

December 2008

Aldebaran Commodities B.V. peanut market report December 2008.

Dear Client,

In front of you our last peanut market report for the year 2008.

Market had gone through some rough changes the last 5 months, and there are still some interesting elements that will influence the market in the coming 6 months. Till May/June this year we saw a very firm (European) market, with prices on raw Runner 40/50 cpo at US\$ 1.600,00 C+F basis with potential for even further increase. This was when the EURO/US\$ rate was at 1.55 (making a market at € 1.030,00). First expectations with the strikes in Argentina during June and July this year was that we would end of with real shortage of supply in Europe, but - with efficient planning - industry was able to continue without any serious problems without fresh deliveries from Argentina. Actual needs were covered additionally from stock positions that were available in Europe. Aggravation only came after strike was over, and origin wanted to ship goods, into a market that had in the meantime found alternatives for the quantities that were not shipped due to the strike.

For buyer's to accept further shipments would mean that these would have to be paid against a US\$/rate of 1.45, an increase of US\$ 100,00 per ton in cost price. Not to many industries were able to absorb further cost price increase on top of EURO 1.000,00 per ton. The fact that prices were already historical high, had its influence on demand and sales.

Where at first there was serious concern about the American crop, towards the end of September it became clear that the out turn would be very good, and prices came down to US\$ 1.400,00 CIF for Medium Runners. This signal made buyers very hesitant to continue contraction Argentine Runners - for the period after October, when new crop from Usa would be available - at any level higher than US\$ 1.400,00. But market for European buyers market had not changed to much during September, since US\$ 1.400,00 was still EURO 1.030,00 at the currency rate in September.

But at the end of September peanut market also became the victim of the (sentiment of the) global financial crisis. EURO further collapsed, buyers who did not cover their currency had major problems in effecting payment of delivered goods. And with a EURO rate under 1.40, cost price had increase with EURO 100,00 per ton in a market that was quoting US\$ prices US\$ 200 to US\$ 300 per ton lower. Buyers considered that in a weaker global peanut market prices should be under EURO 1.000,00 and with US\$/EURO rate at 1.3 maximum of the market would be at US\$ 1.300,00. Quite a change from US\$ 1.600,00 3 months earlier.

But even now that the market is indeed offering lower prices, contracting is very slow. Considering the steep decrease, buyers are hoping that market will further go down and (or) that by the time they are forced to contract any quantities the Euro will have a revival against the US\$ and make a cost price possible in the region of Euro 900,00 or even better. If we look at the peanut market, in general there should be room for a further down trend the coming 6 months. Usa should be able to offer Medium Runners at US\$ 1.300,00 and Argentina will have to follow. China is offering in the region of US\$ 1.000,00 CIF, at

least giving an interesting bottom to this market. Only risk in this market is the theoretic approach. If no goods are being contracted, nothing will be shipped and we will have at the end a CIF market at US\$ 1.250,00 but an FCA market at US\$ 1.500,00 because of shortage locally.

Situation now is that on blanched there is sufficient spot supply, but for raw material situation is different. Especially small counts are not so easy to find. Also because bird feeding market has been active the last 2 months and able to collect at reasonable levels due to the total lack of demand from the edible market. But for the months ahead of us, small counts could become a collectors item.

A market that seems completely disappeared is the inshell market. Especially in Northern Europe inshell market has always been very price sensitive, and the fact that inshell had to be contracted during March/April this year at US\$ 1.600 CIF had a disastrous influence on demand from supermarkets. There is only a very limited quantity of branded demand in the inshell market and that makes it easy for supermarkets to exchange inshells for other items on the shelves. In shells are being offered from each European port at the moment since roasters are not able to generate further interest. Market in the meantime at US\$ 1.200,00 FCA for 11/13 cpo.

With still some winter months to go, we see bird feeding market still rather firm compared to the edible market. Bottom at the moment around US\$ 1.150,00 FCA Rotterdam basis for 60/70 and 70/80 cpo.

How do we see the market of when we take a wider window, lets say for the coming 12 months. Companies have to operate very carefully in these financially very problematic times. Buyers will have to motivate each decision very thoroughly. Forecast for the 2009 crop from Argentina are not fantastic, but this Bullish element will not be strong enough to conquer the Bearish elements of huge American crop, and safety-net from China. Hope is that demand will pick up again, and that a market around US\$ 1.200,00 CIF for 40/50 raw and US\$ 1.280,00 for blanched will generate buying interested again. But for this scenario to indeed unfold for the peanut market, it will be strongly influenced by the US\$ rate. If Euro will increase to 1.4 or 1.5 buyers will be happy to buy. If Euro would loose further ground against the US\$, even a market under US\$ 1.200,00 will not be very attractive.

This market gives good opportunities for buyers to really look for a tailor-made offer, to secure their interest. But also need brave buyers, to contract in order for goods to be shipped and to avoid the risk that total inactivity in the market at the ends backfires with higher spot market.

We hope to have informed you satisfactory for the moment, and please do not hesitate to contact us for detailed offer or further specific market information.

We end this market report with the best wishes for 2009, and wish you and your family all the best for the New Year.

Warmest regards,
Paul and Menno