

WEEKLY

# FOOD-FOR-THOUGHT



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# INTERNATIONAL WEATHER

## WINDS CREATE DRY CONDITIONS IN NORTHERN AND SOUTHERN PLAINS:

High-wind watches have been issued for western parts of both states. A fire-weather watch is in effect amid gusty winds and low humidity.

## BRAZIL SOWS SOYBEANS, CORN AT FAST PACE AMID DRY WEATHER CONCERNS:

Brazilian soybean planting continued to advance at a fast pace in the week ending November 11, reaching 78% of the estimated area, while dry weather conditions raised concerns for both soybean and summer corn (maize) crops in the south, according to local consultancy, *Agrural*, on Monday.

According to the local consultancy, “dry weather conditions continue to concern farmers” in Rio Grande do Sul, while works in the Matopiba region “have advanced well despite excess moisture conditions in some areas.”

However, *Agrural* warned, while sowing continues to progress in Rio Grande do Sul, the state’s soybean crop may face quality issues if it does not rain soon.

Other states in the south and southeast have also been experiencing lower rainfall over the last few weeks, but the situation is not as delicate as in Rio Grande do Sul, given that the planting of summer corn started later in the former and grains are not at a critical development stage yet.

## LA NIÑA WATCH

A U.S. government weather forecaster indicated a 90% possibility of La Niña conditions continuing through the Northern Hemisphere winter into spring 2022 (March to May).

According to the National Weather Service's Climate Prediction Center (CPC), La Niña is expected to effect temperatures and precipitation over the United States in the coming months.

**In the meantime, ENSO-neutral conditions are projected for April to June, according to the CPC's monthly forecast.** ENSO-neutral circumstances occur when neither El Niño nor La Niña is present, frequently coinciding with the transition between the two weather patterns.



# MARKET BRIEFING

## WHEAT FUTURES RISE

Wheat futures rise as grain's uptrend continues due to concerns over global supplies. Prices reached an almost nine-year high last week after Russia declared it may implement further export levies and other restrictions to ensure ample domestic grain supply.

Russia shipped 16.6 million tonnes of wheat from 1 July to 11 November, indicating a 16% year-on-year decline. Analysts have pegged Russian wheat exports in 2021/2022 at 36.5 million tonnes. Last week, the U.S. Department of Agriculture forecast shipments from the country at 36 million tonnes – down from 38.5 million tonnes a year earlier.

## EXPORT SALES OF GRAINS AND BEANS DECLINE WEEK-TO-WEEK

- Last week's export sales of grains and beans were all down from the previous week, according to the USDA.
- Corn (maize) exports for the week totalled 718 000 tonnes, down 4%.
- Last week's soybean sales were reported at 1.29 million tonnes, a 31% drop from the previous week and a 25% decline from the average.

## FERTILISER PRICE FORECAST

Brazilian grain crop growers are facing increased prices of fertilisers and chemicals. The underlying reasons for high prices are mostly due the high demand in the energy market for example natural gas.

We consider that fertiliser prices may return to stable levels as soon as regular operations in mining, refinery, energy, and transportation sectors resume around the globe in the post-pandemic era.

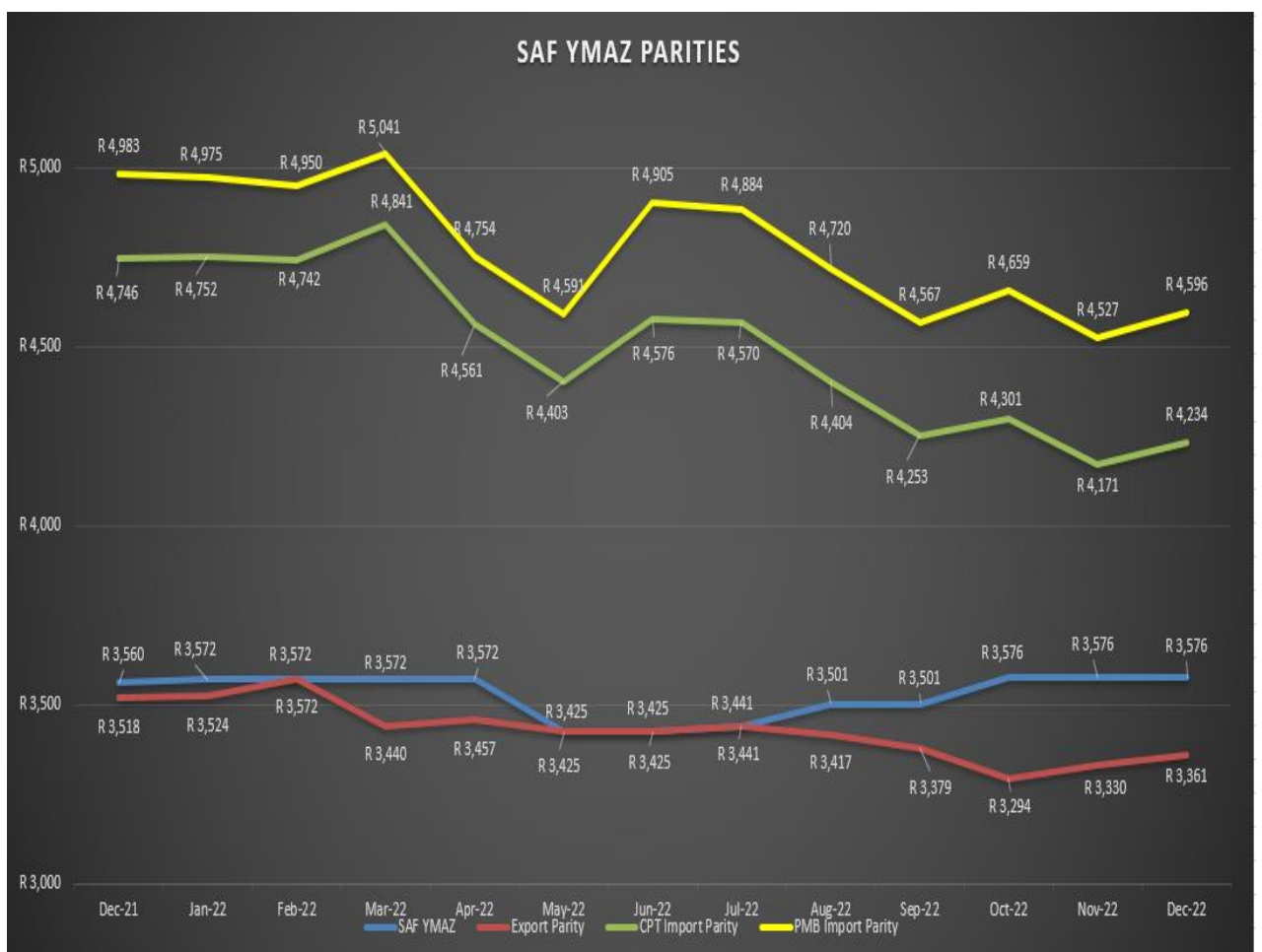
High prices of chemicals seem to be rooted in reasons other than the COVID-19 pandemic. Post-pandemic operations may pull back chemical prices, but there are deeper roots in factors difficult to assess..

# PARITIES

## YELLOW MAIZE

	Dec'21	May'22	Jul'22	Sept'22
PMB-import parity	R4 983	R4 591	R4 884	R4 567
CPT-import parity	R4 746	R4 403	R4 570	R4 253
SAFEX-yellow maize	R3 560	R3 425	R3 441	R3 501
DBN-export parity	R3 518	R3 425	R3 441	R3 379

**NOTE:** May 2022 and Jul 2022 yellow maize SAFEX price is currently trading at Durban export parity.





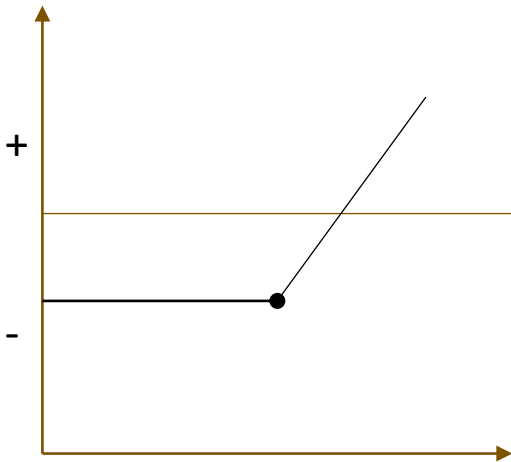
# RISK PROFILE



## THE FOUR BASIC OPTIONS STRATEGIES:

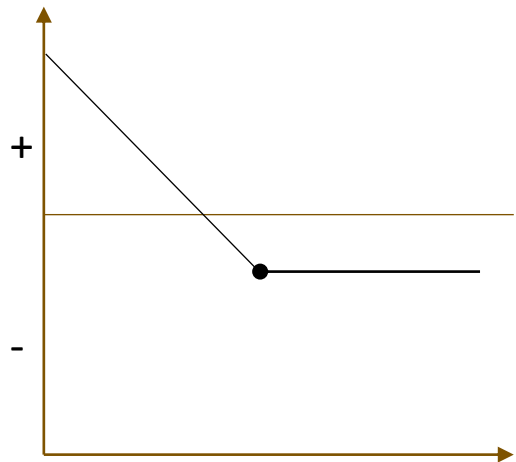
### BUYING A CALL OPTION

- Belief that the commodity will **rise** (bullish outlook).
- Risk limited to the premium paid.
- Unlimited maximum reward in a **bullish** market.



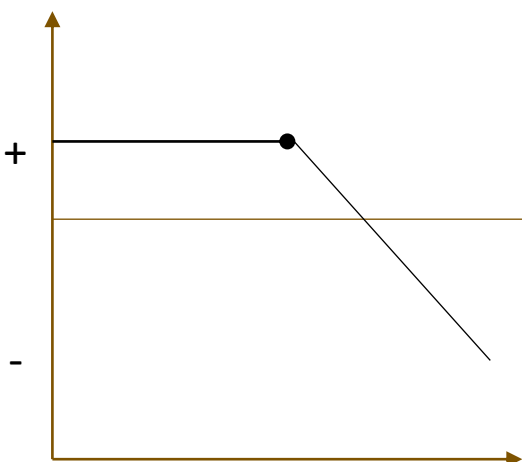
### BUYING A PUT OPTION

- Belief that the commodity will **fall** (bearish outlook).
- Risk limited to the premium paid.
- Unlimited maximum reward in a **bearish** market.



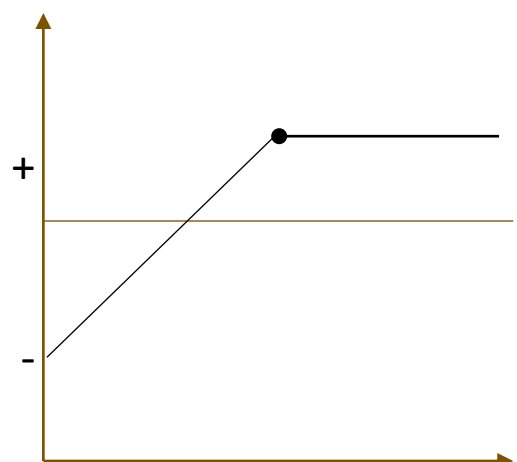
### SELLING (WRITING) A CALL

- Belief that the commodity will **fall** (bearish outlook).
- Maximum reward limited to premium received.
- Risk potentially unlimited (as commodity price **rises**)
- Can be combined with another option to limit the risk.



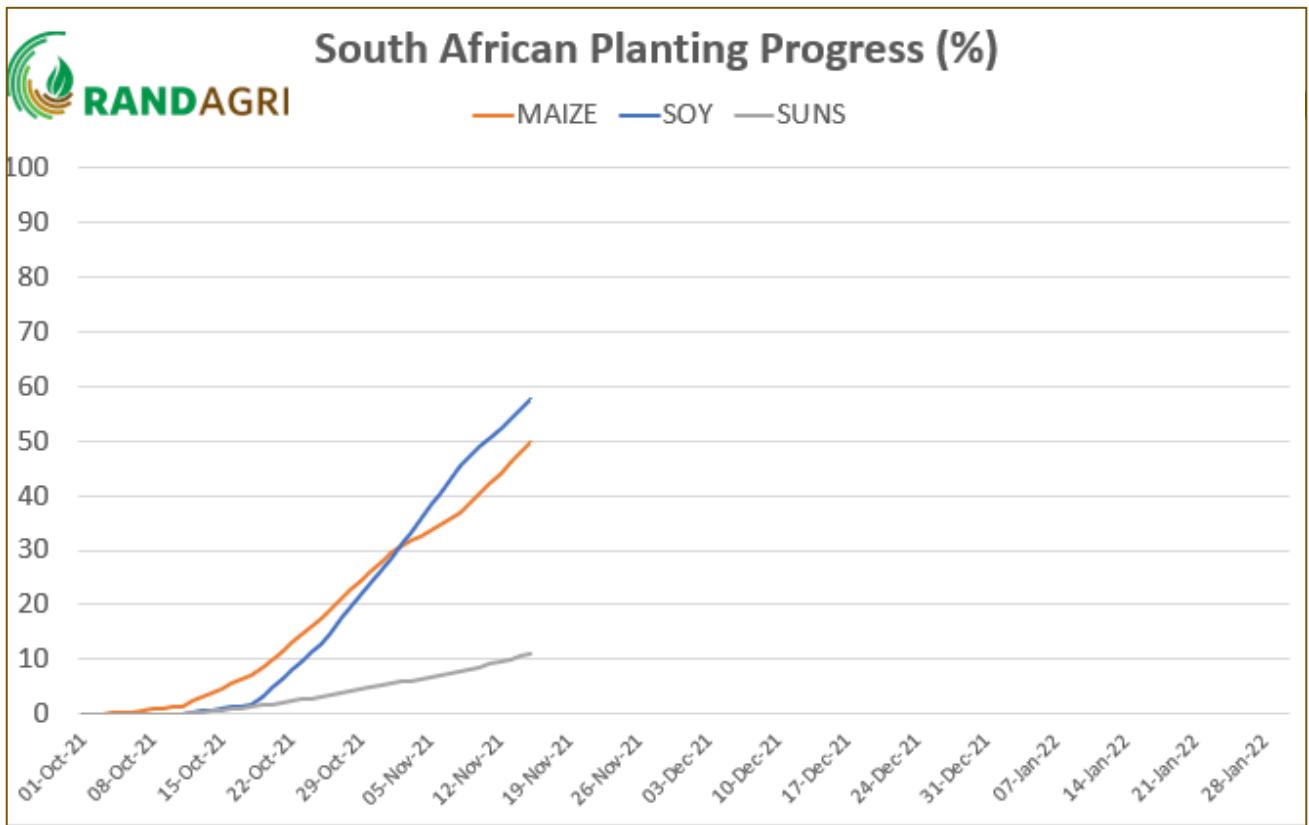
### SELLING (WRITING) A PUT

- Belief that the commodity will **rise** (bullish outlook).
- Maximum reward limited to the premium received.
- Risk potentially unlimited (as commodity price **decrease**)
- Can be combined with another option to limit the risk.



# FIELD AGENT

CROP/GEWAS	Intentions/ Voorneme 2022 Ha	Area planted/ Opp beplant 2021 Ha	Ninth estimate/ Negende skatting 2021 Tons	Change/ Verandering/ %
	soos middel Okt 2021/ as mid Oct 2021		as on 27 Oct 2021/ soos op 27 Okt 2021	
	(A)		(B)	(C)
Commercial/Kommersieël:				
White maize/Witmielies	1 644 200	1 691 900	8 608 815	-2,82
Yellow maize/Geelmielies	1 081 000	1 063 500	7 602 450	+1,65
Maize/Mielies	2 725 200	2 755 400	16 211 265	-1,10
Sunflower seed/Sonneblomsaad	555 800	477 800	677 240	+16,32
Soybeans/Sojabone	924 800	827 100	1 890 450	+11,81
Groundnuts/Grondbone	37 000	38 550	58 900	-4,02
Sorghum	45 000	49 200	209 980	-8,54
Dry beans/Droëbone	54 250	47 390	57 672	+14,48
TOTAL/TOTAAL	4 342 050	4 195 440	19 105 507	+3,49



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