Dear client,

Please find below our update on the peanuts. **As the matter fact**, next week Ms Nurcan Sayim will go to Brazil to visit the peanut area. In case you have questions about this origin or interest for their goods, please advise and we will be more than pleased to advise you.

CHINA ----------------- *Chinese prices heading towards Himalaya heights*
ARGENTINA ----------------- *Patience is a clean virtue*
BRAZIL ----------------- *Percussion of the government on their quality*

CHINA

In the last 2-3 weeks the prices from China have gone up dangerously. An average increase of USD 150-250 /MT has shaken up the peanut market. We have experienced several cases in which, for example, one day we receive a price of USD 1730 /MT CIF for 25/29 blanched and the next day the prices boomed up to USD 1890 /MT CIF.

One of the major factors that caused this situation is the prices from the oil crushing companies. The prices for this material has gone with USD 150 /MT as well, currently they are buying at levels such as USD 1150 /MT. Those who had some overstock, have increased their selling price significantly. Their collection prices are still in a climbing trend, causing the oil companies to seek to other origins such as India, Brazil and Argentina. In fact, China has already bought up to 20.000 MT from India in the last 20 days.

Another factor is the tight supply of standard EU-quality. For example, some packers are reluctant in offering 24/28 due to high % of frozen kernels. Their farmers are not willing to cooperate, which creates a nervous position for the packers as far as their current contract. At this very own moment, some packers rather not give prices and wait until the situation has settled more. Important -> please be aware of the prices that you receive and make sure that the price that you receive matches with the – correct – quality that you always book. We heard rumors about booking goods that were from another region than expected and the bad quality that came with it.

In our previous reports we mentioned that this year the volume of big kernels such as 24/28, 28/32, 25/29 blanched and 29/33 blanched would be limited. Prices of the smaller kernels such as Hsuji and Red skis 50/60 and 60/70 have not increased as much as the big kernels – but still at noticeable levels. On top of that, the total crop volume is 2015 is less than 2014. Total production will remain a problem for buyers of Chinese peanuts due to the decreasing planting area and production.

As far as see freight, these are still at their lowest levels – luckily! – such as USD 200 for Qingdao – Rotterdam. Some say that sea freight will rise in April, but at the moment the prices for the kernels and ins hells are a bigger worry.

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All with all, we are now in March and we still have 7/8 months left for the new Chinese crop. Some say that prices will go down second half of April but we do not believe this. Since they have quite a favorable position in the peanuts market as far as big kernels and in shells, we expect that the prices will even rise more.

ARGENTINA

For now, we mostly hear positive news about the 2016 crop development. October – January were months with few rains – below the historical average – but the rain during February made up for this. The peg production is going well and the phonological growth stage is R5 (beginning seed). There is a small fear that there will be some rain at the time of digging and harvesting (mid April). This might cause a small delay in the harvesting process but so far we should not worry about it. The crop looks very good/excellent in most areas. We heard that 310.000 Ha has been planted in Cordoba and if you add some other provinces, we expect a total volume of 330.000 Ha which is very good. If the average yield in Cordoba is 3,5 MT per Ha, then we will surpass the 1 million tons in the province with no problem.

The offers on bird feed for the new crop is very limited. Packers prefer to wait about 3-4 weeks so that they have a better picture of the crop come out (quantity and quality). After that the selection and rejection of the peanuts need to take place in order to know how many tons of bird feeding there is to offer. We are forced to turn to current crop for bird feeding, however the offers for these are also pretty much not existing. You have to dig in the market deeply to get some firm offers.

Buyers are still focused on purchasing goods for the next few months, we see some interest for June onwards but not that firm. People are still waiting until the new crop prices get more stable. Currently, India has also been buying a lot from Argentina. We noticed several reports on that Argentina is more or less sold out but we do not believe this. The facts will come out once the carry-over of the 2015 crop is known. As far as organic peanuts from Argentine, word is that these are sold out and this is something that we do believe. Availabilities of organic peanuts from Argentina has always been limited and we need to wait until the new crop. After May/June the capacities on the organic department will be more clear – please note that we cannot presell with this origin and need to wait for the figures from Argentine in order for us to offer this product.

BRAZIL

Brazil has experienced less sunny days than expected, maybe 30 in 100 days. The last crop was confirmed without surplus. Together with the delay of two weeks for harvesting and the drop of the dollar rate from R$4 to R$ 3,62, the prices of the farmers had a negative impact and automatically spreading it out to the export. However, the climate has improved in the last couple of weeks and around 25% of the crop has been harvested. We expect that the 2016 crop will be better than the 2015 crop as far as quality. The fields are showing a good productivity. The volume of Jumbo’s might be lower than last year, however we have Argentine and their Jumbo’s to cover this up. Also with this origin, packers are advising us to wait until April for firm prices.

A part from that, the new regulations to export peanuts to the EU are not totally established by Brazilian health authorities, low progress in the new frames at the dry port of Ribeirao Preto that would concentrate the exports and controled of peanuts to Europe by Brazilian health. It is obviously that the cost will be higher than the port of Santos. The political and economicals situation in Brazil is boiling as well and will directly interfere at the dollar rate, causing unfortunately a lot of insecurities for this moment.

Aldebaran's view:

- Prices from China will most probably not go down and even rise due to the limited availability of proper raw material. We advise you to cover your needs for April/May/June, especially on the big kernels and in shells.
- In case you are able to book small kernels (any origin, edible and for bird feeding), book it immediately. The offers from origin are getting less and less to pretty much zero and the ones on spot are exponentially rising in price. Brazil and Argentine are pretty much out of the picture, but be careful in case you want to switch to other origins such as India due to the aflatoxin risk.

Kindest regards,
Paul, Nurcan, and Mark
Trade department

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