

PREMIUM PEANUT



Newsletter

October 2019



A letter from our CEO, Karl Zimmer

Harvest is well underway, and mainly due to the weather, progressing much faster than in prior years. As growers, buying points and shellers do during every harvest, we are adjusting and adapting based on the overall quality of the incoming farmerstock. So far this year, there has been wide variation in quality between different regions of our growing area, and the difference between irrigated and non-irrigated fields is significant.

How we handle farmerstock at harvest is absolutely critical to determining how much value we can get from it during the shelling process. Our best success in shelling is when we can process farmerstock that is very similar; this drives us to try to store similar quality product together during harvest. Yes, this makes it much more difficult for the buying points, and can create some additional work and waiting during the busiest days of harvest, but it does pay significant dividends as we shell the crop. Said another way, our best chance to produce shelled peanuts (redskins) meeting customer specifications is when we can shell farmerstock that is similar in size, damage, and aflatoxin levels. When this happens, we can make changes to the shelling plant to handle that specific farmerstock, producing the most edible product while minimizing non-edible rejects (oilstock). With the difference between a pound of edible redskin and non-edible oilstock being almost \$.30, every ounce less of oilstock we can produce in shelling is more value we can return to our growers.

Harvest testing and segregation also allows us to meet customer specifications, which are growing increasingly tighter, driven both by regulatory and consumer demands. Even though the legal limit on aflatoxin for US redskins is essentially 15 ppb, the vast majority of customers have significantly lower limits. When shipping internationally, which we do to over 29 countries, the tolerances are even tighter (as an example, 4 ppb for Europe). These tolerances are so tight that literally one high-afla kernel is enough to cause an entire lot of 44,000 pounds to go out of tolerance, and need to be converted to oilstock. Managing and reducing the risk of

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aflatoxin begins in the field, and handling of farmerstock at harvest and during storage is critical; a few loads of improperly dried or stored farmerstock can cause an entire warehouse to become 'hot,' with significant financial impact. Thank you for your support of this critical work to manage aflatoxin, and give Premium Peanut, your sheller, to best opportunities to generate the highest quality redskin peanuts.

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

USA

The USDA recently announced their September crop estimate and it shows a big jump in production, from 2.651 to 2.825 million FST. Harvested acres could end up being slightly lower than reported, but close. I believe though that the yield in the Southeast, especially Georgia, will be lower than the 4400 lbs. estimated due to the extreme temperatures recorded this summer, temperatures that are continuing to be in the upper 90's. I would be surprised if we have a crop much bigger than 2.7 at this point. To be honest though the quantity is not the issue. With a 2.7 or 2.8 million FST crop, there is plenty of supply with the USDA estimated carryover of 1.235 million FST. The biggest issue I believe could end up being the quality. The USDA crop progress report for this crop looks very similar to the one of the 2016 crop. Too early to draw any conclusions but something that bears to be watched carefully.

Argentina

Argentina continues to be busy selling their current crop at prices in the high \$1,400's (per MT) for blanched with smaller shellers selling slightly lower. As one of my friends stated, considering that we are only in September, it will be interesting to see what happens until the new Argentine crop with seemingly little left to be sold from Argentina for this crop, no new crop from Brazil until at least April and potential US quality issues. Argentina is also facing lots of uncertainty politically and financially and there is still potential for increased export taxes.

Brazil

Current crop is pretty much sold out so no market activity on that front. New crop plantings have started. Planting will be in full swing within a couple of weeks. It is still estimated that Brazil will plant the same to 5% more for the new crop. But after the poor crop and low prices experienced with the last crop, shellers might not be as keen to sell too early aggressively.

China

Typhoon Lekima brought much needed rains to most of the crop which should help not only the yields, but also the quality of the new crop. Nevertheless, some areas (especially in Hebei and Anhui) were affected by previous drought which could affect the overall production. Overall, it is expected that the crop will be bigger than last year. The tariff war between the USA and China is still going on with no end in sight, it seems.

South Africa

The 7th CEC crop estimate calls for a crop of 18,800 MT vs. last year crop of 57,000 MT. Manufacturers in South Africa still must cover a lot of their demand, which is probably covered through the end of the year. They are busy trying to procure material from neighboring countries, but this will obviously not be enough. It is still surprising to see them waiting to cover the remainder of their demand.

Employee Biographies

Dewayne Givens: Plant Superintendent

Dewayne Givens, the Shelling Plant Superintendent, is excited about the opportunity for growth at Premium Peanut. Dewayne was born in Colquitt, Georgia and graduated from Miller County High School in 1994. Since then, Dewayne has worked in several different jobs that have given him the skills necessary to be successful. For example, Dewayne began with Consolidated Pelletizing in Damascus, Georgia, where he quickly learned the process and advanced to a team lead. Then, Dewayne worked in several different departments at Shaw Industries. While he was at Shaw, Dewayne helped to restructure the training program and was responsible for training all new hires.

Dewayne has extensive experience in the peanut industry dating back to 2002 when he began working for Birdsong Peanuts in Colquitt, Georgia. In 2013, Dewayne relocated to Donalsonville and took a supervisor position at American Peanut Growers Group. Additionally, Dewayne was the plant manager for Williams Warehouse in Plains, Georgia. Dewayne joined the team at Premium Peanut in 2017, and moved to Douglas with Jamie, his wife of 25 years, and his three children: Cain, Jacob, and Madison.



Bill Thelen: Oil Unit Manager

Bill was born in Syracuse, NY on a family farm. His family was relocated with his mother's work to Milwaukee, Wisconsin in 1994 and again to Albany, Georgia in 2002, where he graduated from high school at the Deer-Field Windsor School. Bill then attended Georgia Southern University and obtained a Bachelor of Science Degree in Construction Management. After graduation, Bill worked for Gilbane Building Company, a large construction management firm, where he played a role in multiple construction projects consisting of High Schools and Higher Education Facilities across the Southeast as a Field Engineer/Superintendent for five years. He moved to Douglas to be close to his now wife Laura Chaney Thelen, a local veterinarian who specializes in large animals. Before joining the team at Premium Peanut, Bill worked for five years at Southwire as both a Process Engineer and as the Facility Maintenance Manager. In July 2016, Bill accepted a position at Premium Peanut as a Process Engineer in the shelling plant. Initially, he worked on capital improvement projects and routine plant performance. In 2017, Bill became involved with the oil mill as it was starting up, and was promoted to Oil Unit Manager in July 2018.



