



**April 3, 2019**

The market is at a standstill both on the international front and the US domestic market. Internationally buyers seem comfortable to wait and hoping for prices to go down some once Argentina is done with harvesting. In the US, plentiful supply and good coverage has pushed the buyers into hibernation.

### USA

The USDA issued their first estimate on March 29, 2019 calling for the US to plant 1'449'000 acres of peanuts in 2019 vs. 1'425'500 acres in 2018, an increase of 1.65%. No surprise at this point. Cotton prices were stuck in a 74 to 75 range for a while but have suddenly broken in to the 76 range. With the US/China seemingly getting closer to a deal, one has to wonder if those cotton prices will finally continue going up and start changing farmers mind to plant more cotton vs. peanuts. With plantings fast approaching, time is of the essence. Based on the estimated acres, depending on yields, one can expect a crop between 2.7 to 2.9 million fwt depending on yields. So still plenty of peanuts if those acres get planted.

The current crop market continues to be slow with little to no buying interest, with sellers around 45 cents for negative material. Tighter aflatoxin levels go at a premium and a hefty premium if one can find any EU material. It is unlikely for this market to change much until the new crop should we get the estimated acres planted and provided we get a good growing season.

As to the quality of the 2018 crop, there is still a lot of uncertainty as to the extent of the problem and its impact on supply.

The new crop market continues to be at a standstill. Buyers would buy at 45 cents and are unwilling to up their prices looking at a plentiful supply. Shellers are unable at this time to contract, thus are either unwilling to sell or would sell at 47/48 cents at a minimum. Several things to think about on new crop. One, shellers have to buy the crop for the peanuts to be available. I know it sounds obvious, but if the market does not provide a margin to the shellers, shellers do not have to buy the crop. Secondly, as much as the 2020 crop is a long way away, should cotton prices rise sharply, we certainly could anticipate peanut plantings for the 2020 crop to decline, thus potentially pushing 2020 crop peanut prices up. If 2020 crop prices move up, so will the 2019 crop move at one point as well. The oversupply tends to cloud some of the long-term visibility.

The USDA also just announced their plan to conduct a barter of farmerstock in exchange for peanut butter (for delivery between July and December 2019). It will be interesting how much quantity gets done and how the balance of the forfeitures will be disposed of. With renewed Chinese interest in the market, I believe that any leftover quantity will be going to either China or US crushers.

USDA Stocks and Processing for February: Candy numbers still don't match what manufacturers are telling me. Peanut butter is up which is in line with what I have been told by manufacturers.

Feb 19 vs. Feb 18: Peanut candy **down 10.84%**, Peanut Snacks **down 13.55%**, Peanut butter up 5.37%, Total edible **down 2.34%**, Inshells **down 17.92%**

Aug 18-Feb 19 vs. Aug 17-Feb 18: Peanut candy **down 7.66%**, Peanut Snacks **down 7.79%**, Peanut butter **down 1.85%**, Total edible **down 3.03%**, Inshells **down 3.61%**

USDA exports for January:

Jan 19 vs. Jan 18: total exports for the month were down 6.50% with 33'226 mt exported vs. 35'537.4 mt the year before.

Canada was up 27.02%, Mexico was up 16.70%, the EU 28 was up 33.68%, but China was down 86.58%. All in all, very positive export numbers.

Aug 18-Jan 19 vs. Aug 17-Jan 18: for the first 6 months of the season, exports are down 2.53% with 201'995 mt exported vs. 207'245 mt the year before. Inshells are the big loser with a decline of 36.76% with 26'622 mt exported vs. 42'099 mt. Oilstock is up 84.19% with the increase coming from Mexico with an increase of 98.64% with 19'101 mt exported vs. 9'616 mt the year before.

The EU 28 is up 46.02% with 67'716 mt exported vs. 46'374 mt the year before, Canada is up 8.04% with 55'721 mt exported, Mexico is up 16.51% with 56'076 mt exported, and China is down 89.53% with 4'372 mt exported vs. 41'771 mt the year before.

### **Argentina**

2018 crop is pretty much sold out. Lower quality goods remain at very interesting prices.

The 2019 crop is developing very well. Good rains fell as late as this past weekend. With general harvesting starting probably within a couple of weeks, the weather will need to start drying to ensure a much-needed good harvesting season.

Shellers are somewhat skittish as far as selling below current levels of us\$ 1480/1500.- Cfr Rotterdam for whole nut blanched as they do not want a repeat of previous season with the harvesting season in front of them and understanding as well that for the buyers there are not too many options outside Argentina, considering the quality problems in the USA and Brazil.

Buyers on the other end seem to feel that prices have a chance to dip once the crop is in. I don't doubt that there is a chance, but how far can the prices drop and is it worth the risk? Any issues with the harvesting and the prices will surge, whereby a good harvesting season might entice only a slight drop in prices.

### **Brazil**

After being hurt by dry weather, the new Brazilian crop was then hurt by wet conditions when harvesting time came. Recently weather has been good and all hoping for this dry weather to continue.

Yield and quality were certainly hurt but maybe not as bad as first thought. At least these are the first indications. Nevertheless, the harvesting is not done yet, thus don't expect shellers to come out selling until the harvesting is complete.

The questions on the quality remain. Will the shellers have enough good quality to fulfil their EU commitments and will there be anything left to sell to the EU?

Moreover, prices from the farmers have spiked.

### **China**

As of April 1, 2019, the Chinese VAT was reduced from 16% to 13%.

It is unclear at this time what plantings will be for the 2019 crop. On one end, prices were weak throughout the season. On the other end, after the Chinese New Year, prices have increased steadily mainly driven by crushing plants increasing their buying price and temporary shortage created by middlemen. At the end of the day, I don't believe that there are many options for the farmers, thus I expect the plantings to be similar.

The bigger question in my mind is about the seemingly oversupply we had this past season with the carryover that was said to be 3 million tons. The market is suddenly acting as this carryover is gone. One wonders if that carryover was really 3 million tons and/or was the 2018 crop smaller than estimated. The current higher prices might be just a ploy by crushers to get farmers to plant peanuts or might be a supply issue. No one really knows in China. We also hear that some large volume of Senegalese peanuts are on their way to China (up to 200'000 mt) and that large quantities of Indian bolts were purchased. We have also seen renewed buying interests from Chinese buyers.

## **India**

India has seen lately an uptick in prices with buying interest coming from China. This is a welcome situation as prices were very weak this past season.

## **South Africa**

As mentioned before, South Africa will need to buy substantial volume to fill the gap between their small upcoming new crop, estimated at 20'000 mt, and their annual demand of 80'000 to 100'000 mt.

Part of that shortfall will be filled by neighboring countries and will go mostly for the secondary market. The rest of the shortfall will have to come from traditional markets (Argentina, Brazil, India). India will most probably not be the first choice after the issues experienced previously. Thereafter I think most of the demand will come from either Argentina and Brazil, and this fight depends on Brazil quality for what is left to sell from their new crop.

Some small quantity has already been traded out of Argentina. It seems that the buyers are waiting for the currency to go in their favor before buying heavy and probably hoping for prices to drop (wishful thinking).