



July 6, 2020

The markets, both in the USA and internationally, continue to be extremely quiet.

Internationally, the supply seems to be very adequate with a seemingly huge increase in production in Brazil's and an excellent crop in Argentina yielding a much better quantity and quality, negating part of the decrease in plantings. Nevertheless with less US exports overseas (outside China) due to quality, less Chinese exports to Europe due to prices, and a disruption in exports from India, these increases from Brazil and Argentina will be welcomed.

## **USA**

The US market has basically seen no activity the past month, both for current and new crop. The market is acting as if there is no issue through the end of this crop and that price will come down October forward.

On current crop, there are not many sellers. I would call that market 80 cents, although any volume or quality would command a premium (if available, and that is a big if).

The new crop is basically planted with some exceptions in the Southwest. Overall the crop is looking good, but it is early. As you can see from the USDA crop progress report hereunder, GA needs to catch up to previous years. Late start and it needs consistent rains.

Prices have been at a standstill on new crop, with market in the low to mid 50's depending on sellers and quality. Nevertheless buyer's ideas are stuck in the mid to high 40's. Interestingly enough, those buyers with those price ideas are the buyers that are the least covered. Even though I believe that Shellers are roughly 50 to 60% sold, it is completely different for the buyers. I believe that some manufacturers are 70 to 80% covered understanding the risks that exists in this market (very low downward potential) and some other manufacturers are 20% covered wanting to go all in betting on a strong increase in plantings and good crop.

Now let's look at acres. The USDA shockingly issued a planting forecast on June 30 that showed 1'514'000 acres planted and 1'473'000 acres harvested. The harvested acres would represent a 5.84% increase. This includes a 6.06% increase in GA. This is much less than the forecast of the different states extension specialists who predicted a 12% increase in plantings. I still fairly confident that the planting increase will be 12%, but with all the unknowns and the risks in this market, I think it is fair to assume that most Shellers will wait for the certified acres in July before moving forward.

The current crop is very uncertain for everybody. The shellers continue to hope to have enough product through shelling, remilling and blanching to deliver what they need until they get enough new crop to start shelling new crop. While buyers are hoping for no supply disruption for their manufacturing plants until the new crop comes in. With the quality of this 2019 crop, everybody will be running on fumes.

The new crop should be and is a tale of different markets depending on the positions. October should not see any reduction in prices due to the lack of availability. Today's price for October is 80 cents at a minimum. November and December could end up going at a discount, but the question remains of how much additional demand there will be through the end of the year to make up for the increased demand. Today's price for November and December is probably around 75 cents. January forward should see some reprieve, and prices are showing that being quoted in the 50's.

Now let's look at supply/demand numbers that are very difficult to calculate not having any accurate and/or reliable numbers on the crop size, exports and domestic demands, and carry out. My calculations show that next year with a crop of 3.025 million fsst, the carry out open August 1, 2021 will be 850'000 fsst. Enough peanuts, but no room for error. Too many unknown numbers at this time, but I believe that unless we get two crops in row of 3 million fsst or better, prices will unlikely go below 50 cents. And for the 2021 crop. All will depend on how fast cotton recovers.

USDA stocks and processing for May 2020: numbers for May don't seem to make much sense. Peanut snacks shouldn't be up as much as they are and peanut butter should certainly not be down. Looks like there's a mix up there. Moreover I would think that peanut butter would be at least 5 to 7% higher.

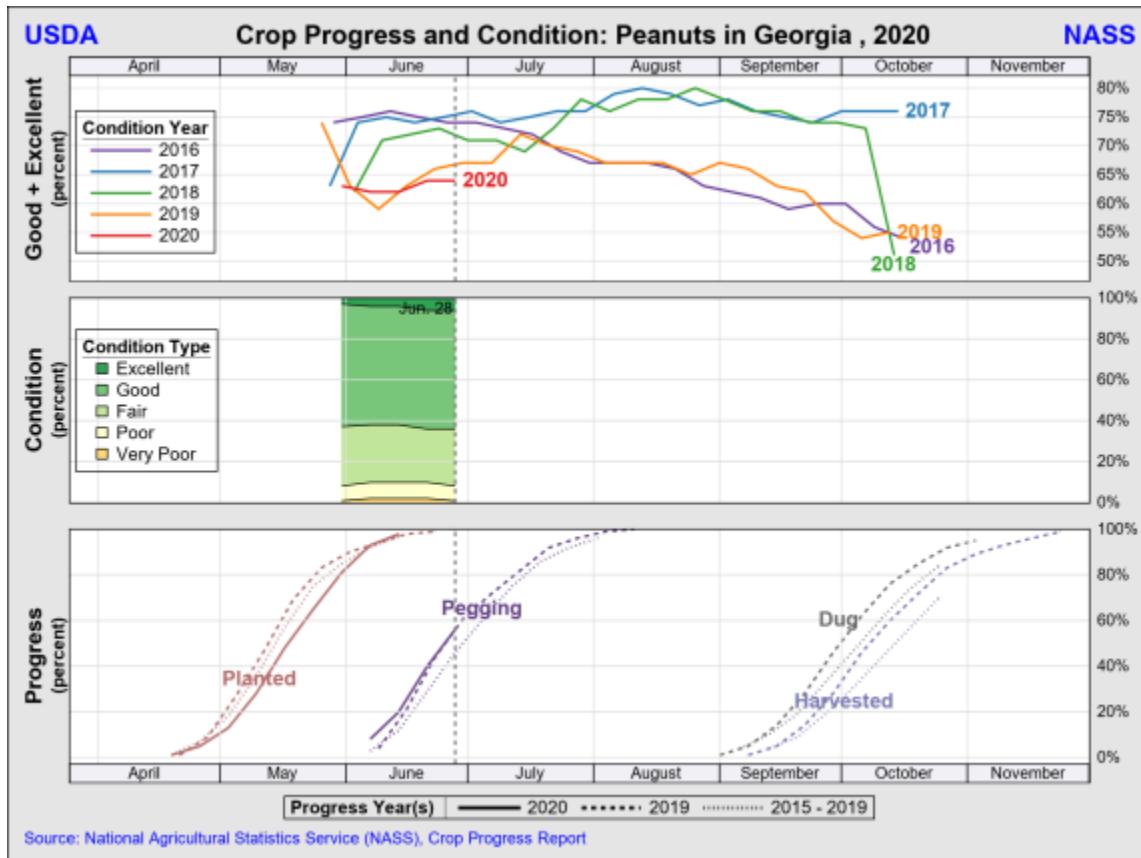
May 20 vs. May 19: Peanut candy **down 12.50%**, Peanut snacks **up 41.05%**, Peanut butter **down 2.25%**, Total edible **up 3.08%**, Inshells **down 11.35%**

Aug 19-May 20 vs. Aug 18-May 19: Peanut candy **down 2.73%**, Peanut snacks **up 8.80%**, Peanut butter **up 4.94%**, Total edible **up 3.65%**, Inshells **up 1.67%**

USDA exports for May 2020:

May 20 vs. May 19: The US exported 87'622 mt vs. 40'874 mt the year before, an increase of 114.37%. The biggest drop came from the EU27+UK with a decrease of 64.04%, Japan with a decrease of 45.83% and Mexico with a decrease of 14.01%. Canada continues their increase with a jump of 17.73%. Despite the drop in some of the US biggest markets, exports were up due to an increase of 54'414 mt to China/Vietnam.

Aug 19-May 20 vs. Aug 18-May 19: The US exported 510'021 mt for the period vs. 355'726 mt the year before, a jump of 43.37% due mainly to a jump of 197'065 mt to China/Vietnam. Canada and Mexico continue to be up for the year with increases of respectively 8.97% and 8.14%. Japan tough is down 18.87% and the EU27+UK is down 48.16%.



## Argentina

Argentina has had one of the best harvest seasons on record resulting in much better yields (which have negated part of the decrease in plantings) and a very good quality. The maturity of the crop will probably result in a low supply not smaller kernels. The low moisture could result in much higher blanching yield losses, increasing the supply of blanched splits, but also decreasing the supply of blanched wholes.

Tough to determine where the market is at this time. Overall the large and mid size Shellers are probably 60 to 70% sold, but the small Shellers seem to be much less sold. With the lack of buying activity (both locally and on the international

market), we have seen those small Shellers discounting the normal market prices by us\$ 100 to us\$ 150.- per mt, but I believe most of this business is moving to the trade and not to the manufacturers. Much buying I believe still need to be done through the end of the year and January through June. So it wouldn't take much for this market to turn around.

### **Brazil**

The much better than expect yield for the 2020 crop are forecasted to allow Brazil to export over 50% more than they did or the 2019 crop. Seems unlikely that such a huge increase would be possible, but combine the higher production with the lower domestic demand that seems to have been affected by Covid 19, and I guess it could happen.

### **China**

Prices in China continue to fall with sufficient supply from both the domestic market and imports, and little buying from.

Expectations for the new crop are running high with a crop increase of 5 to 10% depending on who one talks to. I hear rumblings of heavy rains in the south resulting in floods and dry weather in the north, but it is early. Still a couple months to go. A good new crop with an increase could lead to lower prices, and lower imports.

### **India**

Thanks to early beneficial rain from the monsoon, low prices for especially cotton and high peanut prices, peanut plantings for the winter crop are expected to increase dramatically. Early forecast estimate that India will be producing 9.3 million tons in 2020 (combination of the summer and winter crop), which would be a 30% jump over last year's production. Should these numbers prove to be correct and should monsoon come in time, India will have to export a lot more to avoid a major decline in prices locally.

### **South Africa**

The CEC came out with their new estimate dropping the production to 52'140 mt. Other sources seeing production between 40'000 to 45'000 mt.

This means that imports will definitely be needed for January through May, in addition to the usual imports from other African countries.