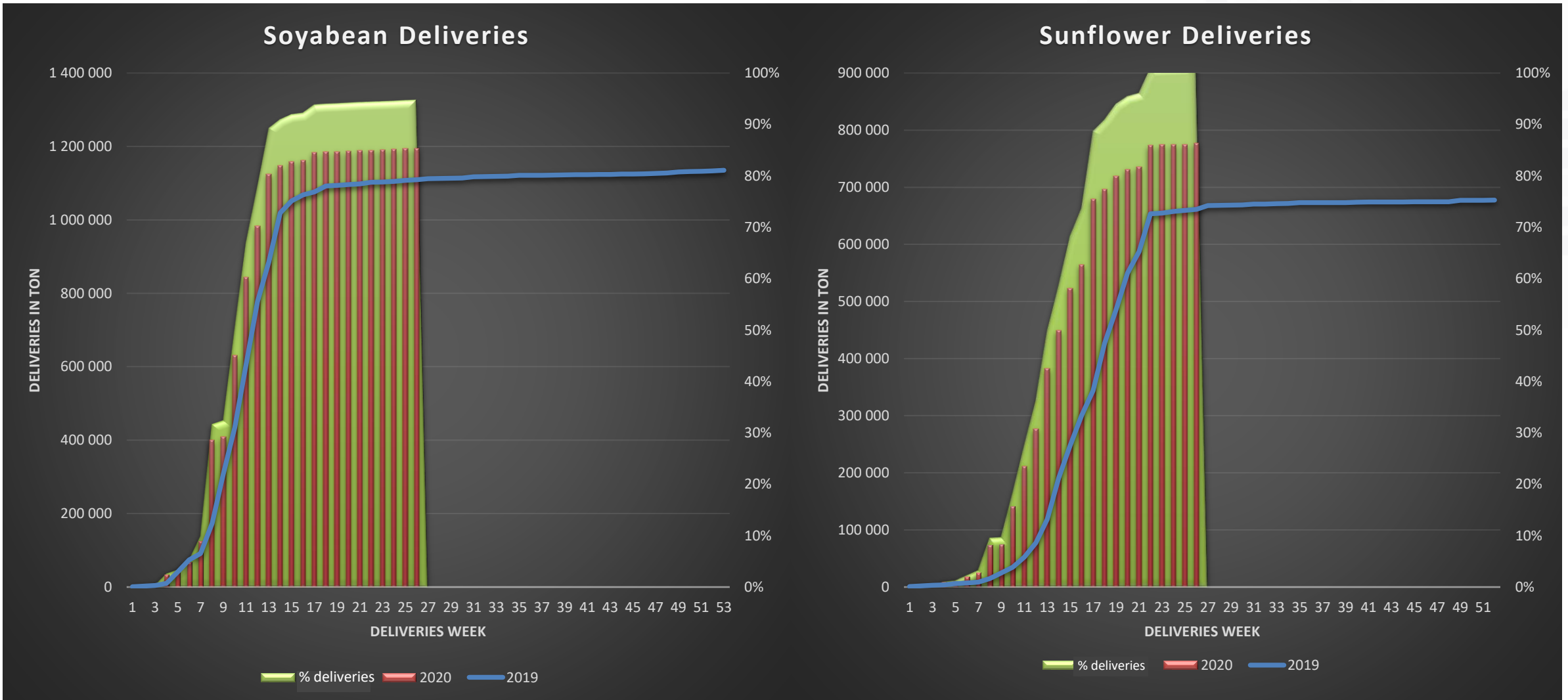
WM export:
Zimbabwe = 50%

YM export
Taiwan = 39%

LOCAL AGRICULTURE



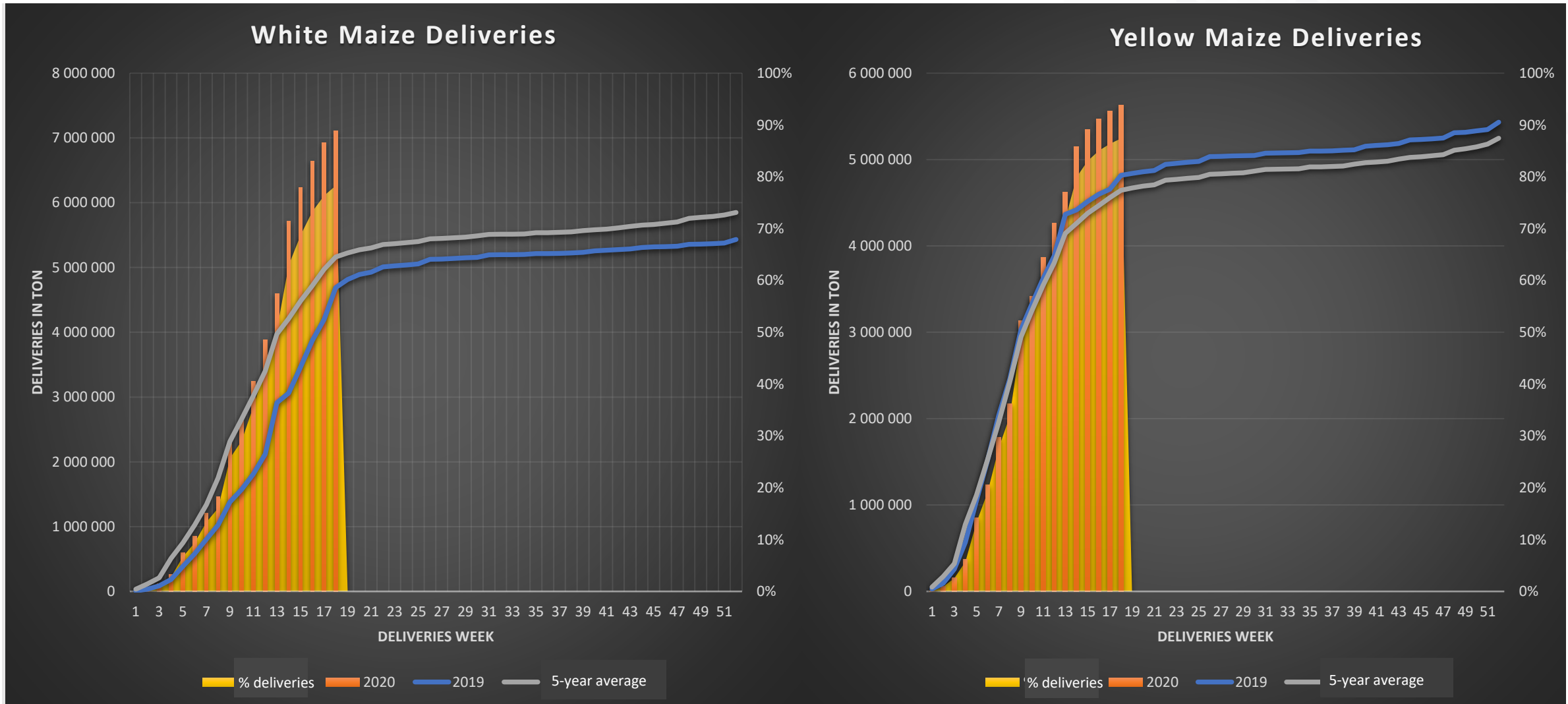
Cumulative oilseed producer deliveries as at 28 August



LOCAL AGRICULTURE



Cumulative maize producer deliveries as at 28 August



EXCHANGE RATE

R/\$



DOLLAR - RAND CHART



The South African currency retreated against the US dollar. The weakening of the rand can be attributed to economic instability and a strengthening of the US dollar.

The technical analysis indicates that the rand is still likely to strengthen over the longer term.



Lower global wheat production expected

Australian wheat producers will be in a favourable position if a global wheat shortage indeed occurs as currently predicted. America has recorded the lowest planting figures in a century, since producers are chasing profits on soybeans and maize. Wheat production in the UK is at the weakest level in 40 years, and while Russian production is expected to be high, it might be of questionable quality. Wheat production in China is on par but is already being used locally or stored, which will limit international availability.

Read more:

<https://www.abc.net.au/news/rural/2020-09-01/international-wheat-prices-and-australian-opportunity/12611390>

Opinion:

South Africa remains a net importer of wheat, therefore higher international prices will support local prices.



Potato prices skyrocket

On 25 August, all grades and classes of potatoes traded at more than R62 per 10 kg bag. This is more than double compared to prices in April when a 10 kg bag traded at just below R30. Dr. André Jooste, CEO of Potatoes South Africa says the recovery of the potato price is not only due to the relaxing of lockdown regulations, but also because pre-lockdown panic purchases reduced available stock levels.

Read more:

<https://www.netwerk24.com/landbou/Bedrywe/Tuinbou/korona-se-angel-getrek-vir-aartappels-20200827>

Opinion:

Higher potato prices will result in consumers moving to cheaper sources of carbohydrates such as maize, which will have a positive impact on the grain industry.



Rand retreats against stronger US dollar

The strengthening of the US dollar coupled with political risks in South Africa placed the rand under severe pressure on Wednesday 2 September. Adding further pressure to worsen an already precarious situation, Eskom once again implemented country-wide load shedding which will strain manufacturing and undermine economic growth.

Read more:

<https://www.moneyweb.co.za/news-fast-news/rand-weakened-by-firm-dollar-rising-domestic-risk/>

Opinion:

A weaker currency will support local grain prices.



SUMMARY

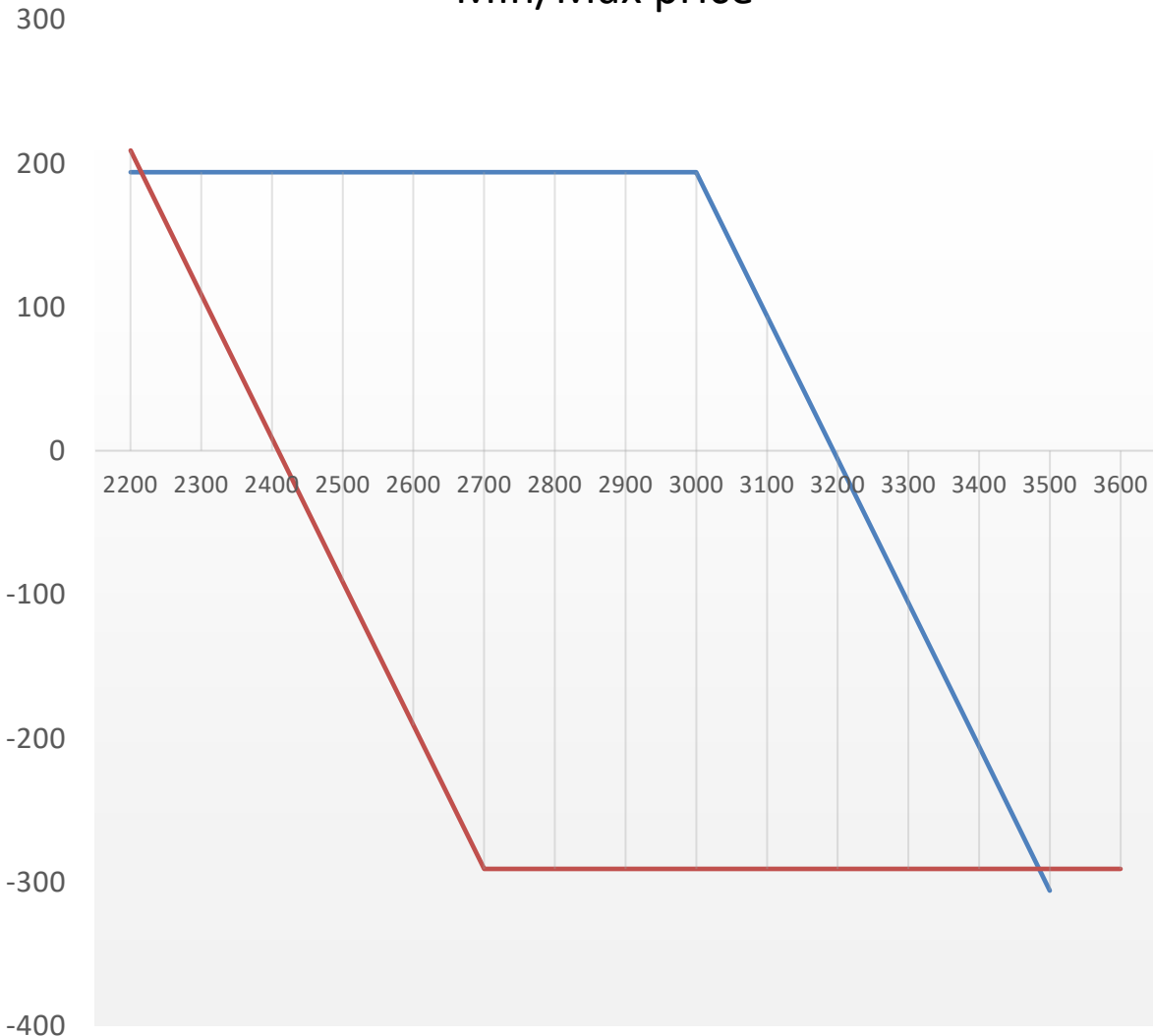
- Dry conditions can be expected over the entire country in the next two weeks.
- Grain conditions in the US were adjusted downward.
- The performance of the South African currency is weaker against the dollar.
- White maize producer deliveries progress very slowly, but yellow maize deliveries remain on target.

RISK MANAGEMENT

PRICE



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.

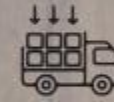


SAFEGUARDING FOOD PROSPERITY

Rand Agri, a bulk grain and supply chain trader, safeguards food prosperity in Southern Africa by connecting farmers and processors. Our services reach across the grain supply chain. It includes:



Trading grain crops such as soybean, wheat, sunflower, GMO/non-GMO white and yellow maize, sorghum and sugarbeans.



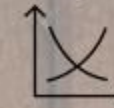
Logistics including sourcing, storage, export and delivery of grains and agricultural lime directly to customers.



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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CONTACT US



Parade

“Many of life’s failures are
people who did not realize how
close they were to success
when they gave up.”

—THOMAS A. EDISON—



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