



PREMIUM PEANUT

Newsletter

August 2022



A letter from our CEO, Karl Zimmer

The 2022 crop will be Premium Peanut's 8th, and with the help and support of our growers, buying points, and employees, we continue to get better every year. Yes, the 2021 crop was excellent in terms of quality, with very low aflatoxin, but that has not stopped us from continuing to improve and ensuring we are prepared for the future. Like everyone else, we are being faced with significant cost increases from inflation, and the edible peanut markets have not really increased in price to cover these costs. Fortunately, we have a great team at Premium Peanut and have been focused on reducing costs while still providing quality products to our customers, and expect to meet or exceed our budget for this year – even with well over \$1.5 million in extra inflation costs.

Most of our work right now is focused on preparing for the 2022 harvest. We had great visits with so many of our growers, at each buying point, over the past couple months. This month, we are working to finalize the details for the Quality Incentive (\$25 / ton) that we will be offering this year, as well as our initial segregation plans for 2022 farmerstock. As you will read in Courtney Dorsett's article, we are also offering a program "In Field Quality Assessment" this year, using some of the new tools we have developed to provide a perspective on overall plant quality prior to digging. Hopefully, all of these initiatives will provide our growers with more information, helping them to continue our overall focus on maximizing the value and quality of each peanut – from the field through shelling.

Operationally, both the shelling and oil plants continue to perform very well. Oil just completed a significant expansion and upgrade with the installation of a new, larger press. And, after a few delays, we have purchased the land in Santee, South Carolina for our new seed treating and specialty shelling operation. Land clearing and preparation has begun! We believe these investments and expansions will generate value for both our existing and new shareholders.

Market Overview - Alexandre Izmirlian, Sales

The weaknesses in peanut competing crops should help minimize the drop in peanut plantings in the Southern hemisphere (although you can still expect double digit declines in both Argentina and Brazil). Cotton, soy, and corn prices have come down dramatically from their highs, although they have staged a small comeback. Cotton prices have to be watched over the next 6 months as it will influence the US 2023 crop, hence US edible prices. China continues to be a key element for both the international market and the US market. With all the unknowns about China at this time (crop size and demand), it is impossible to predict any outcome. Inflation also continues to be a big topic of discussion and how it will affect peanut consumption throughout the world. But inflation is also affecting production costs at all levels. Therefore, prices will naturally have to go up to ensure a good level of production of peanuts.

USA

The market has not moved much nor seen much action during July. Prices continue to be in the high 50's for current crop and low 60's for new crop. The standstill between shellers and manufacturers continues. The weather has been good in the Southeast and the Virginia/Carolinas with timely rains for most; the Delta has had some issues with a lack of rain and high temperatures, although nothing compared to the situation that the Southwest is experiencing. The forecast for the rest of the summer looks good for the peanut area with the exception of the Southwest that should continue with high temperatures and a lack of rain. Provided this holds true, yields and quality should be good for most of the areas, but higher than normal abandonment and lower yields in the Southwest are almost guaranteed. It is important that the weather continues to cooperate in the Southeast as we are entering in the most important stage of the crop for quality. The Southwest on the other hand is looking grim. The remaining big question is acres and is the USDA last estimate accurate or completely off. Well, that question will be answered August 12 when certified acres come out. I am leaning towards lower acres (at least 5% down). The market in general still seems to think that decrease will be between 5 to 10%.

Argentina

The harvest of the new crop is complete. Despite the heavy frosts that Argentina had, the quality of the crop is very good although the immaturity of the crop has resulted in a small percentage of jumbo and splits. The crop production and exports are both forecasted to drop by 16%. Despite the price drop for competing commodities, high land rent will result in a decrease in plantings for the 2023 crop. Argentine shellers are estimating that drop to be between 10 and 20%, although I'm inclined to think that it will be closer to 10%. During the month of July, several trades were done with China early in the month and heavy volumes were transacted with Western European buyers which resulted in an overall price increase for the 2022 crop. Redskins are now in the low to mid us\$ 1500 and blanched in the mid us\$ 1600. With retailers and buyers returning to the market, limited competition for Argentina, lower plantings in the different origins, increase in production costs both at the farm and sheller level, we can expect the Argentine prices to move up even higher. Inflation will affect consumption, but higher priced nuts will suffer first. The US\$ is strong, but it is strong for all goods. And, it's not like peanut consumption will disappear.

Brazil

The agreement between Brazil and China has been signed although details of the agreement are still vague. One thing is for sure: the agreement is only for kernels, not farmerstock. Thus, this will not help those farmers holding a long position of farmerstock. These goods will have to be sold one way or another to shellers for edible or crush. This situation could keep prices under pressure even though shellers are very well sold. All that Brazil needs now is for the Chinese demand to come their way. Plantings for the new crop are still expected to decrease, but with soybean prices having come down, the decrease could be closer to 10 to 20% vs. the 20 to 30% previously thought.

China

It looks as if the Chinese peanut plantings are definitely down. The question though is by how much. The consensus definitely seems to be around 10%, possibly 15%. Growing conditions have been average with some parts being too dry and some parts too wet. Unclear what the final outcome will be. Most important is the demand and the effect of most importantly the Covid lockdowns but also inflation. At this point, demand seems to continue to be weak. Obviously, peanuts are not the only economical issue in China. One has to wonder if the Chinese government will do something to restart their economic growth and their internal demand. If the crop is down by as much as people think and if demand comes back, China could play a major factor. Speaker Pelosi's trip to Taiwan is certainly not going to help the case for USA peanuts. Time will tell what impact it will have on USA peanut exports.

Employee Biographies

Samuel Curtis, Oil Mill Production Supervisor

Samuel “Rocko” Curtis was born and raised in Douglas, GA. In March of 2016 he joined the Premium Peanut team starting out in shipping for the shelling plant and quickly moving up to the scale house operator. In 2018, he was the first employee to move over to the Oil Mill and help start up the new plant. Since then he has worked his way from an operator, to an A operator, and is now the production supervisor. Samuel has a great impact on the Oil Mill’s continued success because of his dedicated work ethic and commitment to Premium Peanut.

Outside of work Samuel enjoys spending time with his family, going to the gym, drag racing and bee keeping.



Sid Deal, Materials/Inventory Coordinator

Sid Deal was born and raised in Douglas, GA. After graduation from Coffee County High School he began what would turn into a 21-year career with PPC Airfoils, including 14 years of management experience. He joined Premium Peanut in 2020 as the Material/Inventory Coordinator and has continued to expand his management role to include cold storage, bar ready and APEX.

Sid has been married to Jennie Deal for 15 years. They have three children: Ava, Charlie, and Halleigh. In his spare time he enjoys hunting, fishing, sports and spending time with his family.



Oil Mill Update - Bill Thelen, Oil Unit Manager

The oil team has continued to crush at our budgeted rates since our last update as well as meet our monthly budgeted ship pounds. Since our last update we have completed a customer audit with minimal findings. We were very proud when the auditor noted that we have one of the cleanest oil mills that they have seen. Our summer intern Mason Cox started with the oil team last month; he is currently enrolled in the new SGSC pre-engineering program. Mason will be working with the maintenance and production teams to help better implement our work order system as well as other various projects throughout the summer. We have also completed our bi-annual shut down and have installed a new press. We have started the new press and are exceeding our project expectations.

Premium Peanut

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Grower Meetings - Courtney Dorsett, VP, Food Safety and Sustainability

With crops in the ground, many of our Georgia shareholders found a little extra time to attend the series of grower meetings held at the end of June. These events allowed us to visit with old friends and swap stories share a meal, pray for rain, and introduce Premium's grower team individuals who are focused on maximizing quality in the field and who work to serve as a resource for all shareholders. The meetings were an opportunity to explain how Premium plans to fulfill the company's mission statement of maximizing the value of each peanut through operational innovations and excellence for crop year 2022 and beyond.

Premium has always made and continues to make data-driven decisions when executing improvements within the shelling plant, oil mill, and buying points. The grower team is now in place to collect the field-level information needed to drive the operational innovations that will ensure farmer stock peanuts are properly assessed, valued, and stored to preserve the quality and assure the food safety of finished lots shipped to our customers. Raegan Holton (research coordinator) and John Bowley (summer intern) are collaborating with researchers and other industry stakeholders on multiple projects this season including in-field aflatoxin risk modeling, in-shell moisture evaluation, and maturity assessments beyond hull blasting. A pilot program has been developed and implemented this growing season to conduct in-field quality assessments that when fully developed could provide a grade and value for the field before the peanuts are harvested, complementing the FSIS grade, alleviating some of the bottlenecks and chaos at the buying points during harvest.

Yasmine Moffett and Allie Randell work as grower liaisons and are valuable resources for troubleshooting problems in the field. Allie recently received her drone pilot license and is available to take aerial photographs of your fields and farm. In addition to providing crop consulting services, they are also hard at work facilitating grower enrollment in the Sustainable US Peanuts initiative which launched in January of this year. Premium's participation in the industry-wide sustainability program has more than tripled since the meetings thanks to shareholders hearing the message and understanding that their involvement is necessary to not only keep the U.S. peanut market strong but to make Premium Peanut a standout among U.S. shellers.

I want to thank everyone who was able to attend the meetings last month and we are looking forward to meeting with Palmetto's growers in August. If you were unable to attend and would like more information about what the grower team is up to, please do not hesitate to contact me. If you are not yet part of the Sustainable US Peanuts program, I encourage you to enroll soon or contact Allie or Yasmine and let them get you started. On behalf of the Premium grower team, we thank you for growing our peanuts and wish you all a safe and successful season!

