

Dear Client,

Needless to say, we like to start this update by sending our prayers to those that are personally hit by the **COVID-19**. We all are in difficult period of our lives, maybe even the most difficult that one person will ever experience. It is very important to follow the rules that each country has set for its population. Not only should we think for ourselves, but also for the people surrounding us. Secondly, we follow the developments in EU and the peanut origins closely and count on that business can continue as normal eventually (perhaps with some delay, but since it is agricultural, stopping it completely will be catastrophic).

Since 2-3 weeks, the team of Aldebaran is working from home and we are pleased that everything functions correctly. You can reach us via the usual way, e-mail or phone (see below contact details).

Highlights

EU Spot market almost to completely empty

USA out of the game

All eyes on Argentina

Brazil small delay and good sales

China smaller crop and very expensive

India on lock-down until 15th April

Limited offers from Nicaragua

South-Africa feeds purely on their own crop due to closed borders

Buyers from Canada/Mexico/USA start to focus on buying Argentine/Brazil

SPOT

At the moment we see a big demand for spot and afloat goods. Part of this is because of the market but COVID-19 definitely has his share in this too. Consumers have been bulking up and supermarkets have pulled their demand for sooner deliveries. We have spoken with some local warehouses and they confirm the following:

- Minimum to no inventory of USA peanuts
- Minimum to no inventory of Brazil peanuts
- No inventory of South-African peanuts
- No inventory of Chinese Hsuji or Red skins (due to market levels USD 1900-2000 CIF), some volume of big kernels 24/28 and 25/29 blanched, no inshells either)
- Limited inventory of Argentine peanuts

- Some inventory of Indian peanuts, but these are either sold already or are for bird feeding purpose

Though warehouses seem not to be full, delay in loading is still there. Due to COVID-19, there are less personal available, more safety restrictions and less trucks availability. Some even take 1-2 weeks to bring a container into the warehouse. Not to mention the selection rate by the health authorities, for example in Belgian this rate has increased due to certain chemicals inside the containers.

Due to the lock down in various countries, and lots of people working from home, business is getting difficult. Seller and shellers are requesting buyers to pay against copy bill of loadings, but a lot of buyers need to have the documents presented through the bank due to being financed by them. This creates a lot of problems, buyers are turning to the spot market to get their goods after release and sellers are angry because buyers do not pay. Also, goods are arriving without full set of documents, again a bigger delay. So the result is DELAY → DELAY → DELAY → resulting into an even TIGHTER SPOT MARKET.

The market was already very tight and without this crisis we were already advising people to be careful. When spot goods will be sold and spot market is really empty, all the supply will have to come from origin and this will drive up the prices.

In these times, also an old saying is “everything becomes fluid” meaning crops years, quality specifications, payment terms will adjust to the availability there is.

USA

Since end of 2019, USA has stepped out of the EU game. A very small volume of 2019 has been shipped to EU but we believe these were only meant for the major snack companies. Over 30% has failed USA domestic afla (max 15ppb), who know how high this figure will be for EU afla (max 4 PPB), maybe even over 50%. They have also finished shelling their 2018 crop so in combination with this terrible 2019 crop, the domestic market has been hurt a lot. EU destination is not even relevant anymore. People are saying that the 2020 crop plantation must be at least 15% higher with a 100% good outcome, should this market want to lick his wounds. We will know more during second half of 2020.

On the other hand, the goods with afla are very much in demand by Mexico, Canada and China. Some shellers say that they expect to export 2019 crop to EU from August onwards, but we find this too good to be true. One major USA has even announced a 60% reallocation of their contracts. Price wise there is no actual market for USA EU edible goods. We are hearing over USD 2000 /mt CIF for raw peanuts and USD 2200-2300 /mt CIF for blanched peanuts.

ARGENTINA

Past few weeks Argentina has received nice weather. This gives the buyer a positive feeling and the expectations that prices must come down. A wait-and-see attitude. However, we should not forget that compared to the very successful 2019 crop, the 2020 crop has less acreage (about 10%) and lower yields it seems. Digging of the first parcels has just begin and we still have 3-4 months ahead of us before the goods can arrive to EU (raw in July and blanched in Augustus, best case scenario). A lot can change. All eyes are on Argentina and if something happens with that origin, the market can

blow up completely. Even now we noticed a delay in shipments (some shipments are on vessel with stops at Brazil) and documents via the bank, partly due to COVID-19.

BRAZIL

Brazil has been shipping their 2020 crop now for 1 month, but these are mainly meant for executing contracts of last year. Expectation is that this will still continue up and till July. Russia has been buying a lot too. New offers are mainly given for August shipment onwards. Very limited offers on raw (due to EU afla fear) and splits blanched (sold out almost). Some shellers are even temporarily out of the market for EU goods. Basically all what is left are 38/42 or 40/50 blanched. We expect that they will increase the prices of what is left, also having in mind that farmers are asking higher prices due to the high dollar rate. Around 50-60% is harvested and another month is needed to complete this. Though their 2020 crop is bigger than 2019, we expect that Brazil will be out of the game in a few months (huge sales and good demand), say latest August and from there on we have to wait till their 2021 crop.

CHINA

The high prices from China have been going on for some months now. Red skins are even above USD 2000 /mt CIF now. Buyers have switched to other origins because of this, for example Argentina or India, though India will be a problem too because of the lock-down. For blanched peanuts, the possibility of paying import duty (11,2% as per the roasted-rate due to change in new Chinese Health certificate) is still present. Lately China has bought a lot from Africa, but since Senegal and Sudan have implemented an export bank, they have to seek to other origins like USA (all those afla red tags). There is even a rumor that China will implement their own import bank, but is unclear for which countries they will applied. If so, Chinese export prices will go the rooftop due to own domestic demand, especially from the crushing facilities.

INDIA

Last week, the Prime Minister of India has announced a lock-down until 15st April for his whole country. Nothing can come in or go out. Though India is not a preferred peanut origin for the EU market (known for afla), the lockdown of a country that has 1.4 billion citizens and an annual peanut production of 6-7 million tons has hit the peanut market worldwide. Demand for spot and afloat raw 40/50 up to 70/80 from other origins has raised due to delay and non-shipment from India. Even the birdfeed market, for which India has always been a good alternative, has boomed up. We hear prices of USD 1300-1400 FCA for max 20 PPB.

Having all of this mind, we as Aldebaran advise our buyers the following

- *In case you still need to cover for the period of April-August, do not wait and book this immediately.*
- *Those that buy according to their own specification, try to be more flexible and accept deviations. In this current market, being very strict will do you any good.*
- *In case you can collect your goods sooner, do this before the borders start to close (we have seen the pictures of trucks waiting at the borders for hours due to COVID-19).*
- *There will be an even bigger demand for small kernels. USA not an option, Argentine and Brazil having mature crops, China being very expensive and India/South-African not being able to ship. Those that can accept bigger size should really consider them.*

- *Last but not least, should you be one of the lucky ones and have overstock, please contact Aldebaran and we can discuss taking over some of this volume.*

Kindest regards,
Paul, Nurcan, and Ronald
Trade department

Aldebaran Commodities B.V.
Rotterdam | The Netherlands

Direct +31-107620510 (Paul)
Direct +31-107620514 (Nurcan)
Direct +31-107603520 (Ronald)