



June 14, 2016

The market is quiet, not because of lack of buying interest, but more because of the lack of sellers. Brazil continues to have internal issues hampering timely delivery of contracts, Argentina continues to suffer from the weather, and the USA is finally figuring out that, for whatever they have left to sell that they can get better prices (at least in the export market).

USA

China is still buying the quantities that they can find for June shipment, but otherwise the buying interest has stopped. The Chinese continue to talk about a big increase with their crop and they fear that the prices in China will come down when the new crop arrives in September. So far (January through April 2016), the US has exported 73'849 mt vs. 11'370 mt the previous year. I think the US could end up shipping 125'000 to 150'000 mt through the end of June.

Forfeitures should start by the end of June. It will be interesting to see how many tons get forfeited and when the US government will put them up for sale. There is no doubt that a big increase in the Chinese crop size could certainly impact the price the government will get for those forfeitures. Lots of things can happen until then, but considering the potential quality of that farmer stock, the opportunities are somewhat limited.

Looking at total exports, outside shipments to China, shipments from the US are 13'000 mt behind the previous year.

Export prices are around the us\$ 1200.- Cif mark for 2015 crop. It is getting difficult if not impossible to find any offers for EU material at this moment. The more delays and problems Argentina has, the more demand will come towards the US, which could certainly push the prices for EU material up. New crop is at about the same levels, and basically I have the same comment on the price and offers. Shellers are watching carefully the developments of the Argentine crop. They certainly will want to participate in the price increase the international market has enjoyed lately.

The domestic market has been quiet. As previously mentioned, manufacturers are well covered and sellers are not keen on selling at this time. A few businesses have been transacted on current crop just above 45 cents for negative material, but offers are far and few between. Tight specifications prices are at a premium. New crop is not talked about much. Probably looking at mid-40's as well for new crop. We are awaiting new crop plantings numbers, but I think more importantly with all the sales that have been done, shellers are watching the weather that has been very hot as of late. Dry weather at the beginning is actually not a bad thing as it allows plants to dig deeper in the ground, nevertheless rain is needed and will be needed on a regular basis with the hot temperatures. The US needs a good quality crop to take advantage of this higher international priced markets.

Demand domestically continues to be strong with Stocks and Processing numbers showing an edible peanut increase of 17.7% for April 16 vs. April 15 for an August 2015 through April 2016 increase of 2.7%

(with Peanut candy up 0.9%, Snack Peanut up 22.4%, Peanut Butter down 3.6%. Inshells are up 11.7% for April and up 7.5% for the running 9 months.

Looking at 2017 crop, it is interesting to note that the US government is putting in place a Cotton ginning cost-share program to the tune of an estimated us\$ 300 million. This should inadvertently help the cotton farmer community who has suffered dramatically from not only the low commodity prices but also from the cut of the cotton program. This is important to note as cotton is peanuts biggest competitor. In terms of rotation, peanuts have probably taken all the acres they will take.

Argentina

Argentina has not had much luck since my last report. Weather continued to be rainy until a week ago. Harvesting has advanced some, possibly being 25% completed today. To make matters worse, there is a shortage of gas now which is 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. There is no doubt that this crop will suffer not only in yields, but especially in quality. Damage percentage will be high. One can only hope that the other quality parameters such as aflatoxin, FFA or PV will not be affected.

This situation has completely shut down the Argentine market with all shellers being completely withdrawn. There was some very small business that took place at higher levels but nothing of consequence. It is difficult to ascertain what the market is. Shellers will have first to ascertain their position once they have been able to evaluate the losses both for the quantity and quality. I think that once sellers come back in the market, we shall see more incentive to sell blanched material vs. raw in order to solve part of the quality problems. I wouldn't be surprised to see levels of us\$ 1350.- to us\$ 1400.- on 40/50 raw and us\$ 1500.- to us\$ 1550.- on blanched, if not higher eventually. There is still plenty of demand in this market and 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.

Looking at 2017 crop, there is no doubt that the starting point of the prices will be higher just for the reason that soybean prices are higher. Soybeans are the strongest competitor to peanuts in Argentina.

China

I think I spoke enough about imports. But I will reiterate that China is one of the few options for our oversupply that will be forfeited. With talks of a big increase in plantings in China, one wonders at what price the Chinese will want to buy that farmer stock. Obviously they first have to make a crop, secondly prices will have to show if that increase in plantings is enough to satisfy the internal demand. If one believes that big increase that most Chinese are talking about, prices internally should eventually come down, thus lowering China appetite for imports.

Brazil

Despite the poor climate that Brazil has experienced this year, edible exports are up to 42'329 mt for the period of February through May 2016, up 16'530 mt from the same period last year. This is total contradiction to all reports. Even peanut oil shipments are up 3'322 mt vs the same period last year. China is one of the biggest reasons for this export increase. Many businesses were transacted early, but there are many rumors lately that report that farmers are defaulting on shellers as prices internally have

shot up. We even have received enquiries from Brazil to buy peanuts. For sure at this time it is impossible to find any offers from Brazil as shellers are concentrating on trying to fulfill their existing contracts.

South Africa

As previously mentioned the crop in South Africa has suffered their worst drought ever. To make matters worse, harvesting has been delayed due to untimely rains. The quantity and quality had already suffered with the continuous dry weather, but now quantity but especially quality is being affected by the rain. South Africa will need to buy large quantities to supplement their very short crop. A big part of their production will be going to seeds. But I wonder how much quantity will be available for seeds and what consequence this will have for the 2017 crop. They might not be able to plant as much as they want which would lead to another shortfall in production which will inadvertently affect exports and imports.

The US has been unable to participate into the imports as freight rates from the US are extremely expensive, thus not being able to compete with the likes of Argentina and Brazil.