



**April 5, 2020**

The Covid 19 virus has created a lot of uncertainty in this market. Demand has gone up both in the US and in the International markets. The US is hoping to have enough supply to carry them through the new crop. Interest from US and Canadian buyers for Argentinian and Brazilian peanuts is starting to show up. If any of the big manufacturers start buying from those origins in order to mitigate the US risk, shipment through September especially from Argentina, but also from Brazil could become scarce.

European stocks are dwindling down and manufacturers, because of the increased demand, are wondering if they will have enough stocks to carry them through the new crop arrivals from Argentina and Brazil. Lastly is the impact of the virus on the supply chain. India has locked down the entire country including its exports. No slow down yet on shipments from Argentina and Brazil and let's hope it stays that way

## USA

The USDA came out with their planting intentions on March 31, 2020 calling for an increase of 7.10% vs. last year and an increase of 8.54% in the Southeast. Planting intentions have never been very accurate; thus, I am not sure this gives the market much information. Low cotton prices will push farmers to plant more peanuts. But how much more. Contrary to 2017, shellers are limiting the tons on their us\$ 400.- per fst contract on runners. So, the question really is how many tons without a contract will the farmers want to plant. Moreover, farmers don't like to go too far out on crop rotation as it ends up resulting in yield losses, thus money. I think we will get at least 10% more but I am not sure how many more we will get.

I have revised my supply/demand numbers and I show at best 729'000 fst carried out on August 1, 2020. But I believe the fallacy of this number is that there will be very little shelling of 2019 crop in October 2020. So, if one considers 250'000 fst of shelling monthly, this will leave 229'00 fst for October. So, one could potentially assume that the carryout is inflated by that many tons.

So, I believe that the market needs a minimum of 10% to give us a descent carryover for August 1, 2021 with no room for error.

So provided we get those 10% more planted and get no surprises, we should be able to have a market in the 50's. Depending who you talk to and depending on specifications, prices are anywhere between the low to high 50's on 2020 crop, but only January 2020 forward.

Until then things are a totally different story.

We all hope that the US will have enough supply until the new crop comes in. Prices have risen to the mid 80's for negative specifications. Tight specifications are probably no longer available, no matter what the price is.

The shellers will most probably stop shelling the 2019 crop as soon as the 2020 crop is available which most probably means that price will unlikely go down for the fallside as there won't be much of surplus.

**USDA peanut stocks and processing for February 2020:**

Feb 20 vs. Feb 19: Peanut candy up 2.59%, Peanut snacks up 7.12%, Peanut butter up 4.12%, Total edible up 4.41%, Inshells up 14.49%

Aug 19-Feb 20 vs. Aug 18-Feb 19: Peanut candy down 0.41%, Peanut snacks up 3.25%, Peanut butter up 6.03%, Total edible up 4.29%, Inshells up 0.96%

### **USDA export for February 2020:**

Feb 20 vs. Feb 19: the US exported 37'583 mt representing an increase of 19.16%. The EU 27+UK continues to be down at a faster pace with exports down 51.23%. Canada was surprisingly down 15.75%. All other markets are showing increases with Japan up 12.66%, Mexico up 57.46% and shipment to China/Vietnam continuing strongly with an increase of 10'014 mt.

Aug 19-Feb 20 vs. Aug 18-Feb 19: the US exported 295'737 mt representing an increase of 26.77%. The EU27+Uk was down 38.65% and Japan was down 14.54%, but all other major markets were up with Canada up 3% and Mexico up 18.14% and shipment to China/Vietnam were up 81'606 mt.

### **Argentina**

Current crop is extremely tight. Last prices I heard were us\$ 1850.- for blanched wholes and us\$ 1750.- for raw wholes FCA Rotterdam. Only a few parcels are available for shipment at a discount to those prices.

The new crop received those rains that I mentioned they needed in my last report. This will enable Argentina to have a very good crop. Now the main harvest will start soon, and we all hope for a dry season. Covid 19 is creating a few logistical issues, but it seems only on the paperwork. But all are wondering if harvesting, shelling, and thereafter shipments will be affected. Several interest coming from Canada and the US, but no business that I can confirm yet. As to the US, the quota for Argentine peanuts is for 43'901 mt and runs from April 1<sup>st</sup> through March 31<sup>st</sup>. It is surprising not to see business taking place into the USA and Canada with the supply difficulty. Looking at new crop prices, latest prices I hear are in the mid us\$ 1700's for whole nut blanched. No real reasons for the prices to come down much in the short and medium term considering the lack of shipments from the USA to Europe through at least September if not through the end of the year.

### **Brazil**

Weather so far has been good for the harvesting. It looks as if 50% of the crop has been harvested so far. Provided the weather continues to cooperate, Brazil could have a good crop. Latest price I have received for runner 38/42 blanched is us\$ 1650.- Cfr Rotterdam. Several interest showing up as well from Canada and the USA, but no business that I can confirm yet. As to the US, the quota which Brazil falls under is for other origin and that quota is only for 9005 mt and runs from April 1st through March 31st. As I mentioned previously, first few months should not have much unsold quantity. So far, no logistics issues reported due to Covid 19.

### **China**

The market prices in China and the buying for foreign origin peanuts from China continues to go up, but there will be an end to it. The reason for such I believe is caused by several things:

1. I believe that the 2019 crop was not as big as previously thoughts. Some believe that last year feud between the USA and China pushed the government to incentivize farmers to plant more corn and soybean which led to less planting in peanuts.
2. The Vietnam border with China is closed.
3. India is on lockdown
4. Africa (at least the countries exporting to China) have banned exports of peanuts.

All this has pushed China to buy basically everything they can get their hands on, no matter if farmerstock or kernels. The option has been limited for them, hence the reason why they have turned to the US despite the additional tariff they are facing when importing USA peanuts.

China should be continuing to buy at interesting price through May, possibly June. Thereafter arrivals will coincide with the harvesting of their new crop, at which point I believe we will see prices come down. They will then continue buying but prices will be much lower.

With low commodity prices across the board and continuing high peanut prices, new crop peanut plantings should be higher, possibly much higher than last year. Time will tell.

### **India**

India is on complete lock down and that includes exports. This will certainly affect those customers who were relying on material from India. This could potentially create some unexpected demand in different markets. Attached is a very good report from Agrocrops for more information on the Indian situation.

### **South Africa**

With borders closed, South Africa will find itself low on peanut stocks.