

Dear client,

Please find below an update about the peanut market which we issue based on all the contacts that we have within this market. In case you have information that you would like to add or share with us, please advise. In case you disagree with what we share, please advise as well. All feedback is more than welcome.

We could state that **Aldebaran** has stopped with the withdrawal from the market. We noticed that since a few weeks there are activities taking place and that buyers are all focused on their needs for 2017. Some varieties though are still very difficult, but of course we will do our utmost best to supply to in the best way we can.

ARGENTINA

Finally, Argentina has finished harvesting their 2016 crop which was the longest harvest ever. Most packers reached this moment end of August/beginning of September. We spoke a few times about bad quality in our previous reports, but now everything is out of the ground, we can say the quality is even worse! Yields have dropped more and more as the time was passing, because the string that held the shells to the plant was turning rotten (in combination with higher cleaning out percentage).

Packers are in delay and are trying to catch up with the contracts that been made with the presales. Being forced to reprocess the peanuts (main problems: aflatoxin, mould, defects and damages) in order to meet the requested quality is one of the reasons that they are behind schedule. They are totally not in the mood to do big sales and only come back in the market when they have a few lots here and there that they can move. They prefer to wait off the processing schedule so that they can calculate the needed volume for seeding, based on that they proceed.

Argentina has had a total production (Córdoba, La Pampa and San Luis) of 925/950.000 MT farmer stock, this equals to about 670.000 MT kernels which is about 20% less than last year. Córdoba on its own had a production of 860.000 MT farmer stock (620.000 MT kernels). Close to 47.000 hectares were not able to harvested, so you can add this number to the loss percentage. As far as counts, the super jumbo's, 38/42 and 40/50 are highly concentrated. Also, there is a big percentage of splits associated to the time that the peanuts were exposed to the weather conditions back then. So when the goods arrive at the destinations, the buyer should not be surprised of values that do not match grade 1 quality exactly.

For exact number received from the Cordoba grain exchange (issued on August 18th, 2016):

- Planted HA of 336.400 vs. 345.200 the previous year -> decline of 2,55%
- Harvested HA of 289.370 vs. 341.200 the previous year -> decline of 16,2%
- Yield of 3.209 kg/ha vs. 3.483 the previous year -> decline of 8,79%
- In shell production of 928.600 tons vs. 1.188.400 the previous year -> decline of 21,86%
- Kernel production of 670.600 tons vs. 839.600 the previous year -> decline of 20,13%
- 68% damage type 1 (internal and frost damage)

- 32% damage type 2 (external mould)

Argentina has slowly started with the new plantings and the rent per hectare is not promising. It has been doubled compared to last year and the exchange rate is low. We also heard rumors about expecting a bigger area for the 2017 crop but this depends on the developments with corn and soya. Land rent/hectare this year were approximately USD 500-525. New crop land rents will be higher as competing crops are changing planting decisions. Already, land rent for new crop is USD 700-750/hectare which represents a 20%+ increase. To put it in perspective, approximate price of farmer stock delivered to the warehouse this year are about USD 1200/hectare and anticipated cost for next year will be closer to USD 1600/hectare. More figures about the 2017 will be known by the end of November, however, some have even begun with selling 2017 crop.

Market is very firm and it will remain like this until May 2017. Most packers are still not offering, unless you give them a firm price idea. Most counts that are being traded are (jumbo) 38/42 raw and blanched and splits blanched. Price negotiations are very difficult as the packers are not really in a need to sell, especially knowing that they might not even be able to supply the contracted terms. Because of this some players have also decided not to attend big fairs like SIAL as they prefer to focus on the new crop.

As far as small kernels, these are not being offered at all. Large part of previously made small kernels contracts are being shipped as big kernels, buyers are totally not pleased with this but in this current market the hands of all parties are tight and we can only pray that mother nature will be on our side next time.

As far as peanuts with low quality, Argentine tries to be cautious with them. The same applies to peanuts for bird feeding. First solution is blanching them as the blanching prices are now very favorable for Argentina. On top of that, they are now more afraid than ever of receiving aflatoxin rejections in Europe as they are already very tight in supplies and schedule.

USA

In the past few weeks, finally some rain fell in the areas that experienced lack of rains. The constant heat and lack of rain the Southeast has experienced this summer will have some effect on the yields and quality of the dryland peanuts. But these rains will help in terms of both yields and quality.

According to the latest USDA production forecast numbers, the USA will produce a crop of 3,2 million farmer stock, which should be sufficient for the peanut market. Mr Paul van Velzen, managing director of **Aldebaran**, visited the states last week and came with the following findings:

Paul established in his week visit to Atlanta city and Georgia state that it is confirmed there will be no carry-over of the 2015. During his visit he has spoken with many shellers who have

confirmed that they have exported huge quantities 2015 crop farmers stock in mostly 40' HC containers to China as well as Vietnam. In special constructions they managed to load between 21/22 MT of farmer's stock in these containers. Prices being paid were between USD 575 and USD 625 CIF basis. It was mentioned as a huge relief for the mainly higher aflatoxin goods, which could not even be sold to USA domestic markets, a huge relief and salvation to especially the Georgian farmers.

This right away confirms that the world market has to wait until end of October/beginning November 2016 for shipments of the 2016 USA crop. Of course highest contracts will be shipped first and afterwards lower contracts and after this the potential to sell additional goods. The first peanuts are being harvested now, but the buying points need to clean them and there has to be sufficient stocks to start up shelling in the factory.

Also due to dry/hot weather there has been an increase in plant diseases which in most probability will decrease the average yield which is being estimated around 4.600 lbs on average.

There is a big underlying worry that the peanuts, especially from the dry lands, have been effected with aflatoxin due to stress on the crop with the very hot weather as from June/July 2016 onwards. This means a potential of 50% (dry lands) of the crop will be effected. Thus again also putting huge pressure on the blanching facilities in the USA. Rumor is that most blanchers are already fully booked up to April/May 2017.

One of our sources mentioned the following: "interesting to note that the better the USA quality at harvest the worse for the domestic USA buyer. Every new crop load unsold will be tested for EU aflatoxin and sold to EU at much higher prices. A quality problem for the USA new crop would mean less EU availability, a higher EU price but a better supply in the USA domestic market."

CHINA

At this moment China is fully focused on harvesting the 2016 crop. People are speaking about a crop increase of 20% (15-18 million MT) but this is still all guessing and we need to wait the final outcome. Others say that a big part of this crop is mostly applicable for oil crushing, so not interesting to export them to Europe. These peanuts for crushing will be traded as favorable prices and the interest for buying them from other origins (what China did previously this year) will drop a lot since other origins have increased their prices tremendously due to lack of supply. But still for Chinese importers applies the following saying 'where are the cheapest peanuts, we will go there and shop there', so even with their own big crop they will not stay behind their own walls. Most likely they will turn to India and Africa.

Prices for Europe have dropped a lot (due to the expected big crop) but we think that they will increase again per November/December. Most of the time the turning point is the Chinese new year which will present the remaining demand of the Chinese domestic market and whether China's own crop is sufficient for them.

Some packers will even ship new crop at the end of September. Buyers do need to have in mind that the labels will contain 2015 crop due to the CIQ regulations. The main peanut belt is busy with un-shelling and drying but Liaoning and Jilin have just started digging. Generally, Jilin with its Red skins has got drought weather this year while the other origins are quite good.

With the 2016 crop, two points need to be highlighted:

1. The sizes are too small, major is smaller size (while the last 2 years China had big volume of big sizes), caused by the drought in the early season. So similar to South-America and their peanuts, China will also face the problem of lack of sizes like 20/24, 24/28 and 9/11.
2. Too many sprouted kernels due to the rain during the harvest. The processing cost will increase a lot and risk of AFT has increased.

Chinese farmers are not in a hurry to sell their goods because the current market price has not yet reached their expectation, as we heard. Compared to USA and Argentina, 2016 prices from China will be at more or less similar levels, so we are in for some interesting competition between the origins this year. By the years, the quality rules from Europe for Chinese peanuts are getting more and more stricter, causing several players to turn to other activities.

BRAZIL

There is not much to say about Brazil, apart from that they are at similar lines with Argentina as far as no extra big kernels, no small kernels, no bird feeding and pretty much oversold as well. They are also focused on the 2017 crop and the new plantings. Time to time some lots do become available, but these have quality standards that do match with Europe and can only be exported to countries where they accept edible peanuts with max 20 PPB aflatoxin.

INDIA

Once of our sources informed us that India is looking to produce a much better winter crop this year. Monsoons were not as good as expected but still pretty good which should enable them to produce a good crop. Prices have already come down quite considerably lately giving them the opportunity to have an impact in the market although they will probably try to stay away from the very stringent

They will face many of the same issues as China. An increasing wealthy middle class with growing internal consumption will continue to decrease peanut exports.

Aldebaran 's view

- In case you use Chinese peanuts, now is the time to book them as prices are very much favorable.
- The origins that have had their new crop (Argentina/Brazil/South-Africa) have shown what they have (read: do not have) and therefore all eyes are on the upcoming new crops of USA/China/India. This is effecting their crop and prices of course and you need to on time to cover your needs with these origins.

- Within the current market, when you have a contract with Argentine for small kernels and they can only ship big kernels like 38/42 or 40/50, do not hesitate and accept it immediately. The longer you wait, the bigger the chance this 38/42 will turn into 30/36 because of the mature crop, and the longer you will have to wait for your shipment.

Kindest regards,
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Trade department

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