



May 7, 2020

The Covid 19 virus doesn't seem to have disrupted the supply from the major origins with the exception of India.

US and International manufacturers, despite the higher peanut demand in Europe and especially in the US, have been inactive.

Demand in the US and Europe is up.

USA

The current crop market has been eerily quiet the past 4 weeks. A few business have been done at levels varying from 85 to 87 cents Fob SE. Manufacturers have been very quiet, acting as if they will not need any peanuts before the end of September. That's 5 months from now. If one looks at the demand numbers (but not the current USDA stocks and processing numbers), you will notice according to what NPB is stating that peanut butter demand is up 30.9% for the first quarter and up 19.5% for April, and snacks are 5.6% up for the first quarter and up 0.4% for April. That tells me that somebody needs peanuts. And with the quality of this crop, the supply is getting tighter not bigger. Shellers have at least another 5 months of dealing with this crop, and the market is acting as if things will go smoothly without surprises. Another surprising factor at the moment is the seemingly lack of peanut butter manufacturing capacity. It looks as if all manufacturers have no room to produce more. We will see how much interest there is in quoting the current government peanut butter bid due next week, but so far not many takers.

Despite the somewhat cooler weather we have had this year, plantings as reported by the USDA are 18% done vs. 14% last year.

Despite the USDA last planting estimate calling for an increase of 7% , we believe that the increase will be closer to 12 to 13%.

According to my figures we will need at least a 10% increase with a yield of 4000 lbs to get to a carryover of 849'000 fst on August 1, 2021. No room for error. 12 to 13% wont make much a difference.

Reported prices in the market have been anywhere between 50 to 55 cents depending on sellers and quality specifications, but buyers are still holding it seems for prices below 50 cents. If my carryover numbers for next year are right, there will be no room on the downside, at least not in the foreseeable future. The only way for prices to go lower is for cotton prices not recover and have similar plantings for the 2021 crop. That's a long way away and assume a good 2020 crop.

USDA Peanut stocks and Processing for March 2020: Numbers are not making sense. Hopefully they will catch up.

March 20 vs. March 19: Peanut candy **down 1.07%**, Peanut snacks **up 4%**, Peanut butter **down 3.15%**, Total edible **down 2.22%**, Inshells **up 16.05%**

Aug 19-Mar 20 vs. Aug 18-Mar 19: Peanut candy **down 0.74%**, Peanut snacks **up 3.97%**, Peanut butter **up 4.71%**, Total edible **3.29%**, Inshells **2.28%**

USDA exports for March 2020:

March 20 vs. March 19: The US exports 49'279 mt, an increase of 36.17% vs. the previous year. The EU27+UK continues to crumble with a decline of 76.63%. Japan was finally up with an increase of 34.62%. Canada was up 35.40%, Mexico was up 26.49% and exports to China/Vietnam were up 20'616 mt.

Aug 19-Mar 20 vs. Aug 18-Mar 19: the US exported 345'015 mt, an increase of 28.03% vs. the previous year. The EU27+UK and Japan were down with respectively 44.42% and 5.90%, But all other major markets were up with Canada

up 6.52%, Mexico up 19.11% and China/Vietnam up by 100'422 mt (I actually believe that exports to China are up even more than reported based on sales that are being reported by numerous contacts. Maybe the number will actually catch up one day).

Argentina

The Camara announced the hereunder new supply/demand on April 8, 2020:

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 shrink	Oilstock	Seeds	Exports	Total	
	Hectareas	Tm/Ha		Metric Tons (kernel Basis)				Metric Tons(kernel Basis)					
2017/18 ¹	440.000	440.000	1,83	0	803.880 1.148.400²	0	803.880	60.520	254.178	55.000	434.182	803.880	0
2018/19 ²	388.000	388.000	2,52	0	977.760 1.396.800²	0	977.760	63.500	195.500	55.000	663.760	977.760	0
2019/20 ³	351.733	351.733	2,51	0	882.850 1.261.214²	0	882.850	65.000	187.000	52.650	578.200	882.850	0

¹ Estimated
² Projected
³ In shell

Very little left out of the 2019 crop. A few parcels still available in Argentina and a similar situation in European warehouses which have been severely depleted. European demand doesn't seem as strong as the US demand, but still very strong from what I hear which begs the question if manufacturers will have enough to bridge the gap until the arrival of the Argentine new crop.

As to the new crop, despite the relatively good growing conditions, you can see from above table that the export availability is forecasted to be down 85'560 mt for the 2020 vs. the 2019 crop. Brazil will be able to cover part of the shortfall, but with the US not having a suitable quality for Europe for at least the next 5 months, it looks to me that the European will need all they can get from Argentina for the second half of this year. This tells me that there is not much room on the downside when it comes to Argentine and/or Brazilian prices, but it also makes you wonder about January through June next year. This could push more interest towards the US origin.

Nominal Argentine prices are at us\$ 1650.- on blanched wholes and us\$ 1600.- to 1570.- for blanched splits Cfr Rotterdam.

Brazil

With excellent weather, Brazil is basically done with their harvesting producing a crop with good yields and good quality. With the increase in acreage and higher yields, Brazil is looking at potentially exporting 250'000 mt this year which would represent at least a 20% increase over last year.

Domestic demand is experiencing a lower take off at the moment presumably due to the Covid 19 issues. Moreover the exchange rate is currently favorable for exports.

Nominal prices are us\$ 1650.- for blanched wholes and us\$ 1550.- for splits blanched Cfr Rotterdam basis with most likely cheaper prices being done considering that these prices are close to Argentine's prices. Much cheaper prices being transacted to other origins with higher aflatoxin numbers.

China

Chinese local prices are still at very high levels pushing many Chinese companies to try and buy all they can from the US, no matter if farmerstock or lower quality shelled peanuts material.

I would think that this will stop coming June as shipment June forward would coincide closely with the new Chinese crop harvest. Time will tell.

The new crop plantings have started. Everything I hear points to much higher plantings for this crop, the question is how much more. Thereafter what impact would that have on imports of foreign origin peanuts. Too early to tell, but logic would be that there would be less interest although we are hearing already interest on 2020 crop US farmerstock which is contradictory.

India

Please refer to the attached Agrocrops report.

South Africa

The CEC continues to increase their production estimates, with the last estimate of April 29, 2020 calling for a production of 62'470 tons with 37'500 has.

If this pans out, yields would be unusually high for South Africa. Very unlikely. From what I hear South Africa can expect 50 to 55'000 tons.

Early plantings have started to be harvested with good results. Let's hope for the weather to hold.