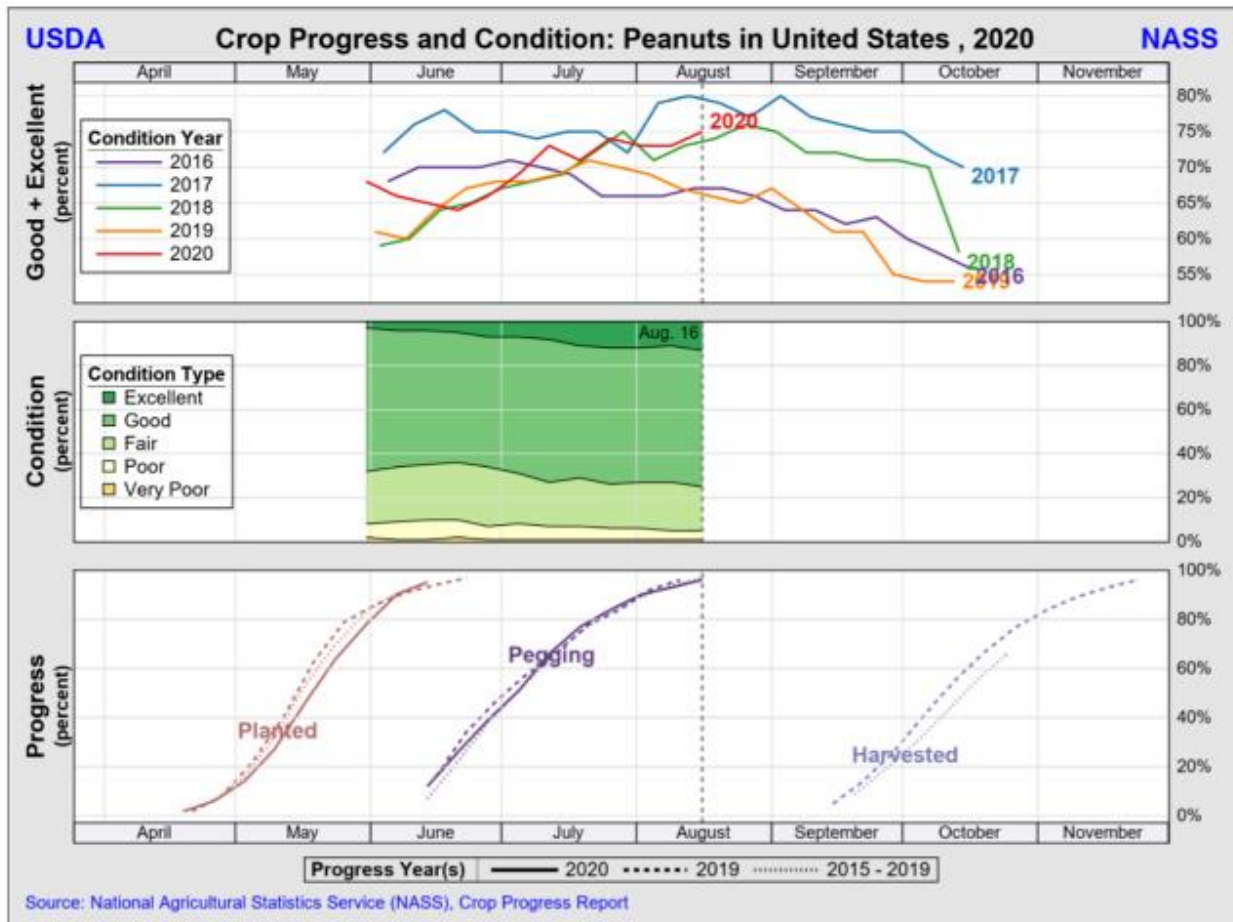


Crop Progress Report

USDA Crop progress report for peanuts in the US showed an improvement of 3 points from last week between Excellent and Good. Excellent and good conditions improved from 72% to 75% (Graph 1). This condition is also 6 points better than last year at this time of the season. On the other hand, Texas crop report is 6 points below the US average (69%), mostly due to the dry and hot weather during this summer. Crop condition in Texas at this time of the year is below 2019 and 2017 reports.

Graph 1.



Acreage:

2020 estimated planted acreage has increased by 11.3% during this season (Table 1). This growth was principally located in the state of Georgia that planted 121.66 thousand acres more, followed by Texas and South Carolina, with an approximately increment of 17.5 thousand acres each. Cotton and corn prices during the beginning of the season were not attractive enough to compete for peanut acreage in these areas, being peanut production a more attractive crop investment.

Table 1.

Peanut Acreage per State (1000 acres) - USDA - Farm Service Agency							
State	2015	2016	2017	2018	2019	2020	% Change
AL	195.0	172.7	192.8	163.1	156.2	160.4	2.7%
AR	16.3	23.1	29.3	25.3	32.9	31.6	-3.8%
FL	185.1	152.3	188.6	150.4	161.3	159.3	-1.3%
GA	781.8	714.3	830.1	659.5	667.5	789.1	18.2%
MS	42.0	37.3	42.3	23.5	19.3	21.9	13.7%
NM	4.9	8.0	8.5	5.9	5.0	5.2	4.0%
OK	8.2	11.4	19.2	14.3	14.1	13.5	-4.9%
TX	164.2	300.9	271.1	149.4	158.5	176.0	11.1%
NC	89.3	100.4	117.7	100.1	102.7	99.2	-3.5%
SC	110.5	108.0	120.3	85.2	63.7	81.4	27.7%
VA	18.1	20.2	26.3	23.5	24.2	26.8	10.7%
MO	1.4	4.0	5.2	5.4	13.3	15.1	13.2%
Others	1.2	0.8	1.9	2.0	2.6	2.7	5.1%
US	1,641.0	1,653.3	1,853.3	1,407.7	1,421.3	1,582.2	11.3%

The combination of a bigger area, and a higher yield estimation by the USDA for the 2020/21 US crop resulted in an expected growth in total production of 13.8% percent in the US. Total world production is only expected to increase by 1.85% during this current production year (Graph 2).

United States rank number 3 on world volume exports, below India and Argentina and above China (Table 2) while producing approximately 6% of total world production. Roughly 19% of total world exports in volume could be attributed to the US during these last 5 years.

Total Exports from the US during the first semester of 2020 showed an increment of 51.9% compared to last year’s first semester (January through June). This increment was mostly led by In Shell peanuts exports which increased by 77% during this similar period (Table 3). China was the destination of this new exports that were not registered in previous years. China’s purchases of total peanuts soared by 1,257.45% more compared to last year’s first semester. China has been purchasing mostly In Shell peanuts for oil production.

Graph 2.

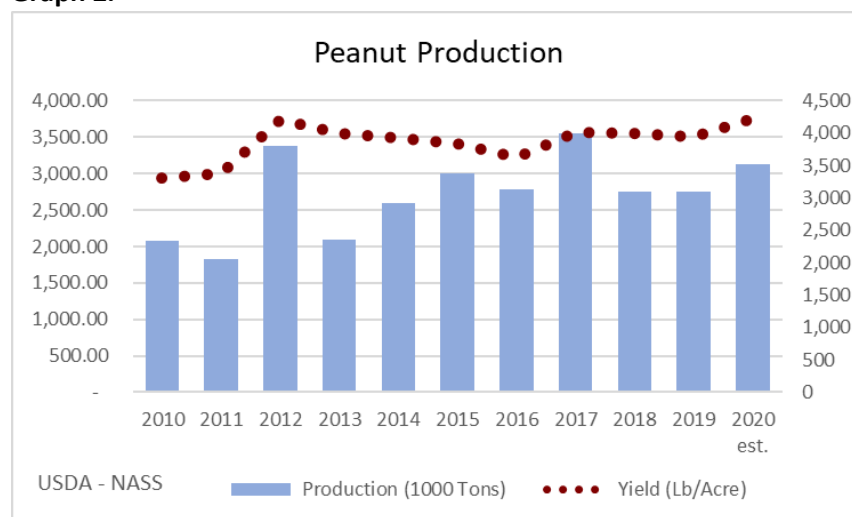


Table 2.

Global Exports to World - January to December (Metric Tons)						
	2015	2016	2017	2018	2019	Av. % Share
World	2,421,979	3,028,397	2,821,329	2,593,414	3,014,763	100%
India	587,084	666,372	671,837	499,318	621,309	22%
Argentina	599,610	687,357	556,220	465,479	559,241	21%
United States	424,573	672,254	484,435	494,331	512,590	19%
China	412,321	412,198	525,164	540,277	503,987	17%

Source: American Peanut Council

Table 3.

United States Export Statistics - January to June (Metric Tons)				
	2018	2019	2020	% Change 2020-19
Total Peanuts	267,521	244,065	370,818	51.9%
Ground Nuts	8,214	8,666	8,492	-2.0%
Peanut Butter	23,299	20,472	20,329	-0.7%
Shelled	176,002	166,920	153,718	-7.9%
In shell	33,499	35,019	177,571	407.1%
Blanched	19,329	10,060	8,769	-12.8%

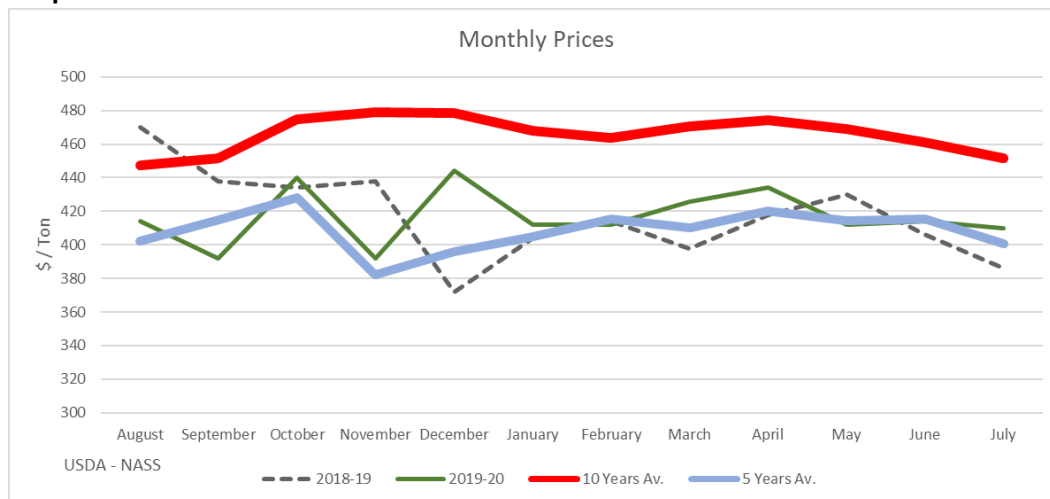
Source: American Peanut Council / US Department of Commerce.

Ending Stocks and Prices:

US ending stocks have slightly decreased during these last 3 years given the increased in exports and higher consumption, but still above 1 million tons by the end of July.

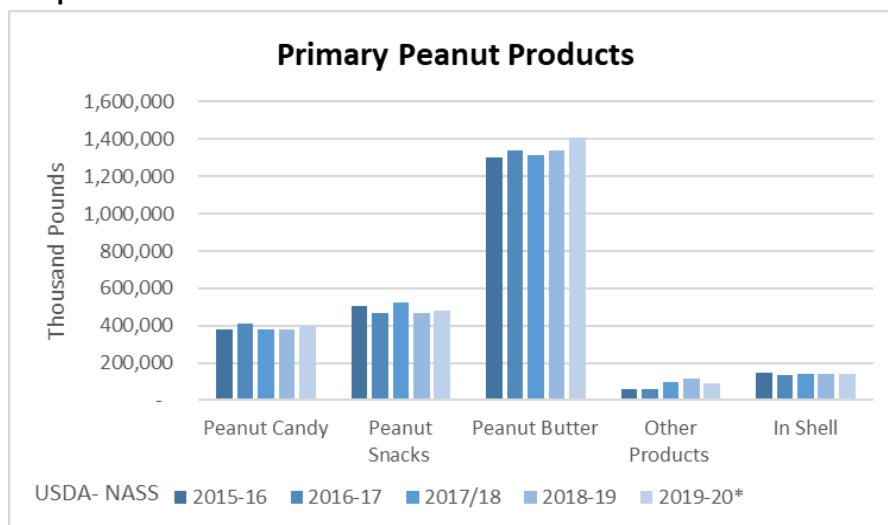
2019-20 average price (417\$/ton) has been significantly lower than the 10 years average price (466 \$/ton), and just above the 5 years average price (409 \$/ton). Average price was similar to last year’s price received by producers. On the other hand, these prices were better than 2015-16 and 2016-17 season prices which average the lowest prices in the last ten years (Graph 3).

Graph 3.



Prices were not affected by COVID 19 pandemic like other commodities. An increase in exports during the first semester and a higher US consumption of peanuts during the pandemic helped to maintain stable prices. Peanut butter consumption increment during the pandemic supported prices above average during March and April. Peanut usage increase by 3.2% during 2019-20 crops season, while peanut butter increased by 5.1% from last year (Graph 4).

Graph 4.



2019 Peanut crop was not included for CFAP Payments due to COVID 19 market disruptions. To be included in the CFAP program, the estimated price of a commodity should have decreased more than 5% between the week of January 13-17, 2020, to the week of April 6-9, 2020. Any commodity that did not experience a price drop of more than five percent was not eligible for support under CFAP like in this case with peanuts.

USDA Weekly National Posted Prices for peanuts report for August 25th average 420 \$/ton, combining the four different varieties, Runner (424.55 \$/ton), Spanish (415.57 \$/ton), Valencia (428.74 \$/ton), and Virginia (428.74 \$/ton).

Although these prices might cover variable costs, given District 1 budget calculation for irrigated peanuts, these are not high enough to cover total costs (Table 4). For an expected yield of 2.25 ton/acre, calculated total costs breakeven price was 431.96 \$/ton for this coming harvest. This breakeven price does not include farmer’s return on investment expectations either.

Total costs calculated in the district budget included variable cost as well as fixed costs such as depreciation, equipment investment, and cash rent, which are highly variable between producers. While these prices are not high enough to meet economic expectations with a 2.25 ton/acre yield, they might be enough to cash flow this year. Prices received and contracted by producers so far are above variable costs and cash rent. However, these prices are not high enough for an economical sustainable production system in the long term. Prices should be higher than our total costs plus farmer’s expected profit margin breakeven price to keep farmers investing in new technologies and better production systems in the future.

Table 4.

Breakeven Price to Cover Total Costs		\$431.96 Ton	
Example Breakeven Prices			
Example Yield Percent	Example Yield Ton	To Cover Variable Costs	To Cover Total Costs
75%	1.69	\$450.83	\$575.95
90%	2.03	\$375.69	\$479.96
100%	2.25	\$338.12	\$431.96
110%	2.48	\$307.38	\$392.69
125%	2.81	\$270.50	\$345.57

Developed by Justin Benavidez, Assistant Professor, Texas A&M AgriLife Extension, 806-677-5600.

Information presented is prepared solely as a general guide and not intended to recognize or predict the costs and returns from any one operation. Brand names are mentioned only as examples and imply no endorsement.

Price Loss Coverage

Most farmers chose for the PLC program for 2020-21 crop. PLC payments are expected given today’s USDA 2020-21 projected price of 405 \$/ton which is below 2020 Effective reference price of 535 to calculate the Price Loss Coverage payment. This preliminary estimate of 130 \$/ton difference should be applied to the 85% of the peanut’s base tons per acre on your farm to estimate the PLC payment per acre. Counter-cyclical payment yields per county in Texas vary from a minimum of 707 Lb./acre (0.35 Ton/acre) to a maximum of 4,272 Lb./acre (2.14 ton/acre). Assuming USDA projected price of 405 \$/ton and similar base yields, estimated PLC payments per county will vary from 39 \$/acre to 236 \$/acre (Annex 1). This final estimated payment will depend on the actual PLC base yield from your farm, and the final reference price for the 2020-21 season.

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Peanuts Market Outlook

August 31, 2020



Annex 1.

Estimated PLC Payment Rate for 2020/21 by County, Texas.											
County	Yield (Lbs/Ac)*	\$/Acre	County	Yield (Lbs/Ac)*	\$/Acre	County	Yield (Lbs/Ac)*	\$/Acre	County	Yield (Lbs/Ac)*	\$/Acre
Anderson	1,546	85	Dawson	4,231	87	Hidalgo	1,910	106	Morris	1,207	67
Andrews	3,945	218	Deaf Smith	3,134	64	Hill	955	53	Motley	2,895	160
Archer	2,600	144	Denton	1,161	77	Hockley	3,183	176	Nolan	1,780	98
Armstrong	2,613	144	DeWitt	1,355	92	Hood	1,142	63	Palo Pinto	980	54
Atascosa	3,265	180	Dickens	2,942	164	Houston	1,330	73	Panola	1,101	61
Austin	1,698	94	Dimmit	3,426	100	Howard	3,986	220	Parker	759	42
Bailey	3,105	172	Donley	3,254	106	Hudspeth	3,642	201	Parmer	3,913	216
Bastrop	1,308	72	Duval	2,618	169	Jack	1,351	75	Pecos	2,970	164
Baylor	1,967	109	Eastland	2,090	234	Johnson	1,096	61	Randall	2,947	163
Bee	2,042	113	Erath	1,822	173	Jones	2,282	126	Red River	1,183	65
Bell	1,570	87	Falls	1,303	64	Karnes	1,248	69	Reeves	1,460	81
Bexar	1,177	65	Fannin	1,105	75	Kent	1,633	90	Robertson	707	39
Borden	4,074	225	Fayette	1,128	163	King	3,164	175	Runnels	1,736	96
Bosque	1,335	74	Fisher	1,094	189	Knox	3,243	179	Rusk	1,142	63
Bowie	1,362	75	Floyd	2,297	180	Lamar	1,788	99	San Saba	1,620	90
Briscoe	3,128	173	Foard	3,086	145	Lamb	3,526	195	Scurry	2,463	136
Brown	1,953	108	Fort Bend	1,718	115	Lampasas	2,978	165	Shackelford	3,582	198
Burleson	1,066	59	Frio	3,556	101	La Salle	3,296	182	Somervell	1,320	73
Burnet	2,764	153	Gaines	4,059	72	Lavaca	1,057	58	Stephens	2,999	166
Caldwell	1,976	109	Garza	1,529	61	Lee	1,208	67	Stonewall	1,124	62
Callahan	1,727	95	Glasscock	2,817	62	Limestone	1,112	61	Swisher	1,256	69
Carson	3,750	207	Goliad	1,302	60	Live Oak	2,836	157	Tarrant	1,024	57
Castro	2,543	141	Gonzales	1,567	127	Llano	3,884	215	Taylor	2,008	111
Cherokee	1,183	65	Gray	1,342	74	Lubbock	2,869	159	Terry	3,978	220
Childress	2,083	115	Grayson	1,167	64	Lynn	3,753	207	Throckmorton	3,367	186
Clay	1,550	86	Guadalupe	1,606	89	McCulloch	3,421	189	Tom Green	3,957	219
Cochran	2,952	163	Hale	2,709	150	McLennan	1,483	82	Travis	4,272	236
Coleman	2,788	154	Hall	2,049	113	McMullen	3,114	172	Waller	1,638	90
Collin	1,144	63	Hamilton	2,155	119	Martin	2,291	127	Washington	1,348	74
Collingsworth	1,743	96	Hansford	1,753	97	Mason	4,147	229	Wheeler	1,491	82
Colorado	1,162	171	Hardeman	2,280	126	Medina	2,895	160	Wichita	1,778	98
Comal	1,392	95	Harris	1,749	97	Midland	2,419	134	Wilbarger	3,272	181
Comanche	1,665	196	Hartley	4,124	228	Milam	1,018	56	Williamson	1,066	59
Concho	2,976	224	Haskell	3,270	181	Mills	2,054	113	Wilson	2,274	126
Cooke	1,801	84	Hays	2,939	162	Mitchell	3,051	169	Wise	1,078	60
Cottle	1,910	156	Hemphill	1,417	78	Montague	1,321	73	Yoakum	3,721	206
Crosby	3,062	72	Henderson	1,074	59	Moore	3,569	197	Young	2,617	145

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