



17 October 2019

WEEKLY~

FOOD-FOR-THOUGHT

Content



Weather

- Ten day weather outlook for South Africa
- Ten day forecast for the USA, Brazil and Argentina



Parities

Import and export parity of yellow maize



International Agriculture

- USA planting progress
- USA grain conditions and emergence report



Local Agriculture

- Weekly progressive producer deliveries
- Import and exports of maize for the new season



Exchange Rate

Overview of the Rand against the US\$



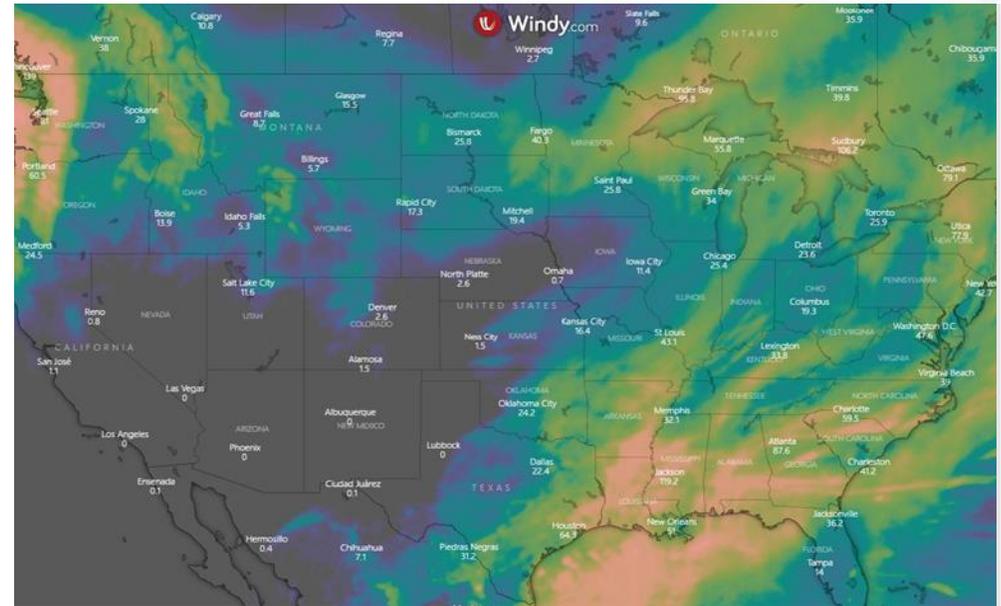
Price risk management

Longterm option strategy



Ten day forecast: North America

Normal to above normal rainfall is predicted for the eastern parts of the corn belt. Snow is predicted in the northern part of the corn belt including Minnesota, north and south Dakota.



INTERNATIONAL

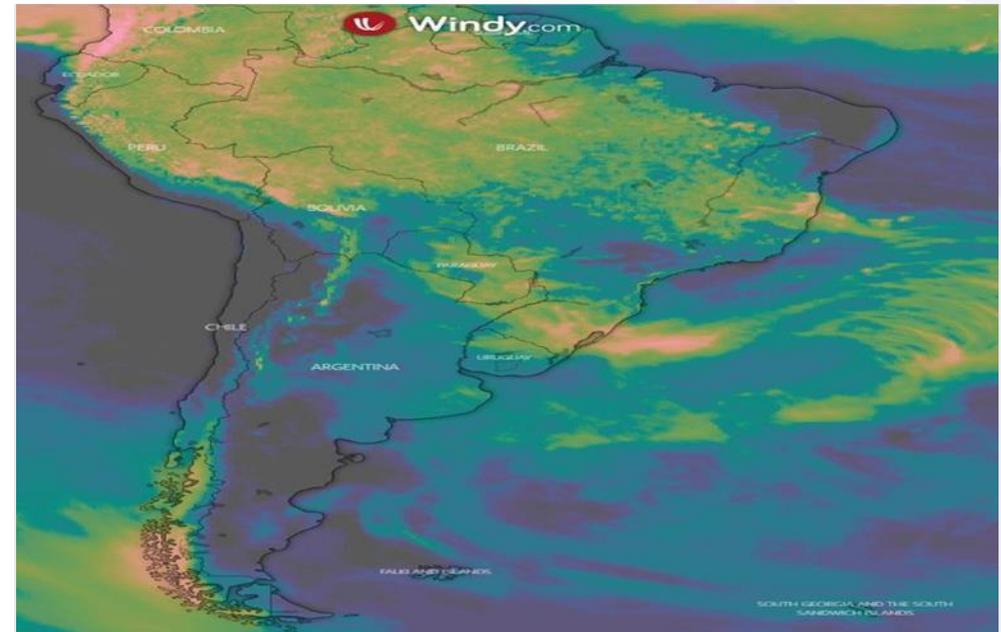
WEATHER



Ten day forecast: South America

Key production areas in Brazil can expect good rainfall that will support current plantings.

A dry spell for Argentina is predicted with no good rainfall expected over the following two weeks.



Agriculture



USA crop conditions (Good/Excellent)

Corn

2017
= 65%

2018
= 68%

5y avg
= 70%

Current
week
= 55%

Soybeans

2017
= 61%

2018
= 66%

5y avg
= 68%

Current
week
= 54%

Agriculture

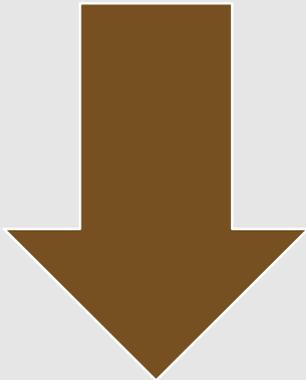


USA crop progress

Corn: Harvested



5y avg
= 36%



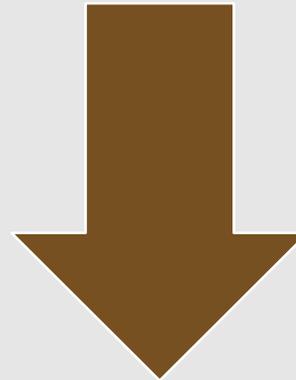
15 Oct-19
= 22%

Difference = -14%

Soybeans: Harvested



5y avg
= 49%



15 Oct-19
= 26%

Difference = -23%

AGRICULTURE



Producer deliveries up to 10 October

Maize

Current season:

White maize = 5 028 507 t
-91% of total crop delivered
Yellow maize = 4 979 130 t
-90% of total crop delivered

Five-year average:

White maize:
-89% of total crop delivered
Yellow maize:
-84% of total crop delivered

Soybeans

Current season:

= 1 119 200 t
-96% of total crop delivered

Previous season:

= 1 479 750t
-96% of total crop delivered

Sunflower

Current season:

= 671 205t
-99% of total crop delivered

Previous season:

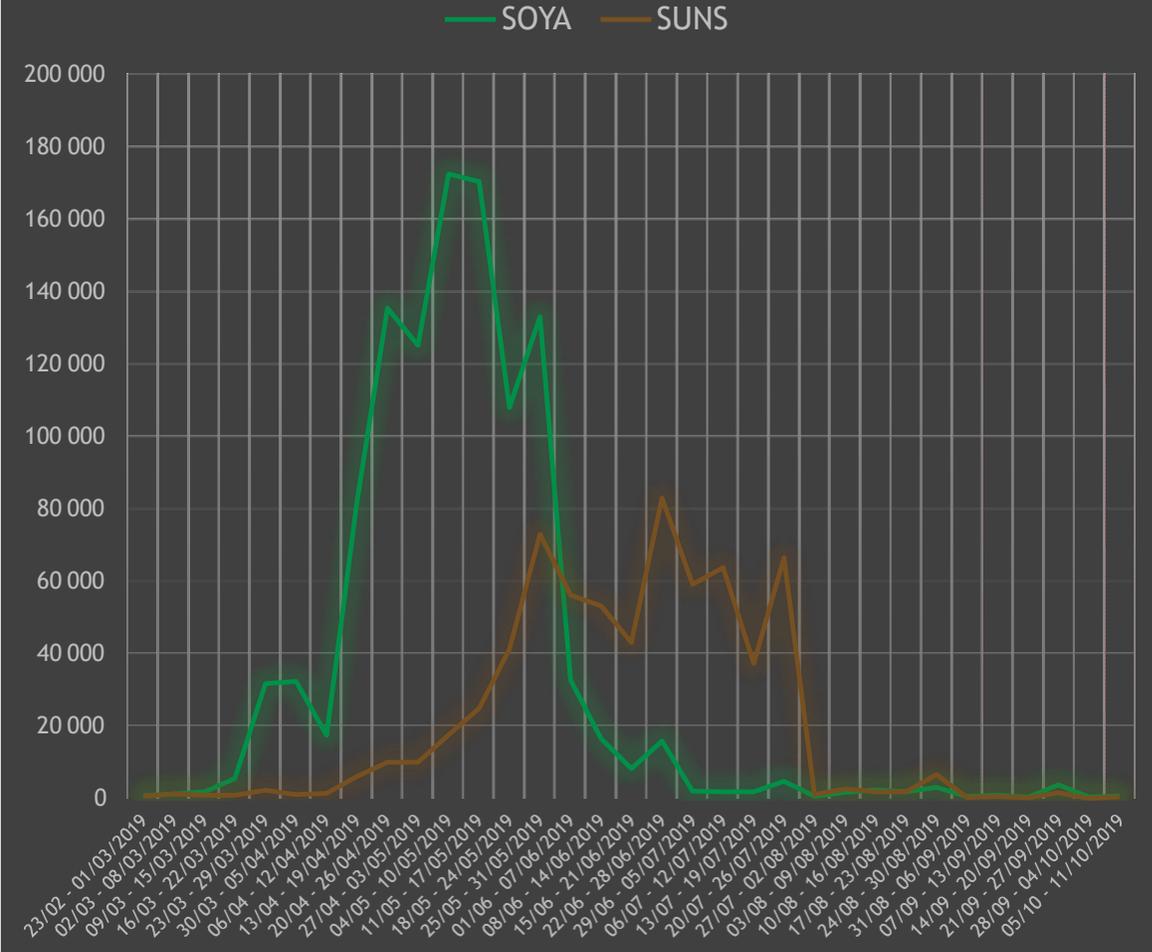
= 854 237t
- 99% of total crop delivered



Produsente lewerings: Mielies



Produsente lewerings: Oliesade



AGRICULTURE

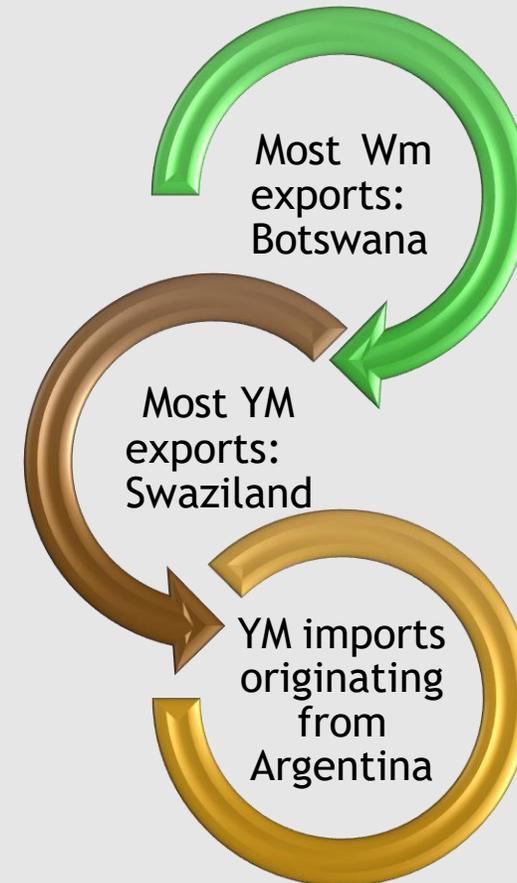


White maize

- Exports = 330 060t
- Imports = 0t

Yellow maize

- Exports = 147 397t
- Imports = 251 708t



R/\$



DOLLAR - RAND CHART



The South African currency traded weaker earlier this week against the US dollar.

A stronger US dollar, subsequent to the start of positive trade talks between China and the USA contributed to the weakening of the rand.

Another reason for the weaker rand is because of the reinstated load shedding grid in South Africa. Investors are cautious due to the looming possible junk status credit rating of South Africa just around the corner.

NEWS



Eskom puts local currency under pressure.

Earlier this week Eskom announced load shedding is back on the charts for South Africa. The power giant provides 95% of South Africa's electricity and is currently facing financial and structural difficulties. After the announcement the ZAR weakened since investors are sceptical about the credit rating which will occur next month.

Read more at:

<https://www.bloomberg.com/news/articles/2019-10-16/south-african-power-utility-eskom-to-implement-rolling-blackouts?srnd=premium-africa&cmpid%3D=>



Free State wheat at crossroads

Wheat crops in the Free State are at its critical growth and development phase. Producers can be expecting a lower yield than anticipated first, due to heat and below-average rainfall affecting crops. It is estimated that 80% of the wheat production in the western parts of the Free State will decline by one third, because of the drought. Any rainfall will be too little too late now.

Read more at:

<https://www.netwerk24.com/landbou/Nuus/koring-trek-swaar-in-dele-van-die-vrystaat-20191015>



First Brazilian crop estimates for the 2019/20 seas

Conab has released its first independent crop estimates report earlier this week. The 2019/20 estimate for the Brazilian soybean production will be 120.3 million tons, or 4.7% more than last year's production of 115.0 million tons. They estimate that the 2019/20 Brazilian corn production will be 98.3 million tons, or 1.7% less than last year's production of 100.0 million tons.

Read more at:

http://www.soybeansandcorn.com/news/Oct11_19-Conab-201920-Brazil-Soy-120_3-mt-4_7-Corn-98_3-mt-1_7



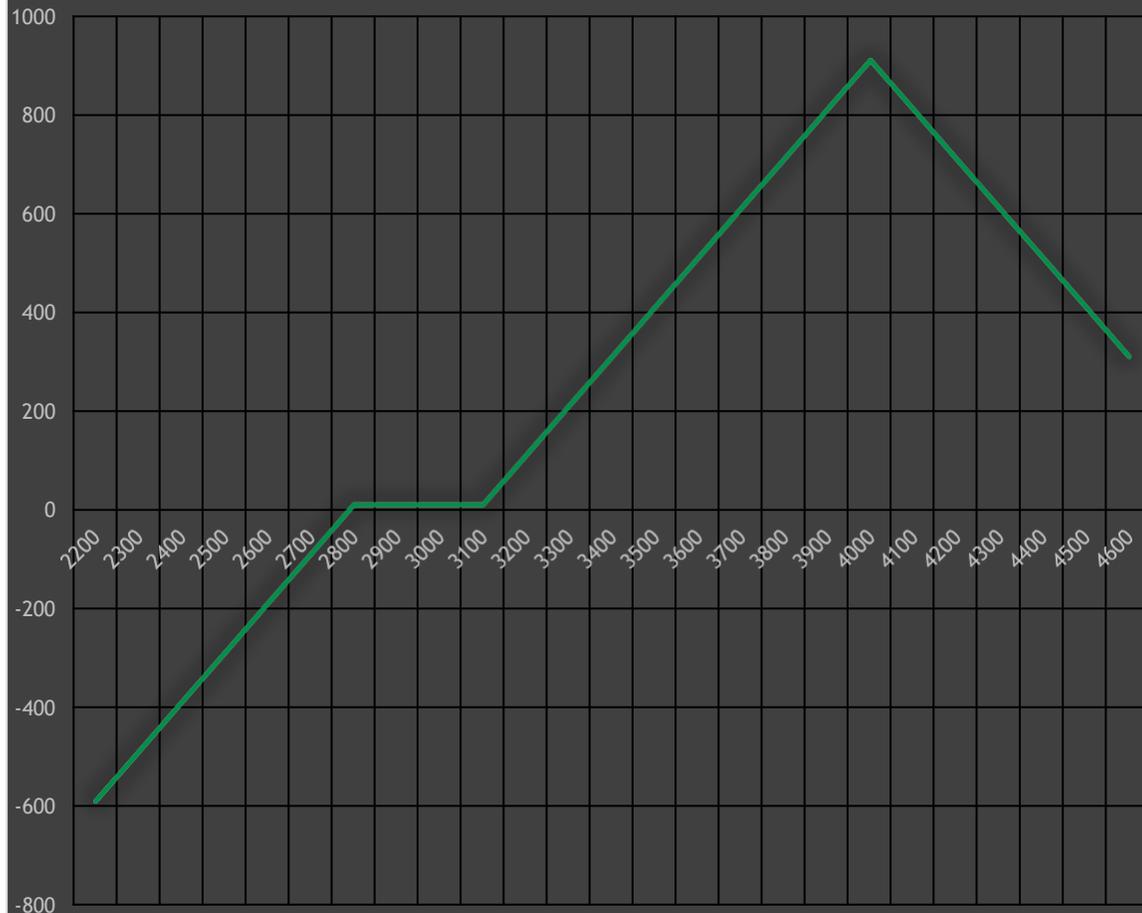
Summary

- The dry weather predicted for South Africa in the following two weeks will support the local grain prices
- The Northern parts of the USA corn belt can expect more snow for the next ten-days and should support CBOT prices.
- Local producer deliveries are on track and weekly deliveries are declining at a drastic rate.
- The South African ZAR trades weaker against the US dollar, supporting local grain prices.

RISK MANAGEMENT



Long term option strategy



What is done?

- Buy a call option at R3 100
- Sell a put option at R2 800
- Sell 2 x call options at R4 000

Why?

The strategy is for the client who want so sell its product but still wants to participate in the market because he thinks the price will increase. Usually the client will enter a 70/30 agreement where the client do a fixed prices to sell his grain and then buy a futures on a further month. The risk here is that with every R1 the market falls, the client will lose R1.

Outcome of the option strategy:

Should the market price increase, the client will take part in the profits between the R3 100 up and until the R4 000/t level.

If the marketprice decreases , the client will not lose any money up anduntil the level of R2 800/t. Should the market price move below the R2 800/t level, the client will buy his grain back and receive a long futures position. Thus as the market moves to R2 500/t, the client will lose R300/t and will be obliged to pay the R300/t loss.

« Still
innovating
110 years
 later »



The best way to predict your future is to create it.
 — Stephen Covey

Today's sustainable farming was built on the foundation laid by our grandfathers, their fathers and Kynoch. Now, after more than a century, and with renewed energy, Kynoch is still building on this foundation to create a sustainable future for generations to come.

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By all means, join the ranks of the leading importer, blender and retailer of the most comprehensive range of fertilizer products in southern Africa ... because in 110 years we have never rested on our laurels ... on the contrary, we continuously embrace change and innovation, as that is what keeps us in the forefront.

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PROMOTION

Bulk Grain Trade and Supply Safeguarding Prosperity in Southern Africa

Sourcing, exporting and delivered - directly to you.

A trusted expert on the JSE (Safex), specialising in hedging services.

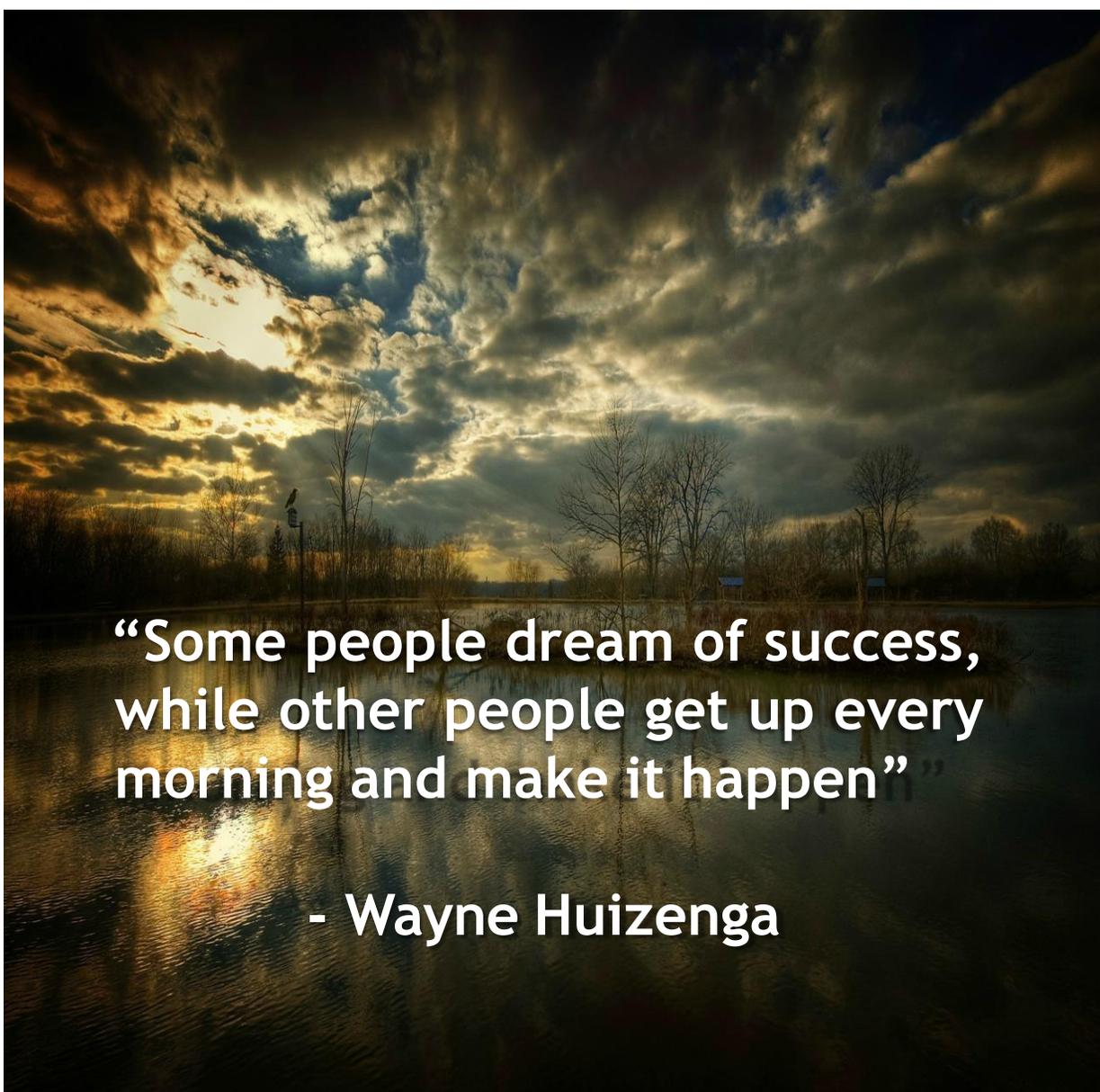
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- White Maize
Yellow Maize
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Sunflower Oil Cakes (vegetable protein)
- Soya Bean
Soya Bean Oil Cakes (vegetable protein)

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“Some people dream of success,
while other people get up every
morning and make it happen”

- Wayne Huizenga

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