



November 2, 2022

Inflation and the US\$ continue to be the talk of the markets. Most importantly their impact on peanut demand. I believe that most peanut manufacturers and suppliers are very optimistic about peanut demand as it is a cheap snack, and that other competing and more expensive products will be impacted first.

The good news is that freight rates have gone down in all origins with maybe the exception of the US.

Looking at peanut prices, it looks as if prices for both the US domestic market and the international market should go up as supply are decreasing in all origins. But demand worries remain, and this will be the key deciding factor for how high the prices will go.

USA

As of today, the USDA national tonnage report shows only 2.038241 million fst (farmer stock short tons). It seems a foregone conclusion at this time that the US crop will not reach the 2.8855 million fst crop the USDA last estimated. The question at this time is how low will the crop be. At this point it looks as if that we could be looking at a crop of between 2.6 and 2.7 million fst. To make matters worse, although directly linked to the smaller crop, the grades (or sizes) are lower i.e. less jumbos. Quality though continues to be good.

Most shellers seem to be unwilling to offer until such time they can ascertain the size of the crop and their own handlings. Luckily, the manufacturers seem to be well covered through the end of the crop (I would estimate coverage at around 80%). Obviously, those needs that still need to be covered, especially on jumbos, will come at a premium. If I had to guess market levels today, I would call splits at 63/64 cents, mediums at 64/65 cents and jumbos at 66 cents.

USDA Stocks and Processing: September 2022

Sep 22 vs. Sep 21: Peanut candy **up 9.30%**, Peanut Snacks **up 3.04%**, Peanut butter **up 11.46%**, Other products **down 35.80%**, Total edible **up 7.85%**, Inshell **up 20.37%**

Aug-Sep 22 vs. Aug-Sep 21: Peanut candy **down 0.82%**, Peanut snacks **down 9.15%**, Peanut butter **up 0.20%**, Other products **down 25.63%**, Total edible **down 2.60%**, Inshell **up 15.27%**

USDA exports: August 2022

Aug 22 vs. Aug 21: Exports were down to 29'601 mt, a drop of 8% vs. last year. Canada was up 12%, Japan was up 88% and the UK was up 2%, but Mexico was down 9%, the EU27 was down 15% and China was down 40%.

Argentina

Argentina is in the midst of the new crop planting. A couple rain events, the last half of October, seem to have been sufficient to plant the crop. They need now for both the temperatures to go up and the rain to fall. It looks as if temperatures are starting to go up and better rain chances are coming by next week.

The big question at this time is the acreage. The Argentina Chamber of Commerce (Camara) forecasted a decline of 13.23%, but the Ministry of Agriculture only forecasted a decline of 3.6%. I don't think we will know for several weeks what that decline will be. Could be anywhere between 5 to 15% if one listen to the different opinions in the market.

As to new crop prices, I think that most Shellers are unclear what to do. With increased planting input costs, a third year of lower supply, La Niña still looming and lower supply from competing origins, shellers are probably unwilling to be too aggressive and hoping to sell at higher prices.

Prices for current crop at stable to slightly lower. The larger shellers are probably well sold and unwilling to sell at lower prices in this environment. Smaller shellers are using the lower ocean freight rates to sell at cheaper prices.

The biggest question at this point is probably demand, especially Western European demand. Retailers seem to be covering on a short term basis i.e. through March but not much further. So, the question is how much demand is left through July next year? Thereafter I think the market is wide open.

Brazil

Brazil is probably 3/4 of the way done with their new crop plantings with weather cooperating. Expectations are still for a 10 to 15% decrease.

Market wise things are very similar to Argentina, with shellers hoping for better prices in view of increased input cost and lower supply.

China

Well, the elections in China are over, and the government continues to lockdown many parts of major cities. Mr. Xi Jinping, during his opening speech, seem to have double downed on the zero Covid policy. Consequently, the peanut prices in China weakened some but rallied slightly the past several days (most probably due to uncorroborated rumors that China is preparing to reopen). The latest future market price settled at RMB 10'210.-. With the Chinese New Year being early i.e. January 22nd, 2023, it seems unlikely that the government policy will change before then. Therefore, one can expect demand to continue to be somewhat weak despite the lower peanut crop output.

China continues to show interest for US farmer stock, but with a lower than expected US crop and consequently higher prices (if one can find any farmer stock), it is unlikely that the US will export much farmer stock this season. On the kernel side, Argentina and Brazil have much lower kernel prices, thus it is more than likely that any imports (mostly for high Oleic peanuts) will come from those two origins (mainly Argentina).

BUT, all bets are off if China, by some miracle, decide to reverse their covid policy as it would boost demand and push most commodity prices up consequently increasing inflation for the rest of the world (which is obviously not what the rest of the world wants).

India

The last SEA report showed that plantings for the Kharif crop was off 7.69% vs. last year. Gujarat, the main producing region was off 10.52%.

An article in the Business Line Chennai on October 19 reports that Gujarat production will be off 22.18% vs. last year with an estimated production of 30 lakh tons vs. 38.55 last year.

It also reports that last year was a record compared to previous years and that normal Gujarat production is about 30 lakh tons.

Yields went from 2020 kgs/ha last year to 1755 kgs/ha this year. The lower yields are due to excess rain, flooding and dry spell during August.