Handful harvest, make farmers think to smile or not?

Troubled farmers, troubled government and confusions everywhere. Could this just be a teething problem of any big crop?

Everyday arrivals in Gujrat have started to touch 200000-300000 bags. Considering the previous year’s trend line, this is not much variation. However, the number of factories running this season so far has touched only 50-70%. There are several confusing factors in the market right now. Firstly, the GST policy amendments from 1% to 0.10% is not only changing a transfer of burden on tax payments of GST from exporters to shippers. Although the recent GST changes are only temporary until 31 March 2018, it has taken a toll on stockist, exporter’s appetite and oil cracker speculations. Secondly, the government’s purchase to support MSP (minimum support price) to farmers has brought more confusions to the market. With bumper crop and oils policy, Gulfanur government began procurement from the 18th Oct. The state government started to procure groundnut at ₹900 (US$ 14) per 20 kg against the prevailing market price of ₹650 (US$ 10). The procurement is done from 106 farmer market centres. The procurement scheme will put an additional financial burden of ₹500 crores (US$ 78 Million) on the State exchequer. Since the procurement, prices have jumped to around ₹750-900 in select markets.

Thirdly, the confusion in buyers themselves. With multiple sources serving as a cheap alternative with longer ship time, buyers are very reluctant to consider a clear agenda towards business. Typically, October till March is a very peak period of peanut business. However, the current situation of local and export demand seem to be a peak among one of the troughs.

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Indian Peanut Market: Shippers were trying to catch up pending shipments due to prolonged Diwali break. Arrivals were impacted due to festive season. Prices moved up marginally due to crunch in supplies however market went down with a corresponding rise in arrivals. The Bolds (runners) trended down by nearly 5% in the local market and the Java (Spanish) by nearly 8%. With the harvest yields greater than last crop year, we can expect prices to soften more. With Chinese demand for the boldly, it was in a dormant state. However there were few speculative deals with the Chinese represented Vietnamese purchase for the Bolds (runners) at ₹975 to ₹1000/T.

The local edible oil market connected downwards after festive time, and so did the other domestic markets. In the short term we could expect the bold (runners) to correct another 3-4% and the Java (Spanish) correct another 3-5%.

The 2016 crop stock is still about 165K tons with the state government and is currently fetching a ready price for the crushers. Overall, the Indian peanut market is poised to go in for a downward correction in the short-term which may make it more attractive and lend support to the momentum.

MARKET HIGHLIGHT

With big crops everywhere, price discovery has started in all the exporting and consuming markets. Although we are at the beginning of a peak demand-supply season, the picture is well set for a better movement in the industry. Price discovery could lead to positive demand, that in turn, leading to price stabilisation.

PEANUT PRICE BEST QUOTES

BOLD 3040 AYLMTON AT $825/MT
BOULD 4050 AYLMTON AT $1200/MT
BOLD 5060 AYLMTON AT $1255/MT

MARKET TREND DOWM

BOLD 6070 AYLMTON AT $1335/MT
BOLD 7080 AYLMTON AT $1255/MT

International Peanut Market: There is strong competition at present between Brazil, India, China and Africa. China was impacted by weather issues which gave way a week ago. Prices in China were stable owing to the big crop. Good quality is limited due to drying process affected by rain. If weather supports, we could see a steep fall in the Chinese peanut market. Senegal peanut season expected to deliver from Dec. The prices are expected to be same as previous crop. Despite the downward in the global market. In the USA, the 2017 peanut harvest is well underway with over 70 percent of the Georgia crop dug and over 50 percent harvested. The greatest opportunity for finding a market for this crop is through increased exports. While it is likely that exports will pick up, there is little indication that it will be without a drop in price. Even with exports forecast to increase from last year, the ending stock created by this crop is expected to reach the highest of 2012. The industry needs to find a home for these peanuts as prices will be impacted until this surplus can be moved.

Given the supply situation, prices are keen to correct which can give rise to consumption and expand the peanut economy. Although downward movement of prices are not good for the farmer, it is very healthy for the industry to expand. After all, only when when our customers profit, so can we. Given the scenario oil prices movements, China cannot go below 1000/BRT. Senegal can price in between $650-900/T and India can price same level as Senegal, and with shipment time being an advantage, Indian peanuts, although realises lower margins, could gain good market share. Godspeed India!