



January 28, 2023

January 2023 Peanut market report

First, a Happy New year and a Happy Chinese New Lunar Year to all of you, your families, and colleagues. Let's hope for a quick economic recovery for all the countries around the world.

This new year is shaping up to be an interesting one.

The Argentine new crop is in the midst of a drought and needs steady, sufficient and timely rains as otherwise yields will be dramatically affected.

Brazil, on the other end, has a very good crop developing. The question though is: will there be enough peanuts to satisfy the demand coming from both the edible and oil worlds?

The US had its 3rd good quality crop in a row. Planting of the new crop is fast approaching, and all eyes are on the cotton market.

China has finally re-opened. The question is how fast its demand will recover from the Covid lockdown and what will be its effect on the commodity world and peanuts.

India new Rabi crop is being planted and weather is descent. Market is firm and should remain firm.

USA

To date, the USDA tonnage report shows 2'775'720 fst inspected. The USDA finally (and had no choice) corrected their crop numbers and came out with a final 2022 crop estimate of 2'784'075 fst. Yields were descent with an average of 4'019 lbs. The issue with this crop was the harvested acres that came out at 1'385'400, a 5.05% difference vs. planted acres.

If we look at the last USDA supply/demand and correct the production numbers, the USDA estimates a carryover of 950'000 fst. My numbers are slightly higher at 1.03 million fsst, but I also have exports down a little more than 6% whereby USDA shows exports flat. The USDA also has domestic consumption up 2%, whereby I have it flat. All in all, a good, but not burdensome carryover.

As to quality, the aflatoxin of the 2022 crop in the Southeast is again excellent showing a 1.4% failure rate as of January 3, 2022. The 2021 crop stands at 2.4% as of the same date. I have never seen 3 good quality crops in a row in the US, but there is always a first. And I certainly have not seen 4 in a row.

Market wise, nothing much has happened the past couple of months. And I don't expect much to happen the next couple of months.

Some businesses have taken place domestically solidifying the current levels of 62/63 cents splits, 63/64 cents mediums and 64/65 cents jumbos. And I expect those prices to remain at those levels through at least planting season. I think the market continues to be firm, despite the very good coverage of the manufacturers, because not one sheller I believe is very long. I believe that some farmers still have some farmerstock to sell and are hoping to get those unrealistic us\$ 675/700.- prices for farmerstock, and all the shellers are happy to be slightly long not having any idea what is going to happen with the 2023 crop plantings.

Cotton prices have hovered around the low 80's for December 23 and have recently moved to the mid 80's. If cotton prices remain at those weak levels, farmers will push to plant more peanuts. The conundrum for the farmers is that 2022 crop farmerstock at the end of last year was sold at us\$ 650/675.- per fsst which didn't make any sense. And now, they are going to want similar prices, with shellers wanting to pay much lower prices. Shellers will not want to get long at high

prices, thus most probably will wait as long as they can and will offer low prices for farmerstock. And manufacturers will probably bet on higher acres, thus will wait for much lower prices. Looks to me this market could be quiet for a while until the situation gets clearer.

USDA Stocks and processing: December 2022

Dec 22 vs. Dec 21: Peanut candy **down 14.42%**, Peanut Snacks **down 10.24%**, Peanut butter **down 7.05%**, Other products **down 49.35%**, Total edible **down 9.49%**, Inshell **up 29.58%**

Aug-Dec 22 vs. Aug-Dec 21: Peanut candy **down 9.65%**, Peanut snacks **down 7.58%**, Peanut butter **up 2.88%**, Other products **down 31.11%**, Total edible **down 2.91%**, Inshell **up 8.33%**

USDA exports: November 2022

Nov 22 vs. Nov 21: the US exported 32'137 mt, a decrease of 6% over last year. Mexico was up 26% and Canada was up 17%. All other major markets were down with the EU27 down 17%, China down 62%, the UK down 20% and Japan down 11%.

Aug-Nov 22 vs. Aug-Nov 21: the US exported 129'982 mt the first three months of the year, flat vs the same period last year. Canada was up 9%, the EU27 was up 10% and Japan was up 53%. Mexico on other end was down 4%, the UK was down 12% and China was down 17%.

Argentina

We are still awaiting an update from Argentina on the planted area. Plantings are down, the question by how much. As to the state of the crop, the weather is hot and dry with some rains happening from time to time giving some moisture, but no general and lengthy rains falling.

The crop is apparently doing well despite the lack of moisture, but this lack of moisture until now will result in a late harvest (which brings cold weather and rains into the mix).

Rains though are needed from now on as the pod filling stage has started. Insufficient rain and heat will lead to lower yields and smaller peanuts.

Luckily, it seems that La Nina is weakening, but will this bring sufficient and timely rains?

As to current crop, very little left of whole kernels and splits it seems. And prices have gone up for those and will probably continue going up as demand come and/or depending on the weather of the 2023 crop.

I think that anybody would be hard pressed to find any sellers for new crop, at least not anything below us\$ 1800.- Cfr Rotterdam (if not higher).

Argentina exported 8'900 mt in October and 4'179 mt in November for a total of 63'285 mt Jan through Nov 2022 of peanut oil.

Brazil

The situation in Brazil is completely different.

The weather has brought plentiful rains to the peanut area and the crop is doing very well.

The issue currently is price and supply.

Price, because crushers have been aggressively buying farmerstock at relatively high prices. This is fueled by the increased peanut crushing capacity and the continuous demand from China. With China re-opening and Chinese prices moving up, the situation could become very complicated in Brazil. The higher the demand for peanut oil from China, the higher the prices for oil, the higher the price for farmerstock will be in Brazil. This in turn means higher prices for edible. Supply could be extremely tight, because between the domestic market, the export market (because partly of Russia continuing to be a major buyer), and the oil market where exports have increased 79% from 2021 to 2022.

Due to that situation, Brazilian sellers are not very keen on selling forward new crop.

Brazilian exports: December 2022

Peanuts:

Dec 22: Brazil exported 23'872 mt (1'750 mt to the EU, 10'350 mt to Russia, 1'975 mt to Algeria, 1'250 mt to South Africa).

Jan-Dec 22: Brazil exported 292'928 mt (53'026 mt to the EU, 98'3722 mt to Russia, 39'325 mt to Algeria, 17'085 mt to the UK, 9'211 mt to Colombia, 8'783 mt to Ukraine, 8'186 mt to Turkey, 9'217 mt to South Africa, 5'442 mt to UAE), that compares to 264'195 mt in 2021, an increase of 11% vs. 2021.

Peanut oil:

Dec 22: Brazil exported 13'076 mt (10'989 mt to China and 2'086 mt to Italy).

Jan-Dec 22: Brazil exported 152'043 mt (126'742 mt to China and 24'511 mt to Italy), that compares to 84'926 mt in 2021, an increase of 79% vs. 2021.

China

China has now finally re-opened. So, what does that mean.

Peanut futures, after falling below RMB 10'000.-, have recovered strongly closing today at RMB 10'772.-. Prices of edibles have gone up at the same time by us\$ 150.- to us\$ 200.- per mt.

The re-opening of the economy will certainly boost demand for all sorts of products including peanuts and peanut oil. The only real unknown currently is the supply. China did have a smaller crop pegged by the Chamber of Commerce at 13.8 million tons, which they estimate is 16% lower than last year. The issue that remains though is the size of the carryover. According to the Chamber of Commerce, the carryover going into the 2022 crop was 5.18 million tons, up from 4.1 million tons the year before. So, despite a loss of tons from the lower output from the crop, if imports, exports, and domestic demand don't change, the potential carryover for next year could be 3.02 million tons. The question what will demand do and who holds that carryover (and what is that real number?).

I think that the boost in demand for all products could give tremendous competition to peanut plantings in China for the 2023 crop. With potential strong demand for peanuts coming after the Chinese new year, we could see Chinese peanut prices continue their rise, hence pushing especially the crushers to buy aggressively foreign origin peanut oil. This will in turn move the Argentine, Brazilian and Indian peanut oil prices up, which will in turn put a cap on the downside of the edible market.

These are my assumptions but watch carefully what happens to Chinese prices after the Chinese New Year.

As I mentioned earlier, watch carefully what China does with cotton as any strong buying from China will boost cotton futures which will affect US prices.

November 2022 import statistics:

Peanuts:

For Nov 22, 28'412 mt imported vs. 8'117 mt a year ago, an increase of 250% (18'114 mt from Sudan, 3'973 mt from Senegal, 5'160 mt from USA).

For Jan-Nov 22, 639'666 mt imported vs. 982'663 mt a year ago, a decrease of 34.90% (355'515 mt from Sudan, 176'451 mt from Senegal, 82'078 mt from USA, 16'253 mt from Myanmar and 7'314 mt from Argentina).

Peanut oil:

For Nov 22, 25'557 mt imported vs. 7022 mt a year ago, an increase of 263.98% (13'047 mt from Brazil, 4'757 mt from Sudan, 4'088 mt from India and 3'303 mt from Argentina).

For Jan-Nov 22, 190'005 mt imported vs. 270'818 mt a year ago, a decrease of 29.84% (106'581 mt from Brazil, 40'291 mt from India, 27'062 from Argentina and 9'752 mt from Sudan).

India

The Agriculture Ministry reports the following report for the Rabi 2022 crop:

5.17 Lakh has planted as of January 20, 2023 vs. 4.70 last year, an increase of 10%.

Africa

The CEC reported the following final numbers for the South African 2022 crop: 43'400 has planted with a production of 49'000 tons. This compares to 38'550 has and 64'300 tons for the 2021 crop.