



Aldebaran Commodities B.V. Peanut market report October/November 2009

EURO/ US\$ rate 1.49

Dear client,

We have seen a very quiet market in last 2 months. Most industries took early coverage for whole 2009, and due to lower consumption no additional demand was created. A lot of stakeholders in the peanut industry feel uncertain about what the future will bring. Very few players dare to rely on historic demand, and most only work on back to back basic instead action on basis of their view on the market. Other reason for less activity the in market is that the number of players has decreased in the last 2 years. Some dealers stopped or minimised peanut activity, some European processors also stopped or were incorporated in larger companies.

But despite the fact that there has been little trading activity, the market has changed under the surface. The already not very abundant stocks have further diminished.

If we look at the price development of the price in the recent 2 month, we see that prices from Argentina have only shown slight increase for nearby positions. Forced by the lack of demand, various shellers decided to sell spot shipment in order to generate at least some cash flow. For October/November shipment we still see offers around US\$ 975,00 C+F Rotterdam basis for Runner 40/50 cpo raw, and US\$ 1.075,00 blanched. But for the position December onwards we feel prices from Argentina could easily increase by US\$ 100,00 per ton. Side effect of relatively low prices at the moment could be that farmers decide for other crops, and that at the end Argentine shellers will be able to sell the 2009 crop at better prices in view of a smaller 2010 crop.

Argentine does not really have competition in today's market. China is now entering into the market with prices that are on average a lot higher compared with the Runner 40/50 cpo. Hsuji 40/50 cpo are offered between US\$ 1.300,00 and US\$ 1.400,00 CIF Rotterdam basis (indeed a very wide price range). For blanched this will work out around US\$ 1.450,00 CIF. China will only find buying interest for the Virginia big sizes raw and blanched, and inshells. At the moment indications for 24/28 and 25/29 blanched are around US\$ 1.300,00 and US\$ 1.350,00. General idea from China is that prices for Hsuji type (as well as Redskin) will remain very firm, and that on Virginia's today's level could remain rather stable. On inshells prices for 11/13 cpo on average at US\$ 1.100,00 and US\$ 1.180,00 for 9/11 cpo. But with regards to the Chinese market we have to be very careful the next 3 weeks. CIQ will only start issuing the for export to the EU mandatory Health Certificates as from November onwards and by then we will learn more about the quality of the 2009 crop. Other not unimportant pricing element will be the world-oilprice. Already the last week ocean freight has increased due to higher fuel charges.

Usa had some issues last year, but consumers seem to have regained confidence in peanuts and domestic demand more or less back at normal levels. Export prices around US\$ 1.190,00 for Medium Runners and US\$ 1.225,00 for Jumbo Runners. That would translate in US\$ 1.400,00, respectively US\$ 1.430,00 CIF for blanched. Inshells from Usa hardly available. Some early business was done and with the strong domestic demand very little from the 2009 crop will become available for export.

Other inshell origin is Egypt, and quality for this year looks very good. First shipments have been effected, but – as usual – part of the scheduled shipments have been delayed. Big part of the crop is still not sold. We will have to see if this origin will be able to maintain its price idea, or that they will make adjustments to generate more buying interest. Current offers are around EURO 1.900,00

CIF for bright 7/9 cpo, and EURO 1.750,00 for bright 9/11 cpo.

Bird feeding market normally follows its own agenda, but last months was very much in line with the edible market. In general demand has been decreased, and unsold stocks from last season were sufficient to fulfil needs during "off season". It will become more and more difficult to source peanuts for bird feeding due to the stricter import controls. Last season a high number of consignments from especially India but also some African origins were stopped at the border by Port Authorities. Despite the fact that for bird feeding the maximum aflatoxine level is 20 ppb, this limit is still a huge hurdle for India if no additional selection is done prior to export. Prices for either Bolds or Java 70/80 around US\$ 900,00 and that is a steep price considering all the risks on import. Here we could see a shift to saver origins like Argentina and China.

What we also want to note here is that as from January 2010 new EU legislation will come into force (669/2009). This legislation will regulate import control based on risk profiles per origin. Apart from different testing regime, the testing cost of goods with "high risk" label will be for account of "the goods". We fear that there will be a large variation of rates depending on the country of import. We have been in close contact with the Dutch port authorities (VWA) and at least are confident that they will not charge ridiculous rates. But since part of the new legislation also foresees in "flexible" high risk list it could be that total number of physical inspections will increase and that will obviously increase the total cost of import. (goods will have to be stored in designated warehouses for sampling purposes). Other possible negative effect of new legislation could be that increased number of physical test will result in even higher number of physical test with again higher rejection rate. If in practice to many containers will have to be re-exported, cost in the chain could increase significantly.

We have little idea what the practice will become in other European ports. There should be a guidance document on its way to all member states, but could well be that this will be released only after the legislation is already in force as from 25th of January 2010.

Our general view on today's peanut market is that price are – especially in EURO's – not expensive. If demand remains slow, prices could remain at current level. But it is more likely that demand will come to the surface for January onwards and that this will have an immediate effect on the prices since it is practically a single origin market and there are no backup stocks available. Coming weeks bargains could still be available for buyer's who are able to take a long forward position. Buyers who are only able to cover after the ink on the contract with the supermarket is dry somewhere in December, have be be prepared to pay higher levels.

We hope to have informed you satisfactory for the moment. Please contact us for detailed offer or additional market information.

Kindest regards,
Paul and Menno

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