



WEEKLY

11 September 2019

# 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
- USDA report: market expectation



## Local Agriculture

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



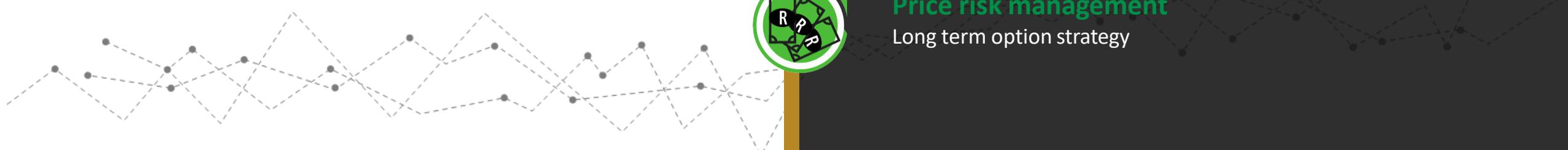
## Exchange rate

Overview of the Rand against the US\$



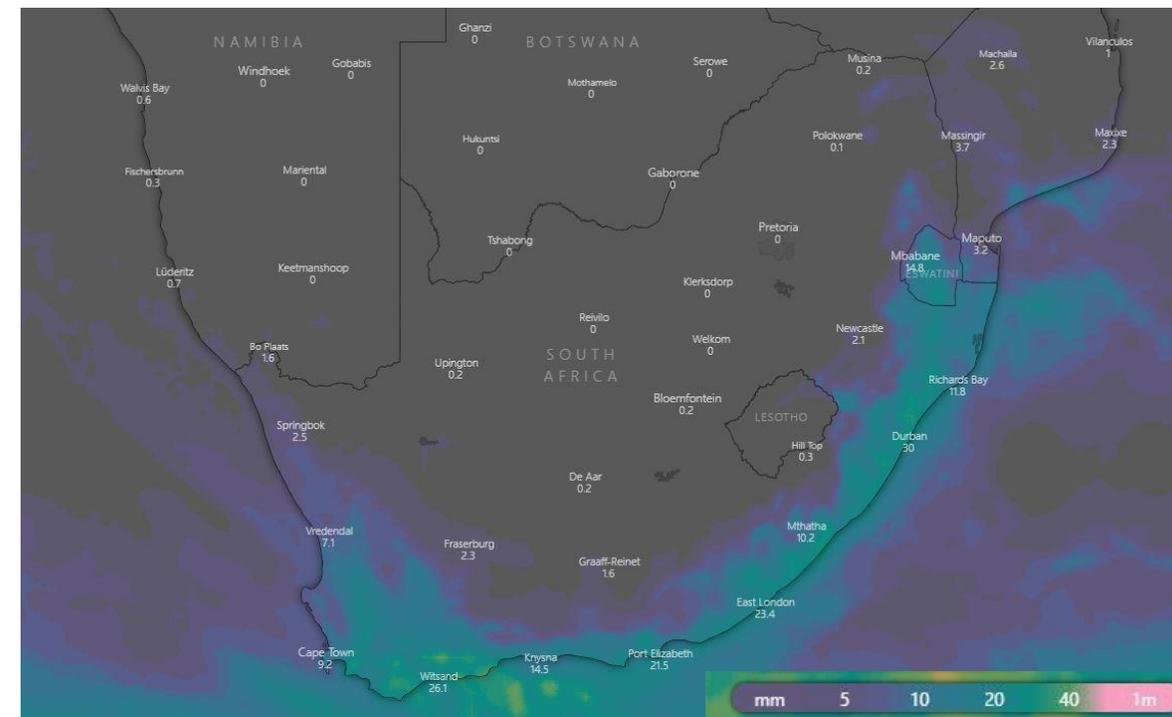
## Price risk management

Long term option strategy





NATIONAL  
**Weather**



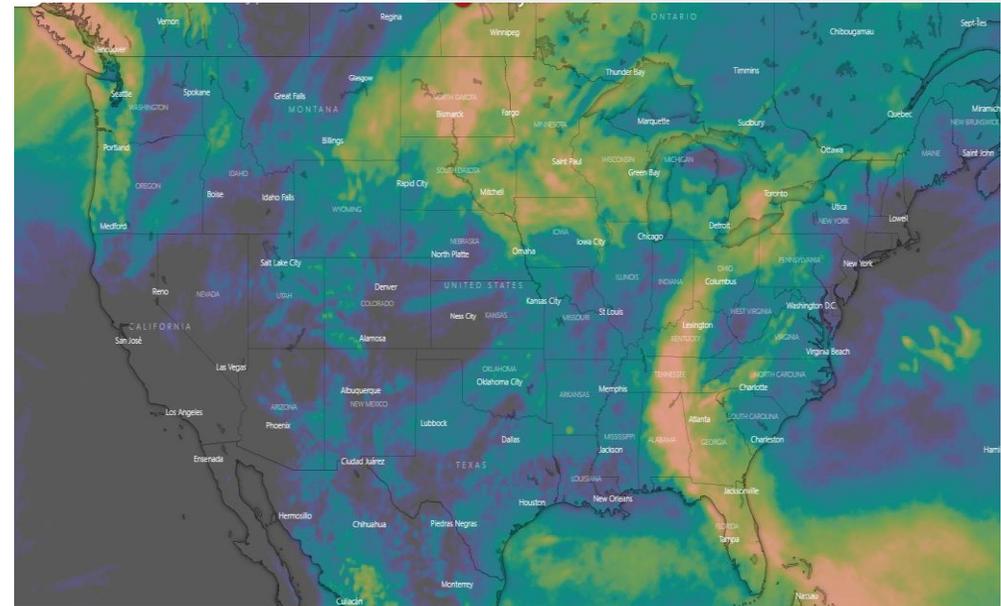
## Ten day weather forecast

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Minimum rainfall is forecasted for northern parts of KZN, but dry weather can be expected all around South Africa's key production areas for the next ten days.

## Ten day forecast: North America

The eastern parts of the corn belt, with already struggling crops, can expect below-normal rainfall, and the northern parts of the corn belt, above-normal.



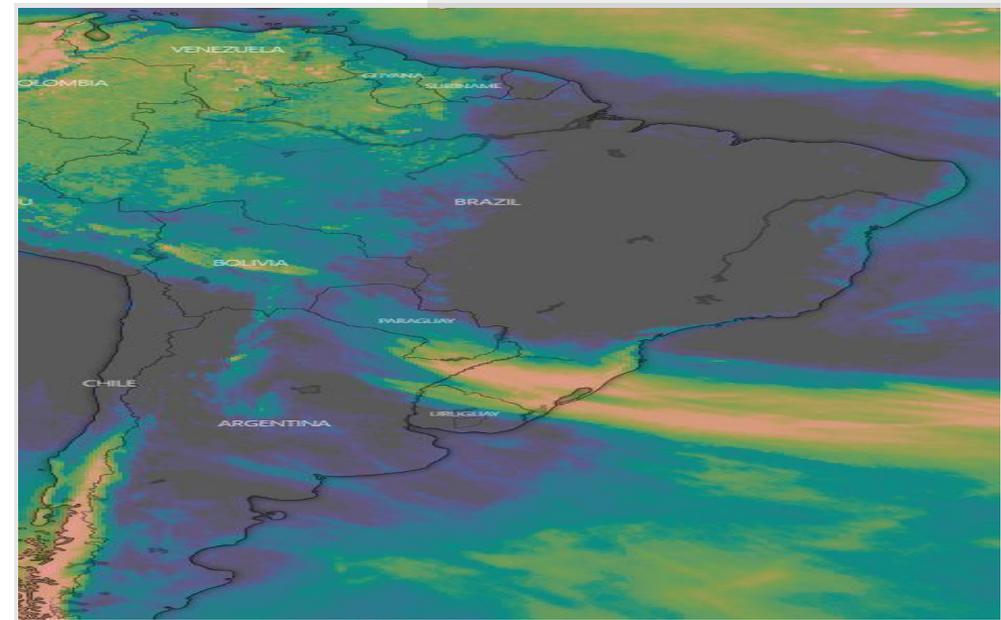
INTERNATIONAL

# WEATHER

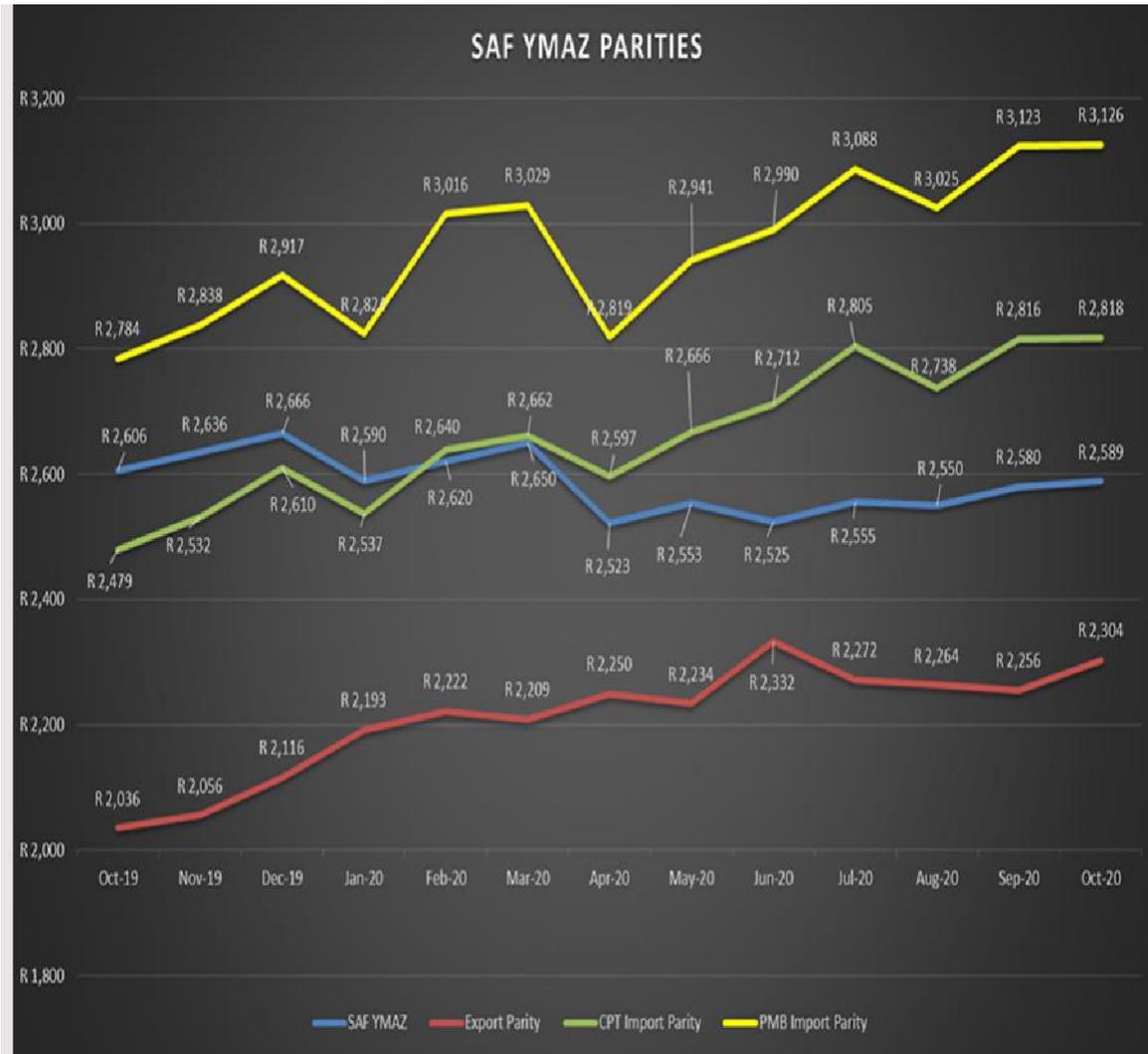


## Ten day forecast: South America

The extremely wet conditions forecast for the next ten days in the southern parts of Brazil, especially in the Parana area, will not be beneficial for the unharvested soybean, already experiencing rust.



# PARITY



	Oct-19	Dec-19	Mar-20	Jul-20
Import parity PMB	R2 784	R2 917	R3 029	R3 088
Import parity CAPE	R2 479	R2 610	R2 662	R2 805
SAFEX Yellow maize	R2 606	R2 666	R2 650	R2 555
Export parity	R2 036	R2 166	R2 209	R2 272



# Agriculture



USA crop conditions ( Good/Excellent )

Corn

2017  
= 61%

2018  
= 68%

5y avg  
= 69%

Current  
week  
= 55%

Soybeans

2017  
= 60%

2018  
= 68%

5y avg  
= 67%

Current  
week  
= 55%

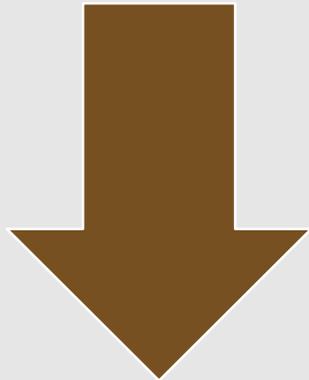


## USA Crop Progress

Corn: Dough



5y avg  
= 97%



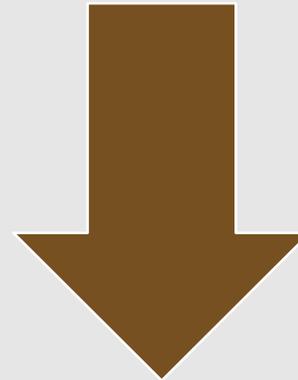
08 Sep-19  
= 89%

Difference = -8%

Soybeans: Setting pods



5y avg  
= 99%



08 Sep-19  
= 92%

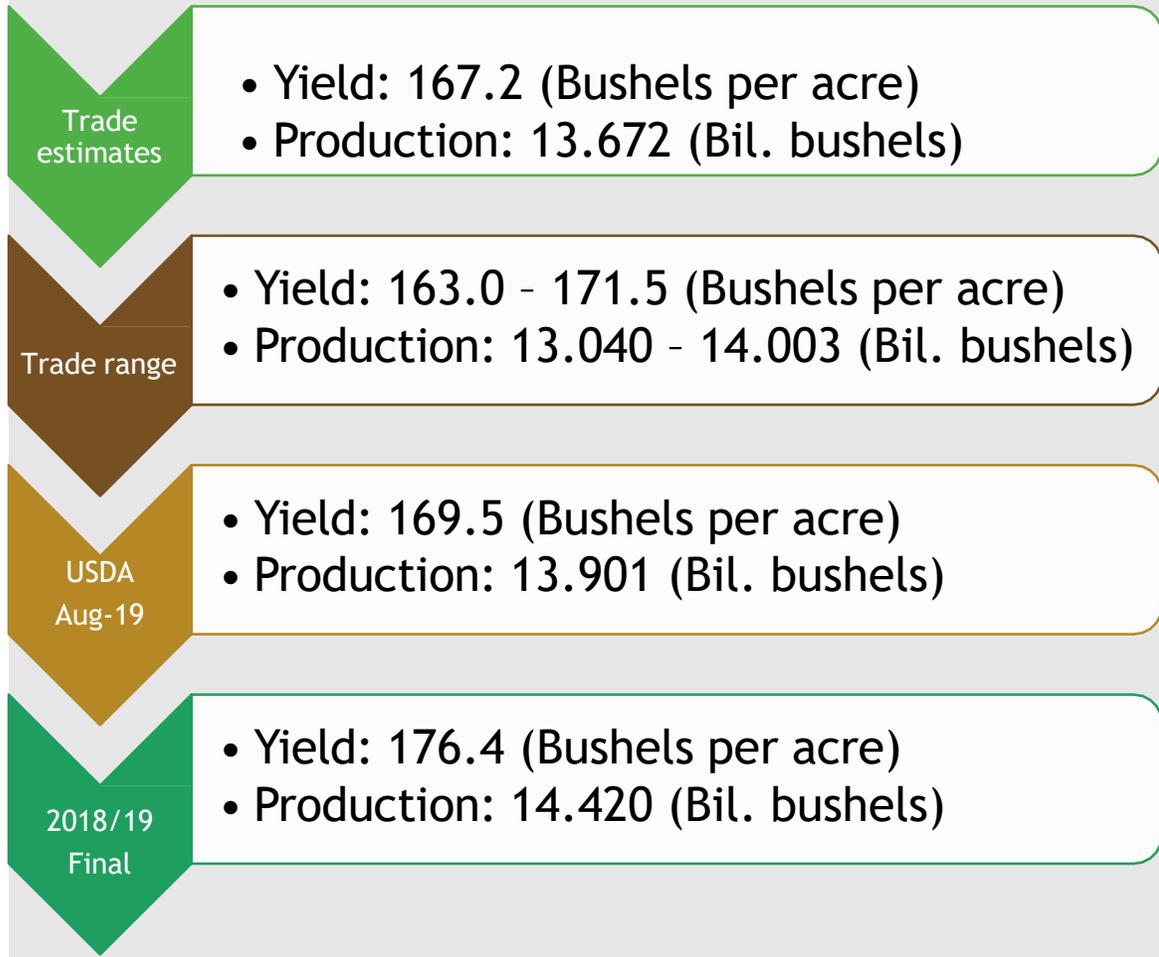
Difference = -6%

# Agriculture

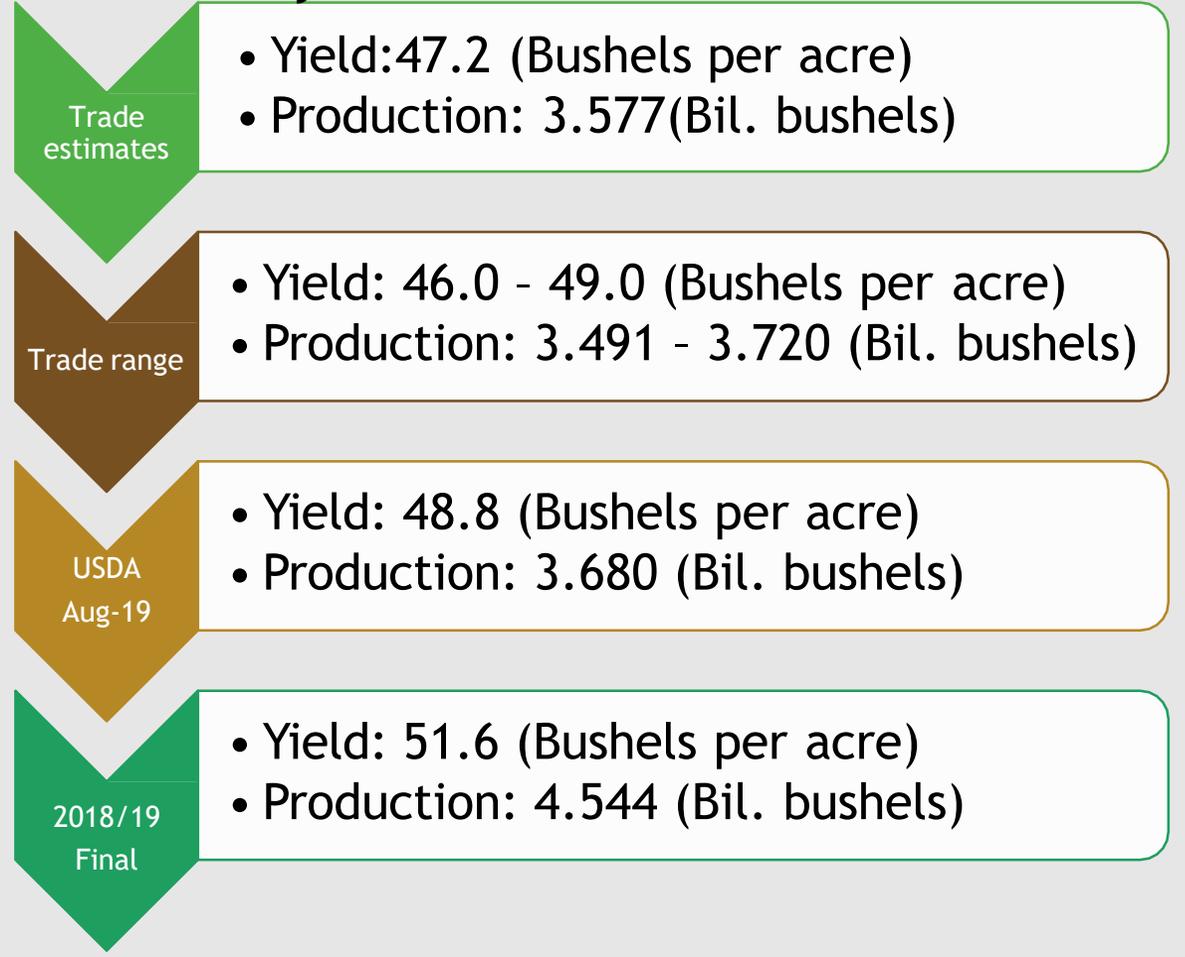


## Market Expectation for USDA Report:

### Corn:



### Soybeans:



# AGRICULTURE



Producer deliveries up to 06 September

## Maize

### Current season:

White maize = 4 707 880 t  
-85% of total crop delivered  
Yellow maize = 4 808 809 t  
-88% of total crop delivered

### Previous season:

White maize = 5 814 051 t  
-89% of total crop delivered  
Yellow maize = 5 084 433 t  
-85% of total crop delivered

## Soybeans

### Current season:

= 1 112 505 t  
-95% of total crop delivered

### Previous season:

= 1 469 331t  
-95% of total crop delivered

## Sunflower

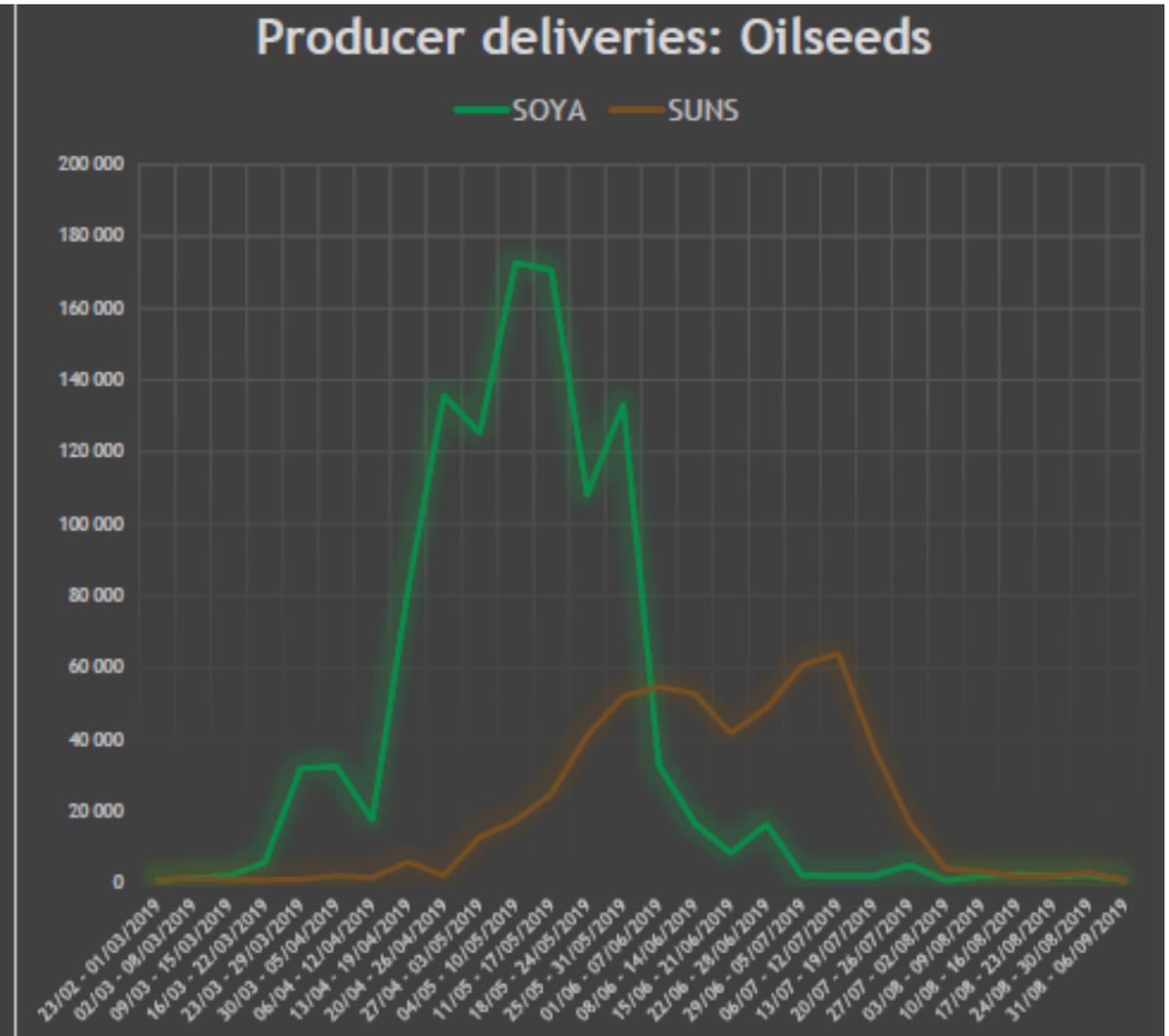
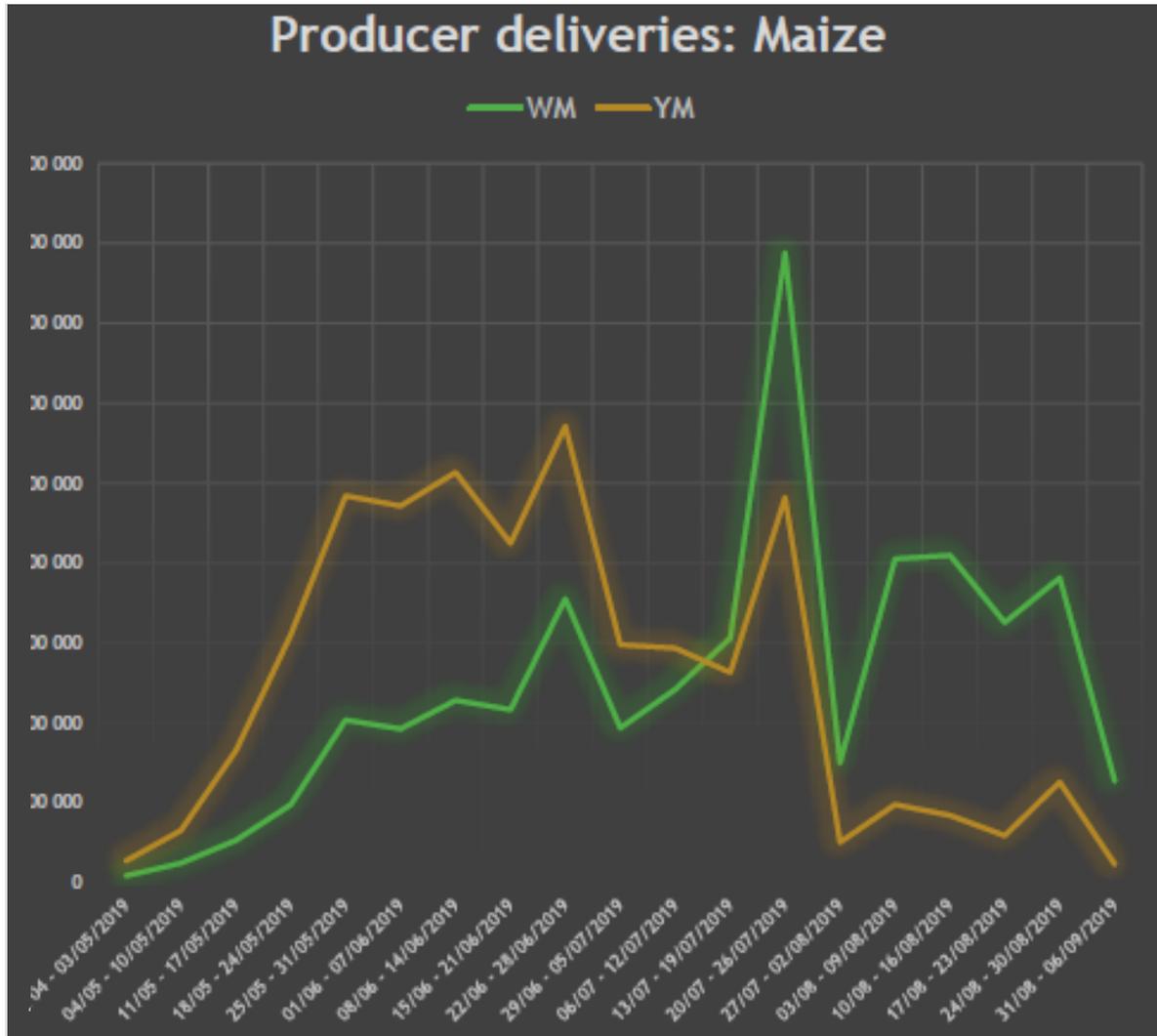
### Current season:

= 665 951t  
-98% of total crop delivered

### Previous season:

= 849 581t  
- 99% of total crop delivered

# Agriculture



# AGRICULTURE

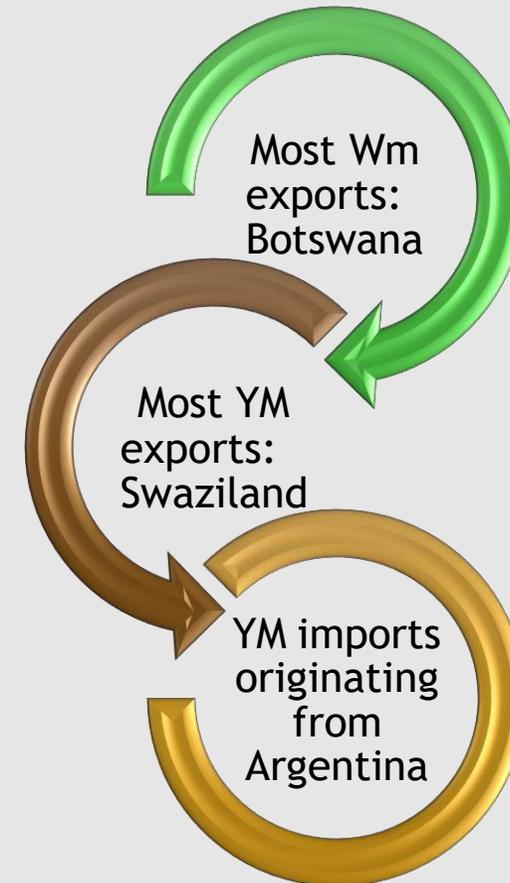


## White maize

- Exports = 252 384t
- Imports = 0t

## Yellow maize

- Exports = 115 209t
- Imports = 201 730t





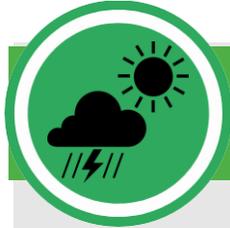
## USDZAR CHART



Earlier this week the South African rand traded weaker against the American dollar. The stronger dollar and news of the South African economic growth outlook cut by Moody's contributed to this.

The Rand traded between R14.67 and R14.70 during the SAFEX trading hours. It weakened even further to R14.73 at the time of writing.

# NEWS



## Southern Cape needs urgent follow-up rain.

Winter grain producers in the Southern Cape urgently need follow-up rain to ensure a good 2019 winter grain harvest.

In the Overberg region, grain was still in a relatively good condition during the first week of September, but follow-up rain was vital, according to a Grain SA survey.

August was characterised by hot and dry conditions, placing grain under immense pressure.

Areas such as the Tygerhoek and Klipdale districts were particularly hard hit, the survey found.

More can be read at:

<https://www.farmersweekly.co.za/agri-news/south-africa/southern-cape-urgently-needs-follow-up-rain-grain-sa/>



## Moody's cut S.A economic growth outlook.

One of the investment giants and also the only investment company that did not downgrade South Africa's credit rating to junk status, has cut the South African economic growth outlook for the 2019 year yet again. Moody's reason for the cut is that the government is spending too much capital on debt bail-outs on state-owned enterprises and is increasing the debt-to-GDP ratio. Moody's already cut the June estimate from 1.3% to 1% and has now forecasted an economic growth rate at only 0.7%.

More can be read at:

<https://www.moneyweb.co.za/news/economy/moodys-slashes-sas-2019-economic-growth-forecast-2019-again/>



## USA corn conditions lower, soybeans unchanged.

Corn crop conditions in the USA are under immense pressure, due to late plantings and above-normal rainfall in key production areas at the start of the season. The latest report indicates compared to the previous week's 58% corn conditions are 3% lower on the good-to-excellent crop rating scale. It is the worst rating since 2013. The states' suffering the most include Illinois (38%), Indiana and Ohio (33%). Nebraska and Tennessee, with 73% and 82% respectively, are the states with the best crop ratings.

More can be read at:

[https://www.dtnpf.com/agriculture/web/ag/news/article/2019/09/09/corn-condition-drops-3-percentage?referrer=twitter#.XXedM8By\\_ck.twitter&DCMP=Todd](https://www.dtnpf.com/agriculture/web/ag/news/article/2019/09/09/corn-condition-drops-3-percentage?referrer=twitter#.XXedM8By_ck.twitter&DCMP=Todd)



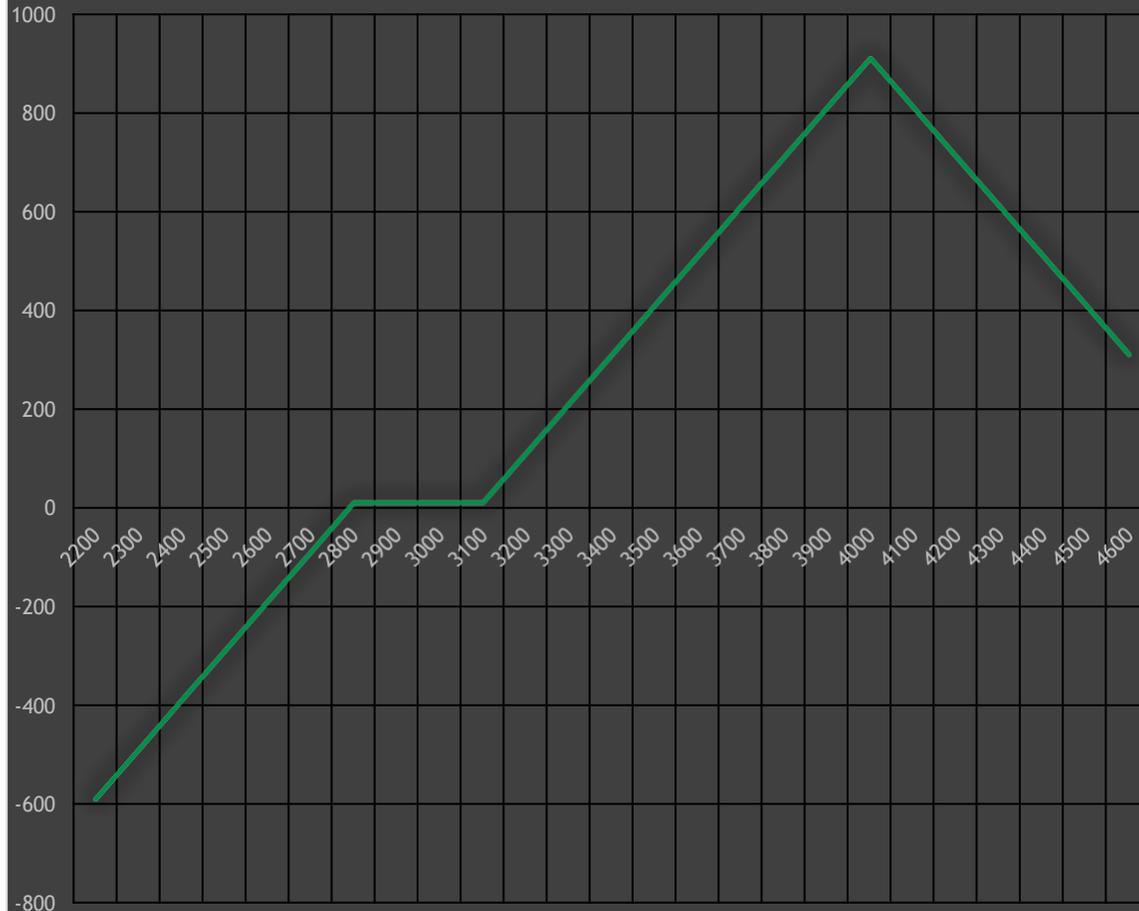
# Summary

- The northern parts of KZN can expect minimum rainfall, and the rest of South Africa - dry and warm weather.
- The forecast for the northern parts of the USA corn belt is above-normal rainfall and below-normal in the eastern corn belt.
- SAFEX yellow maize prices are trading above the Cape import parity, which means that imported maize will be cheaper than buying local.
- Corn conditions in the USA are under pressure as it declined with a further 3% in comparison to last week, while Soybeans are unchanged. The latest report supported CBOT prices and in-turn SAFEX prices.
- The USDA report market expectations are lower than August estimates. Local and international grain prices will be supported if these market predictions realize.

# 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 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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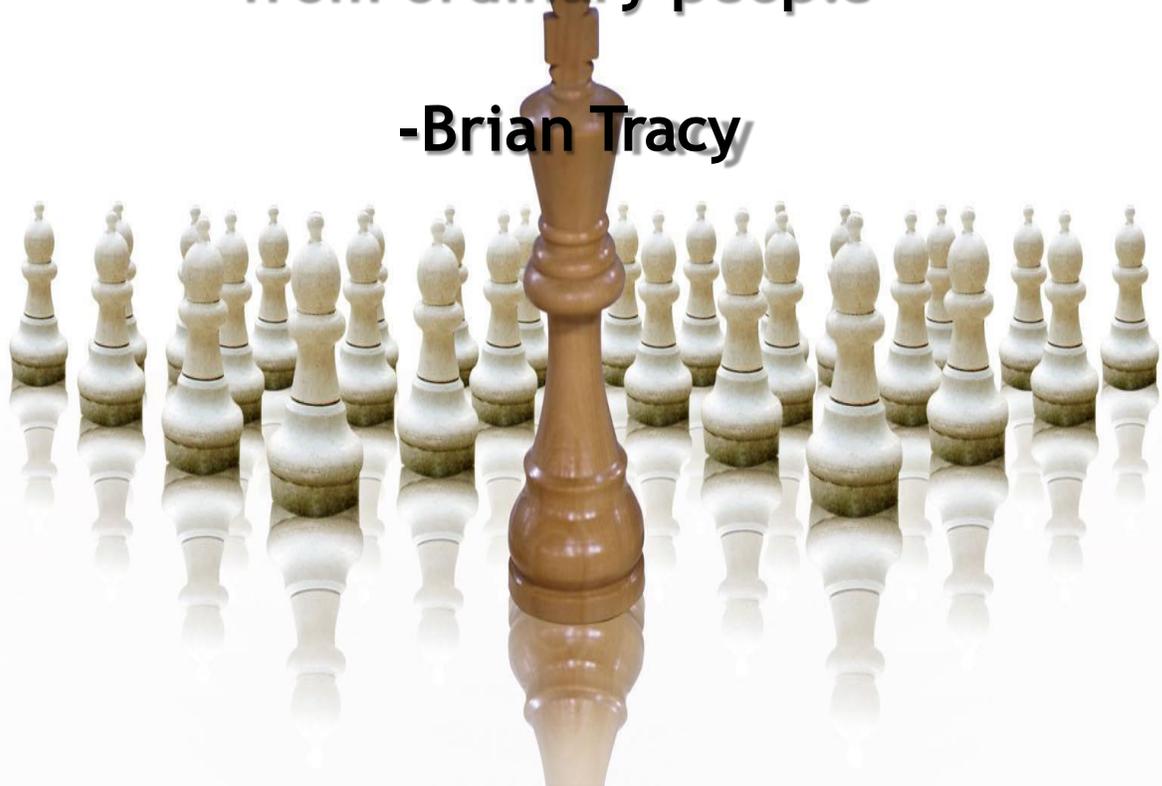
- \* General Engineering
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**“Leadership is the ability to  
get extraordinary achievement  
from ordinary people”**

**-Brian Tracy**



# 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

