

PREMIUM PEANUT



Newsletter

December 2017



A letter from our CEO, Karl Zimmer

Harvest is essentially complete, and the shelling of the 2017 crop is well underway. Although yields declined towards the end of the season, we will handle over 260,000 tons of farmerstock, an increase of ~100,000 tons versus the 2016 crop; our geographic diversity is also increasing, with us now having Premium Peanut shareholders in 30 counties throughout the state. The move to a 24x7 shelling operation has been a success, and the oil plant remains both on-budget, and on-schedule. Financially, we continue to meet or exceed the commitments we have made to our shareholders and bankers, despite a tough market.

While the large, and high quality 2017 crop has many benefits to Premium Peanut, our shareholders and customers, it has put downward pressure on pricing. Combined with large crops in China and Senegal, pricing has

A Letter from our CEO, Karl Zimmer– Continued

declined up to \$.10 / pound over the past few months (for shelled peanuts). We continue to closely monitor all of the global peanut markets, to determine the best opportunities (and timing) to sell our product, in order to generate the best returns for our shareholders. Over the past two months, we have visited Japan, India, and Europe: three key markets for us. In addition, we continue to host many domestic and international customers at the shelling plant in Douglas, Georgia.

We will continue to work diligently to sell the small remainder of redskins we have from the 2017 crop, and based on market conditions will shortly determine the option price for any uncontracted farmerstock tons. Our goal remains to provide as high an option as possible, based on the market, while meeting our budget targets and funding distributions to all shareholders. Speaking of distributions, we anticipate the initial dividend (for the 2016 crop) to be paid on March 14th, which will also be the Annual Shareholders Meeting.

Please mark your calendar and plan to attend this **Annual Shareholders Meeting, which will be on the morning of March 14th in Douglas**, followed by lunch. We will share a complete update of the many successes that Premium Peanut has had over the past year, in addition to talking about our future plans.

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

Now that most of our growers have finished harvesting and are requesting money, remember that our DMA issues loan checks on Tuesdays and Thursdays of every week. Premium issues option payments on contracted tons bi-weekly based on warehouse receipts. This gives a one or two week lag between the time your receipt is processed and the option payment is issued. Since November was a heavy receipting month, we issued option checks during the 1st, 3rd, and 4th week of the month. For Seg 2 and 3 peanuts, those will be paid once per month beginning in December.

We have had many of our growers ask about overages that went uncontracted into loan. At this time, we have not determined a price for those. Our goal is to contract every peanut, selling the overages at the highest price possible, so that we can in turn offer a premium for those tons. We will update our buying points and shareholders on any new information regarding these overages.

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

This harvesting season, we partnered with the University of Georgia Extension Specialist, Scott Monfort, to collect data from producer fields. Partnering in research endeavors is a unique way we can provide you with agricultural data that could assist you with your management decisions throughout the growing and harvesting seasons. This year we worked with a select group of growers to collect thermal imagery from their fields 2 weeks prior to harvest. The imagery was collected by AgPixel, an aerial data collection service, that specializes in acquiring, processing, and analyzing agricultural data. Dr. Monfort and his team are currently working to further analyze the data they collected and hopefully we will have some interesting conclusions to share with you in the coming months!

Plant Update— Gary Evans, COO

The plant continues to shell well, and the crop so far has been phenomenal from a quality perspective. We have our challenges due to product mix, but we are meeting those challenges, and they are what maximizes margins with the more difficult products. We are slightly behind plan on overall output, largely due to the learning curves associated with all the new people and trying to shell at the higher throughput rates. However, we continue to learn and make adjustments to the plant, and we see improvement each week. Yields have been much better this year than last, and we continue to work to maximize edible yields since we know this will get harder as the crop ages.

Safety continues to be a high focus item for us, including transportation safety, particularly around drive aisle, racks, and forklift speeds and techniques. This is an effort that crosses all departments, but is of great importance as we work to keep all of our employees safe, all of the time.

Tax Estimate for Calendar Year 2017— Marshall Spivey, CFO

As the end of the 2017 tax year quickly approaches, management felt it was important to include a projection of the 2017 tax gain or losses for planning purposes. Although these amounts are estimates and could change, management expects these estimates to be materially accurate to the best of their knowledge. The tax estimate is projected to be between break-even and \$2.50 profit per share for **original shares** purchased prior to 2017. For **new shares** purchased in 2017, we expect a tax loss between (\$3.00) and (\$5.00) per share.

The “original” shares have a gain and the “new” shares have a loss due to the profitability of Premium Peanut being higher earlier in the year. Later in the year when we were closing out the 2016 crop, the yields and quality were lower than earlier in the year. Also, there was a planned plant shutdown between crops in September that contributed to the estimated tax loss for the “new shares.”

Overall, for the fiscal year ending August 31st, 2017 Premium Peanut exceeded both our budget and the original prospectus targets, generating both cash and profit! (Full details will be shared in the Annual Shareholders Meeting on March 14th). For tax planning purposes, we were able to work with our accountants Clements, Purvis & Stewart to reduce the K1 impact to close to \$0.

The actual company income/loss will be reported to each shareholder on IRS Forms K-1. We expect the K-1s to be ready sometime in early February 2018. Please be aware that each shareholder will receive **two** Forms K-1 for the 2017 year (one for Premium Peanut, LLC and one for Premium Peanut Financial Services, LLC). Please be sure to wait until you have received both K-1s before filing your 2017 income tax return.



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Seg 2 Damage Increase for 18 Crop - Ronnie Myers, FS & Quality Supervisor

Premium Peanut has worked diligently with the Peanut Standards Board, APSA, and numerous political leaders in Washington D.C. to advocate increasing the damage threshold to 3.49%.

We are pleased to announce the following:

The Agricultural Marketing Service, USDA has made a final ruling on the request from the Peanut Standards Board to revise the minimum quality and handling standards for domestic and imported peanuts marketed in the United States. The maximum allowance for damaged kernels WILL be increased to 3.49%. Effective date will be February 1, 2018. Concealed RMD will remain the same at no more than 1.00%.

Contact Us

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

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