



SAMTRACO

OCTOBER 2020

Dear All,

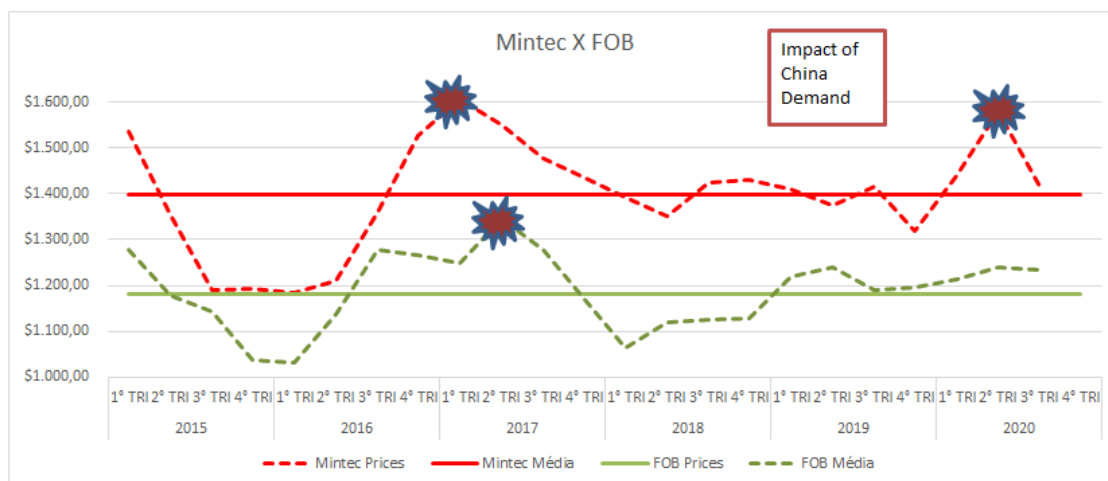
BRAZIL CROP 2020

In the current crop, there was an increase of 19% in production, compared to the previous year, representing an increase of 175,000 M / T of edible kernels. However, this seems to have been absorbed by an increase in consumption in the three markets. Mainly in the export kernels and crushed to the export of Peanut oil.

Period	2018				2019				2020			
	Kernel (m/t) 12024200	Kernel (m/t) 20081100	Oil (m/t) 15081000	Oil (m/t) 15089000	Kernel (m/t) 12024200	Kernel (m/t) 20081100	Oil (m/t) 15081000	Oil (m/t) 15089000	Kernel (m/t) 12024200	Kernel (m/t) 20081100	Oil (m/t) 15081000	Oil (m/t) 15089000
February												
March	14.618	759	4.731	1.829								
April	20.394	1.132	6.161	1.830	13.034	658	5.348	1.407	24.035	354	5.889	1.518
May	14.575	737	4.439	1.291	19.014	309	8.070	1.505	34.130	258	8.985	1.946
June	17.082	1.770	5.662	1.072	19.818	267	4.148	855	36.522	208	8.734	1.510
July	7.942	998	5.003	424	18.285	328	4.637	591	28.833	409	7.336	1.515
August	19.087	1.938	3.929	650	18.860	399	3.001	481	30.471	613	5.079	865
September	19.628	2.636	4.069	865	18.666	481	2.065	344	19.168	466	5.175	645
October	21.546	1.489	3.021	1.095	16.997	368	2.843	172				
November	19.054	1.695	5.236	1.080	12.247	324	3.077	408				
December	23.713	646	2.756	1.300	9.962	423	2.332	344				
January	16.161	742	2.397	655	6.968	283	919	0				
February	14.582	1.033	3.056	1.080	8.880	308	1.392	516				
March	14.769	576	5.085	1.505	14.244	433	3.352	933				
April												
Total	223.151	16.151	55.545	14.676	176.975	4.581	41.184	7.556	173.159	2.308	41.198	7.999

* Official statistics for the NCM peanuts 12024200, prepared peanuts: 20081100 peanut oil: 15081000 and other peanut oil: 15089000.

In relation to oil exports, something very similar occurred in 2016. The difference is that in the current year, in addition to the higher volumes, the beneficiaries already had contractual commitments to export, this prevented the increase in crushing prices from impacting exports.



When considering between 130,000 and 150,000 consumed until now by domestic market plus the consumption of seeds of 38,000 m/t, Brazil would have consumed around 60% of the volumes produced to date.

A new dynamic pricing is established in Brazil, year by year, due to increased production and consumption in the three markets. To understand, let's examine what has been happening in recent years.

Most producers are financed by large companies and deliver all peanuts financed at the beginning of the harvest.

The number of independent producers grows every year, investing in drying and storage structures that can commercialize their production at the most opportune time from July / August of each year.

The biggest consumer, however, is still the domestic market that buys 35% of production, (25% in the harvest and 5% in the off-season). It allows to pay around U \$ 9.50 during the harvest, but during the off-season October on, in case of shortage of raw material, it reaches U \$ 15.00 per 25kg in shell.

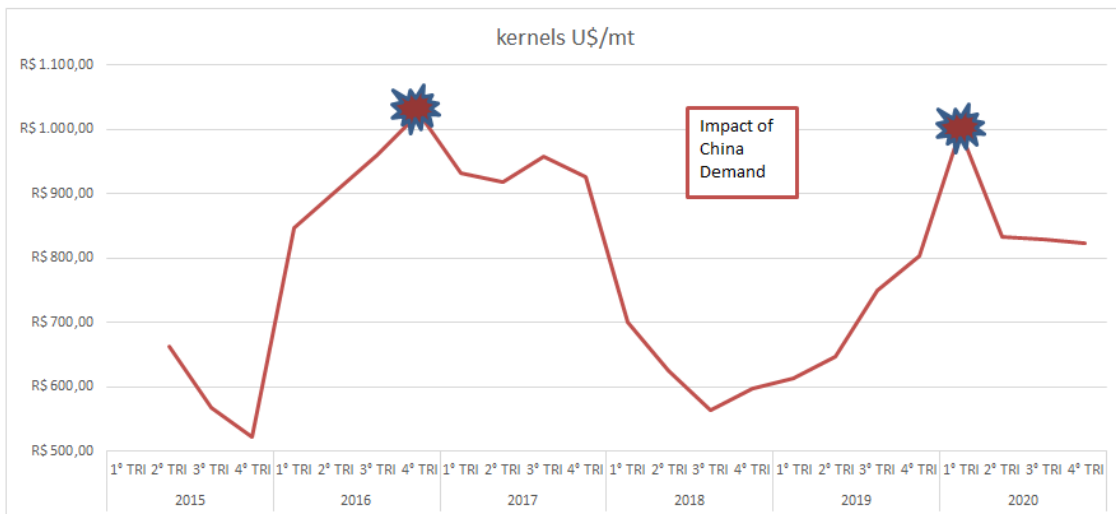
Small part of exporters, and small share of exports is destined for the EU, because of the strict quality requirements, traceability and certification levels. Further and more important the guarantees of fulfillment of contracts with the quality, volumes and prices established. These exporters are able to pay between U \$ 11.50 and U \$ 13.70 for the same 25 kg with shell.

The rest of the exporters responsible for much of the Brazilian exports, dedicated sales to Russia, Algeria and other countries of America Central and South America, destinations that request more quality than the internal market but less demanded by EU. They can pay anywhere from U \$ 10.50 U \$ 11.00 per 25 kg in shell.

Regularly 15% of the volumes are crushed, but if the demand for oil is accentuated as in the current harvest, it can reach around 25% of the volume produced. And the price paid for 25kg of peanuts in shell can reach and even exceed \$ 13.00.

- **Prices reference for 25 kg in shell 18 kg kernels.**

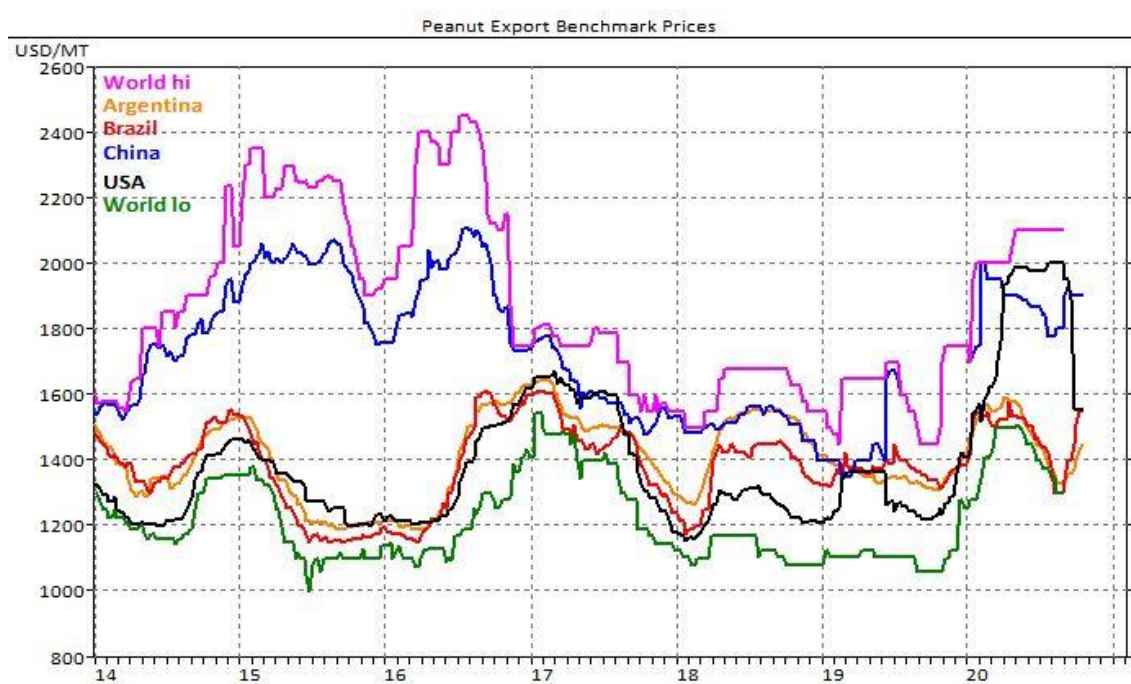
However, when China does not demand oil, producers sell to exporters and industries in the domestic market.



As per info received from Alimenta Agri, Mr. Alexander Izmirlian, China still press the market for farm stocks in the US, it is not clear, whether this buying movement is preventive, before Chinese trade barriers against American imports are renewed sometime in the next year. Or if the Chinese market reached another level of consumption and prices, as the Chinese harvest was good despite the heavy rains occurred.

African crop should be harvested by the end of November, easing Chinese demand, but even so, China is likely to continue importing until the Chinese New Year.

However, prices remain high in China according to the Mintec table below.



Prospects to the coming crop 2020/21.

At the end of October after long drought finally received rainfall still below optimal levels for the preparation of the fields. The prospects for this crop are unclear.

Mogiana currently plants less peanuts than Alta Paulista. A significant reduction in areas in this region is expected, which continues to lose space for soybeans. Meanwhile, in Alta Paulista, pasture reform is explored in areas still available for peanuts.

Paradoxically, it is reported strong demand for seeds and there seems to be increased area in the region, raising the planting of São Paulo State for around 230,000 or more hectares.

Producers will need regular rains interspersed with sunny days for the next 120 days. Let's see how La Niña will help us.

The crushing companies indicate contracts at R \$ 70.00 for the beginning of the harvest, the exchange rate variation is uncertain. A fiscal crisis, if confirmed, in the year 2021 may cause a further devaluation of the Brazilian currency and a reduction in the purchasing power of the domestic market. That would take us in the opposite direction to the last few months, where domestic consumption was positively impacted by social assistance during the pandemic.

Chinese demand, dollar exchange rate, domestic consumption, La Niña and effective planted area. Are factors need to be clarified in order to know how the 2020/2021 harvest will be sold.

Future Prospects

During the past 20 years, producers have been increasing production and supplying a constantly expanding consumption.

More stores for peanuts in shell is a trend, considering the best prices in the second half of each year, as long as the planted area remains below 300,000 hectares or until production reaches 1,000,000 m/t of kernels.

The production of certified seeds will increase and a false market will disappear where growers sell kernels as seeds.

By improving the seed quality, we may have high germination and vigor, boosting yield to a new level that could reach 4,000 kg of grains per hectare.

If complementary information is necessary, please do not hesitate to contact us.

Regards,



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