China’s entry spur ‘peanut’ price in India

1. El Nino (the little one): In 2019, monsoon projected to be 13% percent of the Long Period Average (LPA) amid the developing El Nino in the Pacific Ocean, the precipitation pattern has changed rapidly in the past few years. Peanut being one of the major rain-fed crops, will be affected if central India is rain-deficient during this time. Variability in rains is due to climate change. The extreme rainfall variability causes rains and droughts to happen in a shorter period, thus having a wide impact on the cropping pattern. It is possible to get four months’ rain in two months and no rain in the remaining parts of the year. There is an immediate need to take adaptation measures, such as growing wetlands to restore water and recharge the groundwater table using both traditional & technological solutions.

2. Nafed: National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) began peanut auction that it had procured in Gujarat. It commenced the peanut sale from 24 April 19 by inviting price bids from peanut processing units and oil mills. Buyers are allowed to visit the respective warehouses for inspection of the goods prior to the bidding process. The 3 week delay in the auction can be attributed to the Indian general election which is currently going on in a phased manner since April 11. The polling process will be completed and results announced by 23rd of May. The current peanut prices in India has risen and availability is scarce amid Nafed’s delayed auction and poor liquidity of peanuts in the market.

3. Spurt in Imported Oils: Solvent Extractors’ Association (SEA), reported 26 per cent jump in India’s import of vegetable oils to 1.45 million tonnes in March 2019 versus 1.15 million tonnes in the corresponding month last year. A jump of 26% in the imports. This surge has prompted the domestic oilseed crushing and refining industry to cut operating capacity to sustain in their business. Despite being a deficit country with around 60 per cent of India’s demand met through imports, causes a major worry for domestic oilseed crushing and refining units. The higher imports and weak international prices are likely to keep the domestic price of edible oils under pressure in the country.

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Indian Peanut Market
Fueled by the Chinese demand for peanuts and the proxy demand from Vietnam, the activity in the peanut market was popped-up. The stock-hold of the Chinese peanut crop has depleted and the oil crushing companies were seen prisoners in China, which led to traders taking position to buy the Indian Bold & Java peanuts. Indian market led by tight supply complied with demand from China by inflating the prices.

While the leader of the pack is clearly “China,” the bandwagon effect of the demand was seen from domestic stocks, whereo, adjacent markets such as Turkey, Algeria, Indonesia and Thailand. These buyers picked up their demand to peak a part of the crops until the next crop is available. The current market is probably fuelled 10-15% by the Chinese demand and the remaining 90% by “grace & speculation.”

However, the balance between export demand and domestic Indian players had already tipped the pivotal point. There is more local speculation now compared to the export demand.

Will Hainhong deliver to China without any legal hindrance? Will China keep buying or start releasing “It’s even stock-hold to the market?” Will Nafed liquidate more of its stock triggering other stocks to sell out? Will the weather play spoil sport for the next crop?

How much is the May 2019 crop going to be? These are some of the critical questions that could make or break this bull trend.

With the hopes and bets ON, God Speed India!

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International Peanut Market
USA: The farmers find it difficult to providing good quality peanut as a result of Hurricane Michael which had a great impact on the crops. With plantings expected to increase from 1% to 2% and with the carryover of the 2017 crop, it is still not enough and may be difficult to find offers for EU quality. As per USDA peanut crop estimates for 2019 crop, it is up 1.65 percent from last year’s 29th March estimates. This figures might fluctuate depending on factors such as domestic price behaviour and cotton futures.

China: Post Chinese New Year (Spring festival) the situation in China has changed dramatically. Starting from the beginning of March, China’s peanut market rose gradually. Local traders believed sufficient peanuts are available with at least 30% still in the hands of the farmers. But it seems not, and the Chinese market shot up almost $200-$300 per ton. Crushing factories in various production areas experience difficulty in purchasing peanuts. Some farmers said that they made margins as much $60000 on a 200 ton stock hold. It could be a case of speculation before the next harvest. We expect the next harvest to begin during August and the Chinese market to cool down in the months of May & June as there are no festivals.

Brazil: Brazil will end up with roughly 20% less volume compared to last year. The harvest is completed with lower yields. Brazilian sheller are also confronted with a higher percentage of aflatoxin as well as other issues related to the drought in January and a heavy rainfall during harvesting time. Offers for Brazilian BlanchedRunner 38/42 crop 2019 are at around USD 1900 per metric C&F which is more expensive than their competition from Argentina.

South Africa: SA will end up having a small crop and will be forced to import 30,000 to 40,000 mt at least, and probably the peanuts will come from Argentina and Brazil.

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