



January 8, 2021

Things have been quiet since my last report with the year-end holidays.

The EU market is still digesting the 25% duty that was imposed on USA peanuts. The market is wondering how long this will last and what to do in the meantime. Prices for Argentine peanuts to the EU jumped on the news of these tariffs with the little left the Argentine have to sell of 2020 crop. Those covered until June are probably in good shape and probably waiting, in the hopes for tariffs to be rescinded, and also hoping for a good Argentine crop. Those in need of peanuts until June are hoping for a quick resolution to those tariffs, but I think that the dwindling European stocks and the lack of supply from Argentina and Brazil will only force prices upward. With the weakness of the US\$, I don't think that those in need of peanuts through June have much choice but to go ahead and cover.

The UK buyers are in a much better position now since the UK will not impose tariffs on US peanuts. Seems to me that the only choice is to cover through June. Thereafter Argentina and Brazil are in play.

Consumption in the US continues to be very strong. It is unclear at this time if the US will have further lockdowns with the new administration. Vaccination for Covid 19 has started, but no one knows how long it will take for the country to be back to normal. Manufacturers are well covered (probably 80 to 90%) but depending on the increase in consumption, manufacturers might have to cover more.

USA

The US 2020 crop is coming to an end and will not, it seems, even reach the optimistic 3.1/3.15 million fst. What a miss from the USDA with their last estimate at 3'321'660 fst. To date we are only at 3'052'834 fst and the total has only inched upward by a few hundred tons every day. At best we will probably reach 3.06 million fst it seems. Fortunately, despite a percentage of the crop having issues, the aflatoxin continues to behave well with only 5.4% of all lots failing until the end of December 2020 (according to JLA), the best crop since 2013. With the unknowns of the domestic demand and the exports to China, it is difficult to calculate an accurate carryover, but it looks like the carryover could be at best 944'000 fst (if exports to China are only 100'000 fst and if domestic demand increase by 4%) and at worst 829'000 fst (if exports to China reach 150'000 fst and if domestic demand increase an additional 3%). At 944'000 fst, the market probably stays a strong low to mid 50's (being current levels). At the 829'000 fst, the market jumps much higher. Obviously, my figures account for a discrepancy of 270'000 fst with the USDA carry in number which some people will not take into account.

At this point though, the domestic and Chinese demands are not the only factors to take in consideration. Cotton is continuing its bullish run with a price of 76.85 for December 21 (and the magical 80 was reached for May and July 21). And let's not forget corn. If this run-up in commodities and cotton continues, that probably means higher prices having to be paid by manufacturers for 2021 crop to enable shellers to pay higher prices for farmerstock or a substantial decrease in peanut plantings.

European tariffs on USA peanuts: on December 8, the United Kingdom announced that they were suspending the tariffs on certain USA goods including peanuts as of January 1, 2021. Good news for the UK manufacturers. As to the European community, tariffs remain in place until further notice.

US shipments are getting affected by port congestions resulting in delays in vessels arrivals which is obviously affecting shipper's ability to find containers and shipping on time. Savannah for example has only 46% of its vessels arriving on time.

USDA stocks and processing for November: demand continues to be very strong with the most surprising number being the one for candy.

Nov 20 vs. Nov 19: Peanut candy **up 29.52%**, Peanut snacks **up 8.01%**, Peanut butter **up 7.79%**, Total edible **up 10.56%**, Inshells **down 1.47%**

Aug-Nov 20 vs. Aug-Nov 19: Peanut candy **up 31.70%**, Peanut snacks **up 5.13%**, Peanut butter **up 4.96%**, Total edible **up 7.59%**, Inshells **down 4.30%**

USDA exports for November:

Nov 20 vs. Nov 19: the US exported 53'711 mt vs. 46'602 mt a year ago. China continues to lead the exports with 28'469 mt of 53% of all exports; this represents an increase of 126.33% vs. a year ago. Japan, although small, was also up 17.55% up. Otherwise, all destinations were down with Canada down 18.15%, Mexico was down 16.92% and the EU27+UK was down.

Aug-Nov 20 vs. Aug-Nov 19: Overall continues to be up thanks to China. Overall exports were 172'208 mt vs. 167'812 mt a year ago, an increase of 2.62%. China with 76'596 mt has a 44.48% market share of all US exports. This represents an increase of 126.25%. With the exception of Japan that has an increase of 11.40%, all other markets are down with Canada down 9.41%, Mexico down 20.77% and the EU27+UK down 53.77%.

Argentina

Only a few offers for Argentine current crop with prices between us\$ 1550.- and us\$ 1575.- for raw wholes and us\$ 1650.- to us\$ 1700.- for blanched wholes. Consider similar levels for new crop.

The weather has cooperated until now with timely rains for the new crop that has just been planted. The Southern part of the Cordoba provinces is fairing the best with the Northern part lacking the most. Nevertheless, the sub soil moisture is still poor. Let's hope for continuing timely rains. La Nina is supposed to prevail in the first quarter of this year, so let's hope for the best.

New crop plantings are still projected to be 9.63% higher vs. last year.

Argentina exported 68'974 mt of peanuts in October, the average amount shipped from Argentina since June. No reason to think they will not continue to ship an equal amount for the foreseeable future.

Argentina exported 2'631 mt of peanut oil in November.

Brazil

Brazil has been and still is sold out of their current crop.

On new crop, the plantings seem to be finally completed. The questions now are what the area was planted and when will all these peanuts be harvested. No doubt the harvest period will be very long with the delays in planting this new crop. No offers at this time. There are reports that plantings could be up 5 to 10% considering some of the new areas being planted.

Brazil exported 22'630 mt of peanuts in November with 46.90% of that amount going to Russia.

They also exported 3'423 mt of peanut oil with 51.63% going to Italy and 34.39% going to China.

China

The situation in China continues to be fairly quiet with prices somewhat maintaining their higher levels. Higher levels compared to previous years, but not unexpected considering the higher levels of most other oilseeds.

China will for sure continue to buy from the African origins, especially Senegal. As to Sudan, things are confusing as prices have risen to very high levels. As to interest from the US, most Chinese buyers will probably wait until after the Chinese new year to evaluate if additional tariffs will be put in place or not. Chinese new year is February 12.

At first, I thought that the current high prices would probably entice farmers to plant more peanuts this year. But between the fact that the Chinese government continues to entice farmers to plant more soybeans and corn, and the fact that all other oilseeds are at high prices, peanut plantings might not increase unless Chinese crushers decide to push peanut prices much higher after the Chinese new year.

On December 19, the Chinese Securities Commission announced they will be rolling out in the future additional futures including peanuts.

Article attached: www.nasdaq.com/articles/china-to-ramp-up-derivative-market-products-regulator-says-2020-12-19

India

There are reports that late rains damaged some big quantities of peanuts that were stored outdoor. This will certainly continue firming up prices of the Kharif crop that at one time was supposed to be a record crop, but because of untimely and late heavy rains, the crop size and quality was affected dramatically. Europe is unlikely to see many shipments from India.

On the other end, these late rains were welcome for the Rabi crop, which is India smaller crop.

Africa

Senegal: on January 1st, the Senegalese government lifted the ban on exports. This is good news for the Chinese buyers who have been buying Senegalese peanuts, but bad news for the local crushers.