



August 10, 2016

Most of the excitement in this market has been on the physical market in Holland where stocks are empty and any parcels are getting snatched are hefty premium. Otherwise the market continues with little to no offers for most origins and buyers wondering where this market is going.

USA

Stocks and Processing numbers for June came out showing domestic demand as follows:

Period	Candy	Snacks	P.Butter	Other	Total	Inshells
June 16 vs. June 15	+0.30%	-3.01%	+15.97%	-12.75%	+7.93%	-4.42%
Aug 15-Jun 16 vs. Aug 14-Jun 15	+1.87%	+17.93%	-0.51%	+10.42%	+3.77%	+6.47%

US exports numbers just came out for June showing an increase of 48% for the August 2016-June 2016 numbers vs. last year with 527'062 mt exported vs. 356'402 mt.

Exports to China/Vietnam are the reason for this huge increase with 228'068 mt shipped vs. 38'586 mt the previous year, a 591% increase.

Considering the Chinese buying behavior the past months, it is unlikely that July shipment will equal those shipments of June. Nevertheless, we should see export numbers for the period of August through July totaling about 900'000 fst.

This brings us back to the question of the carryover. With roughly 2 million fst of US domestic demand (including seeds) and 900'000 fst of exports, the carryover should be roughly 1.2 million fst. If one takes a three months' usage of roughly 700'000 fst (which is heavy due to heavier export shipments), there should be about 500'00 fst of surplus. When one asks shellers where those peanuts are, shellers state that they don't have them. Shellers are acting as they have no shelled goods either for 2015 crop. There were no forfeitures for June and July. 376'000 fst remain in the loan for the months of August through November with September the heaviest month. We shall wait and see if there are any forfeitures for those months. So either export numbers are understated (which would be hard to believe with the increase we have had) or a lot more peanuts are to be exported in the next several months or the peanuts are in the hands of some of the shellers. I guess time will tell.

South GA, particularly Alabama and Southwest Georgia, has gotten some good rains last week and this week. East Georgia is still looking for more rain and are hopeful to get some in the next couple of days. The crop was in desperate need of rain (especially dryland peanuts), so these rains were definitely

timely. I would say that the crop looks good right now, but of course we will need more rain during August.

Very little offered on the 2015 crop with last prices we've heard being 51/52 cents domestically and 60 + cents for EU export.

Offers on the 2016 crop are pretty much the same. Provided we have a good crop, I believe that we will see a domestic market stagnating around the 50 cents level and an EU quality market go higher and follow any rise in the Argentine prices. Argentina will have little left to sell with plenty of demand coming from Russia, South Africa and some from West Europe although I believe the big manufacturers are well covered through June. The question really is how much EU quality will be available out of the 2016 crop. That's where the weather is important until harvesting starts. The better the weather during August and the better the quality of the crop will be. Obviously the drier the weather is, and the less EU quality will be available. I believe that this is very important for the following reasons: Shellers are heavily sold with I believe 60 to 70% of the US domestic market covered. For those exporting peanuts, the logical strategy should be to maximize sales of EU quality which should bring at least a 10 cents differential. On the other hand, as much as the shellers would want to have the domestic market go higher, I believe that, provided they buy the farmer stock, they will be limited where they can market USDA negative material. The domestic market is only so big and already well covered. China is expected to have a bigger crop. Prices have already dropped several hundred dollars lately because of this. Thus I don't see them buying peanuts at 50 cents or higher, but of course that will depend on the quality and quantity of their crop, the demand and potentially the supply from India. It will also be interesting to see if China continues to have appetite for farmer stock and at what levels. 50 cents is probably equivalent to us\$ 425.- farmer stock which I understand was offered for 2017 crop by one of the big shellers. Cotton has crept up to 74 cents. Then next year at one point we will start hearing about potential changes to the new Farm Bill with potentially more support for cotton. With all that in mind and rotation concerns, we could see acres on peanuts go down some, although supply should end up being sufficient.

Difficult to get any prices from Argentina for the 2016 crop, but levels should be around us\$ 1600.- Cfr Rotterdam which is equivalent to 65 to 67 cents Fob Southeast.

Depending on what China does this coming year (and assuming that they will buy less from the US because of their forecasted bigger and better crop), we should see export numbers for the coming season go down some vs. this season although we should see export numbers to Europe rise due to the Argentine situation.

Also the final rule revising the peanuts standards were published with the effective date being August 31, 2016. These rules can be found under the following link: <https://www.gpo.gov/fdsys/pkg/FR-2016-08-01/pdf/2016-18116.pdf>. APSA rules will be revised as well promptly. The long and short of these rules are that they did away with max. percentages for major and minor damages, combines the two together and increase the total percentage to 3.5%. I would recommend that you look into these changes and advise us of your comments.

Argentina

Argentina has continued battling the bad weather although the past couple of weeks have been good. Harvesting is probably 80% complete. With the weather forecast being good, harvesting should be completed soon although we have heard a couple parties mentioning that harvest could last until September.

As to losses on the crop, it is difficult to ascertain those taking yield losses, non-harvested acres and quality. But using the numbers of one of our most reliable contact, an average yield of 2600 kgs per ha with 315'000 has harvested would give a crop of 819'000 mt. Taking 75% kernels would give 614'250 mt of kernels. Taking about 16% waster to process should result in 515'970 mt of HPS being mainly big counts and splits with very few small kernels because of the extreme maturity of the crop. After taking seed needs and domestic demand, the available exportable quantity should be around 420'000 to 430'000 mt. So if these numbers pan out, we are looking at a 40% decrease in availability vs. last year.

Shellers have been completely out of the market with only very few businesses taking place. As mentioned before, we estimate the market for raw peanuts to be roughly at the us\$ 1575.- to us\$ 1600.- Cfr Rotterdam level although we do hear some small offers from small shellers at lower levels of about us\$ 50.- less. Each Sheller is in the process of evaluating what they have let to sell and of what quality. Thereafter the bigger question will be how much demand is left through June next year. No doubt there is still heavy demand for Argentina that will come from South Africa and Russia for January through June. As to Western Europe, I believe that the large manufacturers are well covered, so how much demand will come from the middle to small manufacturers.

Land lease for the 2017 crop is in full swing with some very high prices being paid having heard some of the shellers paying above us\$ 800.-. At those kind of levels with average yield, shellers won't be able to afford selling much below 2016 crop levels.

China

As previously mentioned, current prices in China dropped by a couple hundred dollars creating many difficulties for cargoes arriving currently in China. There is still interest from many parties to buy US farmer stock with unfortunately no apparent sellers. One party also mentioned that oil demand does not seem as strong as first predicted with most crushers stating that oil sales are similar to last year.

The new crop is progressing well in most regions despite some floods mainly in some Southern provinces. A drought period delayed the crop by about a couple weeks we understand from one party. Listening to the different predictions, the Chinese crop should be 10 to 15% then last year.

India

One of our source reports that the weather was especially dry in Gujarat in July, but the past week brought very beneficial rains. Official statistics show an increase in plantings of 30.79% as of August 4 vs. the same period last year, with Gujarat (the largest producing region) increase at 24.37%. The largest increase is in Andhra Pradesh with 104.27%. Some feel that increase could have been bigger but the late rains prevented such.

One source reports that India will be going into the new season with zero carryover and that it will be the first time in many years that such a situation occurs.

We hear prices of us\$ 1550.- for new crop bold 40/50 and us\$ 1600.- for javas.

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