Peanuts Market Outlook – February 2022

This year, the market is still discovering contract peanut prices and acreage. While we have seen higher prices than last year, competition against corn and cotton and inputs cost will be key to defining contract prices and acreage this year. This report will analyze supply and demand market drivers that indicate next year's market.

U.S. Peanut Production

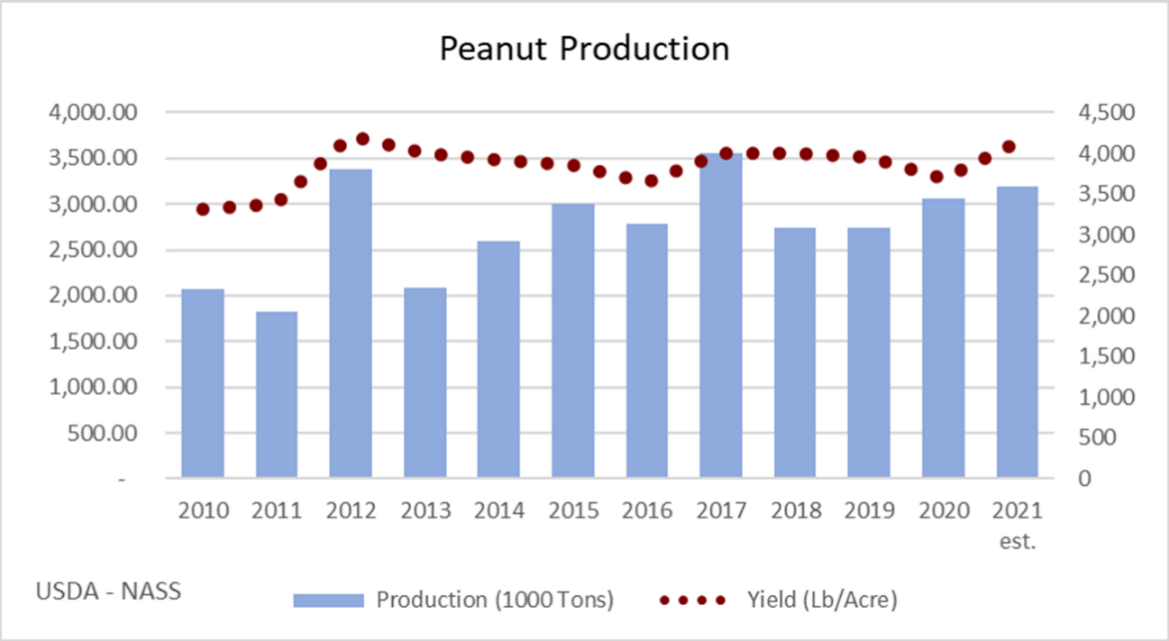
Last year we saw a reduction in planted acres even with higher contract peanut prices. 2021 planted acreage decreased by 4.9% (Table 1). High cotton and corn prices and the need for crop rotation in some areas were the leading cause of this acreage reduction.

Table 1. Planted Peanut acres per State. Source: USDA - FSA

Peanut Acreage per State (1000 acres) - USDA - Farm Service Agency								
State	2015	2016	2017	2018	2019	2020	2021/22	% Change
AL	195.0	172.7	192.8	163.1	156.2	185.0	185.0	0%
AR	16.3	23.1	29.3	25.3	32.9	39.0	38.0	-3%
FL	185.1	152.3	188.6	150.4	161.3	175.0	170.0	-3%
GA	781.8	714.3	830.1	659.5	667.5	810.0	760.0	-6%
MS	42.0	37.3	42.3	23.5	19.3	23.0	18.0	-22%
NM	4.9	8.0	8.5	5.9	5.0	6.2	11.0	77%
OK	8.2	11.4	19.2	14.3	14.1	15.0	16.0	7%
TX	164.2	300.9	271.1	149.4	158.5	190.0	170.0	-11%
NC	89.3	100.4	117.7	100.1	102.7	108.0	115.0	6%
SC	110.5	108.0	120.3	85.2	63.7	85.0	69.0	-19%
VA	18.1	20.2	26.3	23.5	24.2	28.0	30.0	7%
US	1,641.0	1,653.3	1,853.3	1,407.7	1,421.3	1,664.2	1,582.0	-4.9%

Even though acreage was smaller this last season, production was 4.1% higher than last season (3,194 tons). Twelve percent higher yields (4,135 Lb/acre) compensate for the loss of acreage Graph 1). These were the highest yields obtained since 2012. Total world production also increased by 2.2% during this current production year.

Graph 1. Peanut Production and Yields



U.S. Exports

Total Exports from the U.S. during 2021 showed a reduction of 25.7% compared to 2020 (Table 2). This reduction in exports can be mainly attributed to lower In Shell exports destined to China last year. Exports to China decreased by 62.9%.

Table 2. U.S. Peanut Exports.

United States Export Statistcs - January to December (Metric Tons)				
	2019	**2020**	**2021**	**% Change 2021-20**
Total Peanuts	**512,543**	**672,468**	**499,685**	**-25.7%**
Ground Nuts	17,614	18,783	18,388	-2.1%
Peanut Butter	41,026	39,100	42,317	8.2%
Shelled	329,592	292,229	271,361	-7.1%
In shell	100,370	304,097	141,364	-53.5%
Blanched	2,033	15,179	16,031	5.6%

	2019	**2020**	**2021**	**% Change 2021-20**
Exports to China	**67,171**	**328,308**	**121,917**	**-62.9%**

Source: American Peanut Council / US Department of Commerce.

The U.S. exported roughly 19% of total world exports in volume during these last five years. The United States ranks number 3 on world volume exports, below India and Argentina and above China, while producing approximately 6% of total world production. China imports during 2020 increased by more than 100%. These imports were lower during 2021. The main question today remains if China's high current level of imports will continue in the future.

Table 3. China Peanut Imports (2015-2020).

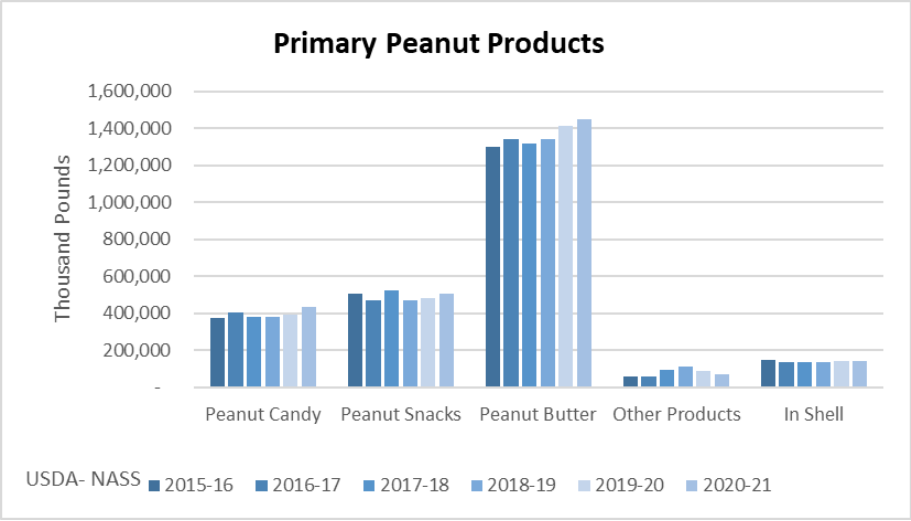
China Imports			
Year	World	US	Market Share (%)
2015	135,024	23,894	18%
2016	458,575	282,815	62%
2017	253,539	108,029	43%
2018	183,555	94,267	51%
2019	480,901	73,707	15%
2020	1,087,137	346,729	32%

Source: American Peanut Council

Domestic Demand

Domestic demand has continued increasing this last year. Shelled Peanuts (Raw Basis) Used in Primary Products and In Shell Peanuts increased by 3.4% for 2020-21, showing another consecutive increase in demand for peanut products. Peanut butter consumption, peanut snacks, peanut candy, and In Shell peanuts lead to this higher demand.

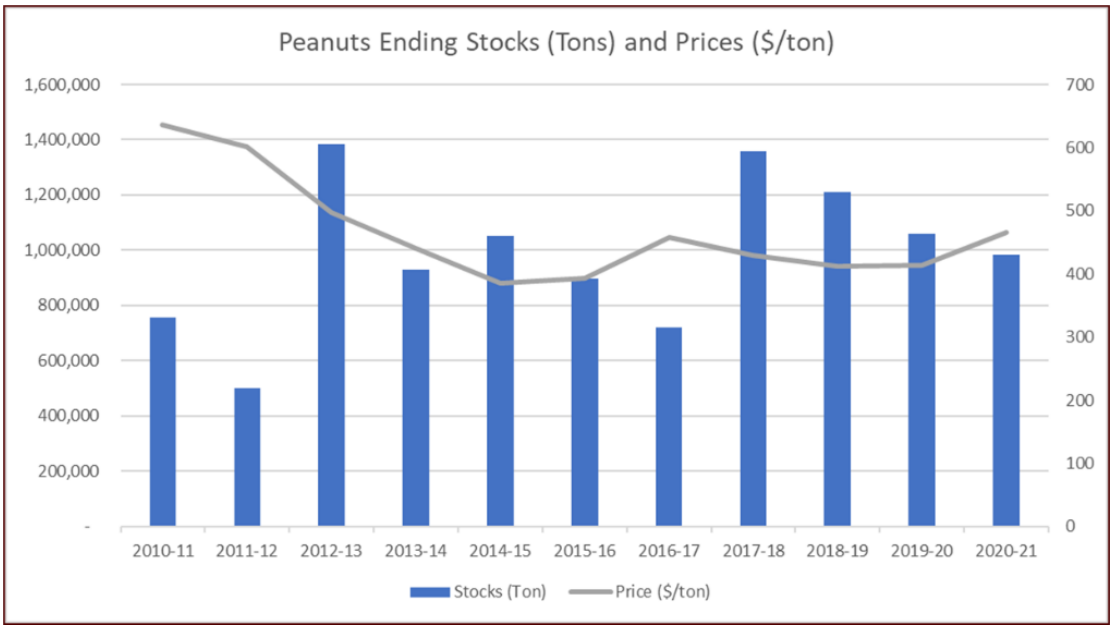
Graph 2. Primary Peanuts Products Consumption



Ending Stocks and Prices

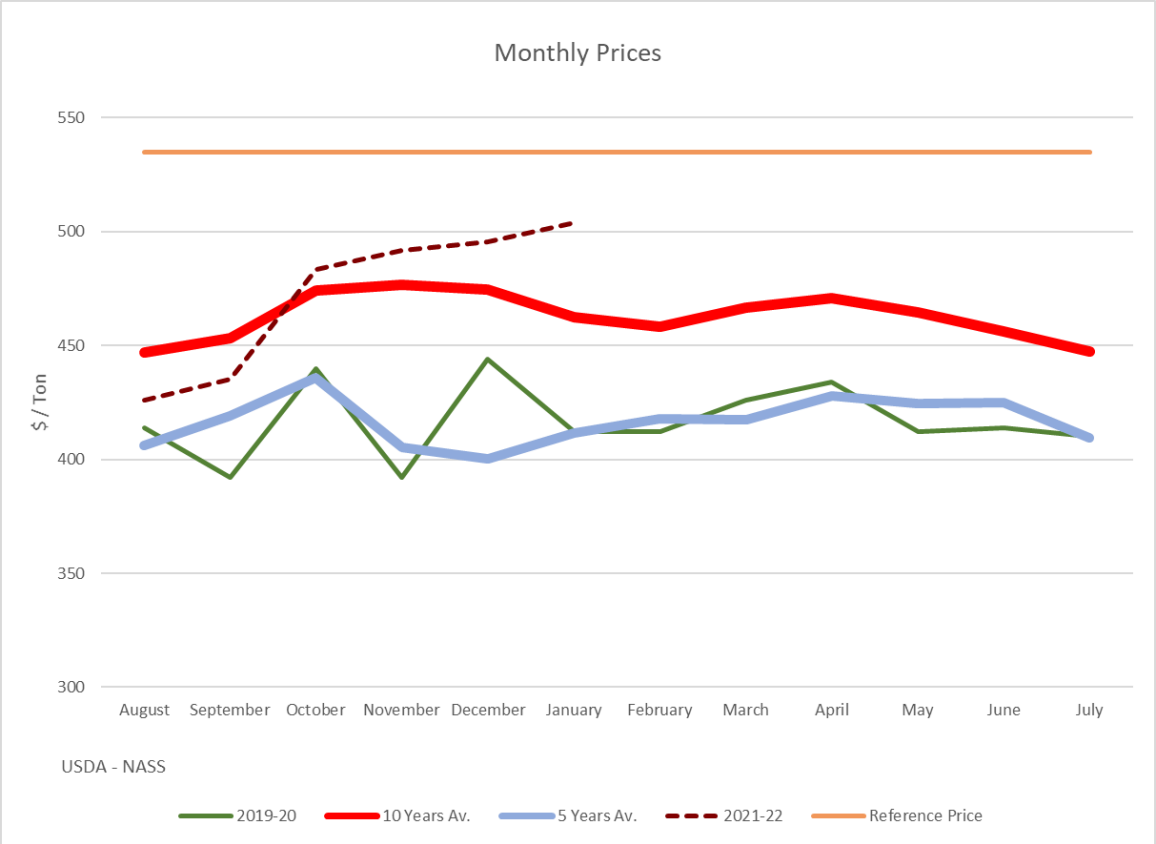
Higher exports and a robust domestic consumption overcame the higher production from the last two years. U.S. ending stocks have slightly decreased over these previous years. Ending stocks by July 2021 were the lowest from the previous four years, 984 thousand tons.

Graph 3. Peanuts Ending Stocks



As expected, 2021-22 prices have increased and are currently above the five and 10-year average. So far, 2021-22 average prices reported by USDA-NASS have an average of $473/ton. These levels of prices have been the highest from 2013-14.

Graph 4. Peanut Monthly Prices



Projected Ending Stocks

Projected U.S. ending stocks for 2022-23 crop showed similar ending stocks assuming little change in the planted and harvested acreage and lower exports (Table 4). Projected future ending stocks used an average yield of 3990 Lbs/acre. A reduction in planted acreage or harvested and lower yields might potentially reduce ending stocks to similar levels as the 2016-17 crop season.

The remaining question is whether U.S. consumption demand will keep at the current level and if exports will recover. The high-level prices of corn and cotton will compete for acres in many regions and help support peanut prices for the next season.

Table 4. Supply and Demand Projections

Supply and Demand Projections					
	2020-21	Est 2021-22	Low Proj. 2022-23	Av. Proj. 2022-23	High Proj. 2022-23
Planted Acres ('000 acres)	1,664	*1,582*	*1,600*	*1,600*	*1,600*
Harvested Acres ('000 acres)	1,616	*1,545*	*1,536*	*1,536*	*1,536*
Yield (Lb/acre)	3.80	*4.14*	*3.60*	*3.99*	*4.21*
Beginning Stocks ('000 tons)	1,059	*984*	*1,037*	*1,037*	*1,037*
Production ('000 tons)	3,067	*3,194*	*2,761*	*3,068*	*3,229*
Consumption ('000 tons)	3,142	*3,142*	*3,042*	*3,042*	*3,042*
Ending Stocks ('000 tons)	**984**	***1,037***	***756***	***1,063***	***1,224***

Production Costs

Breakeven prices have increased compared to last year's budgets. For a 2 ton/acre yield, the estimated District 1 and District 3 budget breakeven prices are $508/acre and $521/ton to cover total costs (Table 5). Total costs calculated in the district's budget included variable costs and fixed costs such as depreciation, equipment investment opportunity costs, and cash rent, which are highly variable between producers.

Overall commodity prices and input prices have increased during this last year. Locking contract prices at higher levels than total costs plus the farmer's expected profit margin is critical to keep farmers investing in new technologies and better production systems in the future.

Table 5. Estimated District Breakeven Prices

Est. Breakeven Prices to Cover Total Costs		
Yield (Tn/acre)	District 1	District 3
1.5	677	695
1.8	564	579
2.0	508	521
2.2	462	474
2.5	406	417

Price Loss Coverage

Peanuts are still one of the few crops where the USDA-FAS projected 2022-23 MYA price is lower than the reference price ($535/ton). USDA 2022-23 projected price of 430 $/ton is below the 2022 Effective reference price of 535 to calculate the Price Loss Coverage payment. Counter-cyclical payment yields per county in Texas vary from a minimum of 819 Lb./acre (0.41 Ton/acre) to a maximum of 5,519 Lb./acre (2.76 ton/acre). Assuming USDA projected price of 430 $/ton and similar base yields, estimated PLC payments per county will vary from 26 $/acre to 176 $/acre average per county (Table 5). This final estimated payment will depend on your farm's actual PLC base yield and the final reference price for the 2022-23 season, which could be higher.

Table 6. Estimated PLC Payment Rate for 2022-23 by County, Texas.

Estimated PLC Payment Rate for 2022/23 by County, Texas.											
County	Yield (Lbs/Ac)*	$/Acre	County	Yield (Lbs/Ac)*	$/Acre	County	Yield (Lbs/Ac)*	$/Acre	County	Yield (Lbs/Ac)*	$/Acre
Andrews	3,970	127	Eastland	2,173	69	Houston	1,283	41	Motley	2,982	95
Atascosa	3,546	113	Erath	2,268	72	Howard	3,986	127	Palo Pinto	912	29
Austin	1,875	60	Fannin	1,099	35	Hudspeth	3,986	127	Parker	819	26
Bailey	3,246	103	Fayette	1,144	36	Johnson	1,101	35	Parmer	3,840	122
Bastrop	1,319	42	Fisher	1,138	36	Jones	2,866	91	Pecos	2,970	95
Baylor	1,997	64	Floyd	2,427	77	Karnes	1,145	37	Randall	2,928	93
Bexar	1,262	40	Foard	3,004	96	Kent	1,633	52	Red River	1,183	38
Borden	4,074	130	Fort Bend	1,747	56	King	3,164	101	Reeves	1,256	40
Briscoe	3,194	102	Frio	3,905	124	Knox	3,276	104	Runnels	1,736	55
Brown	1,951	62	Gaines	4,151	132	Lamar	1,767	56	San Saba	1,076	34
Callahan	1,607	51	Garza	2,845	91	Lamb	3,526	112	Shackelford	3,461	110
Carson	3,750	120	Glasscock	2,846	91	Lampasas	2,978	95	Somervell	1,320	42
Castro	2,346	75	Gonzales	1,818	58	La Salle	3,074	98	Stephens	1,320	42
Cherokee	1,183	38	Grayson	1,149	37	Lavaca	1,085	35	Stonewall	1,320	42
Childress	2,158	69	Guadalupe	1,732	55	Lee	1,212	39	Swisher	1,320	42
Cochran	3,166	101	Hale	2,706	86	Live Oak	1,255	40	Taylor	1,003	32
Coleman	2,788	89	Hall	2,390	76	Llano	3,884	124	Terry	4,027	128
Collingsworth	2,206	70	Hamilton	1,335	43	Lubbock	2,906	93	Throckmorte	2,820	90
Colorado	1,136	36	Hansford	1,753	56	Lynn	3,766	120	Travis	4,272	136
Comanche	1,746	56	Hardeman	2,534	81	McCulloch	3,412	109	Waller	1,666	53
Cooke	1,231	39	Harris	1,682	54	McLennan	1,920	61	Wheeler	2,028	65
Cottle	1,890	60	Hartley	5,519	176	Martin	2,191	70	Wichita	1,342	43
Crosby	3,058	97	Haskell	3,333	106	Mason	4,201	134	Wilbarger	3,374	108
Dawson	4,245	135	Henderson	1,074	34	Medina	2,936	94	Williamson	1,066	34
Denton	1,162	37	Hidalgo	2,095	67	Milam	1,046	33	Wilson	2,497	80
DeWitt	1,506	48	Hill	886	28	Mills	2,054	65	Wise	1,078	34
Dickens	2,969	95	Hockley	3,283	105	Montague	1,312	42	Yoakum	3,846	123
Donley	3,593	115	Hood	1,101	35	Moore	3,569	114	Young	2,625	84
Duval	2,618	83									

*** Counter-cyclical Payment Yields by County (Lbs Per Acre)**

ARC-CO Max Expected Payment for Districts 1 and 3 average $98.4/acre. 2022-23 MYA prices should be lower than $460/ton to trigger an ARC-CO Peanuts payment. With every percentage price increases, county yield should decrease by the same amount to trigger a payment. If prices increase to $500/ton, average county yields should be reduced by 8%.

Table 7. ARC-CO Estimated District Summary - Peanuts

ARC-CO - Estimated DISTRIC SUMMARY - Peanuts

District	2022 Bench Mark Yield	2022 Benchmark Revenue	2022 Guarantee Revenue	Av. Price to Trigger Price ($/Ton)	Av. Yield to triggerd ARC Payment (bu/acre)						ARC Max Expected Payment ($/acre)
					430		460		500		
					Lb/acre	%	Lb/acre	%	Lb/acre	%	
District 1	3,880.9	1,038.1	892.8	460	4,153	7%	3,882	0%	3,571	-8%	103.8
District 3	3,479.2	930.7	800.4	460	3,723	7%	3,480	0%	3,202	-8%	93.1

The Agricultural & Food Policy Center at Texas A&M University has developed a 2022 ARC-CO/PLC Decision Aid (https://www.afpc.tamu.edu). This decision aid will help you understand the probability of receiving a payment, and how your choices under the 2018 Farm Bill may affect your FSA payment based on your decisions and farm history.

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