



April 6, 2017

USA

The US market has been extremely quiet. Most buyers are covered on 2016 crop and have done some coverage on new crop. Sellers on the other hand have little to sell on 2016 crop. The Chinese buyers have basically disappeared since before the Chinese New Year with weakening prices in China.

With the latest USDA crop planting estimate showing an increase of 4.79% for 2017 crop (and almost double that when analyzing potential harvested acres), and with no present issues in the foreign peanut origins (except potentially Argentina now), buyers (especially domestic buyers) will most probably continue staying on the sideline waiting for lower prices. Obviously if Argentina would continue having rain issues, any remaining EU material out of the 2016 crop could potentially be snatched although the spread between current and new crop is currently very wide. We could also see again a widening of the spread between Domestic and EU material for the 2017 crop.

The two origins to look at next are first Argentina who is ready to harvest its new crop. Eventual good weather could result in lower prices for Argentine peanuts, hence a lack of interest for US peanuts. Current crop for US peanuts (mediums/jumbos) on EU basis (if one can find some) would probably be priced around us\$ 1700.- Cif Rotterdam or 70 cents per lbs. FOB. New crop EU material would probably go for us\$ 1400.- to us\$ 1450.- Cif Rotterdam. One should have been able to buy Argentine at us\$ 1400.- Cfr Rotterdam (that is before the rain). Obviously bad weather in Argentina would renew interest for US peanuts (mostly new crop) from foreign buyers, hence moving the price higher. The longer the harvest is delayed in Argentina, the higher and the faster the prices will move up.

The next other origin to watch is China and its 2017 crop plantings. Have not heard anything major on that front and would expect plantings to be similar to last year. Nevertheless, will be interesting to see if plantings are affected by the current weakness in prices (although what are the alternatives).

Domestic prices have been at a standstill with current crop in the low to mid 60's, and new crop in the low to mid 50's depending on grade and quality. At this time, there is no reason to think that buyers will change their wait and see attitude. One could think that potential problems in Argentina would change buyers mind. But considering that there is only so much EU material available, as I mentioned earlier, I believe the impact of a potential Argentine problem would only be a widening of the spread with EU material. Sellers on the other hand should still have long 2017 crop positions at the higher farmerstock levels contracted earlier. Therefore, there is no incentive to lower the market prices. For prices to move lower, the US would need a good crop and shellers would have to buy the crop. Shellers have had their (bad) experience and will most likely not overbuy the crop.

As a last note, the Southeast received excellent rains the past couple days thanks to bad storms. The Southeast had been dry for a while, thus these were timely rains with plantings just around the corner.

USDA stocks and processing for February

- Feb 17 vs. Feb 16: Peanut candy up 5.17%, Peanut snacks down 7.30%, Peanut butter up 6.27%, Total up 3.10%, Inshells down 6.45%
- Aug 16-Feb 17 vs. Aug 15-Feb 16: Peanut candy up 8.95%, Peanut snacks down 7.55%, Peanut butter up 10.74%, Total up 5.53%, Inshells down 13.53%

The USDA just gave us another mystery by adjusting December 2016 numbers, increasing peanut butter by a whopping 50.7 million lbs. Trying to get some explanations but none yet. In speaking to the manufacturers, demand seems to contradict those numbers hence we could potentially see demand be readjusted later on in the year. Time will tell.

USDA exports for February

February 2017 vs. 2016: 47'491 mt shipped vs. 38'510 mt, a 23.32% increase. The biggest increase this month coming from The Netherlands, Canada and China with respectively an increase for February of 3'743 mt, 2'891 mt and 2'384 mt. Aug 16-Feb 17 vs. Aug 15-Feb 16: 291'473 mt vs. 223'523 mt, a 30.40% increase. China and Vietnam continue to be the largest importer with 70'287 mt, followed by Canada at 62'602 mt and Mexico at 57'647 mt.

We are somewhat surprised at the continuing increase in exports to China, but if the market has any bearing on what will happen for the final 5 months of exports for this season, exports to China should start coming down.

Argentina

The first 2017 crop estimate from the Cordoba Grain Exchange came out on March 23, 2017 with the following figures

Peanut production in the province of Córdoba- Comparative table

PEANUT - CÓRDOBA	2013/2014	2014/2015	2015/2016	2016/2017 (*)	% Inter-annual Variability
Hectares sown	344,000	322,700	313,500	319,400	2
Hectares lost	4,200	3,900	43,250	9,600	-78
Hectares to be harvested	339,800	318,800	270,250	309,800	15
In-shell yield (qq/ha)	27	35	32	37	16
In-shell production (tons)	916,000	1,102,200	859,200	1,136,400	32
Unshelled production (tons)	618,700	778,700	618,000	795,500	29

(*) Preliminary value as of March 2017

Note: the result of the production variables may not match the total since figures were rounded off.

Source: Agricultural and Economic Information System-Córdoba Grain Exchange.

This new crop looked excellent a week ago. The weather has been very favorable during the growing season with the exception of some flooded fields but nothing major. The weather needs to cooperate now to ensure that Argentina produces not only a plentiful crop, but also a good quality crop. The market needs it. Let's not forget what happened last year where conditions were similar to this year, but rains started mid-April and never let go. Let's hope this doesn't happen again. Harvest should have started but the recent heavy rains have delayed it.

Argentina received very heavy rains last week and Tuesday. More rain forecasted for this coming weekend. Let's hope the rain clears up after this. Unfortunately, according to the CIRN (Institute for Climate and Water), the forecast for April through June shows above normal chance of precipitation and above normal temperatures (unlike the precipitation, that's a positive). That's only a forecast, but the weather in Argentina needs to be watched carefully. Delays in shipment would certainly create an extremely tight spot position in Europe where most manufacturers are eagerly waiting for the new crop to replenish the extremely tight supply.

The market has been extremely quiet as well for Argentine peanuts until now as buyers were expecting for prices to go down should Argentina have a good harvest season. But all this could now change with the weather. This will be an interesting coming weeks.

Brazil

Hereunder some crop information on Brazil

BRAZILIAN CROP AND TRADE 2017									
PLANTED CROP (year)	First Crop	Second Crop		Area Total (ha)	Area Total Increase (%)	Grãos	Grãos Total	Grãos Total	
	São Paulo Southwest (ha)	Outras Origens	Other Origins (ha)			Kernel (kg/ha)	Kernel (m/t)	Kernel (%)	Kernel (%)
2012/13	110.000		4.000	114.000	7	3.500	399.000		19
2013/14	135.000		4.000	139.000	21	2.400	333.600		-16
2014/15	145.000		6.000	151.000	17	2.800	422.800		50
2015/16	152.000		6.000	158.000	5,0	2.400	379.200		-12
2016/17	172.000		4.000	176.000	10,3	3.200	563.200		54
TRADE CROP (year)	Interno	Share	Exportação	Share	Óleo	Esmagados	Share	Consumo total	
	Domestic Kernels (m/t) *	%	Exported Kernels (m/t)	%	Exported Oil (m/t)	Crushed (m/t)	%	Total Demand (m/t)	
2013	165.000	42,0	85.000	21,7	57.000	142.500	36,3	392.500	
2014	165.000	50,1	62.700	19,03	40.723	101.808	30,90	329.508	
2015	170.000	40,4	101.000	23,99	60.000	150.000	35,63	421.000	
2016	165.000	44,4	101.876	27,43	43.920	104.571	28,15	371.447	
2017	180.000	35,5	160.000	31,58	70.000	166.667	32,89	506.667	

* 25.000 m/t seed included at Domestic Kernels .

The growing conditions in Brazil have been quite favorable despite the late heavy rains. It looks as if Brazil should be producing a big crop this year, forecasting a 48% increase vs. last year and forecasting a 57% increase in exports.

It needs to also be noted that Brazil is continuing to invest heavily in drying equipment to speed up the harvest process. It also seems that the low soybean prices are enticing farmers to look at peanuts as an alternative commodity which, depending of course on prices, could potentially increase the peanut production in Brazil.

China

China has been extremely quiet since before the Chinese New Year. Prices have weakened which has put a standstill on any buying activity. New crop plantings are just around the corner. No words yet on what the intentions are. Will keep you posted.

South Africa

The new South African crop estimate came out on March 28 and surprisingly the acreage was upped to 56'000 has with an estimated production slightly downward to 86'600 mt. We still feel that the acreage is on the high side and that production should be closer to 70'000 mt.

Expectations are for a good crop. As for Argentina, weather needs now to cooperate to get the crop in the barn. There is some rain forecasted in the week to come, but a clear forecast after that.