



February 5, 2021

Market is slightly heating up since the beginning of the year, although not as much as I thought it would considering the current situation both in the US and International markets.

Buyers internationally are hoping for the crop 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.

The continuing strength in most commodity prices should keep peanut prices fairly strong for the rest of the year. Internationally one has to wonder what the impact will be for Argentina and Brazil for next year if corn and soybean prices continue to be strong. Land rent in Argentina could certainly increase.

China is soon approaching its planting time and it is unclear if this will impact new crop plantings.

Here in the USA, it looks as if some peanut acres could be lost.

USA

Attached is the USDA crop history which includes the last and final USDA final crop figure calling for a crop of 3'066'950 fst vs. 3'070'863 fst inspected.

The past two crops makes one wonder what's going on with the yields. The SW drop in yield is no surprise considering the drought conditions they faced. The Southeast and the VC yields are more perplexing. The Southeast (GA, FL, AL) had yields of 3'998 lbs in 2019 under adverse weather conditions that produced a terrible quality. A seemingly good crop with good weather produced a yield of 3'904 lbs in 2020 crop. The VC went from 4'201 lbs in 2019 to 3'784 lbs in 2020. The US has a whole went from 3'949 lbs in 2019 to 3'796 lbs in 2020. The reason I mention this, is because when one tries to calculate what is a potential average yield for the 2021 crop, it becomes more and more difficult to forecast such. Depending on what average one takes, the average yield is not 4'000 lbs but most probably closer to 3'900 lbs (3'878 to 3'930 lbs depending if one takes the 5 years or 9 years average) when trying to forecast the 2021 crop.

Thereafter is the question of acres. Everybody has been talking about cotton after the sharp increase we have seen in the past 6 months. The last Dec 21 price is at 80.75 with a huge move yesterday. From everything I gathered, cotton is for sure a competition for peanuts, but unless prices rise to the mid 80's, I don't believe we will lose any acres to peanuts (but that's no guarantee). The commodity that will probably take acres away from peanuts and, most importantly irrigated acres, is corn. That at least seems to be the case in the Southeast and the Delta. Soybeans will also be competing for acres in the VC and the Delta. The conclusion is that we could lose I believe 2 to 5% of total acres which, at 3900 lbs, would give us a 2021 crop of 3'087'793 to 2'993'270 fst. I project the carryover for this year to be 899'904 fst on August 1, 2021. This number could potentially be lower depending on demand. With no change in demand either domestic or export, the carryover on August 1, 2022 would be between 900'000 fst and 1 million fst depending on the crop size (mentioned earlier).

The domestic market continues to be quiet despite the fact that we have a somewhat tight situation on current crop and potential lower acres for new crop. On current crop, this is probably mostly due to the fact that manufacturers are well covered for the rest of this year. Although the higher than expected domestic demand might create some holes. Peanut butter manufacturers are running at capacity from everything I hear. There also seems to be demand that cannot be fulfilled, including government purchases. On new crop, there has been very little interest from the manufacturers which is surprising considering the run up in competing commodities. Unless we see a crash in those commodities in the months to come (which seems unlikely), I believe that the scenario I depicted hereinabove is the best case scenario. Fob Prices on current crop and new are about the same for negative material at 53/54 for splits, 54/55 for mediums and 55/56 cents for jumbos.

Inshells are above 80 cents with very little supply. And worldwide, there is basically no additional supply basically until November.

A note on the EU 25% tariff on US peanuts: as much as hereunder notice is positive, there are no guarantees nor is there a timeline.

The EU's Director-General for Trade, Sabine Weyand, stated Brussels' interest in resolving the multi-year dispute with the United States over subsidies for large civil aircraft, aka Boeing-Airbus dispute. U.S. peanut exports to the EU were hit with retaliatory tariffs of 25% beginning January 1, as a result of this dispute. Weyand noted that Brussels' objective is "to come to a situation where both sides hopefully would agree to suspend the tariffs, which have caught up a lot of people on both sides of the Atlantic that have nothing to do with the dispute ... and create space for this negotiation." The United States currently maintains WTO-authorized retaliatory duties on \$7.5 billion worth of EU goods under the Airbus dispute, while Brussels has its own retaliatory package on \$4 billion worth of U.S. goods related to the Boeing dispute.

USDA Stocks and Processing for December 2020: December numbers show continued consumption strength for all categories.

Dec 20 vs. Dec 19: Peanut Candy up 29.49%, Peanut Snacks up 14.90%, Peanut Butter up 3.80%, Total Edible up 8.60%, Inshells up 18.65%

Aug-Dec 20 vs, Aug-Dec 19: Peanut Candy up 31.28%, Peanut Snacks up 6.96%, Peanut Butter up 4.74%, Total Edible up 7.77%, Inshells up 1.99%

USDA exports for December 2020:

Dec 20 vs. Dec 19: the US exported 64'595 mt vs. 48'223 mt the year before, an increase of 33.95%. With exception of the EU+UK that were down 67.59% with only 1'8456 mt, all other markets were up. Leading was China with an increase of 130.96% with 38'336 mt exported, Mexico was up 4.06%, Canada was up 3.61% and Japan was up 17.97%.

Aug-Dec 20 vs. Aug-Dec 19: Exports from the US increased by 9.61% vs. a year ago with 236'803 mt exported, with the EU+UK down 44.13%, Canada down 7.07% and Mexico down 15.34%. Japan is up 1302% and China continues its lead with an increase of 127.99% with a total of 114'932 mt with 82.90% being farmerstock. I might be light with my expectations of an equivalent of 150'000 fst for China for the season.

I included charts for Cotton, Corn and Soybeans to give all of you a perspective of the move we have seen on those commodities the past 6 months.

Argentina

2020 crop: very little left to sell. If one can find offers on whole kernels, don't expect prices cheaper than us\$ 1550.- on raw and us\$ 1700.- on blanched.

2021 crop: overall the Argentine new crop is developing well. Argentina has received some good rains in January, but the sub soil moisture is still lacking. This is not an issue as long as it continues raining on a weekly basis especially the next couple of months. Prices for new crop are being discounted by about us\$ 50.- under current crop.

Argentine exports:

Kernels: Argentina exported 81'443 mt in November.

Peanut oil: Argentina exported 2'738 mt in November and 7'771 mt in December.

Brazil

2020 crop: basically sold out.

2021 crop: the new crop is developing well with good rains. The early planted crop is ready to be harvested, but obviously the delays that Brazil faced at planting time means that the harvest will be much lengthier than normal. New crop prices to the EU are similar to Argentine new crop prices with obviously discounts to non-EU destinations.

Brazil exports:

Kernels: Brazil exported 15'908 mt with 7'849 mt going to Russia and 3'379 mt going to the EU

Oil: Brazil exported 3'507 mt with 1'640 mt going to China and 1'779 mt going to Italy.

China

Chinese buyers are continuing to buy peanuts and peanut oil from all origins including Senegal, Sudan, other African peanut producing countries, India and USA. We continue here in the US to receive weekly enquiries but mainly for farmerstock which is no longer (or very little) available due to the tight supply/demand.

Chinese market is almost shutdown and will be shut down for the next 2 weeks due to the Chinese new year festival. Chinese new year is February 12.

The Chinese high prices continue to be exacerbated by extremely high prices for sea freight containers. This situation has not only impacted China exports, but also the availability of containers worldwide and an uncertainty of freights rates going forward. The Chinese Yuan appreciation is also not helping export prices.

After the Chinese new year, all eyes will be on the new crop plantings. It is unclear at this time if the high prices for other competing commodities will impact or not how many peanuts are planted, although unlikely considering that peanut prices are high as well.

Peanuts started to trade on February 1st, 2021 on the Zhengzhou Commodity Exchange. After reaching RMB 10'566.-, futures settled today at RMB 10'326.-, a premium to the physical market prices. Peanuts on the exchanges are for peanut kernels for crushing quality.

India

As of February 1, 4.78 lakh ha of peanuts were sown for the Rabi crop, on par with previous years. Moisture is plentiful which is very beneficial at the moment. Now people are starting to worry if this continues, it could create issues. Otherwise Indian prices continue to be very high.

Africa

South Africa: CEC estimates peanut plantings at 40'050 has vs. 37'500 has for the 2020 crop, an increase of 6.8%. Weather has cooperated until now. Expectations are for a good crop.

Sudan: prices have increased by about us\$ 100.- per mt recently due to strong demand.

Senegal has resumed their export sales and shipments.