Behind the markets...

Caustically optimistic export outlook!

1. Being a Farmer: Trouble for peanut farmers seems to be never ending. Post-uneventual rains damaging the crops, farmers faced rejection while selling their produce at minimum support price (MSP) at the Naked centres across Saurashtra. The government had fixed MSP of Rs 50.90 per kg for peanut shells. Majority of the crop was rejected because of higher moisture content than the limit prescribed. Naked officials refused to accept the produce as it found more than 8% moisture. The rejected produce was found to be 10% to 15% more. While the rain destroyed cotton, peanut was saved with minor damages.

2. The MSP Drama: The procurement of peanut for the year 2019-20 resumed under MSP scheme from Nov 18. Earlier the procurement had started from November 1 but in the wake of the wide-spread unseasonal rain caused by cyclonic storms in the Arabian sea it was called off. The online registration for the procurement had started from October 1. The procurement will continue for at least next 90 days. An individual farmer can sell a maximum of 2.1 ton of peanut at MSP. It has been estimated that the government through food and civil supply department would procure around 0.8 mn ton of peanut at MSP. Notably, last year around 0.45 mn ton of peanut was procured at the rate of Rs 50.00 per kg. Meanwhile, to avoid crowding, limited number of farmers are called for procurement.

3. The EU Crop in India: Government makes efforts to export peanut produced in South India directly to the Netherlands and other European countries under direct trading promotion. The peanaut is cultivated on about 0.25 mn acres in the rabi (second crop) season every year as the area has favourable soil and weather conditions for growing quality peanut. Importers from the Netherlands had visited Mahabubnagar last year but the peanut produce was mainly being exported through the middlemen in Mumbai and Delhi. Export of peanut produced in the state had come to satisfy their peanut requirements. With multiple origins harvested through natural and man made complexities in the market. The Indian peanut was saved from the previous forecast but up 1% from last year. The average yield is forecast at 3,964 pounds per ton per ha for the 2019 crop vs. 1.83 ton for the 2018 crop and 2.31 ton for the 2017 crop. This is a greater decline, around $1285 per ton. This price is supporting the domestic market, it is believed that the market will not face rejections amid a problematic crop situation.

4. International Peanut Market

USA: Southern, where 70% of peanuts are grown, is experiencing hot and dry condition. This will result in more rejections. USDA estimates production at 2.741,050 ton, down 3% from the previous forecast and down less than 1% from last year. Harvested area is expected to total 1.38 million acres, unchanged from the previous forecast but up 1% from 2018. The average yield is forecast at 3,946 pounds per acre, down 12% pounds from the previous forecast and down 37 pounds from the 2018 average yield of 4,001 pounds per acre. Argentina: Camara issued a planting estimate for the 2020 crop planting of 388,000 ha, representing a decline of 12.5% vs. the 2019 crop and a decline of 22.62% vs. the 2018 crop. This is a greater decline, yields the past 3 years have varied wildly with (according to the Camara) a kernel production basis of 2.52 ton per ha for the 2019 crop vs. 1.83 ton for the 2018 crop and 2.31 ton for the 2017 crop. The key as usual is the weather during the growing season and the harvesting period. The beginning of the season is not very well with rainfall and moisture levels below normal which is delaying plantings. Brazil: Planting of the new crop continue to be delayed. It is estimated that 60% is currently planted. Despite the delays caused by the lack of rain, there is an expectation of a 5% increase in plantings. China: Peanut prices are still on a high level. Oil crushers have declared their purchase prices again, around $325 per ton. This price is supporting the domestic market, it is believed that the market will not decrease at this moment. Dealers are busy importing from other origins, to catch their current demand. Red skin and Huaji type peanut prices have increased more than the bigger size peanuts. Offers for red skin are around $3250 per ton in shell peanuts have a tight supply, it is hard to get a supply of 9/11 count peanuts. This reason is because of immature kernels.