

PEANUTS

USA

The USDA came out on June 28, 2019 with their 2019 crop planting estimate which was a surprise with a decline of 4.32% vs. the industry consensus that there would be an increase. Even more surprising are the numbers for the traditional Southeast (GA, AL, FL) that show a decrease of 9.14%. Final plantings though tend to be different, and more often than not on the upside. Nevertheless, considering the oversupply situation the US is in (with a carryover that I estimate at 1.309 million fbst), a lower crop would only mean a lower carryover but still an oversupply.

The market was not at all impressed by the USDA planting estimate and continued its summer dull drum with very low activity. Buyers are well covered for this year and probably well covered for next year. I would estimate a 60% coverage at this time. With the good coverage and the oversupply, buyers are willing to take on the risky part of the crop (second half July/August) without further coverage.

The export market has also seen a lack of activity. The EU has yet to decide if they will impose tariffs on some US goods including peanuts and what those tariffs will be if imposed. This could change dramatically the market for everyone.

USDA crop condition: I would say that in general, after the blistering hot and dry May, weather conditions have improved a lot and conditions are looking good. The US and especially GA are behind on good and excellent condition parameters vs. the last 4 years. Might not mean anything but something to keep an eye on. But the key period of second half July and August is now coming up. Let's hope for continuing regular rains.

Argentina

The weather has cooperated the past several weeks and harvesting should be completed by the end of the month. The delays created a few problems for some customers, but in view of the good weather Argentina had lately those problems will go away soon.

Argentina should be able to export 550'000 mt out of this crop, a much needed help in this market with a poor quality crop in Brazil and a poor supply available out of the remainder of the USA 2018 crop.

Prices in Argentina have risen this past month. As to what will happen to the Argentine prices for the rest of their crop, several things need to be looked at:

- Potential tariffs on US goods. Nothing has happened there yet and there is no word as if and when a tariff will be imposed, but any tariff increase from the EU on USA peanuts should automatically increase all other origin prices.

- Development of the US 2019 crop: the better the crop in the US, the less chance for Argentine prices to go up, and obviously vice versa.
- Obviously one still has to look at developments of the Chinese and Brazilian new crop.
- Another factor that needs to be evaluated is how sold the Argentine shelling industry is. This is a very difficult calculation as one has to evaluate how many of last year contracts have to be fulfilled with 2019 crop. I would estimate Argentina to be 60/65% sold, but if it is more than that, then it is obviously easier for prices to be pushed up.

Even though a little early, one has to start evaluating what the impact of higher land rent prices for the 2020 crop will have on plantings. Argentina having much higher costs than previously thought could affect plantings.

Brazil

It is unclear at this time what the production of the 2019 crop, but we all know that the dry weather during the crop development and the poor harvesting conditions probably ended up cutting the crop size by 25%. Quality was also impacted by those weather conditions.

We understand that many containers arriving at the port prior to shipment the EU were unable to be exported because of aflatoxin levels higher than the approved limit.

India

India has experienced delays in monsoon (although they have finally come) and much higher prices. Difficult to evaluate where the high Indian prices are going from now on. The key is mostly probably the weather conditions during crop development.

China

It is always difficult to evaluate China. As to plantings, one will find some calling for a decrease and other calling for increase in plantings. But for this year there seem to be people believing in an increase, thus I would conclude that China has increased its plantings by 5%.

As to what production will be, that another mystery. Last year's crop was supposedly good, but come to find out that was apparently not the case, hence the reason for higher prices after the Chinese New Year.