



26 September 2019

WEEKLY

FOOD-FOR-THOUGHT

Content



Weather

- Ten day weather forecast 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



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



NATIONAL
Weather

Precipitation (mm)
during the period:

Wed, 25 SEP 2019 at 00Z

-to-

Thu, 03 OCT 2019 at 00Z

Thu, 03 OCT 2019 at 00Z

-to-

Fri, 11 OCT 2019 at 00Z

Precipitation (% of normal)
during the first period:

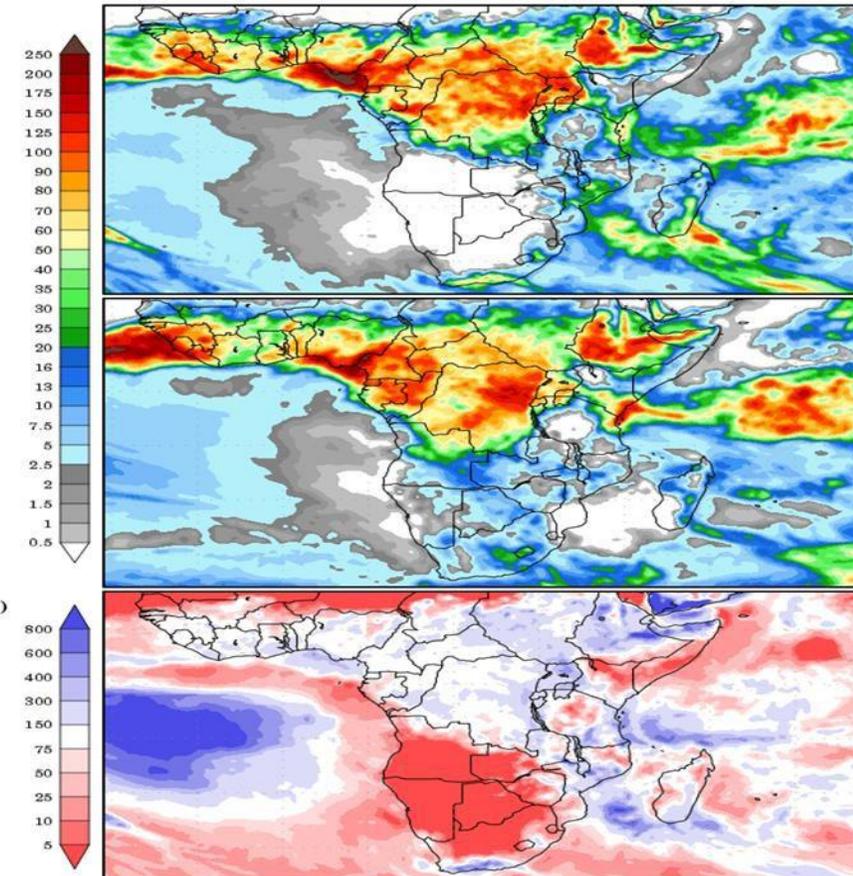
Wed, 25 SEP 2019 at 00Z

-to-

Thu, 03 OCT 2019 at 00Z

GrADS/COLA

Precipitation Forecasts



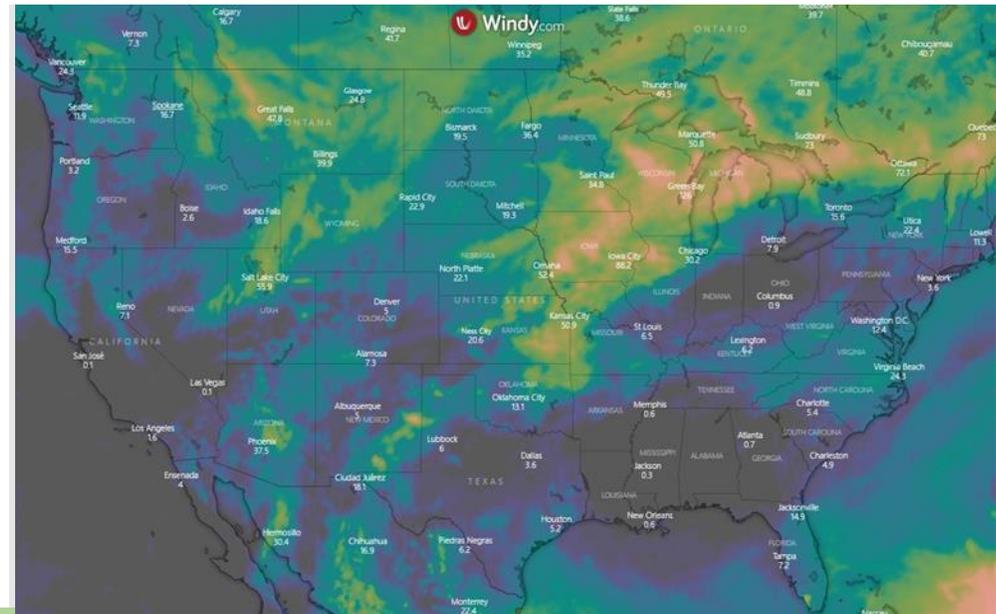
Precipitation forecasts from the National Centers for Environmental Prediction.
Normal rainfall derived from Xie-Arkin (CMAP) Monthly Climatology for 1979-2003.
Forecast Initialization Time: 00Z25SEP2019

Ten-day weather forecast:

Dry weather can be expected across South Africa over the next days, with the possibility of minimum rainfall the following week.

Ten day forecast: North America

The central parts of the corn belt may experience good rainfall, but below normal rainfall can be expected in the eastern parts



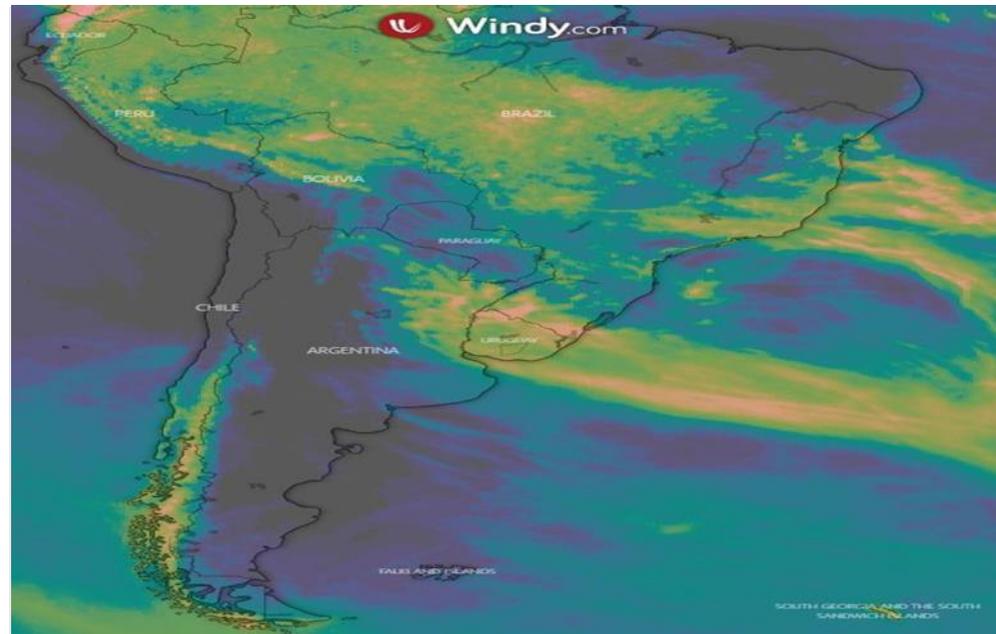
INTERNATIONAL

WEATHER

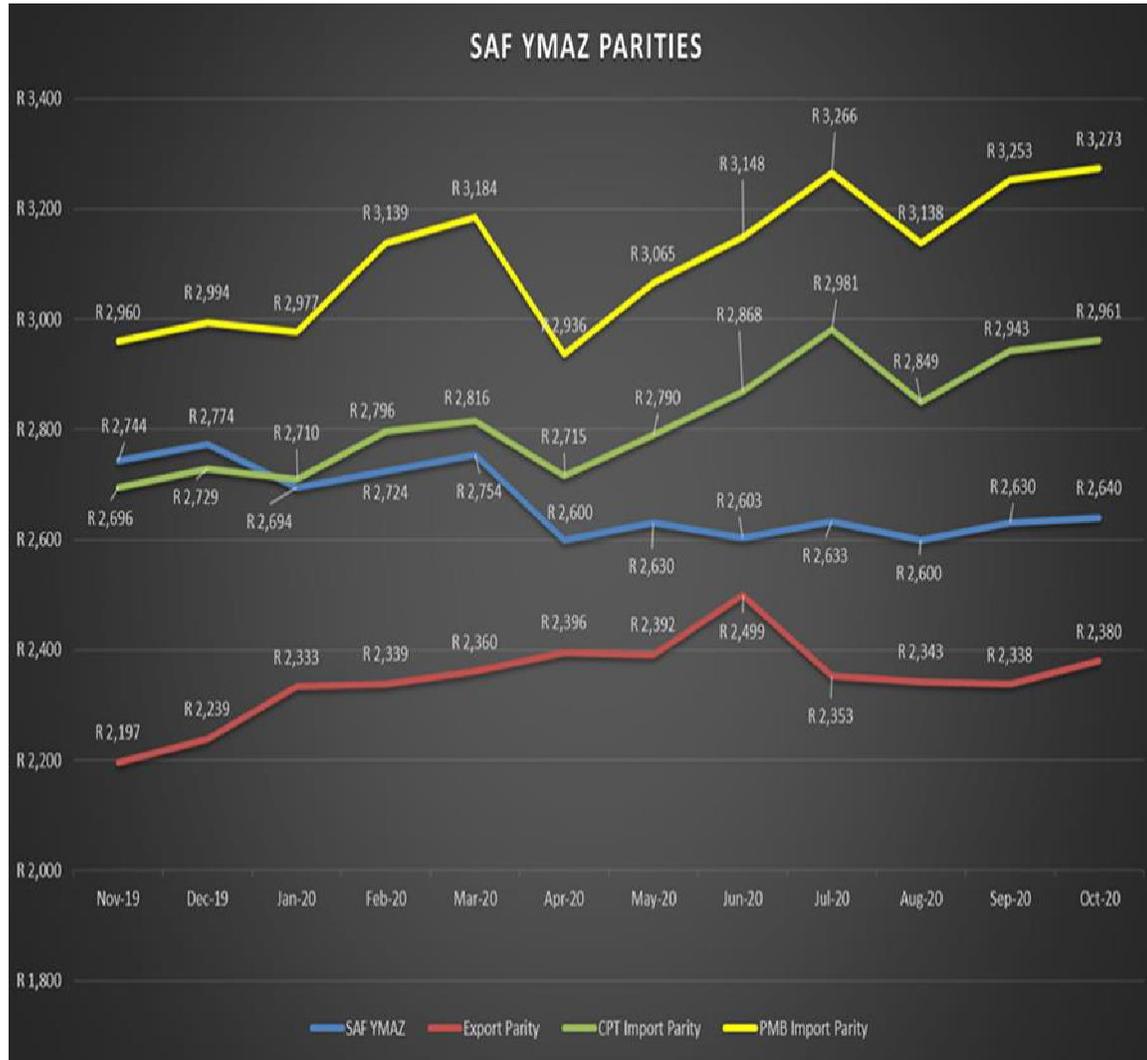


Ten day forecast: South America

Brazil can expect above normal rainfall which will support early plantings of soybeans in certain regions. Dry weather is predicted for Argentina, except in the North-eastern parts.



PARITY



	Nov-19	Dec-19	Mar-20	Jul-20
Import parity PMB	R2 960	R2 994	R3 184	R3 266
Import parity CAPE	R2 696	R2 729	R2 816	R2 981
SAFEX Yellow maize	R2 744	R2 774	R2 754	R2 633
Export parity	R2 197	R2 239	R2 360	R2 353



Agriculture



USA Crop Conditions (Good/Excellent)

Corn

2017
= 61%

2018
= 69%

5y avg
= 69%

Current
week
= 55%

Soybeans

2017
= 61%

2018
= 67%

5y avg
= 67%

Current
week
= 54%

Agriculture

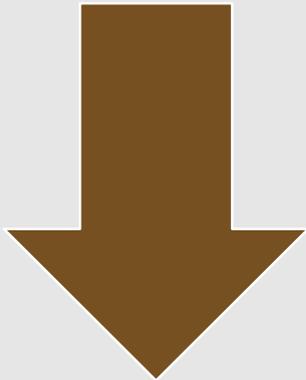


USA crop progress

Corn: Mature



5y avg
= 57%



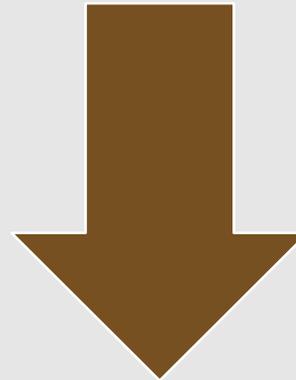
22 Sep-19
= 29%

Difference = -28%

Soybeans: Dropping leaves



5y avg
= 59%



22 Sep-19
= 34%

Difference = -26%

AGRICULTURE



Producer deliveries up to 13 September

Maize

Current season:

White maize = 4 875 987 t
-88% of total crop delivered
Yellow maize = 4 855 789 t
-89% of total crop delivered

Previous season:

White maize = 5 879 286 t
-90% of total crop delivered
Yellow maize = 5 122 855 t
-86% of total crop delivered

Soybeans

Current season:

= 1 114 662 t
-95% of total crop delivered

Previous season:

= 1 470 131t
-96% of total crop delivered

Sunflower

Current season:

= 668 763t
-98% of total crop delivered

Previous season:

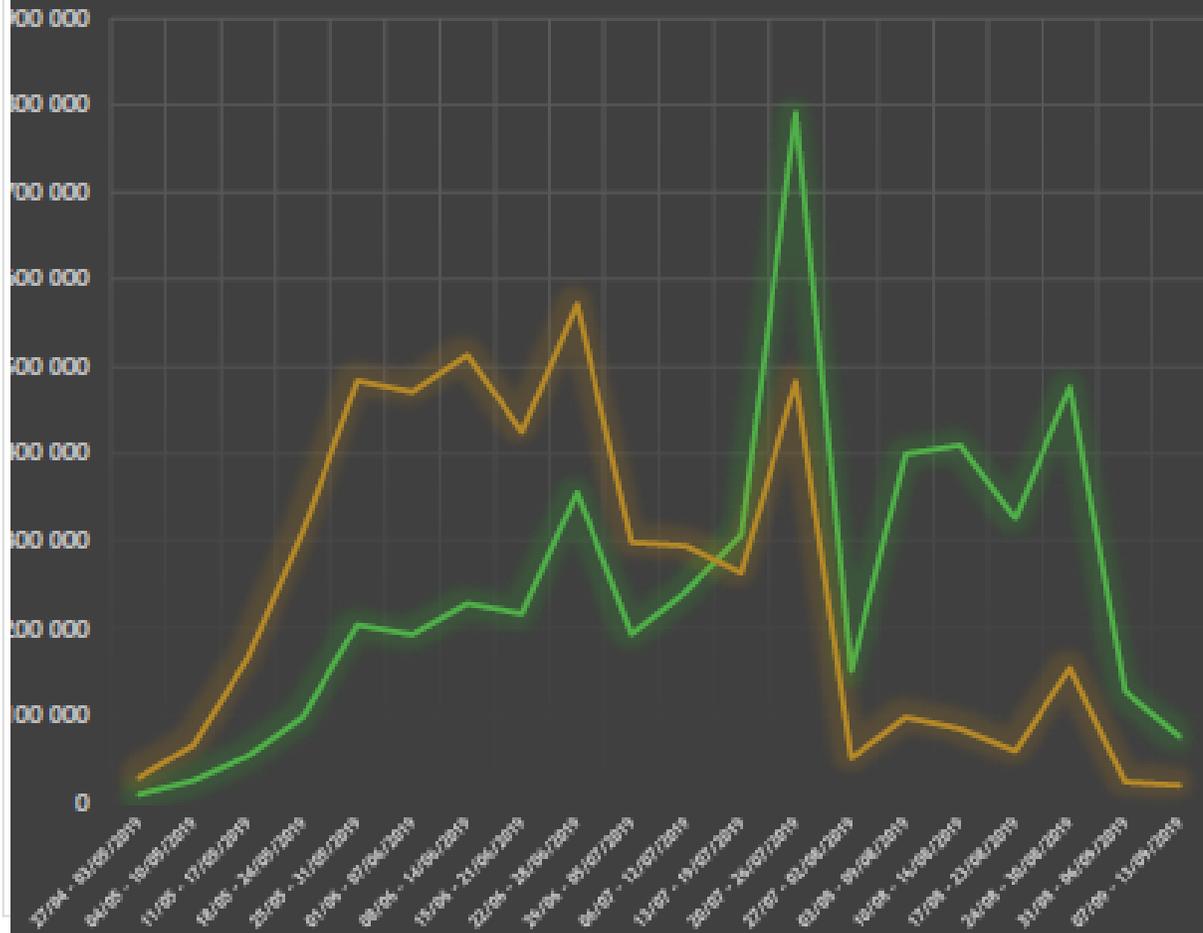
= 850 046t
- 99% of total crop delivered

Agriculture



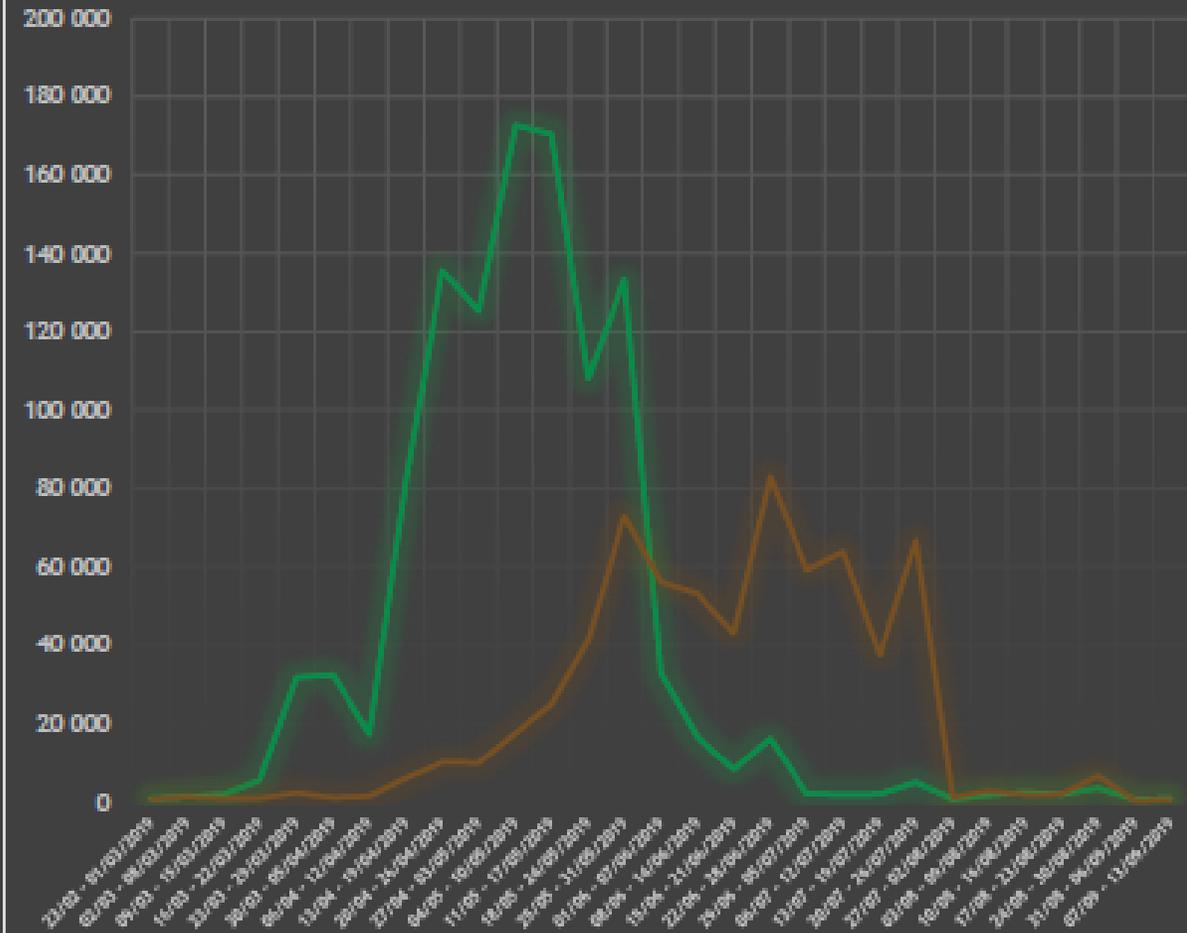
Producer deliveries: Maize

WM YM



Producer deliveries: Oilseeds

SOYA SUNS



AGRICULTURE

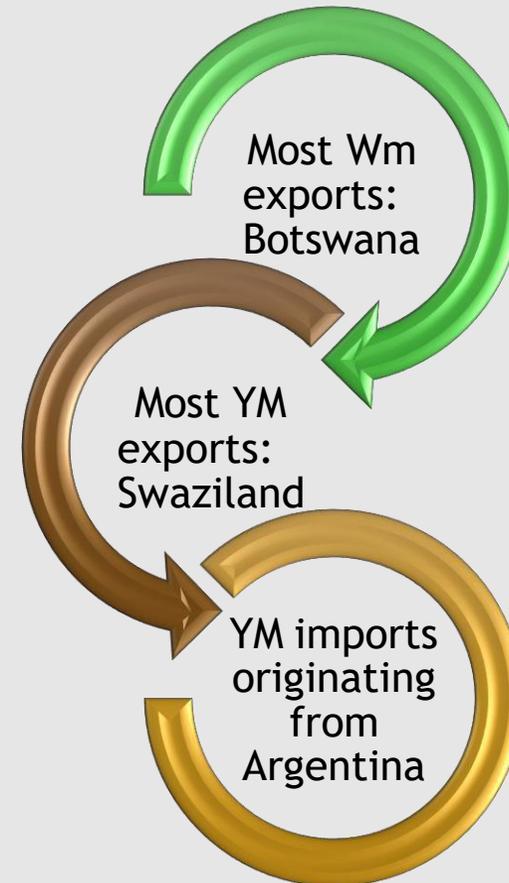


White maize

- Exports = 277 055t
- Imports = 0t

Yellow maize

- Exports = 130 747t
- Imports = 251 749t





DOLLAR - RAND CHART



The South African rand traded weaker against the US dollar, after the Reserve Bank's quarterly report was released on 25 September 2019. The rand traded between R 14,95 and R 15,03 during SAFEX trading hours.

The report indicated a drastic loss of business confidence in the South African economy due to continuous uncertainties of the impact of Eskom's debt, the high unemployment rate of 29% and more.

NEWS



S.A economy still on a downward spiral

South Africa's economy remains stuck in its longest downward cycle since 1945, adding to pressure on the government to implement reforms to lift business confidence and boost growth.

The economy entered the 70th month of a weakening cycle in September, according to the Reserve Bank's Quarterly Bulletin released Wednesday. That's as economic growth and business confidence languish at multi-year lows while an index gauging sentiment in the manufacturing sector shows contraction.

Read more at:

<https://www.moneyweb.co.za/news/economy/sas-economy-enters-70th-month-of-downward-cycle/>



Brazil farmers need rain for new plantings.

Brazilian farmers are anxiously watching the weather forecasts to see when they might receive enough rainfall to start planting their 2019/20 soybean crop. In most areas, soybean planting is already allowed, but Mother Nature has not cooperated with adequate soil moisture.

The forecast is calling for better chances of rain next week and into early October.

Read more at:

http://www.soybeansandcorn.com/news/Sep20_19-Brazilian-Farmers-Ready-to-Plant-only-Thing-Missing-is-Rainfall



USA corn conditions lower, soybean unchanged.

Key market features for wheat harvests include:

- High world-ending stock sets market prices under pressure.
- The severe drought in Australia slashes wheat production with 22% to 19.1 million tons.
- The wheat production in South Africa is higher this year, compared to last year.
- Wheat prices in the USA are under pressure due to average weather conditions and high world-ending stock, while the lower production in Australia supports corn market prices.
- South Africa's wheat production is largely dependant on the next two weeks' rainfall.



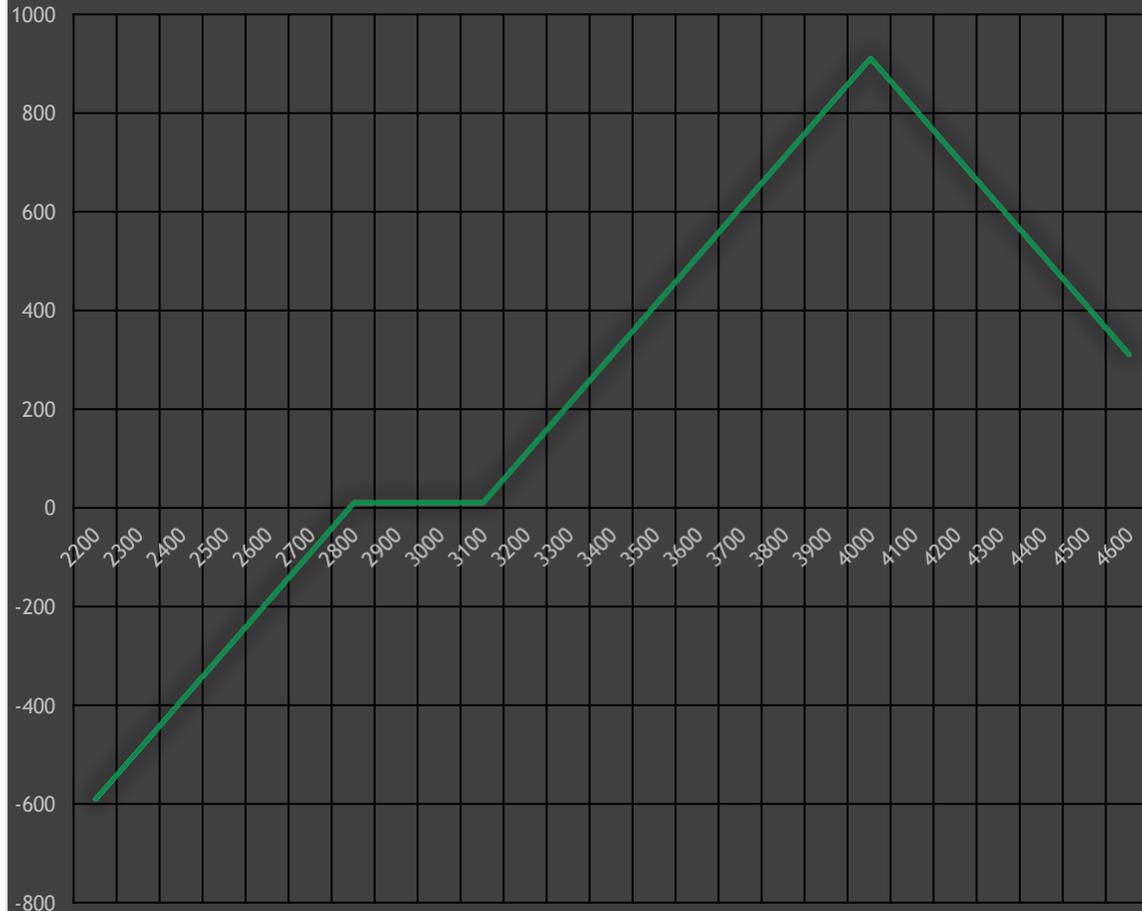
Summary

- Predicted minimum rainfall in South Africa, over the next two weeks, will add place pressure on any early plantings, and winter grains.
- Wet conditions are boosting early plantings in Brazil, and also support the SAFRIHNA corn plantings.
- USA crop progress is far behind the five-year averages, with the expected frost predictions in key producing areas, impacting negatively on crop ratings.
- The South African currency is struggling against the US dollar, which supports the local prices.

RISK MANAGEMENT



Long term option strategy



What is done?

- 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 is for the client who want so sell its product but still wants to participate in the market because he thinks the price will increase. Usually the client will enter a 70/30 agreement where the client do a fixed prices to sell his grain and then buy a futures on a further month. The risk here 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 marketprice decreases , the client will not lose any money up anduntil 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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« Still
innovating
110 years
 later »

The best way to predict your future is to create it.
 —Stephen Covey

Today's sustainable farming was built on the foundation laid by our grandfathers, their fathers and Kynoch. Now, after more than a century, and with renewed energy, Kynoch is still building on this foundation to create a sustainable future for generations to come.

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“No man has a good enough
memory to be a successful liar.”

-Abraham Lincoln

CONTACT US



Tel: +27 (0) 13 243 1166

E-pos: info@randagri.co.za

Web: www.randagri.co.za

Address: 24 Samora Machel Street,
Middelburg, Mpumalanga

