

WEEKLY

FOOD-FOR THOUGHT

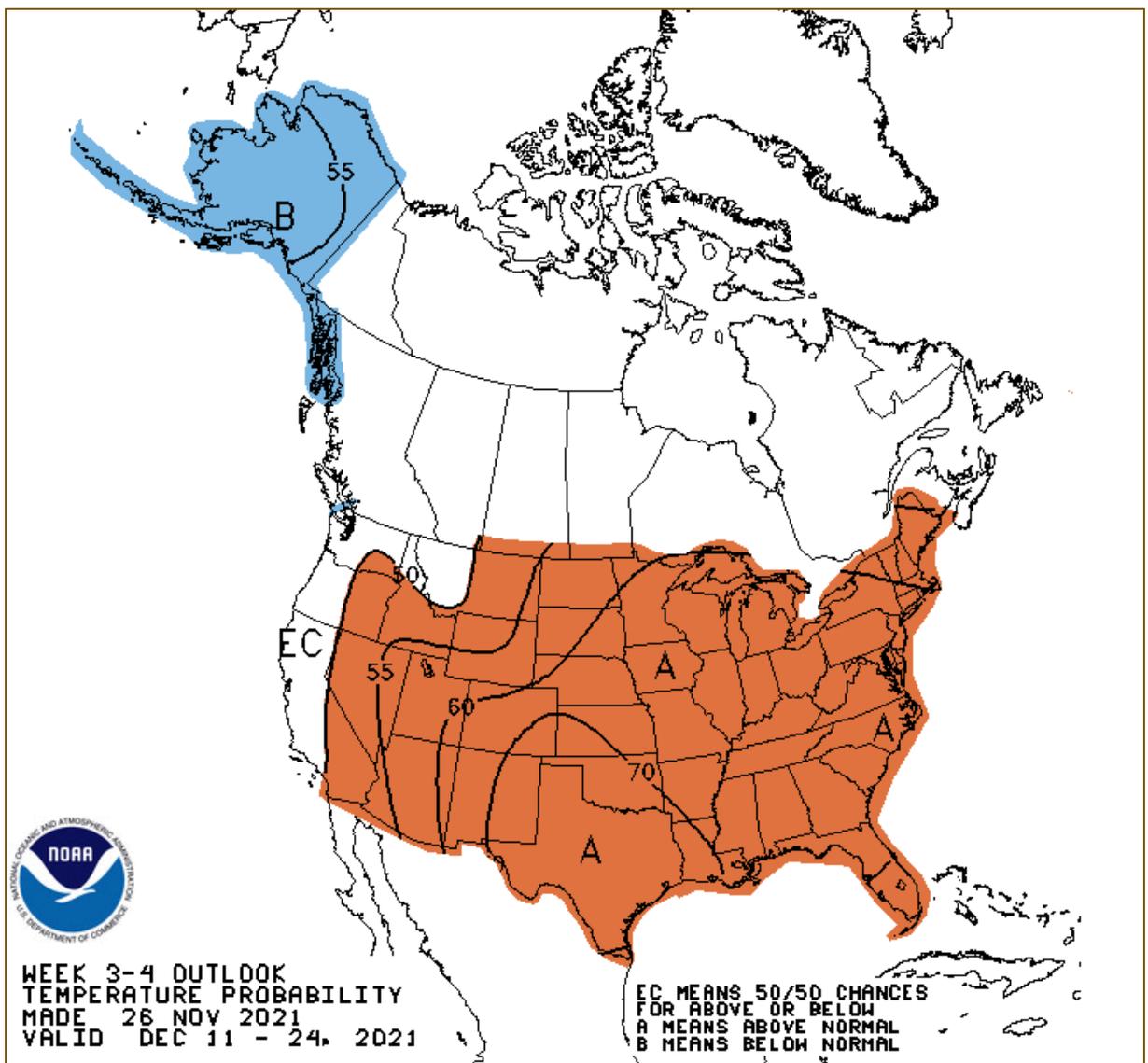


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INTERNATIONAL WEATHER

- **Weather patterns in Argentina and southern Brazil are of most interest in South America this week.** Cumulative rainfall has slipped below normal, while the 10-day forecast shows widely scattered amounts of rain.
- **The Delta** will be fairly dry through next week, which will benefit remaining harvest and fieldwork.
- **Northern Midwest:** Drier and warmer weather is expected for the rest of the week



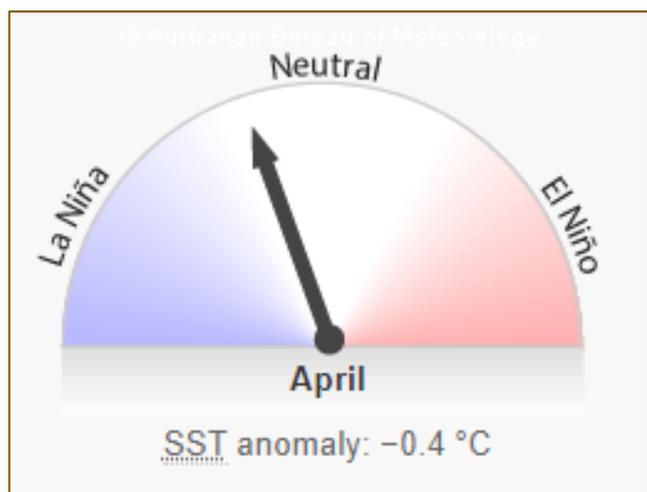
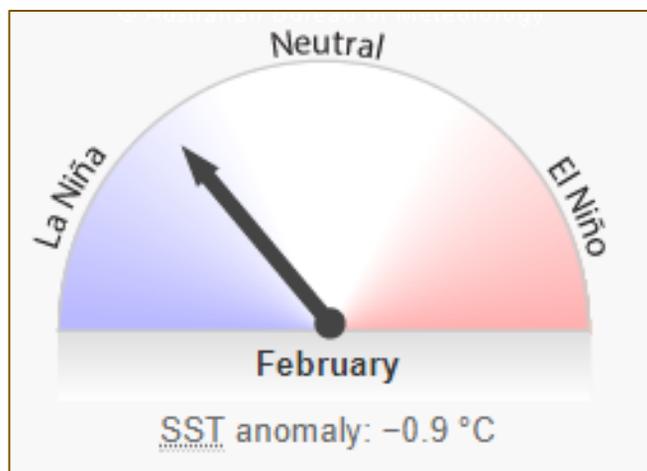
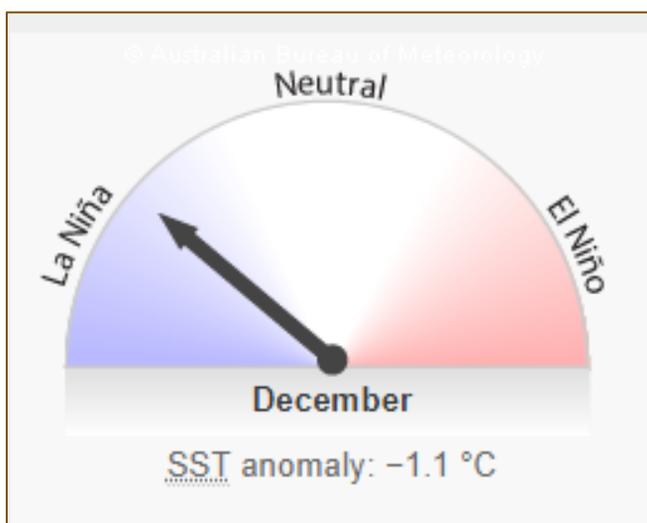
INTERNATIONAL WEATHER

LA NIÑA WATCH

It's official: La Niña is coming

The Bureau of Metrology has confirmed what farmers have long suspected — **La Niña has been established for this summer in the tropical Pacific.** The Bureau's *ENSO Outlook* has been raised to La Niña.

- La Niña means increased rainfall across eastern, southern and central Australia.
- Climate models predict that La Niña will last through late summer and early fall of 2022 in the southern hemisphere.
- Australia is at risk of widespread flooding after the wettest spring since 2011.
- La Niña also means an increased chance of tropical cyclones.
- Heatwaves are still possible and will be longer, but less extreme.
- During the summer, La Niña episodes increase the likelihood of above-average rainfall across parts of northern and eastern Australia. Australia remained squarely on track for a bumper winter crop, despite November rain causing harvest headaches and potential quality downgrades in some areas.
- While La Niña conditions can mean more rain for the US Pacific Northwest, it's often far drier in California and other southern states and coincides with more bushfires.



Average of international model outlooks for a La Niña episode.



MARKET BRIEFING

CORN (MAIZE)

Longer price direction will be centred on December-January weather in Argentina and southern Brazil. According to AgResource, the conditions so far have been favourable. However, climate guidance has been consistent in projecting arid weather in these regions through the winter months.

Chinese buying of U.S. corn is expected in the first quarter of 2022.

U.S. corn ethanol production also fed bullish market movements, with totals exceeding an average of one million barrels per day for the seventh week in succession. The USDA forecast a 4,4% increase in the seasonal total for corn going into ethanol.

WHEAT

The current U.S. wheat sales book is filling slower than expected. If rain and snow fail to replenish moisture reserves over the winter months, this could become an issue for 2022 yields (for spring as well as autumn-sown winter wheat). At present concerns appear to be more focused on soft red winter wheat, the basis of the CBOT contract.

While less extensive than last year, the current U.S. drought is occurring in a year when multiple crop issues around the world are already driving prices to multi-year highs. Another jolt has been provided by reports of a rain-damaged early harvest in parts of Australia and dry weather in the former Soviet Union and Central/Eastern Europe.

Markets are also still responding to uncertainty of how the export tax and quote of top wheat supplier Russia will be used in the new year to conserve supplies for its domestic market. Argentina's hoped-for record crop, which has just begun harvest, may have been affected by a heatwave in southern producing regions.

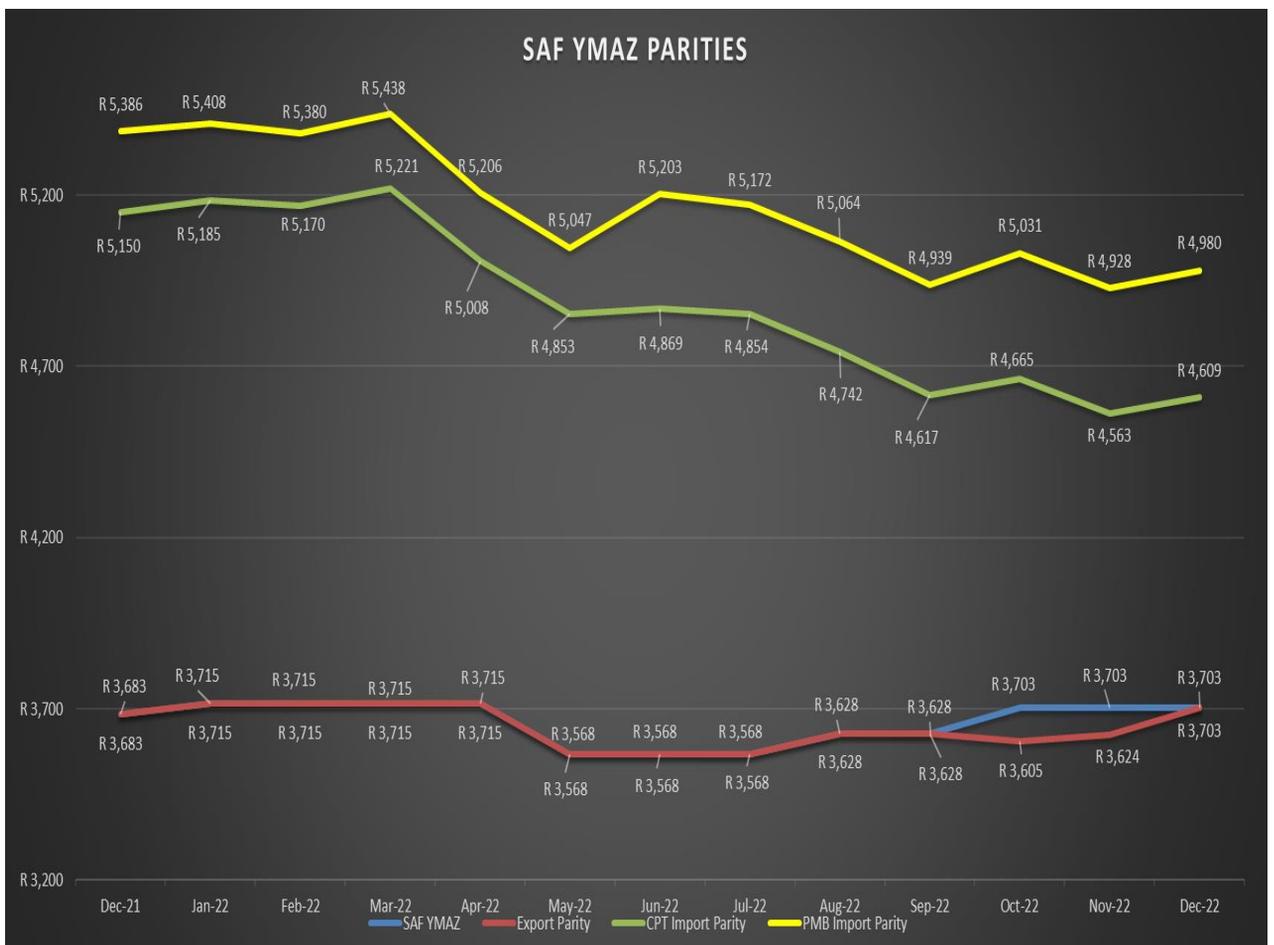
SOYBEANS

Sellers must acknowledge the counterweight of a La Niña year in South America, considering the risk of yield-restricting dryness. A successful South American soybean crop could transform the tight global stock/use ratio for soybeans, which has been key to sustaining price strength into the new season to date.

PARITIES

YELLOW MAIZE

	Dec'21	May'22	Jul'22	Sept'22
PMB-import parity	R5 386	R5 047	R5 172	R4 939
CPT-import parity	R5 150	R4 853	R4 854	R4 617
SAFEX-yellow maize	R3 683	R3 568	R3 568	R3 628
DBN-export parity	R3 683	R3 568	R3 568	R3 628



OPTION STRATEGY



Minimum/Maximum option strategy for 2022

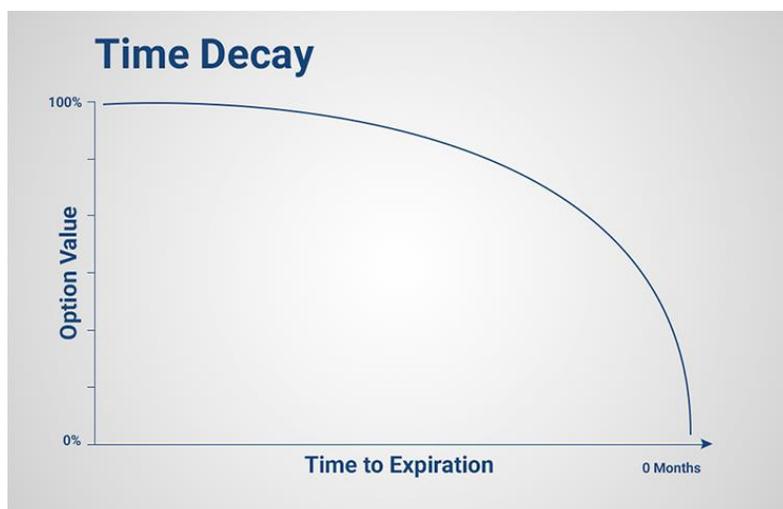
Buy at the money put option for July 2022 delivery (long put)

	WM	YM
July 2022 futures price	R3 294	R3 464
Put strike price	R3 300	R3 460
Put premium price paid	R235	R245
Minimum SAFEX price	R3 208	R3 311

Sell out the money call option for July 2022 delivery (short call)

	WM	YM
July 2022 futures price	R3 294	R3 464
Put strike price	R3 600	R3 800
Call premium price received	R143	R96
Maximum SAFEX price	R3 508	R3 651

Option Cost	R92	R149
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A minimum/maximum option strategy enables one to participate in the price movement.

The more time there is until expiry, the higher the chance that the market will move in the option holder's favour. Therefore, the value of an option will decline more rapidly as the expiration date approaches. This is known as "Time Value."

FIELD AGENT

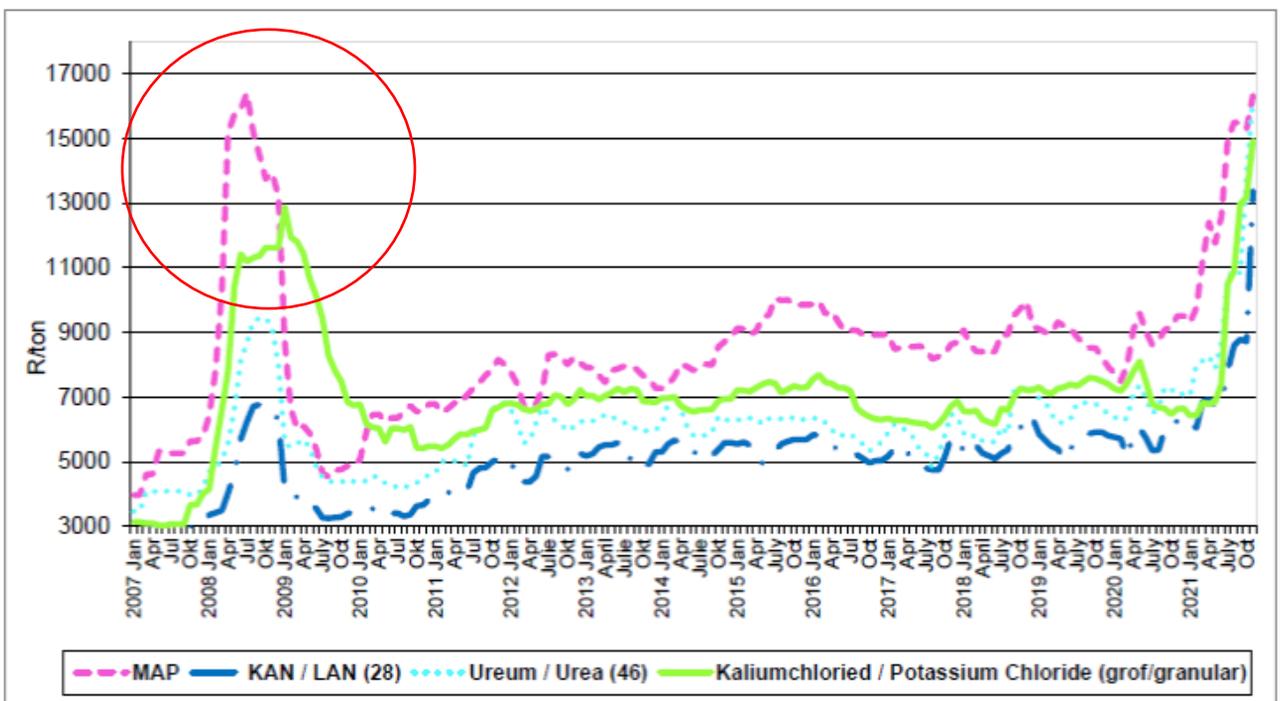
FERTILIZER PRICES:

Input prices have risen on average over a one-year period, with seed by 6%; fertilizer by 128%; agrochemicals by 18% and fuel by 40% (internationally, a basket of energy commodities have basically doubled in the past six months). Taking these increases into account, a typical grain producer's direct input costs are 50% higher year-on-year.

Producer's direct dependence on international markets – as more than 80% of agricultural inputs are imported - together with local infrastructure and unrest challenges further amplifies local input price increases. BFAP conducts an annual global benchmark study in grain-producing countries. From 2015 to 2020, South Africa's grain production costs were 60% higher per ton of grain. Excluding the 2015 and 2016 droughts, it remains 29% higher.

Local fertiliser prices 2007 to 2021

The current fertilizer prices are tantamount to the 2008/09 marketing year prices.



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