



July 23, 2015

Outside of the Chinese customers, judging by the quietness in the market and the lack of activity, most people must be enjoying their summer vacation. With the lack of material and the very high market prices in China, Chinese customers have actively been buying peanuts from both the U.S. and Argentina. It looks as if this activity should continue until the Chinese new crop becomes available (September/October). Once the new crop becomes available, the buying could continue if the current Chinese domestic prices don't come down drastically. Current prices are at the U.S. \$2,000.- mark. The buying interest from Asia has allowed prices to stabilize and not continue their further drop, especially for Argentine peanuts.

U.S.

Despite an estimated carryover of 870'000 fst, the market on runners is behaving as if the carryover was much smaller. A runner carryover of 550'000 fst is estimated. When adding a 3 months estimated demand, the runner carryover is basically nil which explains the firmness of the runner market, at least explaining the reasons why 14 crop runner prices are not coming down to new crop levels.

Virginia carryover is estimated at 270'000 fst and falling only to 170'000 fst after deducting the 3 months demand. Nevertheless that number should change considering the heavy buying from China, but the market will continue though being oversupplied.

The new crop conditions are still favorable. The Southwest has had more moisture than ever and is doing very well. The Southeast is going through a typical weather of afternoon thunderstorms with very high temperatures. There are some dry spots but overall the crop is doing well. The Virginia/Carolina is doing well.

Looking at next year estimated carryover based on a 3 million fst crop, runners will obviously be plentiful. Despite the oversupply on runners, there is no reason for the prices to go lower than the prices we have today. The only reasons for the runners prices to go down until forfeitures are available sometime by 4th quarter 2016 are either for shellers to be long which is very unlikely or for the government to lower the repayment rate and for shellers to sell basis what they can buy. Once forfeitures are available, it becomes a matter of what they can be bought at and who can use old crop for how long.

Virginia, despite the fact that the supply is estimated to drop by at least 100'000 fst, will continue to be oversupplied. Nevertheless that oversupply will not be as big as one thinks with the amount China will be buying. There may be a chance for prices on Virginias to actually go up (more than they have already in the past several months), especially for inshells.

Argentina

Harvesting continues in Argentina with about 85% harvested through today. It is unclear at this time what quantity will be available for export, but if one takes an estimated crop of 1.386 million inshell tons, Argentina should have available about 650'000 mt. Considering that Argentina has never exported more than 515'000 mt, one can estimate that there will be a carryover next year of minimum 150'000 mt (one should consider that there is always a little carryover from the previous crop).

It is difficult to ascertain how much has been sold out of the 2015 crop, but considering yields that are about 25% higher than yields of a normal year and considering that Argentina did not participate in the early manufacturers coverage that was done by the U.S., one could easily estimate that Argentina still has 50 to 60% left to sell which obviously explains the slide in prices we have seen the past several months. The prices have actually stabilized lately mainly due to the unusual buying from China. If one looks at prices, current Argentine levels are actually at par with U.S. new crop levels on raw basis and at least U.S. \$ 50.- lower than U.S. prices on blanched goods.

Argentina will be waiting anxiously on what happens with the Chinese market once the new crop is harvested, and on supermarkets coverage that usually takes place during the 4th quarter. The only good news for Argentina is that there are no reasons for U.S. prices to decline unless the repayment rate is lowered which logically shouldn't happen before the end of 2nd quarter to 3rd quarter next year.

Many shellers have been offering a combination of 2015 and 2016 crop at similar levels to 2015 crop. This means at best a breakeven on 2016 crop on the basis of an historical average yield. To make matters worse when looking at 2016 crop, soybean prices have run up a little bit lately. This could affect the land rent which is a critical cost in the growing. The other issue for next year plantings will be the ability for certain of the medium to smaller shellers to have cash blocked for at least 6 months considering the difficult financial situation some are in. The larger shellers will most likely plant the same acreage as last year, but the medium and smaller shellers as well as the independent will reduce their plantings. Today the best estimate is a 20% decrease for the next crop.

Brazil

Yields for the latest Brazilian crop were normal or slightly better versus last year's crop as whole. Some areas like Dumont suffered due to heavier rainfall in March but still probably averaged a yield of 3400. However, the early harvested peanuts ended up going in the area due to higher aflatoxin issues and quality ended up being set aside to be sold as crushing stock. Some early estimates indicated up to 15%. Tupa showed a regular harvest and quality was as a whole good and yields averaged as per usual years if not a tad better. Prices obviously have been lower due to the goods needing to be sold and to follow Argentina of sorts and even though not great, the exchange rate with the dollar has helped soften some of the blow. Mindset seems to be that there will be slightly lesser plantings for the next crop due to projected higher input costs and also the large 2015 crop that probably won't be moved until April 2016 in totality. We will update the export figures once they are updated at the end of the month.

South Africa

The final new crop numbers are still unknown. The latest estimate of June was called at 62'855 tons. The consensus seems that the crop is probably closer to 55'000 tons. Very little is left to sell for export. It

goes without saying that with such a small crop, South Africa will import. Nevertheless import rules have changed this year, and blanched product will command as well a 10% duty.

There is no word yet planting intentions for next year.

India

By all accounts, the new winter crop plantings have been increased anywhere between 20 to 40%. So far (at least until a week ago) India had received a timely monsoon. The rains are now late but there is still time for this crop to recover should the rain not come promptly. The importance of India is not for our regular market but for China. A plentiful supply in India would most probably result in lower Indian prices which would then switch Chinese interest from U.S. and Argentina to India.

China

Because of its size, the situation with the Chinese crop is always difficult to ascertain. What we know is that last year's crop was between 15 to 20% lower than the previous year. This resulted in a rise in prices in China that has continued until today. New crop plantings are pegged between 5% lower to 5% higher, so I will estimate that they are the same which with normal yields should produce roughly 16 million tons. So far the weather in China is favorable. The questions are what kind of a crop China will have and what will prices do?