

May 2009

US\$/€ 1.3130

US\$/Pstg 1.4630

Aldebaran Commodities B.V. peanut market report

Dear client,

Time for a peanut market update. Market has not been very active last 3 months, seems that coverage that was theoretically done at 80%, turned out to be 100% due to declined consumption. Inventories of the manufacturers need to be cleared, before contracting any new material. But now we have reached the concrete floors of the warehouses in Europe. Only very limited quantities available, and especially raw, non blanched material is a scarce item.

As a result spot market increased to over US\$ 1.000,00 FCA for raw material and US\$ 1.100,00 FCA for blanched.

From the Argentine 2008 crop still considerable quantities available, but with the current state of the 2009 crop the larger shellers are not offering to cheap but still at a discount compared to new crop. Smaller shellers are offering with larger discounts to solve cash flow problems. The 2009 crop was short of moisture, especially the Southern part of the peanut region is suffering from severe drought and that will have a very negative influence on the total crop number. Many fields are already written off completely because it is impossible to harvest. Goods that are being harvest arrive with very low moisture content at the plant. This will have influence on the quality of the processed goods. Not only high split percentage on the blanched material, but also loose skins on the raw. We also have to see if the apparent stress of this crop will give an increased risk on aflatoxine.

Prices for 2009 crop indicated at US\$ 950,00 C+F for Runner 40/50 cpo, and US\$ 1.050,00 C+F for 40/50 blanched.

Usa is looking at dramatically lower planting intentions, but too early to tell what acreage will really be planted. The 2008 crop was a record crop in size, and that has put a lot of pressure on the price. In order to maintain a sound and workable level the idea is to create a shortage on new crop and average out the supply and demand over the 2008 and 2009 crop. If this will work in practice is difficult to predict. Great uncertainty is what the government policy will be with regards to the 2008 crop peanuts in "the loan". If these will be sold eventually at attractive rates to the industry prices could still come down. If it is decided to sent it all to crushing prices might indeed stay at current level or even increase. At the moment market on 2008 crop Runner 40/50 at US\$ 1.175,00 CIF EMP basis and selling idea on 2009 crop slightly higher.

Chinese prices have really exploded the last 6 weeks. Prices on Hsuji 40/50 cpo went from around US\$ 1.000,00 CIF to US\$ 1.200,00 CIF and on Virginia's 25/29 blanched from US\$ 1.050,00 CIF to US\$ 1.300,00 CIF. Only small part of this price increase is due to higher sea freight, main reason is the increased domestic demand. Chinese economy is still growing and able to absorb higher prices. For the coming weeks it is difficult to predict what will happen to the export prices. Most factories will be very inactive due to the festivities related to the 1st of May celebrations. At the moment plantings should be in full force, but as already mentioned in previous years, it is getting more and more difficult to find farmers to do the job. Another element that we have become used to in a way, is that the various CIQ branches are reluctant to perform export certification during the summers months. This has created in the past years already major problems for exporters who had the goods ready and processed, but were unable to obtain the required Health Certificate.

Inshell market showed some demand, but there seems to be a big gap between the buying idea of the supermarkets and the selling price of the raw material. And since inshells is for the bigger part a real

price item we could see that its place on the shelves will be filled with other products this year. Chinese is offering well over US\$ 1.000,00 CIF for 11/13 cpo and since only very limited quantity of 9/11 is available prices have risen to US\$ 1.150,00 CIF. From the Usa prices around US\$ 1.300,00 for Fancies and US\$ 1.400,00 for 9/11. No 7/9 from the 2008 crop. Egypt and Israel are the only origins able to offer as from September shipment onwards, but no prices yet.

On bird feeding prices differ very much depending on the origin. Splits and 70/80 cpo are being offered aggressively from Argentina around US\$ 750,00 C+F basis. But quality wise this origin is not the first preference of the buyers. But on India best offer at the moment close to US\$ 870,00, but at that level buyers reluctant to decide now for winter season that seems still far away today.

From supply side there are many Bullish elements that would predict this market to further increase to level well over US\$ 1.000,00 CIF for raw material. The question is if these elements will indeed materialize. Reality of today's market is that from the side of the consumers there are also a lot of Bearish elements. Consumption is down, and major industries are covered till December already. Possible demand from smaller industries will only be covered on nearby positions and if a sound margin can be made. With the current weak EURO there is little room for price increase for consumers. Situation that still has not improved over the last 6 month is the credit situation in especially the Eastern European countries. Financial institutes are extremely reluctant to give finance or security to producers and that limits the room to move.

Final outcome of all these elements could well be that market remains at current level, or even has to come down a bit in order to generate actual sales and trades.

The following points will decide what the market will do;

1. Will USA shellers buy back peanuts from the loan?
2. Will consumption come back to normal and are supermarkets willing to pay increased price levels?
3. Will the stocks of the 2008 crop in Usa and Argentina be sold before arrival of the 2009 crop in volume.
4. Will the credit crisis ease, so banks can free monies for especially the smaller companies, so they can invest properly into the market again.
5. Will confidence return for all player's involved in the peanut market and will they start to contract long-term instead of nearby, short-term.

Hope to have informed you satisfactory and please contact us for additional information or specific offer.

Kindest regards,

Paul and Menno

Aldebaran Commodities B.V. – www.aldebaran.nl