



WEEKLY

28 August 2019

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 Exports of maize for the new season
- Seventh CEC production forecast



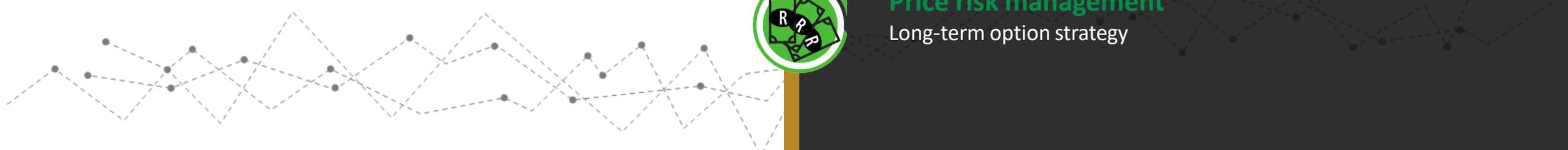
Exchange Rate

Overview of the Rand /US\$ exchange rate



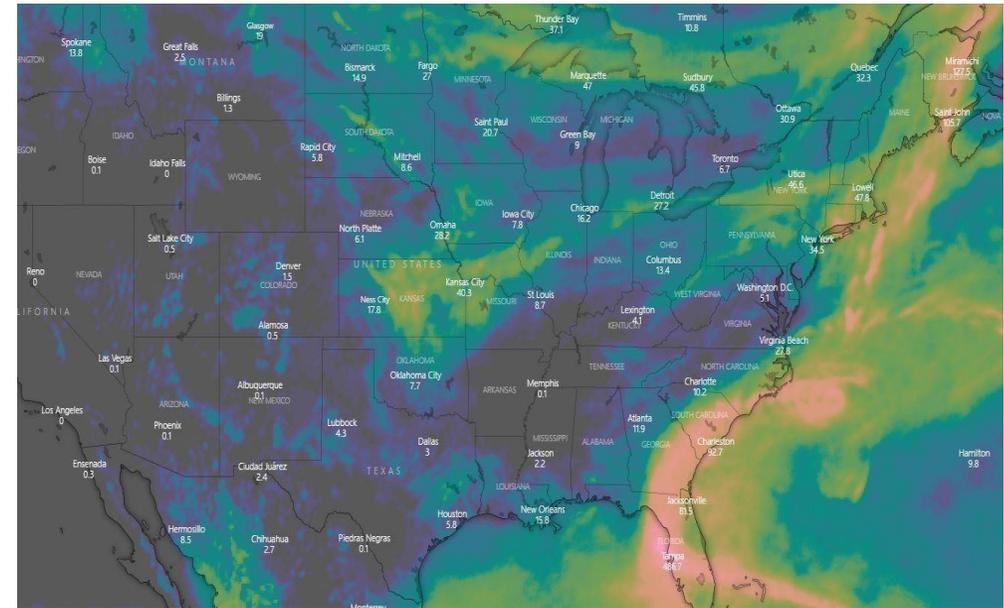
Price risk management

Long-term option strategy



Ten day forecast: North America

Dry and hot weather in the eastern parts of the corn belt will negatively affect the crop conditions. Rainfall predicted in the southern parts of the corn belt will support current crop conditions.



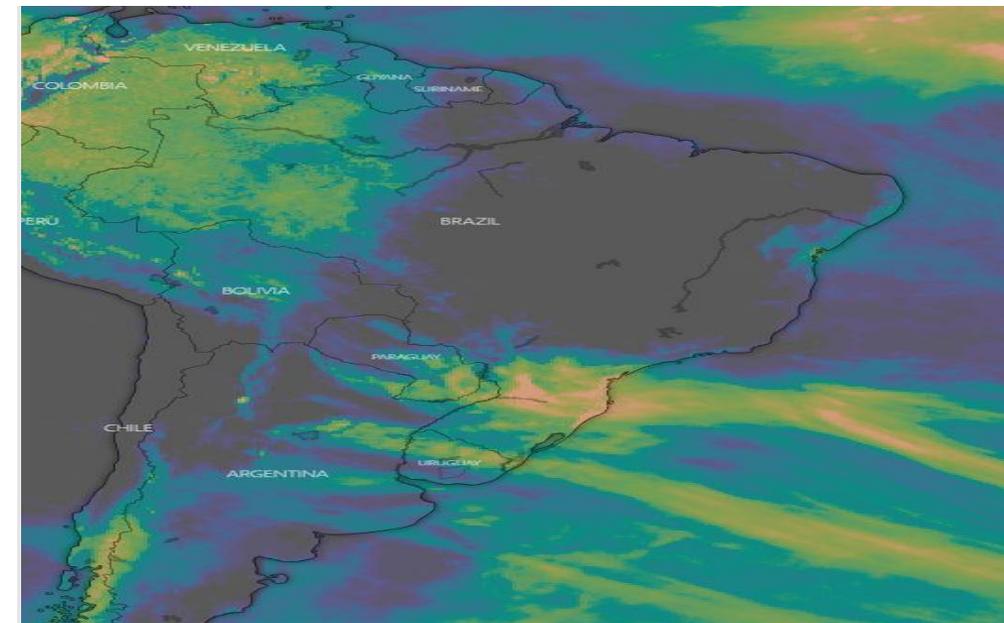
INTERNATIONAL

WEATHER

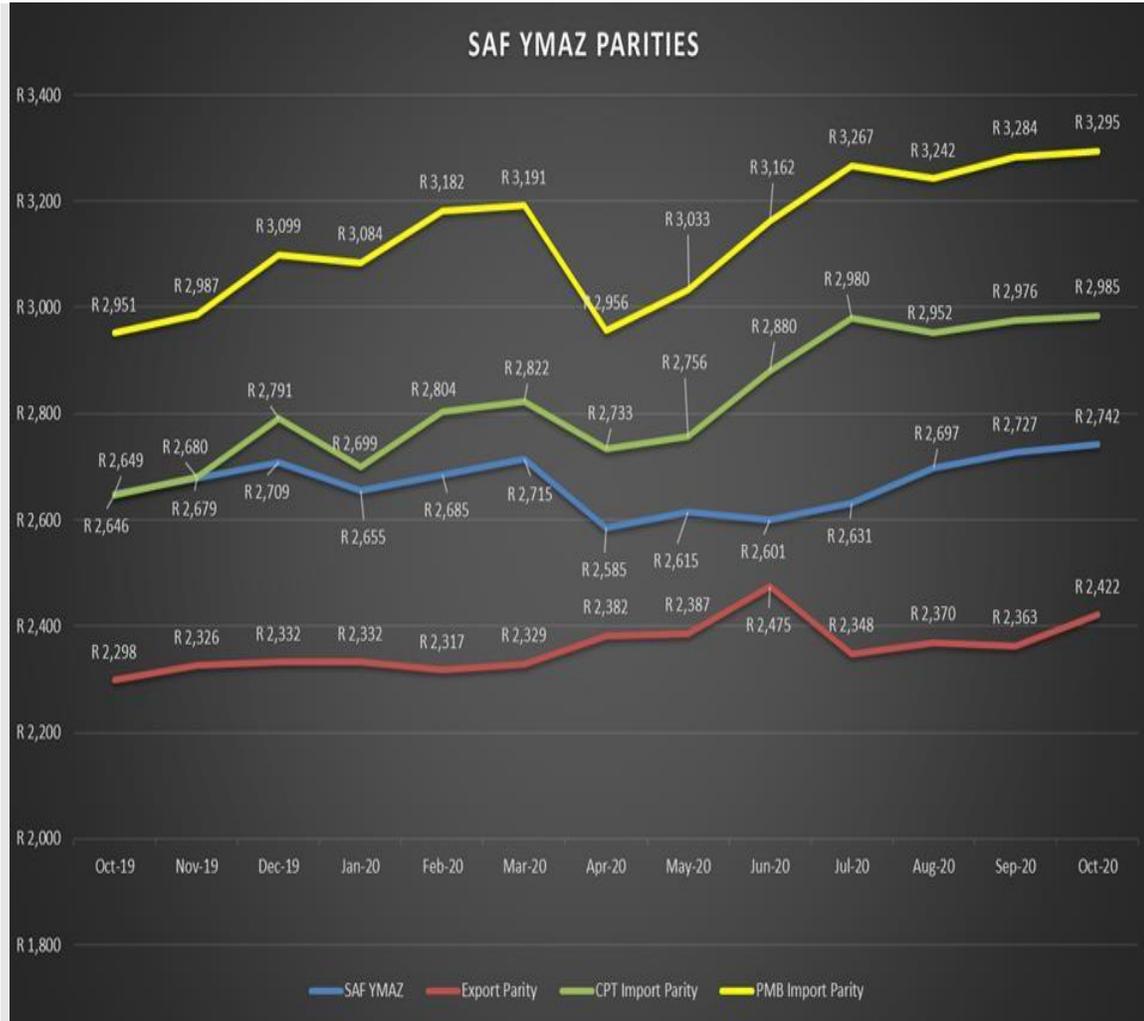


Ten day forecast: South America

The dry weather conditions in Brazil will accelerate the harvesting season. The predicted rainfall in Argentina will have a positive effect on wheat growth.



PARITY



	Sep-19	Dec-19	Mar-20	Jul-20
Import parity PMB	R2 951	R3 099	R3 191	R3 267
Import parity CAPE	R2 649	R2 791	R2 882	R2 980
SAFEX Yellow maize	R2 646	R2 709	R2 715	R2 631
Export parity	R2 298	R2 332	R2 329	R2 348



Agriculture



USA crop conditions (Good/ Excellent)

Corn

2017
= 62%

2018
= 68%

5y avg.
= 69%

Current
week
= 57%

Soybeans

2017
= 61%

2018
= 66%

5y avg.
= 67%

Current
week
= 55%

Agriculture

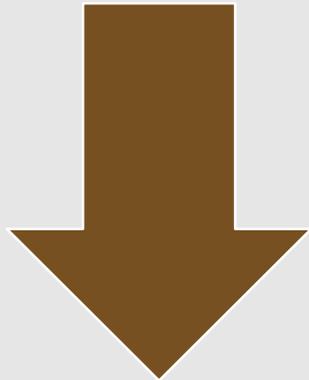


USA Crop Progress

Corn: Dough



5y avg
= 87%



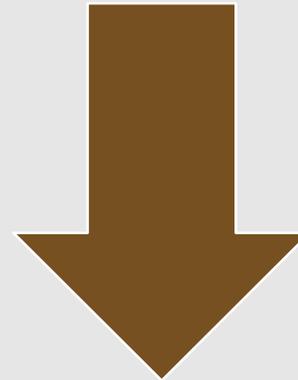
26 Aug-19
= 71%

Difference = -16%

Soybeans: Setting Pods



5y avg
= 91%



26 Aug-19
= 79%

Difference = -12%

Agriculture



Seventh CEC Production Estimates

White maize

- 6th Production forecast
=5 572 240 t
- 7th Production forecast
=5 572 240t
- Change = 0

Yellow maize

- 6th Production forecast
=5 406 620 t
- 7th Production forecast
=5 444 420 t
- Change= +37 800t

Soybeans

- 6th Production forecast
=1 170 345 t
- 7th production forecast
=1 170 345 t
- Change = 0

Sunflower

- 6th Production forecast
=655 640 t
- 7th Production forecast
=680 940 t
- Change=+25 300t

AGRICULTURE



Producer deliveries up to 23 August

Maize

Current season:

White maize = 4 196 114t
-75% of total crop delivered
Yellow maize = 4 656 326t
-86% of total crop delivered

Previous season:

White maize = 5 390 672t
-82% of total crop delivered
Yellow maize = 4 879 904t
-82% of total crop delivered

Soybeans

Current season:

= 1 109 325t
-95% of total crop delivered

Previous season:

= 1 465 963t
-95% of total crop delivered

Sunflower

Current season:

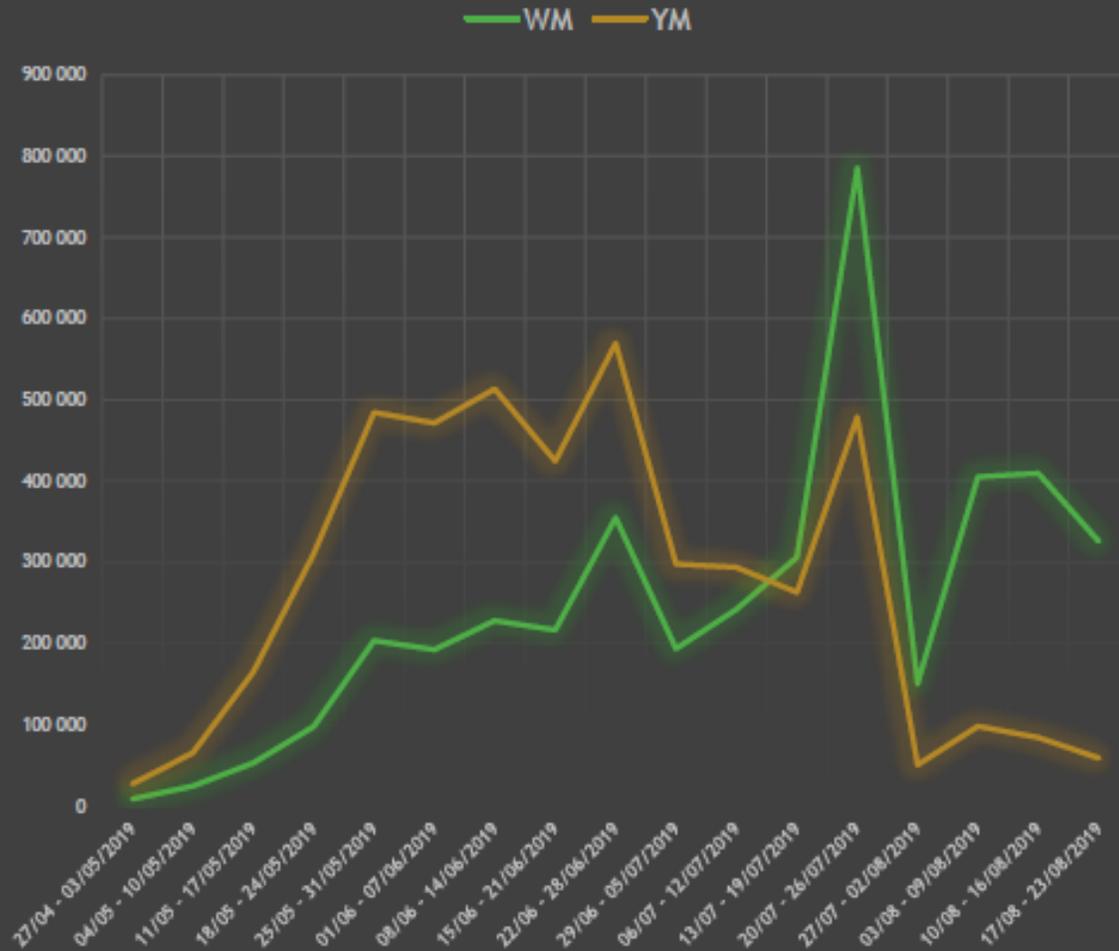
= 661 305t
-97% of total crop delivered

Previous season:

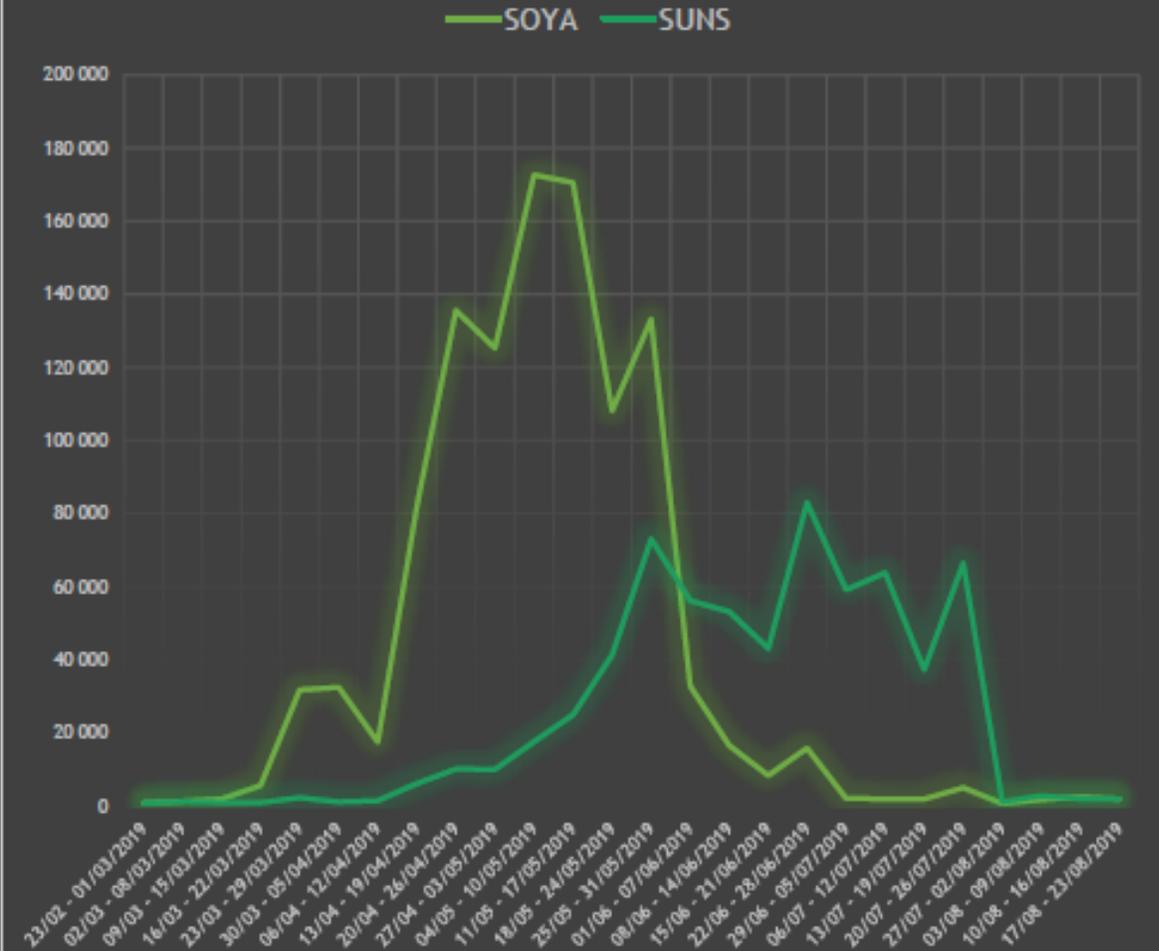
= 837 641t
- 97% of total crop delivered



Producer deliveries: Maize



Producer deliveries: Oilseeds



AGRICULTURE

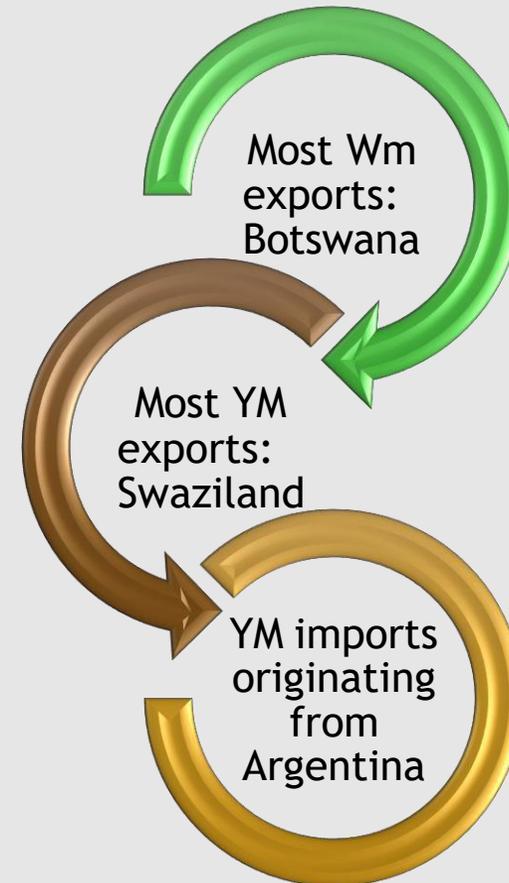


White maize

- Exports = 202 404t
- Imports = 0t

Yellow maize

- Exports = 99 082t
- Imports = 161 216t





USDZAR CHART



The South African rand fluctuated a great deal against the dollar on 27 August.

At a stage, the rand appreciated against the dollar with the lurking possibility of the US and China reaching a trade agreement.

The Rand traded between R15.30 and R15.25 during the SAFEX trading hours on 28 August.

At the time of writing the rand depreciated again to R15.34.



African swine fever spreads further into South Africa.

The first African swine fever case in South Africa was identified in April this year in the region of Lichtenburg. Since then the fever has spread to 13 different areas which include areas in Mpumalanga, Gauteng, Free State, and North West provinces.

The World Organisation of Animal Health has confirmed that 605 pigs are infected, 652 pigs died of the fever and another 906 pigs were slaughtered to prevent a further, and worse outbreak.

Read more at:

<https://www.netwerk24.com/landbou/Bedrywe/Diere/afrika-varkpes-brei-steeds-uit-20190826>



Zambia intervenes with record high maize prices.

The Zambian government has placed a price cap of R3 023 per ton on maize due to its concerns over rising local maize prices, which could disadvantage many poor Zambian households.

The maize prices have increased notably over the past couple of months due to a 16% year-on-year decline in Zambia's 2019 maize production to about 2 million tonnes.

Zambia should have enough maize to meet local demand this year, thanks to the 2018/19 marketing year which has provided a buffer for the 2019/20 marketing year.

The U.S. Department of Agriculture estimates that Zambia could have 100 000 tonnes of maize for the export market.

Read more at:

<https://wandilesihlobo.com/2019/08/26/zambia-intervenies-in-the-maize-market/>



2019 maize production - 12% smaller than 2018.

The seventh production forecast by the CEC estimates the a 12% reduced 2019 maize production compared to 2018. The white maize production estimate is unaffected with an average yield of 4.29t/ha. The yellow maize estimate increased slightly to 37 800 tonnes and an average yield of 5.43t/ha. The three main maize production areas in South Africa - Mpumalanga, North West, and the Free State are expected to produce 80% of the total maize output in 2019

Read more at:

<http://www.farmingportal.co.za/index.php/agri-index/68-crops/2949-geskatte-mielie-oes-12-kleiner-as-die-2018-oes-suid-afrika>



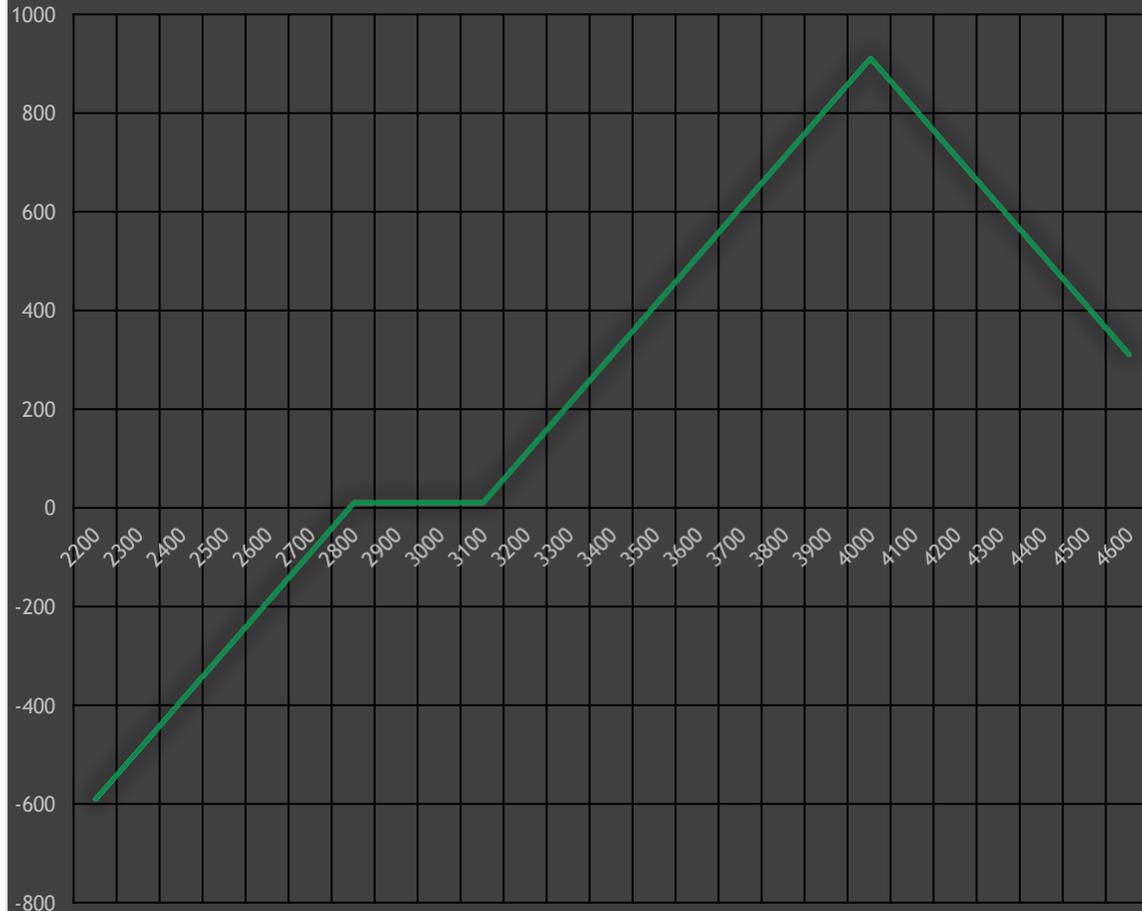
Summary

- Dry and hot conditions in the eastern corn belt of the USA will affect the current crop conditions negatively.
- SAFEX yellow maize prices are trading at Cape import parity, but as we move into the future we can see that the SAFEX levels are moving below import parity.
- Current USA crop conditions, as well as the growing stages, are still behind the five-year averages. In effect, this should support the CBOT prices.
- The latest CEC crop estimate indicates that the total maize production will be higher than previously expected. This prediction did not have any effect on the market since traders and speculators are more concerned about the international market.
- The weaker rand supports local grain prices. Weaker parity prices are applying downward pressure on grain prices.

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.

RGE Engineering CC

RGE Engineering CC established in 2005, we offer quality work and commitment to build your dream.

We provide professional and friendly service to our clients.

Precision and speed are the aim for each repair and project to grow your dream into reality.

- * On site / farm repairs
- * Farm implement repair
- * Design & Manufacture farm equipment

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

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



“Live as if you were to die tomorrow. Learn as if you were to live forever”

- Mahatma Gandhi

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

