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how can we help you?

manage your grain crop finance risk with a **Pre-Plant Contract**.

RMB
A division of FirstRand Bank Limited

FNB
First National Bank

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There are many things that can influence your harvest's financial return. However, with a Pre-Plant Contract (PPC) from FNB, you can have peace of mind knowing that you have access to added security and support when you need it.

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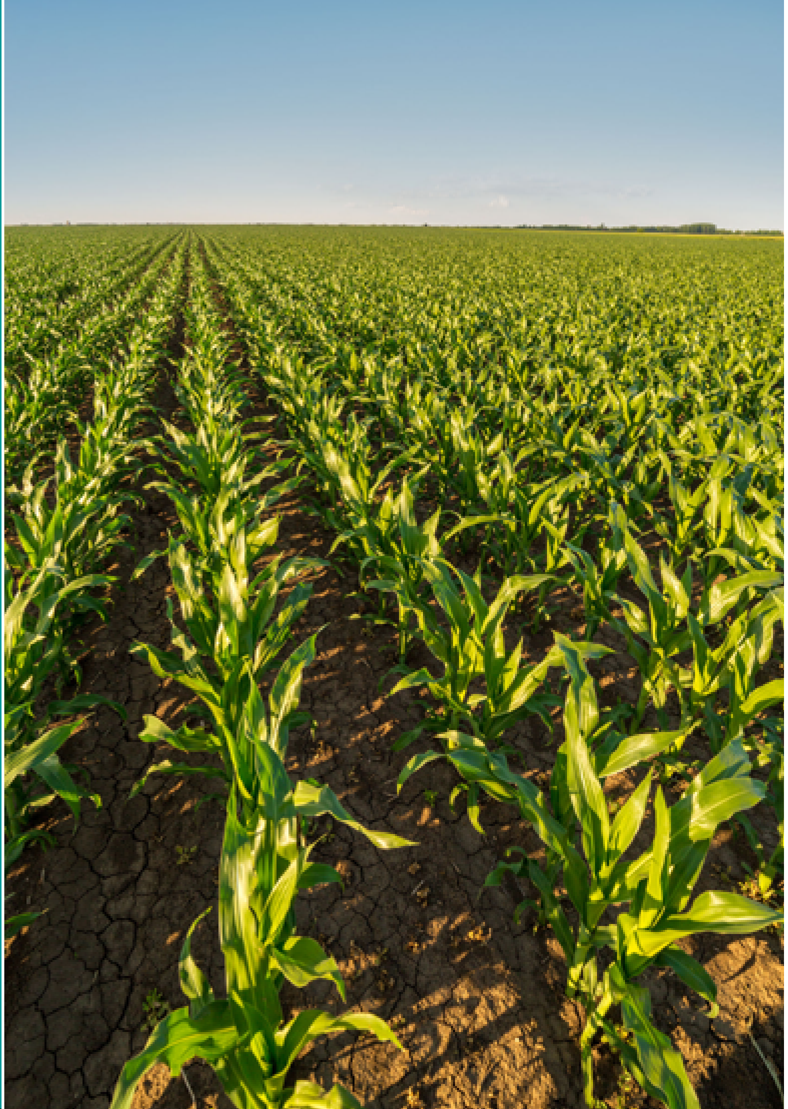
What is a Pre-Plant Contract (PPC)?

A Pre-Plant Contract, better known as PPC, is a straightforward and unique finance package designed to help grain farmers hedge against price and production risk with the opportunity to secure a higher price for the crop and have *force majeure* protection on physical deliveries, as well as releasing collateral security or a portion thereof for other uses.



Why consider PPC?

As a product underwritten by FirstRand Bank Ltd, PPC is not only trustworthy, but offers you access to a wider network of specialist support within FNB and RMB.

FNB specialists make sure the product is managed effectively while RMB specialists hedge the price. For the past 15 years, PPC has yielded a price for grain that is higher than the average SAFEX price.

There is no other institution in South Africa that offers grain farmers the same extensive benefits that the PPC package does.

The PPC package includes:

- *Force majeure* cover on physical delivery of stock.
- Finance at the ruling prime interest rate plus 1%.
- Reduced risk profile where extra security may not be required (which would normally be the credit requirement).
- The opportunity to expand your farming enterprise with rented land.
- Access to a finance product (as part of the PPC package) that offers short-term production finance on an overdraft, Hail and Multi-Peril Insurance, as well as *force majeure* and access to a marketing contract that includes various pricing options.
- Up to 90% finance of the Long-Term Average Yield (LTAY).
- An uncomplicated product with simple and transparent terms and conditions – there are no hidden costs.
- A contract that covers both the farmer and the bank in terms of who is responsible for what.
- An opportunity to negotiate cash discounts with input suppliers.
- Access to a farm loading option.
- When using a "minimum price contract with participation in the rising market" pricing option and a higher price is fixed, any remaining option value is paid back to you.
- When delivering via a SAFEX silo certificate and a physical premium is received once stock is sold, this premium (less 50% of any storage fees) is paid back to you.

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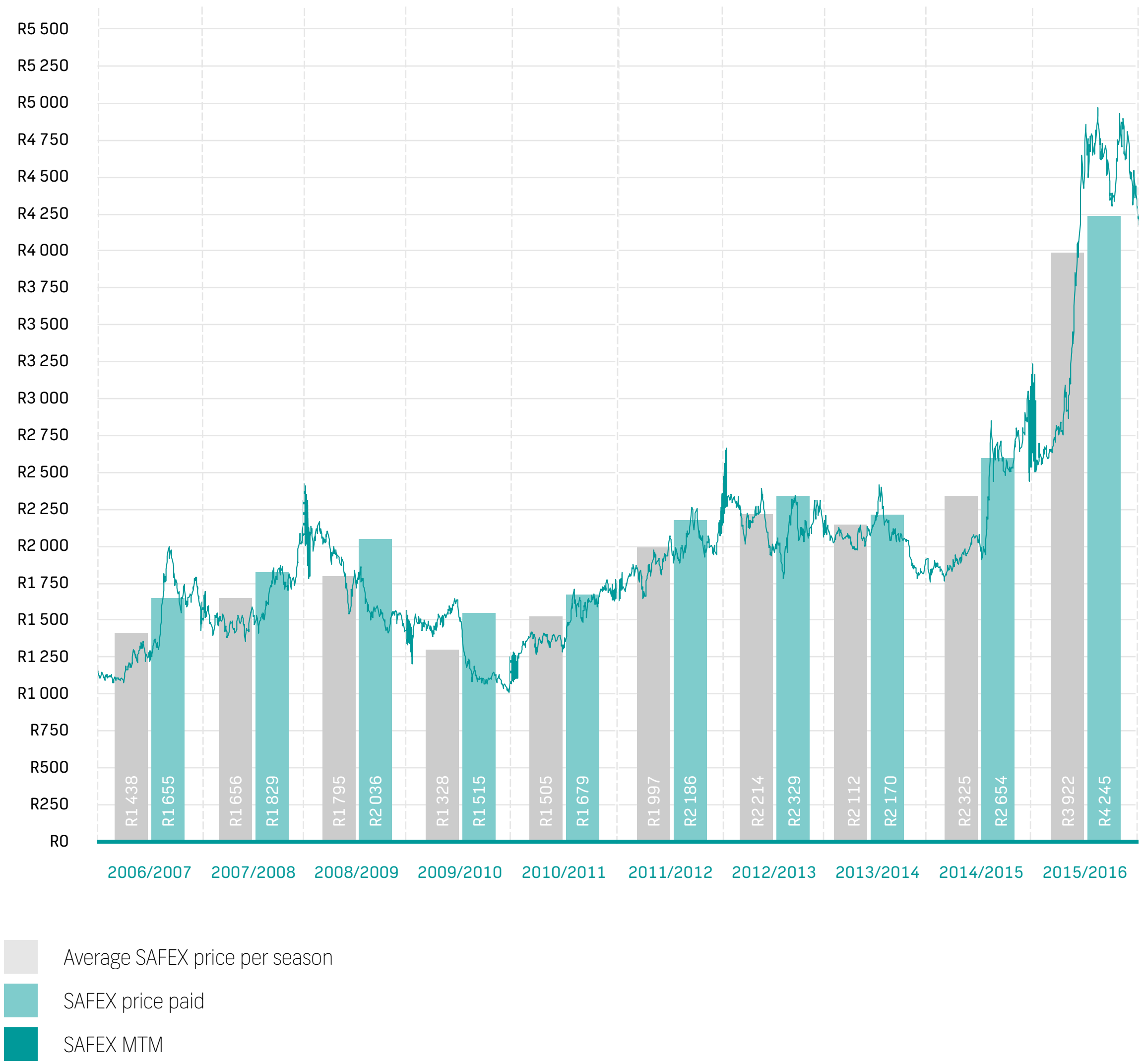
Since 2006, the average grain prices received by our clients have outperformed the average market prices.

Average white maize prices (R/ton) per annum:

July 2006 – July 2016



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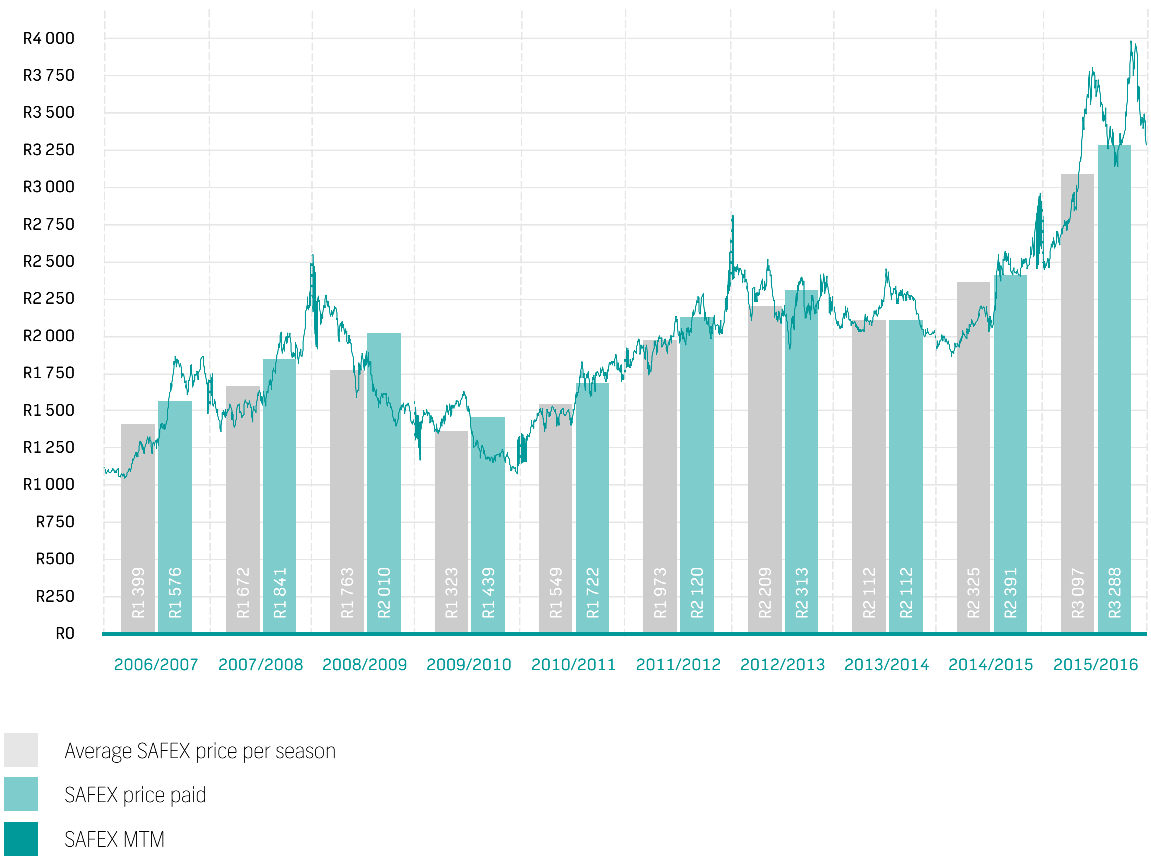
Average yellow maize prices (R/ton) per annum:
July 2006 – July 2016



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How does PPC work?

FNB Production Account:

- Available for the financing of production inputs, crop insurance, trading fees and interest.
- The facility is limited to the input costs, but restricted to 90% of your LTAY at a given price.
- Interest rate on debit balance – FNB's prime lending rate plus 1%.

Availability of the facility:

The production facility will be available as follows:

- 65% after the signing of the contract (including interest).
- 35% after the emergence report has been submitted and signed (including interest).

FNB's responsibilities:

FNB is responsible for the financing of production inputs.

RMB's responsibilities:

RMB is responsible for the hedging of the grain and the selling of the physical stock once you deliver it.

RMB guarantees payment within five business days after receiving the original signed-off silo certificates at their Sandton offices.

Requirements of the insurers and re-insurers:

- Hail and Multi-Peril crop insurance policies must be issued.
- FNB must have a direct interest in the crop.
- FNB will evaluate and select individual producers for participation in the scheme.

Limitations:

- Contracts are limited to FNB clients only.
- The minimum dry land tonnage for contracting is limited to 100 tons for maize and 50 tons for wheat, soya beans and sunflowers.
- Contract prices are ex-silo prices (SAFEX price less the SAFEX transport differential).
- *Force majeure* is applicable (guaranteed tons only), given the conditions of the contract.
- Your other creditors must cede their right, title and interest in the crop to FNB.
- The applications are subject to the credit evaluation and selection by FNB.
- The insurer is required to approve the farmland's LTAY and Guarantee.

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Your responsibilities:

You will need to:

- Supply and be able to verify your average cultivations and yields for at least the past five seasons.
- Supply GPS maps of the farm with GPS coordinates per land.
- Supply soil analysis per land. Soil analysis must not be older than two years.
- Supply total grain cultivation (dry land or irrigation) per crop for contract financing. Only land that has been approved by the insurer will qualify for contract financing.
- Cede the right, title and interest in the crop to FNB.
- Apply acceptable farming practices.
- Sign two crop insurance policies, namely the Hail and Multi-Peril policies, as part of the contract.
- Submit three production reports during the production season.
- After harvesting, use the Electronic Silo Certificate (ESC) system or submit signed-off SAFEX silo and/or silo certificates at your FNB branch for payment.
- Report damage as prescribed by the insurer.
- Agree that any security that is ceded to FNB, under any facility, can be used to cover your reponsibilities under the contract and that security given under this contract can be used for other responsibilities you have with FNB.
- Supply a list of liabilities.
- Adhere to the terms and conditions as set out by the insurer.

You may not:

- Cede the crop to a third party.
- Take up hedge positions with a third party.

Reports that you must supply:

- Plant and emergence report – after total cultivation has sprouted.
- Progress report – after pollination of the crop.
- Crop estimate report – 20 to 30 days before the crop is harvested.

Planting dates and production seasons:

- Planting dates: as per insurer's instructions.
- Summer production season:
  - May delivery – 1 September to 30 June.
  - July delivery – 1 September to 31 August.
- Winter production season: 1 March to 31 January.

Costs payable on date of contract:

Market creation fee	R25/ton
RMB admin fee	R35/ton
Force majeure cost: White maize	R48/ton
Force majeure cost: Yellow maize	R46/ton
Force majeure cost: Sunflower	R68/ton
Force majeure cost: Soya beans	R63/ton
Force majeure cost: Wheat	R50/ton
Hedging fees	As per contract

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Example of maize contract financing (dry land):

Long-Term Average Yield (LTAY)	Contracting at the guaranteed LTAY	Contracting more than the guaranteed LTAY*
Ha	500	500
LTAY (t/ha)	4.10	4.10
Guarantee	65%	65%
Guaranteed (t/ha)	2.665	2.665
Ex-silo price	R2 050/ton	R2 050/ton
Preferred insured value	R2 050/ton	R2 050/ton
Insured value (VAT excl)	R2 731 625	R2 731 625
Insured value (VAT incl)	R3 114 053	R3 114 053
Security value	R2 731 625	R2 731 625
Cost per hectare	R5 463.25	R6 200.00
Facility	R2 731 625	R3 100 000
Contracted tonnage	1 333	1 513
Shortage in security	R0	R -368 375

**Example: If the cost per hectare was higher (R6 200.00), the facility required would be higher, resulting in a shortfall in the security value based on the LTAY. The contracted tonnage would also increase in order to repay the higher facility.*

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Option 1:

100% minimum price contract with participation in the rising market

A minimum grain price is contracted. You have the opportunity to partake in the rising market price. That is, as the price (SAFEX price) increases, you can contact the PPC department in Sandton to fix a higher price as per the SAFEX market on that day. If the prices remain below the contracted minimum price level, you will receive the contracted minimum price, given the terms and conditions of the grain contract.

Option 2:

100% weighted average price contract

A minimum price is contracted. The daily SAFEX Mark-to-Market (MTM) price is used over the period of the contract to calculate the average price. The minimum price is used for each day the MTM price is below the minimum contracted price.

Option 3:

50% minimum price with participation in the rising market price and 50% weighted average price contract

A minimum price is contracted with 50% using Option 1 and 50% using Option 2.

Option 4:

70% minimum price with participation in the rising market and 30% fixed price contract

70% of the contract is priced using Option 1. The remaining 30% is priced using a fixed price.

Option 5:

70% weighted average price and 30% fixed price contract

70% of the contract is priced using Option 2. The remaining 30% is priced using a fixed price.

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For more information, please contact an **FNB Agriculture Manager** in your region:

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