



04 Augustus 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



Local Agriculture

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



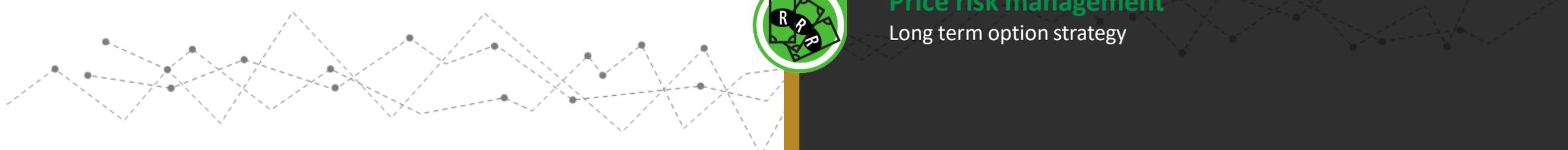
Exchange Rate

Overview of the Rand against the US\$



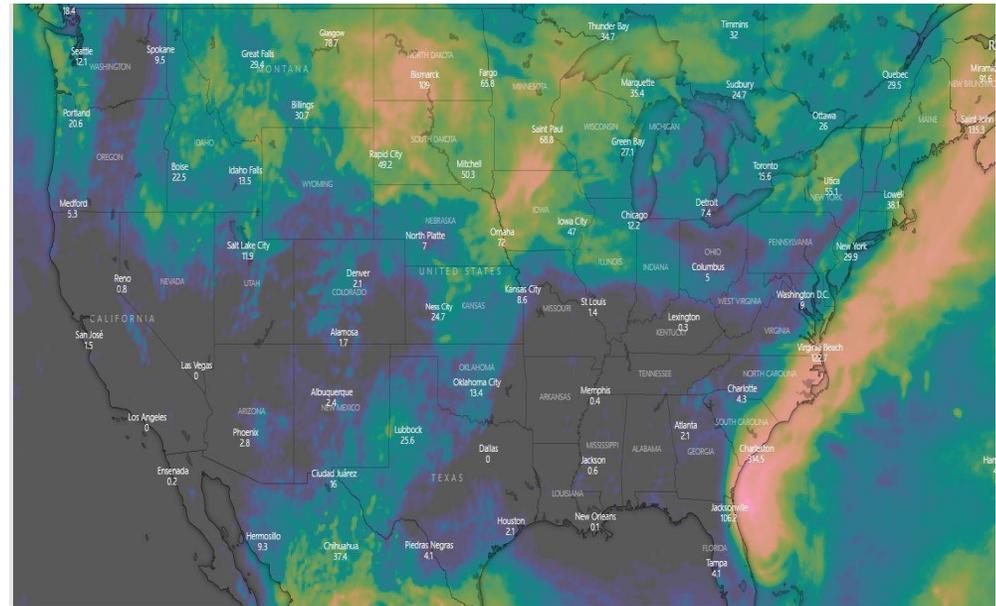
Price risk management

Long term option strategy



Ten day forecast: North America

Abnormal below average rainfall is predicted for the eastern parts of the corn belt while the central and western parts of the corn belt can expect heavy rainfall.



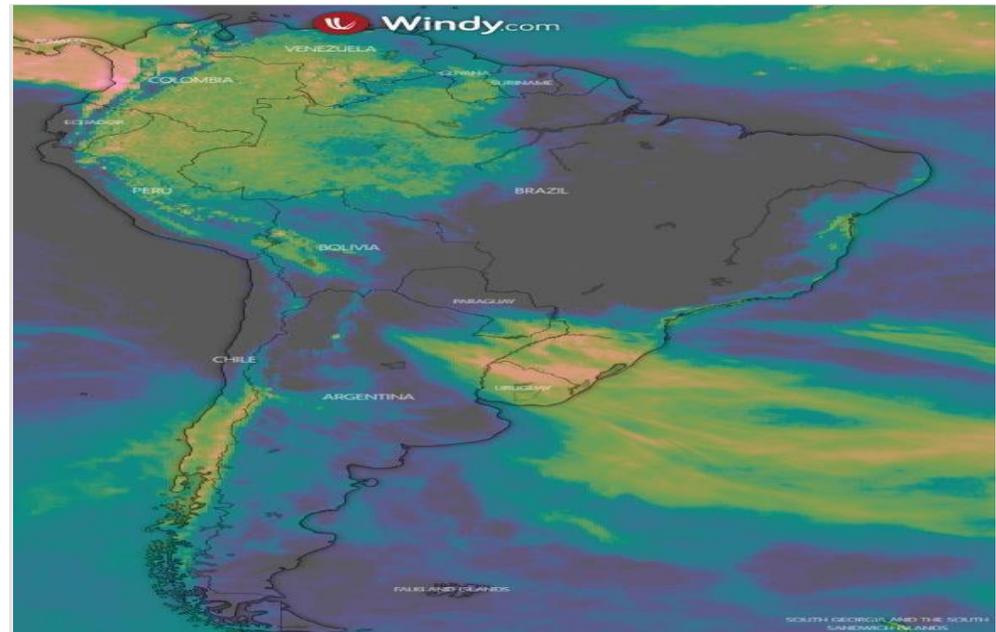
INTERNATIONAL

WEATHER

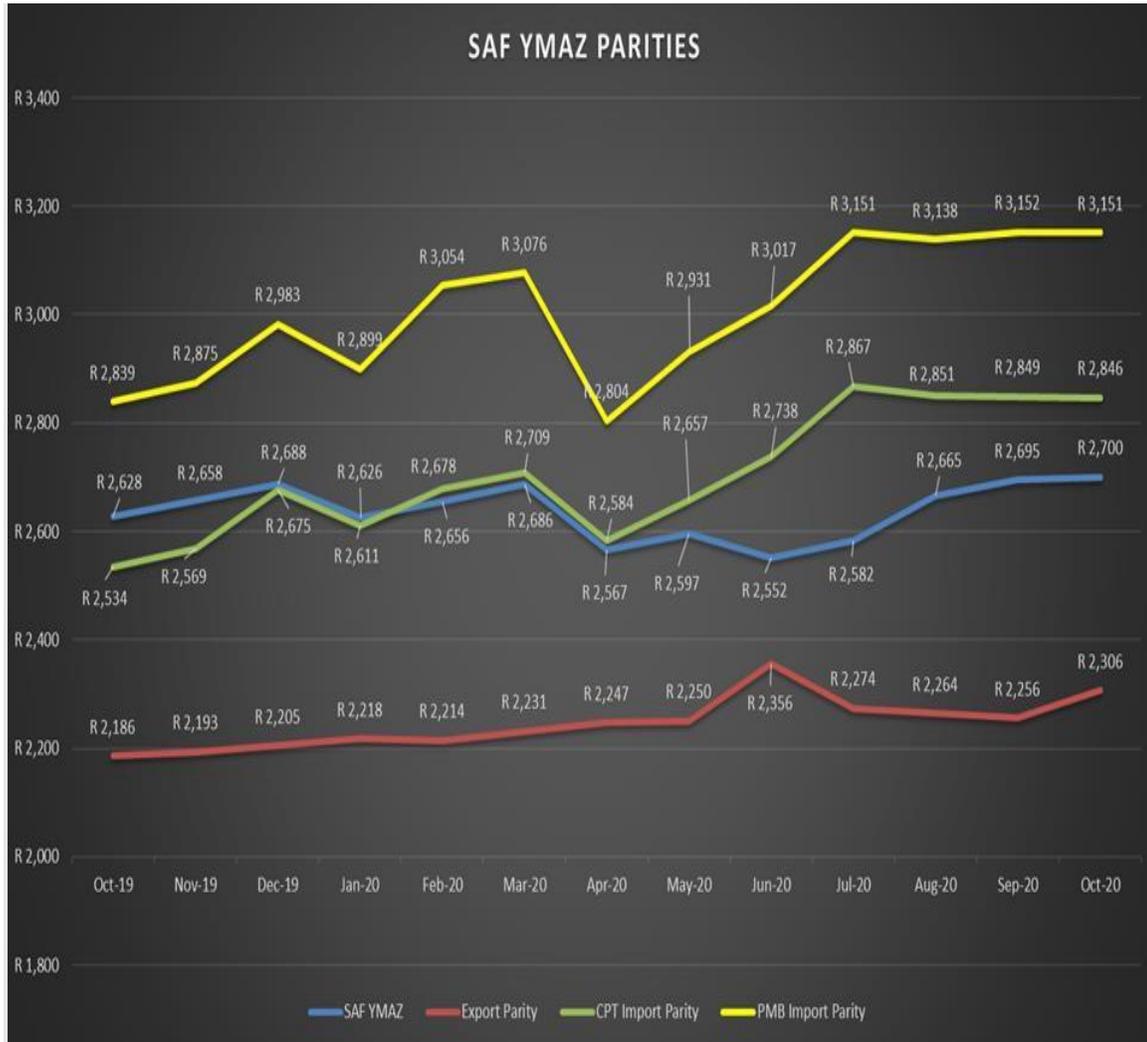


Ten day forecast: South America

The predicted dry weather in Brazil may cause some delays in early plantings for the new season.



PARITY



	Sep-19	Dec-19	Mar-20	Jul-20
Import parity PMB	R2 839	R 2983	R3 076	R3 151
Import parity CAPE	R2 534	R2 675	R2 709	R2 867
SAFEX Yellow maize	R2 628	R2 688	R2 686	R2 582
Export parity	R2 186	R2 205	R2 231	R2 274



Agriculture



USA crop conditions (Good/Excellent)

Corn

2017
= 61%

2018
= 67%

5y avg
= 69%

Current
week
= 57%

Soybeans

2017
= 61%

2018
= 66%

5y avg
= 67%

Current
week
= 55%

Agriculture

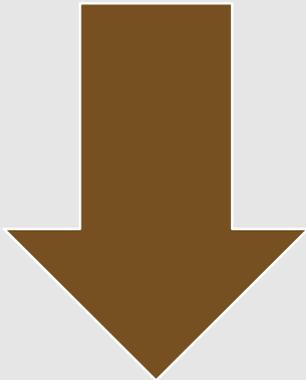


USA crop progress

Corn: Dough



5y avg
= 93%



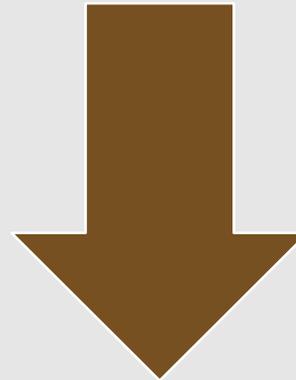
26 Aug-19
= 81%

Difference = -12%

Soybeans: Setting pods



5y avg
= 96%



26 Aug-19
= 86%

Difference = -10%

AGRICULTURE



Producer deliveries up to 30 August

Maize

Current season:

White maize = 4 548 135 t
-82% of total crop delivered
Yellow maize = 4 714 450 t
-87% of total crop delivered

Previous season:

White maize = 5 717 149 t
-87% of total crop delivered
Yellow maize = 5 042 281 t
-84% of total crop delivered

Soybeans

Current season:

= 1 110 374 t
-95% of total crop delivered

Previous season:

= 1 467 952 t
-95% of total crop delivered

Sunflower

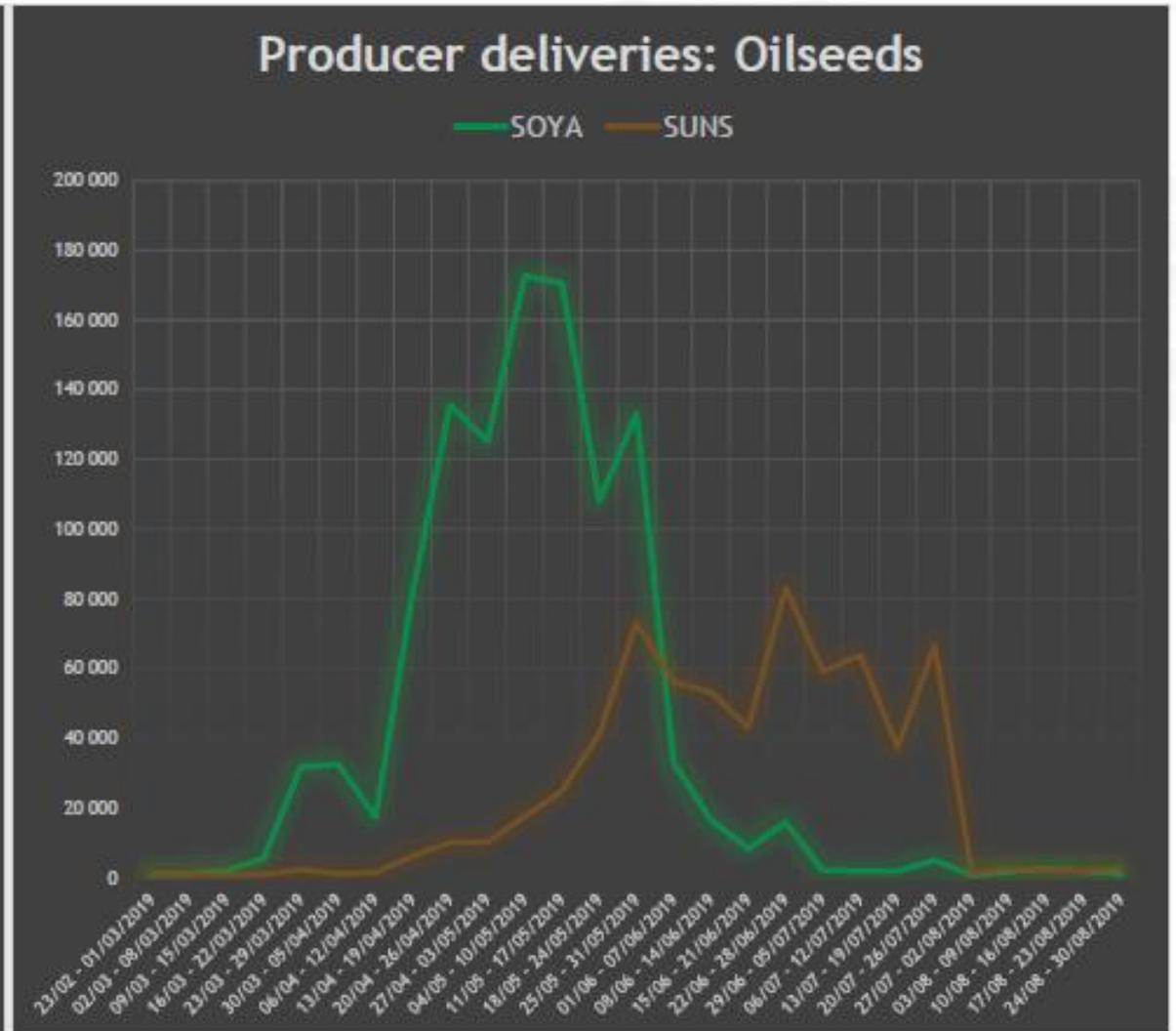
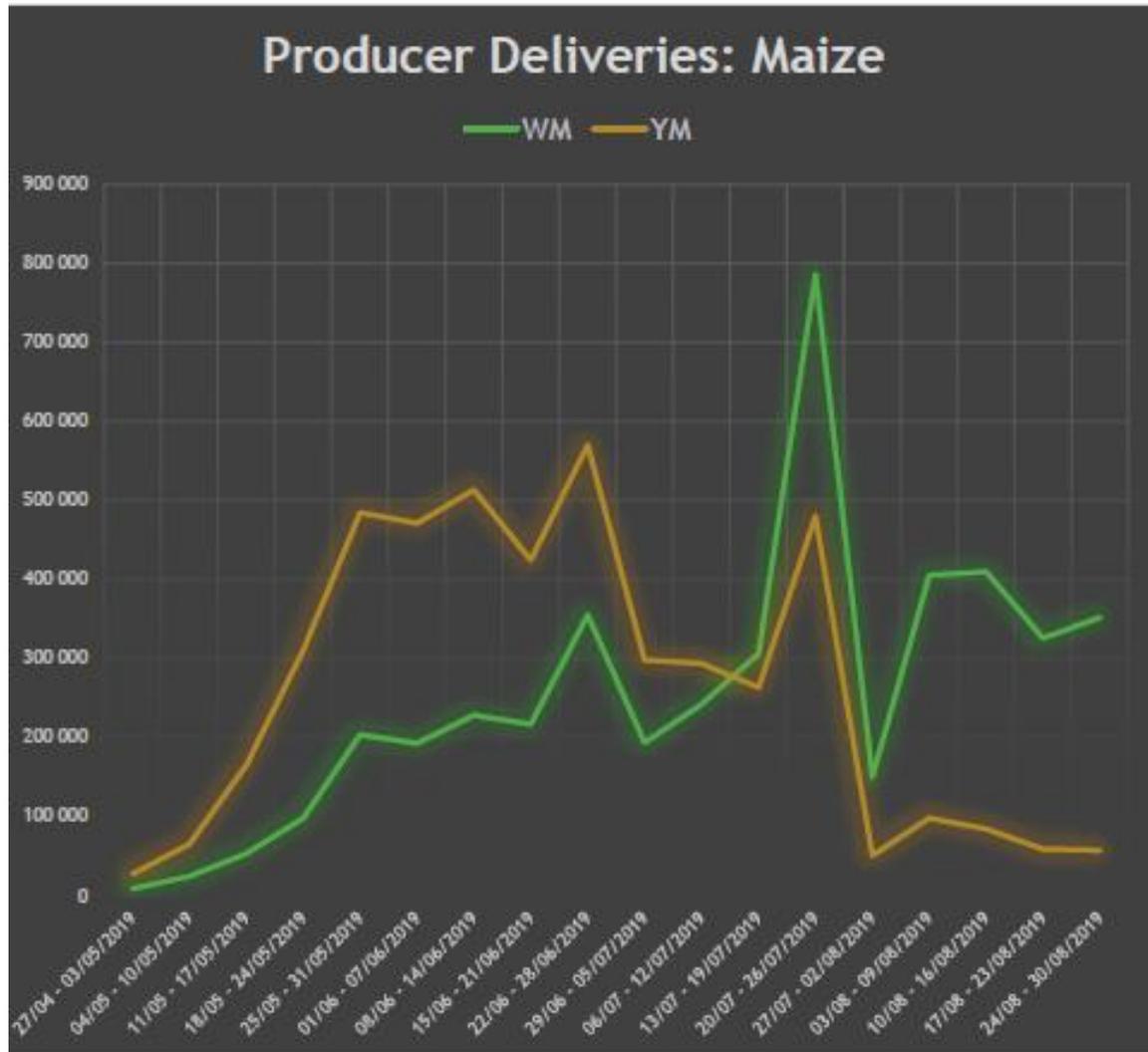
Current season:

= 664 025 t
-98% of total crop delivered

Previous season:

= 848 820 t
- 98% of total crop delivered

Agriculture



AGRICULTURE

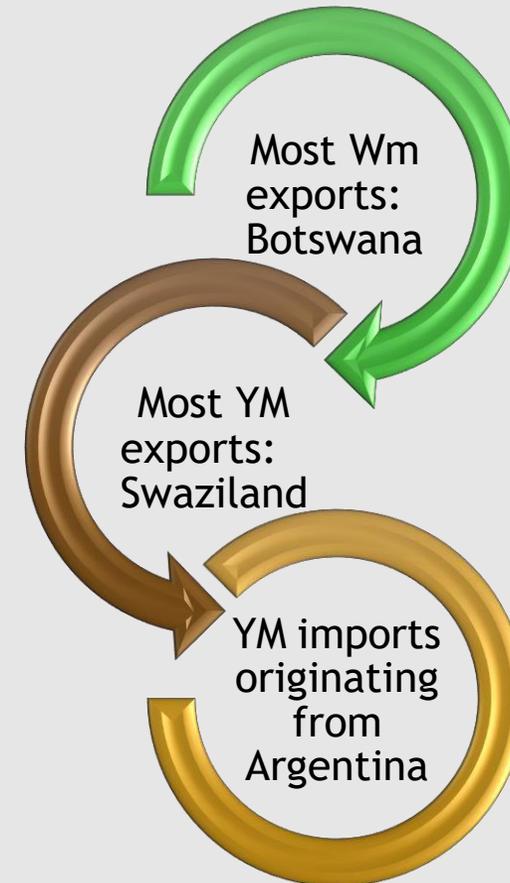


White maize

- Exports = 244 668t
- Imports = 0t

Yellow maize

- Exports = 106 944t
- Imports = 172 887t





S.A economy outperforms market expectations.

The South African GDP increased to 3.1%, 0.7% higher than market expectations. The country's economic growth this quarter was boosted by the mining industry this quarter's top performers as well as the manufacturing industry also among the top performers. The economic growth is still mainly depended on the rescuing of the power giant Eskom.

Read more at:

<https://www.moneyweb.co.za/news/south-africa/south-africas-second-quarter-economic-growth-beats-expectations/>



Hope for the S.A agricultural industry.

Optimism remains for the future of the agricultural sector, amidst a challenging year to date and its third economic regression.

The agricultural output will be boosted by normal to above-normal rainfall predictions for the upcoming season. Meat exports are making progress after the foot-and-mouth disease dilemma.

The weaker rand and a possible credit downgrade support local grain prices, this in return will encourage farmers to increase their plantings, boosting the country's total production.

Read more at

<https://www.netwerk24.com/landbou/Nuus/vleisuitvoermark-kan-binnekort-sy-kop-optel-20190903>



Below average rainfall predicted for Brazil.

Brazil is currently busy to prepare for its 2019/2020 planting season. Current weather predictions indicate that the country will suffer below-average rainfall between September and November. These three months play a critical role in the planting season of Brazil. Should the weather predictions be correct, Brazil's 2019/20 crop production will be under pressure.

Read more at::

http://www.soybeansandcorn.com/news/Sep2_19-Brazilian-Rainfall-Forecast-for-Sept-Oct-Nov-is-a-Mixed-Bag



Summary

- Dry weather in the eastern part of the corn belt will put the crop conditions under pressure. Above normal rainfall in the central and western parts of the corn belt will place CBOT prices under pressure as it will support the crop conditions.
- South African yellow maize is currently trading above the Cape import parity, adding pressure on local prices due to lower-priced imported maize.
- USA corn conditions are 1% up from last week but still lack behind the 5-year average. Soybean conditions are unchanged, but still below the 5-year average.
- Producer deliveries for yellow maize declined substantially, but the deliveries of white maize are still up to speed.
- The stronger South African rand added pressure on local grain prices.

RISK MANAGEMENT



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 would like to sell their product, but would still like to participate in the market, since they are confident that the price will surge.

Usually the client will enter a 70/30 agreement setting a fixed price, against which they will sell their grain and purchase futures in a subsequent month. The risk is that for every R1 drop in market, the client loses R1.

Outcome of the option strategy:

Should the market price increase, the client will benefit from the profits gained from R3100/t to R4 000/t .

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 buys their 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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- * Machining
- * Line Boring

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



**“You are never too old to set
another goal or to dream a new
dream”**

- Les Brown

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