

PREMIUM PEANUT



Newsletter

February 2022

ANNUAL SHAREHOLDER MEETING
March 9, 2022
at
CITY OF DOUGLAS CENTRAL SQUARE GYM
Lunch served at 12:00pm
Meeting will begin at 12:30pm

**2020 CROP DIVIDEND CHECKS
WILL BE HANDED OUT**

A letter from our CEO, Karl Zimmer

The last several years have been challenging for all of us. First, Covid. Although the pandemic seems to be nearing its end, the challenges it presents in many areas continue. Now, we are dealing with inflation driving radical increases in the costs of just about everything. Just as this will impact growers with input costs (and availability), it is impacting Premium Peanut and our customers. As we work to put together priorities for peanuts for the next Farm Bill, this dramatic increase in costs is definitely something we are reviewing as a peanut industry.

Fortunately, your company continues to perform very well, gaining the benefit on many of the investments we have made in prior years. In this newsletter, you will read about the great results we are seeing from the 2021 crop in terms of quality. In another article, there is an overview of an exciting new sustainability initiative. We need to continue to look for ways to grow our market share and demand for peanuts, in the United States and globally: we grow over 3 million farmerstock tons but domestic demand is close to 2 million tons, leaving 1 million tons excess available for export (or for more sales in the United States). The sustainability effort, which Premium Peanut has helped to lead, is critical to this effort to grow the demand for peanuts. We need economic sustainability: our growers need to be able to make enough money to survive and thrive; to help with this we need increased peanut demand, an area where this sustainability initiative will help.

Please join us at our Shareholder Meeting on March 9th. We will share a lot of updates on what has been happening at Premium Peanut the past couple years, but also talk about our future plans (including our oil plant expansion, S. Carolina plant, peanut seed, etc.)

Market Overview - Alexandre Izmirlian, Sales

The market continues to be extremely quiet on all fronts.

USA

The USDA National tonnage report stands at 3.199206 million fst as of February 7th. The quality of the crop continues to be excellent, the best I have ever seen. JLA Southeast failure rate stands at 2.2%. The market continues to be very quiet for the 2021 crop with tightness of supply through the end of March with a market at 54 cents, and seemingly sufficient supply April forward with prices of 52 to 54 cents depending on cuts. I continue to believe that the fairly stable market is due to discipline by shellers in their contracting and the fact that a large quantity of farmerstock is still uncontracted. The market for the 2022 crop is very quiet with only a few interests popping up. Prices are similar to the 2021 crop. Farmerstock contracting has started with us\$ 475.- on low oleic and us\$ 500.- on high oleic, some with irrigated options at us\$ 25.- premium; some shellers have come out at us\$ 500 for 50% of 21 crop volumes and us\$ 475 for the other 50%. Despite the sharp price increase in cotton that now stands at us\$ 1.04 for December 2022, I am surprised at these peanut farmerstock contract prices. I would have expected slightly lower prices considering that corn prices have not moved up much and the input costs have increased dramatically. Those contract prices might have been due to the loss of tonnages that some bigger shellers had the past several years. I still believe that we will get similar peanut acres in the Southeast as last year and potentially slightly less in the Southwest. Bearing a crop disaster, we could easily sustain a decrease in acres.

USDA exports: December 2021

Peanuts:

Dec 21 vs. Dec 20: 32,753 mt were exported vs. 65,381 mt a year ago, a drop of 49.90%. Despite an increase of 14.89% for Japan and 294.09% for the UK, all other major markets were down especially China where exports were down 81.36% losing 31,766 mt. Mexico was down 2.42%, Canada was down 3.62% and the EU was down 18.09%.

Aug-Dec 21 vs. Aug-Dec 20: 161,597 mt were exported the first 5 months of the season vs. 238,839 mt, a drop of 32.34%. Most major markets are slightly up with the exception of Canada, that is down 2.32%, but they can't make up the loss of 90,694 mt to China.

Argentina

Export taxes in Argentina have changed since January 1st, 2022 from 7% to 4.5% on raw and from 7% to 3% on blanched. The weather in Argentina has gone through lots of swings in rainfalls and temperatures. The crop was under a severe heat wave for about 10 days, but fortunately after that temperatures came down and good rains fell. The Southern part received the most rain and is probably in the best shape. The Northern part received descent rains, and the Central part received very little. In general though, the crop is doing well. The next 5 to 6 weeks are crucial.

Exports: Jan-Dec 2021

Peanuts: 701,154 mt exported in 2021 vs. 737,166 mt the year before, a decline of 4.89%.

Peanut oil: 1,981 mt exported in December bringing the total exports for the year to 57,300 mt vs. 75,294 mt the year before, a decline of 23.90%.

Brazil

Most of the crop in Brazil is doing very well. The only area, according to several sources, that didn't receive sufficient rains so far this year is Matto Grosso do Sul and close to Parana. Harvesting should be in full swing in many places by mid February. Unfortunately, the market has been extremely quiet. It looks as if there is a surplus that needs to be dealt with prior to the arrival of the new crop, which could lead to some price pressures in the short term.

China

Prices and demand continue to be weak in China.

India

The ministry of Agriculture reports that as of January 27, 2022 4.89 Lakh were planted vs. 4.81 a year ago. Rains continue to be unseasonably heavy. The Peanut Post reports that the cotton area in India could increase 20/25% next year as per the Cotton Association of India, due to the high prices, orders and demand for cottonseed from dealers around the country which have surged 50/60%. This increase will entice farmers away from other crops such as peanuts. Peanut prices in Gujarat at over Rs 55 per kg vs. Rs 100 for cotton. This could have a dramatic impact to the world supply/demand.

Supply Chain Update- Greg Hughes, Senior Vice President, Supply Chain

As we approach the halfway mark in shelling the 2021 crop, it is quite exciting to see the end results of the hard work and collective efforts of our growers, buying points, and logistics provider translated into shelling plant performance. While it is clear that the quality of this year's crop is outstanding, exhibiting the lowest aflatoxin levels in more than a decade, I am able to share with you that our failure rate (lots >15 ppb) is 4 times better than the industry average. With nearly 3,000 individual lots tested, we have had <20 lots fail for afla. At this sustained level of quality, we have been able to achieve production rates, yields and oilstock generation levels well beyond our budgeted targets. Just as important, our ability to move high quality product more quickly through the plant has allowed us to increase shipments to customers >4% versus last year and >25% versus 2020.

There have been several contributing factors to this outcome. It started during the growing season with the use of our "Patent Pending" process for analyzing statistically significant harvest grade factors (i.e. Isk's, damage and afla levels), and the corresponding critical values that cause proliferation of aflatoxin in storage. Once determined, we developed a detailed storage plan that required multiple segregation categories. In conjunction with these activities, we had many of our buying points making upgrades in equipment and capabilities to properly manage the increased level of complexity. We strengthened our procurement team by adding additional resources to work more closely with our buying points and logistic provider in making those critical decisions on individual loads and monitoring warehouse conditions in real-time. At harvest, we deployed our new buying point/harvest management software to provide improved traceability of each load across the entire network. We held daily communication sessions to address issues or questions and any plan changes required based on the changing dynamics of harvest season. It was a total team effort in delivering these outstanding results for our grower owners and customers. Thanks to all for your dedication to Premium Peanut.



Sustainable U.S. Peanuts- Courtney Dorsett, Compliance Director

This January, the American Peanut Council (APC) launched *Sustainable U.S. Peanuts*, the industry-wide and grower-led initiative that will tell peanut's great sustainability story. Premium's customers continue to request verification of the crop's sustainability because their customers, the consuming public, increasingly demand that food is sustainably produced to protect the environment. Peanuts are by nature a sustainably produced crop and the data collected through the Sustainable U.S. Peanuts initiative will provide the evidence to prove it.

Sustainable U.S. Peanuts is modeled after the Cotton industry's sustainability platform known as the Cotton Trust Protocol which began collecting data in 2020. By modeling the peanut program on the cotton program, farmers growing these crops in rotation will have a shared platform to enter their farm and field-level data, simplifying and expediting the process.

The Sustainable U.S. Peanuts Initiative serves two purposes. One is customer-facing, to tell our story. The initiative will produce tools to help our industry communicate findings to their customers, consumers, governments, trading partners and other stakeholders. The other purpose is to help growers drive farm improvements and profitability. By working together with the similar cotton platform, the reports generated for participants will help these growers better understand sustainability across the peanut-cotton crop rotation. As more participants join the initiative, the compiled data will allow growers to benchmark their farm's data against aggregated data from farms in their region and nationally allowing for year-to-year performance evaluation and the identification of opportunities to continuously improve productivity.

Peanut growers are the heart of this initiative. Our farmers must be able to make a sustainable living to secure their way of life for future generations. APC is hoping to have at least 50 growers enter information from the 2021 growing season and provide initial feedback which will be used to improve the platform for the 2022 season. The Premium Peanut team is eager to answer your questions and provide any needed assistance with the enrollment process. To learn more about this exciting opportunity, visit www.sustainableuspeanuts.org or contact Alli Randell at Allison.randell@premiumpnut.com or (386) 209-2951.



Employee Biographies



Landon Meeks, Materials Manager

Landon Meeks was born and raised on a family farm in Atkinson County, Georgia. He attended Atkinson County High School, afterwards attended Ben Hill-Irwin Tech for Telecommunications, then went on to South Georgia State College for Business Administration. He has worked for Premium Peanut for six years as Materials Manager. He works with production and logistics to maintain inventory levels of product needed to meet individual customer orders.

Landon is married to Holly Meeks and they have five children. He enjoys working with his colleagues at Premium Peanut and spending his free time with his family. His hobbies include fishing, hunting, spending time at the ball field with his kids, and going on family vacations to experience new things.



Al Murkerson, Process Engineer

Al was born and raised in Bainbridge, Georgia where he attended Bainbridge High School. After graduation, he attended Bainbridge State College in the mechanical drafting program. Al has fifteen years' experience in the construction/engineering industry with 11 of those years being in the peanut industry. His years in the peanut industry include machine design, plant design, machine installation and plant construction, holding the titles of machine design engineer, construction engineering assistant manager and construction engineering manager. Al was part of the design and construction on Premium Peanut in 2014. He came on board as Premium Peanut's Process engineer in 2018.

Al has been married to Amanda Murkerson for fourteen years. They have two children that they are extremely proud of: Maddox 12 and Judson 7. In his free time, he enjoys spending time with his family.

Oil Mill Update - Bill Thelen, Oil Unit Manager

Since our last update, the Oil Plant has continued to meet or beat the monthly budgeted crush pounds. We have also continued to beat shipments through December. We have completed two semi-annual shutdowns that included our annual boiler inspection and thorough equipment overhauls. We continue to prepare for the expansion installation coming soon so that we can ensure a smooth transition and minimize downtime as much as possible. The team continues to look for ways to maximize throughput while minimizing input costs in our process daily but is challenged, as are all of you, with the increase in costs across all areas of the process.

Contact Us

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