



March 8, 2019

Demand in general, regardless if US domestic or international, continue to be flat to weak.

Usa

On February, 2019 the USDA released the final crop figures calling the 2018 crop at 2'730'800 fst. The actual inspected tonnage today is 2'740'995 fst.

If one looks at the supply/demand, there are plenty of peanuts to go around for the next 2 years. Without adjustments that I will talk about later, the carryover should be 1'319'340 fst for this year and 1'202'851 fst for next year (these numbers assume a flat domestic demand, a reduction of 10% for exports and no change in the crop production).

A couple of things that could make these numbers change:

- There are 121'684 fst of forfeitures in those numbers. The more time passes, the less likely it is that those will find a way into the edible stream.
- 18 crop quality issue: the industry in the Southeast is talking about aflatoxin problems. Unfortunately nobody knows the extent of the problem and its impact to the supply. It will take several months to find that out. So if one assumes a 5% reduction of the supply, one will have to deduct 137'050 fst from the supply.

If one takes those numbers out of the supply, the carryover becomes respectively 1'060'606 fst and 944'117 fst. Still enough peanuts.

The other questions that remain:

- What will be planted for this year. Will a tariff resolution between China and the US move the price of cotton to levels that will decrease peanut plantings. At this moment it is not the case.
- Could exports to China increase if there is a tariff resolution?

On the face of it, there are enough peanuts. Quality is the question at the moment. The market, at least on current crop, is showing us that with prices at 45 cents on negative material. Quality though is going at a premium. Difficult to know what that premium is. The bigger the quantity, the bigger the premium. I wouldn't be surprised to see EU material going eventually at a minimum of 10 cents premium if one can find some.

New crop is a different situation. The lack of contracting is putting doubts in everybody's mind. As much as contracts shouldn't go above us\$ 400.- per fst, any jump in cotton prices could jeopardize those numbers. Therefore shellers are looking at a minimum of 47/48 cents and buyers are not budging from their assumption that there is plenty of supply.

Lastly, we have had 2 good crops in a row. Are we going to have another good one? I have not seen 3 good crops in a row, but there is always a first for everything. Moisture is plentiful at this time. At what point does the rain stop to bring the annual rainfall to the average?

USDA Stocks and Processing for January 19: Numbers don't look too good through the season with overall edible demand down 3.13%. I do have some doubt about some of those numbers though. Candy show to be down 7.08% whereby the manufacturers I talk to seem to think their demand is good.

Jan 19 vs. Jan 18: Peanut Candy **down 10.13%**, Peanut Snacks **down 15.84%**, Peanut Butter up 0.03%, Total Edible **down 5.44%**, Inshells **down 7.87%**

Aug 18-Jan 19 vs. Aug 17-Jan 18: Peanut Candy **down 7.08%**, Peanut Snacks **down 6.80%**, Peanut Butter **down 2.91%**, Total Edible **down 3.13%**, Inshells **down 1.19%**

USDA exports for November 2018:

Nov 18 vs. Nov 17: exports were down again with 5.04% with 37'313 mt exported vs. 39'295 mt the year before.

Canada was slightly down with 2.43% less exported, but Mexico was up 23.66%. Japan was up 35% and the EU28 was up 42.56%.

No surprise with China down 77.07%. If one discounts China, exports were up.

USDA exports for December 2018:

Dec 18 vs. Dec 17: exports were surprisingly down 38.48% with 28'593 mt exported vs. 46'480 mt the year before. Contrary to last month, Canada was up 29.14% whereby Mexico was down 8.30%. Europe is still going strong with an increase of 23.68%.

Japan was surprisingly down 67.42%.

China was obviously down again with a decrease of 96.59%.

Aug-Dec 18 vs. Aug-Dec 17: Exports are now down for the season. For the period, 168'769 mt were exported vs. 171'707 mt the year before, a decrease of 1.71%.

Argentina

After suffering about 3 to 4 weeks of dry weather, Argentina finally received very good overall rains this past weekend. Very timely as otherwise the crop would have been in real trouble.

I'm not going to say that Argentina has a great crop at this point. I think they still can make a good crop depending on the weather the next month. Thereafter we will go through the dreaded harvesting time and all are hoping for dry weather then.

With quality problems in the US and Brazil, Argentina should have no issue whatsoever selling their long at elevated prices, but as we all know the Argentine are their worst enemy. Moreover some of the Argentine shellers face financial pressure from the previous crop and need to move goods. On the face of it, prices could rise in view of the lack of EU material from the main origins outside Argentina.

Prices for blanched new crop wholes are around us\$ 1500.- Cfr Rotterdam with some inexplicably selling lower.

Brazil

Final export figures were released for last year, showing Brazil exported 206'825 mt for the year vs. 165'446 mt the year before, a jump of 25%.

If we look at what was exported since 2014, they exported respectively 62'668 mt in 2014, 101'709 mt in 2015 and 101'923 mt in 2016. Quite a huge increase between 2014 and 2018.

As to plantings, it looks as if the planted area was a lot bigger than first expected. As you can see hereunder, Brazil planted 25.71% more than the previous year. These figures are from one source. Others believe the number to be between 200'000 and 220'000 has.

Yields have been affected and are predicted to be 15.68% lower than last year. After drought conditions, Brazil received a lot of rain. Rains that might impact the early varieties that are being harvested at the moment, but potentially helping the late varieties that will be harvested a month later. Two early to tell though what actual yields will be and maybe more important, what the quality (aflatoxin) will be. This is a major question for buyers of Argentine peanuts, especially EU quality.

I also understand that issues with the crop have increased the price farmers want to sell at (creating potential issue on already committed volumes).

The last thing that one will have to keep an eye on is currency.

Rains have now stopped but sellers are still withdrawn.

CROP 2014-2019								
PLANTED	AREA	BAGS	YIELD GROSS	IN SHELL	IN SHELL	LK	KERNELS	YIELD NET
	hectares	25kg/in shell	kg/inshell	pre clean	Clean	lost	Kernels	kg/kernels
	(ha) *	(m/t) *	(m/t) *	25kg	25kg	2kg/bag	(m/t) *	(m/t) *
2014/15	153.000	175	4.375	669.375	635.906	53.550	457.853	3.150
2015/16	160.000	175	4.375	700.000	665.000	56.000	478.800	3.150
2016/17	165.000	185	4.625	763.125	724.969	61.050	521.978	3.330
2017/18	175.000	185	4.625	809.375	768.906	64.750	553.613	3.330
2018/19	220.000	156	3.900	858.000	772.200	68.640	555.984	2.808

India

Hereunder a report received from one of our contacts:

Indian peanut market continues to remain flat and subdued with demand and supply practically matching each other. Government procurement has already stopped and they are trying to liquidate the 2017 as well as 2018 stocks slowly. Both combined are in the region of about 700,000 mt on in-shells as on date. Farmer stock is available but one has to pay better prices than what is prevailing in the markets currently to induce them to sell. The moment you pay better prices you do not remain competitive on a global level so it's a bit of a catch 22 situation. Good quality cargo (fit for EU) is in a bit of a short supply but for other markets it's not a challenge.

This is typically the planting period for summer crop peanuts but with low water tables we don't expect any significant crop, which is mainly javas, to emerge in May – June 2019.

Javas : for the smaller sizes we are seeing a regular demand from the Far East as thankfully for us, there is chaos in Sudan and supply from this region is slow and inconsistent. For the larger sizes we are seeing demand from the Middle East as well as inquiries from South Africa. Demand in general is healthy but not exceptional. From South India we have a decent crop and this will add to supply during the next three months keeping a lid on prices as current levels are fairly firm in any case.

Bolds : Bigger sizes are moving to Russia, Ukraine etc and smaller sizes to EU for bird feed. No major movements here either. There is a shelling disparity and many smaller units who supply to exporters have shut down for now. There is no new material available until Oct – Nov 2019 so we have a long way to go and some firmness is surely expected in the coming months, partly also depending on how the Indian monsoon progresses.

China

As much as prices have improved slightly, prices are still weak.

Two important questions:

- Was the demand good enough to consume the 3 million tons carryover, and if not how much of that carryover has disappeared.
- What will the plantings be for the 2019 crop. First indication are that they will be flat.

The question on the carryover is important if China was to produce a similar crop as to last year. If the carryover (or most of it) was consumed, then one could assume that China will need to come into the market to buy a lot more than they have this past year. There are obviously many takers for that demand. Africa (especially Senegal) who has been struggling to get rid of their crop, and carrying old crop of their own. India is always a possibility. The US could be a possibility, but the tariff issue has to be first resolved.

South Africa

CEC issues their first forecast estimating 20'050 has producing 20'100 tons that compares to 56'300 has and 57'000 tons for 2018 crop.

Needless to say, as I mentioned previously, South Africa will need to buy some large quantities of peanuts from different origins.

Argentina will probably be the most likely safe origin considering the potential quality issues in Brazil.

At this moment the South African Rand is weak, thus pushing the buyers to wait.

Moreover the physical need for peanuts will only be starting second half of the year.