Government measures to safeguard farmers, impact shellers adversely...

Market Trend: The state government is procuring groundnut at higher than market rates which led the peanut processing units in Gujarat to face scarcity of raw material. In this scenario, more than 70% of peanut processing units had been closed while the rest is partially operational. Farmers are not willing to sell groundnut to the peanut processors as the government is paying more. On the other hand, processors are not in a position to offer high prices to the farmers as it is not viable. The beginning of every year (January) is a season time for groundnut processors but as the state government is procuring at the rate of Rs. 900 per 44lbs, farmers prefer to sell their produce to the government than to the processors at lower prices. The Indian peanut market still has a carry forward stock of 2016 crop in the western and southern states of India. It's a rare phenomenon in the Indian peanut industry to have a carry-forward stock of each crop season's production.

Impact Of Global Markets:
Imports of palm oil, a substitute added to all edible oils, has only compounded Gujarat farmers' troubles. Prices declined 30-35 percent this season making palm oil attractive as a substitute. That depressed the demand for groundnut. The government hiked the import duty on edible oils, including palm oil, to 13 percent to support farmers. Yet, it's unlikely to benefit farmers immediately. While the government is in the process of procuring the crop, on one hand, it is running out of space and does not know what to do with the surplus stocks.

MARKET HIGHLIGHT
Farmers on one hand with the hope of prices to rise whereas processors, on the other hand, have been crying foul to procure raw material at such low market rates since it is hitting their margins. Due to disparity, it affects the domestic market as well as the international market and might lower the export of groundnut, despite having an advantage of higher output.

International Peanut Market:
China: The Chinese peanut market continued being very weak in the past December, the prices dropped again and again. Some of the varieties have dropped to a record low level in recent 4-5 years. Due to the farmers' reluctance to sell and the poor demand in the past 2 months, the consensus believes there are still considerable stocks holding by farmers. Then changes in the currency rate (USD-CN), which had last stabilized around 6.4 for three months, now using only two weeks go down to 6.48. For the exporters, the exchange loss of their forward contracts will be about $25 per metric ton. This is a risk to Chinese exporters.

USA: University of Florida and farmers began reporting an unprecedented sudden decline of peanuts prior to harvest. Symptoms included stunted plants, late-season yellowing, and distinctive marginal leaf necrosis. Entire fields withered. Yields fall off by as much as 45 percent. It was estimated that 25,000 acres of peanuts in peninsular Florida were affected.

Argentina: Peanuts have improved their general status in the last few weeks, aided by rainfall and high temperatures, which favored the development of the plants. During the second week of January, there was a major storm that hit the West Zone (province of San Luis), causing not only minor rainfall but also hail, which brought damage to the peanut crop.

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