



2018 International Sweetener Colloquium

February 13, 2018

**LOVATT &
RUSHING, Inc.**

WHAT YOU NEED TO KNOW:

PEANUTS, BOTH DOMESTICALLY AND WORLDWIDE, ARE IN ABUNDANCE

QUALITY IS EXCEPTIONAL

PRICES ARE NEAR HISTORIC LOWS AND NOT LIKELY TO GET LOWER

LEGISLATIVE CHANGES ARE INCREASING UPSIDE RISKS

HOW DID WE GET HERE? 2016 CROP



2016 SUPPLY & DEMAND LEFT LITTLE BUFFER FOR THE FALL

A CARRY-OUT OF 90 DAYS IS A MINIMUM

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Carry-In				Runners	Spanish	Virginia	Valencia			Total	YoY	
Production	1		Carry-In	736	17	119	7			879	-17%	
Net Supply	2		Production	2,314	58	375	33			2,780	-9%	
Total Demand	2		Net Supply	3,119	75	495	40			3,729	-7%	
Carry-Out	5		Total Demand	2,548	49	369	32			2,998	1%	
<i>Carry-Out Days</i>			Carry-Out	571	26	126	8			731	-17%	
			<i>Carry-Out Days</i>	82	194	125	91			89	-15%	

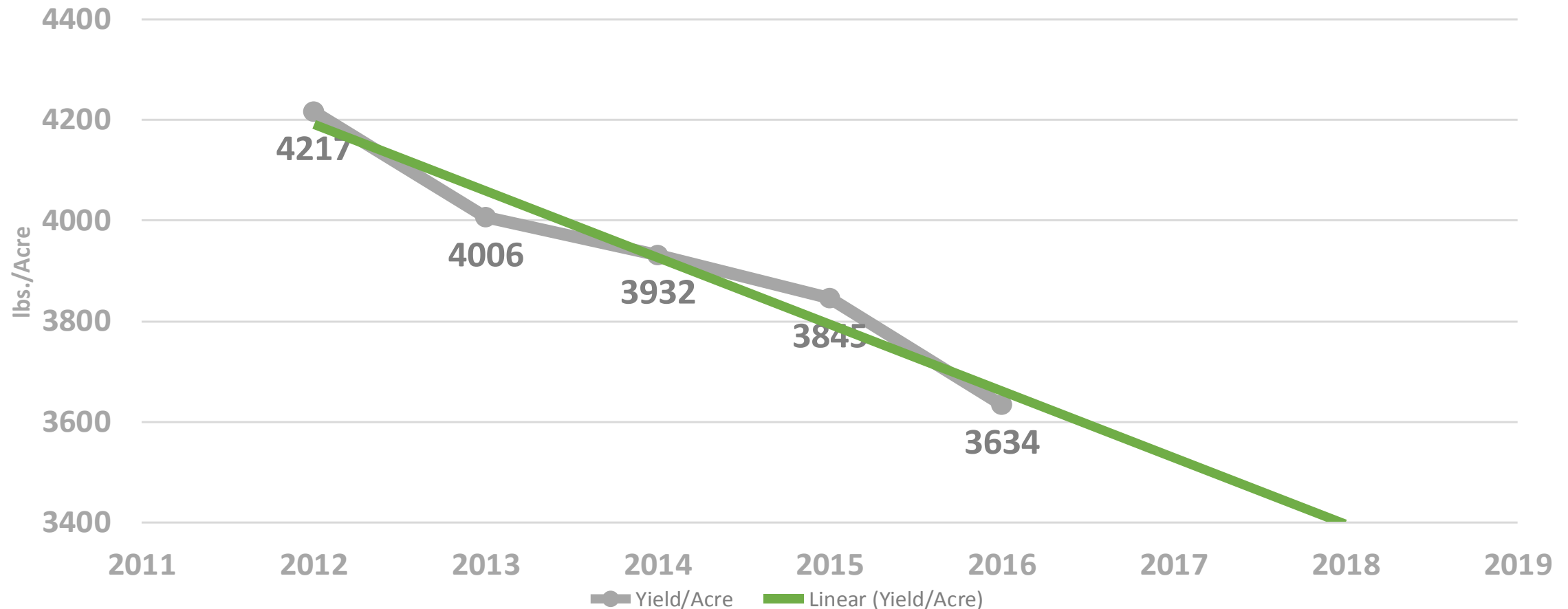
SUPPLY & DEMAND 2007-2017

MARKETS ARE SELF CORRECTING

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Carry-In	769	538	1,082	925	731	492	1,397	943	950	879	???	
Production	1,815	2,558	1,825	2,074	1,829	3,399	2,098	2,605	3,021	2,780	???	
Net Supply	2,616	3,145	2,986	2,948	2,709	3,910	3,513	3,695	4,017	3,729		
Total Demand	2,078	2,063	2,061	2,191	2,217	2,573	2,570	2,641	3,138	2,998		
Carry-Out	538	1,082	925	757	492	1,397	943	1,054	879	731		
<i>Carry-Out Days</i>	<i>94</i>	<i>191</i>	<i>164</i>	<i>123</i>	<i>81</i>	<i>198</i>	<i>134</i>	<i>131</i>	<i>102</i>	<i>89</i>		

ESTIMATING 2017 YIELD BASED ON 5-YEAR AVERAGE

FOUR CONSECUTIVE YEARS OF FALLING YIELDS



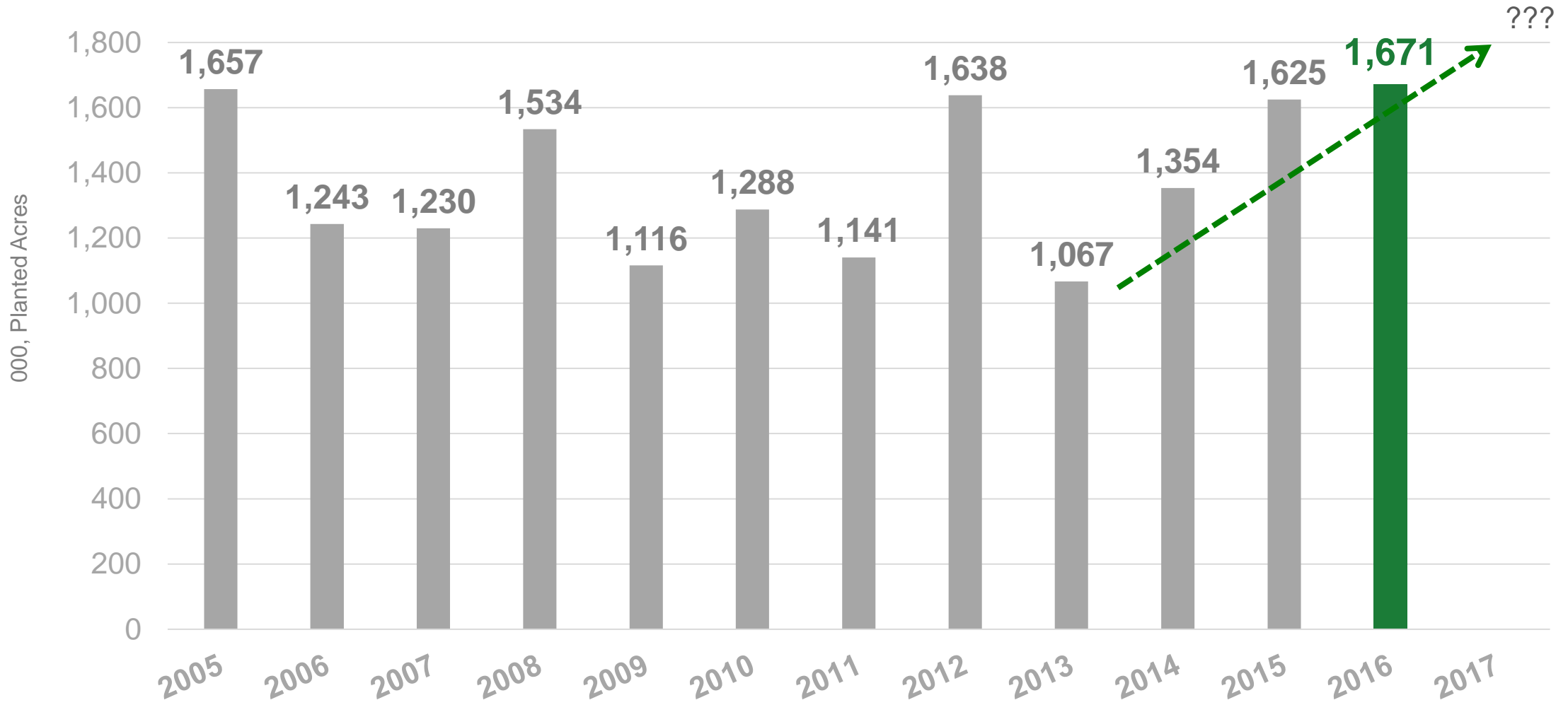
COST OF U.S MEDIUM RUNNERS OCTOBER 2015 - MAY 2016

PRICES BEGIN TO RATION DEMAND



PLANTED ACRES 2002 - 2016

ACRES HAD TO INCREASE - BUT BY HOW MUCH?



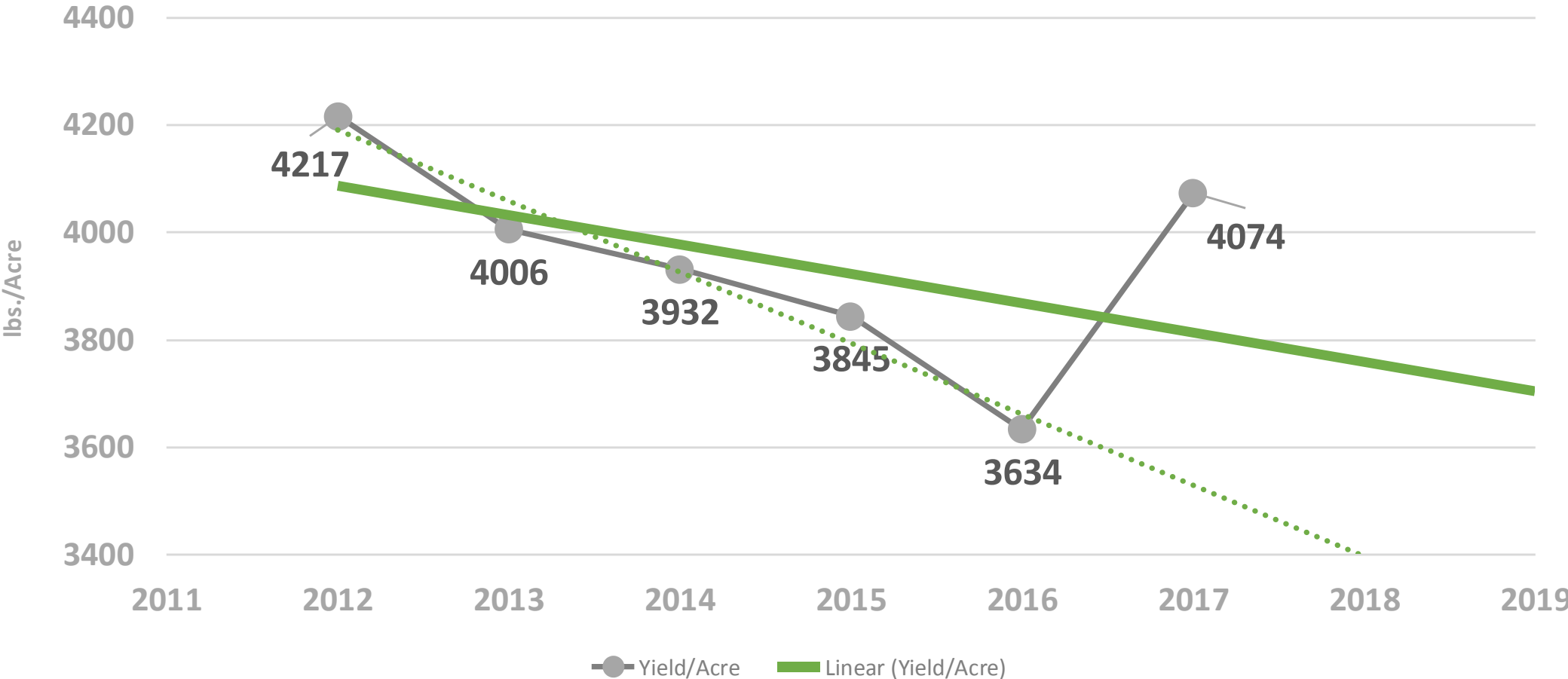
CROP ESTIMATE PROGRESSION MEL

CROP SURPLUS NOT RECOGNIZED UNTIL AUGUST

	Planted Acres (M)	Harvested Acres (M)	Yield (lbs)	Production (M tons)
2016 Final	1,671	1,536	3,634	2,791
March 31, 2017	1,751	1,707	3,634	3,102
June 30, 2017	1,818	1,773	3,634	3,222
August 10, 2017	1,818	1,773	4,190	3,714
September 12, 2017	1,881	1,829	4,254	3,890
October 12, 2017	1,881	1,829	4,257	3,893
November 9, 2017	1,881	1,829	4,176	3,819
January 12, 2018	1,871	1,776	4,074	3,617

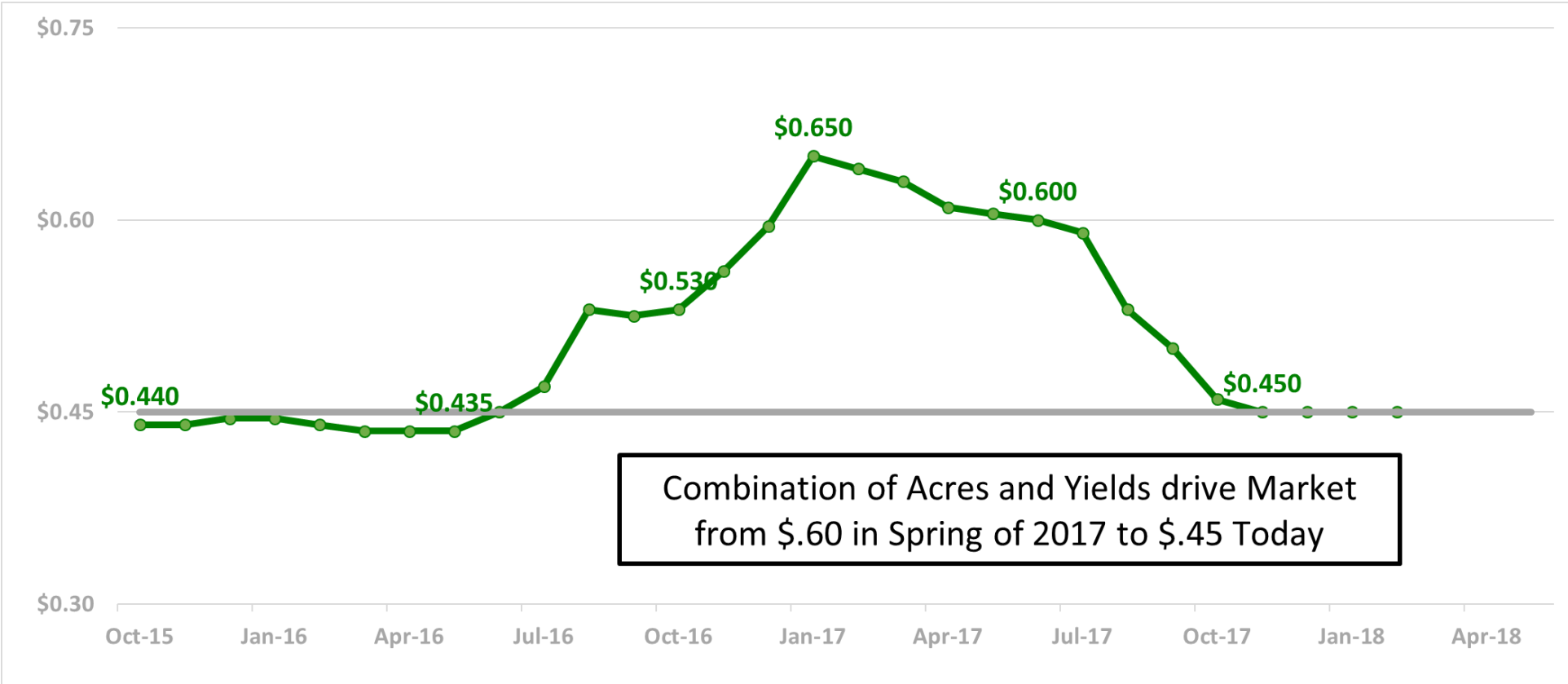
ACTUAL 2017 YIELD DEVIATES GREATLY FROM ESTIMATES

YIELDS SURPRISED EVERYONE. WHY? WEATHER? INPUTS?



U.S MEDIUM RUNNER PRICES OCTOBER 2015-FEBRUARY 2018

HIGH PRICES CURE HIGH PRICES

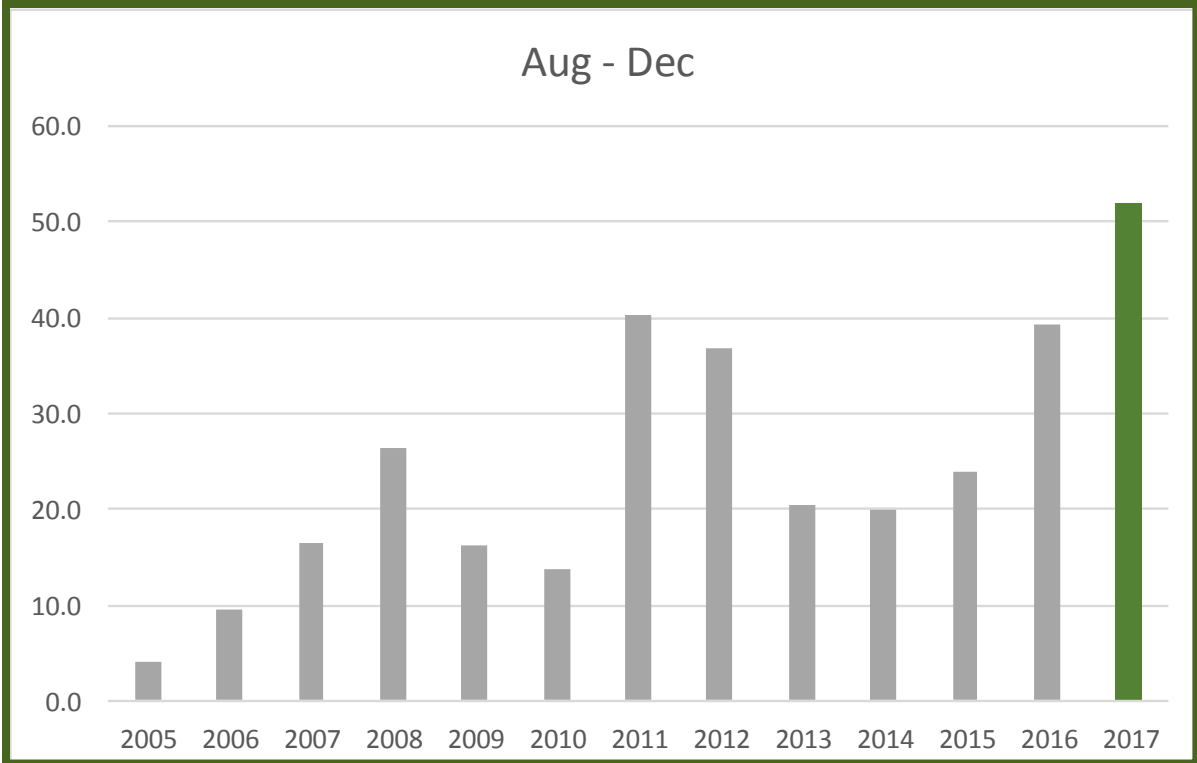


LOOKING AT 2017 CROP



IMPORTS INTO THE U.S. 2003-2017

IMPORTS NORMALLY TOTAL 50M TONS



	2016	2017	YoY Change
15			
6	5.9	10.9	86%
3	9.7	13.4	38%
5	7.2	11.7	62%
9	9.4	9.9	5%
7	7.2	5.9	-17%

Imports to date up 32% to augment tight August 1st carry-in

	2015	2016	2017	YoY Change								
15												
6	39.4	51.8	32%									
9	7.4	0.0	n/a									
9	7.7	0.0	n/a									
3	6.2	0.0	n/a									
1	10.8	0.0	n/a									
2	6.2	0.0	n/a									
May	2.5	4.1	3.7	2.5	8.7	4.3	3.8	5.4	4.3	7.6	0.0	n/a
June	3.2	4.1	3.7	2.5	8.7	4.3	3.8	5.4	4.3	7.6	0.0	n/a
July	3.5	3.5	3.3	3.5	13.2	5.1	4.3	4.6	4.8	7.2	0.0	n/a
Total (M)	41	49	41	37	143	66	50	51	53	92		

EXPORTS FROM THE U.S. 2003-2017

A GROWING PART OF THE BUSINESS



	2015	2016	2017	YoY Change
51	61	46	-25%	
43	50	37	-25%	
45	47	51	8%	
46	66	59	-10%	
46	88	67	-23%	
31	312	260	-17%	

**Exports to date
down 17%**

May	38	37	26	28	26	61	54	57	137	54	0	n/a
June	39	33	33	26	28	49	51	47	131	48	0	n/a
July	38	28	24	23	20	55	59	46	65	45	0	n/a

Total (M)	407	396	323	332	300	653	598	586	828	717
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EXPORTS FROM THE U.S. 2003-2017

CHINA IS A DISRUPTOR



2017 SUPPLY & DEMAND

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Carry-In	769	538										
Production	1,815	2,558										
Net Supply	2,616	3,145										
Total Demand	2,078	2,063										
Carry-Out	538	1,082										
<i>Carry-Out Days</i>	<i>94</i>	<i>191</i>										
						Runners	Spanish	Virginia	Valencia	Total	YoY	
						Carry-In	571	26	126	8	731	-17%
						Production	2,918	86	512	34	3,550	28%
						Imports	92	0	1	0	93	0%
						Net Supply	3,556	112	639	42	4,349	17%
						U.S. Demand	1,753	33	331	25	2,142	3%
						Exports	575	20	86	6	687	-13%
						Crushing's	119	0	0	0	119	-3%
						Total Demand	2,442	53	85	6	2,948	- 2%
						Carry-Out	1,114	59	223	11	1,401	92%
						<i>Carry-Out Days</i>	<i>165</i>	<i>406</i>	<i>194</i>	<i>130</i>	<i>173</i>	

SUPPLY & DEMAND 2003 - 2017

EXPECT A SMALLER CROP IN 2018

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Carry-In	769	538	1,082	925	737	492	1,397	943	950	879	731	
Production	1,815	2,558	1,825	2,074	1,829	3,399	2,098	2,605	3,021	2,780	3,550	
Net Supply	2,616	3,145	2,986	2,948	2,709	3,970	3,513	3,695	4,017	3,729	4,349	???
Total Demand	2,078	2,063	2,061	2,191	2,217	2,573	2,570	2,641	3,138	2,998	2,942	
Carry-Out	538	1,082	925	757	492	1,397	943	1,054	879	731	1,401	
<i>Carry-Out Days</i>	<i>94</i>	<i>191</i>	<i>164</i>	<i>123</i>	<i>81</i>	<i>198</i>	<i>134</i>	<i>131</i>	<i>102</i>	<i>89</i>	<i>174</i>	

U.S MEDIUM RUNNER PRICES SEPT. 2005 - FEB. 2018

BUY LOW SELL HIGH



THOUGHTS ON THE 2018 CROP



WORLD MARKETS: CONTRACT PRICE EQUIVALENT

ALTERNATIVE CROPS WILL BE MORE COMPETITIVE IN 2018

	September <u>Corn</u>	December <u>Cotton</u>	November <u>Beans</u>	Contracted <u>Peanuts</u>
February 2017 Price	\$4.25/Bu.	\$0.650/lb.	\$9.60/Bu.	\$475/ton
February 2018 Price	\$3.84/Bu.	\$0.755/lb.	\$10.00/Bu.	\$390/ton
Yield	200 bu./acre	1200 lbs./acre	60 bu./acre	4700 lbs./acre
Revenue/acre	768	906	600	917
Basis Estimate	110	18	30	0
Net Revenue/acre	838	914	630	917
Variable Costs/acre	538	538	274	600
Return above variable costs	300	351	356	247
Peanut Contract Equivalent (Per Ton)	\$413	\$434	\$437	\$390

\$440/ton - \$490/ton

YIELD HARVESTED ACRE COMBINATIONS

LOOK FOR LOWER YIELDS AND FEWER ACRES IN 2018

	Actual Acres in 2016							Actual Acres in 2017						
Planted Acres (E stimated)	1,337	1,389	1,440	1,462	1,492	1,543	1,671	1,595	1,646	1,653	1,749	1,818	1,852	1,903
Harvested Acres (M)	1,300	1,350	1,400	1,421	1,450	1,500	1,536	1,550	1,600	1,650	1,700	1,776	1,800	1,850
Percent Change from 2017	-27%	-24%	-21%	-20%	-18%	-16%	-13%	-13%	-10%	-7%	-4%	0%	1%	4%
Yield / Acre (lbs)														
3,450	2,243	2,329	2,415	2,451	2,501	2,588	2,650	2,674	2,760	2,846	2,933	3,063	3,105	3,191
3,500	2,275	2,363	2,450	2,487	2,538	2,625	2,688	2,713	2,800	2,888	2,975	3,107	3,150	3,238
3,550	2,308	2,396	2,485	2,522	2,574	2,663	2,726	2,751	2,840	2,929	3,018	3,152	3,195	3,284
3,600	2,340	2,430	2,520	2,558	2,610	2,700	2,765	2,790	2,880	2,970	3,060	3,196	3,240	3,330
3,634	2,362	2,453	2,544	2,582	2,635	2,726	2,791	2,816	2,907	2,998	3,089	3,226	3,271	3,361
3,650	2,373	2,464	2,555	2,593	2,646	2,738	2,803	2,829	2,920	3,011	3,103	3,240	3,285	3,376
3,700	2,405	2,498	2,590	2,629	2,683	2,775	2,842	2,868	2,960	3,053	3,145	3,285	3,330	3,423
3,750	2,438	2,531	2,625	2,664	2,719	2,813	2,880	2,906	3,000	3,094	3,188	3,329	3,375	3,469
3,800	2,470	2,565	2,660	2,700	2,755	2,850	2,918	2,945	3,040	3,135	3,230	3,374	3,420	3,515
3,850	2,503	2,599	2,695	2,735	2,791	2,888	2,957	2,984	3,080	3,176	3,273	3,418	3,465	3,561
3,900	2,535	2,633	2,730	2,771	2,828	2,925	2,995	3,023	3,120	3,218	3,315	3,462	3,510	3,608
3,950	2,568	2,666	2,765	2,806	2,864	2,963	3,034	3,061	3,160	3,259	3,358	3,507	3,555	3,654
4,000	2,600	2,700	2,800	2,842	2,900	3,000	3,072	3,100	3,200	3,300	3,400	3,551	3,600	3,700
4,050	2,633	2,734	2,835	2,878	2,936	3,038	3,110	3,139	3,240	3,341	3,443	3,596	3,645	3,746
4,074	2,648	2,750	2,852	2,895	2,954	3,056	3,129	3,157	3,259	3,361	3,463	3,617	3,667	3,768
4,100	2,665	2,768	2,870	2,913	2,973	3,075	3,149	3,178	3,280	3,383	3,485	3,640	3,690	3,793
4,150	2,698	2,801	2,905	2,949	3,009	3,113	3,187	3,216	3,320	3,424	3,528	3,684	3,735	3,839
4,200	2,730	2,835	2,940	2,984	3,045	3,150	3,226	3,255	3,360	3,465	3,570	3,729	3,780	3,885
4,250	2,763	2,869	2,975	3,020	3,081	3,188	3,264	3,294	3,400	3,506	3,613	3,773	3,825	3,931
4,300	2,795	2,903	3,010	3,055	3,118	3,225	3,302	3,333	3,440	3,548	3,655	3,818	3,870	3,978
4,350	2,828	2,936	3,045	3,091	3,154	3,263	3,341	3,371	3,480	3,589	3,698	3,862	3,915	4,024

EXTERNAL CONSIDERATIONS



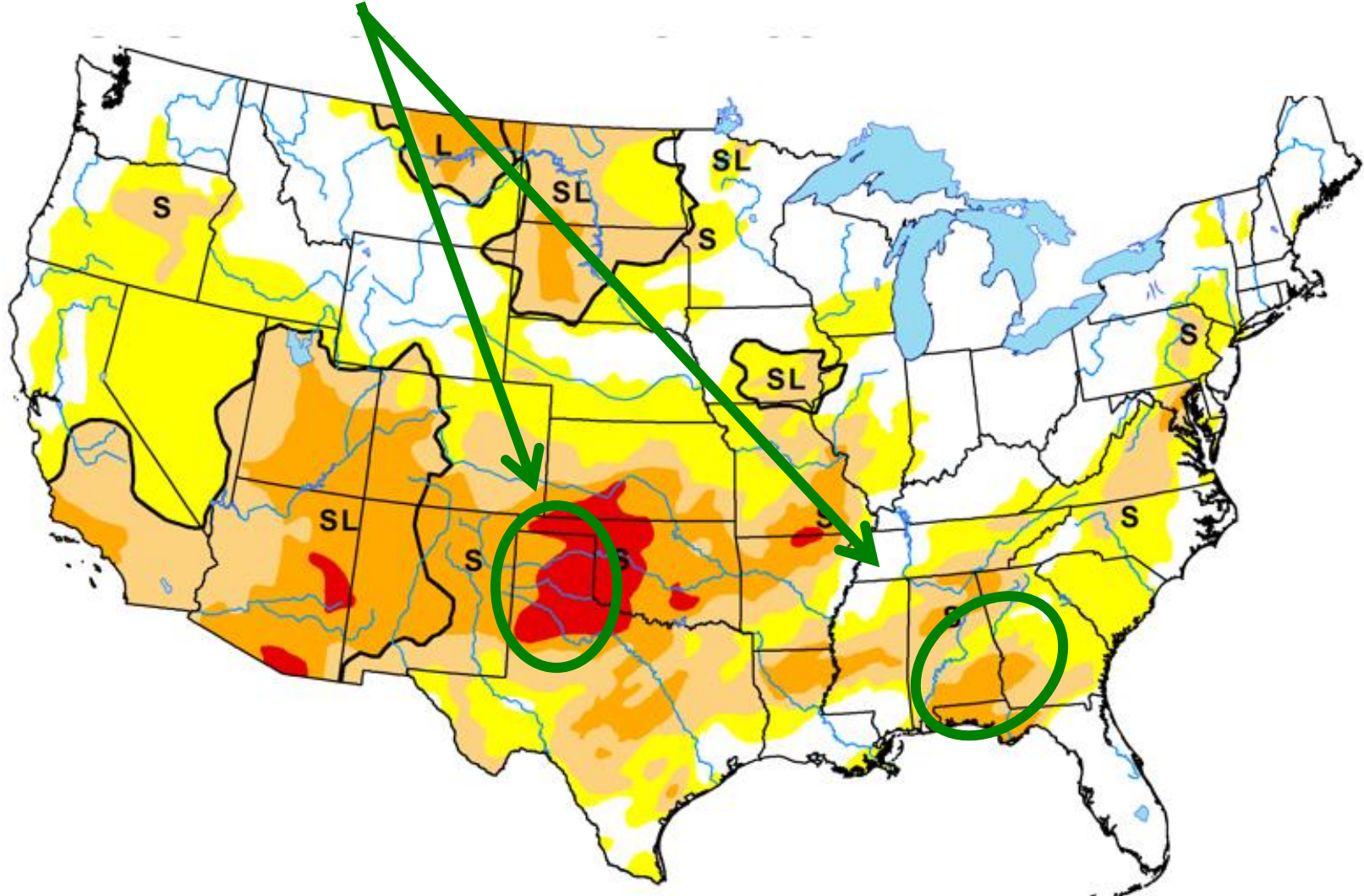


RISKS

1. WEATHER
2. COMPETING CROPS
3. CHINA

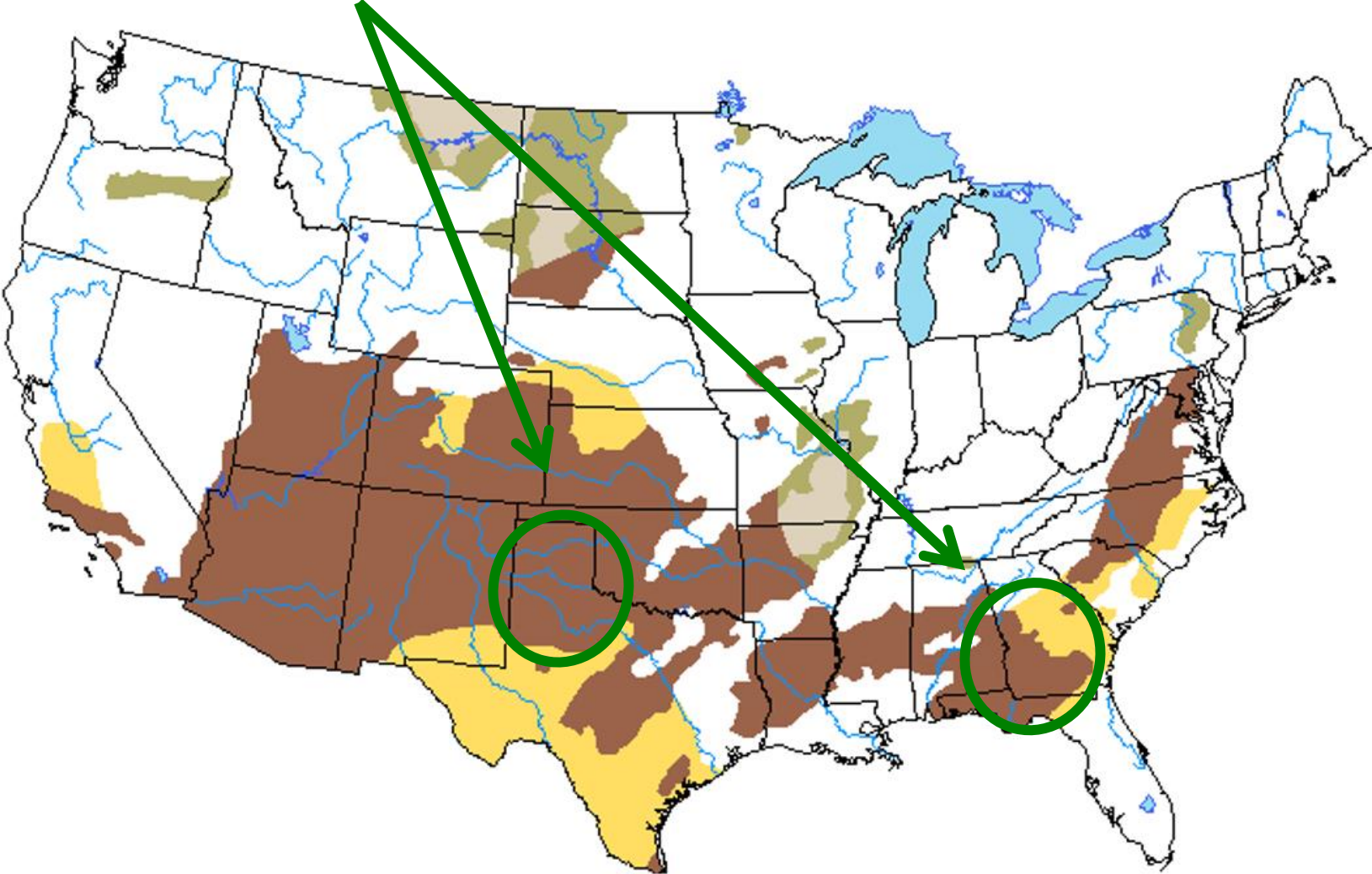
WEATHER: U.S DROUGHT MONITOR - FEB. 6, 2018

SE AND SW GROWING AREAS VULNERABLE



WEATHER: U.S. SEASONAL DROUGHT OUTLOOK - FEB '18 - APR '18

And the forecast is for continued drought



COMPETING CROPS: U.S. DOLLAR INDEX

THE DOLLAR IS WEAKER AT LEAST UNTIL RECENTLY

DXY00 - U.S. Dollar Index - Daily OHLC Chart



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DEC 2018 WEST TEXAS INTERMEDIATE

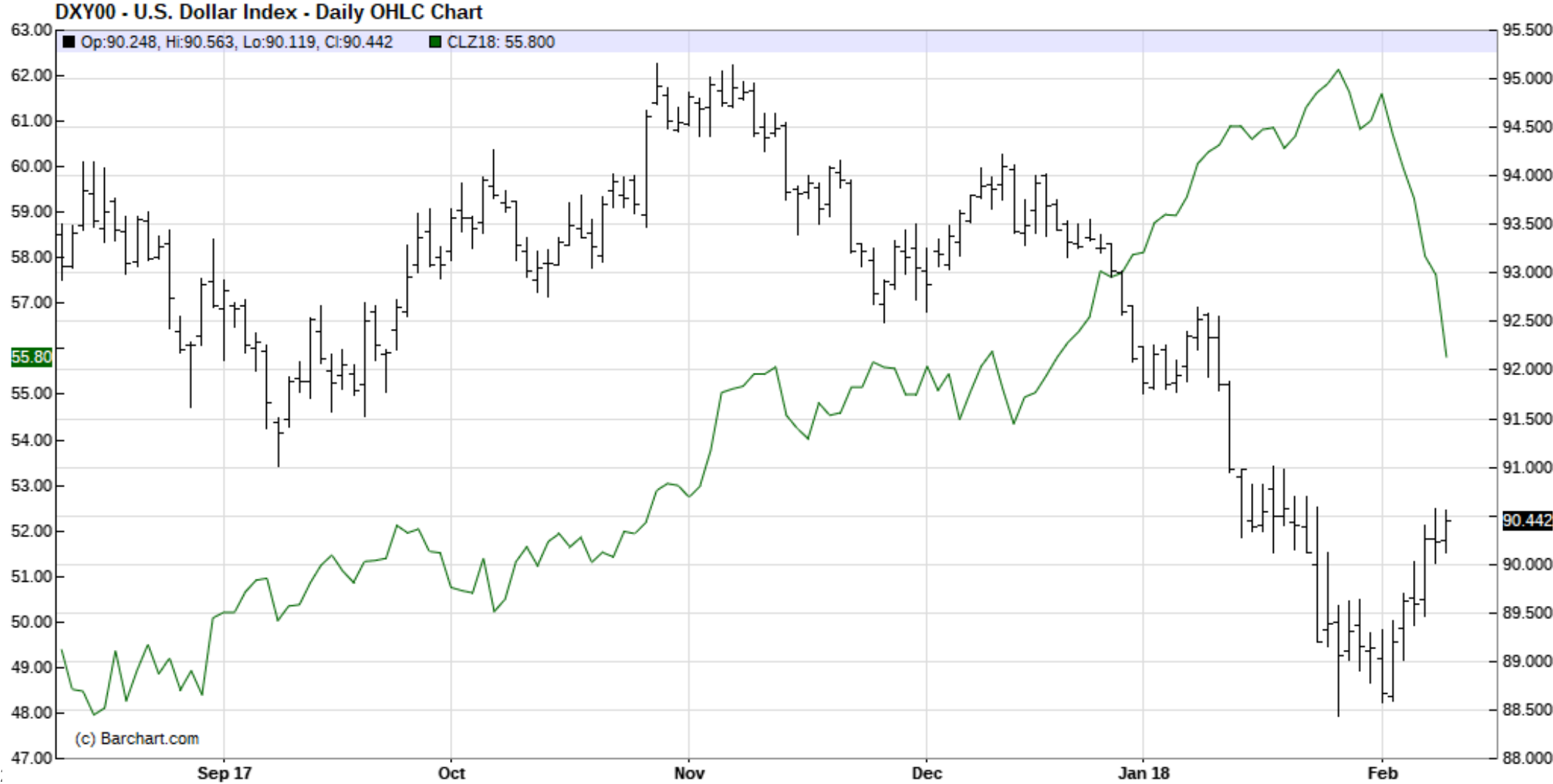
AND OIL'S BEEN STRONG UNTIL RECENTLY

CLZ18 - Crude Oil WTI - Daily OHLC Chart



U.S. DOLLAR INDEX VS. DEC 2018 WTI

AN INVERSE RELATIONSHIP



COMPETING CROPS: DECEMBER 2018 COTTON

COTTON IS STILL STRONG- CAN IT STAY STRONG?

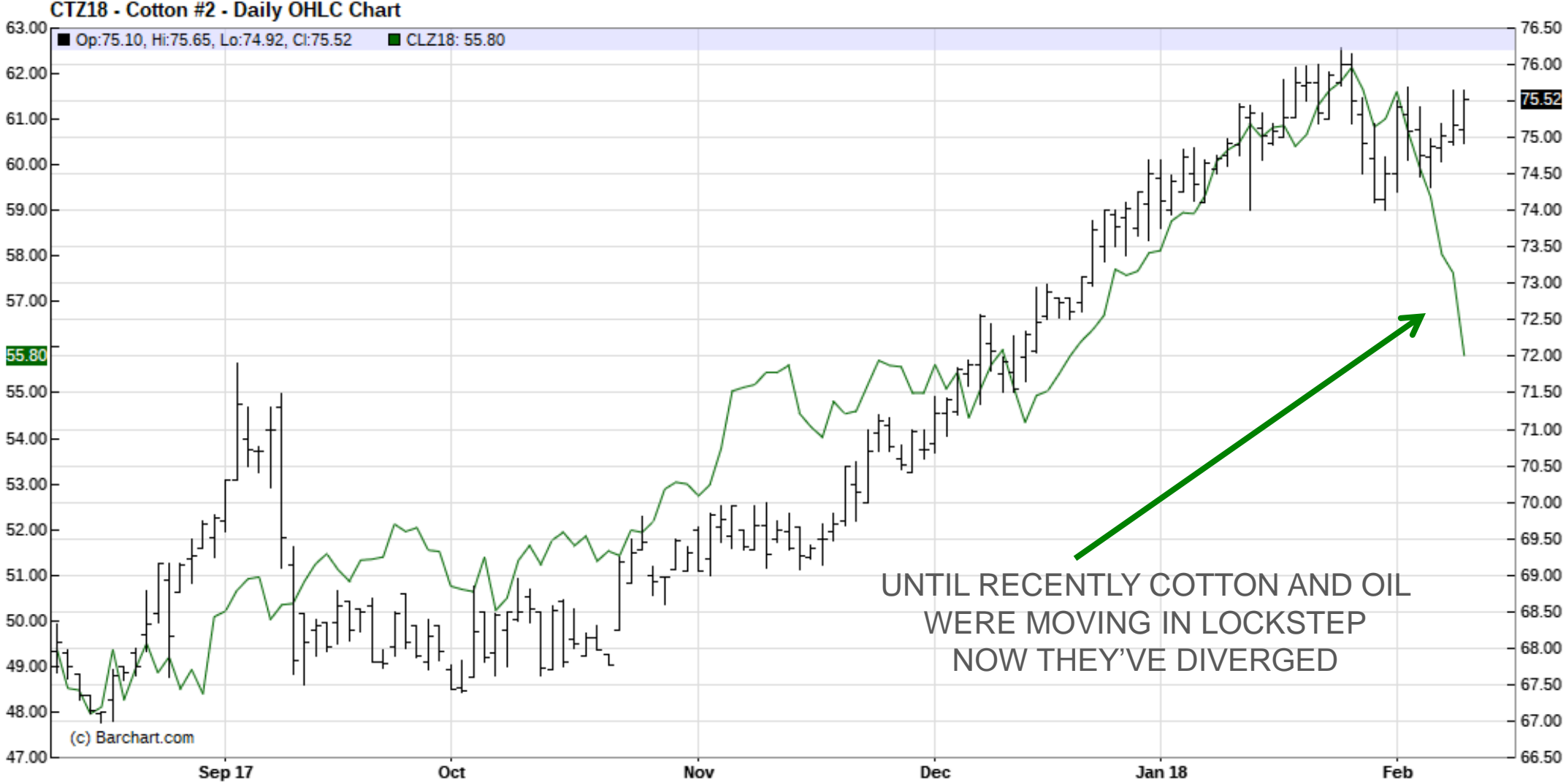
CTZ18 - Cotton #2 - Daily OHLC Chart



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DEC 2018 WTI VS. DECEMBER 2018 COTTON

A DIVERGENCE



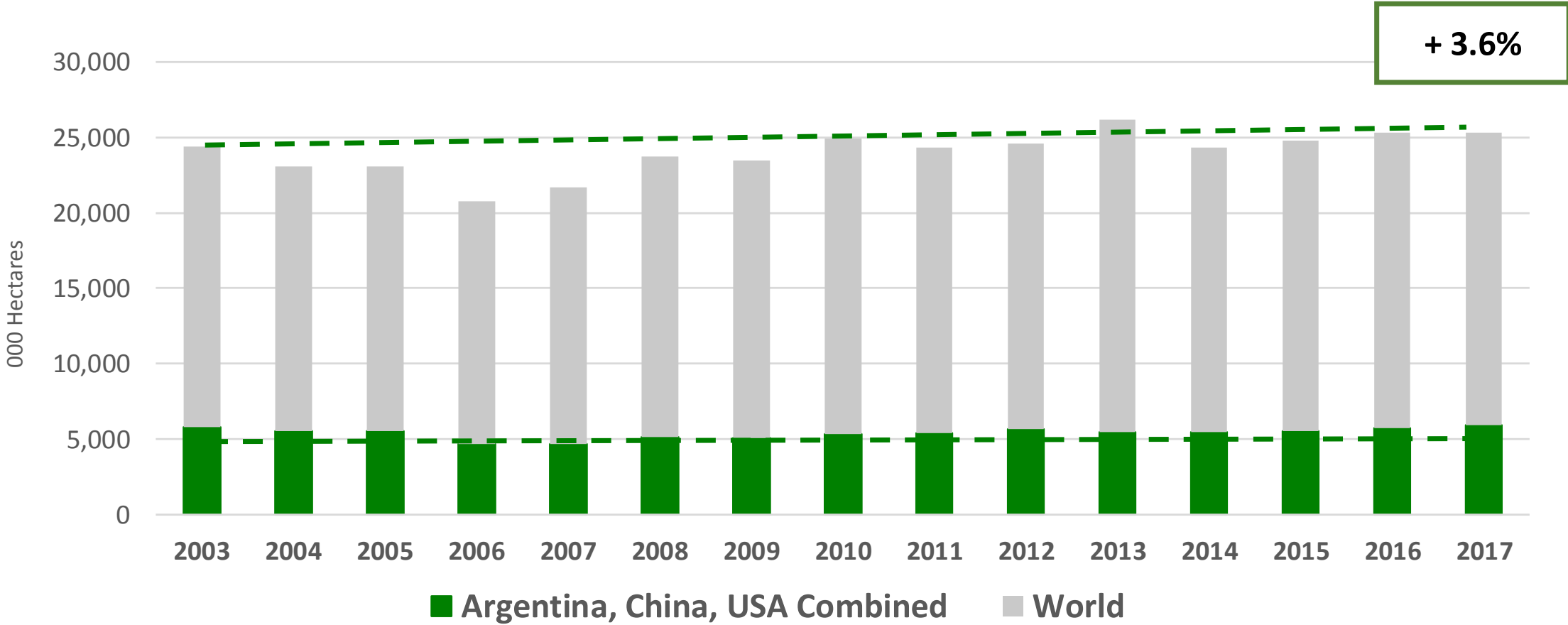
CHINA SUPPLY & DEMAND 2014 - 2018

NEVER FIGHT A LAND WAR IN ASIA

	2014	2015	2016	2017
Carry-In	0	0	0	0
Production	16,482	16,440	17,290	17,500
MY Imports	161	541	295	350
Net Supply	16,643	16,981	17,585	17,850
Domestic Demand	16,141	16,497	16,939	17,200
MY Exports	502	484	646	650
Total Demand	16,643	16,981	17,585	17,850
Carry - Out	0	0	0	0

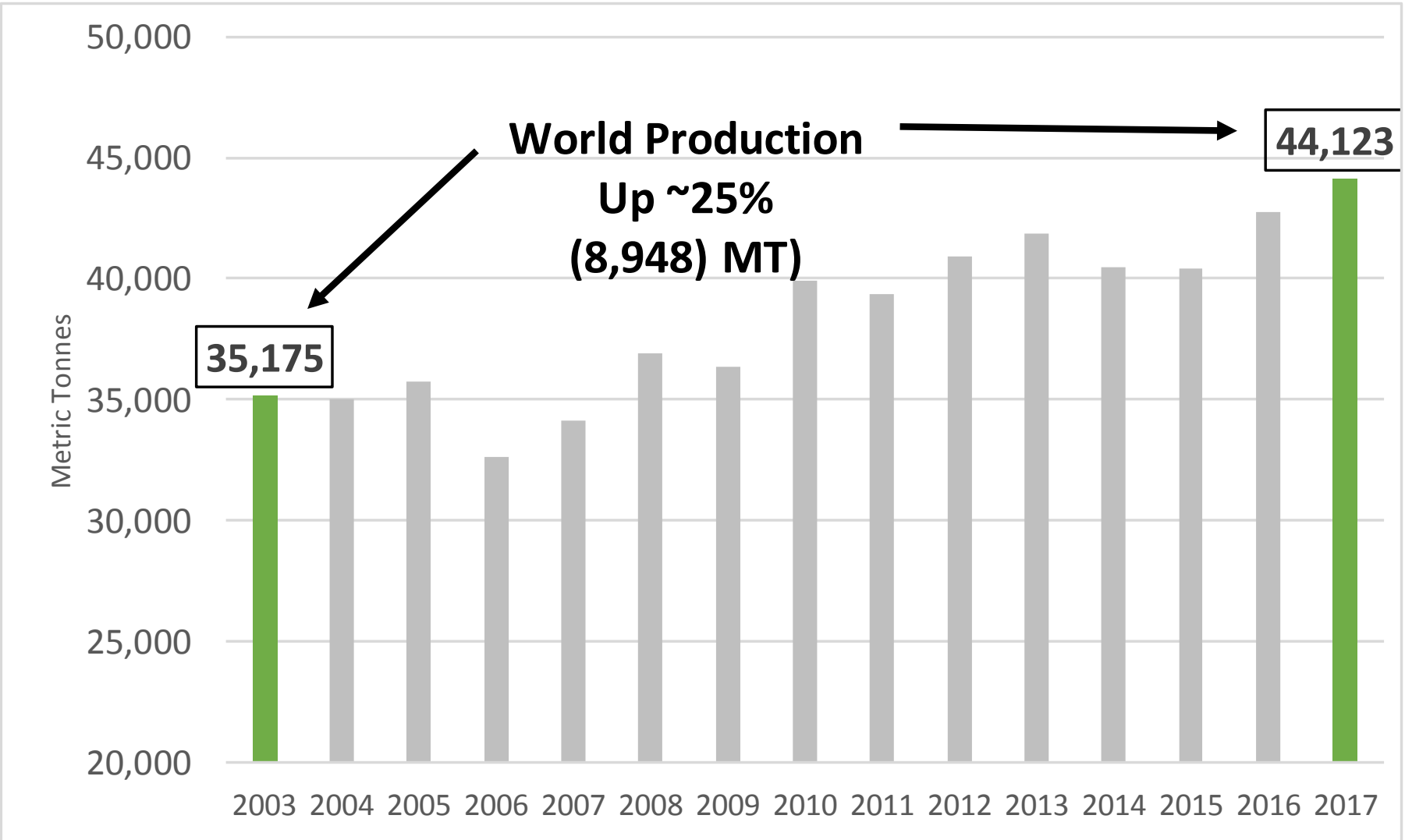
WORLD MARKETS: HARVESTED HECTARES, PEANUTS 2003-2017

LITTLE CHANGE IN ACRES IN 15 YEARS



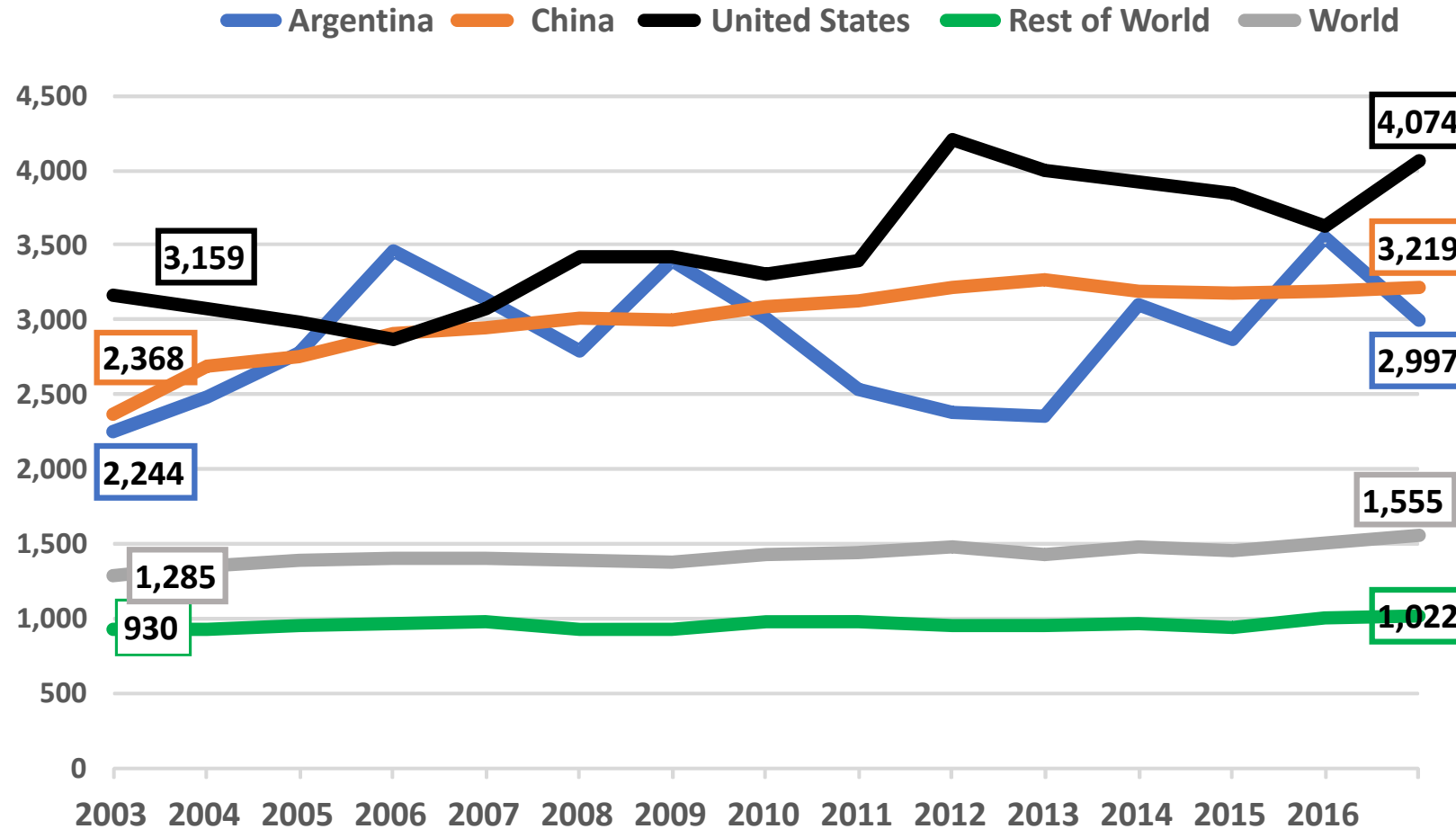
WORLD MARKETS: HARVESTED HECTARES, PEANUTS 2003-2017

TOTAL PRODUCTION IS GROWING



WORLD MARKETS: YIELD HARVESTED ACRE COMBINATIONS

YIELDS ARE DRIVING GROWTH



Since 2003:
 World Yield/Acre:
 + 270 lbs. - 21%

U.S. :
 +912 lbs. - 29%

China:
 + 850 lbs. - 36%

Argentina:
 + 553 lbs. - 25%

Rest of the World :
 + 92 lbs. - 10%

SUMMARY:

PEANUTS, BOTH DOMESTICALLY AND WORLDWIDE, ARE IN ABUNDANCE

QUALITY IS EXCEPTIONAL

PRICES ARE NEAR HISTORIC LOWS

LEGISLATIVE CHANGES ARE INCREASING UPSIDE RISKS

AT CURRENT PRICES, BUY PEANUTS!