



September 17, 2019

- The US domestic market continues to be quiet.
- The Argentine new crop is finally harvested.
- The European market is still dealing with issues created by the Argentine shipment delays. Supply issues should be soon solved.
- India finally received good monsoon, but prices continue to be at very high levels.

USA

The USDA just announced their September crop estimate and it shows a big jump in production, from 2.651 to 2.825 million fst. Harvested acres could end up being slightly lower than reported, but fairly close. I believe though that the yield in the Southeast, especially Georgia, will be lower than the 4400 lbs. estimated due to the extreme temperatures recorded this summer, temperatures that are continuing to be in the upper 90's until now and forecasted in the 90's until the end of next week with very little rain (There is a disturbance in the Caribbean that could end up bringing some rain to the Southeast, but at this point it is too early to predict how much rain and where). I would be surprised if we have a crop much bigger than 2.7 at this point. To be honest though the quantity is not the issue. With a 2.7 or 2.8 million fst crop, there is plenty of supply with the USDA estimated carryover of 1.235 million fst. The biggest issue I believe could end up being the quality. The USDA crop progress report for this crop looks very similar to the one of the 2016 crop. Too early to draw any conclusions but something that bears to be watched carefully.

Supply on Virginias is tightening with prices especially on jumbo inshells going higher. Hurricane Dorian brought some relief to the VC crop, but the dry weather experienced during the season could result in lower yield.

Market continues to be extremely quiet on the runner peanut side. US domestic coverage, as mentioned before, is very good and overall supply is not a concern (at least not of negative material). It seems that the quietness will continue for a while.

The international market has also been quiet. With uncertainties with potential EU tariffs, European buyers have been concentrating on Argentine peanuts.

With cotton prices in the 62 to 65 range for Dec 20, it doesn't look like our oversupply situation will change anytime soon.

USDA loan forfeitures:

Forfeited so far: 41'977 fst out of which 4'559 fst were offered (with bid results pending).

Loan outstanding: 257'765 fst

USDA stocks and processing for July 2019:

Jul 19 vs. Jul 18: Peanut candy **up 25.30%**, Snacks peanuts **down 11.56%**, Peanut butter **up 4.63%**, Total edibles **up 3.17%**, Inshells **up 13.60%**

Aug 18-Jul 19 vs. Aug 17-Jul 18: Peanut candy **up 0.38%**, Snacks peanuts **down 10.89%**, Peanut butter **up 2.12%**, Total edibles **down 0.48%**, Inshells **down 1.44%**

USDA exports for July 2019:

Jul 19 vs. Jul 18: Total exports dropped 8.04% for July with total exports of 31'876 mt vs. 34'663 mt a year ago. While exports to Canada were up 5.07%, exports to Mexico and the EU were down respectively 25.78% and 29.49%. Exports to China/Vietnam continue to be up with 3664 mt exported vs. 124.5 mt a year ago.

Aug 18-Jul 19 vs. Aug 17-Jul 18: Total exports for the year were down 6.03% with 423'429 mt exported this season vs. 450'586.9 the year before. All major destinations were up with the exception of Japan that was down 10.28%. The EU

was up 8.83%, Mexico was up 6.73%, Canada was up 10.04%. Exports to China/Vietnam, despite some increase in shipments the past several months, were down considerably with only 34'444 mt shipped this season vs. 85'500 mt the year before.

No word yet on potential EU tariff on US peanuts.

Argentina

Argentina continues to be busy selling their current crop at prices in the high 1400's for blanched with smaller shellers selling slightly lower. As one of my friends stated, considering that we are only in September, it will be interesting to see what happens until the new Argentine crop with seemingly little left to be sold from Argentina for this crop, no new crop from Brazil until at least April and potential US quality issues.

Argentina is also facing lots of uncertainty politically and financially and there are still potential for increased export taxes.

Brazil

Current crop is pretty much sold out so no market activity on that front.

New crop plantings have actually started. Only a little. Planting will be in full swing within a couple of weeks. It is still estimated that Brazil will plant the same to 5% more for the new crop.

But after the poor crop and low prices experienced with the last crop, shellers might not be as keen to sell too early aggressively.

China

Typhoon Lekima brought much needed rains to most of the crop which should help not only the yields, but also the quality of the new crop. Nevertheless, some areas especially in Hebei and Anhui were affected by previous drought which could affect the overall production.

Overall though it is expected that the crop will be bigger than last year.

The tariff war between the USA and China is still going on with no end in sight it seems.

South Africa

The 7th CEC crop estimate calls for a crop of 18'800 mt vs. last year crop of 57'000 mt.

Manufacturers in South Africa still have to cover a lot of their demand which is probably covered through the end of the year. They are busy trying to procure material from neighboring countries, but this will obviously not be enough.

It is still surprising to see them waiting to cover the remainder of their demand.