



March 2, 2023

The international market has turned bullish with the potential crop issues in especially Argentina, but also Brazil and the price increase in China which has in turn renewed their buying interest from USA (for farmerstock), from Argentina (for edibles and oil) and from Brazil (for oil).

European buyers do not seem convinced yet that there could be a potential issue with supply. They have upped the prices of their buying interest but have yet to be convinced that the problems are real. Buyers are willing to bet that the problems in especially Argentina and Brazil will not be as big as feared. Today, it would be difficult to find any sellers of Argentine new crop.

Let's hope for rain in Argentina, dry weather in Brazil and higher plantings in the US and China, otherwise this market could get really tight, real quick.

USA

The US market for edible peanuts is unchanged with very little business taking place. Sellers are not aggressively trying to sell their position and for those buyers still needing to buy current crop, they are still hoping for prices to come down. Market is still between 61/62 cents for splits, 62/63 cents for mediums and 63/65 cents for jumbos.

The US farmerstock market though has seen lots of interest coming from China with prices of us\$ 800.- per mt and higher being paid. It is unclear at this time what tonnage has been sold and what will be sold. I don't expect huge volume to be transacted though as I don't believe shellers to be extremely long farmerstock.

Until now I estimated that the carryover would be 1.030 million fst (farmerstock tons) and that included 60'000 fst going to China, The more volume gets sold to China and the lower that carryover number will be. Today I would estimate a carryover of 970'000 fst, still enough, but lower than the psychological level of 1 million fst which is usually considered an oversupply. We will have to see what those exports to China total and see what the domestic consumption ends up being (today I estimate a flat demand vs. last year, although demand today is down 2.34%).

Nevertheless, what those unexpected sales to China do is tighten up the supply some, putting some uncertainty first in the market prices through the end of the 2022 crop season and secondly in the new crop situation.

The low cotton prices (prices vacillating between 82 and 85 cents for December 2023) should result in an increase in peanut plantings (probably up to 10% although could be more looking at the different cotton planting forecasts). The only issue with a potential lower 2023 cotton crop is the potential for high cotton prices later this year which could pose a challenge for 2024 peanut plantings. But that's obviously not a guarantee. It will all depend on world production and demand.

There haven't been any widespread contracts for farmerstock peanut. The low cotton prices that we currently have should keep peanut farmerstock contracting between us\$ 450 and 500.- per fst. Shellers don't want to be long high price farmerstock if the market goes down, the manufacturers believe that a 10% increase will result in an oversupply and lower prices, and farmers are coming from high prices for the last 2022 crop that were contracted (us\$ 650.- per fst) and are not keen on lower prices.

A 10% increase with average yields should give the US a crop of about 3.1 million fst and an estimated carryover of about 1.070 million fst (dependent on domestic and export demand). A slight oversupply.

So, what are the risks/questions:

- What plantings increase will we get? 5, 10, 15%? Depends on cotton prices the next month and peanut farmerstock contract prices.
- What yields are we going to get? Are we going to have a fourth crop in a row with good yields?
- What quality are we going to get? Are we going to get a fourth good crop in a row?

- What will the demand coming from Western Europe and China be? Western Europe is relying heavily on Argentina who is having some drought issues. China has re-opened its economy and all indicators leads to a higher consumption. Will that result in China buying more from the US?
- What will the US consumption do?

All this will make it for a very interesting market going forward.

USDA Stocks and processing: January 2023

Jan 23 vs. Jan 22: Peanut candy **down 36.12%**, Peanut Snacks **up 15.24%**, Peanut butter **up 6.28%**, Other products **down 2.73%**, Total edible **down 1.68%**, Inshell **up 45.59%**

Aug 22-Jan 23 vs. Aug 21-Jan 22: Peanut candy **down 14.65%**, Peanut snacks **down 4.19%**, Peanut butter **up 3.45%**, Other products **down 27.88%**, Total edible **down 2.34%**, Inshell **up 10.11%**

USDA exports: Dec 2022

Dec 22 vs. Dec 21: the US exported 31'310 mt, a decrease of 7% over last year. Except for the EU27 that was up 52% and Canada that was up 2%, all other markets were down with Mexico down 1%, China down 34%, Japan down 24%, the UK down 2%.

Aug-Dec 22 vs. Aug-Dec 21: the US exported 161'292 mt the first five months of the year, a decrease of 1% over last year. Canada was up 8%, the EU27 was up 14% and Japan was up 30%. Mexico on other end was down 3%, the UK was down 11% and China was down 22%.

Jan-Dec 22 vs. Jan-Dec 21: the US exported 431'268 mt for the year, a decrease of 7% vs. the previous year. Except for China that was down 40% and the UK that was down 14%, all other markets were up with Mexico up 6%, Canada up 6%, the EU27 up 9%, Japan up 28% and South Korea up 146%.

Peanut oil:

The US has imported 10'401 mt of peanut oil the first five months of the year, a decrease of 46% over last year. 7'465 mt were from Argentina and 2'197 mt from Nicaragua.

For the year, the US imported 26'735 mt last year, a 2% increase over the year before. 15'613 mt were from Argentina and 9'412 mt from Nicaragua.

Argentina

Argentina is still under drought conditions. There was even a slight frost about 10 days ago but seemingly inconsequential. Temperatures are now back to seasonal levels. There have been some rains, but unfortunately not enough and not widespread enough. The crop is delayed, and it is unlikely that it will catch up which should result in not only lower yields, but also a lower percentage of big kernels. All depends on the next two months.

As a result, one would be hard pressed to find any sellers for new crop unless possibly at high prices (probably for wholes a minimum us\$ 1700.- for raw and us\$ 1850.- for blanched).

Very little left to sell out of the current crop now that China seems to have cleaned up the 80/100 long that shellers had.

Argentina exported 3'240 mt in December 2022 for a total of 68'122 mt Jan through Dec 2022 of peanut oil (vs. 57'300 mt the year before).

For January 2023, Argentina exported 11'643 mt.

Brazil

The situation in Brazil is quite complicated as well, not because of drought, but because of too much rain. The crop is delayed and the longer these heavy rains continue, the more damage will it do to the yields and the quality.

We will see how the weather behaves, but the forecast doesn't look that good.

Surprisingly, I still hear prices in the low to mid us\$ 1700.-'s for whole blanched to West Europe which seems quite low considering the crop situation in Brazil and Argentina.

Meanwhile, the oil crushers are continuing to put pressure on the farmerstock market due to the continuous peanut oil buying interest from China.

Brazilian exports: January 2023

Peanuts:

Jan 23: Brazil exported 21'248 mt (4'758 mt to the EU, 8'754 mt to Russia, 1'077 mt to Algeria, 925 mt to the UK, 900 mt to South Africa).

Peanut oil:

Jan 23: Brazil exported 8'378 mt (6'283 mt to China and 2'094 mt to Italy).

China

The Chinese peanut futures have risen to Rmb 11'000.- as of today.

Crushers are continuing to buy aggressively peanut oil from Argentina and Brazil. Chinese companies have bought good volumes of Argentine kernels especially 80/100 (probably somewhat because it seems that there is nothing left to buy in Senegal and that Sudanese prices are extremely expensive) and US farmerstock.

It is unclear what has fueled these buying interest. From what I hear, demand doesn't seem to be the driver. The demand is for sure higher than it was because of the reopening of the Chinese economy, but I believe that the demand piece is more hopes than reality. By all accounts, I think the biggest driver is the lower availability, despite the announced 5.18 million ton carryover in September 2022, it looks as if the 2022 crop was 20% lower which should bring the carryover in China down to 2.5 million tons, bringing that carryover closer to what it was for the 2017, 2018 and 2019 crop.

For sure, if the current high prices continue, we could see a good increase peanut plantings for the 2023 crop.

December 2022 import statistics:

Peanuts:

For Dec 22, 24'401 mt imported vs. 20'241 mt a year ago, an increase of 20.55% (6'868 mt from Sudan, 6'522 mt from USA, 5'573 mt from India, 4'141 mt from Senegal and 1'297 mt from Argentina).

For Jan-Dec 22, 664'067 mt imported vs. 1'002'905 mt a year ago, a decrease of 33.79% (362'383 mt from Sudan, 180'592 mt from Senegal, 88'600 mt from USA, 16'253 mt from Myanmar and 8'611 mt from Argentina).

Peanut oil:

For Dec 22, 40'953 mt imported vs. 10'307 mt a year ago, an increase of 297.35% (18'914 mt from India, 16'068 mt from Brazil and 5'093 mt from Argentina).

For Jan-Dec 22, 230'958 mt imported vs. 281'125 mt a year ago, a decrease of 17.84% (122'649 mt from Brazil, 59'205 mt from India, 32'155 from Argentina and 9'752 mt from Sudan).

India

The Ministry of Agriculture reported that as of week ending February 2nd, India had planted, for the Rabi crop, 5.67 Lakh ha. vs. 5.23 the year before, an increase of 8.41%.

Africa

The CEC came out with their first 2023 crop forecast with plantings of 32'300 has vs. 43'400 has the year before, but a production forecast of 51'155 tons vs. 48'500 tons the year before indicating that South Africa has received good rains this season.

Also, I understand that South Africa changed the import regulations for Argentina and Brazil. It is my understanding that Brazilian runner splits raw are still allowed, but not whole nut.

For Argentina, raw peanuts are not allowed. Blanched peanuts are currently not allowed but a new standard is proposed to allow import of blanched peanuts provided that the peanuts were blanched at a min. of 90 degree Celsius for at least 20 min.

That situation obviously doesn't help South African imports as it limits their ability to import sufficient quantity to supplement they need (outside the usual imports from other African countries).