



WEEKLY

03 July 2019

FOOD-FOR-THOUGHT

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Ten day forecast for the USA, Brazil and Argentina



Parities

Import and export parity of yellow maize



International Agriculture

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Local Agriculture

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- Import and exports of maize for the new season



Exchange rate

Overview of the Rand against the US\$



Price risk management

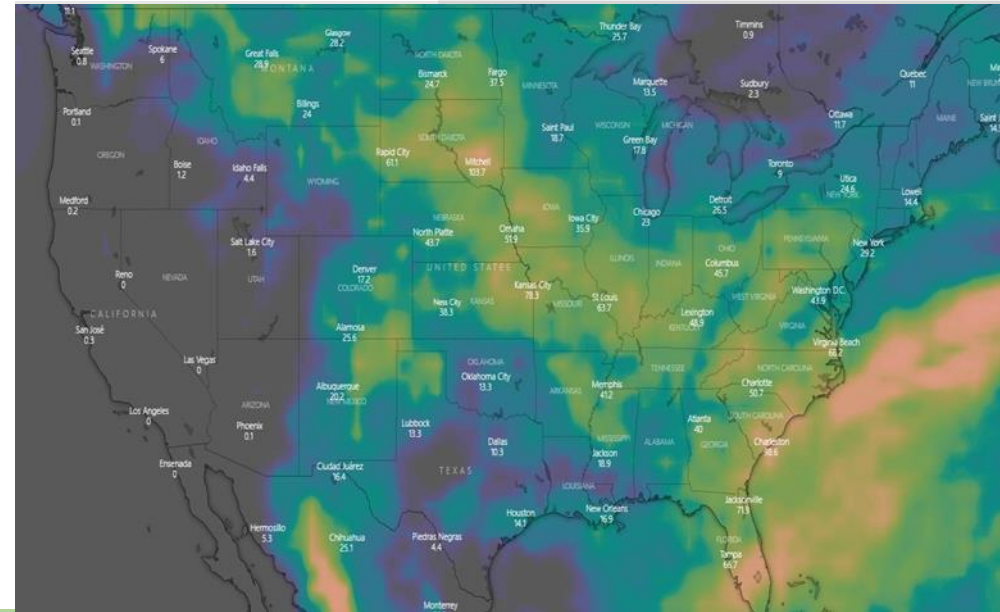
Long put option



Ten day forecast: North America

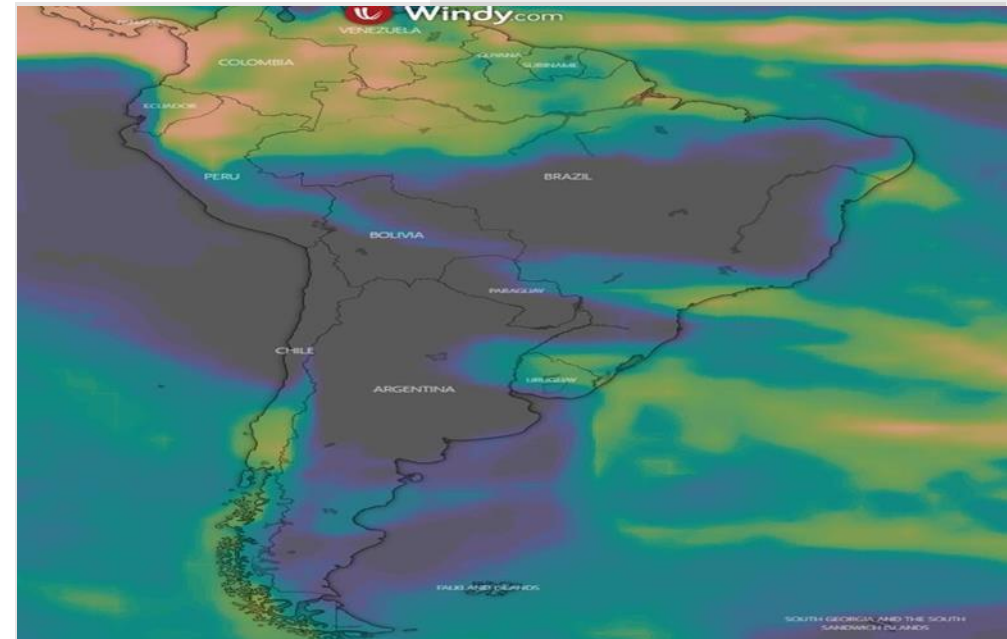
The eastern parts of the USA can expect wet weather in the next 10 days.

INTERNATIONAL WEATHER

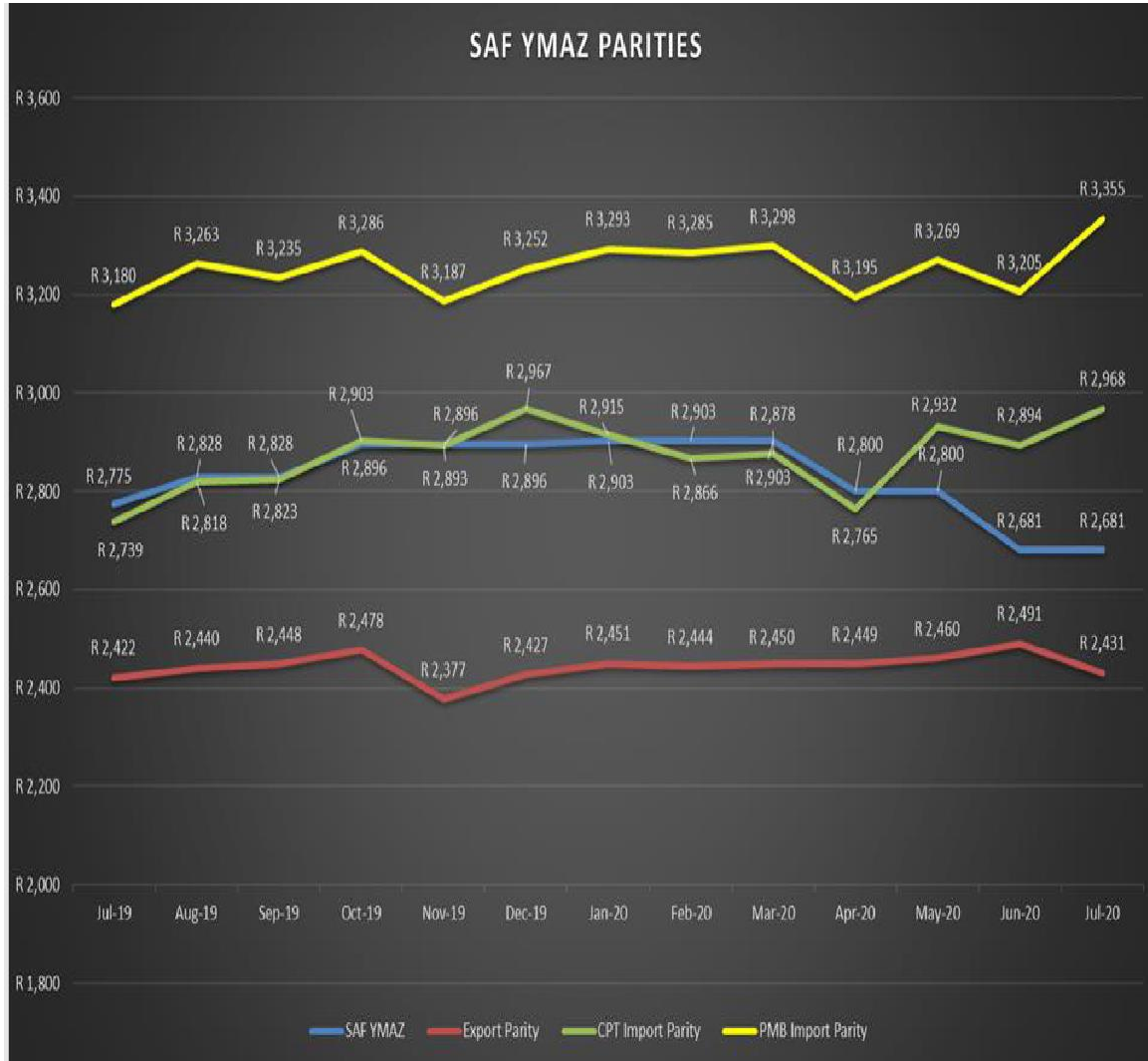


Ten day forecast: South America

According to the latest weather update, both Brazil and Argentina can expect dry weather the next 10 days



PARITY



	Jul-19	Dec-19	Mar-20	Jul-20
Import parity PMB	R3 180	R3 252	R3 298	R3 355
Import parity Cape	R2 739	R2 967	R2 903	R2 968
SAFEX Yellow maize	R2 775	R2 896	R2 878	R2 681
Export parity	R2 422	R2 427	R2 450	R2 431



Agriculture



USA grain emerged and conditions - Corn and Soybeans

Corn

Emerged

94% - 2019, 100% - 5 year average

Condition(Good/Excellent)

56% - 2019, 57% - expectations, 76% - 2018

Soybeans

Plantings

92% - 2019, 100%, 5-year average

Emergence

83% - 2019, 95%, 5-year average

Conditions (Good/Excellent)

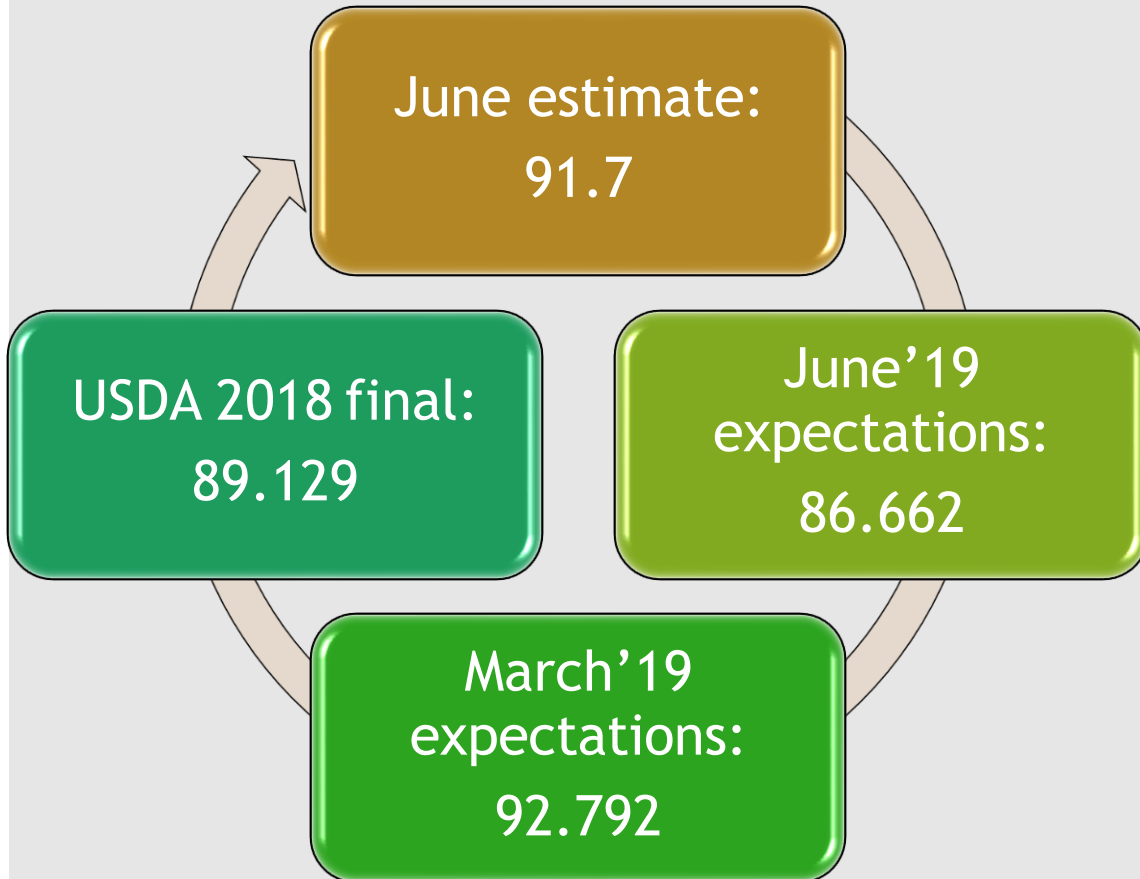
54% - 2019, 56% - expectations, 71% - 2018

Agriculture

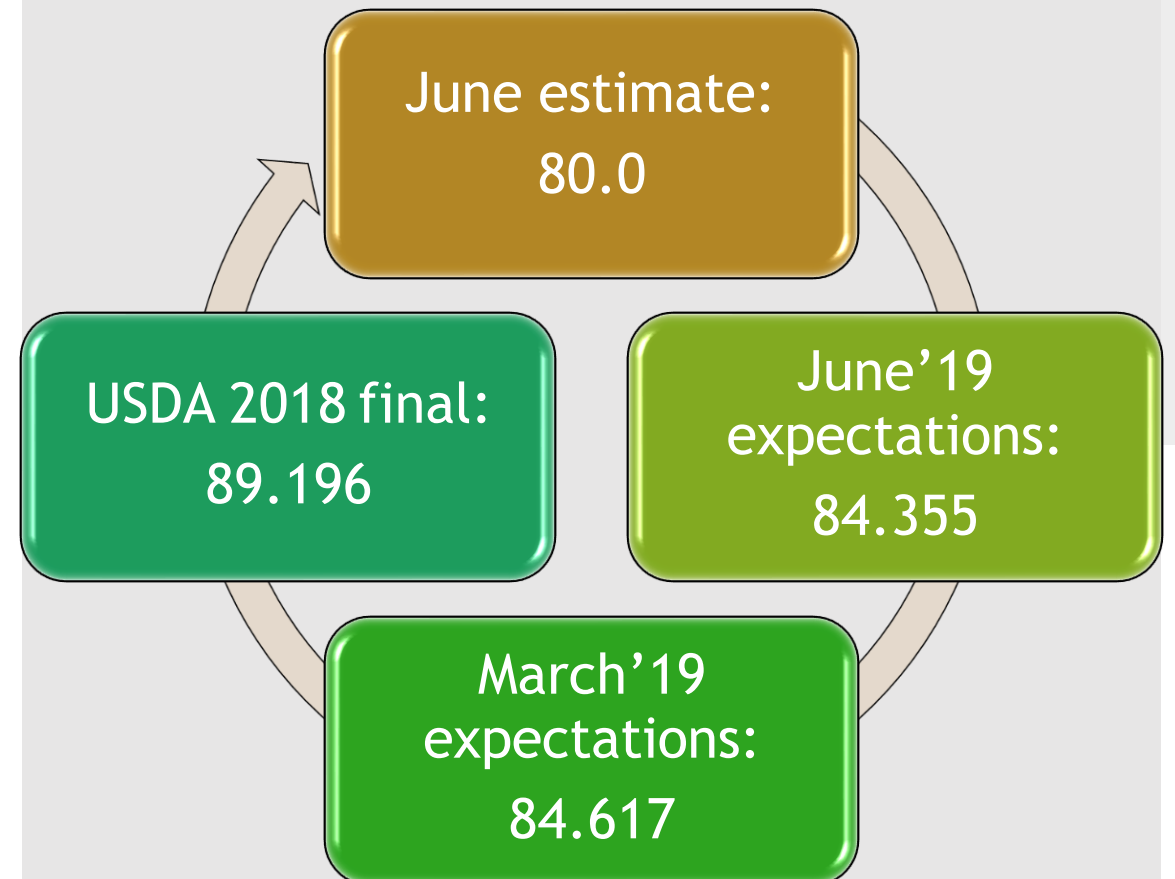


28 June'19 USDA report

Corn plantings - million acres



Soybean plantings - million acres



AGRICULTURE



Producer deliveries up to 28 June'19

Maize

Current season:

White maize = 1 259 493 t
Yellow maize = 2 846 247 t

Previous season:

White maize = 1 655 206 t
Yellow maize = 1 594 980 t

Soybeans

Current season:

= 1 079 791 t

Previous season:

= 1 502 976 t

Sunflowerseed

Current season:

= 388 918 t

Previous season:

= 863 184 t

AGRICULTURE

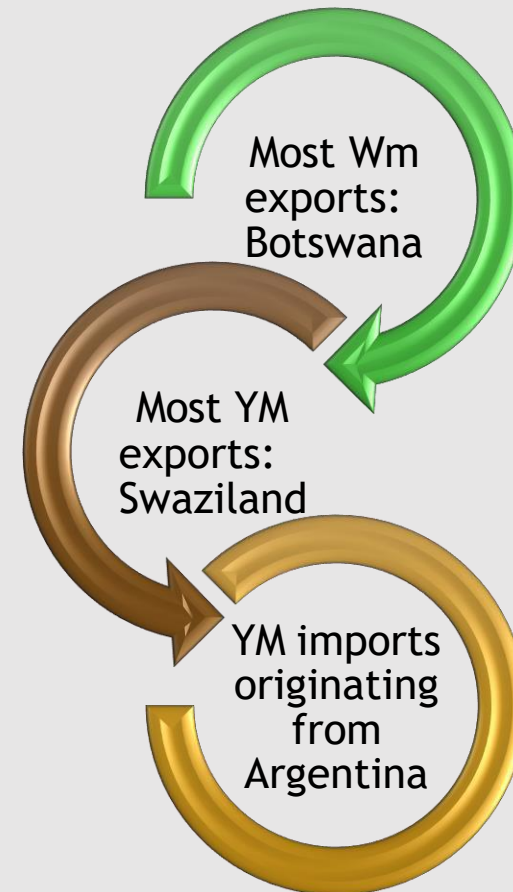


White maize

- Exports = 94 646t
- Imports = 0 t

Yellow maize

- Exports = 46 283 t
- Imports = 66 308 t





USDZAR CHART



The South African Rand traded weaker against the US Dollar during opening of the SAFEX trading hours yesterday. This supported the local grain prices and brought potential heavy losses on soybean prices to an end.

At time of writing the report the rand appreciated against the US dollar. Should the rand continue this trend, it will add pressure to the local grain market prices on SAFEX.



Europe biggest winners from Asia's hog crises

Top pork consumer China and its neighbors are gobbling up supplies from abroad as the deadly African swine fever virus ravages their own herds and causes millions of pigs to be culled. That has pushed prices in the European Union, which supplies more than half of China's imports, to a five-year high.

The gains have also come as the Asian nation maintains tariffs on U.S. supplies and recently suspended shipments from Canada, boosting the appeal of meat from rival producers. That means Europe should benefit for a while .

Read more at:

<https://www.bloomberg.com/news/articles/2019-07-02/europe-s-pig-farms-are-biggest-winners-as-china-clamors-for-meat>



The latest USDA thoughts on US maize

Just a few weeks ago, agricultural analysts across the world were concerned that the excessive wet weather conditions in the U.S. would lead to fewer plantings and poor yields. This would have subsequently led to tight global maize supplies. But when the U.S. Department of Agriculture released its acreage report last week, there was soon a realisation that the market misread the situation on the ground. The U.S. government indicated that farmers planted 37.1 million hectares in 2019/20 season, up by 3% year-on-year. It appears that farmers switched a few soybean hectares to maize due to attractive prices in June 2019. As a result, soybean plantings are down by 10% year-on-year to 32.4 million hectares in 2019/20 season.

Read more at:

<https://wandilesihlobo.com/2019/07/03/thoughts-on-the-u-s-maize-market/>



SA maize market exceeds expectations

Winter rainfall areas in South Africa experienced some good rainfall during the past month. According to Johan vd Berg these areas can expect more rain during July due to a weak El-Nino system, still present in the country. He indicated that the rainy conditions might even continue up to September. Western Cape, Southern Cape and the southern parts of the Eastern Cape are included in the predictions.

Read more at:

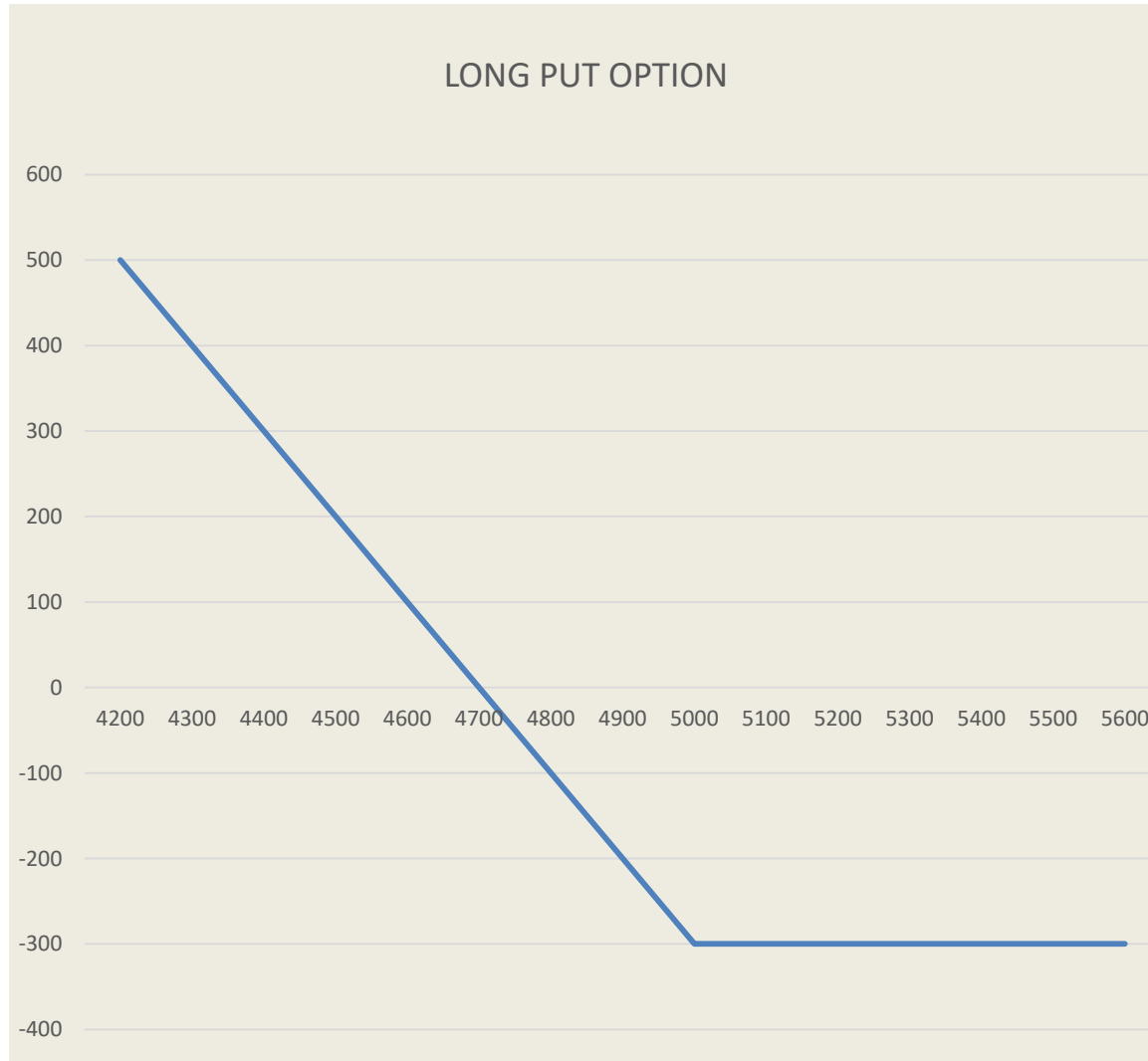
<https://www.netwerk24.com/landbou/Nuus/julie-kan-nog-goeie-reen-bring-20190702>



Summary

- Planting progress in was made in the USA as a result of dryer weather experienced the past week. Wet conditions forecasted for the next ten days could affect the already planted crops negatively as well as the yield.
- Local yellow maize is priced competitively with rest of the market as its currently trading at Cape import parity. This will limit upward price movement potential since it will be cheaper for SA consumers to import maize should the maize price move above the import parity.
- The recent USDA report surprised everyone on the market and exceeded expectations for the amount of acres planted for maize.

The reports expected prediction led to a depreciation in CBOT market price, also influencing the local prices.



- Protects the holder of the option against depreciating prices.
- The holder of the option locks a minimum price in against which he can deliver his product.
- If the price moves below the minimum level, the holder of the option has the right to deliver his product against the minimum level previously locked-in.
- Should the price of the underlying commodity move above the minimum price level, the holder of the option can sell his put option and sell his/her product on the local market against the higher market price.
- The option can be bought at a cost, which is determined by the volatility price range and the time to expiry.
- The option will cost more, the higher the minimum price level. If the market is volatile, the cost will also be higher.

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mean to you?



... to see **a world** in
a grain of sand. »

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*Inspired by a William Blake poem

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“Don’t judge each day by the
harvest you reap but by the
seeds you plant”

– Robert Louis Stevenson

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