

Dear client,

In this market report, we put the focus on the USA peanut, written from an USA perspective.

Though there is some slight downside risk in the medium term, the prices will stay firm in the short term. Several reasons of this observation are enlightened below.

The market is currently trading at levels that are at historical lows. The average price over the past 10 years is US\$ 1,400 /mt, CFR Rotterdam for edible grade. EU Mediums with the low being US\$ 981 /mt and the high being US\$ 2,920 /mt Rotterdam. The price today is approximately US\$ 1,190 /mt CFR Rotterdam. There is the farm bill to take into account, but the regulations have not been released yet, and any benefit that farmers will see from that would come 18 months after planting which does not help with cash flow.

One thing that is affecting the market currently is the remaining 2012 crop which, over the next month/month in a half, will have to be sold for prompt shipment. Domestic manufacturers are largely covered through the 3rd quarter of this year so there are not many holes to plug them into. There will be much more contracted over the next few weeks so, once that is cleaned up, those short term disturbance in the market should be gone.

The other main factor is that the USA oversupplied the market again for 2013 crop. Even with a 38% decrease in acreage from 2012 crop, the USA will still end up with a carry – out from 2013 crop of over 1 million farmer stock tons. China, who stepped in around November of 2012 and supported the USA market by buying approximately 300,000 fst, exited the market around April of 2013. Since then, the USA has had to depend on other destinations to help to soak up the surplus. Europe has done a great job of doing this but the USA has to remind that they, to a large degree, have gained market share from Argentina. For the most part, Argentina has not been as aggressive as the USA and the expectation is that this will not change on a long term basis. This has helped to drive acreage in the USA and has helped to lower prices since the USA has had such good growing conditions over the past couple of crop years.

At this point, it becomes about what % of an increase the USA sees for 2014 crop which is being planted as we speak. The USA government forecasted an increase in acreage of 29%. In order for this to happen, the USDA forecasted an increase in Georgia of 53%. Expected is that this is not likely to happen. Seed sales in Georgia seem to be in the neighbourhood of an increase of 30-32% although they could creep up from there. Meanwhile, reports mention that India should reduce acreage by approximately 10-15% based on low prices and depending on the monsoons, and China could cut by 15%. A month or so ago some crushers in China bid Chinese origin prices up for the spot market in an attempt, in some opinion, to get acres planted. If it turns out that this does somehow decrease the reduction in acreage in China, that would dampen the expectations for 2014 crop exports which are currently estimated at 400,000 fst. USA may increase that if China and/or India does cut acres significantly.

As for the current market for 2013 crop, shellers cost basis would mean that edible grade peanuts (EU Medium Runners) on an FOB SE US basis would need to be above US\$ 1,160 /mt. The USA is almost at that point now so, as is usual in these situations in the USA, there is a lot of resistance preventing the market from going below that level. When this happened in the fall of 2012, (as mentioned above) China stepped in and ramped the market back up and took out a large chunk (approximately 300,000 fst) of the USA surplus from the record 2012 crop. Since then, the Chinese have exited the USA market although exports to Europe have helped to buy this market. The USA is beginning to see some initial interest from China now but it will be interesting to see if it is mainly on the discounted 2012 crop or if, after planting and as the USA predicts, they enter the USA market for shipments later in the year - which is expected.

In the meantime, it is stated that, **depending on what shellers have to pay for the balance of the 2014 crop**, the market should remain fairly flat until after planting and then, depending on how big of an increase that the USA has, combined with the global supply situation, the market will react. If the weather plays in their favour, the USA market could see some slight weakness- especially if farmers do end up planting the USDA estimate of an increase of 29% but most of that is already priced in. There has already seen some strength recently in the domestic market in what the USA believes is a sort of short squeeze. Basically, shellers have been forward selling the 2014 crop without backing it up with purchases of farmer stock.

**The last thing that buyers need to keep in mind on the 2014 crop is that, in the past, shellers would already own the majority of their inventory in the form of forward farmer stock purchases. This year, shellers own less than 60-65% of what is expected to be planted and most have sold more heavily than that. This means that a sheller does not have to worry about his position. If a manufacturer wants to buy, they will have to be willing to pay prices that allow the shellers to pay enough money to the farmers to get them to sell. Currently, the farmers are content to wait for higher prices so, unless a manufacturer pushes the shellers hard enough for them to step out and contract with the farmer, things should stay quiet.**

Finally, you can find a crop progress which is specified per 8 states on our website. An average of 70% is planted. Some are behind schedule due to weather conditions. For example, there is a concern in Texas are because of lack of water for irrigation. But in general, the weather forecast is good for the finish of plantings, creating a fairly large crop.

Prices on FCA Rotterdam basis are as follows:

Packaging Quantity	Total MT	Origin	Grade	Crop	Price US\$
40 BB	50	Argentine	Runner count 38/42	2012	1,245
20 BB	25	Argentine	Runner count 38/42	2013	1,325
28 BB	35	Argentine	Runner count 38/42 Blanched	2012	1,495
10 BB	12,5	Argentine	Runner count 38/42 Blanched	2013	1,595
11 BB	11	Argentine	Runner count 70/80 Roasted high FFA	2013	1,100
4 BB / 500 bags	30	Argentine	Runner Splits Blanched	2013	1,350
150 cartons	3	Argentine	Runner Splits Roasted	2013	2,250
846 cartons	16,92	Argentine	Roasted Diced 2-4mm	2013	2,450
20 BB	25	Brazilian	Runner count 38/42 Blanched	2013	1,325
20 BB	25	Brazilian	Runner Splits Blanched	2013	1,400
760 bags	19	Chinese	Hsuji count 50/60 EX WORKS FANPAC	2013	1,575
25 BB	25	Chinese	Red Skin count 50/60 extra cleaned	2012	1,700
40 BB	40	Chinese	Red Skin count 60/70 extra cleaned	2013	1,825
68 cartons	17	Chinese	Virginia Shandong count 24/28	2013	1,825
480 cartons	12	Chinese	Virginia Shandong count 34/38	2012	1,750
485 bags	14,5	Chinese	Virginia Shandong In-shell count 9/11	2012	1,650
40 BB	40	USA	Jumbo Runner Blanched	2012	1,575
10 BB	10	USA	Medium Runner Blanched	2012	1,575
5 BB	5	USA	Runner Splits Blanched	2012	1,350

  

Fcl Quantity	Total MT	Origin	Grade	Crop	Price US\$
1,440 bags	36	Chinese	Pumpkin Seed GWS grade A	2013	4,475
1,400 bags	32	Vietnamese	Cashews W320	2013	3.37 /lb

Prices on CNF Rotterdam afloat basis are as follows:

<b>Fcl Quantity</b>	<b>Total MT</b>	<b>Origin</b>	<b>Grade</b>	<b>Crop</b>	<b>Price US\$</b>
1 fcl	25	Argentine	Runner Splits Blanched (ETA 20-06-2014)	2013	1,295
2 fcl's	36	Chinese	Pumpkin seed GWS Grade A (ETA 28-05-2014)	2013	4,420
1 fcl	15	Vietnamese	Cashews W320 (ETA 24-06-2014)	2013	3.25 /lb

Kindest regards,  
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Trade Department

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