



February 9, 2017

USA

One good thing so far is that the Southeast has received plenty of rain so we will at least start with great ground moisture for the next season. Cotton price for Dec 17 is just shy of 74 cents showing quite an increase in the past month. Most people I spoke to seem to think that unless cotton come close to 80 cents, it will not change a thing i.e. Peanuts are still the best crop to plant this coming season that is on any base acres. We need to keep an eye on this price the next couple of weeks, although I think the US should still plant a similar acreage as last year.

Market has been very quiet the past couple of weeks. Current crop prices have crept up a little with levels of 62 to 64 cents on any cut. As much as there is little supply out there, there is also little demand at least for now. Quality, especially aflatoxin, continues to be a concern for the 2016 crop. Red tag material saw a run up (with prices on mediums and jumbos in the high 40's) at the end of January, but demand has disappeared as of late. With the reports of aflatoxin problems in China, it will be interesting to see if demand picks up again or disappears. A big key for red tag prices. Good volume business was done earlier in the year for 2017 crop with buyers covering part of their books at the 52/55 cents level depending on cuts. This barely covers the us\$ 475.- farmerstock cost that shellers have in their books. The question of many is can the price go lower. Depending on the export demand, the US needs about 2.8 to cover demand. So, the question is will the price go down if the crop is above 3 million tons? In order for any surplus to be available to the open market, it has to be bought by the shellers. And remember that farmer have 9 months from the loan to basically sell their peanuts. Shellers have no incentive to go and buy more farmerstock at potentially lower prices if there is a good crop, unless they have sold their us\$ 475.- book. So, is it possible for prices to go down. My answer would be yes provided we have a good crop, and would only be sometime next year. But going down is relative. A couple cents are definitely possible, but I don't believe much more than that. Lastly, we believe that any potential surplus that could be potentially forfeited would probably fall in the hands of the Chinese. As long as the Chinese continue buying farmerstock, I don't believe that the US will end up with any surplus. I think the bigger risk is definitely on the upside. With no surplus being carried from the 2016 crop, it wouldn't take much for this market to jump to 2016 crop levels.

USDA Peanut Stocks and Processing: quite a decline this past month. Let's wait to see if forward numbers correct this downtrend.

- Dec 16 vs. Dec 15: Peanut candy up 24.73%, Peanut snacks down 25.48%, Peanut butter down 6.28%, Total edible down 7.23%, Inshells down 12.21%
- Aug-Dec 16 vs. Aug-Dec 15: Peanut candy up 12.87%, Peanut snacks down 8.53%, Peanut butter up 3.29%, Total edible up 1.49%, Inshells down 14.03%

Exports update

- Dec 16 vs. Dec 15: 59'982 mt vs. 31'770 mt (up 89%). Biggest volume increase coming from China/Vietnam with 29'100 mt exported vs. 6'447 mt a year ago.
- Aug-Dec 16 vs. Aug-Dec 15: 207'307 mt vs. 155'524 mt (+33%). Biggest volume increases coming from The Netherlands +44%, The UK +89%, Mexico +27%, China +201% and Vietnam +42%.
- Despite this continued increase, we still believe we will see overall exports decrease for the season with exports to China and Vietnam probably falling January forward.

Argentina

Little left on 2016 crop. Most of what is left lower is low quality. On the other hand, demand has been quiet lately. Rain has been plentiful so far for the new crop. Some parts have actually had too much water but not a concern so far. Prices are still in the us\$ 1550/1575.- level for raw 38/42 and 40/50 + us\$ 180.- for blanched. Demand though seems to have slowed down with the good progress of the crop with buyers thinking that prices will go down if the crop continues to its positive development. Prices certainly can go lower but when one thinks about Argentina, one always has to worry about the weather during harvesting.

Brazil

Brazil has had plenty of rains for their new crop with actually some fields in some areas being flooded. In general, though the crop is doing very well. But with harvesting soon to start, rains need to stop.

China

China is slowly coming back from their Chinese New Year. It will be interesting to see what directions the Chinese market takes for the period of March through July.

Despite earlier reports that the Chinese crop was in the 15 to 17 million tons, many believe that the crop is actually much smaller than that supporting the current firm prices.

Several things to note:

- The exchange rate of the RMB vs. US\$ has raised the cost of importing peanuts by about us\$ 40/45.-.
- Several problems on the quality of US peanuts entering China. There are reports that some farmerstock was rejected by CIQ in China due to very high aflatoxin levels. This makes one wonder how much appetite there will be for red tag material, although most of that material tends to go through Haiphong. Although makes one wonder how this will impact any material going to China and how they will buy in the future. One thing for sure demand for red tag material has somewhat disappeared lately; not sure yet if it is a market reaction or just because of the Chinese New Year.
- Part of the firmness of the market can be possibly attributed to slow arrivals from Senegal. Senegal, despite earlier reports, had a shorter and more immature crop than expected, and they also impose3d an export tax.
- Most manufacturers are tight on stocks which could results in an increase in prices in the short term. Thereafter it is a matter of the demand.
- Lastly China has been more active this year in exporting peanuts considering their competitive prices.

South Africa

The latest crop estimate issued on January 26, 2017 estimates now a planted area of 45'400 ha vs. 22'600 has for the previous year. Despite late rains to start the planting season, the weather has been favorable so far. If the weather continues to cooperate, South African could have a 55'000 mt crop which would welcome after several disastrous crops.