

Aldebaran Commodities B.V. Peanut market report June/July 2008

Red alert!

Dear client,

We feel the need to inform you about a potential danger of explosion of the peanut market within days.

Most of you are aware of the problems of the last 6 weeks in Argentina due to farmers that were on strike, and erected roadblocks that hindered the total logistical process. But now that this strike is over, immediately the transporters have decided to go on strike and take over the positions on the blockades.

The result is that there is no movement of peanuts in any shape of form. No raw material from the field, no processed goods to the port. Since this situation is now already going on for a few weeks, the pipeline is running dry. That means that even if all obstacles would be removed, it could take 1 or 2 months to run at full capacity again. And in order to really make up for all the tonnage that has not been shipped in the last 6 weeks, will take even longer. Factories, trucks and ocean vessels are only able to perform at 100% capacity. Even if a factory is able to produce more in triple shifts, there is not enough transportation capacity to take it to the port and also with only 3 ocean line servicing Europe from Argentine, there is only a number of containers that can make a vessel.

This means that before in Europe there will be really sufficient quantity available, with potential easier prices, we are in September. That means at least another 3 "interesting" months ahead of us. Already now one can notice that there is more interest for spot material, but as soon as it becomes clear to more people that hardly nothing is shipped against May contracts....the spot market could be empty as well.

For June/July – obviously – no offers from origin sellers. At the moment one can find indications around US\$ 1.680,00 C+F for Runner 40/50 cpo for September onwards. The limited quantity that is being shipped during May goes at a premium of about US\$ 50,00 per ton. For blanched US\$ 100,00 premium, and for smaller/larger count US\$ 10/15 per count difference.

China has stopped shipping goods to Europe. On large size Virginia's there have been many problems on import, and Shandong CIQ officers have decided no longer to issue export documents. Means till November/December we have to survive with what is left in store on 25/29 and 29/33 blanched and that is at maximum 300 tons.

Usa 2007 is practically sold out, with only some goods available that are already contracted for later positions. Plantings for the 2008 crop are very promising., and should end up somewhere between 16% to 18% more compared to the 2007 crop. But putting more seed in the ground, does not guarantee that more peanuts will come out as well. Fields in the South East could do with a little more rain. At the moment no one really offering prices, but as indication market around US\$ 0,70 FOB (and that would make an equivalent of US\$ 1.675/US\$ 1.700,00 CIF Rotterdam basis.. On raw that would mean competitive with the Argentine market, but on blanched from Usa we have to add a premium of around US\$ 200,00 and that immediately shows what the fall back option is costing in case Argentine crop is not being harvest and shipped in full. Some shellers are already trying to washout contract they did at an earlier stage on lower levels, considering that the 2008 crop might end up at level well beyond US\$ 0,75 FOB

On the inshell market the crisis was already earlier apparent. With very limited shipments from China and practically non from the USA prices for the goods that are available have increased to levels exceeding US\$ 2.000,00 per ton FCA basis. With no new shipments in sight till October this year, we have to fear that total consumption of inshell peanuts will drastically decrease in Europe.

Bird feeding market at the moment relatively quiet. Normally buyer' in this segment are looking for delivery as from end of July to start preparing the winter sales. Problem is that there are no cheap goods available on the spot market, so all has to come from (what?) origin. Argentina is too expensive this year, and only offers available are from India at around US\$ 1.250,00 C+F basis for 70/80 cpo. But for Java summer crop, latest secure shipment will be June, and after that there is no other origin to

step in the market. African origins all have their crop at the earliest in September, but that is for the big volume to late.

Our strong advice is to carefully look at your book to verify if you are missing May/June shipments and check if goods are actually being shipped or not. With the slightest doubt that goods will make a vessel within 6 weeks, try to secure delivery from what is still left on the spot market.

Hope to have informed you satisfactory, and please let us know your firm interest and we will try to accommodate you at best.

Kindest regards,  
Paul and Menno  
Aldebaran Commodities B.V.