



14 August 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
- 12 August 2019, USDA production 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\$

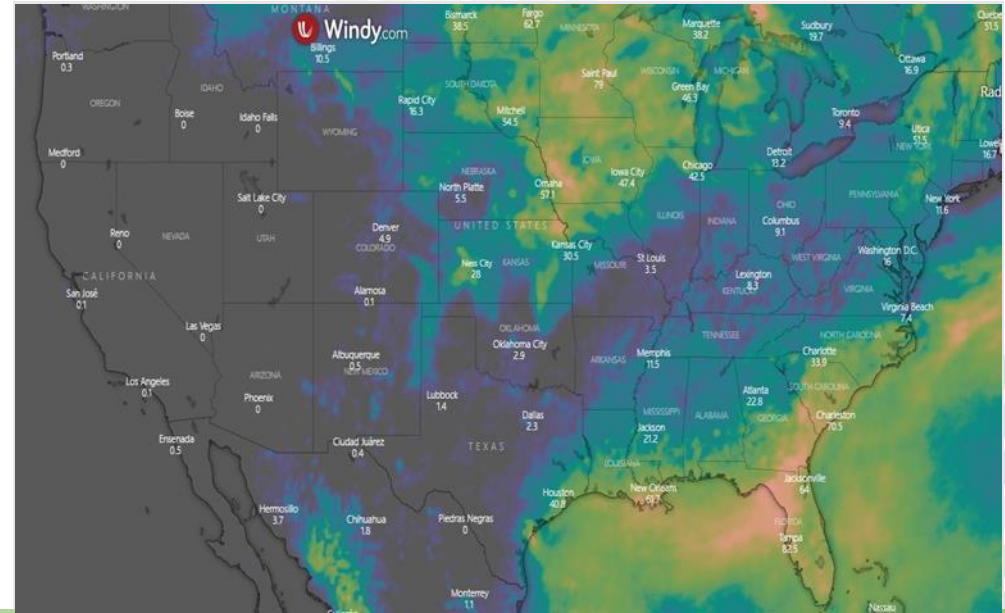


Price Risk Management

Long term option strategy

Ten day forecast: North America

Below normal precipitation and above normal temperatures in the eastern parts of the USA corn belt could affect the crop conditions negatively.



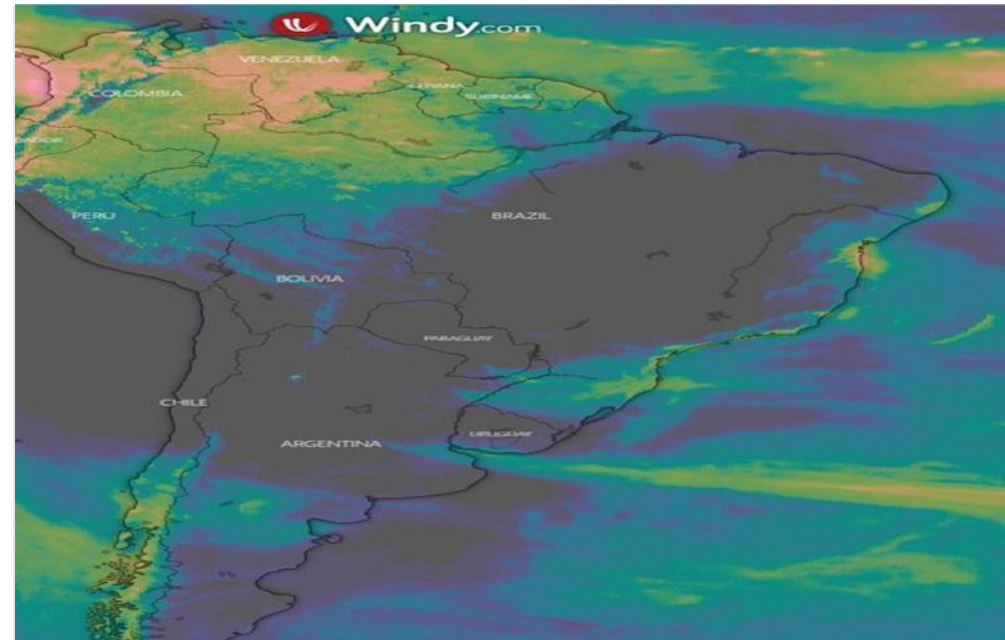
INTERNATIONAL

WEATHER

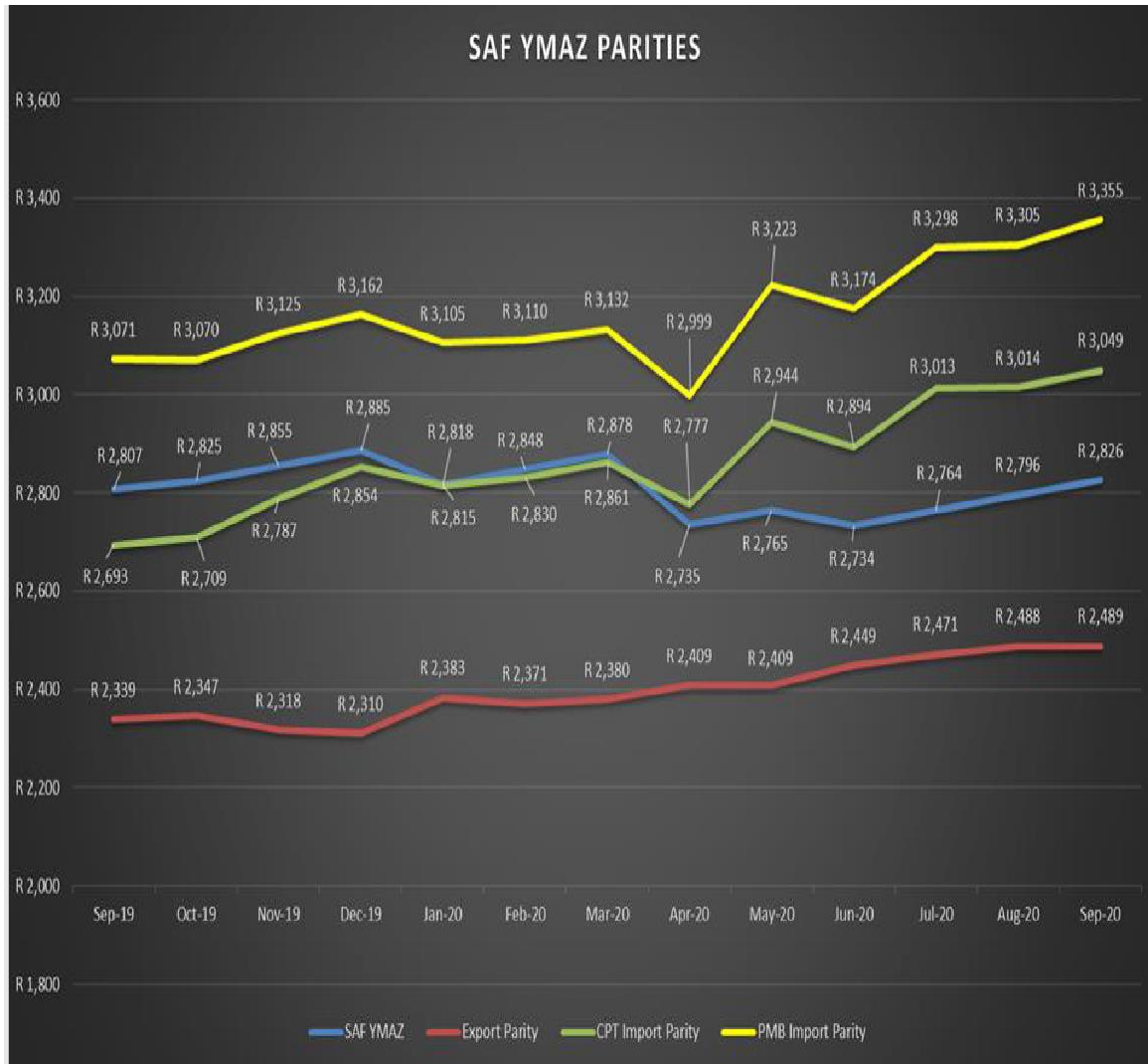


Ten day forecast: South America

Dry circumstances for both America and Argentina will improve the harvesting rate.



PARITY



	Sep-19	Dec-19	Mar-20	Jul-20
Import parity PMB	R3 071	R3 162	R3 132	R3 298
Import parity CAPE	R2 693	R2 854	R2 861	R3 013
SAFEX Yellow maize	R2 807	R2 885	R2 878	R2 796
Export parity	R2 339	R2 310	R2 380	R2 471



Agriculture



USA crop conditions (Good/Excellent)

Corn

2017
= 62%

2018
= 70%

5y avg
= 70%

Current
week
= 57%

Soybeans

2017
= 59%

2018
= 66%

5y avg
= 66%

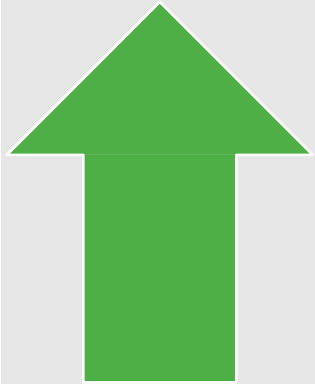
Current
week
= 53%

Agriculture

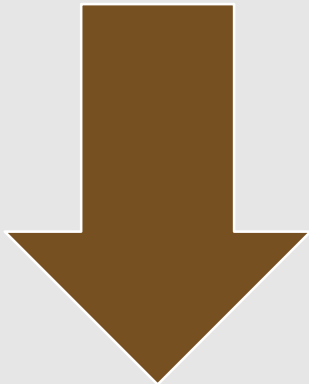


USA crop progress

Corn: Dough



5y avg
= 61%



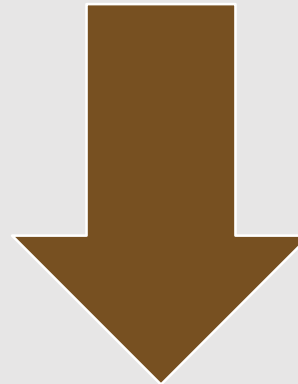
11 Aug-19
= 39%

Difference = -22%

Soybeans: Setting pods



5y avg
= 76%



11 Aug-19
= 54%

Difference = -22%

INTERNATIONAL
Agriculture

Expectations for the 12 August 2019 USDA report



2019/20 U.S. Crop Production

	CORN			
	Planted Acres	Harvested Acres	Yield	Production
NASS August	90.005	82.017	169.5	13.901
Trade average	87.998	80.05	164.9	13.193
<i>WAOB July</i>	<i>91.7</i>	<i>83.6</i>	<i>166</i>	<i>13.875</i>
Final 2018/19	89.129	81.74	176.4	14.420

Note: Area figures in millions of acres, yield figures in bushels per acre, production figures in billions of bushels.

Data sources: Reuters; USDA/WAOB/NASS

@kannbwx

2019/20 U.S. Crop Production

	SOYBEANS			
	Planted Acres	Harvested Acres	Yield	Production
NASS August	76.700	75.866	48.5	3.680
Trade average	81.006	79.890	47.6	3.800
<i>WAOB July</i>	<i>80.0</i>	<i>79.3</i>	<i>48.5</i>	<i>3.845</i>
Final 2018/19	89.196	88.110	51.6	4.544

Note: Area figures in millions of acres, yield figures in bushels per acre, production figures in billions of bushels.

Data sources: Reuters; USDA/WAOB/NASS

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LOCAL

AGRICULTURE



Producer deliveries up to 31 July

Maize

Current season:

White maize = 3 426 668 t
-62% of total crop delivered
Yellow maize = 4 467 412 t
-83% of total crop delivered

Previous season:

White maize = 4 713 333 t
-72% of total crop delivered
Yellow maize = 4 607 216 t
-77% of total crop delivered

Soybeans

Current season:

= 1 102 375 t
-94% of total crop delivered

Previous season:

= 1 460 825 t
-95% of total crop delivered

Sunflower

Current season:

= 647 874 t
-99% of total crop delivered

Previous season:

= 829 561 t
- 96% of total crop delivered

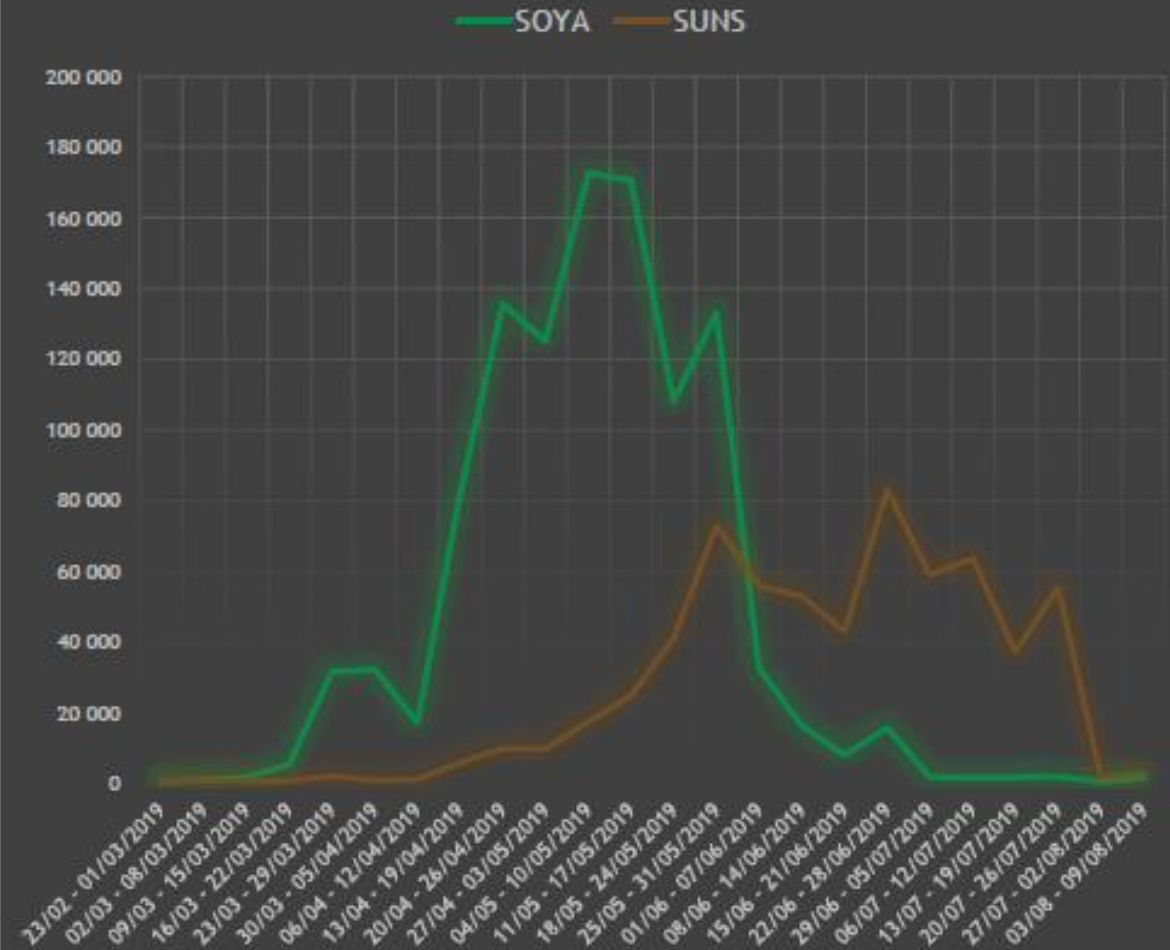
Agriculture



Producer deliveries: Maize



Producer deliveries: Oilseeds



AGRICULTURE

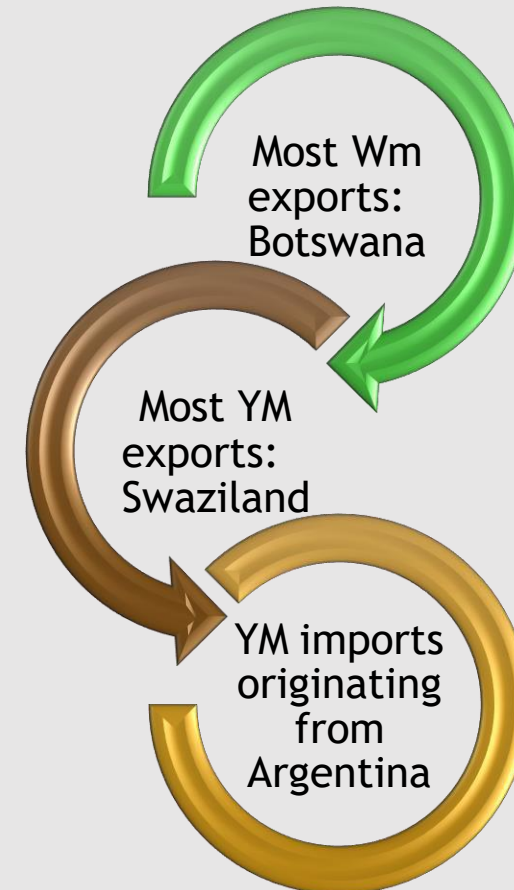


White maize

- Exports = 184 023t
- Imports = 0t

Yellow maize

- Exports = 84 549t
- Imports = 131 399t



R/\$



USDZAR CHART



The rand declined against the US dollar during SAFEX trading hours and traded between the R15,12 and R15,17 levels. At SAFEX market closing the rand weakened further against the US dollar and traded at R15,21 supporting the local grain prices.

At the time of writing the rand depreciated even more to a level of R15,27.



China lowers demand for maize in 2019/20 season.

China's agriculture ministry on Thursday said it was lowering its forecast for corn consumption in the 2019/20 crop year amid outbreaks of African swine fever across the country.

The ministry said corn consumption was now seen 2 million tonnes lower than last month's forecast at 280 million tonnes because a huge fall in the pig herd was reducing demand for feed

Read more at:

<https://www.reuters.com/article/us-china-crops/china-cuts-2019-20-corn-use-forecast-by-2-million-tonnes-due-to-african-swine-fever-idUSKCN1V20TW>



Maize and wheat prices decline after USDA report.

Corn and wheat prices fell after a government report forecast higher agricultural plantings and production than anticipated.

The U.S. Agriculture Department estimated in a monthly report that 90 million acres of corn were planted by farmers this year—greater than market expectations..

November soybeans declined 1.4%, while September wheat lost 5.6%.

Read more at:

<https://www.wsj.com/articles/corn-wheat-prices-fall-on-usda-report-11565636279?shareToken=st8fd16ef4ddae4fa1ae731c4a9691602c>



Foreign investors withdraw their money out of S.A.

Approximately R 2 billion per week are withdrawn from the South African bond market, by foreign investors .. R Foreigners already withdrew R 14.4 billion due to the prospective SA credit downgrade as the South African debt increases and the rand weakens. The South African debt situation deteriorated as the government has been providing financial assistance to Eskom to pay outstanding debt and weakened the local currency.

Read more at:

<https://www.moneyweb.co.za/news/south-africa/foreigners-are-dumping-sa-bonds-as-junk-status-looms/>



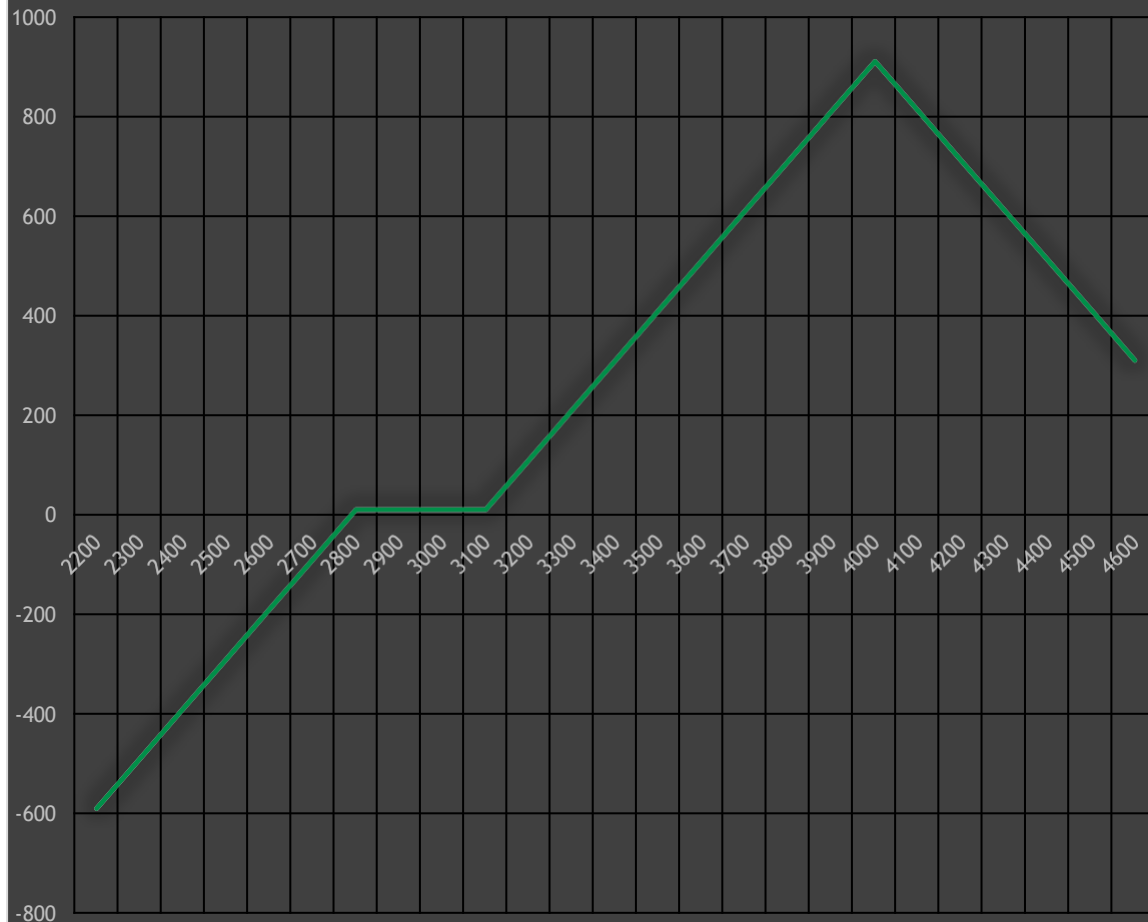
Summary

- Dry, warm conditions during the next ten days might have a negative impact on USA crops.
- Current USA conditions are still behind averages and unchanged since last week.
- SAFEX yellow maize are currently trading at Cape import parity indicating that local maize delivered in the Cape are currently more expensive than imported maize.
- The USDA report exceed all market expectations with a greater crop production in the USA that triggered grain market prices to tumble.
- White maize deliveries increased over the last week with total delivered crop estimates on 60% and yellow maize currently at 72%.

RISK MANAGEMENT



Long-term option strategy



The long-term option strategy steps

- 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?

The strategy is for the client who wants to sell its product, but still wants to participate in the market, since he believes the price will surge.

Usually the client will enter a 70/30 agreement setting a fixed price against which he will sell his grain and buy futures in a subsequent month. The risk 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 market price decreases, the client will not lose any money up and until 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.

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- * General Boiler Making
- * Trailer Repair
- * Machining
- * Line Boring

- * Design & Manufacturing
- * Building Maintenance
- * Steel Construction
- * Warehouses
- * Workshops



“Tough times don’t last.
Tough people do.”

- Robert H. Schuller



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