



Annual Shareholder Meeting

Premium Peanut will host its Annual Shareholder Meeting on
Wednesday, March 18, 2020

Location: Douglas Central Square Complex, Gym B

Time: Lunch served at 12:00 PM

Meeting will begin at 12:30 PM

2018 Crop Dividends Will Be Distributed

A letter from our CEO, Karl Zimmer

Premium Peanut is owned by over 350 growers, and we work every day to create the most value for every peanut delivered by our grower/owners. While the 2019 crop continues to be a significant challenge, mainly due to aflatoxin, we are seeing the positive results of significant investments in time, money, and people made over the past several years...we believe we are performing better than the industry overall, and thankful that we also have an oil mill to create some value for the non-edible portion of this crop.

If you have driven by or visited Premium Peanut, you have seen a new building being erected near the shelling plant; this is part of a significant project called APEX. APEX will create some additional storage space for shelled peanuts (the building being erected), but most of the project deals with upgrades to our logistical capabilities in the plant. We are implementing some very innovative technology that will help us to reduce costs, improve quality, and create more value for the peanuts we shell. Especially given the challenges with this year's crop, which is creating an enormous amount of re-work, APEX will be very valuable to us from 'day 1', which is scheduled for May 1.

We look forward to seeing many of you during this month's Buying Point meetings, and hope you can join us at the Annual Shareholder Meeting on March 18th.

2019 Crop Update - Ronnie Myers, Regional Procurement Manager

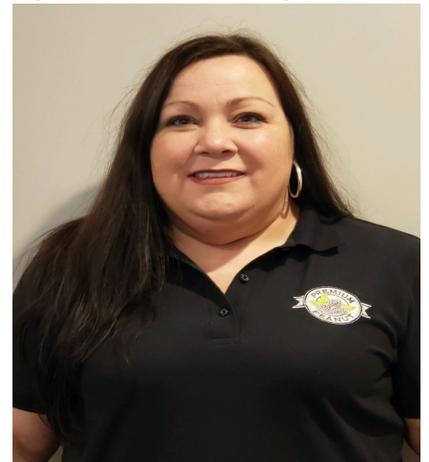
The 2019 peanut crop is proving to be nothing short of challenging. The drought we had during the last ~30 days of the growing season really hurt the quality of the crop in terms of aflatoxin. Some growers got a firsthand taste of this when they had multiple loads found with visible aflatoxin and graded as Seg 3's. Interestingly enough, Seg 3's are not always as problematic to a shelling plant. Shelling plants tend to have some success making edible grade shelled goods out of Seg 3 peanuts. This year, Seg 3's only accounted for 1.65% of Georgia's entire runner crop. Even with Seg 3's accounting for a such a small percentage of the crop this year, according to JLA data, over 30% of the crop is failing aflatoxin (over 15ppb) after shelling. LSK's from the field and foreign material can act as inoculants for aflatoxin during storage. Premium Peanut has a very aggressive segregation plan tailored to each harvest; however, we can only segregate so much before it becomes cost prohibitive.



Employee Biography

Rebecca "Becky" Swails– Inventory & Procurement Accountant

Becky was born, raised, and resides in Axson, GA. She attended Atkinson Count Highschool and after graduation went to Georgia Southwestern University where she graduated with a BS in Accountancy. She worked in Aerospace for 18 years and has experience in both General and Cost Accounting. She is also currently pursuing her MBA. She enjoys spending time with family and spoiling her 7 nieces and nephews. Becky is excited for the opportunities her new position affords to work with buying points



From the time of its discovery, aflatoxin and peanuts have been intrinsically linked. In 1960 more than 100,000 English turkey poultts died from an unknown disease later termed “Turkey X” disease. Investigation into the outbreak revealed that the Brazilian peanut meal used for feed contained high concentrations of aflatoxin, a byproduct produced by certain species of aspergillus fungi. Further studies indicated that these aflatoxins bioaccumulate in humans over time and are associated with liver cancers, immune disorders and cardiovascular issues. Because aspergillus fungi are indigenous to soils throughout the world, total elimination is impossible, therefore, countries attempt to reduce exposure to aflatoxins by imposing regulatory limits on commodities intended for use as food and feed. In the US, all shelled peanut lots intended for human consumption can contain 15ppb or less total aflatoxin while other countries have set stricter limits- such as the EU’s current regulation of no more than 4ppb total aflatoxin. 50% of the peanut lots sold by Premium must meet customer aflatoxin specifications of 10ppb or less. As a point of reference, 1ppb is equal to a single second in 32 years!

For decades, it has been said that aflatoxin is a problem in non-irrigated fields and is predominantly concentrated within the damaged peanut kernels. The 2019 peanut crop has brought into question these long-held beliefs. This year, in terms of aflatoxin contamination, irrigated acres did not fare much better than non-irrigated acres. And according to Federal State Inspection Service (FSIS) data, only 3.5% of the southeast farmer stock graded Segregation 2 or 3 from visual inspection at the buying points which does not align with a 32% aflatoxin failure rate for finished shelled lots. This is a strong argument that visual inspection for aspergillus mold at the buying point is not a reliable way to screen for aflatoxin. While there is no definitive explanation for this year’s results, it’s widely accepted that the duration of the drought beginning mid-September coupled with daytime heat indices exceeding 105°F into October played a significant role in the widespread development of aflatoxin. Clearly, we have our challenges with this crop, but things could be worse.

According to monthly comparison data distributed by JLA, Premium’s finished lot results have been better than the industry average. We believe this is attributable to our robust segregation plans, the structural improvements made to many of the storage warehouses over the past couple of years and our quality requirements for incoming farmer stock. Proper air exchange rates within the warehouse are critical deterrent to the development of mold in stored peanuts. Increased airflow coupled with adequate drying and pre-cleaning of farmer stock prior to storage ensures that quality is preserved, and better results can be achieved in the shelling plant. As one of the industry’s newest shellers, this is Premium’s first experience with such a problematic crop. Because we made the right decisions in previous years (warehouse upgrades, evolving segregation plans etc.) we have set ourselves up for success in a year that will surely have fewer than average success stories. The adage remains true, “an ounce of prevention is worth a pound of cure”.



