



**April 3, 2023**

March 2023 Market Report

The US domestic market continues to be very quiet, seemingly undisturbed about the international situation. The export market remains quiet, despite the recent buying of US peanuts.

All eyes are on the Argentine crop. The drought has severely damaged their 2023 crop.

We know that there will be a shortfall. The question is how big that shortfall will be.

Thereafter it will be a question of where those peanuts will come from.

The US has current crop availability, a sufficient carryover, and provided the weather enables a good quantity and quality crop, the US will have new crop availability.

Brazil, despite the heavy rains of the past several months, looks as if they will have availability as well. But I don't believe they will have more than they had last year.

China could also be an option should the price rise enough. And new crop plantings look as if they will rise.

India could potentially be an option for some destinations although we will have to wait for sufficient availability of bolts which will not be available before October/November. And quality is not suitable for all destinations.

The market has yet to fully react to the problems of the Argentine crop.

I believe that the buying of US goods for Europe that took place the past several weeks was somewhat limited although large for the short span of time. The market turned quiet again this week. The export market is acting as if the Argentine situation is overblown. It wouldn't be the first time that Argentina tried to overplay their problems, but I believe this time the problem is real.

**USA**

Everybody has been waiting and guessing what the planting numbers for the new crop will be. Well, here are the numbers.

**Peanut Area Planted – States and United States: 2020-2022**

| State                | Area planted  |               |                   | Percent of previous year |
|----------------------|---------------|---------------|-------------------|--------------------------|
|                      | 2020          | 2021          | 2022 <sup>1</sup> |                          |
|                      | (1,000 acres) | (1,000 acres) | (1,000 acres)     | (percent)                |
| Alabama .....        | 185.0         | 185.0         | 175.0             | 95                       |
| Arkansas .....       | 39.0          | 36.0          | 35.0              | 97                       |
| Florida .....        | 175.0         | 170.0         | 160.0             | 94                       |
| Georgia .....        | 810.0         | 755.0         | 730.0             | 97                       |
| Mississippi .....    | 23.0          | 18.0          | 20.0              | 111                      |
| New Mexico .....     | 6.5           | 11.2          | 11.0              | 98                       |
| North Carolina ..... | 107.0         | 115.0         | 120.0             | 104                      |
| Oklahoma .....       | 15.0          | 16.0          | 13.0              | 81                       |
| South Carolina ..... | 84.0          | 69.0          | 85.0              | 123                      |
| Texas .....          | 190.0         | 180.0         | 190.0             | 106                      |
| Virginia .....       | 28.0          | 30.0          | 32.0              | 107                      |
| United States .....  | 1,662.5       | 1,585.2       | 1,571.0           | 99                       |

<sup>1</sup> Intended plantings in 2022 as indicated by reports from farmers.

The overall planting increase is 6.7% vs. last year.

If we focus on the Southeast, increases and decreases look as follows for peanuts, cotton, corn and soy:

| 23 vs. 22<br>Loss/Gain | Peanuts |     | Cotton |      | Corn   |     | Soy    |    |
|------------------------|---------|-----|--------|------|--------|-----|--------|----|
|                        | Acres   | %   | Acres  | %    | Acres  | %   | Acres  | %  |
| GA                     | 55,000  | 8%  | 90,000 | -7%  | 65,000 | 15% | 5,000  | 3% |
| AL                     | 5,000   | 3%  | 35,000 | -8%  | 50,000 | 17% | 20,000 | 6% |
| FL                     | 15,000  | 10% | 16,000 | -15% | 5,000  | -6% | 0      | 0% |

A 6.7% increase after a 2.5% adjustment for harvested acres would result in a total crop of 3.063 millions fst based on an average yields of 4000 lbs. This would give the US a projected carryover of 1 million fst for next year. Not as oversupplied as expected. This assumes a 6.5% increase in exports for both this year and next year. Sure puts more emphasis on the weather for this summer if this is the number. We should get more than a 6.7% increase as I believe that acres in Texas, Georgia and Alabama will increase. But it doesn't look like we will get the increase that everybody thought in the Southeast as it seems there were more interest than expected for corn on irrigated land. Corn acres should be planted by now. Peanuts and cotton acres are still in the air and prices for cotton in the next month could still affect plantings up or down.

The US domestic current crop market continues to be very quiet with very little interest from buyers. Most manufacturers, except for a very few, seem very well covered through the end of the year. Prices continue to be in the low 60's FOB. Prices could certainly remain at those levels if the export interests continue.

On the other end, the US domestic new crop market has seen more activity lately with many reports of shellers offering us\$ 525.- per fst for farmerstock contract, and some sellers at levels ranging from 56 cents to 59 cents for edible depending on shellers and cuts. Some business has taken place, but most buyers are expecting prices to go lower with the good prospect of increased peanut plantings due to the low cotton prices, thus they are either staying on the sideline or bidding lower prices with no takers. I don't believe that shellers have any interest in lowering their prices at this point 1/because of the narrow margin that exists paying us\$ 525.- for farmerstock 2/the potential surge in export sales due to the Argentine drought 3/the crop is not even planted. Now that planting estimates are out, we shall see if shellers and buyers change their views.

There has been a surge in export interest for Europe coming from both Argentina and European manufacturers and dealers. Businesses have taken place in the mid us\$ 1500.- to low us\$ 1600.- Cif Rotterdam for mostly second half 2023 and some first half 2024. These prices are fairly low considering that they are almost at par with the domestic basis. I guess the lack of 2022 crop domestic business is enticing certain shellers to take more risks on their long positions. The big question for the US is how much total export interest we will get from now until July next year (i.e. until the 2024 crop Argentina is available). This, together with the US new crop output, will determine the carryover for this year and next year. I estimate the carryover for this year to be 965'000 fst. For next year, all depends on the new crop output and exports.

Talking about cotton, Dec 23 prices were at 75.5 at the end of last week and have now jumped to 83.42 cents. Still low, but quite a reversal in a week which was mostly driven by short covering.

One must wonder if the decrease in cotton acres for the 2023 crop will lead at one point to a run up in cotton prices which could affect peanuts acres for the 2024 crop and consequently prices for both the 2023 and 2024 crop. Something to watch.

#### USDA Stocks and processing: February 2023

Feb 23 vs. Feb 22: Peanut candy up 3.78%, Peanut Snacks up 1.19%, Peanut butter 7.23%, Other products down 31.31%, Total edible up 4.37%, Inshell up 24.30%

Aug 22-Feb 23 vs. Aug 21-Feb 22: Peanut candy down 8.12%, Peanut snacks down 3.32%, Peanut butter up 3.97%, Other products down 27.98%, Total edible down 0.63%, Inshell up 11.90%

#### USDA exports: January 2023

Jan 22 vs. Jan 21: the US exported 30'415 mt, a decrease of 15% over last year. The US two largest markets were up with Mexico up 6% and Canada up 9%. All other markets were down with the EU27 down 42%, China down 43%, Japan down

45% and the UK down 66%.

Aug-Jan 23 vs. Aug-Jan 22: the US exported 191'706 mt the first six months of the year, a decrease of 4% over last year. Canada was up 8%, Japan was even, and all other markets were down with the EU27 down 1%, Mexico down 2%, China down 25% and the UK down 23%.

### **Argentina**

According to Bolsa y Camara de Cereales de Cordoba, the peanut production for the province of Cordoba (the most important province in Argentina) is forecasted to be 33% lower than last year and 39% lower than the average of the last 2 years. JLA forecasts plantings of 356'000 has, a 12.5% reduction vs. last year and a yield of 1800 kgs, a 24% decrease vs. last year, resulting in a production loss of 33%. The Argentine Peanut Chamber has yet to issue a forecast for the 2023 production.

The weather has slightly improved the past week at least with temperatures that are no longer in the mid to high 30 degree Celsius range and some good rains have fallen in some parts. I think the crop can improve slightly (although most of the damage is probably irreversible), but also can worsen depending on rains and temperatures. The good news though is that the forecast for the next month is favorable.

As to the potential losses, currently I think it's anybody's guess. All I can say at this time is that the weather has been extremely dry, and temperatures have been very high for most of the growing season, not counting the untimely frost we had several weeks ago. Peanuts vs. other oilseeds can sustain periods of dryness, provided rains show up eventually. Unfortunately, we are getting to the point where the weather will turn colder soon, thus the fields will have to be harvested soon. My take is that we are 20 to 30% down on yields. Not sure what to think of the acreage, but I would estimate a 5 to 10% decline at this time. Lastly, the consequences of the hot and dry weather will also be felt on the maturity of the crop, thus producing a lower kernel yield, with less big kernels, less splits, and more small kernels. With all that in mind, I think exports could be 20 to 35% lower than last year.

Needless to say, that all Argentine shellers are now off the market until they can ascertain the crop losses.

Argentina exported 5'481 mt of peanut oil in February bringing the total for the year to 17'123 mt. For February, 4'294 mt went to China and 873 mt to Italy.

### **Brazil**

Despite the heavy rains of the past several months, it looks as if Brazil is having a decent crop. There were definitely some losses from fields that were under water for prolonged periods of time, but it looks as if other fields made up for it in yields. Quality seems to be good, but I am still questioning the quality of the farmerstock that was harvested with high moisture levels. In my experience, such a situation leads to aflatoxin issues. We still must have the weather cooperate for the 50% of the crop that still need to be harvested.

Most Brazilian shellers seem to be off the market as well due to two reasons: 1/the high prices being paid by crushers for farmerstock. 2/the Argentine situation. The Brazilian shellers are hoping to sell their remaining long positions at higher prices once the Argentine supply situation is clearer.

Brazil exports for February 2023:

Peanut oil: 5'177 mt exported in February, bringing the total for the year to 13'555 mt.

Peanuts: 16'212 mt were exported in February, bringing the total for the year to 37'460 mt. For February, 5'065 mt went to Algeria, 4'594 mt to Russia, 2'120 mt to the EU and 1'375 mt to South Africa.

### **China**

Chinese futures have come down lately, closing today at RMB 10140.-, 8% lower than last month.

The interest coming from China for peanut oil is still there. The interest for peanut kernels and farmerstock doesn't seem as strong as before.

We are in the middle of the slow season for Chinese demand as well as the season where any peanut in dry storage must be moved (due to infestation potential).

The latter combined with sufficient availability for the demand I believe contributes to the recent decline in prices. It is not clear at this time what will happen until the new crop harvest.

Plantings are also expected to increase with strong interest for peanut seeds from farmers.

Imports for February 2023:

Peanuts:

China imported 80'820 mt incl. 60'629 mt from Sudan, 12'923 mt from Senegal, 5'192 mt from USA and 1'152 mt from Argentina.

For the 1<sup>st</sup> 2 months of the year, China imported 123'642 mt incl. 87'461 mt from Sudan, 16'619 mt from Senegal, 11'063 mt from USA and 3'251 mt from Argentina.

Peanut oil:

China imported 19'750 mt incl. 14'912 mt from India, 3'876 mt from Brazil and 953 mt from Argentina.

For the 1<sup>st</sup> 2 months of the year, China imported 61'268 mt incl. 37'087 mt from India, 16'120 mt from Brazil and 6'027 mt from Argentina.

### **Africa**

The CEC issues their latest report showing 31'300 has with a forecasted production of 49'080 tons vs. 43'400 has and 48'500 tons for the year before.

With the beneficial rains that South Africa received this season, the crop should actually be better than forecasted.