



**August 1, 2023**

The market has quieted down just in time for the holidays. Or the opposite.

The market has somewhat stabilized with still a lot of unknowns:

- What will Argentina actually export?
- Will Brazil be able to fill in some of the European shortage created by Argentina with its pesticides and aflatoxin issues?
- What size crop and quality will the US have?
- India monsoons and its impact on the crop?
- Sudan conflict and its impact on supply?
- What size crop will China have?
- China demand?
- US domestic demand?
- International demand?
- Currencies?
- Cotton market?

Too many things to keep track of. Certainly, an interesting market with all kinds of potential scenarios.

**USA**

The US supply/demand is a very difficult one to ascertain.

On one hand the USDA came out with the following numbers:

Year beg.	Area		Yield	Supply				Domestic Food	Crus
	Planted	Harvested		Beginning Stocks	Production	Imports	Total		
Aug1/Jul31	1,000 acres		Lbs/Acres	Million Lbs					
2021/22	1,580	1,540	4,130	1,968	6,361	107	8,437	3,313	84
2022/23	1,450	1,385	4,019	2,360	5,568	100	8,028	3,262	81
2023/24	1,578	1,537	4,230	2,097	6,501	115	8,713	3,329	87

My take on those numbers: one, I disagree the way export numbers are calculated. My export numbers for 2022/23 (650'000 fst) are higher than the one from the USDA and I forecast an increase of at least 15% for 2023/24.

My estimated carryover number for 2022/23 is 975'000 fst (depending on exports numbers), lower than the USDA 1.049 million fst.

For 2023/24, the USDA is estimating a yield of 4230 lbs, something that has never been achieved. The highest yield the US has ever had has been 4211 lbs back in 2012. The average yield for the past 4 and 5 years were just below 4000 lbs. So, assuming a 4000 lbs yield, the crop would be 3.074 million fst vs. the 3.2505 million fst from the USDA. If I assume my increase in exports, my estimated carryover number for next year would be 950'000 fst. So, basically similar to this year and much lower than the USDA 1.175 million fst.

Acres could certainly be slightly higher in the Southeast. But weather is the one thing that has to be watched. The Southwest is experiencing extremely high temperatures with no rain to speak of. That will probably result in a high abandonment rate. The delta has experienced very high heat as well, although they have had some rain. The Southeast, after being extremely wet, has experienced high heat and no rain (with the exception of East GA this past

weekend). The crop is late and probably has a couple months to go, so lots of things can happen. But at this point, and provided weather cooperates, I don't think that one can expect a crop above 3.1 million fst.

Domestic demand is staying resilient despite economic pressure, but bears watching going into next year. Exports for next year have a chance to increase further than my estimated 15% increase.

The market is certainly reflecting what my supply/demand numbers are showing. For those shellers who still have 2022 crop to sell, they are cautious selling and asking prices of 60/61 or splits, 61/62 for mediums and 62/63 cents for jumbos. EU exports are fetching higher prices with prices Cif Rotterdam around us\$ 1650.- to us\$ 1700.- Cif Rotterdam for raw wholes, and us\$ 2000.- for blanched. The 2022 crop is also a known entity in terms of quality, thus a hedge vs. 2023 crop.

New crop is a complete different story. Certain shellers are apparently paying prices of us\$ 550 to us\$ 575.- for runner farmerstock which is equivalent to a market price of 59/60 cents (also note that oilstock prices are going down lowering the margins for the shellers). On the shelled good side, shellers are either withdrawn or wanting similar prices than for 2022 crop, quite a change vs. just a month ago when prices were in the 57 to 59 cents range. As for the EU, shellers are not offering. Domestic buyers, on the other hand, are content waiting thinking that a big crop will bring prices down. Most domestic manufacturers are well covered (60 to 70% probably) and don't seem to worry about the consequences of a poor Argentine crop on US prices. European buyers are unable to buy from the US for January forward. They are also in a conundrum not knowing how high prices and economic problems will impact their demand, what exports from Argentina will exactly be, what kind of a crop size and quality the US new crop will have and what the impact will be on prices.

USDA Stocks and processing: June 2023. Thanks to the mighty peanut butter, demand for the year is flat.

Jun 23 vs. Jun 22: Peanut candy **up 1.42%**, Peanut Snacks **down 21.57%**, Peanut butter **up 11.75%**, Other products **down 16.93%**, Total edible **up 1.86%**, Inshell **up 7.59%**

Aug 22-Jun 23 vs. Aug 21-Jun 22: Peanut candy **down 6.69%**, Peanut snacks **down 5.95%**, Peanut butter **up 5.27%**, Other products **down 23.97%**, Total edible **down 0.03%**, Inshell **up 17.17%**

USDA exports: May 2023. The strong buying from Europe is now starting to show.

May 23 vs. May 21: the US exported 44'056 mt, an increase of 15% over last year. China was up 35%, the EU27 was up 98% (showing the tremendous amount of business that has been done already) and Mexico was up 5% , but all other major markets were down with Canada down 5%, Japan down 24% and the UK down 1%.

Aug-May 23 vs. Aug-May 22: the US exported 358'301 mt the first 10 months of the year, a decrease of 2% over last year. The EU27 was up 8%, Canada was up 2% and Japan was up 2%. China is flat. Otherwise, Mexico down 1% and the UK down 42%.

### **Argentina**

Argentina has been extremely quiet. They are still looking at selling blanched peanuts at around us\$ 2100/2150.- CFR Rotterdam and us\$ 1900/1950.- for raw. Probably a difficult task to sell the raw peanuts at such a high price (at least at the moment), but blanched peanuts could be a different story as capacity in the US is already extremely tight until the end of the year and will probably continue being tight throughout next year due to higher export demand. On the other hand, if China ends up with a good crop, there could be more competition for Argentina. A lot as well depends on the ability of manufacturers and retailers to switch origins.

It is unclear at this time how sold Argentina is, and also on what count.

Hereunder the latest supply/demand from the Argentine peanut chamber.

# TABLA DE OFERTA Y DEMANDA 2023

AÑO COMERCIAL (del 01/06 al 31/05)	ÁREA		RENDIMIENTO (en grano)	OFERTA				DEMANDA					STOCKS FINALES
	Sembrada	Cosechada		Stock Inicial	Producción	Importaciones	Total	Mercado Interno + Pérdidas Blanchado	Molienda	Semillas	Exportaciones	Total	
	Hectáreas		Kg/Ha	Toneladas Métricas (en granos)				Toneladas Métricas (en granos)					Tm
2020/21	417.247	412.365	2,64	24.283	1.090.293 <b>1.557.562</b>	0	1.114.576	74.000	203.277	61.500	713.540	1.052.317	62.259
2021/22	417.115	415.895	2,44 <b>3,49</b>	62.259	1.014.784 <b>1.449.691</b>	0	1.077.043	74.325	171.731	52.000	729.936	1.027.992	49.051
2022/23	373.795	371.920	1,77 <b>2,53</b>	49.051	658.298 <b>940.426</b>	0	707.349	77.000	141.470	55.000	433.880	707.349	0

## Brazil

Not much to say about Brazil. They have been very quiet in the market. Farmerstock is still available but still being offered at high prices.

Aflatoxin and pesticides are still the major issues for the Brazilian exporters. Because of this I don't see Brazil exporting more than last year to the EU.

Not hearing any price indications to Europe.

Surprisingly oil prices seem to have rebounded being offered at us\$ 1850.- and higher to China. It will be tough though for Brazil to maintain those prices considering the situation in China.

Brazil exports for June 2023:

Peanut oil: 9'462 mt exported in June, bringing the total year to date to 57'735 mt. For June, 8'680 mt went to China and 705 mt to Italy.

Peanuts: 26'085 mt were exported in June, bringing the total year to date to 134'058 mt. For June, , 7'965 mt went to Russia, 5'973 mt to Algeria, 3'324 mt to the EU, 1'525 mt to South Africa.

## China

The Chinese crop was developing well despite the very high temperatures that it is experiencing due to timely rains have fallen. The problem at this point might be too much rain. Three typhoons in a row have battered China and has brought heavy downpours in many peanut areas.

The weather during the next month will be crucial to ensure full development of the plant and good harvesting.

I still think that the plantings were increased by 10 to 15%. If one considers a 10 to 15% decline in last year output, and if the crop produces its full potential, we could then see a supply increase of 20 to 30% vs. last year. That's obviously a tremendous increase and is under a perfect scenario. It is unclear at this time what the 2022 crop supply/demand numbers look like, but supply is probably fairly tight at this moment. This potential increase in supply could:

- Potentially help prices for peanuts to go down and allow peanuts to be more competitive internally. Most I talk to don't seem to think that this will happen until the end of the Chinese New Year. Peanut futures at this time are slightly better closing today at RMB 10'626.- (my last report future prices should have read Rmb 10300 to 10400.-).
- Potentially help China supply more to the export market, alleviating some of International and European supply problems. This potentially helped by the currency exchange situation.
- Create some pushback on import material especially with the current exchange rate.

But let's not forget that year crop was doing great until harvesting at which point rains affected yields and quality. As I said earlier, the problem at the moment is too much rain. So let us hope for China that those rains subside as otherwise the situation could be tremendously different for China and could impact the already tight world supply.

Sudan has been by far the biggest import into China for the past several years. With the serious conflict that Sudan is going through, plantings could be seriously affected which in turn could affect the supply to China. On one hand, China might not need as much supply if their new crop output is good. On the other hand, if they need import supply, they might show more interest to buy either Indian peanuts or US farmerstock.

Two main issues at the moment:

Firstly, the economy. The Chinese economy is weak which is directly impacting the consumption of peanut oil.

Secondly, the exchange rate. The USD / RMB exchange rate stands at 7.15 today and was as high as 7.25 a month ago (vs. 6.75 at the start of the year, although 7.30 was reached on November 3 last year). This makes imports a lot more expensive but makes exports more competitive.

Imports for June 2023:

Peanuts:

China imported 58'593 mt incl. 30'439 mt from USA, 18'774 mt from Sudan, 5'372 mt from Senegal and 3'454 mt from Argentina.

For the 1<sup>st</sup> 6 months of the year, China imported 587'924 mt (an increase of 51.86% vs. last year) incl. 327'015 mt from Sudan, 169'820 mt from Senegal, 70'601 mt from USA, 12'177 mt from Argentina and 6'356 mt from India.

Peanut oil:

China imported 18'027 mt incl. 11'307 from Brazil, 3'516 mt from Argentina, 1'559 mt from India and 1'518 mt from Sudan.

For the 1<sup>st</sup> 6 months of the year, China imported 150'126 mt (an increase of 134.35% vs. last year) incl. 70'606 mt from India, 49'020 mt from Brazil, 18'093 mt from Argentina, 8'013 mt from Sudan and 2'422 mt from Senegal.

## **India**

According to the Ministry of Agriculture, as of July 21, the Kharif groundnut sowing stood at 34.94 Lakh Ha. vs. 34.56 last year.

The most important peanut areas have received heavy monsoons and it is unclear if there were damages and what those damages were.