Supply Chain is Convulsed by Oil Demand

Indian peanut export was on an upward trend until September 2020 with a 19% growth in volume with strong demand from international markets. The peanut export from India surged close to 190,000 tons during Apr to Sep 2020 as against 160,000 tons in the same period last year. Lower peanut production in China pushed Indian exports upward, while fueling good domestic demand for peanut oil across the nation induced oil mills and crushers to increase their purchases. Market prices went higher and exporters struggled to perform old contracts confirmed at prices $100-$150/ton lesser compared with current market price. Such difference resulted in lower export volume in October. Sowing demand from other states along with skyrocketing freight rates added more losses to shippers and millers. NAFED procured 71,840 tons till 23rd November. In the current year, farmers betting big on high market price and are less attracted to minimum support prices. In the open market there are no rules like quality or quantity limit and payment is made on the spot. As per the first advance estimate of Gujarat, crop output is set to hit a record 5.4 million tons, and with international holidays ahead and the steam on CNY, reducing close to Jan end, the price of peanut may start cooling down. Godspeed India!

Factoid

Diary: We are normally very serious in our work, this time we opted otherwise!

Did you know peanuts have gone to space?

Astronaut Alan Shepard commander of Apollo 14 mission brought peanuts with him to the moon in 1971! It is his friend boy who persuaded him to take one of the restaurant’s trademark peanuts with him to the moon. Peanut became the first "astronaut" peanut.

Too Early to get Bullish?

USA: The last estimate from USDA stated a crop of 3.34 million farmers stock tons. JLA USDA aflatoxin fail rates show the 2019 crop at 29.5% and the 2020 crop at 3.4%, making the 2020 crop good in terms of aflatoxin. China is trying to buy farmer stock at high prices with reports of 30,000 to 40,000 tons at $7000 per ton FOB.

Argentina: January through September period, exports seen at 5,27,830 tons of shelled peanut, a 38.76% increase compared to last year. Peanut oil exports stood at 10,726 tons in September and 58,235 tons since January. Planting projection for the 2021 crop is at 3.85,592 ha. vs. 3,517,733 ha. for the 2020 crop, an increase of 9.63%. Brazil: Plantings are delayed and new crop shipments will consequently be delayed. Exports have slowed down considerably with 19,214 tons of kernels and 3,909 tons of oil shipped in September.

China: Delay in harvesting probably resulted in a tight supply situation for the crushers preparing for Chinese New Year demand. Increased ocean freight in pricing, RMB getting stronger against the US$, the prices rose accordingly. These factors influenced the peanut prices and buy-sell position.

Africa: Senegal govt has implemented new regulations for exporting due to last year scarcity of peanut for oil. The government fixed price for inshell peanut hovered around $450 per ton. Political issues in capital of Sudan and port problems continue to haunt the crop kick start with exports.

Vocal for Local

Top Gainers: According to Solvent Extraction Association of India (SEA), on the 16th of Oct '20 peanut oil was at Rs 130/kg, while it was Rs 125/kg a month ago and on Oct '19 it was Rs 98.75/kg. Peanut oil prices rose by 30 percent in the last one year. The reason for this increase is not only domestic demand but also lower imports due to Covid & high import duty of other edible oils. However the price may start easing when the government reduces import taxes and when the new crop supply picks up pace. What’s fueling the current oil market are the "shorts".

Maharashtra is the 6th largest peanut-producing state in the country. However, its contribution in the peanut export was on an upward trend until September 2020 with a 19% growth in volume with strong demand from international markets. The peanut export from India surged close to 190,000 tons during Apr to Sep 2020 as against 160,000 tons in the same period last year. Lower peanut production in China pushed Indian exports upward, while fueling good domestic demand for peanut oil across the nation induced oil mills and crushers to increase their purchases. Market prices went higher and exporters struggled to perform old contracts confirmed at prices $100-$150/ton lesser compared with current market price. Such difference resulted in lower export volume in October. Sowing demand from other states along with skyrocketing freight rates added more losses to shippers and millers. NAFED procured 71,840 tons till 23rd November. In the current year, farmers betting big on high market price and are less attracted to minimum support prices. In the open market there are no rules like quality or quantity limit and payment is made on the spot. As per the first advance estimate of Gujarat, crop output is set to hit a record 5.4 million tons, and with international holidays ahead and the steam on CNY, reducing close to Jan end, the price of peanut may start cooling down. Godspeed India!