

Dear client,

Please find below a short update on the peanuts. Please scroll down below for our unsold goods.

Compared to our last peanut issue (1 month ago), most situations remained the same or have become even worse. Such as Argentina, where pretty much all packers have withdrawn from the market. Or China, where farmers have sold of their stocks and dealers are controlling the market. All with all, a quiet market speculations are taking the overhand.

ARGENTINA ----- * To offer to or to continue with the silence-pause *

CHINA ----- * 4 months left till new crop but how to survive without stocks *

USA ----- * Acknowledging their current position in the market and behaving accordingly *

BRAZIL ----- * Pursue to stay below radar *

IMPORTANT: in case you have overstock or unsold goods afloat or in origin, any kind of peanut origin/size/crop, please contact us and we will do our best to move them. Many thanks in advance!!

ARGENTINA

At the moment it is STILL very difficult to get offers from Argentina. The bad weather continued on till last week. Last week Argentine finally received some sun which advanced the harvesting. However, the number still lies around 20% harvesting. At this moment, we have no idea when harvesting will be completed as the weather prognoses are just not reliable enough. One thing is for sure, and that is that the overall market view will be clear when harvesting is completed. Normally this should have been the case. The loss of 25% of yields was already known, but now arises the quality of the peanuts:

- Shortages of gas which hampering the drying ability of the shellers.
- Temperatures have held pretty much above freezing with the exception of a frost that occurred Sunday a week ago.
- High percentage of damage.

Question now is what kind of effect this will have on aflatoxin, FFA and PV? We already know that shellers are trying to protect themselves by mentioning min. 8% moisture together with their offers. Normally we maintain max. 8% in our specification and some buyers even hold on to max. 6%. Those buyers will definitely need to adjust their specifications otherwise they will be left out without their new crop stock. The same applies for those that use mainly raw peanuts, as the bad quality will definitely indulge shellers to promote blanched peanuts in order to avoid quality problems.

Till last week, we did not get any prices from shellers. Some even predicted that this would remain until the end of June, but in the past few days we finally received some prices. Compared to 1 month ago, price have gone up with USD 150-200 /MT. It seems as if Argentine is following in the footsteps of China with this tremendous price increases. Prices for 40/50 raw are around USD 1400 – 1450 /MT CFR EMP and USD 1525 – 1575 /MT for blanched. We even heard from one of our partners that they would not be surprised if prices for blanched would even go up to USD 1700 /MT CFR EMP. Crazy thought you might think, but the market did underestimate the situation a few months ago already, so why not think of worst-case scenarios now?!

At this very own moment, we prefer not to make speculations about the market and look at the situation on a daily/weekly basis. Facts are that shellers are pleased with their pre-sales and want to honour those first. We see this in the periods that they are offering, some talk about August/September as first shipment possibility. Another fact is that the demand for Argentinian peanuts will not go away and buyers will eventually book at these high prices as well. One of our partners mentioned USA peanuts as replacements goods and that these goods will not work either. The US cannot cover all that demand because of aflatoxin requirements for one, secondly some customers cannot use USA peanuts, thirdly some destinations have freight disadvantages and lastly some destinations have banned the US.

CHINA

Since a few weeks the situation in China has changed drastically. We receive very few offers and lots of rejects as far as price requests. After almost 6 months of continuously price increase, the prices are finally stable. But of course another problem had to come to the surface, namely the lack of farmer stocks. Pretty much all farmers are sold and the remaining quantities are now in the hand of local dealers which are selling these slowly at expensive prices. Especially when the domestic market is hungry for them. One of our partners mentioned that the collection price for Red skin 50/60 and 60/70 is around USD 2000 /MT. After adding the processing and transportation charges, the CIF EMP price is at USD 2200 /MT, which is even higher than that of last year by USD 100 /MT.

Other varieties such as Virginia raw peanuts (frozen kernels) and in shells (CIQ rejections) are not making the situation easier. At the moment there is a big gap between bad quality peanuts and very high quality peanuts meant for high-end buyers, though the last one differs with USD 100 /MT from the Chinese market in general. On top of that, we noticed that the containers that arrive in Europe are more and more (randomly) selected by the Health Authorities. Not only is this causing extra costs, but also even more delay in this tight market. As far as spot goods in Europe, these are quite limited and will be sold out very fast as well.

China has continued to import peanuts, even during June, and with the happening above we do not think that this will change drastically. At least, not until the expectations of having a big increase in the new crop becomes a reality. If so, prices will come down and China will be left out with these unnecessary purchases. This will have an impact on the domestic market. With a satisfying domestic market, the desire of China to import will decrease.

USA

In our last report we mentioned that USA had not react yet to the situation in Argentina, but nowadays we do see price increases in peanuts from US. Being the only origin that expects a decrease in new crop plantings, the current situation and the carryover of last situation can become favorable. Their raw peanuts are currently cheaper than Argentina and their blanched are even at the same level as Argentina (normally USA cannot hold against Argentina's blanched peanuts due to lack of blanching facilities). We would not be surprised if USA will increase their raw prices even more, depending.

It is still very difficult to get offers for Virginia extra-large and in shells and this will remain the same. Especially now, since China is also having difficulties with supplying these peanuts.

One of our partners informed us that the forfeitures of the USA peanuts should start by the end of June. They mentioned that it is interesting to see how many tons get forfeited and when the US government will put them up for sale. This situation is in line with the big increase of the Chinese new crop, as mentioned above, and the relation between forfeitures prices and Chinese availability.

There is some small movement as far as new crop from USA (16/17 crop) but nothing drastic.

BRAZIL

The situation in Brazil is still complex. For a detailed view, please check our last peanut issue ([click here - http://www.aldebaran.nl/market-report/](http://www.aldebaran.nl/market-report/)). The situation has not changed much since then. Farmers have sold their stock at low prices back then and this disappointment is showing back in the volumes of peanuts that shellers are receiving. Much less than expected. Raw material prices have increased by 8% and seem to be increasing even more. Some even fear that farmers will default on shellers with their supplies.

Biggest demand for Brazilian peanuts, the bird feeding peanuts, is still pending as there is really nobody offering them.

Brazil is being called by Europe, Russia, etc. on a daily basis but all of them are being turned down. Pretty much all shellers are out of the market as well (with some few exceptions) and we are advised to wait until October after seed production to see which volumes will become available. One sheller mentioned that they are busy trying to fulfil their pending new crop contracts and they will only offer once spot goods come available. Another sheller even mentioned that they wanted to wait with offering and see how the situation in Argentina evolves. Last prices that we received are in line with Argentina, so in this case Brazil is not a wise replacer for the Argentinian situation.

OTHER ORIGINS

- Nicaragua had a very small crop due to bad weather (10% less than expected) and they are practically sold out until February 2017. Some shellers are even over sold.
- South-Africa has suffered their worst drought ever and the harvesting has been delayed due to untimely rains.
- Indian Peanut plantation will be increased by at least 30% compared to last year, which comes in handy since India receives huge demands from China/Far East for Java/Spanish 50/60.

Aldebaran's view

- Keep a close eye on spot material. If you receive any offers, do not hesitate and book them. Even if you do not need them right now, the warehouse costs weight up against the market price differential that you will pay later on.
- If you need Argentinian raw peanuts (and you cannot use any other origin such as USA), do not wait too long and book them. Apart from a higher price from origin, you will have to wait longer for the goods and till that time you will have to feed from spot goods. As far as blanched peanuts from Argentina, there will be less pressure on these goods since the availabilities will be more compared to raw.
- When you normally buy small kernels (edible and/or bird feeding) try to be open for other origins and for bigger counts as these will become the only options in the next few months. Even now we hardly see any offers for raw peanuts, so considering raw splits or splits blanched will

become another step. Some will benefit of this situation by offering other origins but be careful with the quality and reliability of these peanuts.

- If you need in shells or big kernels and you are being offered, book them immediately. Especially on the in shells where now a lot delays is being experienced.

REMINDER: in case you have overstock or unsold goods afloat or in origin, any kind of peanut origin/size/crop, please contact us and we will do our best to move them. Many thanks in advance!!

Kindest regards,

Paul, Nurcan, and Mark
Trade department

Aldebaran Commodities B.V.

Rotterdam | The Netherlands

Direct +31-107620510 (Paul)

Direct +31-107620514 (Nurcan)

Direct +31-107620515 (Mark)

www.aldebaran.nl | trade@aldebaran.nl