



**March 5, 2021**

In general the edible markets, both US domestic and International, have been fairly quiet, at least as far as buying interest is concerned although we hear that some good volume of Argentine seem to have been traded.

What I said in my last report still stands: buyers internationally are hoping for the crops in especially Argentina, but also Brazil and US to be good crops. Buyers in the US are hoping for no acres to be lost for the new crop.

So far Brazil is faring fairly well, but has a long time to go and challenges due to the lengthy planting season. Argentina was doing well until recently, but general rains are not in the forecast which calls for below average rain falls for March and April. Acres for the new crop in the US are uncertain considering the continued strength in competing commodities. China just finished their new year festival and it is unknown at this time what are the expectations for the new crop plantings.

The markets that are seeing a continuous increase in prices are both the inshell and birdfood markets. The inshell market prices have increased dramatically due to the lack of availability of USA inshells, the import tax on USA inshells and the increased demand in Europe. The birdfood market prices has been impacted by the lack of good quality of Indian peanuts which has resulted in a tight supply.

## USA

The market is quiet with buyers seemingly not taking any further coverage on either 2020 or 2021 crop. There has been a little activity but not big volumes. Prices have remain somewhat the same as last month. I wouldn't be surprised to see a slight uptick in prices going forward due to shellers positions getting tighter.

The extension specialist presented at the APSA this week and forecasted plantings of 1.607 million acres vs. 1.618 million acres last year. They did mention though that those acres could be + or - 5%. We will have to wait until the end of March to get additional indications with the USDA forecasted plantings.

I am still somewhat puzzled at the lack of interest from buyers. Shellers, it seems, are having difficulty contracting all the farmerstock that they want. The reason until now being that cotton prices were going up and farmers were using it as leverage to try and get a higher peanut price. Cotton prices have been fairly wild this past 10 days, hitting 89 for December 21 last week, but now being quoted at 84. Corn and soybean continue to be fairly strong although prices have been very volatile lately (somewhat a consequences of the volatile financial markets and the fact that cotton prices had a straight line up). With all this in mind, I still believe that we could lose 2 to 5%

Something else that one might want to consider. Prices on cotton have been going up, not only because the other commodities have been rising, but also because the supply/demand situation is tightening. Let's suppose we don't lose any acres to cotton this crop season. The supply/demand could get even tighter next year. There are obviously a lot of international moving parts that affect the cotton market. But it is feasible that we could see cotton prices go much higher next year which would then result in potentially much higher prices for farmerstock contracting and/or loses in acres.

We continue seeing interest from China, mainly for farmerstock but also for kernels. I don't believe that there is any farmerstock left to be sold as the shellers will need it to fill their demand.

Quality of the US 2020 crop continues to be very good with only 6.4% of the total Southeast lots failing USDA negative aflatoxin.

Trucks and containers movement has been an issue lately. The truck issue being a direct result of the freezing felt in the middle of the country back in February. The container issue being a direct result of the high freight rates for exports from China resulting in many empty containers being shipped to China, leaving a shortfall here in the USA.

No news at this time on the EU 25% import duty on US peanuts. There are talks that both sides would like to solve the Boeing/Airbus issue and potentially put on hold or delay the import duties on USA, but at this time it's the status quo. It needs to be noted though that the UK, who had stopped applying increased tariffs for US peanuts on January 1<sup>st</sup>, was just advised by the US that it will suspend for four months its increased tariffs on imports from the UK which could potentially mean that they are hopes for the EU.

USDA Stocks and Processing for January:

Jan 2021 vs. Jan 2020: Peanut Candy **up 1.06%**, Peanut Snacks **down 0.31%**, Peanut Butter **down 1.19%**, Total Edible **down 2.76%**, Inshells **down 16.27%**

Aug 20-Jan 21 vs. Aug 19-Jan 20: Peanut Candy **up 25.72%**, Peanut Snacks **up 5.63%**, Peanut Butter **up 3.73%**, Total Edible **up 5.94%**, Inshells **down 1.41%**

USDA exports for January:

Jan 2021 vs. Jan 2020: the US exported 48'041 mt vs. 41'884 mt a year ago, an increase of 14.70%. China continue to be the leader of the pack with an increase of 76.87% while other destinations are all down with Mexico down 3.60%, Canada down 7.21%, Japan down 24.93% and the EU down 29.80%.

Aug 20-Jan 21 vs. Aug 19-Jan 20: the US exported 284'844 mt the first 6 months of the season vs. 257'918.7 the year before, an increase of 10.44% all due to China where exports were up 117.30% with farmerstock being 84.77% of those. All other markets are down with Canada down 7.19%, Mexico down 13.66%, Japan basically even and the EU down 47.15%.

## **Argentina**

No news on current crop as that market is pretty much sold out from origin. Prices are still around us\$ 1550.- for raw and us\$ 1700.- for blanched. Prices on the spot in Rotterdam are slowly going up due to renewed interests and lower unsold stocks.

The new crop has fared well until mid February with timely rains. No important general rains since then creating an even situation for the different areas and different fields. The dry weather at the moment coupled with the forecast for a drier than normal weather for the months of March and April is an area of concern that one needs to pay attention to. We are in the midst of the most important growth stage for the peanut plants, thus timely rains will be necessary for Argentina to produce a good crop. Prices on new crop are discounted vs. current crop, with blanched down to us\$ 1600.-, and possibly slightly lower. Those prices will not last if the weather continues to be dry.

Argentine exports for December:

Peanut oil: 7'771 mt were exported with most of it probably going to China.

Peanuts: 58'272 mt were exported. Dropped quite a bit from last month.

## **Brazil**

The Brazilian crop, even though planted during a very long period of time, is developing somewhat well with timely rains and good heat units in some parts and some other parts facing a lack of rain. Harvesting has already started for the early plantings. Prices are at par or slightly below Argentine current crop prices. It will be key for Brazil to continue receiving good rains for those late planted fields. The issues that Brazil is facing this year with the crop having been planted during such a long period of time is that fields that are still growing need rains and fields that need to be harvested don't need rain. It will be quite a challenge I believe for Brazil to have good yields and a good quality for those reasons.

Brazilian exports for January:

Peanut kernels: 9'726 mt were exported with 50% going to Russia/Ukraine. 825 mt went to South Africa and 1'538 mt to the EU+UK.

Peanut oil: 1'687 mt of were exported with 799 mt to China and 887 mt to Italy.

## **China**

China just finished celebrating their Chinese new year, the Year of the Ox. Considering that the celebration starts early and last for at least 2 weeks, there has not been much going on. We continue though seeing interest from Chinese buyers for USA kernels and farmerstock. We will have to see what direction the domestic market takes. Demand tends to be weaker after the Chinese new year. But planting time is fast approaching, and it will be interesting to evaluate what impact, if any, the higher prices for competing commodities have.

Chinese import statistics:

Peanuts: China imported 1'084'900 mt between Jan and Dec 2020 vs. 478'800 mt the year before, a jump of 126.59%. USA was no.1 with 347'000 mt, followed by Senegal with 323'400 mt, Sudan with 296'500 mt and India with 59'200 mt.

Peanut oil: China imported 269'490 mt between Jan and Dec 2020 vs. 194'415 mt the year before, a jump of 38.62%. The main supplier were India with 107'970 mt, Argentina with 58'237 mt, Brazil with 52'090 mt, Sudan with 33'020 mt, USA with 6'057 mt, Nicaragua with 4'678 mt and Senegal with 3'760 mt.

The Chinese futures have gone as high as RMB 11'144.- (Monday March 1) settling at RMB 10'792 today.

## **India**

The Rabi crop is seeing issues with rainfall at the moment which is delaying the harvesting. Hopefully the Rabi crop will not be a repeat of the Kharif crop that has seen too much rain lowering crop expectations and quality.

Prices in India continue to go up, especially for the bolds. One source reports that the bigger sizes are in short supply and, with 7 months to go before the new Kharif crop, we can expect prices for the bigger sizes to continue going up. With the issues of quality, we can continue seeing issues for India to supply Europe, regardless if for edible or birdfood, until the new Kharif crop.

## **Africa**

Sudan: the Sudanese pound has seen a huge devaluation with the US\$ selling for 380 Sudanese pounds vs. an official rate of 55 to the US\$. It is unclear at the moment how this will affect contracts and exports of Sudanese peanuts going forward for this crop. Although the last news I hear is that most of the farmer stock has been purchased which means there should not be any issue for exports.

South Africa: CEC issued their latest forecast calling for 40'050 has with a production of 58'425 tons. The crop is developing well at the moment with unexpected good rains.