

Dear client,

Please find below our latest updates on the peanuts. We have also attached a price sheet of the most common origins in general over the past 7 years. Below you can find our unsold stocks and afloat. We look forward to your firm interests.

In general, the market is very quiet and we do not see that much buying activities, though the European warehouses are full with (old) stocks, especially on the blanched. To summarize some origins:

**ARGENTINA** ---- \* Quality 2017 crop getting worse by the day \*

**CHINA** ---- \* Weak market but heading towards New Year Festival with firm prices \*

**US** ---- \* Less bigger crop than expected and climbing out of the bottom price levels \*

**BRAZIL** ---- \* New crop delayed but still promising \*

**SOUTH-AFRICA** ---- \* Going back to the drought and small crop year \*

#### **ARGENTINA**

Though Argentina is focused on the new crop and it's development, our market is still struggling a lot with the quality of the 2017 crop. Many players (from the final processors up to the brokers) are complaining about the many claims and rejections that they received in the past few months. Mould, FFA, PV, aflatoxin moisture, rancid taste...should we say more?! The warehouses are full with these rejected lots, some are not even applicable for bird feeding purposes. Though there are plenty of cold storages in Europe, we believe that these problems started in origin (long harvest for example) and could have been prevented by taking extra care during the selection and sampling of the lots in Argentina and eventually maybe even not ship them to Europe. Though some say that the 2017 crop is pretty much sold out and that the left overs are being sold in combination with the 2018 crop, we find this very doubtful to believe. Another issue is the attitude of some Argentinian exporters in case of quality discrepancies. Many times, we hit the fence of argumentation such as selling according to FOSFA and quality before shipment, whereas one should know that it is a nature product that can develop during transit. Unfortunately, there are many that face the same problems like us and at a certain point, one should look for alternatives. For example, we have 1 load of 38/42 raw of which the quality is in such terrible state, that even the blanching facilities do not want to blanch it due to the cross contamination during this process. In the end we end up with goods that cannot be blanched, are not fit for bird feeding and needs to be exterminated without the sheller taking their responsibility to help us out or showing some kind of compensation. Even the major snack producing God's of the peanut industry agree with us.

As Aldebaran we have decided not to buy any 2017 crop from origin anymore. It may occur that we need spot goods, but in this case we will request the seller to have the goods taking out of the racking and to have each BB to be opened up for us to inspect them. We highly recommend you to do the same, though there is always a chance that you will face with quality issues located in the core of the big bag.

For future the Argentinian peanuts industry, traders and final processors need to join forces and work all together on ensuring that lessons learned from this and previous crop are implemented.

The lead should sit with the shellers whom should engage the full supply chain to re-ensure the reputation and trust ability in the long term. Clearly, the situation and various problems we faced this year are not a foundation for a sustainable future.

Finally, it is still too early to talk about what to expect from the 2018 crop, the Camera del Mani reported a plantings estimate of 423,000 ha (5% increase compared to last year). The weather conditions are looking favorable with sufficient rainfall and prices are quite stable (on the raw Argentina faces difficulties from the USA whereas they overrule them with the blanched – if we would compare Argentina with Brazil, it's the total opposite, Brazil cheaper on the blanched but no competition on the raw due to RAFFS fear from Brazil).

## **CHINA**

The Chinese peanut market is still very weak, which has been going on for a few months now. Buyers only buy hand-to-mouth and do not want to keep much stocks. Similar to Argentina, there is a lot of blanched material available of the spot market, unfortunately for the owners; these levels cannot compete with the cheaper prices from Brazil. However, quality wise it is a very proper origin to buy, especially for the Red skin and Hsuji type 50/60, 60/70 and 70/80 which we consider as the perfect replacement for the Runner type.

Quality wise the 2017 crop looks better than last year. Especially for the Virginia type blanched (better moisture level than last year) which creates easier blanching process and less damage to the kernels. The availability of the bigger size kernels is indeed less than expected that makes the 24/28 raw and 25/29 blanched more firm. Especially for those that are conform EU quality. Luckily, for the oil crushers, there is still plenty of oil crushing material for them.

In general, the prices will be firm and stable until March. There are only 2 weeks left for most of the factories or processors of peanuts in China before Chinese New Year. There are no new supply joining the market now due to the snowy weather in most origins. No one knows what is exactly left with the farmers, but both the demand and supply is pretty quiet for the time being. Especially the selling prices are almost at the same level as the farmer's stock price. Crushing market is not good, oil processors keep on lowering the purchase price, which makes the cost to prepare the goods for export or snack purpose higher and higher. If prices had gone down even more, the farmers would have decided to crush the peanuts in their own traditional way to keep the oil for their own use. Usually, the oil market is the base for the Chinese peanuts. It affects all. When the crushing market is good, the higher grade will have a lower cost as the base is strong. Now the base is very weak. It makes the export tougher. Another reason is that the stronger and rising Yuan will also affect the export price of Chinese peanuts. It will not be lower in the near future.

The market will stop in China in early February and will open again in March. It is about a break of 1 month for the Chinese New Year. If the market changes, it will be in March, going either down or up. It will depend on the volume left with our farmers. However, it is always a myth. No one can give an answer so far. Last year everybody expected the market go up especially for the Red skin, but this type eventually dropped down to USD 500 /MT less after Chinese New Year.

Last but not least, there is still no updated news from the Chinese government regarding the 15% tax refund for blanched peanuts. We think that the situation will remain as it is and that exporters will still receive their funds. If something occurs, we will inform you right away.

## **USA**

The USA crop 2017 turned out to be an estimated crop production of 3,616,896 FST, which is about 200,000 FST less than the expected the 3.8 million FST. Still, some say that this figure should be

around 3.5-3.55 million FST. After a terrible 2016 crop with many aflatoxin problems and non-shipment (we ourselves for example experienced a default of 3,000 MT from one sheller!!), we finally have a good crop from USA with good quality. There was a small delay in November due to heavy rain and frost, but nothing drastic. The yields are looking good in general and the physical parameters are promising. There is not a big price gap between Jumbo and Medium Runner due to availability.

Though USA is one of the cheapest origin for EU quality, the demand remains low and are not eager to cover for whole 2018. Somehow, there are still buyers that believe the prices will go down due to crop volume. Since September/October, prices have dropped significantly but we believe the bottom has been reached by now and situation is now quiet stable. In addition, the domestic market shows some strong prices causing the shellers not to be eager in lowering export prices.

There are still a few hick-ups for this origin. One of the biggest (and very important to the European market) is the price for blanched peanuts. Blanching slots are getting tighter by the day, especially to offer blanched for prompt shipment. The premium of USD 200-250 /MT for blanching is heading towards the USD 300 /MT. The carry-over from the 2016 crop (a whopping 500,000 – 1,000,000 FST) is bringing extra pressure, which is getting less attractive for the domestic market and unfortunately the Chinese buyers did not buy that much as expected (they cannot get the desired price for their High Oleic demand). One could think that USA prices should go down in order to make space for this surplus, but it still too early to conclude this. Our advice would be not to wait too long with buying your USA stocks and cover yourselves at least up and till the summer.

#### **BRAZIL**

There is not much to say about this origin. They are fully focused on the new crop, though there is a slight delay with new shipments starting in April/May, the quality looks good. There is still quantity left of the 2017 crop of which the Brazilians are eager to sell in order to make space. Prices for blanched peanuts have dropped enormously with up to USD 300/MT, which some (including ourselves) did not expect at all creating some expensive blanched material on the European spot market. Unfortunately, customers that use Argentine origin are now expecting to receive the same price levels but the Argentinian will absolutely not go that low. We spoke with several Brazilian exporters and the fear of receiving aflatoxin alert on raw kernels is still present. Last year again RAFFS (4) were reported by the Brazilian authorities. Those that are looking to cover blanched, we highly recommend you to choose Brazilian origin. The quality is perfect (much better than the Argentine 2017 crop) and we have this also on stocks (38/42 and 40/50 blanched, but also splits blanched). Please scroll down to see our unsold list.

#### **SOUTH-AFRICA**

It seems that this origin will have a switch in crop situation again. The 2017 crop came out very positively (after having 5 years of drought and lowest crop ever), however there is still quite some quantity left and shellers are eager to sell their stocks (since nobody has cold storages over there). We believe that this overstock was created due to entering the market with very high prices, for example Natsals 70/80 went from USD 1700 CFR EMP to USD 1400 CFR EMP. This situation may come in handy due to the delay of the 2018 crop which is planted very late, is receiving lack of rain in the major planting areas and is much smaller than the 2017 crop. On top of that, a heat wave occurred in the past few weeks, which creates a bigger urge for rain in order to have a crop at all.

Though this origin is a great alternative for the lack of small Runners, it still cannot compete with the much lower prices that China and Indian are giving for 60/70 a/o smaller.

Current **stock** and **afloat** on FCA Rotterdam basis:

(all are subject availability and final confirmation)

| Packaging quantity | Total MT | Origin        | Grade                            | Crop | Price U\$ /MT FCA | ETA    |
|--------------------|----------|---------------|----------------------------------|------|-------------------|--------|
| 16 big bags        | 20,00    | Argentine     | Runner 38/42 blanched            | 2017 | 1665              | -      |
| 14 big bags        | 17,50    | Argentine     | Runner 40/50 blanched            | 2017 | 1600              | -      |
| 60 big bags        | 75,00    | Argentine     | Runner splits blanched           | 2017 | 1500              | -      |
| 60 big bags        | 75,00    | Brazilian     | Runner 38/42 blanched            | 2017 | 1575              | -      |
| 40 big bags        | 50,00    | Brazilian     | Runner 40/50 blanched            | 2017 | 1500              | -      |
| 40 big bags        | 50,00    | Brazilian     | Runner splits blanched           | 2017 | 1375              | -      |
| 80 vacuum bags     | 20,00    | Chinese       | Hsuji type 40/50                 | 2016 | 1530              | -      |
| 720 vacuum bags    | 18,00    | Chinese       | Red skin 50/60                   | 2016 | 1490              | -      |
| 200 vacuum bags    | 5,00     | Chinese       | Red skin 60/70                   | 2016 | 1470              | -      |
| 283 vacuum bags    | 7,00     | Chinese       | Virginia Shandong 24/28          | 2017 | 1630              | -      |
| 40 big bags        | 50,00    | Chinese       | Virginia Shandong 25/29 blanched | 2016 | 1565              | -      |
| 493 poly bags      | 12,32    | South-African | Common Natal 70/80               | 2017 | 1700              | -      |
| 20 big bags        | 25,00    | Argentine     | Runner 60/70                     | 2017 | 1550              | 24-jan |
| 340 cartons        | 8,50     | Chinese       | Virginia Shandong 28/32          | 2017 | 1600              | 9-feb  |
| 760 poly bags      | 19,00    | Gambian       | Red skin 60/80 FOR BIRDFEEDING   | 2017 | 1050              | 2-feb  |
| 760 poly bags      | 19,00    | Senegal       | Pink skin 60/80 FOR BIRDFEEDING  | 2017 | 1050              | 2-feb  |
| 1520 poly bags     | 37,00    | Senegal       | Red skin 60/80 FOR BIRDFEEDING   | 2017 | 1050              | 2-feb  |

Kindest regards,  
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