

PREMIUM PEANUT



Newsletter

November 2018



A letter from our CEO, Karl Zimmer

As we near completion on another harvest, our 4th as Premium Peanut, we continue to grow and improve as a company. Harvest is a busy time for everyone, and we have been hosting a number of customer visits and audits at the shelling plant (several each week). In addition, we have been visiting with customers in the United States and internationally as we continue to market and sell our products. We are very proud of our shelling and oil plants: we built 1st class facilities and are spending the resources to keep them 1st class, enabling us to consistently deliver top-quality product to our customers. Yes, each customer has different requirements that we must meet – from training of our employees, to the physical condition of the shelling site, to pest control, to ensuring proper food safety & quality procedures in the plant. These requirements are strict and several vary from customer to customer, but we pride ourselves on doing what is needed, and more, to exceed customer expectations and requirements.

Operationally, we finished shelling the 2017 crop in October, and are well into shelling the 2018 crop. The shelling plant performed very well during this transition, and is off to a good start with 2018 farmerstock. The oil plant also continues to perform well, also.

A letter from our CEO, Karl Zimmer Continued

The peanut market continues to be a challenge, for both the shelling and oil plants. Several shellers in the U.S. still have 2017 shelled product available, which is depressing prices until it is sold. On the optimistic side, we expect the next peanut crops in China and Argentina to be smaller, which should provide some opportunity for exports, especially to Europe. Given our high levels of quality, we will be able to take advantage of these opportunities as they develop.

In the oil business, the byproduct of the crushing process is peanut meal, which is sold mainly for chicken feed; it competes with soybean meal for this use and soybean prices are also currently depressed (driven by China not buying US soybeans due to the tariffs). Hopefully, the trade situation with China resolves itself in the near future, soybeans start being exported again, and we see a return of more 'normal' market pricing levels. For peanuts and Premium Peanut, this has been the only direct / significant impact of the tariffs, although we know cotton and pecans, grown by many of our members, have had more direct impacts. We are optimistic that the resetting of trade requirements, agreements, and rules will have a long-term, positive impact to Premium Peanut and U.S. Agriculture. Despite having formal trade agreements in place with many countries, U.S. peanuts have been subjected to increased scrutiny, testing, etc. by many countries, which has increased both our risk and costs; these non-tariff trade barriers need to be addressed to continue to allow us to successfully compete globally.

In terms of issues that are being addressed in Washington, D.C., we are working closely with our trade groups and representatives to get the Farmbill completed and passed, and are optimistic it will include some type of disaster relief for those impacted by Hurricane Michael. Although peanuts, overall, fared relatively well during the storm, we know other crops (especially cotton, pecans, and timber) were significantly impacted, and are supporting our partners in those industries to advocate for comprehensive disaster relief. With control of the U.S. House of Representatives moving to the Democrats, there is some more uncertainty around finalization of the Farmbill. Both the House and Senate have passed versions, and are now negotiating with each other in 'conference' to come up with the final version. There are a few open items that will likely be reviewed with the Democrats gaining control of the House, mainly around food stamp work requirements. Hopefully, this can be done and the new Farmbill passed yet this year; both Republican and Democratic leaders in Congress have stated this as their goal.

Grower Contracts and Payments – Marshall Spivey, CFO

Option checks went out on 10/31/2018 covering receipted tons from the 15th through the 28th of October. We will be sending out option checks weekly the first three weeks of November covering the receipted tons from the prior week (Monday-Sunday). Please let your buying point know if you have questions about any of your payments from Premium Peanut.

We are still offering a contracted price of \$390 per ton for overages for any growers who are interested. If the peanuts are uncontracted they will be shrunk 3.5% and go into the loan.

Definitions

Below are several key terms used when purchasing farmer stock that are important to our growers and buying points in understanding how payments are calculated and issued.

Net ton: A net ton of peanuts is the quantity used to pay the grower. This is line G on the 1007 that is generated for each load. It is the gross weight less the vehicle, foreign material, and moisture.

Warehouse receipt: Before a load of peanuts enter into loan, a warehouse receipt must be generated. The receipt is calculated using USDA guidelines, taking the weighted average grades of the 1007s that make up the receipt and generating a loan value.

DMA: Designated Marketing Associations act as the power of attorney for our growers when dealing with USDA/FSA. Premium Peanut's DMA is APMA (American Peanut Marketing Association) out of Blakely, GA. The DMA puts the growers' warehouse receipts into the marketing assistance loan and issues the loan checks for the growers.

Option payment: Also referred to as the premium, this is the dollar amount Premium Peanut offers on top of the loan amount (\$355 per ton). This changes from year to year depending on the market. Option payments, like the loan value, are basis grade. This means the payment can be lower or higher than the set amount depending on the load grades.

Sustainability Update - Shannon Parrish, Sustainability and Research

Progress continues to be made on industry sustainability efforts with the collaboration of Industry Leaders through the American Peanut Council Sustainability Core Committee. The Committee works together to improve sustainability throughout the peanut supply chain through the exchange of ideas, goals, and research opportunities. A part of the Committee's responsibility has been overseeing the development of The Field to Market Fieldprint Calculator Peanut Module. The Module was completed over the summer and Beta testing was conducted by Donald Chase (Peanut Commission Board of Directors Member), Adam Rabinowitz (University of Georgia Extension Director of Agriculture and Applied Economics), and myself. A Pilot Project for data collection is set with the University of Georgia to begin in March of 2019, surveying approximately 30 peanut growers throughout the state. The Pilot is proposed to expand over several years and hopefully evolve into a continuous data collection project.

A representative from Field to Market, Program Manager Lexi Clark, has been invited to attend this year's APC Winter Conference, December 5th-6th in Atlanta, Georgia, as a key speaker during the Sustainability Session. She will also be on hand to demo the Fieldprint Calculator for those interested in seeing the Peanut Module.

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2018 Peanut Harvest— Ronnie Myers, Regional Procurement Manager

The 2018 peanut harvest has been one for the books to say the least. Although a smaller crop than last year, it has been exceptional. Grades have looked great with minimal Seg 2's and 3's. At this point, we are expecting the overall yield to be slightly higher than last year. Hurricane Michael gave us all a little scare, but we were luckily spared the wrath it could have brought our way. Our buying points and shelling plant sustained little to no damage. The buying points were prepared for the storm and managed to get their operations going shortly after the storm subsided. We have had multiple rain events during this harvest which have slowed down harvesting and grading, and it appears we may have a couple more showers as we near the end of the harvest. Please remember to keep any harvested peanuts out of the rain.

Contact Us

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

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Visit us on the web at :
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