



December 11, 2018

This will be the last report of the year. So, I would like to wish all of you a Merry Christmas, Happy Holidays and a wonderful Happy New Year.

USA

The USDA tonnage report as of December 10, 2018 is showing 2'556'717 fst. I think it is likely that we will end up around the 2.6 million fst mark, but I don't think much more. Quality of those late peanuts are also suspect.

If we look at the supply/demand, plug in crops of 2.6 million fst for both 2018 and 2019 crop, no change for exports at 730'000 fst, the US carryover goes to 1.055 million fst for next year and 725'000 fst for the year after.

The 2.6 million fst 2019 crop considers a 5% reduction and a 4000 lbs yield. With cotton at 78 for December 19 and a weak peanut market, I believe 5% is realistic. 80 or more on cotton could push the reduction to 10%.

If those numbers prove to be true, we could see the market push upward once planting intentions become clearer. The only think that can derail that scenario is shellers paying prices that can compete with cotton. Should this happen, then we will go back to a similar scenario as for the 2017 crop.

Looking at the market, the cheap sales of 2017 and 2018 crop seem to have slowed down. The long and wrong guys seem to have adjusted their position to a more comfortable one. In order to get there, sales in the low 40's were made. Today we are in mid 40's for 18 crop at best and higher on 2019 crop (although there seem to be reluctance from the buyer to accept that the market is higher for 2019 crop). EU material is still being offered at us\$ 1500.- Cif Rotterdam; this is cheap but still offers a premium over the domestic market.

USDA stocks and processing for October 2018:

- Oct 18 vs. Oct 17: Peanut Candy **down 9.97%**, Peanut Snacks **down 5.48%**, Peanut Butter up 0.79%, Total Edible up 0.17%, Inshells up 6.86%
- Aug-Oct 18 vs. Aug-Oct 17: Peanut Candy **down 11.08%**, Peanut Snacks **down 2.94%**, Peanut Butter **down 1.99%**, Total Edible **down 1.48%**, Inshells **down 5.42%**

USDA exports for October 2018:

- Oct 18 vs. Oct 17: 33'014 mt exported vs. 34'056 mt the year before, a decline of 3.06%.

Surprisingly shipment to the EU28 were down 1.55% with 11'219 mt exported vs. 11'396 the year before. This is surprising because I would have thought the heavy shipments from the US would have continued with the problems of Argentina. I still think though that we will see heavier shipments than normal through June next year. As expected shipments to China and Vietnam are insignificant with only 501 mt vs. 3'978 mt the year before.

Nevertheless, shipments to Mexico and Canada continue to be strong with respectively 9'232 mt (vs. 7'876 mt the year before) and 9'223 mt (vs. 8'643 mt the year before). Shipments to Japan have almost doubled with 1'001 mt vs. 560 mt the year before. Aug-Oct 18 vs. Aug-Oct 17: For the first 3 months, 102'862 mt were exported vs. 85'933 mt the year before, a jump of 19.70%.

Argentina

The Argentine new crop plantings are done and weather has been favorable. The good news is that peanuts were planted on time, thus should the weather cooperate, most of the harvesting might take place unaffected by rain and wet weather.

As to 2018 crop, the same questions remain. There is still 7 months before new crop peanuts become available. Will the shellers be able to fulfill their contractual obligations until then? There is still material to be bought from the 2018 crop but mostly off grade quality.

Brazil

The weather in Brazil has been very good so far for new crop plantings which are still expected to be 5 to 10% higher vs. last year. So will Brazil have 3 good quality crops in a row? There is no doubt that with growing crops, expanding exports, a good quality and prices cheaper than Argentina, Brazil has taken a big share of the export market. The key for the European market will be the aflatoxin. If Brazil can have another good crop, then Argentina will have a lot of competition for their new crop. Prices for blanched wholes are nominally at us\$ 1500.- Cfr Rotterdam.

The question remains. How much more can Brazil expand with its seemingly high costs of production?

I just received the hereunder exports and report from Brazil from a friend. Obviously the December and January numbers are forecasted numbers.

Period	2014		2015		2016		2017		2018	
	Kernel (m/t)	Oil (m/t)	Kernel (m/t)	Oil (m/t)	Kernel (m/t)	Oil (m/t)	Kernel (m/t)	Oil (m/t)	Kernel (m/t)	Oil (m/t)
February	6.050	3.500	3.415	3.365	7.771	5.190	3.582	1.437	13.025	3.469
March	4.115	3.115	5.666	3.683	11.278	6.673	9.028	2.971	14.618	4.731
April	5.003	4.471	8.603	6.140	12.030	7.198	12.899	3.510	20.394	6.161
May	5.150	3.230	8.115	8.947	11.250	6.396	14.745	3.683	14.575	4.439
June	4.489	3.185	9.355	4.150	11.495	3.630	15.323	3.052	17.082	5.662
July	7.770	2.835	13.305	6.395	11.275	2.885	13.206	2.566	7.942	5.003
August	5.826	3.354	9.937	4.851	10.029	2.620	14.353	4.274	19.087	3.929
September	6.206	5.762	8.425	5.595	5.934	1.857	13.781	4.000	19.628	4.069
October	5.074	4.100	11.200	5.619	5.283	2.170	16.498	3.452	21.546	3.021
November	5.391	4.031	7.009	4.300	4.662	2.418	17.407	3.896	19.054	5.236
December	4.541	2.225	8.512	4.242	6.604	1.572	18.603	3.345	16.695	4.572
January	3.053	482	8.167	2.255	4.312	1.307	16.021	1.528	16.695	4.572
Total	62.668	40.290	101.709	59.542	101.923	43.916	165.446	37.714	200.341	54.864

* Official statistics for the NCM 12024200 and 15081000.

Hereunder are other comments received.

The export performance showed in the table above, even considering the average volumes projected for December and January, force us to increase the volumes produced of the crop 2018 from 575.000 to close 650.000 m/t.

We understand that the firm prices paid since 2016 allowed growers to invest in harvesting technology which increased the productivity and expanded the areas simultaneously. We have also been informed of new peanuts frontiers in the irrigated areas in the south of Goias and also the expansion towards the northeast states.

Recently shellers from Alta Paulista are trying to buy farm stocks at the Mogiana indicating that we are closing the crop of 2018 without relevant surplus. Farm prices continue firm and kernels values have reacted little. Rains were very generous and the planting season has been perfect, there are still growers planting, rains are reported to be regular until end of December in spite the dry weather last 10 days. The only thing that can disturb the production below is a serious drought in January, otherwise we can expect a record crop. The export potential close 250.000 m/t and the increase of oil exports can sustain the actual production growth.

TRADE 2014/2018					
	Mercado Interno	Exportação Grãos Export Kernels	Esmagado Crushed	Exportação Oleo Oil Export	Grãos+ GR Edible+LK
2015	264.493	101.000	142.857	60.000	508.350
2016	348.972	101.876	102.380	43.920	553.228
2017	333.215	165.446	89.752	37.714	588.413
2018	438.421	200.000	140.000	56.000	778.421
2019	343.000	250.000	154.761	65.000	750.000

CROP 2014-2018								
PLANTED	AREA	BAGS	YIELD GROSS	IN SHELL	IN SHELL	LK	KERNELS	YIELD NET
	hectares	25kg/in shell (ha)*	kg/inshell (m/t)*	pre clean 25kg	Clean 25kg	lost Kernels 2kg/bag	(m/t)*	kg/kernels (m/t)*
2014/15	153.000	175	4.375	669.375	635.906	53.550	457.853	3.150
2015/16	160.000	175	4.375	700.000	665.000	56.000	478.800	3.150
2016/17	165.000	185	4.625	763.125	724.969	61.050	521.978	3.330
2017/18	175.000	185	4.625	809.375	768.906	64.750	553.613	3.330
2018/19	198.000	208	5.200	1.029.600	978.120	82.368	743.371	3.744

China

The weakness of the Chinese peanut market seems to be continuing, affecting all origins and affecting not only edible peanuts, but also peanut oil. Should this situation continue, we could potentially see another reduction in plantings for the 2019 crop.

As to the tariff situation between the US and China, I believe you all are paying attention to the news. Positive comments have given a slight hike to cotton prices, but it looks like it will take some time for all issues to be solved. Nevertheless an agreement between the US and China could certainly boost even further the cotton prices and give some potential demand for US forfeitures.

India

Despite a Kharif peanut crop reduction of 15 to 16% vs. the previous year and a potential planting reduction of 10% for the Rabi crop, the Indian market continues to be weak due to slow demand.

This seems to be due to several conditions, one being weak demand especially from China, and second sufficient supply from other origins such as old and new crop from Senegal, and new crop from Sudan and other African countries.

South Africa

The Situation in South Africa is not improving and actually getting worse despite some little rains this past weekend. So far it seems that only 5'000 has have been planted. The planting window is closing fast, and with no real rains in the forecast, I am not hopeful that South Africa will plant more than 10'000 has. That would be a disaster if those figures are right. With a consumption of 80'00 to 100'000 mt, this means that they will need to import most of what is consumed. Part of this will come other African countries, but, because of quality constraints, a lot will have to come from origins other than African countries. Argentine and Brazilian peanuts are on top of that list, with possibly some US peanuts and Indian peanuts (although Indian peanuts are at the bottom after previous years issues). Peanuts will start being needed probably March/April forward.