



10 July 2019

WEEKLY

# FOOD-FOR-THOUGHT

# Content



## Weather

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
- WASDE report expectations



## Local Agriculture

- Weekly progressive producer deliveries
- Maize imports and exports for the new season



## Exchange rate

Overview of the Rand against the US\$

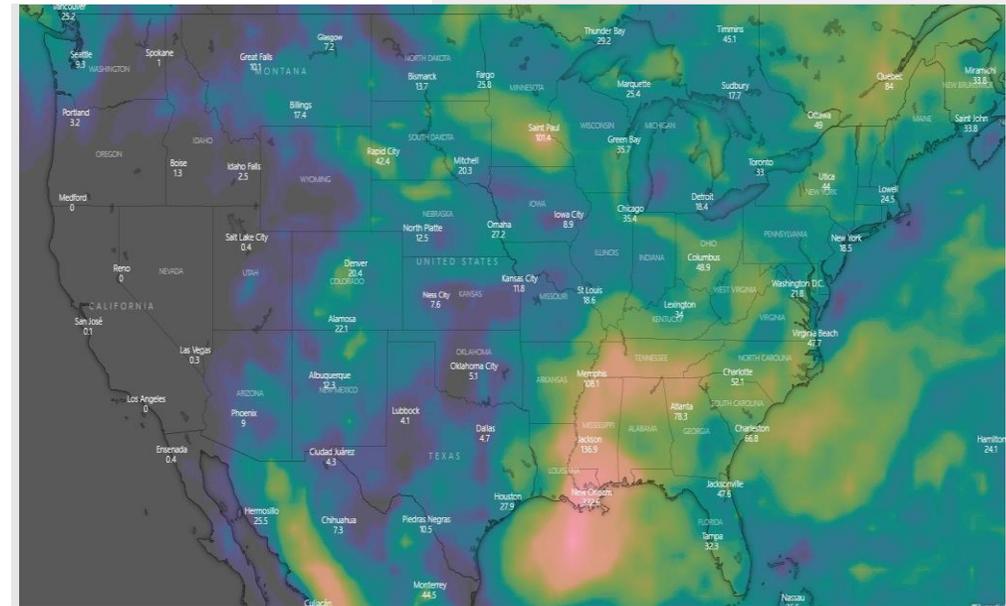


## Price risk management

Long put option

## Ten day forecast: North America

Relative wet conditions are expected in the eastern parts of the country - favourable for planted crops.



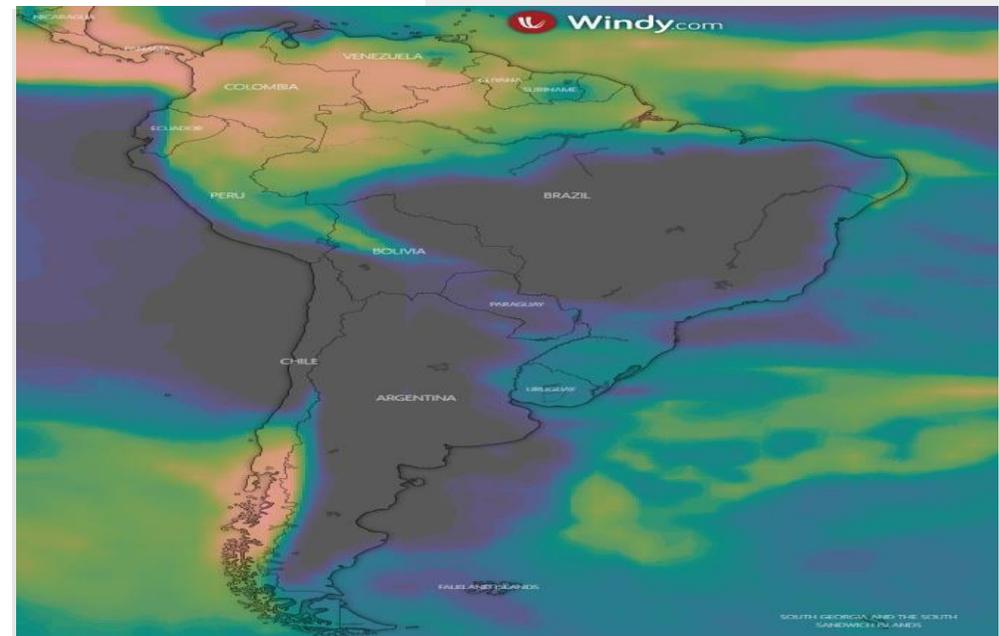
INTERNATIONAL

# WEATHER

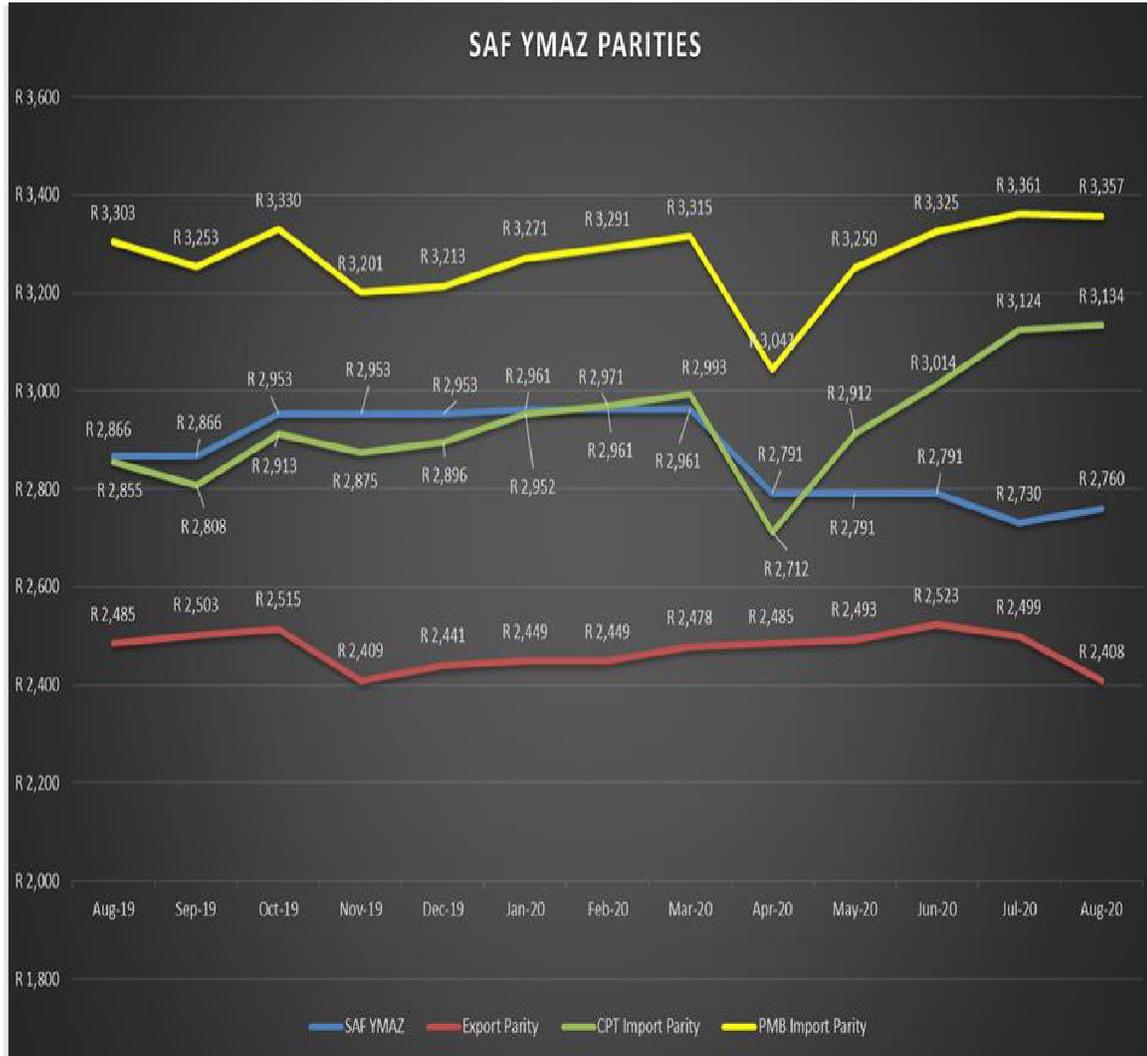


## Ten day forecast: South America

Dryer weather conditions in Argentina and Brazil the next 10-days, will accelerate the harvesting season in both countries.



# PARITY



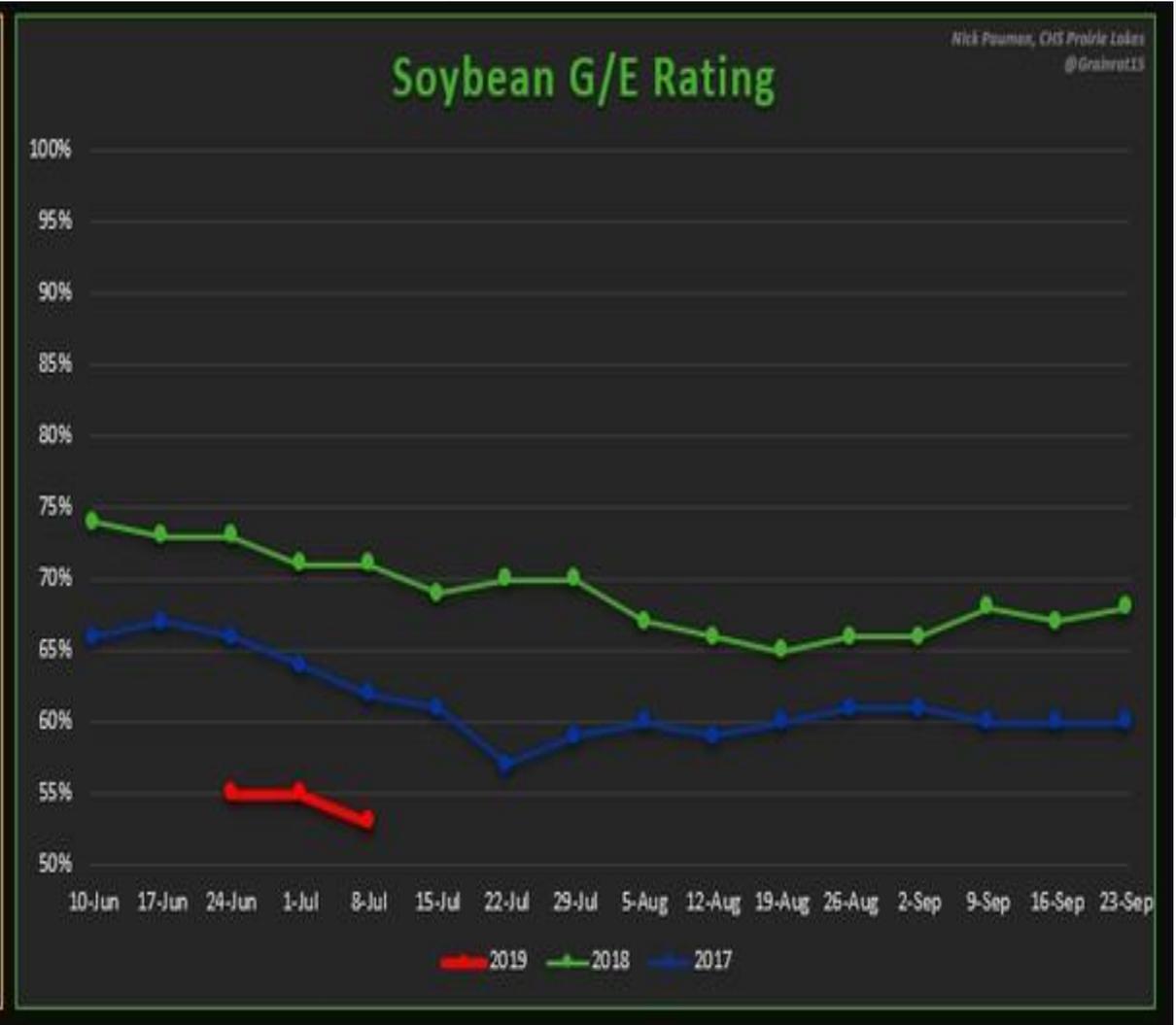
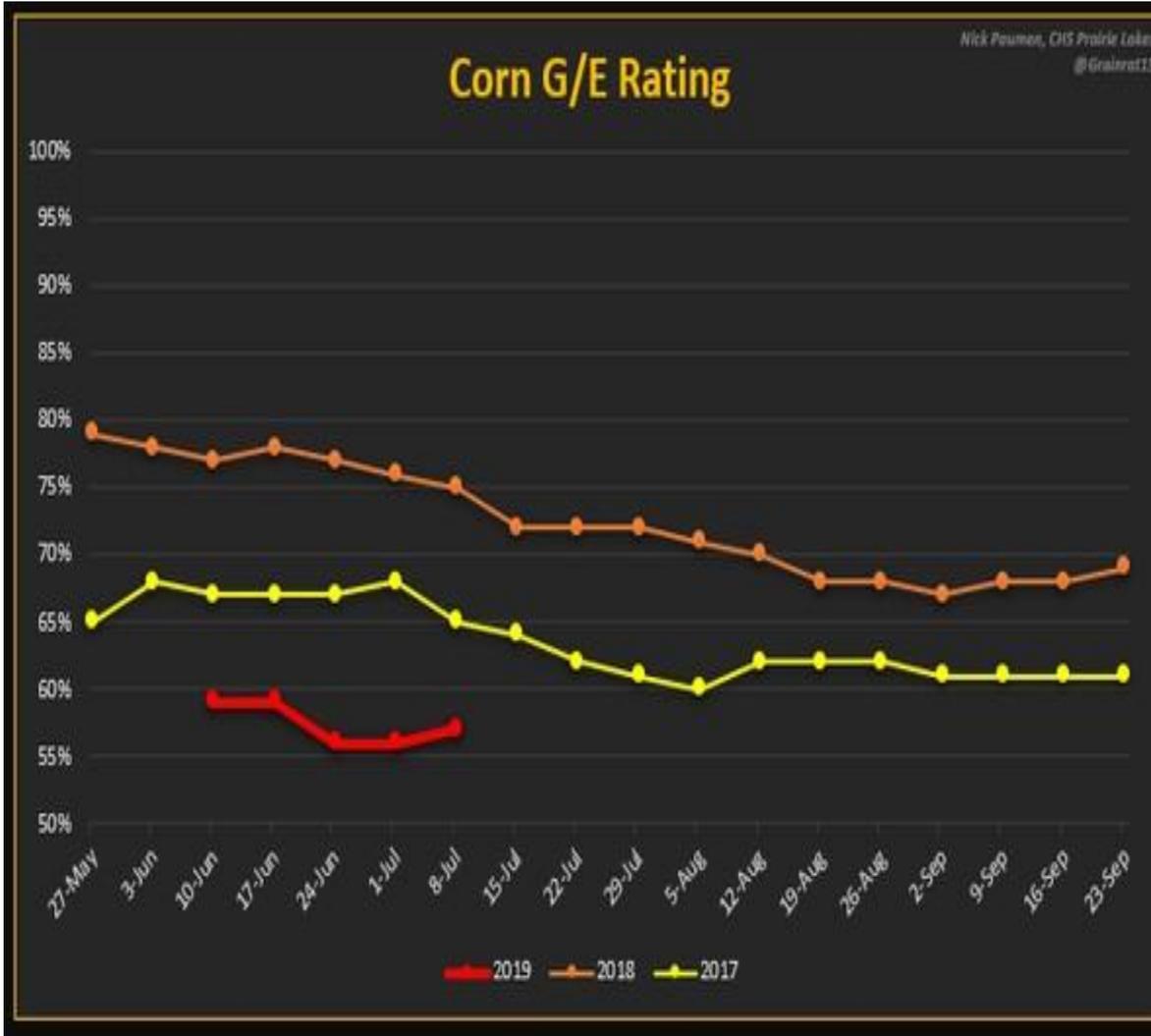
	Aug-19	Dec-19	Mar-20	Jul-20
Import parity PMB	R3 303	R3 213	R3 315	R3 361
Import parity Cape	R2 855	R2 896	R2 993	R3 124
SAFEX Yellow maize	R2 866	R2 953	R2 961	R2 730
Export parity	R2 485	R2 441	R2 478	R2 499



# Agriculture



## USA crop conditions (Good/Excellent)

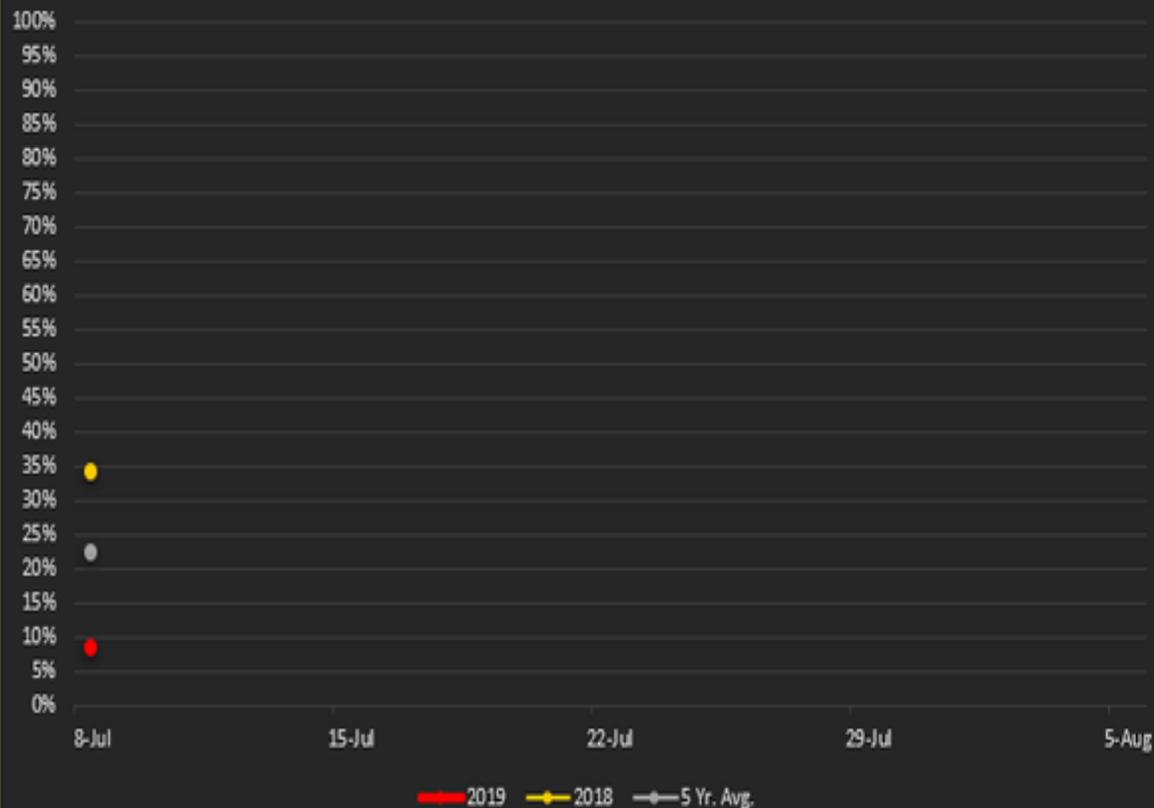




## USA crop growth stages

### Corn Silking

Nick Paumen, CFS Prairie Lakes  
@Grainrat15



### Soybean Blooming

Nick Paumen, CFS Prairie Lakes  
@Grainrat15



# Agriculture



Expectations for 11 July'19 - WASDE report

## 2019/20 U.S. Crop Production

(Trade estimates for WASDE July 11, 2019)

	CORN		SOYBEANS	
	Yield	Production	Yield	Production
<b>Trade avg.</b>	<b>165.0</b>	<b>13.664</b>	<b>48.6</b>	<b>3.883</b>
Trade range	162.0 – 167.0	13.100 – 13.960	47.0 – 51.0	3.783 – 4.100
<i>USDA June</i>	<i>166.0</i>	<i>13.680</i>	<i>49.5</i>	<i>4.150</i>
2018/19 Final	176.4	14.420	51.6	4.544

Note: Yield figures in bushels per acre, production figures in billions of bushels.

Data sources: Reuters; USDA/WAOB

@kannbwx

Click here for a quick overview of the international market:

<https://twitter.com/i/status/1148646052955901952>

# AGRICULTURE



Producer deliveries up to 28 June'19

## Maize

### Current season:

White maize = 1 501 296 t  
Yellow maize = 3 218 770 t

### Previous season:

White maize = 2 173 159 t  
Yellow maize = 3 009 729 t

## Soybeans

### Current season:

= 1 086 403 t

### Previous season:

= 1 446 256 t

## Sunflowerseed

### Current season:

= 460 967 t

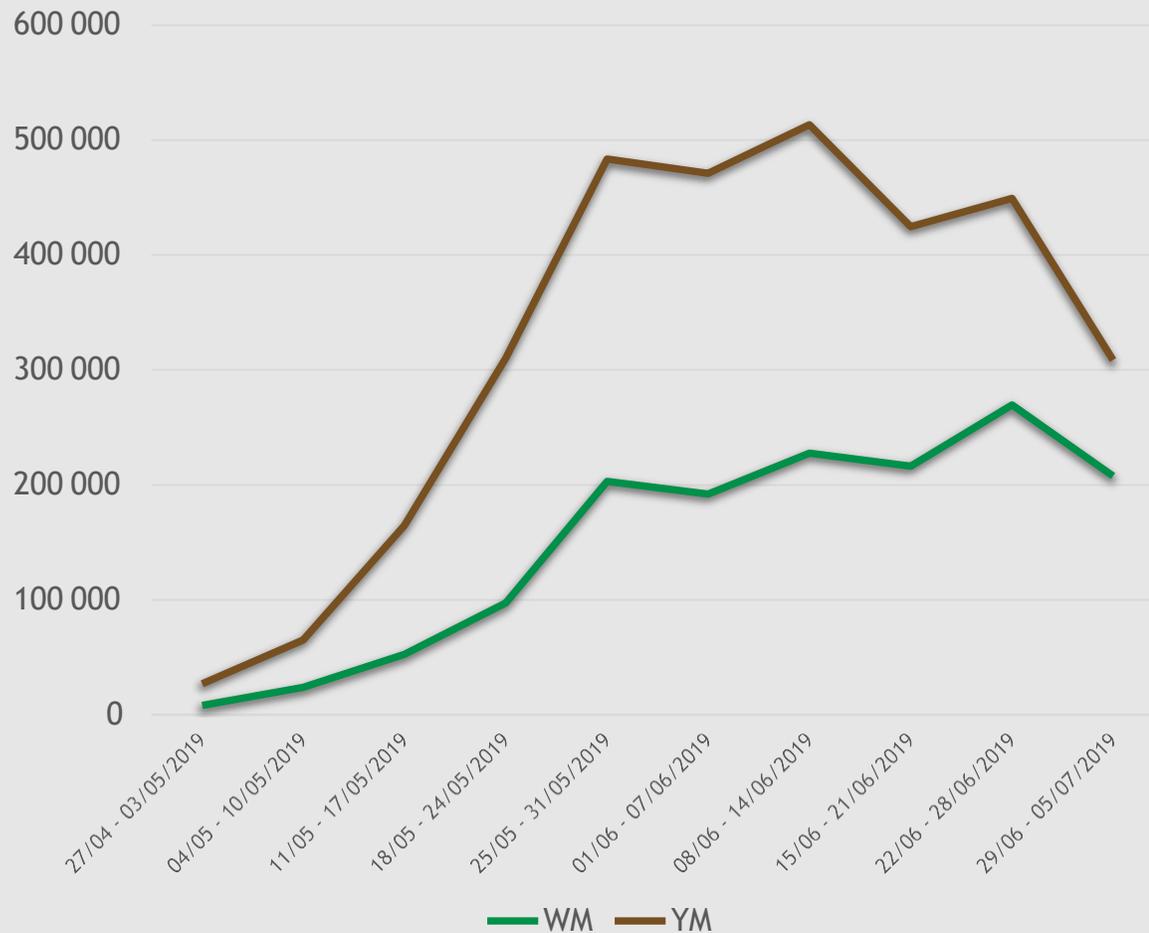
### Previous season:

= 672 438 t

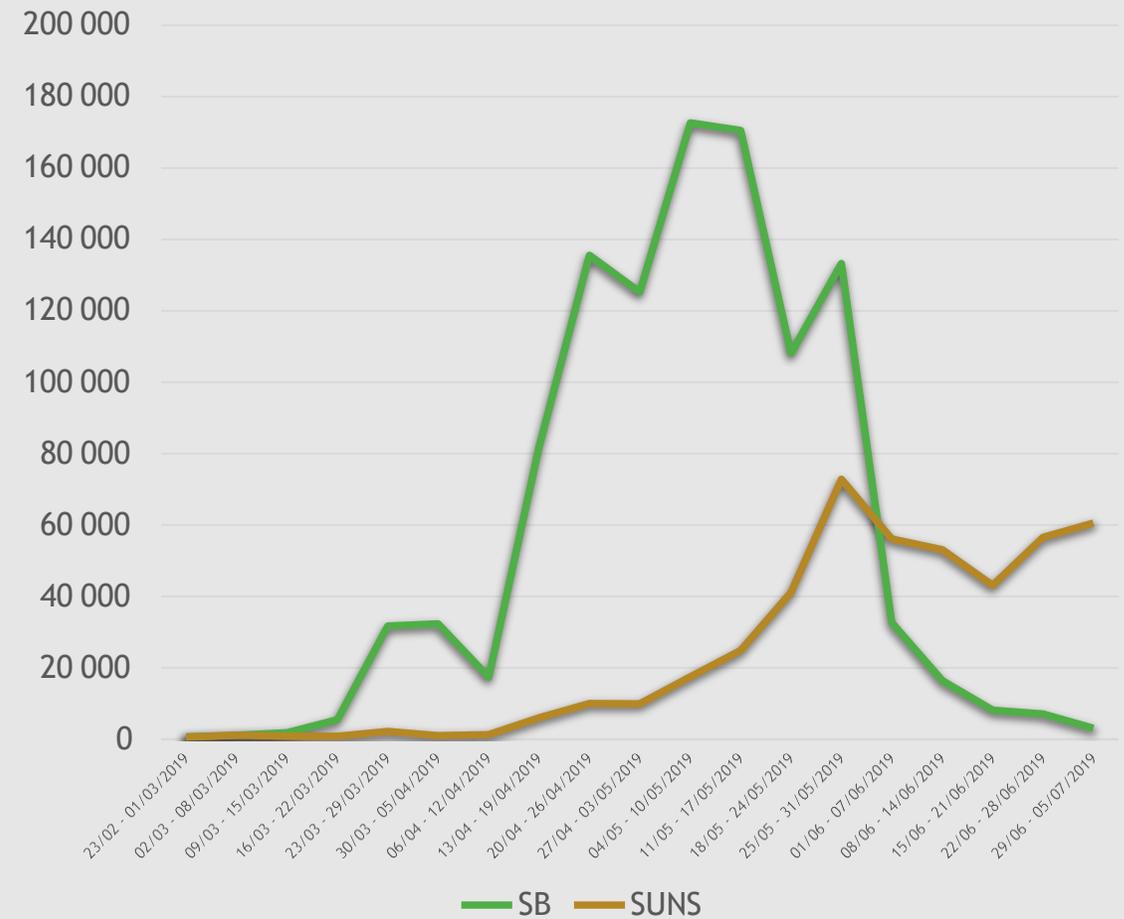
# NATIONAL Agriculture



### Producer delivery progress



### Producer delivery progress



# AGRICULTURE

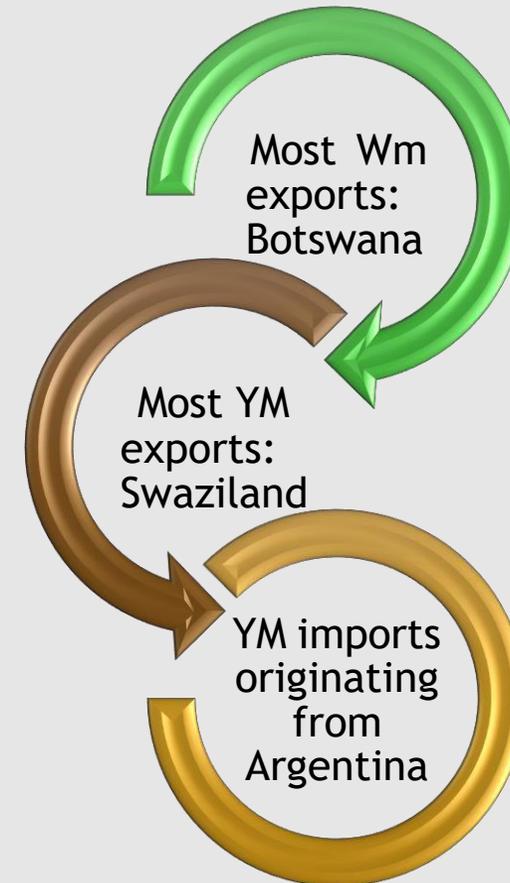


## White maize

- Exports = 94 646t
- Imports = 0 t

## Yellow maize

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





## USDZAR CHART





## El Nino classified as neutral.

The chances for the El Nino to occur in the upcoming season is neutral. The current water temperatures in the El Nino areas are between 0.5°C warmer and 0.5°C colder according to latest data.

This indicates the El Nino might still have a chance to occur during the upcoming season and that there is a probability of more winter and less summer rainfall.

More data later this year will paint a clearer picture.

Read more at:

<https://www.netwerk24.com/landbou/Nuus/reen-sluimer-el-nino-vireers-20190709>



## USA crop conditions behind the averages

Row-crop development remained behind the five-year average pace while little change was seen in crop conditions, according to the latest USDA NASS Crop Progress report released Monday.

Nearly all of the corn -- 98% -- that farmers managed to plant this year had emerged. However, only 8% of the crop was silking, well behind 34% at the same time last year and also behind the five-year average of 22%.

Corn condition, estimated at 57% good to excellent, was up 1 percentage point from 56% the previous week. That fell within trade expectations of 57%-58%.

Read more at

[:https://www.dtnpf.com/agriculture/web/ag/news/article/2019/07/08/nass-corn-condition-57-good-soy-53](https://www.dtnpf.com/agriculture/web/ag/news/article/2019/07/08/nass-corn-condition-57-good-soy-53)



## Chinese corn production decline

Corn production in China is forecast to decline in 2019-20 due to government policies designed to reduce corn planting in favour of soybeans as well as crop damage from the spread of the fall armyworm, according to a July 8 Global Agricultural Information Network report from the U.S. Department of Agriculture (USDA).

The USDA said corn production for 2019-20 is forecast to fall more than 9% from its June outlook due to lower area and yield. The USDA projects a crop of 230 million tonnes, which is the lowest corn production forecast in China since 2012-13.

Read more at:

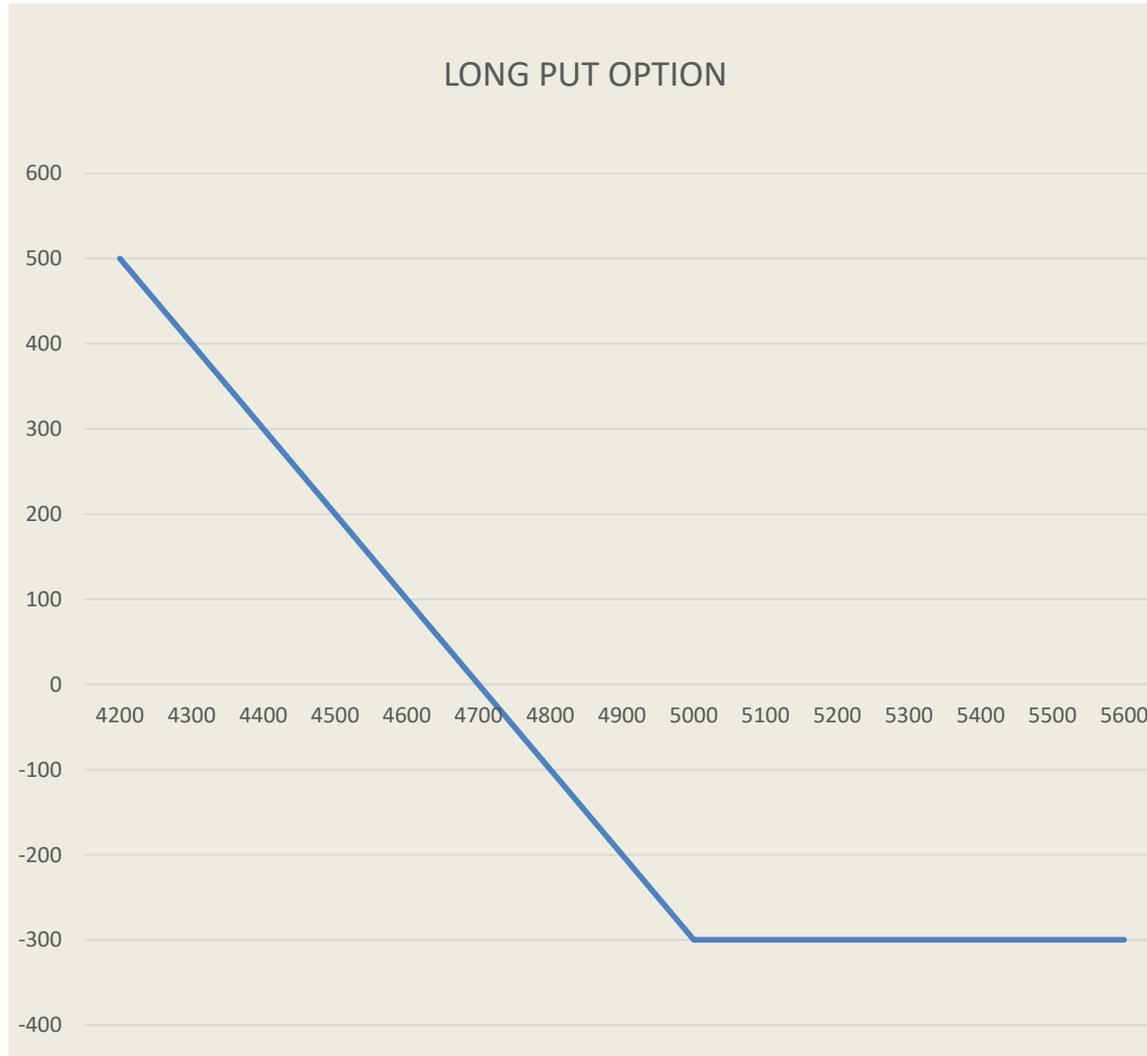
<https://www.world-grain.com/articles/12297-china-corn-production-projected-to-decline>



# Summary

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- Improved weather conditions in the USA will promote better growth conditions as well as an increase in yield and production of the planted crop. It will add pressure to CBOT prices as well as the local SAFEX market.
- Yellow maize is currently trading at Cape import parity, a good indication that local maize is well priced in the international market, limiting any upward price movements.
- The expectations of WASDE report outcome indicates a market expectancy of lower yields and production than previous years. Should the expectations be met, CBOT prices will find support and local SAFEX market prices might increase.
- Producer deliveries for soybeans decreased the past two weeks. However maize deliveries are still slow, but expected to accelerate during harvest season in the western parts of the country, end July.



- 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.

« What does  
**enhance**  
mean to you?



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

We at **Kynoch** would like to thank you, the nation builders, the dreamers, the visionaries, those who stand in the face of adversity and see the potential of a harsh landscape, by planting a seed for tomorrow's generations. We salute you, the food producer.

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011 317 2000 | [info@kynoch.co.za](mailto:info@kynoch.co.za) | [www.kynoch.co.za](http://www.kynoch.co.za)



\*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

# CONTACT US



Tel: +27 (0) 13 243 1166

E-pos: [info@randagri.co.za](mailto:info@randagri.co.za)

Web: [www.randagri.co.za](http://www.randagri.co.za)

Address: 24 Samora Machel Street,  
Middelburg, Mpumalanga

