



September 6, 2017

USA

Its hurricane season, and it's already been a tough one. Hurricane Harvey caused historical destruction to Texas. So many people in Houston are still struggling with flooding. Most peanut fields though were spared since most peanuts in Texas are grown in the West/North West. Rain bands from the hurricane were felt from the Delta, to the Southeast into the Carolinas. The Southeast that started to need rain received good amounts. Unfortunately, Irma, an extremely powerful Cat 5 hurricane, has entered the Caribbean. It is unclear at this time what the exact path of this hurricane is, but it looks as if it could bring a lot of rain to the Southeast and potentially to the VC. We will have to wait a few more days to get clarity on the path, but we all hope that, wherever it goes, it passes fast and doesn't stall. The crop at this stage can still handle rain, especially the sandy soils, as long as sunny warm days come after. The Virginia/Carolina area doesn't need another repeat of the past 2 years where rains were detrimental to many, especially in South Carolina.

The crop is looking great in most places. The rains that were received were very beneficial. So, a record crop is definitely a strong possibility at this time. The bigger question everybody has is where are prices going? I wish I had the answer. As I mentioned many times before, it is difficult to try to figure out what could happen with the prices when we have no idea what the government will do with the repayment rate and/or the forfeitures. The repayment rate could be lowered, but timing is important as otherwise it will only benefit the shellers with farmerstock already bought. As to the forfeitures, the government could limit the use of some of those peanuts, although unlikely. More importantly when would they be sold. Too many questions at this time. There are many factors that can still affect the market moving forward. Hereunder some of the major ones:

- Argentine 2018 crop
- USA 2018 crop
- China 2018 crop
- India 2018 crop

When looking at the potential surplus for next year, depending on crop size, we could have 700'000 to 1'000'000 fwt (depending on crop size and exports) not counting a normal 3 months carryover for the market. The domestic market could use some of that surplus provided available for the fall side. January forward would probably not work as manufacturers have had bad experiences. But that only delays the issue. The only market that can gobble up such a big surplus is only China. And for China to buy it, the price will have to be low enough. I think it is just as simple as that. So, if one believes that scenario, the market will only be in surplus situation until that time. Price should then come down until then but will come back up once that surplus is gone. Yes, timing is everything.

Not many prices being thrown out there. Nominally I would say the market is just above the 50-cent mark with no real buyers to speak of. As I mentioned previously, buyers have already a good cover, and seem to be comfortable waiting for prices to come down. EU market around us\$ 1350.- to us\$ 1400.- Cif Rotterdam.

USDA exports for July: exports continued their decline as expected mainly due to the lack of shipments to China.

- July 17 vs. July 16: 29'121 mt exported vs. 45'925 mt a year ago, a decline of 36.59%. Shipments to China/Vietnam at 89 mt vs. 17'783 mt a year ago.
- Aug 16-July 17 vs. Aug 15-July 16: 472'398 mt exported vs. 572'783 mt a year ago, a decline of 17.53%. China/Vietnam at 95'874 mt vs. 243'807 mt a year ago, down 60.65% vs. last year.

USDA stocks and processing for July:

- July 17 vs. July 16: Peanut candy up 33.79%, Peanut snacks down 12.51%, Peanut butter up 5.83%, Total edible up 3.89%, Inshells down 5.66%
- Aug 16-July 17 vs. Aug 15-July 16: Peanut candy up 8%, Peanut snacks down 7%, Peanut butter up 2.97%, Total edible up 1.28%, Inshells down 10.78%

Carryout for 2017 crop calculated at 738'108 fst. I expected that number to be about 100'000 fst higher, but I would say that the number feels right considering the market behavior. That number is basically what the market needs to cover 3 months of consumption.

Argentina

The 2017 crop is basically finally harvested. It took 5 months to harvest this crop. Hereunder the latest report from the Argentine Camara. Numbers look fairly optimistic considering the amount of time it took to harvest the crop.

ARGENTINA

SUPPLY AND DEMAND

Comercial Year (from 01/06 to 31/05)	Area		Yield (Kernel Basis)	SUPPLY				DEMAND					Ending Stocks
	Planted	Harvested		Initial Stock	Production	Imports	Total	Internal Market + Blanched losses	Oilstock	Seeds	Exports	Total	
	Hectareas		Tm/Ha	Metric Tons (kernel Basis)				Metric Tons(kernel Basis)					Tm
2014/15 ¹	382.900	378.000	2,84	30.000	1.088.880	0	1.118.880	65.000	212.000	54.000	690.000	1.021.000	97.880
					1.555.542								
2015/16 ²	385.000	337.500	2,06	97.880	794.920	0	892.799	62.800	190.000	60.000	580.000	892.800	0
					1.135.600								
2016/17 ²	402.000	352.006	2,18	0	876.841	0	876.841	60.520	190.000	60.000	566.321	876.841	0
					1.252.631								

¹ Estimated

² Projected

Market wise it has been very quiet. The Argentine shellers want higher prices, but manufacturers are looking at US prices and not wanting to pay more. Difficult situation. I have had a hard time putting specific levels on the 2017 crop. I have heard prices ranging from us\$ 1350.- to us\$ 1500.- Cfr Rotterdam for raw whole peanuts and from us\$ 1550.- to us\$ 1650.- on blanched. All depending on spread, quantity, quality.

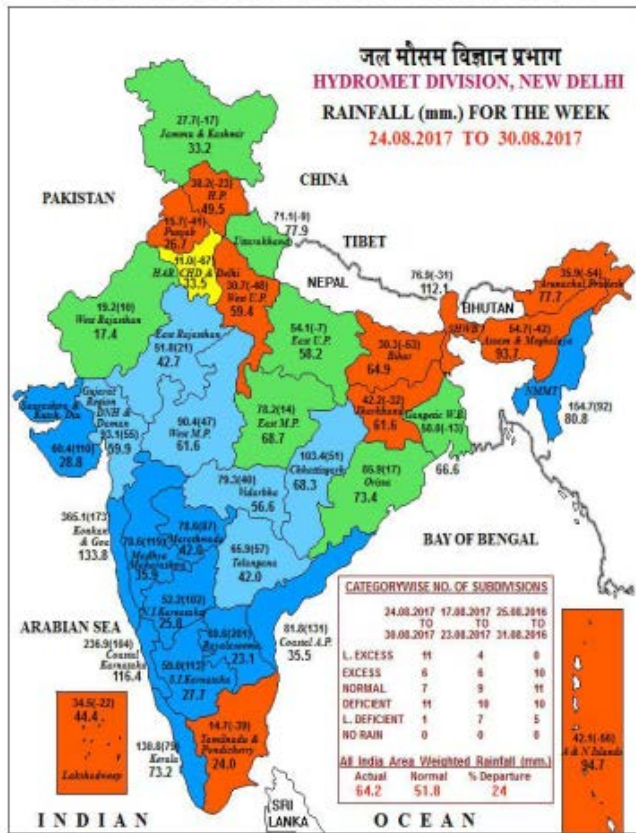
India

As of August 25, India is showing an official planting decline of 11.33% for their winter crop. But it seems that the monsoon, that was extremely heavy in some parts of India, was beneficial in some of the peanut areas giving some very optimistic yields in Gujarat (despite early losses from heavy rain). Other provinces such as Andhra Pradesh, Karnataka and Tamilnadu are looking at a 10% reduction in production according to one source, and another source reporting 35/40% reduction.

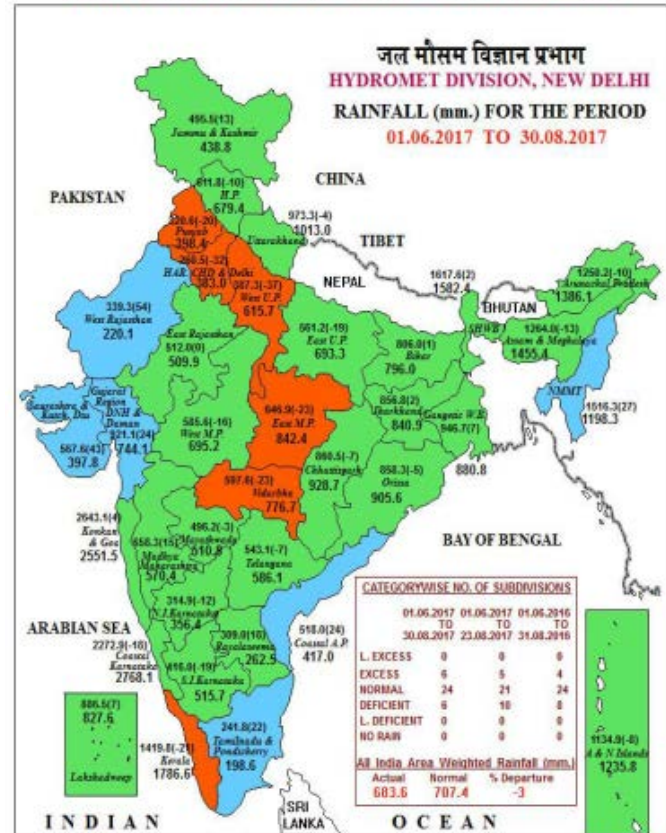
It's difficult to get any consensus it seems, although it seems that many are hopeful that the good rains will make up for the reduction in the planted area.

Hereunder please find attached a picture of the monsoon for the week of August 24 through the 20th, and a picture for the season starting June 1st.

INDIA METEOROLOGICAL DEPARTMENT



INDIA METEOROLOGICAL DEPARTMENT



China

Harvest for the 2017 crop has already started in many areas with the Northern provinces starting at the end of the month. Temperatures in the North though are unseasonably cold. Some early snowfall came in the province of Helongjiang. I think that in general the crop looks very good but the biggest worry that people seem to have at the moment is rain. It has been raining in many of the major provinces such as Henan, Anhui, Shandong. Many worrying about the quality. Still a consensus that this crop should be much bigger than last year, but big variations in crop numbers. Total crop quantity goes from 17 to 20 million tons. Just a 3 million tons difference. Price are weak at the moment.

South Africa

CEC estimates of August 29, 2017 maintaining their 2017 crop estimate at 56'000 has with a production of 90'550 mt.