



August 13, 2018

Despite the crop problems in Argentina and the reductions in acreage in the US, China and India, the market continues to be quiet although interest has picked up some in Europe.

We have two distinct markets at the moment, the US market which is oversupplied and the International market which is undersupplied.

The US market is looking at a carryover of 1.3 to 1.4 million fst. That carryover will not change much if the new crop produces a 2.85 million fst. As much as the current demand is around 2.8 million fst, the trade war going between the US and China will most probably result in a reduction of US exports which should be compensated by the increased exports to Europe, but only partly. This means that the carryover on August 2019 will be very similar to the one of this year, if not higher. Number wise we are looking at a weaker market, but the one thing that everybody has to remember is that the supply is only available if the shellers buy the peanuts. The market in the US should be flat to weak until 2019 crop planting time, provided we have a good 2018 crop. The reason is that manufacturer coverage is good until then, shellers are still long with 2017 crop and trying to sell it at roughly 47 cents, and 2018 crop is looking good, and being quoted at 51/52 cents. Once 2019 crop planting time comes, then all eyes will be on cotton prices and what shellers will do. Will shellers try to compete with cotton which should mean paying high farmerstock prices in an oversupplied market or be disciplined which means paying prices that do not compete with cotton which should result in lower peanut acres? Lower peanut acres could certainly push prices up some.

The International market is completely different with the terrible Argentine 2018 crop. The Argentine Peanut Chamber just issued a crop estimate that shows an exportable quantity of 394'171 mt, but many of the Argentine suppliers I talk to believe that number to be lower. There is no doubt that there will be a shortage based on quantity, but that shortage could be much bigger because of quality issues. Too early to tell what number is. The shortfall will have to come from either Brazil (provided they have another good crop), the US or China.

USA

Please find attached the crop production estimate from the USDA from Friday which calls for a production of 3.044 million fst. This estimate is based on planted acres of 1.502 million acres. The FSA published their first estimate of planted acres with a number of 1.391 million acres. Historically the first number is always off by 40/50'000 acres. So I believe that the acres that the USDA used are probably off by 60/70'000 acres. Next comes the yield. As much as the weather has been very beneficial until now, disease pressure seems more prevalent this year, thus I wouldn't take at the moment yields that are better than last year. So extrapolates all this and I think we are looking at a crop of 2.851 million fst at the moment. That's quite a difference with the USDA number but it doesn't make much of a difference to the supply of next year.

USDA stocks and processing for June: consumption is down again for June. Peanut snacks is the only one holding the peanut category up. Not good.

June 18 vs. June 17: Peanut candy **down 29.01%**, Peanut snacks up 16.23%, Peanut butter **down 1.70%**, Total edible **down 0.84%**, Inshells **down 7.73%**

Aug 17-Jun 18 vs. Aug 16-Jun 17: Peanut candy **down 6.31%**, Peanut snacks up 10.73%, Peanut butter **down 1.20%**, Total edible up 1.98%, Inshells up 5.53%

USDA exports for June:

June 18 vs. June 17: 33'903 mt exported vs. 30'600 mt a year ago, an increase of 10.79%. The EU and Japan showed good increase of respectively 5443 mt (or 63.84%) and 663 mt (or 57.02%), but Canada and Mexico showed weakness with reductions of respectively 2668 mt (or 28.27%) and 1686mt (or 19.58%).

Aug 17-Jun 18 vs. Aug 16-Jun 17: 416'433 mt exported vs. 443'435 mt the same period a year ago.

Argentina

Hereunder is the latest crop estimate from the Argentine Peanut Chamber. There is obviously some issues with the planted and harvested hectares. The question then becomes were there more hectares planted or were the yield better. From what I hear this estimate is probably best case scenario for the exportable quantity. Quality is not taken in consideration which could reduce those numbers by 10 to 20%.

It looks as if most of the shellers are off the market.

The financial consequences of this disastrous crop should be felt with next year plantings. A reduction in plantings of 10 to 15% is definitely not out of the question.

ARGENTINA

OFFER AND DEMAND



Comercial Year (from 01/06 to 31/05)	AREA			OFFER				DEMAND					ENDING STOCKS
	Planted	Harvested	Yield (Kernel Basis)	Initial Stock	Production	Imports	Total	Internal Market + Blanched losses	Oilstock	Seeds	Exports	Total	
	Hectares		Tm/Ha	Metric Tons (kernel Basis)				Metric Tons(kernel Basis)					
2014/15 ²	382.900	378.000	2,84	30.000	1.088.880 1.555.542³	0	1.118.880	65.000	212.000	54.000	690.000	1.021.000	97.880
2015/16 ²	385.000	337.500	2,06	97.880	794.920 1.135.600³	0	892.799	62.800	190.000	60.000	580.000	892.800	0
2016/17 ²	402.000	370.000	2,31	0	930.335 1.292.541³	0	930.335	60.520	240.129	60.000	569.686	930.335	0
2017/18 ²	423.000	423.000	1,63	0	689.691 1.026.867³	0	689.691	60.520	180.000	55.000	394.171	689.691	0

¹ Estimated

² Projected

³ In shell

China

China already has import duties of 26% on raw peanuts (being 15% tariff and 11% vat). The following additional tariffs will be imposed by China on US peanuts should the US impose further sanctions on China:

- Raw in shell peanuts (12024100) - additional tariff of 10 percent;
- Raw shelled peanuts (12024200) - additional tariff of 20 percent;
- Peanut kernels in airtight containers (20081110) - additional tariff of 20 percent;
- Roasted peanuts (20081120) - additional tariff of 10 percent;
- Peanut butter (20081130) - additional tariff of 10 percent;
- Other peanuts, prepared not using vinegar or acetic acid (20081190) - additional tariff of 25 percent.
- Crude peanut oil (15081000) - "crude peanut oil, but not chemically modified" - additional tariff of 25 percent
- Other peanut oil and its fractions (including fractions of crude peanut oil, but not chemically modified)"
- (15089000) - additional tariff of 25 percent

The above could put an end to any imports to China through the direct channels and might open up the Vietnam channels, although difficult should it be for farmerstock. The crop in China is developing reasonably well with possibly the exception of Northern China which has had some dry weather. Too early to tell anything at this time.