

PREMIUM PEANUT



Newsletter

August 2017



A Letter from our CEO, Karl Zimmer

Harvest is almost upon us, and I believe Premium Peanut is ready. We are looking forward to a large crop, but one with excellent quality. We will finish shelling 2016 farmerstock around September 1, shutdown for 2 weeks for maintenance and cleaning, and then begin to shell the 2017 crop on September 18th. Starting September 18th, we will be running the shelling plant 7-days-a-week, and have spent most of July & August hiring and training the new employees we will need to make this happen.

We have made further enhancements to our harvest software, as you will read about in a separate article in this newsletter; I believe we have changed the industry, for the better, through our collaboration with the Seam to develop new tools and software to handle harvest. We are committed to providing our growers with reliable, accurate information on your farmerstock, and then processing payments in a timely manner.

In terms of sales, the market is very quiet right now. Most buyers are expecting prices to fall, based on a large 2017 harvest in the U.S. combined with large crops in China and India. So, if they are not in desperate need of peanuts, they are not in a hurry to buy. I believe we are in a very good position in terms of shelled product sales versus what we have contracted for the 2017 crop, though. We are ready to handle additional tons, above what has been contracted, and will work to get the best possible value for them throughout the next 12 months.

A Letter from our CEO, Karl Zimmer– Continued

Construction on the oil mill continues to progress well, and we anticipate starting oil production in March 2018. Please visit our webpage, www.premiumnut.com/oil-facility.html for updates on construction.

With one month left in our fiscal year (which ends August 31, 2017), we are on-track for a dividend payout in early 2018 of ~\$20 / ton (generated from the 2016 crop). As our growers know, this is in addition to paying competitive option payments, above the \$355 loan rate, for 2016 farmerstock. In addition, for the 2nd consecutive year, last month we processed checks for seg 2/3's, above the \$125 / ton we paid at harvest: we were able to generate more than \$125 in value from this farmerstock, and will share that extra income with our growers.

Shelling Update– Gary Evans, COO

The plant is winding down towards the end of the 2016 crop. Due to the aggressive segregation plan put in place during harvest last year, our ability to meet our customers' needs with difficult specification shelled goods has been much better this year. Last year, the plant had many challenges in making quality shelled goods in sufficient quantities from July 4th onward, due mostly to poor farmerstock. This year the results have been much better.

I mention these things to say this: our growers do a great job growing quality peanuts, and the buying points do a great job storing and handling them, but there is always room for improvement. On a farmer stock ton basis, every ton of peanuts that ends up as inedible rather than edible costs the bottom line \$350. Even if we can reduce the amount of poor quality peanuts by only 1000 tons (less than 1%), we add \$350,000 to the pot that ends up in your dividend check. This year looks like it will be a great growing year for peanuts in our area. Attention to detail during harvest season can add or subtract value to your eventual rewards significantly, so let's all be very vigilant as we bring in this year crop. Thank you all for what you do.

Buying Point and Farmer Stock Update– Ashley Rowland, Buying Point Representative

As stated in the July newsletter, the preliminary ruling to increase damage allowance for Seg 1 peanuts from a maximum of 2.49 to 3.49 percent was announced in late May. We submitted comments on behalf of Premium Peanut in favor of the ruling, but we have received notice that **USDA will not have enough time to put this in effect before the 2017 harvest season**. So, the maximum allowable damage for seg 1 2017 crop farmerstock will remain at 2.49%.

As a reminder, new stock purchases must be completed by September 1st in order for the investor to receive a dividend in 2019 for the 2017 crop. If you have any questions regarding the purchase of new stock, give us a call. All additional Seg 2 and 3 option payments for 2016 crop were sent out last month. If you did not receive your check, please let your buying point manager know.

With harvest season quickly approaching, I would like to remind you about turning in your DCIA forms to APMA. They cannot issue loan checks until these are completed and returned.

The Seam Enhances Peanut Platform— Mark Pryor, Chairman & CEO of the Seam

The Seam, a leading provider of agri-business software solutions, today announced that its peanut commodity management platform has been enhanced for the 2017 harvest and will be operational in 4 shelling organizations, over 40 buying points and accessible to thousands of producers. Premium Peanut was the first shelling organization to implement the platform which successfully managed 2016-crop farmer-stock operations for their 8 buying point facilities in Georgia. The platform is designed with foundational technology such as document digitization, real-time data for decisioning and embedded integrations with the United States Department of Agriculture (USDA), EWR, Inc., and Georgia Federal-State Inspection Service amongst others.

“Launched just last season at Premium Peanut, our cloud-based platform is extending further into the peanut industry through the addition of Golden Grove, Brooks Peanut Company and McCleskey,” said Mark Pryor, Chairman and CEO of The Seam. “We are thrilled to welcome these leading organizations to our advancing peanut ecosystem.”

The platform delivers a cloud-based hub for shelling organizations to interconnect with affiliate businesses and producers, providing the real-time status and value of stock, contracting, farm analysis, grading data interchange, and logistics management. Additionally, KPI dashboards, position reporting, warehouse receipt management and system-guided workflows create streamlined processes, which results in more productive and cost-effective operations.

Speaking at the NPBPA/APSA Pre-Harvest Meeting at Lake Blackshear this week, Pryor announced several enhancements to the platform including automatic SMS/text-messaging of initial grade information to producers. “This is not a feature that’s coming in two or three years, it’s available this season”.

Hi Oleics “The Million Dollar Investment”— Ronnie Myers, Farmer Stock and Quality Supervisor

Premium Peanut has almost 24,000 tons of hi oleic peanuts contracted for the 2017 season. With a \$50 premium attached to those tons, we are investing over a million dollars into those peanuts. As many of you are aware, the hi oleic trait in peanuts gives them a longer shelf life, especially important for candy manufacturers, who pay a premium for hi oleic peanuts. For a peanut to be hi oleic, it must have an oleic acid above 70% and linoleic acid below 10%. This does not leave us any room for error while harvesting, handling, storing, and shelling these peanuts. It is imperative to the entire company and every shareholder that everybody handle these peanuts with extra care and attention to detail.

It only takes **ONE** mistake in the entire process of harvesting, handling, storing, and/or shelling to ruin the investment we’ve made. If the shelling plant loses one lot due to cross contamination of hi oleic and lo oleic varieties, we lose \$200 per farmer stock ton, which is needed to cover not just the \$50 option, but the extra labor, testing, etc. involved with hi oleics. Every lot of hi oleics has additional testing done to ensure purity. 95 out of 100 kernels must be pure and contain the oleic/linoleic acid requirements. We must strive to be perfect from the grower through the plant to be successful.



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Peanut Industry Sustainability Initiative— Shannon Parrish, Supply Chain Sustainability Coordinator

The Peanut Industry's Sustainability Initiative was a key topic behind the scenes at the Southern Growers Conference this past week in Destin, Florida. Many industry leaders were discussing how to get growers involved with the project. We believe being a part of this discussion is important since we are one of the few grower-owned shelling plants located in Georgia. We want to be an advocate for you in this discussion to ensure peanut farmers are well represented. We are currently working on methods here at Premium that would allow us to work with each you to understand our sustainability levels. This project will be designed to provide valuable feedback for us as a shelling plant and for you the grower.

Contact Us

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

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