



December 21, 2017

First of all, a Merry Christmas and a Happy New Year to all of you and your families. May this new year bring you happiness and prosperity. The market has been extremely dull this past month. Lots of supply with decent coverage will do that to a market.

USA

The USA 2017 crop is finally getting to 3.5. As of December 19, 3'499'742 fst were inspected with only 27'954 fst of seg 2/3. A great crop as far as quality is concerned. The crop will end up being slightly bigger than 3.5 but short vs. the USA forecast of 3.8. The reason for the lower crop I believe is the impact that hurricane Irma had on yields. It is not quite clear what happened, but there seem to be a big difference in yields between the fields that were ready to be harvested and those that needed time to develop. Luckily quality was not impacted. The quality is a blessing for the manufacturers and shellers after dealing with the 2016 crop. But it could also be a good thing dealing when looking at how the industry will deal with the carryover and surplus. The same questions remain as to what will happen to the carryover of roughly 1.5 million fst. And for some shellers and farmers storage could be an issue come 2018 crop harvest.

The Chinese buyers have been quiet the past couple of weeks. Although I believe that at the right price they would buy farmer stock for both low and high oleic. Unfortunately, there is price gap that doesn't seem to be bridgeable until either a help from the US government on the repayment rate or forfeitures or unless somebody is long. There is no doubt that some business is taking place but not for quantities that would help lower the carryover.

The 2017 crop market has been extremely quiet. Buyers seem to have the necessary coverage to play the market, hoping that the huge 2017 crop and its carryover will enable the price to go further down. On the other hand, most shellers don't seem to be very long, thus do not need to lower prices. A bit of a stand still. The supply is certainly there. Timing is key though. Next year will bring many things that need to be looked at carefully: Argentine new crop, Chinese new crop, Indian new crop, USA new crop, cotton prices (have gone up and are now at 72.80 for Dec 18), the new Farm bill, repayment rate and forfeitures.

Something else that suddenly came across my desk. Here is what was quoted by one of my peanut colleagues:

FARM BILL PROGRESS

The House Appropriations Committee has inserted in the disaster aid package a program that would make cotton growers **eligible for the Price Loss Coverage program** and even expand an insurance program for dairy farmers. The cotton provisions drafted by the House Appropriations Committee would create a PLC reference price of **36.7 cents a pound for "seed cotton," defined as "unginned upland cotton that includes both lint and seed."**

Because of congressional budget rules, enacting cotton and dairy provisions in an appropriations bill would reduce budget pressures on the House and Senate Agriculture committees when they write the new farm bill. "It does" make it easier to write a farm bill, " states House Agriculture Chairman Mike Conaway

The seed cotton provisions wouldn't add any costs to the overall disaster bill because the payments would be offset by changes in the bill, said Conaway. The bill would require growers to reallocate their "generic" base acres, former cotton base acres on which farmers have been receiving payments for other crops. Cotton growers who sign up for PLC would no longer be allowed to purchase the Stacked Income Protection Plan (STAX) revenue insurance policy that was authorized by the 2014 farm bill. This could certainly have an impact.

USDA stocks and processing for October:

- Oct 17 vs. Oct 16: Peanut candy up 1.47%, Peanut snacks down 5.96%, Peanut butter up 8.84%, Total up 4.56%, Inshells up 13.45%
- Aug 16-Oct 17 vs. Aug 15-Oct 16: Peanut candy up 1.52%, Peanut snacks down 5.51%, Peanut butter up 5.57%, Total up 2.93%, Inshells up 16.27%

USDA exports for October

Exports have finally started to pick up in October with the new crop the US has.

- Oct 17 vs. Oct 16: 33'854 mt exported vs. 30'660 mt the year before, up 10.42%.
- Notables are Canada down 9.94%, Mexico up 0.02%, Netherlands up 89.69%, China up 1157% with 3'852 mt and Germany up 89.08%
- Aug 16-Oct 17 vs. Aug 15-Oct 16: 85'807 mt exported vs. 102'996 mt the year before.

Argentina

I don't believe much is available from Argentina for 2017 crop for good quality. The very long harvest took its toll not only on yields but especially on quality. I have heard problems with aflatoxin, PV and FFA. I think that much of the good quality long was sold recently in combination with 2018 crop. On November 15, 2017, the Camara del Mani issued plantings estimate for the 2018 crop calling for 423'000 should be planted which would represent a 5% increase vs. the previous year. Most people I talked to in Argentina are calling for similar plantings as last year to up to 5%. The key question though is what kind of weather will Argentina have during the growing season and harvesting taking in consideration La Nina. Will be interesting to see what kind of yields Argentina produces. I still believe that the market roughly needs 500'000 mt on any given year with any overage being sold in competition with other origins. Argentina has been very aggressive selling the remainder of their 2017 crop in combination with 2018 crop. Price have been very close to us\$ 1400.- Cfr for blanched wholes.

China

Not much to new out of China. Prices continue to be weak with crushers putting pressure on the prices and the quality.

South Africa

Despite the CEC crop estimate of October 26, 2017 calling for a planting increase of 17% to 65'500 has, South Africa could be looking at a relatively big planting reduction with the dry weather that has been prevalent until now. The Free State planting time is already gone. There are still some opportunities in the North-West province but time is running out. Rand is also strengthening now with all the political pressure on president Zuma.