



PREMIUM PEANUT

Newsletter

April 2022

A letter from our CEO, Karl Zimmer

As we get ready for the 2022 crop planting, we are dealing with many uncertainties. We have already had significant inflation and supply chain challenges that impact each one of us personally, along with our businesses and farming operations. Now, the war in Ukraine has only created more difficulty; we have not yet seen all the impacts of this unfortunate situation. Combined, Russia and Ukraine export 29% of the world's wheat trade, and 18% of corn. Not only are farmers in Ukraine not able to plant this year's crops, a lot of last year's are still in storage and have either been destroyed or are unable to be exported. Unfortunately, this means there will be shortages and further, significant price increases on food: mainly in Europe, but we will see some in the United States. The availability of fertilizers and other key tools (pesticides, herbicides, etc.) needed to grow healthy crops is going to continue to tighten, and costs will rise; this only makes things more difficult since we are already dealing with critical shortages and long lead-times on spare parts for equipment.



For peanuts specifically, we still are in a 'long' situation where the U.S. has more peanuts than are needed from the 2021 crop, so peanut prices have not increased: the price of a redskin peanut today is the same as it has been for the past ~6 months. At Premium Peanut, and as a peanut industry, we are working to continue to develop new export opportunities to sell our products around the world. Demand domestically (in the United States) is still strong, with each person eating almost 8 pounds of peanuts a year. But, this means that we will consume the equivalent of just over 2 million farmerstock tons in the U.S. while we grow over 3 million: we need to export that extra 1 million tons, which we have not been able to do this year, especially with China not buying US-grown peanuts. Unfortunately, the Biden administration has not made trade a priority and is neither enforcing the prior trade agreements, nor negotiating new ones. Europe, despite the expected food shortages driven by the Ukraine war, still is imposing very harsh inspection measures on incoming peanuts and continues to implement new regulations, prohibiting the use of safe, effective fertilizers and pesticides. That is the bad news. The good news is that the oil market continues to be very strong, in part driven by a shortage of sunflower oil (Ukraine and Russia account for almost 80% of global sunoil production). With Premium Peanut being in the oil business, we are able to offset some of the softness in redskin / edible peanut pricing with strong sales in peanut oil and peanut meal. The investments we have made on APEX and Better Peanut (buying point / harvest software) have also allowed us to reduce costs while still producing extremely high quality products for our customers.

A quick update on South Carolina. We have signed the agreements to purchase the land, which is located right alongside Interstate 95 in Santee, South Carolina (Orangeburg County). We expect to close on the property and begin construction on the seed treating operation in May. The design for the new shelling plant is almost finalized, and we have hired Kevin Arthur (you will read his bio in this newsletter) to lead the design and construction project (Kevin previously worked for another company in Orangeburg). Financing is in place, we are finalizing the tax and other incentives, and still selling stock to new growers. As we progress on this project, we will continue to be focused on ensuring it creates value for all Premium Peanut owners, existing and new.

Premium Quality - Courtney Dorsett, Compliance Director

“Premium Quality - Premium Service - Premium Food Safety” is on the sign as you drive onto our site and printed across the backs of the shirts worn by Premium employees. What does Premium Quality mean to each stakeholder along the supply chain and how do we deliver on that promise at each link of that chain? Farmers require quality seed that will dependably germinate and establish healthy plant stands able to out-compete weeds and stand up to pests and other environmental stressors. The shelling plant buys peanuts in the fall and relies on the buying points to protect that investment until they are shelled and sold to food manufacturing companies. Those buyers expect that the peanuts delivered to them will meet their recipe specifications and their consumers’ expectations. Our structure allows us a unique position to address challenges and opportunities throughout the supply chain. The company mission statement says that we are committed to producing quality products for our customers while maximizing the value of each peanut through operational innovations and excellence. Examples of this commitment are evident in our seed program, the Better Peanut software platform, our collaborative approach to peanut research efforts, and the utilization of advanced technologies to mitigate risks and evaluate quality.

It has been said many times (and it is worth repeating) that quality begins in the field; you cannot create a quality product in the shelling plant with marginal peanuts. Premium’s programs and tools are intended to assist our growers and buying points, but we will always depend on them to follow the best agricultural and warehousing practices. Foreign materials (anything that is not a shelled peanut) continue to be a leading source of stored product degradation and customer complaints. Growers can positively impact these concerns by managing weeds in the field and using appropriate fertilizers. When introduced into the warehouse, high moisture foreign materials increase the moisture profile within peanut piles which can cause aflatoxin proliferation during storage resulting in finished lots failing to meet edible aflatoxin standards. Nutsedge, if not properly controlled in the field, produces a proliferation of subterranean nutlets or seeds which are then harvested, stored, and delivered to the shelling plant with the farmer stock peanuts. This nutgrass is similar in size and weight to a peanut kernel and is exceedingly difficult to remove from the process stream. Another source of foreign material in the last two crops has been inferior fertilizer sources, specifically calcium which shows up as “grey rocks” in finished peanut lots. Farmer stock high in foreign materials requires extra in the plant to audit and reprocess finished lots resulting in lost revenue for all shareholders.

“Quality is never an accident; it is always the result of intelligent effort.” The operational innovations applied at each step of the supply chain are proving to be worth the resources and effort put forth by our growers, buying points, and company personnel. Premium’s seed program, now in its second year, employs extra measures to ensure each bag delivers quality results. Thanks in part to Better Peanut, Premium has the lowest aflatoxin fail rate in the industry, according to the latest JLA data. 2022’s version of Better Peanut will include added efficiencies and provide new technological tools which will enable growers and their Premium support team to better predict risks in the field and assess quality before harvest. Our farmers and buying point teams know their fields and operations better than anyone. By combining this knowledge and experience with innovative tools designed to make the most of their efforts, we will continue to exceed the quality expectations of our customers.



Premium Peanut Seed - Albert Rogers, Regional Procurement Manager

It is hard to believe that April has arrived, and spring plantings are just around the corner for peanuts. We jumped past spring into early summer for a week or so, which had growers getting ready to hit the fields to plant corn or some early produce crops, only to be reminded that all the chilly weather had not yet left our part of the world. Looking at the 14-day forecast, it shows a low of 36 degrees on April 9 and lows in the mid-50s from April 15 thru 19th. Therefore, I would encourage you, before planting any peanut seed, to check the 4-inch depth temperatures and make sure your area has had three consecutive days of 65+ degrees in the 4-inch soil depth. Current soil moisture is good to excellent in our area now, but that can change rapidly, so when you are ready to plant, if you have dry conditions, it is recommended that you irrigate before planting since cold irrigation water after planting can shock peanut seed which could cause poor stand emergence. The University of Georgia has eighty-two weather stations throughout the state where you can monitor current weather conditions and 4-inch soil temperatures. You can find a location near you at www.georgiaweather.net. You can also find these and other growing recommendations on the UGA Peanut Production Guide at www.ugapeanutteam.org.

Premium Peanut is in the peanut seed business to provide our stockholders with adequate good quality seed. We are conducting multiple tests on each lot of seed to make sure we are doing all we can so that you can feel confident as you go to the field to plant your peanut crop with Peanut Seed. Remember, as a stockholder looking for a return on your investment, and to get as much value possible from your peanuts you deliver to Premium, this is your seed business you are supporting.



Financial Update- Marshall Spivey

Premium Peanut had a very good 2020 crop year, and we were glad to distribute a significant dividend of \$100/ shares. As a reminder, this is in addition to paying full market price/option at harvest. The company typically pays out 50-60% of the EBITDA (earnings before interest, taxes, depreciation/amortization) in dividends. The remainder of earnings are used to pay debt and interest payments to lenders and make capital investments back into the company.

Those investments are made on projects that have a significant future return for the company/shareholders. The Oil Mill and the APEX project are the two largest capital projects the company has completed since the initial shelling plant and both delivered major returns that increased the 2020 crop dividend that was paid out by approximately \$30 per share. Premium Peanut will continue to evaluate future capital projects that will make the company stronger and return earnings to the company/shareholder. The expansion project in South Carolina is the current project that is being planned with those specific goals in mind.

We are almost halfway through shelling the 2021 crop and are having another strong financial year. Our budget for the 2021 crop year was higher than any other year in our past performance except for 2020 crop. It was significantly less than the 2020 crop due to the farmer stock price being up from \$400 to \$475 but the shelled goods market price not being up enough to cover the \$75 increase in farmer stock price. The good news is that approximately halfway through shelling the 2021 crop we are performing better than budget. We have been able to produce higher yields than budget (even though the budget was very aggressive) which have been driven by a good quality crop and improvements made by our buying points in processing and storing the crop. The capital investments made by the buying points and the Better Peanut software developed by Premium Peanut (used by the Buying Points) are generating returns for our shareholders. Our aflatoxin pass rates on shelled goods are better than the industry average which confirms the work we have done and investments made are driving better results. We have also seen continued strong pricing for peanut oil and peanut meal which have allowed the Oil Mill to continue very strong financial performance.

Premium Peanut

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Employee Biographies



Kevin Arthur, Operations Development Manager

Kevin was born and raised in Macon, GA where he attended Tattnall Square Academy. After graduation he went on to receive a drafting certificate from Macon Technical College, an Associate of Applied Science of Technology from Gordon College and a Bachelor's degree in Business and Economics from Mercer University.

He started his career as a manufacturing engineer at Blue Bird Body Company where they made school buses. Kevin has held many roles in his career from Engineer, Project Manager, Plant Manager and started up plants from scratch. He has over 27 years of upper-level management experience and loves seeing people grow and succeed. He has recently joined Premium Peanut as an Operations Development Manager for South Carolina.

He has been married for 33 years to Amy and they have two children, Ashley and Courtney. Both of his daughters are married. Ashley has a daughter Bentley who is 2 years old. Kevin is a family man and loves them greatly.



Terry Smith, Materials/Inventory Supervisor

Terry was born and raised in Newark, NJ and went to Irvington High School. After high school he served 3 years in the United States Army and moved to Georgia in June of 1995.

Terry has been working with Premium Peanut for 5 years. He started in shipping as a forklift driver loading and racking. He moved to bar ready to become a lead; when the Apex project came online, he became a 32-bin operator. One of his main functions was to send peanuts to the main bagger to be bagged and stored in the cooler and shipped out on trucks or send them to the bulk bins where they can be used for railcars. He is now a D-shift material/inventory supervisor. His job is to efficiently run bar ready and make sure that the lots we run are in spec with the customer requirements, along with guaranteeing we are loading railcars with the correct lots in a safe and efficient manner.

He has been married to Pammy Smith (who also works at Premium Peanut) for 12 years. They have 6 kids (3 boys/3girls), and 5 grandkids (3 boys/2 girls). In his

spare time, he enjoys riding his motorcycle, fishing, gaming or just relaxing at the house doing nothing.

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