



October 5, 2022

Interesting market developing with lower supply from all major peanut origins. The US is looking at a much lower production than last year (potentially 12.5% lower), China is looking at a drop in production of at least 10 to 15%, Argentina has a slightly lower 2022 crop and 2023 crop plantings should be down 10 to 15% and Brazil is looking at a similar drop for their 2023 crop.

On the demand side, all eyes are on the worldwide high inflation, the high US\$ and the China zero covid policy impacts on peanut demand.

Prices have been going up the past year and half and could continue their trend unless demand slows down that trend. Although I am hopeful that demand will be decent considering the price point of peanuts.

USA

Florida and the Carolinas were just impacted by hurricane Ian. It is unclear at this time if it had any negative consequences on the peanut crop.

What we are seeing though is lower yields and lower grades which seems to be a direct consequence of the disease pressure many peanut plants were under this season combined with the dryness and heat of June and July. Moreover, a little rain would have been welcomed in the Southeast to help loosen up the soil for those peanuts that need to be harvested and to help growth for the late planted peanuts. Unfortunately, there were no rains from the hurricane (actually the opposite happened with the hurricane sucking all the moisture out of the Southeast) and the forecast looks dry for the next couple of weeks. The only savior at this time is that the temperatures are on the low end of the spectrum.

At this point, I believe that yields in GA will be down (potentially 5% and if the situation doesn't improve 10%). Alabama and Florida look to have slightly lower grades as well, but yields should be in between last year and this year USDA estimate. The good news though is that quality is looking good so far. All this should bring the total crop to 2.8 million farmerstock shorts tons (fst) at best.

I also have doubt about the yields in the VC being as good as last year.

As to the Southwest, who knows. Most of us have never experienced a crop with such heat and lack of moisture. I think that for this one, the USDA estimate is as good as any. One has to wonder though about the quality of that crop. So a crop of 2.8 million fst would bring next year carryover to around 1 million fst. Still plenty of peanuts, not as comfortable as this year, which will put more pressure on 2023 crop plantings. Now let us see what the final crop is, and how the domestic and export demands perform in this high inflation environment.

This lower crop potential has certainly solidified the market levels of high 50's for current crop and low 60's for new crop.

Manufacturers on the other hand continue to be well covered and are staying on the sideline still hoping for prices to come down before taking additional coverage. Inflation impacting demand is also a worry of the manufacturers.

On the export side, we are seeing more and more interests coming from China for mostly farmerstock. Unfortunately, considering that shellers are probably more interested to keep their 2021 crop great quality for their own shelling and the uncertainty of the size and quality of the 2022 crop, I don't see much availability of farmerstock inshells and, if any, certainly not at cheap prices.

USDA Stocks and Processing: August 2022. All manufacturers of candy and peanut butter I have spoken to are not seeing such numbers, so I am not sure what to say about it. I would expect next month numbers to be up and to counter act those declines.

Aug 22 vs. Aug 21: Peanut Candy **down 16.94%**, Peanut Snacks **up 9.95%**, Peanut Butter **down 10.38%**, Total Edible **down 7.93%**, Inshells **up 10.66%**

Argentina

The current market has seen some activity in Argentina for the 2022 crop especially coming from China with very interesting freight rates enabling the Argentine shellers to sell some good volumes.

Quality of the crop is staying very good, although less availability of jumbos and splits.

New crop plantings will be under way very soon and expectations are still for a drop of at least 10%, if not more.

Prices continue to be nominally at around us\$ 1550.- for raw wholes and us\$ 1700.- for blanched Cfr Rotterdam.

It is unclear at this time what prices will be for the 2023 crop as Argentine shellers are facing not only a lower volume, but also much higher costs.

Brazil

Plantings have started for the new crop with seemingly sufficient moisture. Expectations are still for a drop of 15% vs. last year. The decline in soybean price helped alleviate a bigger decrease.

It looks like as if there is still some farmerstock available in farmers hands, but obviously going down. Possibly 60 to 80'000 mt according to a source. Price locally have increased 5 to 10% seemingly due to the interest from crushers.

Brazilian shellers seem to be out of the current market for the EU considering good sales and some aflatoxin issues with this past crop.

Brazil starting to see some interest from China but getting strong competition from Argentina who have very interesting freight rates.

Exports from Brazil: August

Peanuts:

Aug 22 vs. Aug 21: 24'666 mt vs. 29'316 mt, a decline of 15.86% (8'809 mt to Russia, 5'830 mt to EU and 2'525 mt to Algeria).

Jan-Aug 22 vs. Jan-Aug 21: 182'188 mt vs. 160'774 mt, an increase of 13.32% (50'418 mt to Russia, 35'336 mt to the EU, 27'775 mt to Algeria and 4'340 mt to South Africa)

Peanut oil:

Aug 22 vs. Aug 21: 15'089 mt vs. 9'695 mt, an increase of 55.64% (13'632 mt to China and 1'450 mt to Italy).

Jan-Aug 22 vs. Jan-Aug 21: 92'425 mt vs. 54'715 mt, an increase of 68.92% (73'870 mt to China and 17'865 mt to Italy)

China

Same old, same old.

China will have a lower crop. Who knows. At this point, I would still estimate a 10%, possibly 15% reduction.

But the problem lies in the demand as I said before. The continuing Zero Covid policy of the Chinese government resulting in continuing lockdowns throughout China is and has impacted demand dramatically it seems.

Thus, as much as a lower crop in China is usually a bullish element, I would say that at this time it is not and will not be as long as the Chinese government doesn't change their policy towards Covid.

Futures market in China have recovered lately going as high as RMB 10'350 on Tuesday. But that price has since then retrace back below RMB 10'000.

It looks to me that crushers are trying to keep the market high while the traders are not convinced that those levels can be maintained.

Chinese import statistics: August

Peanuts:

Aug 22 vs. Aug 21: 79'280 mt imported vs. 53'533 mt, an increase of 48.09% (57'190 mt from Sudan, 12'779 mt from USA, 8'965 mt from Senegal and 345 mt from Argentina).

Jan-Aug 22 vs. Jan-Aug 21: 536'502 mt imported vs. 930'192 mt, a decrease of 32.32% (281'009 mt from Sudan, 160'810 mt from Senegal, 73'696 mt from China, 16'253 mt from Myanmar and 3'985 mt from Argentina).

Peanut oil:

Aug 22 vs. Aug 21: 28'680 mt imported vs. 11'721 mt, an increase of 144.68% (13'779 mt from India, 11'139 mt from Brazil, 2'829 mt from Argentina).

Jan-Aug 22 vs. Jan-Aug 21: 114'900 mt vs. 238'889 mt, a decrease of 51.90% (64'596 mt from Brazil, 27'692 mt from India, 16'021 mt from Argentina).

India

The Agriculture Ministry reported the following sowing for the week ending September 22nd, 2022: 45.53 Lakh Ha. vs. 49.15 in 2021 and 51.16 for 2020. This represents a drop of 7.37%. Other reports that I have received are forecasting a drop in plantings that is much lower than the latter. Monsoons though seem to be adequate and yields are predicted to be better than last year which should make up for some the plantings losses.

One of my contact, M Lakhamsi Industries, reports as follows: With a good monsoon once again, partly thanks to the La Nina effect, this is resulting in a peanut crop that is fairly similar in numbers to the last season. We anticipate that Gujarat alone will have about 2.8 – 3.0 million tons of peanuts in shell. Rajasthan would be at about 1.2 – 1.4 million tons. Combined with the other states / provinces, we estimate that India will have a total Winter crop of about 6.2 – 6.5 million Tons of In-shell.

The BULLS

- The Minimum support price remains unchanged from last year, hence there could always be government buying if prices drop significantly from current levels. Based on last years' experience, we do not expect farmers to tender much cargo to the government.
- Local demand for kernels continues to rise, so as exporters, we need to compete with local consumers who often pay better prices. This removes any desperation to sell cargo in the export markets if prices drop.
- Local demand for oil has also been stable. With the health benefits taking center stage post Covid, we expect a lot of material to disappear here
- Freight rates are correcting to 2020 levels gradually and some sectors are already 70 % off their highs. This means room for price expansion for the product or cheaper product, hence better consumption.

The BEARS –

- Palm Oil markets are significantly lower than October 2021 and this would keep all the Veg Oils in check globally and hence oil seeds.