

Dear client,

Please find below an update about the peanut market, but first we would like to share good news with you, which some of you already know:

Aldebaran Commodities is from now on certified with the **BRC Standard for Agents and Brokers**. With this certificate you can be assured that we apply best practice on product safety, quality and the operational criteria that is required to fulfil obligations with regard to legal compliance and consumer protection. Next to BRC, Aldebaran is also certified with **ISO 9001**, **HACCP** and not to forget the organic certificate **SKAL**.

CHINA

This market has been very active the past couple of weeks and export prices for EU quality have been increasing a lot in a very short time. Two weeks ago they increased with USD 50 /mt and last week again an increase of USD 50-80 /mt. The rain did not stop and there are still many peanuts that are too wet, moisture around 10-12%, and a big part of them are located on northeastern of China with the aflatoxin-free area. It will take at least 2/3 weeks to reduce the moisture because of the current cold temperature. Not to forget the increase in damaged peanuts. Next to this delay of new crop (especially of Red skins which need longer time to dry), prices are also unstable because of the low prices for the crushing material. As of second half of September, the oil factories have been buying the new crop and since about 55% of the total market goes to the crushers, they can lead the market prices.

Please find below the different peanut areas and their status in the past month:

- Shandong: the whole peanut planting area is increased, East-Shandong experienced heavy drought in the summer. There are less traditional Luhua type, 24/28 and 28/32 available. South-Shandong has a good crop with more Haihua type and good quality.
- Henan: very good harvest with good quality and huge quantity.
- Anhui & Jiangsu: increase of 10-20% output because of the increase in planting areas.
- Liaoning: planting areas were increased with 10-20% compared to last year, though some drought occurred during the spring.
- Jilin: planting areas have increased with 30%, but due to the rain the harvest has been delayed and there is a big risk in high moisture and frozen kernels.

As far as peanut varieties:

- Baisha/Hsuji: good quality with lots of 40/50 and 50/60, but less 60/70 and 70/80.
- Virginia: decrease in 24/28.
- Red skin: very good color of the kernels.

China is still expecting to have a huge crop, so we do not expect price decrease after they have finished the harvest (November). There is a still a big demand from the domestic market. To add, Chinese new year is coming earlier than last year (end of January) so local market will get more firm.

At this moment the farmers are busy for planting the winter crops such as winter wheat and garlic etc. and harvesting other crops hence next month they will consider how to sell their peanut on the basis of the best advantageous price. On the other hand, one of our sources informed us that contracts have been made with the USA lower-grade farmer's stock (seg 2 and 3) to China

although the RMB is devaluating against USD and there is a big crop in China. This could shift the market in another directions, but time will tell once they completed the crop. Next to USA, China has been importing a lot from Argentina, India and Senegal. Basically the import figures are increasing whereas the export figures are decreasing. We are very curious up and till when this will take place. For the time being China is not importing that much from the other countries as they are focused on their own crop. But we expect that this will change after Chinese New Year, once the demands of the domestic market and oil companies are more clear and the export figures have come through as well. For sure this will affect the Chinese peanut prices.

We could divide the Chinese peanut market in 3 stages:

1. October - January: easiest period to buy goods because of huge availability and good expectations. This is the time to issue long term contract and to get the sharpest prices.
2. February - May: collection of the goods is being challenged by right planning of storage/fumigation/workers etc.
3. June - October: farmers are becoming sold out and the goods left over are taken by the dealers which sell them at premium prices. The exporters that have not covered their needs on time, are losing money on their long term contract because of this.

As an European buyer (with the tight quality standards) you need to carefully select your packer, as you want to be sure that you will get your goods in time. In times like these it can be very important to place your order at a trading company because of the position and contacts they have in origin(s).

ARGENTINA

At the moment there is not much activity going on with sales of 2016 as the whole current crop has been sold already. The presence of Argentine packers during SIAL in Paris this year was notifiable limited, mainly because they are now focused on the 2017 crop planting. What is left of the 2016 crop are mostly applicable for bird feeding purposing (rejects material or goods with too high aflatoxin according to EU regulations). Some packers come through with some whole kernels lots ready to be shipped but the requested price is too high for certain buyers. Expectations is that these will go gone as well within a few months, leaving no carry-over at all. For more extensive information about the 2016, please read our previous report on peanuts.

Unfortunately, the delays in shipment and the news of non-shipment of goods (mostly 50/60 or smaller kernels) are building up. Leaving even more pressure of the 40/50 kernels, which is getting more limited by the minute.

Just like the beginning of this rain, mother nature is again messing up the whole planning. Several rain falls all over the peanut areas are interrupting the plantings of the 2017 crop again. For the time being, it seems that the plantings will not be finished before end of November. Packers are not very optimistic. Besides high moisture, they are also worried about lack of seed and the quality of the seed. In case replanting is required, this will create a huge problem. As mentioned in our previous report, the high land rents makes it not prosperous as well. We should wait till the end of November to see the progress in the plantings and we will come back with more information about this within our next peanut issue.

USA

The latest USDA report (14th October) of show the following figures:

- Harvested acres - 1,587,000 ac.
- Estimated yield - 3976 lb (down 68 lb from Sept)
- Estimated production of 3,155,100 tons.

As far as latest harvesting figures:

- Alabama: 86%
- Florida: 89%
- Georgia: 70%
- North Carolina: 36%
- Oklahoma: 50%
- South Carolina: 40%
- Texas: 45%
- Virginia: 55%

One of our sources mentioned the following: “South Carolina and North Carolina have seen a substantial drop in crop conditions. This is due to Hurricane Matthew bringing heavy rains to these areas. Some areas received only 1-4 inches, while others received upwards of 8+. Harvest is delayed while the fields dry. Fortunately, weather has been nice in these regions and we hope some fields will be ready for digging as early as Monday. Some will need two weeks or more. Losses and yield reduction are expected in those areas that received 8+ inches of rain. But overall we expect minimal losses in the V/C region. Georgia is now close to 50% harvested and 62% dug. Drought in a large portion of the SE has been great for harvest, but many dry land fields cannot be dug due to lack of soil moisture. The equipment could not handle the hard soil. We desperately need a heavy rain to harvest many dry land fields.”

For more details, please find attached the latest USA crop update.

US has sold all of their 2015 peanuts and are busy with shipping the last portions of these. They have promoting their 2016 crop a lot and pre-sold a huge quantity of them already, question now is whether they can fulfill the agreed periods and quality. In our last report we mentioned the bad quality and high aflatoxin due to several dryland productions in the South-West. As a result of this, a lot of pre-sold lots to Europe are failing aflatoxin analysis and packers cannot ship their contracts, besides the current delays that is already negatively affecting planning and production of EU buyers.

OTHER ORIGINS

• **Brazil:** they sold their 2016 crop pretty much as well, with some lots left over (most whole blanched) that are being offered at premium prices, higher than Argentina. The 2017 crop plantings have started recently whereas some have reach 40% of the areas already. They expect to be finished by 20th November. The presence of La Nina could create some troubles late January, but besides that all looks OK. Brazil is aiming on increasing their area by 10%, some talk about even more. Unlike last year they do not offer bird food material until they have started/finished harvesting.

- **Egypt:** due to the low yield and poor quality that leads to low exportable percentage in the farmer stock prices of in shells have gone up a lot since 2 months. Thus shipment of some packers have been delayed as well because of this.
- **India:** the worry of aflatoxin from this origin is still presence and the big price gap between the packers does not make this better. Winter crop prices were very interesting so numerous contracts were made, especially for the small Bold kernels (50 up to 100 p/o) since the other origins simply could not ship those. Though prices have gone up by USD 50-100 by now, it is still an interesting origin to consider as the crop looks good in combination of an increase of 25%.

ALDEBARAN'S ADVISE

- When you can use USA peanuts in general, do not wait and book those now and cover yourself for the whole 2017. We expect that the prices will go, once China starts importing farmer stocks from USA again, causing automatically an increase in USA domestic prices which again will increase the prices of EU acceptable quality.
- The same applies more or less for Argentine/Brazil 2017 crop, once China starts buying in cheap farmer's stock from Argentina during February/March, it will cause the same string for the goods that are left for EU. You can be assured that this will have the biggest impact on peanuts for bird feeding from these origins, as they will turn them to China at far more interesting prices, similar to what they did this year. We will not be surprised if we have to feed our European birds with edible 2017 crop peanuts just like this year. Thus, when you start receiving bird feeding offers, do not hesitate and book it immediately.
- When you have contracted USA 2016 crop peanuts, do not be surprised when your supplier wants to ship 2015. Simply because 2016 crop has not been shipped yet. It's better to receive goods and move on with your production instead of putting it on hold because of a few loads with "old" crop.
- When you notice difference in requested and received quality parameters, kindly think twice before rejecting it immediately. Can you still use (some of) the goods or have another solution for it, discuss this immediately with your supplier. Within the current market and impact of the bad weather on the crop in general, standard quality specification have changed a lot and packers are grateful if they can meet these and ship the goods at least. Requesting replacement, especially on the spot market, is at the moment unthinkable.

Kindest regards,

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Trade department

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