Dear client,

Please find below our latest updates on the peanuts. Compared to our last report, not much has changed except for the firmness of the market and the spot availability. Every origin is becoming more and more firm. There is still a large amount of unsold stocks in EU, decreasing the demand for shipments from origin. Though there is a strong ‘wait and see’ and ‘hand to mouth’ attitude, the high stocks can be looked at from a positive side as well. What if there were no stocks in EU in combination with the ‘sold out’ or ‘delayed harvest’ from the peanut origins?! This would only boost the already very bullish prices from certain origins.

Though this is a peanut report, we would like to remind you that we are also strong in the following commodities:

- Cashews
- Pumpkins
- Brazil nuts
- Pecans
- Almonds
- Macadamias

Do not hesitate to contact us if you need spot goods or shipment from origin, either conventional, organic or for bird feeding.

<u>ARGENTINA/BRAZIL</u>

Argentina is still one of the hottest topics; everybody is asking what this origin does and where prices will go. Current prices are still very high and they do not seem to go down, at least not until end of July/August in our opinion. By that time, more will be known about the actual effect of the long drought during the first months of 2018 and right after that the heavy rain falls during harvesting. Is it that bad as Argentina claims, or only to a certain extent? In our opinion, Argentina is known for making their situation worse than it is in reality and later adjust their prices. In general, there is always a price gap between January-March and May-July. Will prices drop once more is known about the actual tonnage and quality? Most likely, no, because the yield of 2mt (in best case) might look OK, but one should not forget about the aflatoxin and damage issues, which might give the whole thing a different stir.

At the moment the first new crop loads have arrived in EU. Some say that the quality is very nice and others say that they have never seen such bad quality ever. It really depends on the type of customer (high-end snack producers vs. small local producers and traders). Not to forget that Argentina has sold a large part already, and has their obligation from previous 2017 crop turned to 2018 crop. Be aware of defaults, especially for 2019. Who knows what kind of quantity will be left for January-June 2019, especially since there are hardly any offers from Argentina (read: no proper good quality peanuts) for that period. It gives us the goose bumps.

From Brazil, there is not much to say. They are pretty much sold out on EU specs and the few quantities that are left, are going away at very favorable prices for the shellers due to their special position on the Runner type, especially on whole and splits blanched (US still cannot compete due to high blanching costs). In addition, on the EU spot market there is actually no Brazilian blanched goods left. Those that really need runner blanched need to pay the premium for Argentina 2017 crop, or settle with USA runners which are blanched in EU. In general, Brazil will start with their pre-sales of the 2019 from October onwards.

USA

See attached the latest US peanut crop update (03/07/18) and estimate (29/06/18). Though the figures show a 19,7% reduction in plantings and a 17,72% reduction in harvested acres, we expect that these figures will go up, considering the cotton price increase in June. Will the cotton prices go up even more? Who knows! More will be known in August. Because of this, shellers are not eager to quote new crop. Indication prices are given but none of them is keen on offering large volume, long spread or buyers call conditions. They also are waiting for what Argentina and Brazil will give for January-June 2019 period and do not want to make the same mistake. Like for example what Brazil did by selling 38/42 blanched at USD 600 /mt less during January 2018 compared to what they are now quoting at (July 2018).

CHINA

Out of all the origins, China is the most firm, especially on Red skins and Hsuji type. Unlike Argentina where there is quality unawareness and USA where there is exact price increase unawareness, in China situation is quiet stable. Huge part of the 2017 crop is gone, unsold good quality peanuts were bought by local traders which keep these in cold storages to preserve the quality (costs of storage is calculated in the prices as well), prices are not being pushed due to lack of demand, summer period is coming up, oil crushing market is quiet as well.

Plantings have finished. Mid/end August, farmers in southern parts of China will start harvesting, though the EU peanuts do not come from this area, it will give a primary indication for the yields and price thoughts of the 2018 crop. Current expectations are that the crop will be less than last year and that prices will definitely be higher, especially as a reaction to the peanut prices worldwide in general.

One of our sources has gathered information about the plantings and assembled a primary draft about the planting area in China for crop 2018:

"Jilin and Liaoning province (North-East Region)

A large portion of edible peanuts for exporting to EU are from these regions because harvested peanuts from these areas are always aflatoxin free.

***Jilin province** is the major origin for Red skin kernels and Hsuji type.*
In Jilin the government has issued the so called "Return the Grain plots to Forestry" policy. This means that some areas where forest once was destroyed for creating space for the grain plantation must now been restored.
As a result of this policy, together with the increasing subsidies for maize and soybeans, the peanut planting area in this region will be reduced sharply, especially for Red skin kernels. The reduction is estimated to be close to 40%.

*In **Liaoning region** more and more farmers choose to plant maize over peanuts because maize is subsidized by the government. The growing area reduction is around 25%.*

Shandong province

Shandong is the second largest province in China for growing peanuts with normally 800.000 hectares planting area. It is the major EU and JAPAN export province. Peanuts from here have better taste and less aflatoxin problem.
However, this year, because of the low profit for growing peanuts, the planting area in this province is estimated to be reduced by 15-20%.

Henan province
Henan is the biggest planting province in China. Usually they plant 1.330.000 Hectares per year (this is 28.5% of the total Chinese 4.670.000 hectares used for planting peanuts).
Major peanuts growing area in Henan province are located along the Yellow river. The land there is sand soil, soft and easy for planting peanuts.
However, only a small percentage of peanuts from this province are suitable for export because of the aflatoxin problem. So most peanuts will be used for domestic snack and the oil industry.
Even though the farmers in this province don't have much choice, besides grow peanuts on their land due to the soil nature and lack of water, the reduction will still be around 15%.

Anhui province
This area is not a major supplier to the EU and export market. Peanuts from this province are mainly used for crushing purposes.

The total planting area is estimated to be reduced by 25%, more and more farmers choose to plant trees and flowers instead of peanuts. This is because the Chinese government calls to reduce the pollution, improve the natural environment and living conditions (major cities in China need huge amount of green trees and flowers to decorate the city streets and houses).

Hebei province
Finally in the Hebei province they mainly produce for domestic snack business. For the coming crop year the reduction is estimated to be around 15%.

In summary:
- The planting area for Chinese peanuts will be 15% - 20% less compared with last year
- For specific variety, such as the red skins and Hsuji type from North-East China, the reduction in planting will be even higher. "

INDIA
Right now, we are in the middle of the sowing season for the winter crop. Last year India had a total peanut growing area of 245.000 hectare. By the end of June 2018, the size was about 38.000 hectare. The sowing season will finish by the end of July, so there is still some planting work to do. The expectations of the crop size in general are not so positive. Cotton is popular this year for the farmers, because the price of cotton made a jump during last year. We expect due of the rising interest to plant cotton that the peanut crop will be about 15-20% smaller compared with last winter crop.
By the end of July 2018, when the sowing is finished, we will have more clear figures about the total growing areas. There is still a big quantity of crop 2017 left in India, which is in hands of the government. They want to push this material before the new crop is coming. It is important to keep in mind that the quality in general is not so good of the quantities that are left. Right now, the prices became more firm and due of the low quality of the stocks we expect that the prices for good quality peanuts will rise. The harvest for the next crop is during November so there is still some time to come. We advise to be vigilant when you see very low offers in the market as the quality might be low or not even suitable for European market.

EGYPT
The new crop is developing well in Egypt and the harvest is planned for September. The conditions have been quite favorable so most farmers expect a good yield. Of course, July and August are yet to come. These months are also important for the further development of the nuts. On the other hand, the crop is quite complicated because of the growing areas. Last season farmers and process had a very difficult season. Especially the farmers because of the rising local costs like electricity and rent of the land. Therefore, we see a decrease of the total agriculture plantings in Egypt. Farmers simply try to avoid big risks.

At the moment, we hear rumors that the 2018 peanut crop will be around 30-40% less compared with crop 2017. We personally think that this will be max 20%. We hope to receive the firm figures about this during the next two weeks. Of course, this decrease will influence the prices for next crop. We estimate that the prices will also be approx. 20% higher when the new crop will be available during October.

We expect to have a first price indication within 10 days. If you want to receive these prices immediately when we have them available, please send us a short e-mail and we will add you on the list for this price update from Egypt.

Kindest regards,
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