



October 30, 2023

November 2023 Peanut Market Report

The market is a tale of 2 different market situations.

Firstly, Western Europe: their supply that generally comes from Argentina has been cut by 35 to 40%. Brazil is unable to fulfill their potential and is even struggling delivering on current contracts. The US, that was seen as the alternative for this year, has had weather issues that are affecting the quality of some the new crop, thus the potential supply for Europe. Result: higher prices for at least the next 8 months at which point one would expect potential relief from the Argentine new crop. The only hope for some, especially the private label manufacturers, is China, where we have seen prices drop considerably. Unfortunately, manufacturers don't really like the Chinese origin and many can't use them. Secondly, the rest of the international market: those markets are a lot more flexible on origination, thus the Brazilians will have to compete with good crops and falling prices from China and India.

And then there is the US\$ which is very strong creating some issues for importing countries.

USA

Despite the USDA crop progress report showing 55% harvested as of October 23rd, the USDA national tonnage report shows only 1,501,655 fst inspected as of October 27 which represents 48.07% of the USDA latest crop estimate. Seg 2/3's stand at 13,224 fst which shows a little bit the problem the crop is having (total for 2022 crop was 6,398 fst, and for 2021 crop 3,851 fst).

Despite the weather issues and the harvest delays, I still believe that the US will have a crop of 3 to 3.05million fst, slightly lower than the USDA.

The big questions at this point remain the same: quality and yields in the Southeast, and acres and yields in Texas.

As to the quality in the Southeast, the further West one goes, the worse it is.

The market is definitely showing its concerns. Shellers are not keen on offering. When offering, most will probably offer negative material in the mid 60's level.

Tighter domestic specs is definitely at a premium, the question is at what premium and who has it. Probably 2 to 3 cents premium.

EU material seems non existent at the moment and I would say that the level is probably 10 cents higher than negative material. Converted to Cif Rotterdam, that level is probably \$1800/1850.- for raw and \$ 2200/2250.- for blanched.

Blanching spots are very tight for everybody.

At this point, it looks as if exports to the EU will not reach their potential because of quality issues.

Exports to China should be down as well.

Update on EU tariff issue: it looks as if the US will not reimpose steel and aluminum tariffs on the EU at the end of the year even if the sides cannot come to an agreement. This tariff moratorium would also likely mean that the EU will not reimpose retaliatory tariffs on US goods including peanuts while the sides continue to negotiate.

USDA Stocks and processing: September 2023.

Sep 23 vs. Sep 22: Peanut candy **down 11.89%** , Peanut Snacks down 17.28%, Peanut butter **down 4.47%**, Other products **up 26.82%**, Total edible **down 7.71%**, Inshell **up 5.82%**

Aug 23- Sep 23 vs. Aug 23-Sep 23: Peanut candy **up 0.04%**, Peanut snacks **down 2.10%**, Peanut butter **up 12.02%**, Other products **up 9.91%**, Total edible **up 7.15%**, Inshell **down 1.25%**

USDA exports: August 2023.

Aug 23 vs. Aug 22: the US exported 48'366 mt, an increase of 63% over last year. Mexico was up 45%, Canada up 14%, China up 63%, EU27 up 360%, the UK up 83%. The only major market that was down 53%.

Argentina

Rains have finally started to come. Probably not at the rate that the Argentines are hoping for, but enough to start planting somewhat on time. There will obviously need to be more rain, not only to plant the new crop, but also to replenish the soil which is extremely dry and give the new crop a good start.

New crop prices have started to appear with levels of us\$ 2000.- Cfr Rotterdam for whole blanched.

Brazil

Brazil is definitely late with their plantings. Depending on who you talk to, plantings stand at anything between 30 to 50% (just depends on areas). It is still estimated that plantings will be increased by 10%, but I am not sure how that will materialize. These delays could potentially delay the early arrival that the Western Europeans were hoping for as Brazil will need some of these goods to complete their old crop contracts.

Weather is one thing, but to make matters worse, the market for current crop is moving against them. On oil, Chinese buyers are about us\$ 200.- per mt lower than selling interest. Looks to me that established crushers and many of the new crushing capacity that was put in place in Brazil will either be idle or make big losses. So, if oil doesn't sell, what will farmers do with their unsold farmerstock?

On the kernel side, West Europe (because of quality reasons) is not an option. For the other potential markets, Brazil is starting to see strong competition coming from India and China.

New crop prices are starting to come out with levels of \$ 1950.- Cfr Rotterdam for whole blanched and us\$ 1850.- for splits blanched.

Brazil exports for September 2023:

Peanut oil: 7'776 mt exported in September, bringing the total year to date to 78'376 mt (this compares to 109'298 for the same period a year ago, a drop of 28.29%). For September, 5'100 mt went to China and 2'652 mt to Italy.

Peanuts: 27'221 mt were exported in September, bringing the total year to date to 228'569 mt (this compares to 211'847 mt for the same period a year ago, an increase of 7.89%). For September, 7'908 mt went to Russia, 5'291 mt to Algeria, 6'520 mt to the EU, 1'150 mt to UK.

China

The Chinese new crop is as good as expected. As to the size of the crop, it always is difficult to ascertain that number. You hear numbers of 17 to 18 million tons. What I hear that makes more sense is that the crop is about 15% bigger than last year.

And prices are certainly reflecting that. Futures prices have collapsed to Rmb 9502.-. Not that long ago, the futures were at Rmb 11000.-.

Prices on a Cif basis have been crashing down by about \$300.- per mt. I hear now that prices for blanched wholes are on average us\$ 1700.- Cif Rotterdam.

The exchange rate continues to be weak with a recent rate of 7.32.

The Chinese economy, consequently the Chinese peanut demand, continues to struggle.

The Chinese are definitely seeing more demand coming their way from the international market. It will be interesting to see how much appetite the Western European market has for Chinese, but it is certainly a welcome supply in this environment of lower supply from Argentina and potential problems with the US crop.

It will be interesting to see at what point the oil crushers start supporting the market. Farmers and dealers are slowly pushing back against those low prices, thus we might be getting to a bottom soon. But demand will eventually give the market its direction. And domestic demand continues to be very weak.

On the import side, with low prices and a negative exchange rate, don't expect China to jump on US farmerstock imports (with the exception of some seg 2's and 3's), Brazilian oil (where difference in buying and selling is probably around us\$ 200.- per mt, thus Brazil will have to lower their prices) or Indian kernels and oil (it will take very low prices to get any interest). African origins will have no choice but to sell to China, although Sudan should have a much lower supply this year.

India

The latest report from the Agriculture Ministry reports the Kharif peanut crop plantings at 43.91 Lakh Ha as of September 29th vs. 45.53 Lakh Ha last year, a drop of 3.56%.

Despite this decline in acreage, it looks as if the weather mostly cooperated during the growing season, boosting yields. A recent article in the Mumbai business line stated that according to the Gujarat government, yields in Gujarat were expected to be 16.52% higher. The increase in yields seems to have been a direct consequence of good rains during September. Overall volume in Gujarat, despite the drop in planting, should be up 11.5%.

Prices have consequently been going down.

With Chinese prices continuing to go down, Indian prices will surely follow the same path. India has two issues: one, competing against China for business and second, China not wanting to buy (unless prices are really cheap).

There should be though more interest coming from Europe.

For Western Europe, it always is difficult for India because of the aflatoxin issues, thus it will depend a lot on the quality of the crop. But quality dependent, Western Europe might have more appetite this year to look at India as an alternative for especially smaller count.

For Eastern Europe, India will certainly find takers, but will have to compete with China and Brazil, thus expect those prices to be under pressure.