September 10, 2020

The market remains fairly quiet both in the USA and Internationally. Manufacturers are continuing to look at a plentiful supply and hoping for lower prices.

Crop expectations worldwide were very good until recently. But now, we have drought pressure on both Argentina and Brazil which could potentially delay/reduce plantings and we have too much rainfall in India and China which could potentially damage/reduce/delay their respective new crops.

USA

The industry cannot wait to be done with the terrible 2019 crop. Losses to both shellers and manufacturers have been extreme this past crop. The good news is that the 2020 crop should be plentiful and should be of good quality, at least in the Southeast and the Virginia/Carolina areas. The Southwest is still questionable with the extreme drought they have been under. Harvesting has started in Florida and should be in full swing in Georgia and Alabama starting next week. Let's hope for good harvesting conditions to maintain the expected good quality.

Market wise, there hasn't been much activity. There still are some holes in demand through the end of the year, but those manufacturers are waiting for the market to come down further prior to make a decision. Moreover, shellers are probably pretty comfortable basis what they have contracted. January forward, I still expect the domestic market to be 70% covered with manufacturers hoping for lower prices. Fallside prices will be a tale of two markets I believe with those shellers with little to sell wanting high prices and those with opening possibly looking at prices close to January forward levels. No prices really for January forward, but probably in the low 50's. Prices going forward will obviously be dependent on the new crop size and quality, but mostly impacted I believe by future cotton prices which have ranged between 65 and 66 lately for December 21, and by the demand from China which at this time I believe will be low. Peanut acres for the 2021 crop won't be in jeopardy unless we get at least above 70 cents.

A few words on the USDA stocks and processing numbers. The carryover number of 1'077'265 fst that the USDA came out with does not make any sense whatsoever. The numbers are just wrong. If one takes last year carryover + production + imports and deduct domestic consumption, exports and crushing, the number would be 903'052 fst (per my calculation). We know for a fact that there needs to be an additional deduction this year for quality, the question is how many tons. I estimate 100'000 fst. The other question is on exports of farmerstock to China and if it is reported correctly i.e. with the correct HS code. Despite that the USDA reported 212'997 mt of farmerstock was exported to China, I feel that more was sold/shipped to China. So, I still estimate the carryover between 750'000 fst to 800'000 fst. Now forward to next year, and the carryover could be around 0.95 million to 1.05 million fst. Obviously, those numbers could change depending on crop size, domestic and export demand.

USDA stocks and processing for July: Candy numbers got a huge boost vs. a year ago. I still believe that the peanut butter number are understated vs. what we hear from the manufacturers and the lack of production capacity.
July 20 vs. July 19: Peanut candy up 50.81%, Peanut snacks up 1.40%, Peanut butter up 0.90%, Total edible up 5.06%, Inshells down 3.22%
Aug 19-July 20 vs. Aug 18-July 19: Peanut candy up 3.86%, Peanut snacks up 2.94%, Peanut butter up 5.05%, Total edible up 3.26%, Inshells up 2.14%

USDA exports for July:

July 20 vs. July 19: Total exports for the month were up 34.07% with 42’816 mt exported vs. 31’935 mt the year before. Japan and Europe27 + UK continue their decline with respectively 29.58% and 62.63% declines. Canada surprisingly declined by 2.99%. Mexico though was up 18.9% and China continued their surge with an increase of 16’336 mt.
Aug 19-July 20 vs. Aug 18-July 19: Total exports for the year were up 43.48% with 609’340 mt exported vs. 424’054 mt a year ago. Japan and Europe27 + UK are respectively down 26.74% and 49.66%. Mexico was up 7.80%, Canada was up 7.06% and Exported to China surged 240’591 mt with 212’997 mt being farmerstock.

Argentina

Argentina continues to ship record shipment every month. With demand lacking for most importing countries, prices are continuing to be under pressure with prices on blanched wholes continuing to be between us$ 1450.- to us$ 1500.- Cfr Rotterdam despite the issues that shellers are having with low moisture resulting in much lower outturn for whole blanched kernels and much higher outturn of blanched splits. Most international buyers seem to be covered through the end of the year, but I believe that there is still lots of opening for January forward. With an estimated 25% left to sell in Argentina, the question is will this be enough to cover the balance of the demand through June with Brazil basically out of the picture until at least April, if not May. The USA could be an option, but at higher prices. Therefore, I still believe that Argentine prices have room to move upward in the next 9 months. This is true for Europe mostly. But when considering Algeria, Russia and South Africa, the US is not really an option and with the potential rain issues of China and India, Argentina could get more demand than expected. Time will tell.

Moreover, despite only being in September, one has to really start paying attention to the weather in Argentina which has been under a severe drought. Plantings usually do not start before October 15, thus there is still time, but this could obviously delay plantings which is never good in Argentina, because of potential rain and cold weather during harvesting. Argentina still forecast to plant a similar area as this past year. But I don’t see any shellers willing to sell new crop at this time.

Brazil

It is still unclear what the final size of the 2020 crop was. But despite producing a big crop, it looks as if there is very little left to be bought from Brazil due to the heavy international sales with record monthly shipments and the recent strengthening of the Brazilian domestic market where farmerstock prices have increased by almost 50%.

The 2021 Brazilian crop was supposed to be planted starting in September, but the two-and-a-half-month-long drought with no rain in sight is delaying plantings. It seems unlikely at this time that Brazil will increase their planted area this year due to the planting delay. One has to wonder how the delay will affect the planted area and the impact of the delay with a late crop. Moreover, the input costs keep on increasing in Brazil with land rent and seed prices going up.

China

All eyes have been on the Chinese weather. After a dry July, the Northeast of China received some beneficial rain and the situation seems to have stabilized. With the delays caused by the drought in July, maturity might be the issue. It is unclear at this time if quality, especially when it comes to aflatoxin, was impacted as this could impact the Hsuji and redskins for Europe. The major growing area which includes Shandong and Henan had the opposite issues with continuous rains during July and August. Lately the weather has improved. Nevertheless, typhoon Maysak and right behind its typhoon Haishen are threatening to dump a lot more rain. It is unclear how much rain those two typhoons will bring, but more rain will certainly not help the situation.
Provided the weather cooperates for the harvesting, China is still looking at a 5 to 10% increase in production.

Prices, after a big drop, have stabilized the past several weeks. They have even gone up little the past week.

There has been some interest lately for USA farmerstock Seg 1 at prices between us$ 500 to possibly us$ 550.- per farmerstock ton FOB SE. It is unlikely that any US sheller would be interested to sell at such prices as this would only cover partially their procurement costs. It is through interesting prices for Seg 2/3, but the 2020 crop is unlikely to produce much of those. But if China continues to show appetite at those prices, it at least puts a floor to the edible market. With the Chinese new crop showing promises of a higher production, it is unlikely that Chinese buyers will show interest at higher prices.

India

First the good news.

The new Kharif crop could end up being a very big crop with increases in both area and yields. According to the latest SEA (Solvent Extractors Association) report, the area sown in India as of August 27 was 50.36 lakh ha. vs. 37.07 the previous year, a jump of 35.85%. Moreover, according to SEA, yields for the new Kharif crop are estimated to jump 35.34%, going from a yield of 931 kgs in 2019 to an estimated 1260 kgs for 2020.

On august 27, SEA had forecasted a Kharif crop of 4.955 million tons, but if the latest area and yields are correct, the Kharif crop could be as high as 6.345 million tons, a record crop.

Now the bad news.

Monsoons in August have been relentless. Rains have been in excess of 26% over the entire country for August. Gujarat, the biggest peanut producer in India, received 115% more rain in August vs. normal.

If those rains continue with the harvesting fast approaching, India could see major damages to the crop.

Africa

The CEC in South Africa released their 7th forecast and are still calling for a crop of 50’920 tons despite all the people I talk to calling for a crop of between 40 to 45’000 tons.

Regardless of what the quantity is, it looks as if South Africa is about to run out or has ran out.

Still a long time to go until the new season. Imports have started to arrive, and much more will be needed until