

Dear client,

Please find below our update on the peanuts. We could say that the developments in the past month have shifted the peanut market. Early April Ms Nurcan has visited Brazil for the peanuts and during mid-April Paul, Nurcan and Mark have visited the IPF in Madrid. All with all, we could say plenty of opportunities have passed by to talk about the market.

CHINA ----- * Putting on the Importer-hat instead of the Exporter-hat *

ARGENTINA ----- * No chance of digging because of continuous heavy rain falls *

BRAZIL ----- * Zero-tolerance campaign against aflatoxin *

USA ----- * Surplus with capital S *

CHINA

In the past 2-3 months China has been on a shopping spree all over the world. From the forfeited crop 2014 of USA to pretty much the whole crop of Senegal. They have been the topic all over the world. We do not know what the exact volume is that has been bought (some predict over 100,000 FST and 20,000 – 30,000 MT of kernels) but as far prices we can say that there is gap of US\$ 400 /MT in current purchase price compared to the beginning of the year. Last prices that we received were US\$ 1,150 /MT CIF Qingdao, up to June shipment. All of these purchases have caused other origins to increase their prices (edible and bird feeding).

Currently the market has slowed down a bit and the interest for July shipment onwards is fading away. Farmers are now focused on the plantings of the 2016 crop. Southern part of Shandong and Hebei are ready to plant while the planting of new crop in Liaoning and Jilin will be 10 days later. Compared to other crops, the peanut crop is more profitable and this will definitely show case in an increase in crop plantings, some talk about 30-40% more compared to last year. If this is true, than the demand for importing peanuts to China will be much less.

The supply to Europe is still very tight and getting firm offers becomes more difficult. In our opinion, prices will definitely not go down:

- Consumption is decreasing because temperatures are rising
- Limited availability of certain grades and/or good quality
- Imported peanuts will affect the Chinese peanuts
- Quality of 2015 crop is worse than crop 2014
- We still have 7 months ahead of us towards the 2016 crop

In order to avoid non-supply, we advise you to cover your position for the upcoming months (best scenario would be until November shipment). Biggers sizes such as 24/28, 28/32, 25/29 and 29/33 are almost sold out. For example, 24/28 are not rarely offered due to high percentage of frozen kernels. Shellers are also asking to have the goods shipped May/June latest in order to avoid the heat during the summer.

China might be buying a lot purely because of the high demand, they will not stop with exporting their own goods such as the big kernels and in shells. They still have a quite dominant position with the peanuts in the market.

ARGENTINA

Biggest demanding customer of Argentina has been... China, what a surprise?! During the IPF most Argentinian shellers could not stop talking about the never ending demand of the Chinese people. Week after week China has been buying more and more volume at weekly increasing prices. We could say that China has given the others origins broom sticks to swipe through their warehouses in order to get rid of (old) stocks. This has effected the other buyers, especially Europe, of course by receiving less offers at interesting (normal) levels. Each time when we came with a certain firm bid, we receive the news that the sheller is "out of the market" and can sell the goods to China without taking any risk. We also believe that some do/did this on purpose (think out grade 2 or worse and bird feeding) in order to sell the goods the oil business. We also heard that China has bought the May/June positions of the new crop.

Besides less availabilities, the current weather situations is totally not favorable as well. Biggest issue that Argentina has been facing the last couple of weeks are the continuous heavy rain fall. Even the past weekend, rains rains rains (while the forecast show favorable weather).

One of our sources informed us that in the Northern and Central areas, rainfall were heavier compared to the Southern area. Compared to March, rainfall during April were higher in terms of millimeters. This is worth mentioning since the Southern area was undergoing a temporary draught, and this has been reversed based on the foregoing rainfall, allowing peanuts to complete their maturity process.

All of this blocks the farmers of entering their fields and start the digging, especially in combination with a storm that took place during the first and second week of April. No change on allowing the fields to dry fast enough. Our sources informed us that the most recent rainfalls left soil profiles with extreme humidity conditions and in many cases caused irreparable damage to the crop. During inspections, overall flooded lots were detected, in low and mid-level planted areas and several internal roads blocked.

At the moment there is not a clear picture of the impact of the rain, but some talk about 15-20% crop loss. So therefore, it is very vital to have zero rainfall from now on.

Pretty much whole Argentina has withdrawn of giving prices. Some give window prices but these are US\$ 100-150 /MT higher compared to early April. Shellers are afraid of the actual damage that the rain has done and prefer to wait at least 10 days to come back to the market. These window prices are definitely not interesting and we see more and more demand from buyers (some of them buy directly from origin all the time, but since they cannot get firm prices, they are trying to seek alternative routes to get their goods).

Our advice is to at least consider the prices and to cover the first couple of months of the new crop. Those who do not cover their needs now, might be surprised when Argentina comes back with their firm “not so low” prices and regret that they have not covered back then.

BRAZIL

During her trip to Brazil, Ms Nurcan pointed out the following points:

- Domestic market of Brazil. So far, 60% of Brazil’s crop has always gone to the domestic market where aflatoxin of max 20 PPB is allowed. In the past year we bumped into this problem each time when we wanted to buy peanuts for bird feeding for example. However, Brazil must not forget that in case of bird feeding, Brazilian peanuts are more favorable compared to Argentinian peanuts. Some say that it is because of the taste (which we find strange because how does one measure a bird’s preference for taste?) but the more logical and measurable reason is that that the Brazilian peanut is more smoother than the Argentinian peanuts and thus far more attractive.
- China and presence within the Brazilian market. Pretty much each day during her visit the subject China and their high demand and rising prices were inevitable. The 60% mentioned above is now the opposite. 60% goes now to the export. Looking to it from a Brazilian’s point of view, it is more than logical than they prefer to sell to Brazil when Europe ask for same or similar prices. However, Brazil must not forget that this shopping spree of China is temporarily and that Brazil needs to get back the attention of their main buyers once this is all over.
- The fluctuation in US\$/ R\$ currency. the dollar rate variation set the dollar today at R\$3,50, after to have achieved R\$ 4,10. Will it drop even more?
- The political situation in Brazil. What impact will this have on the agronomical culture and the export business? Stability in this area would boost up the situation a lot.
- Alerts from the European Union. Brazil received 14 alerts during 2014 and 15 alerts during 2015. Because of this, some shellers received an official ban from the government to export their peanuts. One of the reasons that caused this was the lack of attention to sorting the peanuts on aflatoxin from the very first step of the process, namely when the truck with FST arrives at the factory and the sheller applies their first aflatoxin sampling. Ms Nurcan also paid a visit to JLA Brazil and according to them shellers must separate their peanuts according to 5 aflatoxin groups: ND, 0-2, 2-4, 4-10 and 10-20 PPB. On top of that, they need to analyze every 5 MT of a lot, so in total 5 analyses per lot (this number does not include all the analyses that take place beforehand).
- New requirement to export to EU. as requested by the MAPA Health Authorities, lots need to be sampled and tested at dry ports. Before this, testing in the factory of the sheller was sufficient but not anymore. This has increased the operational costs and the risks of failing the test in the dry port and taking the lot back to the factory. JLA Brazil informed us that shellers are not pleased with this and are wondering how long this will stand.

Compared to 2015 (420,000 MT), Brazil will have better crop volume and quality this year (480,000 MT). If you would leave China out of the picture, the following would be applicable:

- 100.000 MT for export
- 170.000 MT for crushing
- 210.000 MT for domestic

End of March, almost 50% of the fields in Mogiana were harvested, in Alta Paulista this % was even higher. The harvesting goes very well and we believe that a large part will be completed by end of April/beginning of May. In line with the alerts mentioned above, shellers are now more cautious in exporting peanuts. During her trip Ms Nurcan was informed that pretty much each sheller applies the following rule for EU export approval:

- edible: B1 max 1PPB and total max 3 PPB
- bird feeding: max 10 PPB

Please note that this decision was not made by the Authorities. Anything that is above these levels, will not pass the quality control and will go straight to the domestic market or other destination with much more flexible values. Brazil has learned her lesson from last year and will do anything to prevail this situation occurring again.

Export prices from Brazil are currently very firm, where most of the shellers prefer to only offer blanched peanuts (avoid the risk of rejects on raw peanuts). Normally Argentina is more competitive compared to Brazil, but due the current situation in Argentina, Brazil is also very interesting with their prices. Some are not allowed to use Brazilian peanuts (such as standard packaging labels that the marketing department have set up for a long period) but those who can use Brazilian peanuts, please consider this origin and prices can be very interesting .

USA

The reaction of the USA on the situation in Argentina has not come (yet!). We believe that if the situation in Argentina gets worse, buyers will shift their attention to USA peanuts. This would not be a bad thing at all, considering the carry-over that USA has of the 2014 crop. Luckily for USA, China has been buying a lot from USA, including large quantities of 2015 FST and also edible peanuts. This carry-over USA has been going on for years and this year nothing has changed. During the IPF we were informed that USA is the only origin with a less bigger crop than last year. China, India, Brazil and Argentina; all of them expect an increase in planting area. However, during the first months of the 2015 crop we received on and on EU quality failures from USA. Question is what will happen with these peanuts in the end and what volumes and prices will be given to Europa. Prices were very favorable during the beginning of the crop, but we do not think that we will go back to these floor prices. In our opinion, it all depends on Argentina and whether they can meet the forecasted big mature volume crop and excellent quality.

One of our sources informed us that the USDA did come out with a 9% reduction forecast for plantings which most people do not believe. 9% would definitely be possible if one looked at crop rotation, but the issue at the moment is the financial situation of the farmers. With most commodity prices down at very low levels the past several years, many farmers are more interested in their survival than ideal rotation. The interesting situation though lately has been the rise in cotton prices which has risen steadily the past month with a price of close to 64 today. Should the price of cotton continue to rise, then the plantings situation could certainly change with cotton being a major crop rotation with peanuts.

One of our sources informed us about the USA crop 2015 forfeitures which will take place between June and October. The later they are sold by the government, the lower is the value of those peanuts as there should normally only be 2 options: crushing/peanut oil and China. We heard that shellers do not shell 2015 and 2016 crop back and forth. In line with that, manufactures do not want to use 2015 crop once they start processing 2016 crop. In the end, cheap prices will be the most persuasive tool.

Aldebaran's view:

- Prices from China will definitely not go down and some sizes will have a bigger increase in price even. Please make sure that you cover your needs, if possible till the arrival of the new crop. Still today, China has a monopoly position as far as big kernels and in shells, so in case these are grades that you regularly use, please cover yourself before it's too late and that you will be left out without any goods.
- Similar to our previous report, small kernels for edible and peanuts for bird feeding are begin offered very rarely. When you get a chance to buy them, book them immediately. It's better to have them shipped and stored instead of waiting too long and paying the premium price for it. Or in worst case scenario, not get goods at all such as Brazil and their peanuts for bird feeding.
- As mentioned above, in case you can take Brazilian, please consider this origin and let us know your interest. Brazil is expecting a big crop of which almost 90% is HighOleic. We believe that this can become a good alternative, especially on the blanched peanuts having Argentina been out of the market and USA peanuts still not competitive enough on the blanched department.

Kindest regards,

Paul, Nurcan, and Mark

Trade department

Aldebaran Commodities B.V. www.aldebaran.nl | trade@aldebaran.nl

Direct +31-107620510 (Paul)

Direct +31-107620514 (Nurcan)

Direct +31-107620515 (Mark)