



October 6, 2020

The market certainly has changed since my last report.

Brazil's supply of current crop is getting tight to being depleted, and the new crop plantings are being delayed due to the lack of rain.

Argentina's supply of current crop is going down and shellers are raising their prices, and plantings are under pressure due to a continued drought.

China new crop is being delayed and quality seems to be affected by the heavy rains that were experienced. Taxes on blanched exports were cancelled. And prices have firmed up slightly the past month with renewed purchase interest for US peanuts.

India continues to battle rain with a fast approaching harvest for bolts.

And lastly the US new crop is being delayed due to rain.

USA

Please find attached the crop history with the USDA estimate of September 11 for the 2020 crop. If achieved, Georgia would have its second highest yield on record and Florida and Alabama would have their highest yield on record. Since this estimate, the Southeast had to deal with 3 rain events, being hurricane Sally, tropical storm Beta and recently rains from a cold front. Moreover temperatures have now dropped to below seasonal averages. Hurricane Sally was an issue especially for Alabama where some parts received over 20 inches of rain, but also for the Florida Panhandle and the Southwest corner of Georgia. Otherwise most other parts of the Southeast belt welcomed those rains. Those rain events resulted in the crop harvesting being delayed by about 2 weeks. We now have to deal with hurricane Delta which will most probably dump more rains in the Southeast, especially in Alabama who doesn't need any more rain. The combination of flooding in parts of the Southeast belt and lower temperatures could result I believe in an average yield, and not the record yield forecasted by the USDA. I would peg the crop at around 3.25 to 3.275 million fst at this time. Most importantly the quality of the crop, especially in the Southeast, is forecasted to be very good. Let's hope for this to be true, after the disaster of the 2019 crop, and let's hope for the weather going forward to be favorable for a good harvest. Unfortunately the hurricane season is still going strong.

A 3.25 million fst crop would still give us an oversupply/demand situation, although not as oversupplied as previously believed. Domestic demand should be up vs. last year with continued support for peanut butter consumption due to Covid 19 behavioral consumption changes. The one unknown is the export demand. Shipments from the US to the European Union including the UK were down almost 50% last year, but I believe that the combination of forecasted good quality for the US crop and lower than anticipated supply from Brazil and potentially Argentina could result in increased exports to that area. The key factor though is China. One would think that with a better crop output vs. last year, China would not be as interested in the US as they have been this year. Well, that doesn't seem to be the case considering the renewed buying interests received from China lately with increased prices. Today I believe that China will buy a considerable amount of US peanuts from the US both directly from the sheller and indirectly through the loan forfeitures. The issue at this time for the shellers is that they don't know how many tons they will handle, thus they are probably unable to sell much to China. Also most shellers are probably pretty tight on what they already have contracted. But it is now clear that China could buy whatever oversupply the US will have. It is unclear though at this time if the current interest at the higher prices is a temporary interest or will be a continued interest. I believe it is only temporary and is due to the delay in the Chinese crop harvest and possibly due to the quality of the crop. It is also due probably to the fact that Chinese crushers are preparing already for their spring festival thus shipments are needed through December.

The market on current crop has obviously gone down from the higher levels we had for the 2019 crop. Nevertheless until the crop is harvested, until the industry has been able to ascertain what quantity and quality they have to deal with and until the shellers know at what prices they will be able to contract farmerstock, sellers will not be keen on offering much. Market is probably today in the low 50's. The downside though is probably limited. On the other end, buyers seem to be content to keep on waiting for the balance of what they have to buy for the 2020 crop.

Looking forward at the 2021 crop, it is too early to predict anything. Cotton prices for December 21 are still hovering around the 65.50 to 66.50 (66.60 today), thus not a threat to peanuts at this point.

USDA stocks and processing for August 2020: consumption continues to be strong. A good start for this year.

Aug 20 vs. Aug 19: Peanut candy **up 26.02%**, Peanut snacks **down 0.90%**, Peanut butter **up 7.59%**, Total edible **up 7.93%**, Inshells **down 6.14%**

USDA exports: August 2020

Aug 20 vs. Aug 19: the US exported 38'959 mt vs. 37'458 mt the year before, an increase of 4%. China/Vietnam continues to be the most important destination with 15'387 mt shipped vs. 4'314 mt the year before. Japan reversed their trend with an increase of 50.68%. Otherwise all major markets were down with the EU27 + UK down 61.17%, Canada down 8.41% and Mexico down 29.54%.

Argentina

On September 8, the Camara issued the following final crop estimate for the 2020 crop.

Despite a decrease of 9.35% in hectares planted, yields were 9.02% higher which only resulted in a 2.80% forecasted decrease in exports.