



**May 17, 2016**

The market continues to be quiet in the USA, while Argentina continues to suffer delays from rains.

### USA

The US market both domestically and export continues to be fairly quiet. Outside the buying for China, which is almost coming to a stop, very little has been traded. The buying interest for China has almost stopped as June to July shipments would arrive in China almost at the same time as their new crop harvest. Moreover, prices in China have come down some.

Export numbers are only available through March 2016. So far US shipments to China/Vietnam for January through March 2016 totaled 39'434 mt vs. 8'029 mt the same period last year. For reference calendar year 2015, shipments totaled 41'103 mt to China/Vietnam.

There is still abundant interest from Chinese buyers for farmer stock though, but for some reason very little is being offered. One will have to wait for forfeitures. As mentioned previously, I believe that there will only be two choices for those forfeitures: China or Oil.

The domestic market is slow as most of the buyers have covered their 2015 crop needs. On the other hand, availability of goods is somewhat tight as shellers have pretty much sold what they are expecting to shell for this 2015 crop. Prices are hovering just below the mid 40's. On 2016 crop things are also quiet. Lots of coverage has already taken place. And with expectations that plantings will be similar to close to last year's, buyers don't feel pressured to cover more. It seems that Argentina would need a disastrous harvesting or the US and/or China would need a very dry growing season for buyers to believe that prices will go higher. One cannot blame them with an all-time high carryover. Prices on 2016 crop are somewhat similar to the 2015 crop

Surprisingly the export market has yet to react to the situation in Argentina. If one can find an offer from Argentina (since most shellers are withdrawn), the price will probably be between us\$ 1250.- to us\$ 1300.- CFR Rotterdam for runner 40/50. This compares to US prices that are probably at around us\$ 1175.- to us\$ 1225.- CFR Rotterdam depending on the seller. Blanched prices should probably be us\$ 170/180.- higher for Argentina, and anywhere between us\$ 250.- to us\$ 330.- higher for the US depending on the sheller and the split percentage.

Jan through March 2016 US exports are otherwise 21% ahead of the same period last year with 114'066 mt having been shipped versus 94'016 mt for the same period last year.

Looking ahead at the 2017 crop, we understand that the US government is still trying to find ways to give cotton some support. Should they find a way to do so, then plantings will certainly be reduced. No doubt the earlier that happens, the faster the impact will be on prices. And not only on 2017 crop but also on 2016 crop.

US prices are cheap. There is not much room on the downside. The only downside that everybody continues to think about is the impact of the forfeitures or a lowering of the repayment rate, but I believe I covered that scenario already in my previous report.

## **Argentina**

Despite a positive forecast, Argentina continues to receive untimely rains and drizzle delaying any harvesting activities. It rained again this past weekend. Probably 90% of the crop has been dug but only about 10% is harvested. The only positive note is that temperatures have stayed above freezing levels. The forecast looks decent with limited chances of rain the next couple of weeks. But the forecast has definitely not been accurate, so watch this situation carefully.

The first crop estimate came out last week calling for a total production of 1'016'500 mt in shells or 686'316 mt shelled. That's already respectively 14 and 18% lower than last year. Moreover, this estimate is based on a 3.5 mt yield which certainly could be in jeopardy with the harvesting delays. Moreover, one could easily estimate additional losses coming from the quality side. One will be correct in thinking that Argentina will still be having plenty of peanuts despite those delays but when the market relies so heavily on Argentina, considering as well political and economical and currency issue in Brazil which will inadvertently reduce exports, a drought stricken South Africa that will need eventually to buy a lot more until May next year, Russia not being able to import from the US, any decrease in Argentine exports could certainly mean a substantial increase in prices for Argentine peanuts. Prices have already increased a good us\$ 100.- per mt and that is if one can find a seller. Most shellers are well sold and do not want to sell anymore until such time the new crop is harvested and until they have been able to ascertain the yield and quality impact that the rain has had.

The delays with the new crop is tightening customer positions and the availability in Europe. Many customers are awaiting supply from the new crop with very little left in their stocks. This situation is starting to heat up the spot market in Europe. The more this crop is delayed, the faster and higher the prices in Europe will go. This could certainly move US prices higher as well.

## **China**

As reported earlier, China has slowed down considerably their buying. The next opportunity for both China and the US will be the 2015 crop forfeitures. But this will take some time.

The Chinese new crop is being planted and the consensus from all the reports we are receiving indicates an increase of 20 to 30%. If this was to materialize, there is no doubt that it could hamper the ability for the Chinese to import peanuts. But no need to jump the gun at this time.

## **Brazil**

Brazil has had some issues with their crop but the strengthening of the Real as well as the political turmoil is what seems to be impacting the local Brazilian market. This has in turn strengthened the local prices and created delays in supplies. Brazil is a smaller supply to the world market, but it can still impact the market especially in view of the Argentine situation.

## **South Africa**

South Africa has received its lowest amount of rainfall on record. This drought combined with low plantings will result in a very short crop, probably not much better than 20'000 mt. Too early to evaluate the quality of the new crop both aflatoxin, kernel content and size, but a lot more will need to be bought by the South African manufacturers. Some coverage has been taken probably until October. Many manufacturers have been hoping not only for a lowering of the international prices (especially Argentina) and but also for an improved currency situation, unfortunately both are going in the wrong directions.

One positive note I believe for South Africa is that new crop plantings should show a substantial increase, a much needed increase. But of course we are a long time away from that.