



PREMIUM PEANUT

Newsletter

May 2021

A letter from our CEO, Karl Zimmer

It is hard to believe the 2021 crop will be the 7th peanut crop for Premium Peanut. As it gets underway, I want to acknowledge our grower / shareholders who have continued to invest in Premium Peanut, and trust us to maximize the value of every ton of peanuts they grow. With the dividends recently distributed for the 2019 crop, we have returned close to \$30,000,000 to our shareholders, in addition to retaining some earnings in the company to pay down debt and fund future expansions. The entire team is focused every day on reliably delivering quality product to our customers while generating a return for our growers.



As we make investments in equipment and people, our challenge is to ensure they generate a positive return to the company. Over the past several years, we have made significant investments in a number of areas: from building the oil plant, to our logistics expansion project APEX, to investing in IT and technical resources. In addition, the buying points have made tremendous investments in continuously upgrading and improving their facilities, particularly warehousing. We've done all of this because we believe, and have the data to support, that it will make us better. This year, we are really seeing the benefit of those investments. The shelling and oil plants are setting new records almost every month for the volume of peanuts shelled or crushed. I truly believe our levels of quality have never been better, and we are reducing our overall costs. All of this is allowing us to truly maximize the value of every ton of every peanut. Especially with the great quality / low aflatoxin of the 2020 crop, this should be a very good year for Premium Peanut.

Unfortunately, the markets, particularly internationally, continue to prove challenging. As I wrote about in last month's newsletter, as an industry we are exporting more peanuts (2020 was the 2nd highest year on record), but the price we are getting paid for each pound of exports continues to decline. We need to focus on ways to improve quality (particularly around aflatoxin), but also in meeting new and ever-more-strict requirements on the usage of pesticides, fungicides, etc., which Europe in particular continues to regulate very heavily. If we want to get paid a good price for the product we export, we need to be able to meet these requirements on every load to allow us to regain access to key markets (including Europe). Otherwise, we can grow more, but the price farmers get paid per ton will stay the same or even decrease - not a good outcome! At Premium Peanut, we are working with researchers and extension at a number of universities in this effort, and will continue to work with our growers and buying points to improve the overall quality of the product we produce. Yes, we absolutely need to continue to improve overall yields, but also improve flavor profiles, reduce levels of aflatoxin, and do all of this with more restrictions on many traditional pesticides, fungicides, and herbicides. I am proud of the work Premium Peanut has done, and will continue to do, in this area.

Market Overview - Alexandre Izmirlian, Sales

The peanut market has been uneventful this past month. Outside a continuing very strong and short in-shell market and a tight bird food market, the edible market both internationally and the USA domestically have been extremely quiet. The international market is seeing some movement on the spot market. The quietness of the market is very puzzling despite extremely bullish commodities markets, especially soybeans and corn. Looking at those prices, I guess I would not worry much about its impact on the current situation as planting decisions have already been made for the US and probably for China. One has to wonder how long this run-up will continue and its impact on future crops. Argentine shellers will soon have to start negotiating land rent for the 2022 crop. I think that a slight contraction of peanut plantings and/or higher land rent will certainly happen. Brazil is a little different since peanuts are grown as a rotation crop with sugar cane and have also found new areas to be planted in. India is currently in its summer crop, but the winter crop will be planted soon. It is unclear what impact commodity prices and the Covid 19 pandemic will have on the country and its crop. Despite cotton having seen a jigsaw market for the past several months, it is not unlikely that cotton prices continue to rise, which needs to be looked at carefully as it would result in potential losses of acres and/or higher farmerstock prices in the US for the 2022 crop. And lastly, China, where continuing strong commodity prices should certainly result in continuing higher prices for peanut oil maintaining China's appetite for foreign peanut oil and peanuts.

The worldwide peanut supply situation seems adequate at this time. What keeps me up at night right now is the above and the US and Chinese new crop. Tough to tell where prices are going. I have difficulty finding many bearish scenarios. The only one would be a decline in commodity prices. But, I can find many bullish possibilities.

USA

Extremely quiet market on both current and new crop. On current crop, the market seems to be very well covered with buyers still somewhat uncertain on the domestic demand. We continue to see strong demand for farmerstock from China with a lack of selling interest from the shellers. It seems that what needed to be sold out of this crop has been sold. Further sales of the current crop have also been difficult considering the logistical issues both on the oceanfront and the trucking front. Shellers do not seem very long and are happy keeping their good quality farmerstock as a hedge against new crop and potential issues for the new crop.

The new crop market has seen a lack of activity. Buyers are uncertain about the peanut demand going forward (after seeing a very strong increase due to Covid) and are not convinced that mid 50's prices are sustainable. Sellers, on the other side, are well-sold basis what they have contracted, probably see continuing strength in Chinese demand going forward, and are likely worried about acres for the 2022 crop, not counting the fact that the entire 2021 crop has not been planted yet. It looks to me that this standoff will last for a little while.

No word yet on the EU tariff situation either on peanuts or peanut butter. Unless something is done soon, the peanut tariff on USA peanuts will go back to 25% in July and will increase to 50% on USA peanut butter in June. Obviously, this is a deterrent to any buyers wanting to buy USA peanuts going forward.

Argentina

The Argentine new crop is developing fairly well, although yields will not be as good as last year. It is predicted that Argentina will have about 100,000mt less to export out of this new crop versus last crop. The crop will not be as mature as last year, which should help the small kernel market. Only about 10% has been harvested so far. The weather has somewhat behaved so far, and the next two weeks' forecast looks good. Let's hope for continuing good weather during the harvest for Argentina to have a good crop.

Brazil

The Brazilian new crop harvest is almost complete. Overall, a decent crop both quantity and quality wise despite the challenges of the extended planting time which resulted in many growing and harvesting challenges.

The Brazilian market continues to be strong, fueled by strong demand for farmerstock from crushers, shellers, and Chinese demand, although I have heard that Chinese buying prices for peanut oil have been lowered lately.

Market Overview (cont.)

China

The Chinese peanut futures have remained at the low end of the spectrum but have slightly rebounded the past two days. The market has been very slow in China with plenty of arrival of imported peanuts, especially from Sudan, and consequently, prices have gone down. Nevertheless, prices for peanut oil have not changed much. With prices for other competing oils being very strong, there is really no reason for peanut oil to go down. It will be interesting, though, to see if the combination of high prices for competing crops and lower prices for peanuts end up affecting the peanut planted area. It is impossible at this time to ascertain what will be planted as some report a potential increase and other report a potential decrease. But considering the current situation, I would say a decrease is more likely than an increase.



Employee Biographies

Tyler Lee, IT Manager

Tyler Lee was born in Eastman, Georgia. He attended Georgia Aviation College for his private pilot license and Valdosta State University for a Bachelor of Computer Science and a minor in math. He has 22 years of experience in information technology and 12 years' experience in manufacturing. Tyler joined Premium Peanut in July 2020 as the Programming & Development Manager then became IT Manager in February 2021.

Tyler has been married for 10 years to Holly Lee, and they have a 9 year old son Rhett. In his free time Tyler enjoys playing video games, reading and hanging out with his family.



Herman Sutton, Purchasing Assistant

Herman Sutton was born and raised in Douglas, Georgia. He had been looking for a company that would allow him opportunities to learn and advance, which he has found at Premium Peanut. He has been with the company for 4 years, starting out in Sanitation/Remill for a year and 3 years as Purchasing Assistant. Herman is an asset to this role because he is dependable, friendly and has created great working relationships with our vendors and our employees.

Herman has four children: Zayveonte 23, Herman III 13, Dillon 11, and Madison Joyce 7. In his free time, he enjoys fishing, riding 4 wheelers, traveling and spending time with his children.



Premium Peanut
311 Barrington Road
Douglas, GA 31535

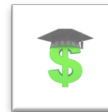


Oil Mill Update - Bill Thelen, Oil Unit Manager

Since our last update, the Oil Plant has continued to crush at a great rate beating monthly budget on crush lbs. and budgeted costs. The team is preparing for our midyear shutdown scheduled in June. We will be conducting our typical equipment repairs as well as annual inspections at that time. The team has promoted two of our best employees into critical support roles. Samuel Curtis has been with Premium Peanut for just over 5 years, has been in the Oil Mill since start-up, and is now our new Oil Mill Production Supervisor. Daren Kirkland has been with Premium Peanut for just over 3 years, has been in the Oil Mill the entire time, and is now our new Oil Mill Maintenance Supervisor. These two employees have been critical in team leadership contributions that have contributed greatly to the Oil Team's continued success and achievements. The team is excited to continue to push the bar higher with safety and production in the coming months.

Scholarships Available

for students whose parents are employees or shareholders



of



Premium Peanut

Please visit the websites below for more details.

Requirements and deadlines vary.

UGA College of Agricultural & Environmental Sciences

<https://www.caes.uga.edu/students/scholarships.html>

Wiregrass Industrial Systems

<https://www.wiregrass.edu/foundations/scholarships>



CONGRATULATIONS

2020 Graduates from the Premium Peanut Family

Brianna Karen (Rocio Trejo)

Justin Ashley Stickland (David Strickland)

Danajah McCormick (Daryl McCormick)

Kanaan Ya Mi Rogers (Albert Rogers)

Eli Meeks (Landon Meeks)

Zykirria Jackson (Sharetta Jackson)

Contact Us

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

Premium Peanut

311 Barrington Rd.

Douglas, GA 31535

(912) 331-7020