



PREMIUM PEANUT

Newsletter

April 2020

A letter from our CEO, Karl Zimmer

I hope you and your families are staying safe and healthy during this pandemic. It has presented many challenges for all of us, but given agriculture's critical importance to securing our food, fiber, and cotton supply, we are still operating at Premium Peanut as I am sure you are in preparing for 2020 crop planting. However, this has created unprecedented and new



negative economic impacts at a time when commodity prices are already low. Both as Premium Peanut and as members of the U.S. Peanut Federation (a group of growers, shellers & buying points coordinating our efforts in Washington, D.C.), we have been advocating strongly for additional support for peanut growers. At Premium, our employees have been great – remaining focused on doing our part to continue to support our customers and their greatly increased demand for peanut products, especially peanut butter. We have had no confirmed cases of covid-19, but still have taken numerous steps to keep our employees safe and facilities virus free.

Peanut market prices have increased pretty significantly. Unfortunately, this is for immediate shipment and there is not much product available given that over 30% of the entire industry-wide 2019 crop, post-shelling, is not able to be used for edible sales due to aflatoxin. Overall, these high levels of aflatoxin will cost the industry over \$100,000,000 this year – over \$30 / ton. It is an issue that we all must work to address, or risk not only continued, negative financial impacts but the loss of export markets (particularly Japan and Europe). The reality is that Argentina, our main competitor in Europe, doesn't have the aflatoxin issues we do in the U.S., and has been continually gaining market share in international markets. No longer are U.S. peanuts the preferred product, in large part due to aflatoxin, and that is unfortunate. At Premium, we have conducted a great deal of research on minimizing aflatoxin impacts, and that has driven the quality incentives in our 2020 contracts...if we can produce product that generates less oilstock and more edible, sale-able peanuts, that means more \$\$ for all of our growers. I am also co-chairing an industry-wide taskforce that is working to coordinate research activities on this issue, and we are seeing some positive momentum. The good news is that operationally, things continue to go well at Premium Peanut. The investments we have made in new technologies, equipment, and projects over the past several years are generating significant returns in enabling us to gain more edible product, and more value, from every ton of farmerstock. APEX, the \$9M project to enhance our logistics, sorting, and remill capabilities, is going live, and will generate immediate financial returns, in addition to improving on our already high product

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

quality. The oil mill has overcome difficulties from the warehouse fire and in fact has set new production records. We are meeting our customer commitments when some others are not. In a very difficult crop (the 2019 crop is the worst in terms of aflatoxin since data has been collected), we are performing, anticipate making a profit, and returning some additional value to our growers with a dividend in early 2021 on the 2019 crop .

Market Overview - Alexandre Izmirlian, Sales

The Covid 19 virus has created a lot of uncertainty in this market. Demand has gone up both in the US and in the International markets. The US is hoping to have enough supply to carry them through the new crop. Interest from US and Canadian buyers for Argentinian and Brazilian peanuts is starting to show up. If any of the big manufacturers start buying from those origins in order to mitigate the US risk, shipments through September, especially from Argentina, but also from Brazil, could become scarce.

European stocks are dwindling down and manufacturers, because of the increased demand, are wondering if they will have enough stocks to carry them through the new crop arrivals from Argentina and Brazil. Lastly is the impact of the virus on the supply chain. India has locked down the entire country including its exports. No slow down yet on shipments from Argentina and Brazil and let's hope it stays that way

USA

The USDA came out with their planting intentions on March 31, 2020 calling for an increase of 7.10% vs. last year and an increase of 8.54% in the Southeast. Planting intentions have never been very accurate, thus I am not sure this gives the market much information. Low cotton prices will push farmers to plant more peanuts. But how much more? Contrary to 2017, shellers are limiting the tons on their us\$ 400.- per fst contract on runners. So the question really is how many tons without a contract will the farmers want to plant. Moreover farmers don't like to go too far out on crop rotation as it ends up resulting in yield losses, thus money. I think we will get at least 10% more but I am not sure how many more we will get.

I have revised my supply/demand numbers and I show at best 729,000 fst carried out on August 1, 2020. But, I believe the fallacy of this number is that there will be very little shelling of 2019 crop in October 2020. So if one considers 250,000 fst of shelling monthly, this would leave 229,000 fst for October. So one could potentially assume that the carryout is inflated by that many tons. I believe that the market needs a minimum of 10% to give us a decent carryover for August 1, 2021 with no room for error. So, provided we get those 10% more planted and get no surprises, we should be able to have a market in the 50's. Depending who you talk to and depending on specifications, prices are anywhere between the low to high 50's on 2020 crop, but only January 2020 forward. Until then things are a totally different story. We all hope that the US will have enough supply until the new crop comes in. Prices have risen to the mid 80's for negative specifications. Tight specifications are probably no longer available, no matter what the price is. The shellers will most probably stop shelling the 2019 crop as soon as the 2020 crop is available which most probably means that price will unlikely go down for the fallside as there won't be much of a surplus.

Market Overview (cont.)

USDA peanut stocks and processing for February 2020:

Feb 20 vs. Feb 19: Peanut candy up 2.59%, Peanut snacks up 7.12%, Peanut butter up 4.12%, Total edible up 4.41%, Inshells up 14.49%

Aug 19-Feb 20 vs. Aug 18-Feb 19: Peanut candy down 0.41%, Peanut snacks up 3.25%, Peanut butter up 6.03%, Total edible up 4.29%, Inshells up 0.96%

Argentina

The new crop received those rains that I mentioned they needed in my last report. This will enable Argentina to have a very good crop. Now the main harvest will start soon and we all hope for a dry season. Covid-19 is creating a few logistical issues, but it seems only on the paperwork. But all are wondering if harvesting, shelling, and thereafter shipments will be affected. Interest coming from Canada and the US, but no business that I can confirm yet. As to the US, the quota for Argentine peanuts is for 43,901 mt and runs from April 1st through March 31st. It is surprising not to see business taking place into the USA and Canada with the supply difficulty. No real reasons for the prices to come down much in the short and medium term considering the lack of shipments from the USA to Europe through at least September if not through the end of the year.

Brazil

Weather so far has been good for harvesting; it looks as if 50% of the crop has been harvested so far. Provided the weather continues to cooperate, Brazil could have a good crop. Interest showing up from Canada and the USA, but no business that I can confirm yet. As to the US, the quota which Brazil falls under is for "other origin" and that quota is only for 9,005 mt and runs from April 1st through March 31st.

China

The market prices in China and the buying for foreign origin peanuts from China continues to go up, but there will be an end to it. The reason for such is caused by several things:

1. I believe that the 2019 crop was not as big as previously thought. Some believe that last year's feud between the USA and China pushed the government to incentivize farmers to plant more corn and soybean which led to less planting of peanuts.
2. The Vietnam border with China is closed.
3. India is on lockdown.
4. Africa (at least the countries exporting to China) have banned exports of peanuts.

All this has pushed China to buy basically everything they can get their hands on, no matter if farmerstock or kernels. The options have been limited for them, hence the reason why they have turned to the US despite the additional tariffs they are facing when importing USA peanuts. China should be continuing to buy at interesting price through May, possibly June. Thereafter arrivals will coincide with the harvesting of their new crop, at which point I believe we will see prices come down. They will then continue buying but prices will be much lower. With low commodity prices across the board and continuing high peanut prices, new crop peanut plantings should be higher, possibly much higher than last year. Time will tell.

India

India is on complete lock down and that includes exports. This will certainly affect those customers who were relying on material from India. This could potentially create some unexpected demand in different markets.

Premium Peanut

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2020 Planting Reminders - Ronnie Myers, Regional Procurement Manager

Dr. Scott Monfort, peanut agronomist at UGA, gave farmers some advice as they make plans to plant the 2020 crop. Here are few:

- Seed germ- Keep a small sample of each lot of seed just in case you have stand issues. If you have stand problems, the sample can be checked for germ and vigor.
- Take care of seed- Keep your peanut seed stored in a cool environment until ready to plant. Try not to leave seed exposed to sun and heat for prolonged periods of time.
- Make sure to calibrate in-furrow liquid and granular applicators. Clean the system before use and make sure you do not have any stopped-up tubes.
- Do not risk planting in poor conditions. For example, cool and wet, hot and dry, or marginal soil conditions. The seed costs too much to risk having to replant. Plant with soil temps at 68°F for three consecutive days.
- Do not get in a hurry planting. Increased speed can cause skippy/non-uniform stands.
- Plant your non-irrigated first to make use of the moisture.
- In dry, hot conditions, remember to irrigate at least 1/3 to 1/5 inch before planting. Adding cold water from irrigation after planting in hot and dry conditions can shock peanut seed and lead to erratic germination and skippy stands.
- Remember to do everything you can to reduce the risk of TSWV in early planted peanuts. Use twin row, plant 6 seed per foot, use Thimet, etc. Please refer to peanut disease risk index.
- Weed control is extremely important. Try to plant in a clean field and stay ahead of any problems.



Oil Mill Update - Bill Thelen, Oil Unit Manager

Since the fire, the oil mill has been running at full capacity through the modified feed system. Even with the modified feed system, we were able to break the monthly record of oil shipped in March: over 3 million lbs. shipped, significantly beating our previous record. We have also come very close, multiple times, to beating previous weekly crush records.

The team has completed the redesign of the warehouse and the contractor is onsite working on preparing the slab for the new warehouse. The steel erection is scheduled to start in June and the warehouse will be complete by the end of September.

Contact Us

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

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