



March 8, 2020

I'll refrain from talking too much about the Corona virus as you all probably already hear too much about it.

The European market is getting tighter and tighter on goods with the low shipments from the US and Brazil. Argentina is basically sold out.

The Corona virus scare seems to be pushing people to buy a lot more food which could push demand up in Europe. Those stores will then have to be replenished. All this could make the supply situation in Europe even tighter.

The US will not be a player in the international market until the new crop and probably not a major factor until January 2021.

Brazil so far is doing well and hoping for a fairly dry harvesting season.

Argentina, despite the lower plantings, is looking at a good crop and hoping for one last good rain and dry harvesting weather.

USA

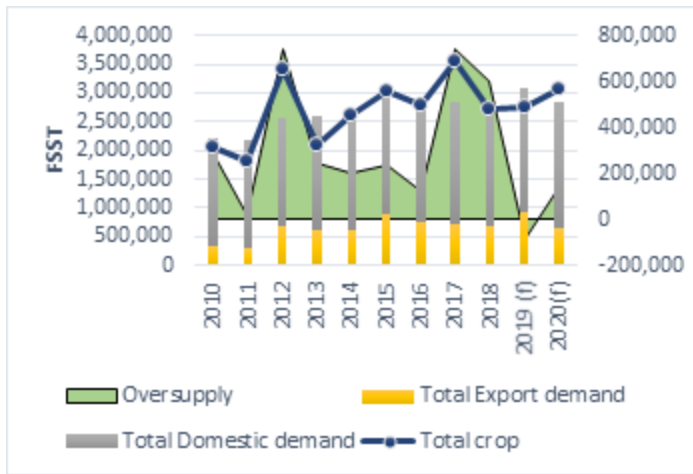
The US crop situation hasn't really changed. The Southeast crop is terrible with 33.1% of all lots failing according to JLA. Shellers are doing all they can to shell, remill and blanch as much as possible, and deliver what they can.

As I mentioned before, the quantity is not the issue. The issue is can the shelling, remilling and blanching capacity we have in the US keep up with manufacturers demand. Manufacturers are doing all they can to help, but there is only so much they can do. Specifications are being looked at and changed, customers are taking blanched goods against raw contracts but delays are occurring and will most probably continue. Some are even considering looking at foreign origin although with the import quotas we have in place, that would only be a band aid. Certainly a year for the history books.

Nobody is really thinking about the current crop market. At least not until they are further along, probably closer to the summer before shellers can figure out what their situation really is and think about selling additional quantities (at least volume quantities, although doubtful much volume will be available). Tough to figure where 2019 crop prices are but I would say mid to high 60's for negative and mid 70's for tight specs. These prices are for relatively small quantity.

The extension specialist gave a first indication on the 2020 crop peanut plantings. He forecasted a 6% increase in plantings which at 4000 lbs average would give a crop of 2.95 million fst. In my estimation that would not be enough to take us out of the tight supply we are in. A 10% increase is needed to replenish the pipeline. Eventhough fundamentals don't seem to warrant such a big drop, cotton prices have been affected dramatically by the financial market with prices now at 63.80 for December 20.

Domestic usage is up to close to 2.2 million fst and I think we could see consumption go up even more due to the Coronavirus. The biggest question though is how many tons will we be losing because of quality out of the 2019 crop. I estimate that we could be losing 100'000 fst through shelling, thereafter I believe that the sheller will not keep any 2019 crop for October shelling and will go straight to 2020 crop. That could represent 200'000 to 250'000 fst that would need to be forfeited and/or go to China. So for argument sake, we could potentially have 300'000 fst of farmerstock go to China (and I think that's a conservative number). With that in mind, the US carryover would be at best 689'000 fst. And that is why I believe we need at least a 10% increase in plantings. That would give us a somewhat comfortable carryover for the year after, although no room for error. Hereunder a better view of that situation.



USDA stocks and processing for January 2020: great numbers for the month. Looks like the price decrease on peanut butter is showing its effect. Peanut demand, especially peanut butter demand, could continue to show strong increases fueled by the coronavirus scare. People could end up stockpiling and stores will have to replenish the dwindling stocks. Just a possibility.

Jan 20 vs. Jan 19: Peanut candy +14.01%, Peanut snacks +3.80%, Peanut butter +14.10%, Total edible +10.03%, Inshells +2.02%

Aug 19-Jan 20 vs. Aug 18-Jan 19: Peanut candy -0.92%, Peanut snacks +2.80%, Peanut butter +6.51%, Total edible +4.11%, Inshells -2.26%

USDA exports for January 2020:

Jan 20 vs. Jan 19: Exports are up 26.06% for the month. Japan was up 6.99%, Mexico was up 11.69%, but Canada was down 3.65% and the EU27+UK was down 49.40%. The biggest mover though continues to be China/Vietnam up 13'346 mt.

Aug 19-Jan 20 vs. Aug 18-Jan 19: exports for the first 6 months are up 28.33%. While the export continue to decline sharply to the EU27+UK with a decline of 34.19% and to Japan with a decline of 30.64%, exports to all other major destinations are up with Canada up 8.01%, Mexico up 13.61% and exports to China/Vietnam are up 58'246 mt. 66.52% of shipment to China/Vietnam for the first 6 months are in the form of farmerstock.

Argentina

Argentina just announced that the export tax is back to be 7% instead of 12%. A big help for all Argentine exporters.

The Argentine Peanut Chamber released their updated planting estimates as follows which represents a 9.35% reduction vs. the previous year.



Peanuts Planting Area Estimation. Argentina

Campaign	Planting Area
2016/17	402.000 has
2017/18	440.000 has
2018/19	388.000 has
2019/20	351.733 has*

* Projected

There is basically nothing left out of the 2019 crop. Some parcels might be found in the high us\$ 1700's for blanched wholes.

The new crop is developing well although there has been no rain of consequence for almost 2 weeks. The forecast looks hot and dry the next 5 days with lower temperatures and chances of rain thereafter.

Argentina probably needs one more good and general rain to finish the crop. Thereafter the dreaded harvesting season starts with hope of good weather.

Prices on new crop vary depending the sellers with prices anywhere between us\$ 1675.- to us\$ 1750.- on blanched wholes and us\$ 75.- to us\$ 100.- lower for blanched splits.

The market is in dire need of new crop Argentine to replenish the stocks. Let's hope for a timely crop and harvest. Prices could remain close to current level with the amount of demand there is for the early position. Moreover there seem to be some demand developing out of the US and Canada. Let's not forget that imports of Brazilian and US peanuts were down this past year and will obviously continue to be down for the US until probably the end of the year.

Brazil

The new crop harvest has recently started with probably about 10% harvested.

Daily rains is complicating the situation a little but looking at the forecast, things should improve.

Prices are remaining firm with the current tight situation in the international market through July/August.

Whole blanched are being quote at us\$ 1650.- Cfr Rotterdam.

It is unclear how much availability there is for the first few months considering that many shellers still have to fulfil their old crop commitments.

It is also unclear at the moment what quality crop Brazil will produce this year.

China

Needless to say that the situation in China during the past month has been very difficult with the corona virus. Instead of being shut down for 2 weeks for the Chinese New Year, China was effectively shut down for about 4 weeks. Things are slowly restarting but still at a lower pace. The biggest issue remains the logistics piece.

China lowered the tariff on US peanut kernels down to 40%, but tariff on US peanut inshells and peanut oil remain at respectively at 25 and 35%.

There are reports that Chinese companies could get some tariff exemptions as from March 2 if applied for.

China has purchased all they could from Senegal. They bought a lot as well from Sudan, but prices have now started their upswing, giving an opportunity to US peanuts.

The new crop plantings should start within a month and it looks as if China will increase their plantings slightly considering the current high prices.

India

From Agrocrops:

The market witnessed uncertainty amid the Covid-19 outbreak. India is not an exception as the panic spread in the peanut market. Due to border shutdown between VN-CN, there were several lots of peanut stranded at port of Haiphong. The VN traders took advantage of the stranded goods (as usual) by discounting heavily on the agreed price. Exporters had relatively less/erratic demand mirrored by the situation in international markets. One of the active markets for now is Indonesia, while the rest are still biting on to adjust the new price range or at least doing bottom fishing. With domestic demand taking over consumption, exporters are left with fewer choices. The margins and volumes of a trader-exporter is shrinking. The stock liquidity situation is also very grim, leaving the trader-exporter with less profitable price range and lots of frustration. The situation on short-supply in Bold is acute. With several mills shut down amid disparity between price of raw inshells and raw kernels. Farmers at present are holding about 30-35% of the winter '19 harvest. NAFED started to auction the '18 crop. It is expected to auction the '19 crop during the month of March '20. Whether price and liquidity situation will ease or not is to be seen. The '18 crop of NAFED is questionable for human consumption. It could be well suited for oil crushers with higher FFA requirements. The summer crop '20 will be harvesting in the state of Tamil Nadu & Gujarat. We expect a bumper crop for the java (Spanish). With domestic demand taking over the market and state governments starting to release their stocks, how the market is going to digest the

challenging time of demand-supply mismatch is both an opportunity & challenge for the Indian peanut player of both domestic and international trade.

South Africa

The CEC just issued their 1st crop forecast calling for a crop of 54'390 mt on 37'500 has planted. This production would represent an increase of 180.36% vs. last year.

This forecast is probably a little too aggressive but shows the improvement in the crop.