



November 4, 2020

The world market has certainly turned more bullish.

- India continues its battle with weather with uncertainty as to the final kharif crop size, its quality and its ability to supply its usual markets.
- China continues to put pressure on many international markets buying all the peanut oil they can find, as well as some high oleic peanut kernels purchases especially from Argentina.
- The US is in the last stretch of the harvest of its new crop, but numerous weather event have lowered the crop size expectations.
- Brazil finally received some rains, but still delayed by 3 to 4 weeks. But no supply left for its 2020 crop.
- Argentina finally had some rains and will be able to plant on time.
- La Nina is looming over South America.
- Unsold stocks in Europe are dwindling down.
- Supply of birdfeed in Europe is very low with worldwide prices increasing.
- Inshells look to be in a tight situation this coming season with consequently much higher prices.

USA

Lots of uncertainties with the size of the peanut crop. The last estimate we had from the USDA (which is attached) called for a crop of 3.347 million fst. Nevertheless, the weather has since then not cooperated with certain areas. West Texas, between the lack of rain this season and the freezing temperatures that they are currently experiencing, could end up with much lower yields. Especially Alabama, but also West Georgia could end up with lower yields, a direct result from the rainfalls from the different hurricanes that have battered the Gulf of Mexico. And to make matter worse we could end up with more rain from ETA. And the Virginia/Carolinas areas seems to be dealing with maturity issues. The USDA will issue a new crop production estimate on November 10 that I believe will be lower again. My predictions are that we have today at best a crop of 3.2 million fst and possibly slightly lower. With higher US domestic and export demands and a questionable carry in number into this year (my number is still 270'000 fst lower than USDA), the carryover over number at the end of July 2021 is getting lower. Moreover, China is trying desperately to buy farmerstock at seemingly high prices with reports of 30'000 to 40'000 fst already sold at numbers above us\$ 700.- per mt. No ideas as to how many tons have already been sold and how long this buying will continue, but one can expect the carryover number for next year to be well below 1 million fst, if not below 900'000 fst depending on the final crop figures and Chinese purchases. Too many moving parts at this moment to take a stab at a projection.

The good news though is that quality of the crop in the Southeast is so far excellent in terms of aflatoxin.

Now let's talk about cotton. Dec 21 cotton is at 69.5 but rose above 71 at the end of October. Not many expected this sharp price increase. Some believe we could see this price go a little higher, giving potentially some competition for acres for the 2021 crop. Moreover, it is predicted that we will see more wheat planted this year which will give farmers more time to decide if they should plant peanuts or cotton.

Market sentiment within the sellers seem to have switched lately. Until recently most shellers I believe felt that the US was going to have at least a 3.25 to 3.3 million fst crop. Also, most shellers probably didn't believe in the continuous buying interest that we are seeing from China at high prices for farmerstock. And lastly shellers didn't expect the runup in cotton prices. As much as the prices were stuck at 50 cents to high 40's until recently, it seems that 50 cents to low 50's is now the norm. The market dynamics have switched, and we are now looking at a much higher upward potential then downward potential. It will take several months to have a better idea where this market will go. As I previously

mentioned, we first need to find out what size crop we have, then we need to see how long China's buying will last and by early next year we will find out where cotton prices are and how much competition peanuts have.

Prices to Europe went crashing down to recent reported levels of mid us\$ 1300.- Cif Rotterdam due probably to the fact that the quality of the 2020 crop is so good in the Southeast. It seems shellers are completely discounting the potential rejection costs if goods are rejected in Europe. Although these levels seem to have moved up slightly in recent days.

USDA stocks and processing: September 2020. Consumption continues at a record pace.

Sep 20 vs. Sep 19: Peanut candy up 34.02%, Peanut snacks up 5.04%, Peanut butter up 10.47%, Total edible up 9.49%, Inshells up 1.10%

Aug-Sep 20 vs. Aug-Sep 19: Peanut candy up 30%, Peanut snacks up 2.23%, Peanut butter up 8.93%, Total edible up 8.72%, Inshells down 2.58%

USDA exports: September 2020.

Sep 20 vs. Sep 19: the US exported a total of mt for the month.

Aug-Sep 20 vs. Aug-Sep 19: the US exported a total of mt for the past 2 months.

Argentina

Argentina just released their planting projection for the 2021 crop calling for 385'592 hectares to be planted vs. 351'733 hectares for the 2020 crop, an increase of 9.63%. This would put them back at the same levels as the 2019 crop.

General rains finally fell the second half of October after a lengthy drought period. The northern part of the Cordoba province could still use a little more rain. Plantings have started and are probably 20 to 25% complete at this time.

Forecast looks dry for the next week to 10 days. Long term forecast will be affected by La Nina.

Argentina continues to receive a lot of demand from all part of the world including Brazil (yes Brazil of all places), China and Russia. Outside the competition from the US, Argentina doesn't have any competition and considering that they are probably 85% sold, if not more, prices are likely to stay at current levels or go higher. Raw wholes are at us\$ 1400.- Cfr Rotterdam or higher with blanched at us\$ 1600.-.

Argentina exported 10'726 mt of oil in September and 58'235 mt since January.

Brazil

Brazil finally received general rains 2 weeks ago. Plantings are extremely delayed. New Crop shipments will consequently be delayed.

Some still expect a small increase in acreage which seems unlikely after the big delay in plantings.

The domestic market in Brazil continues to be very firm resulting in no further export offers at least on peanut kernels.

Exports have slowed down considerably with 19'214 mt of kernels and 3'900 mt of oil shipped in September.

For the year, exports are now at 206'154 mt for kernels and 54'455 mt for oil. I still believe that Brazil will be exporting about 250'000 mt for the year.

China

China reversed its original decision to cancel the duty on blanched peanuts it seems.

The new rule seems to be as follows: Exporters can declare either 12024200 or 20081120 for inspection and customs clearance, Chinese customs will decide if the products fall into the correct category according to moisture content-those with moisture higher than 4% will be categorized as 1202 while those with moisture below 4% will be considered as 20081120. The tax refund it seems will only apply to 2008. From now on, Health certificates issued by CIQ (now a part of Chinese customs) will only display one HS code (either 20081120 or 12024200). There will be official documents issued

by Chinese Customs in the next few days. Impact on export to EU countries remains unclear as dual code will not be issued any more by Chinese CIQ.

With the amount of buying China has done and considering the relatively high prices paid for many of these purchases, one has to wonder why that is. The logical explanation would be an issue with their crop, but talking to all my Chinese contacts, it doesn't appear that the Chinese crop size is the issue. There is no doubt that there has been a delay in the harvesting and that quality has potentially suffered resulting in smaller kernel sizes and high moisture readings. But no one believes that the production was lower than last year. The surge in buying coincides with the heavy buying and consequently the rise in prices in corn and soybeans. Moreover, the delay in harvesting probably resulted in a tight stock situation for the crushers who are already preparing for their Chinese New Year demand. I have to think that eventually, with a normalization of the supply from their new crop and the buying from all the different origins, China will slow down the heavy buying at high prices. Let's not forget that by year end/early next year, China will concentrate their buying on Senegal and Sudan.

Having said that, when one talks about such a huge crop and such a huge consumption, it is difficult even for the Chinese to accurately ascertain the supply/demand situation. Moreover, there have been rumors of stock piling of all sort of commodities. It would be difficult to stockpile peanuts, but peanut oil could be.

For big kernels exports, things could be difficult considering the apparent maturity issues. Inshells could also be a problem. As to hsujs and redskins, it is uncertain at this time if there are issues with aflatoxin resulting for the heavy rains.

India

The latest report we received on the Indian crop shows that the acreage for the Kharif crop increase 23% vs. last year with Gujarat accounting for 40.71% of the total area.

The IOPEPC latest estimate for Kharif crop called for a crop of 7.773 million tons, which would be a record. Nevertheless, despite above average monsoons during the crop, the crop size and quality are now in jeopardy because of the continuous untimely rains. Kernel sizes seems to be an issue with this year's crop seemingly producing mostly smaller kernels. The latest estimates that we are now hearing are calling for a crop between 4.5 to 5.5 million tons. The longer the weather stays unstable, the lower the production will be and later the shipments will take place. Moreover, one has to wonder about the quality (aflatoxin) and the ability of India to ship a quality suitable to their usual market. It could potentially be very difficult as well for India to ship both edible and birdfood quality to Europe.

India has seen a surge in demand coming from China both on kernels, but especially peanut oil. An Indian newspaper recently reported that India had confirmed 90'000 tons of booking of peanut oil vs. 40'000 tons exported last year. Not sure as to the accuracy of this report, but for sure we will see higher exports of peanut oil this year.

Indian prices have risen, but not to the extent that one would assume vs. drop in crop production and excess demand from origins such as China and Russia.

Africa

South Africa: The CEC is still calling their 2020 crop production at 50'080 tons despite most pegging the crop at 40 to 45'000 tons.

They just issued their planting forecast for the 2021 crop calling for 38'000 hectares, an increase of 1.33% vs. last year. Market is empty. Have not seen much demand coming from there, and I am wondering how the manufacturers will manage their supply through the next 8 months.

Senegal: received unofficial crop figures reporting an increase of 3.09% in plantings and an increase of 6.28% in production. No reports on prices yet for new crop.

Sudan: ban on exports of peanuts and peanut products has now been lifted. No reports of prices yet for

