

PREMIUM PEANUT



Newsletter

June 2019



A letter from our CEO, Karl Zimmer

As you read through this month's newsletter, we continue to try to provide a good overview of not just Premium Peanut, but the industry in general. If there are particular topics you would like to see us cover in future newsletters, please let us know. It is a difficult time for peanuts, as it is for broader agriculture. The ongoing trade disputes are addressing some long-standing issues that have put American agriculture at a disadvantage in international trade for many years. We at Premium see it almost every day – we sell in over 20 countries around the world, but the increased 'non-tariff trade barriers' imposed by many of them can make doing business difficult, and challenging. We greatly value our international business, and customers, and hope that new trade agreements fair to all parties can quickly be agreed to and put in place; the ongoing uncertainty is impacting our business, both directly and indirectly through the depressed pricing being seen in cotton, soybeans, and other commodities.

The good news is that the 2018 crop currently being shelled by us is very good quality, above expectations. We have made considerable investments, together with our buying points, over the past year to improve the harvest processes and storage of farmerstock, and those investments are quickly paying off. We are seeing minimal issues with aflatoxin, and continue to invest in resources (equipment and people) to continuously improve overall quality. We are proud of the team we have assembled, and are highlighting several of them in this newsletter. This team works every day to safely deliver quality product to our customers while creating value for our grower/owners...we will continue to stay focused on this, every day!

The Market Overview— Alexandre Izmirlian, Co-President of Alimenta Agra

The EU is looking at retaliating against the US on an ongoing dispute about Boeing at the WTO. The public consultation will last until May 31, 2019 at which point it seems the EU commission will make a decision on imposing or not tariffs on a list of US products including raw and roasted peanuts. This could obviously have a dramatic effect on exports of US peanuts into the EU. Fyi, the US exported a total of 145,852 metric tons during the period of March 2018 to February 2019. If the EU were to impose a tariff on US peanuts, one cannot expect the exports to fall to zero, but it goes without saying that exports to the EU would fall. It would obviously give an opportunity to our largest competitors (Argentina and Brazil) to increase their price (hence their margins). I shall keep you posted on the Trump/EU saga.

As to the new crop, plantings are under way. The hopes that cotton moves higher have faded, at least for the moment, with prices having gone to 77 and now back to below 75 for December 19. There is still lots of hope that once the US/China trade issues gets solved, cotton will move higher. If it was to move higher for next year, we could potentially see a sharp decline in peanut plantings for the 2020 crop in view of the current peanut oversupply. Lots of if and hopes, but something to watch nevertheless as this could impact the second half of 2020.

Peanut plantings should end up being fairly similar to the 2018 crop, potentially slightly higher. This gives the US a potential to produce a 2.8 million fst crop with normal yields. That gives us an estimated carryover of 1.25 million fst for August 1, 2020 after an estimated 1.32 million fst for August this year. Those numbers are due to change with the disposition of the 2017 crop forfeitures, export and domestic demand. But overall enough peanuts for the market to continue being oversupplied.

Things to think about that could make this change: obviously a drought impacting the supply; potential increase in buying from Chinese buyers due to tighter Chinese domestic supply; lower EU exports as mentioned above.

The current crop market remains extremely quiet with prices in the mid 40's for negative material. Nothing has changed, quality is going at a premium. Depending on the quality, prices are anywhere between 47 and 55 cents. The only activity has been on red tag material going to China.

The new crop market remains very quiet as well with buyers at 45 cents and sellers at 47 cents and above. The lack of selling is mostly attributed to the lack of contracting which is somewhat surprising in an environment of poor farmer financial situation. One would think that with plantings taking place and/or fast approaching, many farmers would need to contract to get loans. Something I am still trying to figure out. But if farmers were able to plant and not contract, things get interesting. Not only would they be able to ride the weather market of the summer, but they would be able to ride the cotton market which could potentially impact the market since the farmers have 9 months to decide what to do once they get their loan.

USDA stocks and processing for March 2019: with the exception of peanut snacks, demand has had a fantastic month with candy, butter and inshells showing great increases. It looks as if the price decrease the butter manufacturers took had tremendous effect on consumption. Lets hope for those numbers to continue in this direction.

Mar 19 vs. Mar 18: Peanut candy up 14.64%, Peanut Snacks **down 14.31%**, Peanut butter up 23.53%, Total edible up 12.29%, Inshells up 8.84%, Aug 18-Mar 19 vs. Aug 17-Mar 18: Peanut candy **down 5.05%**, Peanut Snacks **down 8.97%**, Peanut butter up 1.15%, Total edible **down 1.23%**, Inshells **down 2.26%**

Shareholder Update- Graham Raley, Inventory and Procurement Accountant

Premium Peanut has been collaborating with its software provider, The Seam, to improve our payment system. One big change that the system will provide is that option and direct purchase payments to growers will be based on 1007's instead of paying at time of receipt, starting with the 2019 crop. The system will also offer the growers a detailed receipt that will show the 1007 number as well the tons that are associated with the 1007 that the option is being paid on.

Sedex & BRC Audit Update- Julee Brooke Lewis, Vice President & Counsel

Spring has been a busy season with audits at Premium Peanut. We had our SMETA (Sedex Members Ethical Trade Audit) as well as our BRC Audit.

SMETA is an ethical and social based audit that some of our European customers require. It focuses mainly on ethical trade issues, and the auditor spends a great deal of time reviewing records in our Human Resources Department. The team pulled together, and we had an amazing audit. It was great seeing the team work so hard to prepare, and even better to get such a great result. We should only have to repeat the SMETA every three years.

In addition to the SMETA, we had our annual BRC Audit this spring. The BRC Audit is required by all of our customers and focuses on food safety, both the procedures and records in the office as well as the process of the shelling plant. The standards of the BRC were updated earlier this year to make it more stringent; even so, our team was remarkable. Some of these new sections of the BRC deal with the safety and security of the facility as part of an overall food defense plan. The fencing that we have around the perimeter, as well as our internal access security measures, played a vital role in ensuring that we successfully met the requirements of these new sections of the audit. We received a score of AA, the highest possible score a company can receive with a scheduled audit. It has been incredible to watch our team grow and work together over the past year and a half.

Employee Biographies

Ronnie Myers, Regional Procurement Manager

Ronnie Myers is originally from Bainbridge, GA and relocated to Douglas in September of 2015 to serve as Premium Peanut's Regional Procurement Manager. Ronnie and his wife, Morgan Myers of Warner Robins, are members of Gracepointe Church in Douglas and are expecting a baby boy in July. Ronnie attended Abraham Baldwin Agricultural College and graduated from Bainbridge State College with a degree in Business Administration. While finishing his degree, he began working for American Peanut Growers Group, LLC in Donalsonville, GA. There, he served as a Supervisor Apprentice for the first year, rotating through all areas of the company before becoming the Farmer Stock and Quality Control Supervisor for the next 3 years.



Ronnie was a member of the first National Peanut Buying Points Association Leadership Training Program. He has served on the Committee for FSIS matters and Committee on Variety and Seed Development for the American Peanut Shellers Association. He is in his second consecutive year of serving as Vice Chairman for the Committee on Variety and Seed Development.

Premium Peanut

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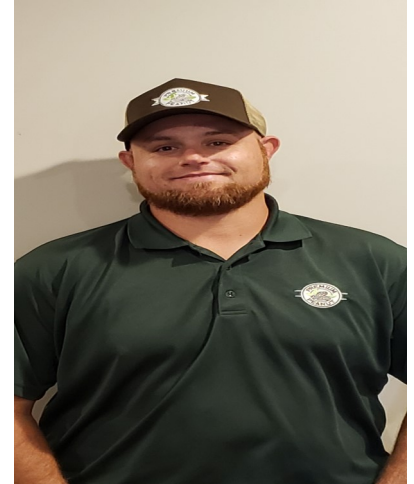
Douglas, GA 31535



Employee Biographies Continued

Michael Carver, Procurement Operations Technician

Michael Carver was born in Athens, GA and relocated to Douglas, which he now calls home. Michael graduated from Atkinson County High School in 2001. He started his career with Premium Peanut in November of 2015 as an assistant to Ronnie Myers, Regional Procurement Manager, while the plant was still in the process of being completed. In fact, Michael witnessed the first bag of peanuts being filled. Initially, he was responsible for checking warehouses and inspecting buying points. He later moved to regrade supervisor for around 2 years. Michael recently moved back to the procurement team to serve as the Procurement Operations Technician. Michael and his wife of 15 years, Abigail Carver, have six children and enjoy spending time with their family.



Dan Wise, Procurement Operations Technician

Dan Wise was born and raised in Coffee County. Dan played baseball for the Trojans and was a member of the 4-H shotgun team before graduating from Coffee High School in 2005. After graduating, he chose the profession of training race/barrel horses, which allowed him to see much of the United States. Dan is the eldest of 5 brothers. Dan and his beautiful wife, Kayla White Wise have 6 wonderful children and reside in Axson, GA. In September of 2017, the opportunity arose for Dan to become part of the Premium Peanut team and serve as a Procurement Operations Technician. At that time Dan knew he wanted to make a career change, and it has by far been the best decision he has made.



Graduates for the Premium Peanut Family

Alexis Danielle Adame (Karla Barahona)
Cole Carver (W.A. Carver)
Juan A. Lopez Chavez (Martin Lopez)
Kevin D. Grimes (Kevin Grimes)
Jose Francisco Rios Ibarra (Silvia Ibarra)
Katassieva Johnson (Clinton Johnson)

Emma Elizabeth Lott (Ron Lott)
DerMarr McCormick (Daryl McCormick)
Kendra Paulk (Kenneth Paulk)
Gunner Will Stone (Shelia Stone)
Jaydon Chance Sweat (Billy Reliford)

Contact Us

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

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Visit us on the web at :
www.premiumpnut.com