



PREMIUM PEANUT

Newsletter

March 2021

A letter from our CEO, Karl Zimmer

The past few months have been very busy ones but overall, things are going very well at your company. During the past month, we have set new records for output in both shelling and oil, and are performing well consistently. The high quality of the 2020 crop has helped, and demand is strong, domestically driven by peanut butter and internationally driven by China. The investments we have made in prior years, particularly in our APEX plant logistics project, and the oil mill, continue to perform well and add value to the company and for our shareholders.



We are also pleased with a new buying point, Palmetto Peanut, in Orangeburg, South Carolina, joining Premium Peanut. As we have said before, and continue to believe, we are not interested growing the size of the company simply to get larger. We are interested in growth where it makes sense and adds value for our grower / owners. With our expansion into peanut seed this year, we needed some additional tons to replace the farmerstock that will be shelled for seed, and the partnership with Palmetto and their growers is a great opportunity for all involved. As part of this expansion, we are selling additional stock, since the model has not changed...our model works when our growers are 100% invested and committed to the company. We are pleased to see the continued increase in value of the stock (now \$300 / share), supported by an independent company valuation (which we have done each year).

That's the good news. The not so good news is that while demand is strong overall, and export volume is up, the value of those exports is down as the U.S peanut industry has lost significant market share in key high value markets, particularly Europe; this share loss has been driven by aflatoxin.

As you know, the 2019 crop was very, very poor in terms of quality, particularly aflatoxin. In fact, since data on aflatoxin has been recorded, it was the worst crop ever. I would like to reinforce that seg 3 farmerstock does not equal aflatoxin. Seg 3 is defined by visible aflavus mold, which does not have to be present for the peanut to be contaminated by aflatoxin. With many markets and customers having requirements as low as 4 part per billion (equate this to 4 drops of bad water in an entire swimming pool!), virtually any aflatoxin presence in the peanut is enough for the product to be non-shippable to many customers. For the 2019 crop, close to 30% of the entire U.S. peanut production post-shelling failed edible standards, which is 15 ppb. As a US peanut industry, our exports to Europe were down more than 70%, as we were not able to meet Europe's 4ppb standard; Argentina was able to do so, and took US market share, which will be difficult to regain, unfortunately. The 2020 crop is much better, but ~6% of the entire crop still fails US edible standards post-shelling; this is a cost to the industry of close to \$30M, or \$10 / ton. Fortunately, a lot of focus is now being placed on ways to mitigate (short-term) and solve (long-term) this threat to the US peanut industry. At Premium Peanut, we are on the forefront of developing and testing new ideas and research that will help us mitigate its impact; by doing so, we hope to preserve the value of the peanut instead of losing \$10 / ton in a good afla year (2020) up to \$50 / ton in a bad afla year (2019). Our data and research has shown there are things we can do at harvest (minimize LSK's and don't have peanuts on top of the dirt during rain), at the buying points (additional cleaning & drying at harvest, and improved ventilation in the warehouses), and in shelling (our APEX project implemented last year), which has allowed Premium Peanut to meet our customer commitments and minimize loss to our growers, especially in the 2019 crop.

A letter from our CEO, Karl Zimmer (cont.)

Our work to understand with data and advanced statistics and AI (artificial intelligence) analysis led to the \$5 / ton quality incentive we paid on the 2020 crop. We also used this data to refine our segregation plans at harvest. In fact, we now have a patent filed & pending on the work that we did! More importantly, it worked...the 2020 crop was of very good quality, and we have been able to preserve that quality through harvest, storing, and shelling. The investments the buying points & shelling plants made over the prior years are paying dividends, with us performing very well financially this year.

Despite the enormous difficulties of the 2019 crop, we were able to make money as a company, driven by the oil mill. Based on this, even though our profits were down considerably from the 2018 crop, and we had to rework, blanch, or crush for oil (all of which added cost) close to 30% of the 2019 farmerstock we shelled, we are still able to declare a dividend of \$37 / ton. This is on top of the \$400 / ton paid on harvest, for a total return of \$82 / ton.

As we get closer to the 2021 crop, we will be spending more time with our buying points and growers working on ways to increase and preserve the value of each peanut. As you will read in this newsletter, there are things growers can do (and some things to avoid) to help themselves, and their company, to safely produce quality product for our customers. There continue to be additional requirements and requests from customers, both domestically and internationally, to better understand and in some cases (particularly with Europe) control how product is grown and handled. By working proactively to continue to improve quality in the field, at the buying points, and at the shelling plant, we will be in a good position to meet these changing requirements.

Financial Update - Marshall Spivey, Chief Financial Officer

Premium Peanut was able to take advantage of tax planning that allowed us to lower our shareholders' tax liability for the company's sales related to export shipments. The net impact was moving \$2.8M from an ordinary income tax rate to a capital gain tax rate. This potentially saved our shareholders \$200-\$300,000 for calendar year 2020.

K-1's were mailed out the last week of February, which is in line with prior years. Per our operating agreement, our dividends and tax liability are allocated 50% on shares owned and 50% on the value of the product delivered. This requires us to work diligently through all tons delivered and final value of the crop delivered for both the 2019 and 2020 crops, and to finalize our tax returns for 2020, before we could generate the 2020 K-1's. We are aware that some of our growers file their returns by March 1st and we will continue to make sure they are available prior to March 1st.

The prior stock offering of 10,000 shares was virtually sold-out; thank you to all of our existing growers who have increased their investment in the company, and welcome to our new growers. We do have a new stock offering at \$300 per share. If interested, please contact us for the appropriate materials to review.

Premium Peanut Seed— Albert Rogers, Regional Procurement Manager

Premium Peanut seed is now in the bag. We were able to certify some of the Registered seed acres that were planted for the 2020 crop production, making it possible for us to provide some of the first Premium Peanut Seed for 2021 planting. We had an excellent growing season with seed in the irrigated fields of growers who take pride in growing quality peanuts year after year. Harvest became a challenge with later rains and an early cold snap which caused a few quality issues that we were able to segregate out with our seed spec standards.

Premium Peanut's seed program for 2021 planting yielded 102 truckload lots with 99% of treated lots germinating at 90% plus. Premium Peanut has GA06G to offer for the 2021 crop planting and we are expanding our seed production to include the following varieties: GA18RU, GA16HO, GA20VHO, FloRun331, and Tuff Run 297.

Having enough of all varieties will be a tough goal to maintain but we feel to get a true evaluation of each variety we need to include them in our production process and assess each one so we can provide varieties that meets the demands of our customers. Our goal is to make available to growers, the highest quality peanut seed year after year.

****CAUTION****

Based on data from UGA Peanut Specialist Scott Montfort, we strongly discourage the use of in-furrow fertilizer on peanuts. If there are stand issues and you have used in-furrow fertilizers Premium Peanut will not warrant seed due to poor stand.

Fertilization - Courtney Dorsett, Compliance Director

Planting season is fast approaching and it's important to remember that the steps taken now set the tone for the rest of the year. In fact, the success of this year's peanut crop really depends on last year's crop. Proper rotations improve both peanut yield and quality by reducing disease pressure, decreasing weed populations, and breaking insect life cycles which in turn reduce the need to apply costly crop protection products. Its deep taproot allows the peanut plant to efficiently mine residual soil nutrients, so the fertility program for the preceding crop is as important as the fertility program for the current peanut crop. In fact, peanuts typically respond better to residual fertilizer rather than direct applications and in-furrow fertilizer applications are not recommended because they have proven to reduce stand emergence. For more information on the risks associated with in-furrow fertilizer applications, visit: <https://site.extension.uga.edu/colquittag/2021/03/concerns-about-in-furrow-fertilizers-in-peanut/>

Two key nutrients for a peanut crop are calcium and potassium, and monitoring for the correct calcium/potassium ratio in the upper four inches of soil is essential. While the roots of peanut plants can absorb calcium from the soil, they can't translocate it into the developing nuts, therefore a lack of calcium in the "pegging zone" can lead to poor germination, empty pods (pops), concealed kernel damage, and can potentially increase the risk of aflatoxin contamination when environmental conditions favor the growth of *Aspergillus flavus* mold development. Excessive potassium in the pegging zone can inhibit calcium uptake by the pods causing the aforementioned problems associated with too little calcium.

Sampling and testing the soil at a 3" depth should be conducted 10-14 days after planting and if additional calcium is required, it should be applied at 45 DAP (Days After Planting) which is about the time the plants start pegging (and no later than 60 DAP). For growers producing peanuts for seed, additional calcium is recommended regardless of the soil test results because research has proven its ability to improve germination and seedling vigor. If irrigating, the water should be tested for calcium content as it may adequately provide the supplemental calcium. Land Plaster (gypsum) is a common source of calcium, and it's important to use finely ground or granular gypsum rather than gypsum by-products such as wallboard (drywall). Not only are these larger courser gypsum by-products not a readily available nutrient source for the plant during pod and kernel development, but they are also an undesirable source of foreign material (FM) in the shelling plant which can result in customer complaints and rejected shipments.

The producer is the first step and arguably the most important link of the supply chain because peanut quality and overall value are established at the farm level. The American Peanut Council has documented industry best practices guidelines in seven chapters covering each step of the supply chain from growing the crop to shipping the shelled lots. "Peanut Growing and Harvesting" is Chapter 1, and this information, along with the advice of your county extension agent, are excellent resources to improve overall crop quality and yield. Remember, the time, care, and resources given at the start and throughout the crop year pay dividends.



Wallboard found through additional cleaning on the Remill line. This type of foreign material is difficult to remove from the shelled peanut stream because the pieces are too heavy to aspirate and too light for the destoners. Programming the optical sorters to make rejections based on the color would result in the loss of too many edible peanuts (baldheads, splits, light skins) costing our shareholders money...One additional pound of rejects from each farmer stock ton costs the company over \$50,000/year.

Premium Peanut

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Employee Biographies

Rachel Santos, Director, Sales and Industry Relations

Rachel Santos recently joined Premium Peanut as the Director of Sales and Industry Relations. In addition to partnering with our sales team, she will spearhead and drive industry initiatives for Premium Peanut, developing and building relationships with local, state, and federal decision-makers, other commodity groups, and industry peers.

Rachel most recently served as the State Executive Director for the Farm Service Agency in Georgia. Prior to her appointment, she served as the Chief of Staff and the Director of Policy, Government, and Corporate Affairs at the University of Georgia's College of Agricultural and Environmental Sciences. Additionally, she worked as an aide to U.S. Senators Saxby Chambliss and David Perdue, with a focus on agriculture, natural resources, and other related policy issues. Rachel has also held positions with the U.S. Senate Committee on Appropriations, Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, and the Senate Committee on Agriculture, Nutrition, and Forestry.



Rachel graduated from the University of Georgia's College of Agricultural and Environmental Sciences with a degree in Agricultural and Applied Economics. She is a native of Barrow County and currently resides in Oconee County with her husband, Trevor, and daughter, Elizabeth.



Lane Purvis, Materials Coordinator

Lane was born and raised in Savannah, Georgia, where he attended Calvary Baptist Day School. After graduation, he attended South Georgia College where he played baseball and obtained an Associate's Degree in Business Administration. Lane then attended Georgia State University where he graduated with a Bachelor of Business Administration degree in Marketing.

In 1994, Lane began his career in the insurance industry as a sales agent. Three years later, he moved into claims as an adjuster. Over the next twenty three years, he held positions as a Team leader, Branch Manager, Process Manager, State Manager and lastly Regional Manager. He began his new career with Premium Peanut in June of last year. Lane is very excited about the opportunity and

hopes to bring his years of business management experience to his new role as Materials Coordinator.

Lane has been married to Angie Purvis for almost twenty eight years. They have two sons, both of whom are married. Justin (AnnaBeth) lives in Hahira, GA, and Jordan (Anne) lives in Mt. Vernon, OH. They also have one daughter, Solie, who attends Coffee Middle School. In addition, they are both proud grandparents to Reed, and Tucker who is due in April. In his free time, Lane enjoys fishing, hunting and watching the Braves and Falcons.

Contact Us

Give us a call for more information about our services and products

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