

Est. 1986

GOLDEN

PEANUT AND TREE NUTS

May 26, 2015

There is not too much to report lately. The market has been very quiet with good coverage by manufacturers and good crop conditions in all origins.

U.S.

Plantings in the U.S. are well on their way. The Southeast is well ahead of last year and the 5 year average. The only limiting factor at this time is the hot and dry weather the U.S has experienced in May. The U.S. will need rain for plantings to continue at this pace. The Southwest (Texas) has received unusual heavy rains in May that will help moisture levels but is delaying plantings that are well behind. The Virginia/Carolina area is a mixed scenario with South Carolina well ahead and North Carolina behind schedule. All in all things are looking good on the planting side.

No real news on the increase in plantings for the 2015 crop. Despite the low estimate of 9% of the USDA, 15% is probably more realistic at this time. Although, the increase may not be as great as people once thought just because there will most likely be a drop in Virginia and Spanish acres. Provided the weather cooperates during the growing season, even with a 9 to 15% increase, the U.S. is looking at a healthy carryover at the end of next year.

The 2014 crop market is extremely quiet with very little holes in manufacturer coverage. FOB prices have been stuck in the low 50's and CIF Rotterdam prices in the mid to high U.S. \$1,300's for the past several months. No real reason for prices to move with no selling pressure from shellers and no buying needs from manufacturers. The Chinese who have been quietly present in the market for the past several months have switched their focus to Argentine peanuts which are more competitive than U.S. peanuts on regular material.

The 2015 crop market has also been very quiet. Manufacturers seem to be very comfortable with their coverage hoping for lower prices once final plantings and/or the final crop is as big as they hope it's going to be. Prices are probably as low as they are going to go for the moment considering that prices are close to par to loan rates. For prices to go lower, shellers would have to be long which is not currently happening. Prices are stuck slightly above the mid 40's on FOB and U.S. \$1,200's on CIF basis.

Argentina

Argentina, after suffering from untimely rains at the beginning of the harvesting, has enjoyed good and dry weather. Many fields are still somewhat soggy and yields will be affected by this. But in general the yields are much better than last year and the crop is very mature and of good quality. With yields that are 20 to 40% higher than last year, Argentina will have a difficult task to market their peanuts in a market that has been covered by U.S. peanuts through at least the end of the year. And the U.S. has already covered part of next year. The continuing buying interest from China and the temporary ban on U.S. peanuts into Russia will help some. The question is how many openings are left through June next

year. It's tough to gage where prices are at the moment. Raw 40/50 seem to be in the U.S. \$ 1,200's with blanched at U.S. \$1,350 CIF.

One has to wonder what will happen to Argentine 2016 plantings with the low prices that the market is currently experiencing. Argentine shellers don't have a choice but to plant if they want to run their plants. Nevertheless with many shellers looking at a negative return, we could see plantings being reduced, and many shellers facing cash flow issues.

China

China is in the middle of planting time. Despite the very high local prices on peanuts, it seems that plantings will be similar to slightly higher than last year. It is believed that we will continue seeing China as a buyer in the market, focusing on the cheapest prices they can find. Through October, Argentina could have the upper hand. But with India looking at increasing their plantings, if monsoons are timely, China focus will most certainly turn to India starting November.

Brazil

Despite the erratic weather, Brazil has had a good crop with an output of close to 500'000 mt. Brazil is looking at increasing their exports, but with few holes left through the end of the year and competition from Argentina, they may struggle.

South Africa

South Africa has enjoyed good weather for their harvesting which is still underway. Nevertheless, the drought they experienced at the beginning of the year has impacted yields. To date the crop output will most probably be a high of 60'000 mt if not less. Quality so far looks good, but the drought certainly affected the maturity of the crop, thus a larger portion of the crop than normal will be 70/80 and smaller.