



February 6, 2020

Not much new since the beginning of the year, except of course the Chinese coronavirus. Let us wish that the problem will go away as fast as it appeared. The US shellers will not only have a difficult year dealing with their Southeast crop problems, but they will also take a big financial hit dealing with it. The International market seems to be struggling with a lack of goods for the first half. Buyers are unsure what to do going forward with the sudden rise in prices both in the US and International markets.

USA

According to USDA tonnage report, to date the 2019 crop stands at 2'749'298 fsst including 57'962 fsst of seg 2/3's. Quality is the big story of this crop as you all know. The 2019 crop US industry aflatoxin negative (15ppb) fail rate stood at 34.5% early January and this is with several shellers still shelling some 2018 crop. What happens when 100% of the shelling is on 2019 crop? We could see those numbers go higher. That number is 18% higher than the highest of any crop of the past 8 years. Maybe those numbers will put things in perspective for those who still don't believe in the gravity of the issue the shelling industry is facing. The most important question is, can the shellers shell, remill and blanch enough to continue delivering what customers need. That should be the priority as the last thing we need is a disruption in demand.

The current crop market hasn't seen much action since the beginning of the year, but prices still managed to move a little with any grades at 60 to 62 cents for negative material, 65 to 67 cents on 10ppb or less specifications, and probably 75 cents for anything tighter (if available). There is not much to sell out there as shellers are well sold and don't know exactly what they have to sell. So, expect prices to move further up in the coming months. Blanching space has become tighter and tighter. Prices are at 74 cents for blanched jumbos.

No real discussions on new crop as shellers have too many moving parts at this point. Cotton prices have collapsed in the past week going from a price close to 73 to a low 67.70 for Dec 20, now at 68.79. Fundamentals didn't seem to change, but the China situation seems to have spooked traders. But let's remember we are only early February and there are many months to go until we plant the peanut crop and understand what prices shellers will have to pay for farmerstock.

Plantings better be up 10% for the 2020 crop and the crop better be good, that's all I know. That will be the only way to get the supply/demand back on track and avoid prices to go too high which would eventually impact demand.

USDA peanuts stocks and processing for December 2019: thank god for Peanut butter that's all I'll say.

Dec 19 vs. Dec 18: Peanut candy **down 5.32%**, Peanut snacks **down 0.92%**, Peanut Butter **up 15.06%**, Total edible **up 8.77%**, Inshells **down 11.96%**

Aug-Dec 19 vs. Aug-Dec 18: Peanut candy **down 3.76%**, Peanut snacks **up 2.60%**, Peanut Butter **up 5.07%**, Total edible **2.97%**, Inshells **down 3.13%**

USDA export for December 2019:

Dec 19 vs. Dec 18: the USA exported 48'232 mt vs. 28'407 mt, an increase of 69.79%. The EU28 was down 38.21%, but most other markets were up with Canada up 3.04%, Mexico up 50.68%, and shipments to China/Vietnam were up by 18'245 mt.

Aug-Dec 19 vs. Aug-Dec 18: The USA exported 216'270 mt vs. 168'525 mt, an increase of 28.33%. The EU continues its decline with a drop of 34.19%, but all other major markets were up with Canada up 8.01%, Mexico up 13.61% and shipments to China/Vietnam were up 58'246 mt.

Argentina

The Argentine new crop is doing well after the initial drought. Temperatures have been fairly high and rains have fallen. The weather forecast for the rest of this week calls for lower temperatures and good chances of rain. The current crop supply seems to have been depleted with only very few offers for small quantities available. Prices have gone up consequently with prices around us\$ 1700/1750.- Cfr Rotterdam for blanched wholes.

Brazil

The Brazilian crop is doing well by all accounts.

Prices for new crop have gone much higher this past month, with prices at the us\$ 1650/1670.- Cfr Rotterdam range for blanched wholes.

The real question when it comes to the Brazilian new crop is when will it be available for unsold goods as many shellers will need to fulfill 2019 crop contractual obligations with most probably the first couple of months of shipments.

China

China is in the middle of their New Year celebration.

And what a New Year it has been with the outbreak of the Coronavirus.

It is unknown at this time what the impact to the domestic peanut demand will be. This could be a bearish sign. It is also unknown if there will be an impact on the supply side as well with the logistics constraints that China is facing at this moment. This could be viewed as a potential bullish sign. At the end of the day, the question is how long will this outbreak continue and what will the impact be on the demand.

The Senegalese government announced on January 27, 2020 that exports of peanuts were banned after 156'000 tons were exported, with the majority most probably to China.

This measure was taken to ensure sufficient supply for seeds et the supply to oil crushers.

India

The biggest news in India has been the issue centered around palm oil whereby the Indian buyers halted the buying of palm oil from Malaysia.

This has resulted in a spike of Indian edible peanuts and peanut edible oil prices.

South Africa

The CEC reported on January 29, 2020 a planted area of 37'100 ha, much lower than the 48'000 has intentions.

One coop is estimating that South Africa could be producing up 52'000 tons for the 2020 crop, but I think it is safer to assume a crop of 37'000 to 40'000 tons at this point.