



June 8, 2019

Rain, rain, rain. Either too much in Argentina, or not enough in India and the US.

USA

Plantings were well under way until the rain stopped in the Southeast and in the V/C 3 weeks ago, although rain is in the forecast for the next coming several days and has started to fall since yesterday. Unclear how much rain will fall and what part of the Southeast will get it, but it is good news and rain was needed not only for those peanuts already planted, but also needed for anybody wanting to take the risk of late plantings.

According to the government, we are at about 90% in the Southeast, 50% in the Delta, 93% in the V/C and 65% in the Southwest.

The lack of rain, if plants have a good stand, can sometimes be a benefit provided obviously that rain comes.

Nevertheless, I can't remember a May with such high temperatures, thus somewhat uncharted territory. Late plantings could certainly be at risk of having a lower a yield.

Still believe that plantings will be similar to last year. Next report from the USDA will be coming out at the end of the month.

The dryer weather though has certainly spooked the sellers of new crop a little. With a seemingly lack of contracting, sellers have not been keen on selling more at the lower prices and still staying strong at a minimum of 47 cents. Buyers though continue to be unaffected by anything sticking to their 45 cents price target. With a forecasted high carryover (that I forecast at 1.322 million fst) for the 2018 crop, and a forecasted carryover for next year of about 100'000 fst less, I guess one can't blame them. On the other hand, prices would have a difficult time going much lower than they already are. A couple of things could change this market:

- Cotton obviously could come back, although reliant on a China deal with the USA and the more time passes, and the less likely this looks to happen. Cotton has lost 10 cents since my last report.
- Obviously, weather. I still feel that the amount of rain we got in the Southeast the first 5 months of the year doesn't fare well for the next 7 months.
- Lastly the seemingly lack of contracting. Not a complete market changer
- if nothing happens outside that, but a market changer with any market movement (such as uptick in cotton, weather, etc.)

The current market is still weak, although the dry spell we had in May cooled off the willingness of some sellers to sell. Having said that, 45 cents can probably still be had fairly easily.

The European Commission has yet to make a decision on the proposed tariff on a number of US products, including peanuts. The comment period ended May 31, 2019 thus those tariffs (if any imposed) could come at any time. Nevertheless, the European election results of last week could affect the members, thus delay the decision on those potential tariffs.

As to forfeitures, 46'390 fst were sold in the peanut butter barter exchange, leaving an additional 75'258 fst to be sold. There were lots of interest from China before the latest round of tariffs. The new tariffs though killed all these interests. No word from the government when and how they will dispose of those remaining tons.

USA exports for March and April 2019:

Mar 19 vs. Mar 18: USA exports accelerated their decline in March with 36'190 mt exported vs. 47'543 mt the year before, a decline of 23.88%. Japan was down 24.41%, Canada was down 12.79%, Mexico was down 26.12%, and China down 86.60%. The only positive was exports to Europe which were up 59.30%

Apr 19 vs. Apr 18: April was a good month, basically flat with an increase of 67 mt. One negative though was a big decrease in exports to the EU 28 with a drop of 35.14%. That decrease though was offset by an increase of 37.83% for Mexico, an 17.52% increase for Canada and a reversal for China/Vietnam with an increase of 14.22%.

Aug 18-Apr 19 vs. Aug 17-Apr 18: For the first 9 months of the season, 314'831 mt were exported vs. 337'214 mt the year before, a decline of 6.54%. The star continues to be the EU28 now up 30.07% vs. a year ago followed by Mexico with an increase of 13.14% and Canada with an increase of 7.24%, nevertheless the reduction of 62'787 mt to China spoiled the overall exports.

USDA stocks and processing for March 2019: The recent surge in peanut butter continues thanks to the price cuts. Unfortunately, the increase in peanut butter was only enough to keep demand flat with candy and especially snacks continuing to be down.

Apr 19 vs. Apr 18: Peanut candy **down 3.37%**, Peanut Snacks **down 18.39%**, Peanut butter up 7.23%, Total edible **down 0.16%**, Inshells **down 5.04%**

Aug 18-Apr 19 vs. Aug 17-Apr 18: Peanut candy **down 4.87%**, Peanut Snacks **down 10.11%**, Peanut butter up 1.80%, Total edible **down 1.11%**, Inshells **down 2.56%**

Argentina

Despite the delay in harvesting due to high moisture, the forecasted exportable quantity still remains the same. The Camara had estimated 534'200 mt, while shellers seems to be estimating 500 to 550'000 mt with some giving even higher numbers.

To date only 20% is estimated to have been harvested. Way delayed, but nothing the Argentinians have not faced before. The delays will certainly reduce the total crop quantity and the quality, but only a little and as long as they can harvest the rest of the crop in due time.

Sellers have come off their low levels due to the delay in the crop, but one can still buy whole blanched kernels between us\$ 1450.- and us\$ 1475.- Cfr Rotterdam. No real reason for prices to go lower in view of Argentina stronghold on the market and the potential EU tariff on US peanuts.

Brazil

Despite hearing that Brumau would not be operating their shelling plant this year, we now hear that Brumau has been buying farmerstock cash from farmers.

Hereunder a report received from one of our Brazilian contacts:

Considering initial exports figure we expect lower kernels exports and a little higher oil exports, for a total crushing volume of 140.000 and 280.000 consumed at domestic market.

Period	2014		2015		2016		2017		2018		2019	
	Kernel (m/t)	Oil (m/t)	Kernel (m/t)	Oil (m/t)	Kernel (m/t)	Oil (m/t)	Kernel (m/t)	Oil (m/t)	Kernel (m/t)	Oil (m/t)	Kernel (m/t)	Oil (m/t)
February	6.050	3.500	3.415	3.365	7.771	5.190	3.582	1.437	13.025	3.469	14.582	3.056
March	4.115	3.115	5.666	3.683	11.278	6.673	9.028	2.971	14.618	4.731	14.769	5.085
April	5.003	4.471	8.603	6.140	12.030	7.198	12.899	3.510	20.394	6.161	16.161	5.348
May	5.150	3.230	8.115	8.947	11.250	6.396	14.745	3.683	14.575	4.439		
June	4.489	3.185	9.355	4.150	11.495	3.630	15.323	3.052	17.082	5.662		
July	7.770	2.835	13.305	6.395	11.275	2.885	13.206	2.566	7.942	5.003		
August	5.826	3.354	9.937	4.851	10.029	2.620	14.353	4.274	19.087	3.929		
September	6.206	5.762	8.425	5.595	5.934	1.857	13.781	4.000	19.628	4.069		
October	5.074	4.100	11.200	5.619	5.283	2.170	16.498	3.452	21.546	3.021		
November	5.391	4.031	7.009	4.300	4.662	2.418	17.407	3.896	19.054	5.236		
December	4.541	2.225	8.512	4.242	6.604	1.572	18.603	3.345	23.713	2.756		
January	3.053	482	8.167	2.255	4.312	1.307	16.021	1.528	16.161	2.397		
Total	62.668	40.290	101.709	59.542	101.923	43.916	165.446	37.714	206.825	50.873	45.512	10.433

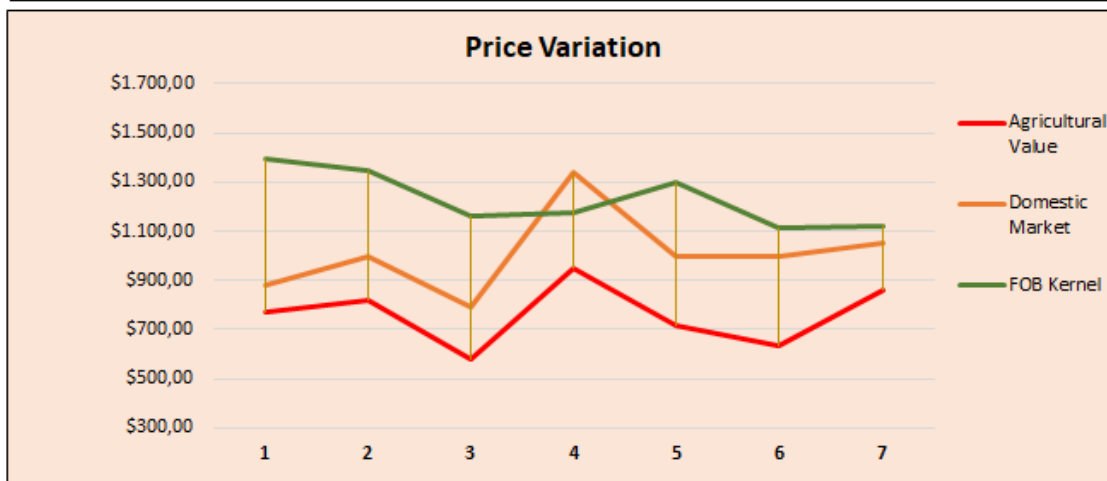
* Official statistics for the NCM 12024200 and 15081000.

Harvest	Area He		KG/há	m/t farm stocks	Quality
Area Total	220.000				
January/February	44.000	20%	1.800	79.200.000	Bad
March/April	132.000	60%	2.820	372.240.000	Regular
April May	44.000	20%	3.150	138.600.000	Good
Total Production				590.040.000	

Climate difficulties between December /March 2019 offers great difficulties to forecast the total kernels production, feasible to consider a minimum of 20 to 30% lost for a final production of approximately 600,000 tons of kernels. We still consider these figures as positive, the quality of the crop is poor, or very poor, yields are lower for 16/17 kg per bag, instead of 18 k as usual, less 38/42 more 50/60, 60/70.

Final figures will be only possible in few months after export performance to be known.

	2013	2014	2015	2016	2017	2018	2019
Dollar Rate	\$2,28	\$2,35	\$3,53	\$3,37	\$3,23	\$3,65	\$3,85
Agricultural Value	\$773,59	\$818,63	\$576,37	\$946,84	\$715,33	\$632,00	\$857,00
Domestic Market	\$880,00	\$1.000,00	\$790,00	\$1.340,00	\$999,00	\$1.000,00	\$1.050,00
FOB Kernel	\$1.392,67	\$1.346,75	\$1.158,83	\$1.178,42	\$1.297,57	\$1.112,00	\$1.120,00



Growers are increasingly prepared to hold farm stocks and speculate on agricultural inventories believing that farm stocks will be low in the second semester of the year. Situation which will be clear in August at the seed season, when we usually suffer strong speculation when farm stocks are not enough to cover demand until new crop. Crop volumes will be only clear at the end of the year after exports performance.

At the other hand, industry thinks that recession and inflation at domestic market will not stand such high prices too long and will consequently bring back farm stocks into the market. However, in general market is accepting such prices level domestically as BRL 4,20 for raw kernels and BRL3,80 for raw splits, ex work prices.

Considering the high logistic costs of U\$250 per m/t for non-EU and U\$340/360.00 for EU quality it shows how tight the margins are to export.

Brazil's fiscal and economic crisis, and necessary reforms are confronting government to the Congress, it presses the economy and makes the U \$ rate varies, impossible to foreseen how market will react internally.

Last few days' dollar was appreciated for U\$ 1 / 4,10, now back for U\$1/4,04 but maybe back for BRL 3,80 if said reforms progress positively.

Many growers had big loss, we expect the area will not continue increasing at same rate as the last few years.

China

New tariffs were imposed on US peanuts in retaliation for US tariffs on China. Farmerstock is now taxed at 20% while shelled kernels are taxed at 20%. At least that is our understanding of what the tariffs are.

Needless to say that these new tariffs put a stop to the buying we saw back in April and early June. As much as many were hoping for some of the 2017 crop to be sold directly or indirectly to China, the tariff put a stop to that, at least for the moment.

Moreover, with the Chinese domestic market having as well cooled off and considering that any shipments leaving after the end of June would arrive in China at the same time as the early Chinese harvest, it is unlikely that we will see interest from China in the short term.

India

The Indian market first rose because of recent Chinese demand for both kernels and oil, and local demand for seeds and oil for making pickles, coupled with slow supply of raw material.

Now the monsoon is delayed with 43.3% of India reeling under drought conditions, with pre-monsoon rains at its lowest in 65 years, not counting extreme high temperatures.

Needless to say, things don't look good.

But the monsoon could be good and erased all this.

South Africa

The latest CEC crop estimate was unchanged with a forecasted production of 22'705 tons which, even very low, seems too optimistic.

Regardless, things haven't changed, either shellers (and they are not too many), who have obviously sold short will have to cover more or buyer will have to buy more to cover their needs until next crop by buying mostly from Argentina.

Some buying has already taken place, but surprisingly buyers have been fairly quiet. Couple reasons for that I believe.

One is the fact that part of the demand will have to come from shellers being short. Second the currency has gone the wrong way, now at 15 vs. the US\$ making it those purchases even more expensive. Some buying has been done but lots more will have to be done. It's just a matter of time. I know that some have been trying to cover with lower quality splits to improve their purchase price, but at the end of the day, there aren't that many alternatives. Just delaying the inevitable.