Peak festival season and slack demand

Politics vs Economy: The upcoming election year put the spotlight on political objectives. Driving MSP procurement prices leading to oversupply in several markets and a volatile trends has become a common phenomenon. The peanut industry is getting naturalized slowly, except for several stockists, businessmen, and industrialists who are an essential part of the market organism. The export subsidy for the Indian peanut was at 0%, which now stands revised at 0.15%. With a discouraging report policy and a volatile currency situation, the government is running the NFDB program with a domestic focus. Trade representation had already demanded a subsidy to remain competitive in the international market, especially against countries like Africa, which is taking over the South East Asian market with ultra-competitive prices. With an overall export decline for India and balance of payment widening months on months is a high time exporters get a push. With the next rabi crop forecasted to be lower than the previous crop, exporters and sellers in India are forced to raise prices at a bleak future amid a deteriorating farm economy.

Stringent but Slow: About 80,000 farmers participated in the procurement operations. The government has purchased 1,70,000 tonnes of peanuts till December 24. Peanut procurement by Gujarat government continues to receive mixed response from farmers this year. The transparency in procurement by the State Civil Supplies Department has reduced organization from farmers, but are disappointed with the slow pace of procurement. Many farmers are facing problems due to poor quality. Such stringent measures will not be friendly to the farmers who never had a standard to work with. Could this be the beginning of quality farming for the Indian peanut industry?

The X factor (q): What affects the Indian peanut market most? While only 30% is exported, the pricing of the 70% domestic trade is determined based on the export prices. Farming to shellings is decided based on exportable volumes.

And, the exports are determined by the single most factor: the Indonesian demand. It is interesting, how peanut came to India from Indonesia in the 18th century; however, today, it has supply has inverted. With the election year approaching, the Indonesian market saw several progresses in tax & commercial law, along with the rupiah swinging almost 3-5%. In addition, a very large local crop set the bean/peanut firmly on the Indian harvest. The peanut demand supply trends shift it in a 3-4-year cycle and we are right in the middle of it. Statistically, they say “5 = function of x”， Irrespective, we only have approx 50% to deal with in the peanut industry.

Peanut: Vacuum / Super Sack / 1 For questions, write to: king@pakting.com

Prospective crop position and a weak Chinese market... International Peanut Market

Argentina: New crop plantings are finished and weather has been favorable with soil has enough moisture now. The good news is that peanuts were planted on time, thus showing the weather cooperation; most of the harvesting might take place unaffected by rain and wet weather. The weather forecast is promising for the next 3 months, showing future predictions above normal for the 1st quarter of 2019.

USA: 2018 crop smaller than anticipated. Farmers are expecting that total crop will be slightly smaller compared to the latest USDA estimate. The total crop should end up at maximum 2.6 million or lower. The quality outcome of the remaining to harvest might be challenging due to the wet and cold weather. In case planting intentions for the new crop are moderated by higher cotton prices will see a higher market as from second half next year, or early depending on the quality outcome of this current crop.

Brazil: New crop plantings which are still expected to be 5 to 10% higher than last year. The weather in Brazil has been very good so far. There is no doubt that with growing crops, expanding exports, good quality and a price cheaper than Argentina; Brazil has taken a big share of the export market. The key for the European market will be the arbitrage. If Brazil can have another good crop, then Argentina will have a lot of competition for their new crop.

China: The weakness of the Chinese peanut market seems to be continuing, affecting all origins and affecting not only edible peanuts but also peanut oil. Should this situation continue, we could potentially see another reduction in plantings for the 2019 crop.