



November 9, 2018

The International market continues to be extremely quiet on all fronts, in all origins. The USA market has seen some action lately due to some very cheap offers from some shellers.

USA

The USDA just came out with the production estimate for the 2018 crop calling for a crop of 2'735'625 fst. I believe that there are still too high on Georgia with their yield estimate of 4400 lbs. I think we could lose another 35'000 to 70'000 fst. That would put us down to a 2.7 to 2.65 million fst crop. No issue to speak of with the supply with the 2017 crop carryover, but the carryover for next year doesn't look as insurmountable as the past one. I estimate the carryover to then be 1.05 to 1 million fst by August 1, 2019. Deduct 120'000 fst of forfeitures, as they might not be part of the normal pipeline, and we are down to 900'000 fst. Now take a potential crop of 2.6 million fst for next year with 100'000 fst less export and we end up with 850'000 fst, best case scenario. I don't know about all of you, but that doesn't warrant a 44 cents market. And yes, that's correct. It seems that those who were long and wrong decided to throw in the towel and sell. Not only sell their 2017 crop, but sell their 2018 crop. One started and the others followed, leading to a market of 44 cents (that is domestically). For exports, the sellers didn't throw up as much, but us\$ 1225.- on raw and us\$ 1475.- Cfr Rotterdam are prices that I've heard. The cheap prices even affected the 2019 crop for a couple of days after which those cheap sellers realized that it might not be a good idea to sell that cheap with tighter fundamentals.

Cotton is 78 as we speak for December 19. We are a long way from plantings, but I believe that we are in an upward trend. With the current market, I don't see shellers going crazy on farmerstock which should result in another planting decrease on peanuts. It is way too early to predict what could happen with 2019 crop plantings, but it bears to think about it.

2017 crop forfeitures stand at 120'295 fst to date with 3'985 fst outstanding. No word yet on when or what the government will do with these forfeitures.

USDA stocks and processing for September:

- Sep 18 vs. Sep 17: Peanut Candy **down 13.02%**, Peanut Snacks up 16.12%, Peanut Butter **down 5.32%**, Total Edible **down 1.26%**, Inshells **down 11.97%**
- Aug-Sep 18 vs. Aug-Sep 17: Peanut Candy **down 11.72%**, Peanut Snacks up 15.72%, Peanut Butter **down 9.26%**, Total Edible **down 2.28%**, Inshells **down 12.02%**

USDA exports for September:

- Sep 18 vs. Sep 17: 36'086 mt shipped vs. 23'804 mt a year ago, an increase of 51.60%. All major markets are up with Canada up 22.56%, Mexico up 22.92% and the EU 28 up an outstanding 147.51%. China/Vietnam are non existent with only 109 mt.
- Aug/Sep 18 vs. Aug/Sep 17: 69'849 mt shipped vs. 51'877 mt, an increase of 34.64%. The biggest driver for this increase continues to be the EU 28 with an increase of 13'450 mt or 121.79%. Exports to Canada are basically flat for the first 2 months (down 169 mt), while Mexico is up 4'287 mt or 25.49%.

I don't want to get ahead of myself, but should the EU 28 continue with those kind of numbers, they will more than make up for our lost exports to China. We could end up with 830'000 fst of exports, that would be 100'000 fst more than this previous year.

Argentina

New crop plantings are well underway in Argentina with good moisture although lower temperatures. Provided weather continues to be good, plantings should be done within a couple of weeks.

The Camara came out with their new planting estimate for the new crop calling for 355'000 has to be planted, representing a decrease of 16.08%. Some believe the reduction will be closer to 20%.

Regardless what the reduction is, what matters is the yield. Good yields would produce more than sufficient supplies for the market.

It is key for Argentina to plant their crop on time to avoid cold and rainy weather at time of harvesting.

As much as land rent declined this season, the Argentine shellers are still faced with higher costs due to the lowering of the rebates and the added export tax. With US current supplies being seemingly plentiful and consequently cheap prices, Argentina will hope for the market to turn in order to make up some of their losses of this season. Unfortunately the only way for US prices to turn upward is for plantings to decrease and/or for Brazil to have a lower crop.

Last price for Argentine blanched us\$ 1625.- Cfr Rotterdam.

Brazil

New crop plantings are well under way and progressing faster than last season. Plantings should be over within a couple of weeks. Expectations are still for an increase of 5 to 10%.

Latest price for EU jumbo blanched are us\$ 1520.- Cfr.

China

Nothing really new to report on China.

While the tariffs remain in place, as I mentioned before, I think we can discount any meaningful exports of US peanuts to China. It looks as if the overall supply in China (carryover and current crop) is sufficient at this time. We will have to see how oil demand develops through the Chinese new Year and how prices will move as eventually, low prices would be problematic for the Chinese farmers when looking at the 2019 crop. China would probably not be able to handle another meaningful decrease in plantings.

Hereunder a report received one of my friends in China.

Overall quality and production of 2018 crop proved to be slightly better than expected, although planted area is smaller than previous crop. Unfortunately nobody can figure out accurately production and planted area, all are based on estimation.

Chinese peanut market opened at a relatively low level due to weak demands lasted from end of last crop, the big carryover of crushing plants also keeps price on low side besides a satisfying production-though quality wise, peanuts from some areas are not below expectations.

Price for crushing materials started from RMB5700-5800/MT by end October, while Luhua and Wilmar started buying from end October, average price at RMB6800-6900/MT delivered, quality better than crushing materials. Wilmar adopted bidding mechanism this year which will be helpful to lower purchase price.

Delivered volume to crushing plants are not big enough to prove an active market, my impression is that such buying shall be a support to market to promote sales of peanut oil.

Edible market remained weak both home and abroad, together with slow crushing peanut market, kept average price on low side, buyers are watching market change while farmers found the price below their expectation as well.

With the crushing plants' bid for new crop, price started to firm up a little from end October, average price increased by RMB200/MT, as dealers found that it is not profitable to sell are prevailing market price, this trend prevailed in

Shandong, Liaoning, Jilin and Henan province. Farmers/Dealers and buyers have just opposite expectations on future market.

It is too early to say that market will remain firm, as supply is better than expected while existing demands are not strong enough to push the market higher, I think that average price may keep fluctuating around until more buyers are in, not easy to expect sharp increase except some variety/Grades.

Chinese red skin is quite expensive comparing with Runner type, we should expect that price difference between reds and runner will narrow, hope reds will drop from its current high level.

India

Groundnut crop survey team estimated Gujarat Groundnut crop at 15.95 lakh tons vs 31.45 lakh tons last year. All India Groundnut Kharif crop estimated at 37.35 lakh tons vs last year 52.75 lakh tons . Crop is down mainly due to reduction in rainfall in Saurashtra.

ALL INDIA GROUNDNUT KHARIF CROP 2018-19 ESTIMATE

IN LAKH TONNES (In Shells)

Gujarat - 15.95 (31.45)

Maharashtra - 1.40 (1.60)

A.P / Telangana - 3.40 (3.60)

Tamil Nadu - 1.40 (1.10)

Karnataka - 2.65 (3.00)

Madhya Pradesh / C.G. - 1.90 (1.60)

Rajasthan - 8.20 (8.00)

Punjab / Haryana / U.P. - 0.90 (1.00)

Orissa - 0.75 (0.70)

Others - 0.80 (0.70)

TOTAL - 37.35 (52.75).

Talking to several people, it is still not clear what the actual decrease in production is. Some believe to be only 20%. Regardless is it quite a big drop.

Despite that reduction in production, prices from India have hardly moved up any. There is somewhat a bullish undertone but unless the demand shows up, there is no reason for prices to move up.

I still think the big unknown is China. If the Chinese market continues to be weak, with the supply coming soon from the African new crops, there will not be any need for a big supply from India.

Looking at the Indian supply for the EU, it seems that prices for that has moved up. It has actually moved up to the point where they are no longer competitive with other origins, especially US.