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Peanuts: Background for 1995 Farm Legislation. By Scott Sanford and Sam Evans. Commercial Agriculture Division, Economic Research Service, U.S. Department of Agriculture. Agricultural Economic Report No. 710.

Abstract

Throughout much of its history, the peanut program led to surplus production and substantial government costs. To remedy these problems, farm legislation in 1977 initiated a two-price poundage quota peanut program. As efforts to reduce costs continued, the 1981 Act provided for a decrease in the poundage quota each year to eliminate an excess of peanuts being supported at the higher of the two support prices. The 1985 Act extended these provisions and established guidelines for matching the poundage quota with use. The 1990 Act extended most of the 1985 provisions through the 1995 crop as costs seemed to be contained. Now the peanut program finds itself in much the same predicament that plagued its past—surplus production and high costs. Some argue that the current program is flawed and must be changed, while others suggest the program has outlived its purpose and should be eliminated. Few observers disagree that new trade agreements and recent changes in peanut consumption patterns necessitate a fresh look at the peanut program.

Keywords: Peanuts, farm program, policies

Foreword

Congress will soon consider new farm legislation to replace the expiring Food, Agriculture, Conservation, and Trade Act of 1990. In preparation for these deliberations, the U.S. Department of Agriculture and other groups are studying previous legislation and current situations to see what lessons can be learned that are applicable to the 1990's and beyond. This report updates *Peanuts: Background for 1990 Farm Legislation* (AGES 89-61), by James D. Schaub and Bruce Wendland. It is one of a series of updated and new Economic Research Service background papers for farm legislation discussions. These reports summarize the experiences with various farm programs and the key characteristics of the commodities and the industries that produce them. For more information, see Additional Readings at the end of the text.

Washington, DC 20005-4788 April 1995

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Summary

The setting for this year's debate on new peanut legislation is much different than the 1990 deliberations. This report notes that peanut food use has been in a decline for several years, the opposite of the situation 5 years ago.

Also, peanut and peanut product imports were an insignificant factor in domestic use and government program performance prior to 1990. But imports are now a growing component of domestic use.

One likely explanation for the continued decline in peanut food use since the 1989/90 peak is a change in consumer preference away from foods seen as high in fat. Another factor could be a price increase following a significant U.S. production shortfall in the 1990/91 season.

These events raise issues about the structure of the U.S. peanut program and its ability to cope with fundamental changes in the supply and demand for peanuts.

The U.S. peanut program originated in the 1930's. Surplus production and increased government costs in the 1970's led to a policy change in the 1977 Farm Act that initiated a two-price poundage quota program. That system was continued under the 1981, 1985, and 1990 farm legislation.

The support price on "quota" peanuts was $631.47 per ton in 1990, $642.79 in 1991, and $678.36 in 1994 and 1995. The support price for "additionals," or nonquota peanuts (which can be produced and sold in any amount) was $132 for the 1994 and 1995 crops.

Annual net costs of the peanut program averaged $62 million in the 1970's, $14 million in the 1980's, and about $50 million in fiscal years 1991 and 1992.

The history of U.S. demand for peanuts is one of generally rising consumption except for brief downturns in response to high prices resulting from crop shortfalls. The downturn of 5 years ago has not reversed, however.

Peanuts are an important oil crop worldwide. Most peanuts produced in other countries are crushed for oil and protein meal. The United States is the main country producing peanuts used in such edible products as peanut butter, roasted peanuts, and peanut candies.

Unlike the voluntary programs for wheat, feed grains, rice, and cotton, the peanut program is mandatory. The program is binding on all producers if at least two-thirds of the producers voting in a referendum approve it.

The 1977 and 1981 peanut programs were designed to reduce government costs, bring domestic supply of quota-supported peanuts more in line with demand, and recognize the possibility of expanding exports. These programs helped move producers toward increased market orientation and, at the same time, eased the transition for the peanut allotment holders and the communities that had become dependent on the old program. A reliable source of high-quality edible peanuts for domestic use and export was maintained. U.S. consumers did not have access to lower priced "additional" peanuts produced in excess of the quota level, and imports were restricted. The 1985 and 1990 peanut programs maintained the same goals as the 1977 and 1981 programs but tied the quota size more closely to domestic demand.

Quota support prices can be adjusted on the basis of cost of production, but increases cannot exceed 5 percent per year. Growers are permitted to lease or purchase quota from quota holders as long as the quota remains in the same county.

Among the significant issues in the current debate over peanut policy are:

- What is an appropriate level for the minimum annual poundage quota?
- Can the U.S. Government continue to be a major purchaser of peanut products at increasing costs, while simultaneously encouraging the potential for excess production and increasing program outlays?
- Can the peanut support rate continue to be ratcheted up despite the divergence between U.S. and world peanut prices?

Peanuts

Background for 1995 Farm Legislation

Scott Sanford
Sam Evans

Introduction

Peanuts are one of the world's principal oilseeds, ranking fourth behind soybeans, cottonseed, and rapeseed. Peanuts accounted for 10 percent of the total world production of major oilseeds in 1990-92. Peanut byproducts make sizable contributions to global supplies of edible oil for human consumption and protein meal for livestock feeds. Principal countries producing peanuts are India, China, and the United States. Africa is also an important producing region. Most of the peanuts produced in Asia and Africa are crushed for food oil and animal feed.

Peanuts accounted for 3 percent of the production of major oilseeds in the United States in 1990-92 and ranked second in crop value among major oilseeds. Soybeans are the dominant oilseed in the United States, with 86 percent of production, followed by cottonseed with 9 percent. U.S. peanuts derive most of their value from use of the seed as an edible nut, both in-shell and shelled, and in edible products, such as peanut butter and peanut butter sandwiches and cookies. Peanuts are also crushed to produce oil and meal, but the edible market commands a higher price than the crush market. U.S. peanuts rejected from edible channels because of quality factors are crushed. If there is an over-supply of a certain peanut type, those peanuts may be crushed. Peanut oil and peanut meal face strong competition from products derived from soybeans, cottonseed, and sunflowerseed.

Before 1977, U.S. growers produced considerably more peanuts than the domestic edible market could absorb at the support price. The peanut program costs to the Government were increasing. The 1977 and 1981 peanut programs were designed to reduce government costs and to bring domestic supply and demand levels for peanuts used in edible products into balance. They were also designed to ease the transition for the peanut producers and their communities as the traditional program—largely unchanged since the 1930's—was replaced by shrinking poundage quotas for peanuts used in edible products. The 1985 program continued most of the provisions of the 1981 Act and sought to better match supply and demand. The 1990 peanut program continued most of the provisions of the 1985 Act. The Omnibus Budget Reconciliation Act of 1993 extended a number of the 1990 Act peanut poundage quota provisions through the 1997 crop year. However, several provisions were not extended, including that portion of the 1990 Act suspending provisions of permanent legislation for the 1991-95 crop years.

Structure of the Peanut Industry

The United States produced nearly 4.3 billion pounds of peanuts with a farm-level value of about $1.3 billion in 1992. There are relatively few farms harvesting peanuts compared with farms harvesting corn, wheat, and soybeans. Production is concentrated in nine States that planted 1.69 million acres in 1992.

Production Characteristics

Soil type, climate, and operation of the peanut program determine the location of peanut production. Peanuts are best adapted to well-drained, light-textured soils and, depending on variety, require from 120 to 150 days from planting to maturity. Although the current peanut program no longer restricts production through acreage allotments, the poundage quota system still largely follows the historical allotment pattern. Peanuts are often grown in rotation with other crops, including wheat, soybeans, and corn.

Geographic Distribution of Production

There are three peanut-producing regions: the Georgia-Florida-Alabama-South Carolina region, referred to as the Southeast; the Texas-Oklahoma-New Mexico re-

gion, referred to as the Southwest; and the Virginia-North Carolina region, referred to as the Virginia-Carolina region. Seven States (AL, FL, GA, NC, OK, TX, and VA) grow 98 percent of the U.S. peanut crop. Georgia is the leading peanut-producing State, accounting for about 45 percent of U.S. production. For 1991-93, the Southeast produced 63 percent of the peanuts, the Southwest 23 percent, and the Virginia-Carolina region 15 percent (table 1).

During the last four decades, the Southeast's share of U.S. production increased, but declined slightly in 1991-93 because of a drought in 1993. The Southwest's share has ranged from 17 percent to 26 percent, and the Virginia-Carolina share has dropped. Planted acreage has moved in line with changes in the national poundage quota since 1984. Total peanut acreage fell between 1979 and 1982 but has trended upward until peaking at 2 million acres in 1991. Peanut planted acreage has fallen since 1991.

Structure of Peanut Farms

According to the 1992 Census of Agriculture, 16,194 farms harvested peanuts in 1992 (table 2). Of these farms, 15,914 were located in the nine peanut-producing States covered by the U.S. Department of Agriculture's *Crop Production* reports. In 1987, 18,905 farms harvested peanuts. Harvested acreage per farm averaged about 98 acres in 1992 and 76 acres in 1987.

Fifty-one percent of the farms harvesting peanuts in 1992 had harvested acreage of less than 50 acres and 3 percent had over 500 acres. Of the peanuts harvested, 33 percent came from farms harvesting an average of 100-249 acres. The large number of farms harvesting fewer than 50 acres of peanuts accounted for about 9 percent of the total production.

Nearly all of the peanut poundage quota is allocated to farmers in nine States, with a small amount distributed to farmers in seven other States. Sixty percent of the basic poundage quota was allocated to the Southeast, 21 percent to the Southwest, and 19 percent to the Virginia-Carolina region in 1994. The largest allocations were Georgia, 556,044 tons;[1] Alabama, 181,063 tons; and Texas, 177,619 tons. The States with the smallest basic poundage quota (less than 1,000 tons) were Arizona, California, Tennessee, and Missouri.

A 1991 cost-of-production survey, which included a sample of farms in the seven largest peanut-producing States and represented 97 percent of U.S. peanut production, indicated that the split between quota production on owned and rented quota is about 35-65. The peanut cost-of-production survey indicated that soybeans and corn were other important crops on farms growing peanuts. In the Southeast, about 43 percent of cropland per farm was planted to peanuts and nearly 28 percent was planted to soybeans and corn. In North Carolina and Virginia, soybeans and corn accounted for over 49 percent of cropland planted. In the Southern Plains, wheat was the primary other crop grown on farms planting peanuts. Of the farms harvesting peanuts in 1991, 77 percent specialized in field crop production, 4 percent in cash grain production, and 13 percent in livestock production.

Types of Peanuts

Three main types of peanuts are grown in the United States: Florunners, Virginia, and Spanish. The Southeast grows mostly the medium-kernel runner peanuts. The Southwest used to grow two-thirds Spanish and one-third runner, but now grows more runners than Spanish. Virtually all the Spanish peanut production is in Oklahoma and Texas. The Virginia-Carolina region

[1]Unless otherwise stated, all references to tons indicate short tons (2,000 pounds). To convert short tons to metric tons, multiply short tons by 0.907.

Table 1—U.S. peanut production

Region	1951-60	1961-70	1971-80	1981-90	1991-93
			Percent		
Southeast	49.2	51.1	61.6	64.6	62.5
Southwest	17.7	26.3	19.0	17.0	22.5
Virginia-Carolina	33.1	22.6	19.4	18.4	15.0

Table 2–Number of farms harvesting peanuts and pounds of peanuts produced, by harvested acreage size distribution, 1992 (1987 in parentheses)

Harvested peanut acres	Farms				Production			
	--------Number--------		--------Percent--------		------Million pounds------		--------Percent--------	
1-49	8,273	(10,802)	51.1	(57.1)	384	(464)	9.4	(13.6)
50-99	2,938	(3,567)	18.1	(18.9)	515	(580)	12.7	(17.0)
100-249	3,333	(3,348)	20.6	(17.7)	1,333	(1,201)	32.8	(35.3)
250-499	1,228	(949)	7.6	(5.0)	1,054	(737)	25.9	(21.7)
500-999	361	(206)	2.2	(1.1)	573	(304)	14.1	(8.9)
1,000 and over	61	(33)	.4	(.2)	225	(118)	5.5	(3.5)
Total	16,194	(18,905)	100.0	(100.0)	4,065	(3,404)	100.0	(100.0)

Source: 1992 Census of Agriculture and 1987 Census of Agriculture.

grows mostly the large-kernel Virginia peanut. A fourth type, the Valencia, is grown in New Mexico.

In 1993/94, runner peanuts accounted for about 80 percent of shelled peanuts used in domestic edible products, Virginia peanuts accounted for about 15 percent, and Spanish peanuts accounted for about 5 percent (table 3).

Trends in Domestic and Foreign Markets for Peanuts

Except for years when peanuts were in short supply because of drought, domestic food use grew steadily following World War II until peaking in 1989/90. The biggest food use of peanuts is peanut butter. Crushing peanuts for oil and meal varies from year to year, primarily because of fluctuations in production and foreign demand. U.S. peanut exports and crush are usually small compared with domestic use. However, when U.S. supplies are abundant, each may expand sharply. Major export markets for U.S. peanuts are the European Union (EU), Canada, and Japan.

Edible Peanuts

Peanut manufacturers produce three principal products: peanut butter, packaged nuts (includes salted, unsalted, flavored, and honey-roasted nuts), and peanut candies. In most years, half of all peanuts processed in the United States for edible purposes are used to manufacture peanut butter (table 4). Packaged nuts account for almost one-third of all processed peanuts. Some of these, which are commonly referred to as "ballpark" peanuts, are roasted in the shell, while a much larger quantity is used as shelled peanuts packed as dry-roasted peanuts, salted peanuts, or salted mixed nuts. Some peanuts are ground to produce peanut granules and flour.

Snack peanuts compete with other edible nuts, such as almonds, cashews, and pistachios. Edible peanuts can complement tree nuts in mixed-nut packs but can also substitute for tree nuts up to some maximum level depending on relative prices. Peanut candy accounts for about 20 percent of all processed peanuts. Peanuts are the dominant shelled nut used in candies, followed by almonds. Thus, such factors as cocoa and sugar prices affecting the candy market indirectly affect the demand for edible peanuts.

Unshelled Virginia peanuts are roasted for use as ballpark peanuts or cleaned, in-shell peanuts. As shelled peanuts, 50-60 percent of Virginias are used as cocktail nuts and snack peanuts, and 50-60 percent of runners are used in peanut butter. Snack peanuts and candy each account for about 20 percent of shelled runner use. Spanish peanut use is about evenly divided among snack nuts, peanut butter, and candy. Runners are the most important type for all shelled uses. Virginia peanuts dominate the roasted in-shell market. The Valencia peanut, with its long shell containing three or four kernels, is excellent for roasting in the shell.

Peanut Oil and Meal

In addition to edible uses, the peanut can be crushed into oil and meal. Peanuts rank among the world's principal oilseeds but contribute only insignificant quantities to the availability of edible oil and protein meal in the United States. In marketing years 1990-93, peanut oil ranked sixth (nearly 6 percent) in production of the world vegetable and marine oils, be-

Table 3—Peanuts used in edible products, 1981/82-1993/94

Year[1]	Runner	Virginia	Spanish	In-shell[2]	Total
			Million pounds[3]		
1981/82	990	138	97	151	1,376
1982/83	992	215	102	155	1,464
1983/84	1,032	163	116	130	1,441
1984/85	1,051	176	115	159	1,501
1985/86	1,092	207	123	176	1,598
1986/87	1,053	281	126	162	1,622
1987/88	1,153	217	115	141	1,626
1988/89	1,256	241	107	178	1,782
1989/90	1,307	263	87	182	1,839
1990/91	1,049	286	105	173	1,613
1991/92	1,203	298	94	212	1,807
1992/93	1,153	276	75	204	1,708
1993/94	1,179	223	73	168	1,642

[1]August-July marketing year.
[2]To convert from in-shell to shelled basis, multiply the in-shell weight by 0.7519. Most peanuts sold in the shell are Virginia peanuts; Valencia peanuts are also sold in-shell, but account for a very small portion of in-shell use.
[3]Shelled basis.

hind soybean oil (28 percent), palm oil (20 percent), rapeseed oil (15 percent), sunflowerseed oil (12 percent), and cottonseed oil (6 percent). Peanut meal ranked sixth (5 percent) in production of major protein meals, following soybean meal (63 percent), rapeseed meal (9 percent), cottonseed meal (8 percent), fishmeal (8 percent), and sunflowerseed meal (7 percent). In marketing years 1991-93, U.S. peanut crush averaged 888 million pounds, or about 21 percent of peanut production. In comparison, soybeans crushed for oil and meal totaled nearly 1.3 billion bushels (76 billion pounds).

Oilstock peanuts are generally those that have been rejected or diverted from edible channels. Diversion may be due to oversupply of a certain type. Rejections include "pick-outs" from edible nuts and other low-quality peanuts. The latter can include Segregation 3 peanuts, which contain a toxin-producing mold, such as aflatoxin. Rejects also include improperly stored peanuts that are weathered (shriveled and wrinkled), infested by insects, or moldy. The Peanut Advisory Committee (PAC) has also made small kernels, including 14/16 sheller grades, ineligible for domestic edible use.

U.S. Peanut Exports

The United States is one of the major world exporters of edible peanuts (table 5). Although the United States accounts for only about 8 percent of world peanut production, its share of world trade is 26 percent. U.S. peanut exports were over 1 billion pounds each year from 1977/78 to 1979/80, but fell to 503 million pounds in 1980/81 because of higher prices and reduced availability resulting from a drought in 1980. Exports gradually recovered until they again exceeded 1 billion pounds in 1985/86. Exports fell below 700 million pounds in 1986/87 and 1987/88 because of reduced supplies and increased competition. In more recent years, exports have been higher than the historical 800-million-pound average, and approached the 1-billion-pound level in 1989, 1991, and 1992.

Nearly all U.S. peanut exports are for human consumption, reflecting the higher valued end use. U.S. export share of oil stocks for crushing has declined sharply in recent years. The value of peanut exports averaged $201.7 million for marketing years 1990-92. About 20 percent of the U.S. peanut crop was exported in the mid-1980's and early 1990's, compared with around 3 percent in early 1960's and 15 percent in the early 1970's.

Before 1970, U.S. peanut exports averaged less than 220 million pounds each year and accounted for less than 5 percent of world trade. Most of these shipments went to Canada as edible nuts. U.S. peanut exports increased in 1971 and continued expanding during the 1970's in line with rising domestic supplies, reduced marketings from the principal African

Table 4–U.S. food uses of peanuts, 1981/82-1993/94

Year[1]	Peanut butter	Snack peanuts	Peanut candy	Other uses	Cleaned in-shell[2]	Total
			Million pounds[3]			
1981/82	677	278	256	15	151	1,376
1982/83	700	308	284	17	155	1,464
1983/84	695	302	298	15	130	1,441
1984/85	723	309	290	19	159	1,501
1985/86	726	359	314	24	176	1,598
1986/87	713	384	321	41	162	1,622
1987/88	747	374	326	38	141	1,626
1988/89	860	381	327	36	178	1,782
1989/90	897	393	330	37	182	1,839
1990/91	742	355	305	38	173	1,613
1991/92	886	346	328	34	212	1,807
1992/93	798	353	328	25	204	1,708
1993/94	727	349	362	36	168	1,642

[1]August-July marketing year.
[2]To convert from in-shell to shelled basis, multiply the in-shell weight by 0.7519.
[3]Shelled basis.

Table 5–Peanut exports from specified countries[1]

Country	1981-85 average	1986	1987	1988	1989	1990	1986-90 average	1991	1992	1993
					1,000 metric tons					
United States	354	301	280	312	449	296	328	452	431	249
Sudan	56	10	75	50	25	20	36	25	20	20
China	229	398	359	247	329	448	356	311	300	450
Argentina	120	170	150	86	122	130	132	169	110	115
South Africa	24	16	37	33	28	27	28	14	35	30
India	39	40	10	70	35	45	40	1	48	70
Gambia	41	40	55	54	60	33	48	53	50	40
Brazil	15	8	8	2	3	2	5	3	2	3
Vietnam	34	40	40	40	40	70	46	70	65	65
Malawi	10	20	22	4	1	2	10	0	0	0
Paraguay	11	23	19	10	15	10	15	15	15	15
Other	180	215	240	203	190	252	220	261	259	278
Total	1,112	1,281	1,295	1,111	1,297	1,335	1,264	1,374	1,335	1,335

[1]Local marketing years.

exporters (Nigeria and Senegal), and increasing demands in Canada, Western Europe, and Japan.

Exports dropped in 1980, after severe drought reduced the U.S. peanut crop to its lowest level in 17 years. The worldwide recession in the early 1980's and the strong U.S. dollar slowed the recovery of U.S. peanut trade by keeping demand down.

For crop years 1981-85, the U.S. share of world peanut exports averaged 31.8 percent, dropping to 25.9 percent over the 1986-90 period. During the 1980's,

U.S. exports of edible use peanuts to Canada declined and EU imports dropped. Expanded production in China and competition for the export market had cut into U.S. peanut exports.

In the early 1990's, large U.S. peanut supplies and stronger world demand pushed U.S. peanut exports higher, accounting for nearly a third of world peanut trade in 1991 and 1992. Since 1985, the principal destinations of U.S. peanut exports have been the European Union (64 percent), Canada (16 percent), and Japan (9 percent).

Peanut shipments by other exporters (mainly Sudan, China, and India) fluctuated widely during the 1960's and 1970's, primarily reflecting the volatile nature of peanut production in these countries. Sudan accounted for a sizable share of the world market during most of the 1970's before dropping off in 1979 as a result of reduced supplies.

China emerged as a major exporter in 1980, with sales to Japan and other Asian countries and small shipments to Western Europe. High peanut prices brought on by the drought-stricken U.S. crop, policy incentives for expanding oilseed production, and the opportunity to increase foreign exchange earnings were the primary reasons for the increase in Chinese peanut exports. Argentina is now the third largest exporter behind China and the United States.

The primary outlets for world peanut exports have been the European Union (particularly the Netherlands, United Kingdom, and Germany), Canada, and Japan.

Exports of Oil and Meal

Roughly half of the world's peanut production is crushed into peanut oil and meal. Peanut oil is the higher valued product and, therefore, the primary output of the peanut-crushing industry.

World trade in peanut oil, while fluctuating from year to year, trended upward during the 1960's and early 1970's in line with growing world demand for vegetable oils. World exports peaked in 1977 and averaged about 295,000 metric tons per year between 1986 and 1994. Increased competition from tropical oils and rapeseed oil limited peanut oil trade in the late 1980's and early 1990's.

Senegal, China, and Argentina are the leading peanut oil exporters. U.S. exports of peanut oil are usually small (less than 5 percent of world trade) and fluctuate from year to year. However, in recent years U.S. exports have accounted for as much as 7-9 percent of world trade. Exports as a share of U.S. production have been volatile, ranging from as low as 1 percent in 1962 to 36 percent in 1985 and falling below 5 percent in 1986-87. Since 1987, exports have represented about 20 percent of annual production and reached a high of 42 percent in 1991. Relatively large crush in recent years has prompted the export increase.

Major markets for U.S. peanut oil exports are the European Union, Canada, and Hong Kong. U.S. exports declined in the early 1980's due to the drought-reduced 1980 crop, the global recession, and the strong U.S. dollar, which dampened sales. Large crops in 1984 and 1985 led to an unusually large crush and abundant peanut oil supplies in 1985/86. U.S. exports surged to 93 million pounds in 1985/86. In 1991, a large U.S. crop and weak food demand drove crush sharply higher and prompted oil exports near 145 million pounds.

Peanut meal, the other product from crushing peanuts, is used primarily as a protein supplement in livestock feed rations. Because peanuts are primarily crushed for the higher valued oil, the supply of peanut meal is influenced by developments in the fats and oils market. World trade in peanut meal has been highly variable over the past two decades, reflecting year-to-year fluctuations in world peanut production and crush. World exports averaged 770,000 metric tons between 1986 and 1989, compared with 1.5 million metric tons in 1975/76-1977/78. Between 1990 and 1994, world peanut meal exports averaged 740,000 metric tons. The U.S. domestic market takes essentially all of U.S. peanut meal production.

The Export Outlook

The United States can export nearly 1 billion pounds of peanuts a year as shown by the experiences in 1978/79, 1979/80, 1985/86, and more recently in 1989/90, 1991/92, and 1992/93. However, peanut exports can fall dramatically, especially when production falls. Availability of U.S. supplies and a reputation as a reliable supplier are important, but other factors, such as competing supplies, also will influence U.S. peanut exports in the late 1990's.

U.S. peanut exports have generally commanded a price premium over peanuts from other origins in world trade because of a quality difference. Foreign suppliers have improved their quality in recent years and become more price competitive.

There is increasing concern about chemical residues in peanuts and many other food crops. In the case of peanuts, aflatoxin is also a concern. Both domestic

and foreign buyers are setting lower tolerances for residues and aflatoxin. The maximum allowable aflatoxin level in a number of countries is well below the current U.S. limit. The peanut industry is responding to this demand for tighter standards by phasing in lower aflatoxin limits. New peanut-handling practices and technology are being evaluated to improve peanut quality and wholesomeness.

The Food Security Act of 1985 gave USDA the authority to use Commodity Credit Corporation (CCC) funds or commodities to counter or offset the adverse effects of unfair trade practices on U.S. agricultural exports. The initial program, known as the Targeted Export Assistance (TEA) Program, provided funds to the National Peanut Council to promote U.S.-origin peanuts and peanut products in Europe. Funding was $4.5 million in FY 1987, $1.5 million in FY 1988, $7.4 million in FY 1989, and $4.5 million in FY 1990. The TEA program was replaced in 1991 with the Market Promotion Program (MPP) and the National Peanut Council received a $4.62 million allocation in FY 1991. Allocations were $1.1 million in FY 1992, $268 million in FY 1993, and $870,000 in FY 1994.

The performance of the TEA program in Europe was encouraging, despite the surge in prices of U.S. edible kernel peanuts in Europe caused by smaller U.S. crops in 1986 and 1987. U.S. exports to the TEA countries increased for the 1987/88 marketing year, despite high world prices, while exports to the non-TEA countries declined. The MPP of recent years has been successful in expanding U.S. peanut and product exports to, among others, Saudi Arabia, Mexico, Russia and other states of the former Soviet Union, and Eastern Europe.

Exports will continue to be influenced by the purchasing power in importing countries, the value of the dollar, and the price of U.S. peanuts relative to peanuts from other origins. Exports will also depend on the supplies and prices of competing edible nuts (almonds, cashews, hazelnuts, Brazil nuts, walnuts, pistachios, pecans, and macadamia nuts), as well as snack foods.

Developments in the fats and oils sector are likely to reduce the importance of peanuts as an oilstock. Expanded production and consumption of cheaper vegetable oils—particularly soybean, palm, rapeseed, and sunflowerseed—and the ease of substitution among the oils are likely to displace some peanut oil or force prices lower.

Trends in Prices and Farm Returns

U.S. yields averaged about 1,000 pounds per acre in the mid-1950's. By the late 1970's, yields averaged more than 2,600 pounds per acre. Factors responsible for the yield increases included improvements in peanut varieties and cultural and management practices. During this period, acreage was limited by allotments, and price supports were above costs of production. This reduced the price risk and encouraged adoption of production-increasing technology and practices to increase yields on allotted acres. Shifting to higher yielding varieties, especially the Florunner, substantially increased yields. Improved mechanization, increased fertilizer applications, insect and weed control, and cultural practices also contributed to greater yields.

Yields averaged over 2,800 pounds per acre in 1984 and 1985, but droughts in 1986 and 1987 cut average yields to 2,407 pounds and 2,339 pounds per acre, respectively. These dry years increased interest in irrigation systems, especially in the Southeast.

Despite increased irrigation, U.S. peanut yields have yet to return to the levels of the early 1980's. Droughts in 1990 and 1993 reduced yields to 1,991 and 2,008 pounds per acre, respectively. These weather factors have increased the variability of peanut yields in the 1990's.

Production Costs and Returns

The Agriculture and Food Act of 1981 allowed unrestricted production for additional peanuts. This change was consistent with expanding export demand and increasing production efficiency. Least-cost producers had an opportunity to expand, and new producers could enter the market in areas having a competitive advantage.

Unrestricted production has attracted only a small number of new growers because new growers are not eligible for the quota support price unless they buy or lease quota in a traditional peanut-growing area. State average quota lease rates since 1978 have ranged from less than 3 cents per pound to nearly 11 cents per pound, depending on year and location. State average quota sale prices have ranged from 9 cents per pound to 40 cents per pound. Quota sale prices incorporate buyers' expectations about the future of the peanut program. Buyers are assured of poundage quotas only for the years remaining under the current farm legislation. Quota peanuts for the 1994 crop are supported at $678.36 per ton and additionals at $132.00 per ton. Also, peanuts require investment in

specialized equipment for production and specialized knowledge of cultural practices.

The basic national quota for 1993 was 2.99 billion pounds, 88 percent of total peanut production. Production is larger than the national quota for several reasons. First, quota holders may overplant to protect against low yields and ensure that they produce enough peanuts to market their quota. Second, under the current program, quota holders and growers without a quota become eligible for a share in increases in their State's poundage quota if they have a record of producing and marketing additional peanuts in 2 of the previous 3 years. Finally, some low-cost producers can profitably produce additionals for the export market.

The national quota decreased 9.7 percent for 1994. However, production increased in 1994 with more normal yields following 1993's drought-reduced yields. In the longer run, peanut production will depend on the prospects for increases in poundage quotas and the competitiveness of U.S. peanuts in world markets. If peanut quotas were reduced or eliminated, peanut production would tend to shift to least-cost producers, whether they are current quota holders or not. Growth in demand may be uneven among end products that use different peanut types, which could affect the competitiveness of different regions.

U.S. cash receipts for peanuts peaked in 1984, with gross returns exceeding $726 per planted acre (table 6). Cash receipts between 1986 and 1991 have been relatively stable, ranging from about $680 to $700 per acre, except for 1987. Cash receipts in 1987 were 10 percent below the level of 1984, due to lower yields. Yields fell from 2,828 pounds in 1984 to about 2,000 pounds per planted acre in both 1990 and 1993. A rebound in yields for 1992 to 2,562 pounds helped push cash receipts to $754 per acre.

Cash expenses per planted acre trended lower from about $454 in 1981 to $387 in 1986 but began to increase from 1987 through 1991. Owing to the 1990 drought, seed costs increased by 53 percent between 1990 and 1991 to surpass $110 an acre. Chemical costs, historically the largest single cash expense, have been rising since 1987 and are now near $90 per acre. General farm overhead costs have usually represented about 7.7 percent of total cash expenses since 1986, but fell to as low as 5.2 percent in 1991. Interest costs, which accounted for 17 percent of total cash expenses in 1986, have fallen sharply since and represented 9 to 13 percent between 1990 and 1992.

Cash expenses per pound of peanuts ranged from 16 cents to 18 cents from 1981 to 1992, except in 1984 and 1985 when high yields reduced costs to 15.0 cents and 14.3 cents per pound. In 1990, a drought reduced yields and drove costs to 20.9 cents. The 1990 drought pushed 1991 seed costs up and cash expenses to 18.8 cents per pound. Returns after cash expenses ranged from 7 cents to 13 cents per pound of peanut production between 1982 and 1992.

Table 6–Peanut sector costs and returns, 1981-92

Crop year	Cash receipts	Cash expenses	Returns above cash expenses		
			Total	Nominal	Real[1]
	Dollars per planted acre			*Dollars per pound*	
1981	721.19	453.80	267.39	0.101	0.128
1982	667.41	426.25	241.16	.091	.109
1983	580.01	427.96	152.05	.065	.075
1984	726.46	424.12	302.34	.107	.118
1985	638.00	395.73	242.27	.087	.092
1986	689.78	387.08	302.70	.129	.133
1987	655.47	390.97	264.50	.115	.115
1988	695.66	391.02	304.64	.126	.121
1989	679.53	396.54	282.99	.116	.107
1990	695.41	408.92	286.48	.146	.129
1991	697.23	465.19	232.04	.094	.079
1992	753.66	420.44	333.22	.129	.107

[1]Returns deflated to constant 1987 dollars by the GDP implicit price deflator.

Between 1986 and 1990, returns above cash expenses averaged 12.1 cents per pound, compared with a 9.0-cent average for the previous 5 years. For 1990-92, returns averaged 11.4 cents per pound above cash expenses.

The annual cost-of-production report prepared by USDA's Economic Research Service describes peanut costs and returns for three regions: Virginia-North Carolina, Georgia-Florida-Alabama (Southeast), and Oklahoma-Texas (Southern Plains). In the past 3 years, the Virginia-North Carolina region had the highest returns per acre of the three regions. Virginia-North Carolina had average receipts of $925 per acre during 1990-92. The Southeast averaged $695 per acre, and the Southern Plains averaged $647 per acre during the same period.

Cash expenses averaged $497 per acre in the Virginia-North Carolina region during 1990-92, $433 per acre in the Southeast, and $385 in the Southern Plains. Seed and chemical costs averaged $75 per acre higher in Virginia-North Carolina and the Southeast than in the Southern Plains.

Virginia-North Carolina returns after cash expenses averaged $427 per acre in 1990-92, the highest of any region during that time period. In the Southeast and Southern Plains, returns after expenses for 1985-87 averaged $262 per acre, or $165 per acre less than in Virginia-North Carolina.

History of the Peanut Program

The U.S. Congress has established a number of programs since the early 1930's to support and stabilize farm prices and income and to adjust production to market needs for certain major commodities. While the programs have varied from one period to another, several key peanut program features have remained in place through the years, including marketing quotas, price supports, and acreage allotments (acreage allotments were suspended in the Agriculture and Food Act of 1981).

Early Programs

The failure of the Agricultural Marketing Act of 1929 and earlier programs to stabilize farm prices led to enactment of the Agricultural Adjustment Act of 1933. The aim of this legislation was to bolster the prices of certain basic commodities in surplus supply. Under the act, farmers could take land out of production in return for benefit payments financed largely by processing taxes on the commodities.

Peanuts came under production control and diversion provisions of the act after being designated as a basic crop in April 1934. In January 1936, the Supreme Court (Hoosac Mills decision) declared the production control features of the 1933 Act unconstitutional and voided the provisions on processing taxes.

In 1937, four regional growers' associations were organized to participate in the peanut diversion programs. The associations were reduced to three, the current number, in 1940. The associations were authorized to buy up to a certain quantity of peanuts at prices established by USDA which absorbed storage costs and losses on surplus peanuts diverted to crushing. This program was continued through 1940, with payments made only to growers who voluntarily participated in the conservation phase of the program. However, this voluntary program was ineffective in reducing production because of acreage expansion by nonparticipants.

World War II and After

The Agricultural Adjustment Act of 1938 was amended in April 1941 to authorize marketing quotas for peanuts and to re-establish peanuts as a basic crop. This act, as amended, made price supports mandatory for peanuts at 50-75 percent of parity.

Parity prices are those that will give farm products generally the same per-unit purchasing power in terms of goods and services farmers buy as that which prevailed in the base period of 1910-14. Over a period of years, as farms become larger and farm technology and yields change, price ratios alone provide a less accurate barometer of the financial well-being of farmers.

To ensure growers a share in the profit from defense contracts and to provide an incentive for wartime production, legislation raising loan rates up to 85 percent of parity was approved in May 1941 for selected crops. Peanuts were added to the list of selected crops in December 1941.

Generally, the Secretary of Agriculture is directed to proclaim marketing quotas when supplies of the authorized crop are excessive. Peanuts are an exception because marketing quotas must be proclaimed for peanuts without regard to the supply situation. Farmers can disapprove the quota in a referendum, but they never have. Again, unlike most crops, the vote on peanut quotas is for 5 years instead of 1 year. But, if quotas are disapproved, another referendum will be held the following year.

The support rate was further increased to 90 percent of parity for peanuts and peanuts for oil by an amendment to the Emergency Price Control Act of 1942 (approved October 1942). The Agricultural Act of 1948 continued mandatory price support at 90 percent of parity through 1949.

The Agricultural Act of 1949 set support levels for basic commodities at 90 percent of parity for 1950 and between 80 percent and 90 percent for 1951. Producers were to receive price supports only if acreage allotments and marketing quotas were in effect. For 1952 and succeeding crop years, cooperating producers of basic commodities were to receive support prices at levels varying from 75 to 90 percent of parity, with the specific level depending on supply.

With the outbreak of the Korean war in 1950, the Secretary of Agriculture used the national security provision of the 1949 Act to keep price support levels for peanuts at 88 percent of parity. The support rate for peanuts was raised to 90 percent for the 1952-55 crops. From 1955 to 1977, the support price for peanuts varied between 75 percent and 86 percent of parity. The rate remained at the legal minimum of 75 percent from 1970 to 1977.

Marketing quotas and acreage allotments for peanuts began in 1949. The quotas originally were set above U.S. domestic needs to help alleviate the world food shortage. The national allotments were lowered each year from 1949 until 1954 when the legal minimum (established in 1941) of 1.61 million acres was reached. Until they were suspended in 1982, the allotments remained at the legal minimum, except for some increases for types of peanuts in short supply, primarily Valencias.

To protect the domestic peanut price support program, the U.S. Government has, since 1953, set an annual import quota of 1,709,000 pounds (shelled basis), which is extremely small compared with about 1.6 billion pounds used in domestic foods. Some peanut products and peanut butter are not covered. Section 22 of the Agricultural Adjustment Act of 1933, as amended, gave the President authority to impose import quotas on farm commodities whenever imports interfered with the agricultural adjustment program. When shortfalls in domestic production occurred in 1954, 1980, and 1990, larger quantities of peanuts were imported under emergency quotas.

The United States maintains relatively small import duties on imports of peanuts and peanut products. Shelled peanuts are charged 7 cents tariff per pound, unshelled peanuts are charged 4.25 cents per pound, peanut meal is charged 0.3 cent per pound, and peanut oil and peanut butter are charged 3 cents per pound.

Before 1978, the price support was based on parity and supports were substantially above world levels. Because of this, quantities taken under loan grew and Treasury costs for operating the program mounted, since the CCC had to dispose of surplus stocks at a price below the support.

In 1967, legislation authorized the sale or lease of acreage allotments for the 1968 and 1969 crop years; these transfer provisions were made permanent by a 1969 law. The sale and lease of allotments were restricted to the same county.

1977 Legislation

The peanut program was an issue during deliberations on the 1977 farm legislation because of surplus production and mounting costs to the Government. The peanut program had been essentially unchanged since 1949. The minimum legal acreage allotment had been in effect since the 1957 crop, and the support price based on 75-90 percent of parity began trending up in the late 1960's as inflation took hold. This escalation caused concern about the competitive position of peanuts in both domestic and foreign markets.

Also, the profitable conditions attributable to the peanut program induced technological advances in peanut production. The national average yield increased 2.5-fold between 1957 and 1977. Domestic use increased at a slower rate, leading to surplus domestic supply.

The peanut program was changed substantially by the Food and Agriculture Act of 1977. The new peanut legislation was introduced to reduce government costs and was envisioned as a transition for bringing production into line with demand with minimal economic hardship to peanut producers.

Unlike the voluntary programs for wheat, feed grains, rice, and cotton, the peanut program was still mandatory. Under mandatory programs, if at least two-thirds of the producers voting in a referendum approve the program, it becomes binding on all producers.

The 1977 Act implemented a two-price poundage quota program, retaining some elements of the old program such as acreage allotments and price supports. The acreage allotment system remained an integral part of the new program. Producers still were required to have an allotment if they wished to grow and mar-

ket peanuts. The minimum national acreage allotment was set at 1.614 million acres and apportioned among the States generally as in the past. The 1977 Act required that transfers of allotments within a county be allowed. Under the previous program, transfer of allotment within a county was permitted only if the Secretary of Agriculture approved it.

In addition to acreage allotments, each allotment holder was given a poundage quota. Producers could produce in excess of their quota, within their acreage allotments, but the quantity on which they could receive the higher of the two price support levels was limited to the quota.

The minimum national quota was set at 1.680 million tons for 1978 and decreased 5 percent each year to 1.596 million tons in 1979, 1.516 million tons in 1980, and 1.440 million tons in 1981. The poundage quota for an individual farm was computed through the following formula: Farm quota equaled farm base production poundage multiplied by a national factor. The farm base production poundage equaled the acreage allotment for the farm multiplied by the farm yield. Farm yield equaled the average yield on the farm for the best 3 years out of the 5 years 1973-77. Yield appraisals were made for farms that did not grow peanuts for at least 3 years during the base period and for those that had substantial changes in farm operation. The national factor was computed so that the sum of the farm quotas equaled the national quota.

Beginning with the 1979 crop, the farm quota was raised if individual producers undermarketed their quota the previous year and if they had planted sufficient acreage, based on their farm yield in the previous year, to have expected to market their quota. The total of the undermarketing carryovers was restricted to 10 percent of the national quota, but an individual's carryover was not limited unless the maximum was reached. Producers did not risk losing or having the allotment reduced if they planted enough acreage, based on their farm yield, to produce at least 75 percent of their quota.

A minimum price support for quota peanuts was set at $420 per ton on a national basis. The quota support continued to be adjusted (differentials) to reflect quality and type as in the past, but deductions for inspection, handling, or storage were no longer allowed. The price support on additional peanuts was mandated to be announced by February 15 and was based on the world market conditions for peanuts and the expected price of peanuts for crush. In addition, CCC announced a minimum export resale price for loan peanuts each year.

Even though quota and additional peanuts were grown in the same field, there was a significant difference in the application of the program. Producers grew quota peanuts mainly for the domestic market for edible uses and seed for the next year's crop, thus being assured of the higher of the two price supports. Quota peanuts could be contracted any time before harvest or placed under quota loan at harvest. Producers had a choice of two ways to market their additional peanuts. Producers could contract for sale with a handler. The contracts had to be signed before June 15, and the peanuts could be used only for crush or export and not for domestic food or seed uses. Additional peanuts could also be delivered to buying points at harvest and placed under loan, with the producers receiving the price support for additionals.

Once the peanuts were received and placed under loan, the producers no longer had control of them. The additional peanuts received for loan could be used for crush, export, or the domestic edible market. Use in the domestic edible market required the buyer to pay no less than the handling costs plus 100 percent of the quota loan if purchased at time of delivery during harvest, 105 percent of quota loan if purchased after delivery but before December 31, or 107 percent of the quota loan if purchased January 1 or after. This provision, plus the import quota, ensured that the domestic market would not be undercut. Any profits were distributed back to the producers based on the volume of delivered additional loan peanuts in a given area of a particular type.

1981 Legislation

The 1981 Act, which covered the 1982-85 crops, further modified the peanut program. The 1981 Act maintained the two-tier price system and continued the reduction in the poundage quota. A major change was the suspension of acreage allotments. Quota support prices were limited to quota holders and applied to the poundage quota, but since acreage constraints were removed, anyone was allowed to produce peanuts. However, additional peanuts were eligible only for the lower support price, and they were subject to marketing controls.

Use of additional loan peanuts in the domestic edible market was restricted to the provisions outlined in the 1977 Act, requiring purchasers to pay a quota peanut price plus handling and storage costs. Contract additional peanuts were restricted to the export or crush markets. The price support for additionals was based

on the crush value for peanuts. The price support for additionals decreased from $200 per ton in 1982 to $148 per ton for 1985. The carrying forward of undermarketed quota remained the same, although unused quotas from 1979 and prior marketing years could not be carried forward.

The contract deadline for additional peanuts for export or crush was moved from June 15 to April 15. Growers argued that June 15 was past the time crop planting decisions were made and that it would be better to have contracts signed before planting. Domestic buyers were also concerned about ways of ensuring supplies for the domestic edible market since domestic demand exceeded the poundage quota level and contract additionals were for the export or crush markets. The supply of additional-loan peanuts that could be bought back for domestic edible use was thought to be limited if producers mainly grow peanuts for quota and contract additionals. Thus, the use of a contract deadline and its timing remained issues.

The quota support price was established by law at no less than $550 per ton, up from $455 in 1981. Increases in quota support were to reflect increases in costs of production but not to exceed 6 percent per year. Peanuts are the only field crop, except flue-cured and burley tobaccos, for which support price adjustments are based by law on cost of production. A minimum CCC export resale price for additional loan peanuts was announced each year and was $425 per ton for 1985.

Sale and lease of poundage quotas were still permitted only within a county in the major peanut-producing States. In States with less than 10,000 tons of quota in 1981, cross-county sale and lease were permitted.

The minimum poundage quota was reduced from 1.44 million tons in 1981 to 1.2 million tons in 1982 and then was reduced about 3 percent per year to 1.167 million tons in 1983, 1.134 million tons in 1984, and to 1.1 million tons for 1985. The annual percentage reductions were shared equally among States.

Quota reductions came, first, from farms owning quotas that did not have adequate tillable land to produce their quota; next, from farms where the quota had not been planted in 2 of the last 3 years; then, from farms where the quota had been leased away to another farm; and finally, from farms producing their own quota. In practice, the last two categories were combined for the 1982 and 1983 quota poundage reductions to give producers a chance to adjust to the new regulations. The 1984 and 1985 poundage reductions were made by category. The objective was to get quotas into the hands of actual growers.

1985 Legislation

The 1985 peanut program continued the two-tiered price support program for quota and additional peanuts through 1990. The program became mandatory after a January 1986 referendum approved it for the 1986-90 marketing years.

The 1985 Act established that the annual national poundage quota be set at a level equal to the estimated quantity of peanuts devoted to domestic edible, seed, and related uses but not less than 1.1 million tons. The national quota level was required to be announced by December 15 preceding the marketing year. The 1986 national quota was allocated among States based on their 1985 allocations. Individual farm quotas were then granted to farms that had a quota in 1985. The national quota was 1.355 million tons in 1986 and 1987. The quota was increased to 1.402 million tons for 1988, 1.44 million for 1989, and to 1.56 million for 1990.

The national average support rate for the 1986 crop of quota peanuts was set at the 1985 rate, adjusted for increases in an index of commodity and service prices, interest, taxes, and wages paid by producers during calendar years 1981-85. The support rate for the 1987-90 crops was the rate for the previous crop, adjusted to reflect any increases in the cost of production (excluding any change in the cost of land) during the previous calendar year. The support rate could not be increased by more than 6 percent from the previous year. The quota support rate was $607.47 per ton for the 1986 and 1987 crops. The rate increased to $615.27, $615.87, and $631.47 per ton for 1988, 1989, and 1990 crops, respectively.

The price support level for additional peanuts was set at a level that ensured no loss to CCC from sales or disposal of the peanuts. In determining this level, USDA was to consider the demand for peanut oil and peanut meal, the expected prices for other vegetable oils and protein meals, and the demand for peanuts in foreign markets. The support rate for additional peanuts remained at $149.75 per ton for 1986-90. USDA maintained for the 1986-90 peanut crops a minimum price of $400 per ton for additional peanuts sold for export edible use. The support rates for quota and additional peanuts were required to be announced by February 15.

The 1985 legislation maintained the 1981 provisions covering sale and lease of poundage quotas. Sale or lease of poundage quotas were permitted only within a county in the major peanut-producing States. In States with less than 10,000 tons of quota for the preceding crop, farm poundage quotas could be sold, leased, or transferred anywhere in the State.

1990 Legislation

The 1990 peanut legislation basically continued the peanut program that existed under the 1985 Food Security Act. The two-tiered price support program for quota and additional peanuts was continued through 1995. The program became mandatory after a December 1990 referendum establishing poundage quotas for the 1991 through 1995 crops of peanuts was approved by 98.2 percent of peanut growers voting. The minimum national poundage quota was set at 1.35 million short tons, up from the 1.1 million specified in the 1985 legislation.

Procedures for determining price supports are the same as under the 1985 Act except that annual increases in quota support prices are limited to 5 percent, compared with 6 percent under the 1985 legislation. The support rate for the 1991-95 crops is the rate for the previous crop, adjusted to reflect any increases in the cost of production (excluding any change in the cost of land) during the previous calendar year. The quota and additional support prices were again required to be announced prior to February 15. The 1991 quota was set at 1.55 million tons and the quota support price at $642.79 per ton.

A severe drought in 1990, which drove up seed prices and the cost of producing the 1991 crop, resulted in an increase in the 1992 crop quota support rate to $674.93, the 5-percent maximum permissible increase. Quota peanut support rates remained at $674.93 for the 1993 crop and rose to $678.36 for the 1994 crop. The quota support rate for the 1995 crop remained at $678.36 per ton.

The 1990 Act followed the 1985 Act guidelines and established that the annual national poundage quota must be set at the greater of 1.35 million short tons or the estimated quantity of peanuts that will be devoted to domestic edible, seed, and related uses. Again, the national quota level was required to be announced by December 15 preceding the marketing year.

The 1991 national quota level was set at 1.55 million short tons and subsequently reduced to 1.54 million in 1992, 1.496 million in 1993, and the minimum level of 1.35 million in 1994 and 1995.

The price support level for additional peanuts is set at a level that ensures no loss to CCC from sales or disposal of the peanuts. The additional support rate remained at $149.75 per short ton for 1991, but was reduced to $131.09 for the 1992 and 1993 crops and placed at $132 for the 1994 and 1995 crops. USDA has maintained a minimum price of $400 a ton for additional peanuts sold for export edible use for the 1991-95 crops.

The 1990 legislation maintained the 1985 provisions covering sale and lease of poundage quotas. Sale or lease of poundage quotas are still permitted only within a county in the major peanut-producing States. In States with less than 10,000 tons of quota for the preceding crop, farm poundage quotas may be sold, leased, or transferred anywhere in the State. If quota could be sold or leased across county or State lines, production would shift to the most profitable production regions. This could affect some local economies. If no change is made, the production movement would be more gradual, coming from shifts in nonquota peanut production.

The temporarily suspended provisions of a minimum acreage allotment of 1.61 million acres and support based on 75-90 percent of parity are still in the statutes, and the peanut program will revert to them unless changed, or held in abeyance, in future legislation.

Grower Associations

The peanut program is administered by three regional grower associations that act as agents for USDA. These associations keep records of quota and additional marketings, arrange warehousing for CCC loan peanuts, and operate the price support loan program. To get the support price, a grower places peanuts in storage arranged by the regional association. Once this is done, the grower no longer has control of the peanuts. They are part of a pool controlled by the association and CCC. Growers who have placed peanuts under loan are eligible for dividend payments if the association revenues from selling peanuts in the pool exceed costs of running the loan program. Although the regional associations operate independently of each other in most matters, they do share in each others' losses.

Program Effects

Peanut farmers voted in 1990 to approve the peanut program, thus making it mandatory with direct effects on producers, consumers, and taxpayers. The program

also has indirect effects on the allocation and prices of resources.

Producers

Peanut support prices were tied to parity before 1978 and a statutory minimum acreage allotment applied before 1982. As a result, peanut producers concentrated on maximizing returns from their allotment. Growing peanuts was very profitable. Before the 1977 Act, few marketing decisions were required of the producer, who was paid the support price when peanuts were delivered to the warehouse or buying point. The production of additional peanuts under the 1977, 1981, 1985, and 1990 Acts and the price effects from the 1980, 1986, 1987, and 1990 droughts have made producers more market conscious.

USDA does not report separate prices received by farmers for quota and additional peanuts. The quota support rate, the minimum price that domestic manufacturers have to pay for edible use, has consistently been above the average contract price for additionals. For example, the average contract price for additional peanuts for export for the 1991 and 1992 crops is estimated to be about $300 per ton, or $359 per ton lower than the average quota support rate.

It is a common practice for growers to market, that is contract, both quota and additional peanuts on a ratio basis. That is, growers sell their additionals and quota peanuts to the same buyer, negotiating both the quantity ratio and the prices of each. Typical ratios have been 3 to 1 and 1 to 1, quota peanuts to additional peanuts. Such contracts make it difficult to measure the actual price or revenue a grower receives for additional and quota peanuts. Furthermore, growers may place their additionals under loan and, depending on the performance of the loan pools, eventually receive more than the additional support price.

Estimating what the market price of peanuts might be if there were no peanut program is difficult because peanuts have been under a program for so long. However, an approximation might be the per-unit total economic cost, which represents the breakeven longrun average price necessary to continue producing a crop. The 1990-92 total economic costs (less land costs) for peanuts averaged about $508 a ton, or $142 lower than the $650-a-ton quota support rate. This is only an approximation because the estimate is based on grower response that is largely affected by the historical quota.

Since the peanut program is mandatory, if approved in a referendum, the benefits of the high support accrue to all quota holders on the basis of their quota size. Program benefits accrue to quota holders whether or not they produce peanuts because farm quotas may be rented to other growers. According to a 1991 peanut cost-of-production survey, about one-third of the quota is owned and two-thirds rented. Quota rents vary widely among the production areas but had an estimated rental value of about 4.6 cents per pound in the Virginia-North Carolina region, 4.4 cents in the Southeast, and 4 cents per pound in the Southern Plains in 1992.

Over several decades, peanuts have become less competitive in the oil and meal markets and the edible market has become more important as the only outlet that can absorb peanuts at the support price.

Consumers

Assuming that the domestic price for peanuts for edible use is about $142 per ton above the longrun breakeven cost, U.S. consumers (first buyers) paid annually about $150 million more in 1990/91 to 1992/93 than they would have if there had been no government peanut program for farmers' stock peanuts used in domestic food products. The high peanut support rates are reflected in increased consumer prices for peanut butter, peanut candy, salted peanuts, and roasted peanuts, in-shell.

Taxpayers

Since 1962, CCC net farm-related program expenditures have totaled nearly $1.1 billion, an average of about $34 million per year (app. table 4). Annual net CCC farm-related expenditures for the peanut program averaged $30 million in the 1960's, $62 million in the 1970's, $14 million in the 1980's, and $19 million in the 1990's. The high program outlays in the mid-1970's reflect an administrative decision to only sell loan peanuts for at least the quota loan rate plus handling charges. Under the current peanut program, the cost to taxpayers should be minimal because the national poundage quota is set based on expected demand. However, the estimated demand fell below the minimum quota level in 1994. If demand continues downward and production is maintained at the minimum quota level, taxpayer costs could soar. Also, the additional loan rate is substantially below the export market price for edible peanuts and below the current crush value. As long as domestic demand equals or exceeds the quota, taxpayer costs remain small.

In the 1991/92 crop year, peanut program costs skyrocketed to nearly $100 million as quota peanut production far exceeded demand. The losses were in-

curred as a result of having to dispose of quota peanuts, supported at about $650 per short ton, in the crush market where their value was much lower—about $250-$300 per ton.

Indirect

The value of peanut allotments has become capitalized into the value of the land originally assigned the historical allotment, giving these areas a higher tax base and the original recipients a value transfer. The sale or lease of acreage allotments within a given county was authorized starting with the 1968 crop. Allotments were discontinued under the 1981 Act, but the poundage quotas for allotment holders under the 1977 Act were continued. The value of the original allotments are now reflected in the poundage quotas. The 1982-87 average sale price per pound for peanut quota ranged from 13.5 cents in Oklahoma to 33.8 cents in Georgia. The quota value increases the cost of entry for new producers who plan to grow quota peanuts.

Before the 1981 Act, the peanut program strictly limited production to historical growing areas. Now additional peanuts can be grown anywhere, but the poundage quotas are still based on historical allotment areas and, thus, limit shifts in production areas.

Current State of the U.S. Peanut Industry, Program Implications, and Future Issues

The fundamental determinant of the health of any industry is demand. Expanding demand will generate an expanding industry, while falling demand will result in a declining industry. Government policies may slow the decline, but, ultimately, market forces prevail. The history of U.S. demand for peanuts is one of generally rising consumption except for downturns of short duration occurring in response to high prices resulting from crop shortfalls. Further, consumption data demonstrate that a price-induced decline in food use of peanuts may persist a year or more beyond that in which a crop shortfall occurs, but consumption will subsequently return to trend growth.

The current U.S. peanut program is based on the fundamental assumption of long-term growth in demand. Excluding the vagaries of weather-induced supply disruptions, the success of the U.S. peanut program, as measured by adequate supplies of peanuts, stable peanut prices, and low program costs, is contingent upon the annual peanut poundage quota matching the resulting demand in the year for which a specific poundage quota applies.

To adequately match U.S. peanut supply with demand, it is necessary that domestic supply not be subject to disruptions from foreign sources. Consequently, the U.S. peanut program shares a common element with many other commodity programs—import restrictions. The peanut program import restrictions apply to peanuts only, and do not restrict imports of peanut products.

Under Section 22 import quota provisions, U.S. peanut imports have been limited to about 2.3 million pounds, in-shell basis, annually. Thus, imports of peanuts have historically represented about one-tenth of 1 percent of U.S. food use of peanuts. However, with the implementation of the North American Free Trade Agreement (NAFTA), the import restrictions have been significantly reduced. Under NAFTA, Mexico has been granted a minimum access level for duty-free entry of peanuts of about 10 million pounds, in-shell basis. This level will increase at 3 percent annually for 15 years. The General Agreement on Tariffs and Trade (GATT) will open further the U.S. peanut market to imports. Previous U.S. peanut programs have not been designed to account for this potentially larger import level. When the domestic consumption of peanuts is growing at its historical rate, domestic market expansion can readily absorb increased imports. However, under the current peanut program, when U.S. consumption is in decline, larger imports only contribute to excess supply.

Other provisions of the current U.S. peanut program, include:

(1) a minimum national peanut poundage quota level, below which the annual poundage quota may not be set; and

(2) a quota poundage support rate that is tied to changes in the cost of producing peanuts and which increases when the costs of production rise, but cannot decline.

Since the current U.S. peanut program has changed little since the 1985 farm legislation, program performance can be assessed beginning with the 1986/87 crop year. During most of the period covered by the 1985 legislation, the U.S. peanut program performed well—providing adequate supplies of peanuts at stable prices with little program cost (table 7).

However, in the 1990/91 season, a significant shortfall in U.S. peanut production and an accompanying sharp rise in U.S. peanut prices helped drive down U.S. peanut consumption and exacerbate problems

Table 7–Farm-related program costs for peanuts, 1986-93

Fiscal year	Total cost[1]		Cost per taxpayer[2]	
	Nominal	Real[3]	Nominal	Real[3]
	Million dollars		*Dollars*	
1986	32.4	33.4	0.28	0.29
1987	8.3	8.3	.07	.07
1988	7.2	6.9	.06	.06
1989	13.3	12.3	.11	.10
1990	.6	.5	*	*
1991	48.3	41.0	.38	.32
1992	40.7	33.6	.32	.26
1993	(13.3)	(10.7)	(.10)	(.08)

[1]Based on net CCC outlays; parentheses indicate net receipts for that year.
[2]Net CCC outlays divided by total employment, including resident armed forces.
[3]Nominal value deflated by gross domestic product price deflator (1987 base).
*Less than one-half cent.

that had already begun to undermine the health of the domestic industry. It also raised issues about the structure of the U.S. peanut program and its ability to cope with fundamental changes in the supply of and demand for peanuts.

Historical experience suggests that the consumption-depressing impact of high peanut prices in the 1990/91 season should have been overcome within a short time of the return to larger supplies and more normal prices. Despite a retreat in prices, this has not occurred. The most likely explanation of the continued decline in food use since the 1989/90 peak is a change in consumer preference away from products perceived as being high in fat, a group in which consumers may include peanuts. The consumption-depressing effect of a change in consumer preferences is much more intractable than a price-induced decline.

The short crop in 1990/91 drove up the price of peanuts from a season-average of 28 cents per pound in 1989/90 to an average of 34.7 cents, and the retail price of peanut butter from $1.86 per pound in September 1990, to $2.21 in April 1991. Another more lasting impact was to drive up the seed costs, and overall cost, of producing the 1991 crop. Through the workings of the program's price support mechanism, the quota peanut support rate for the 1992 crop was raised 5 percent from the 1991 rate in order to reflect the increased production costs. Thus, a short crop not only may drive up prices in that year, but also may raise prices 2 years later. Further, this is an irreversible increase, under current program provisions.

The sharp rise in U.S. peanut prices came at an inopportune time. Beginning in the mid-1980's, U.S. peanut butter imports had begun to rise sharply in response to a widening divergence between domestic and international peanut prices. With domestic peanut and peanut product prices high, manufacturers in foreign countries were able to purchase foreign peanuts on the world market sufficiently cheap to produce peanut products, mainly peanut butter, and ship these products to the U.S. market at a profit. Rising U.S. prices for peanuts, other things constant, only served to widen the profit margin and encourage more imports. U.S. peanut butter imports rose 44,000 percent from 1984 to 1994. Canada, which produces no peanuts, is by far the largest supplier of peanut butter to the U.S. market.

Foreign peanuts entering the U.S. market as food products directly supplant the use of U.S. quota peanuts for food and thereby reduce the demand for U.S. quota peanuts. In response to declining food demand for U.S. peanuts, USDA successively reduced the annual poundage quota for the 1991, 1992, 1993, and

1994 crops. For the 1994 and 1995 crops, calculated demand was below the minimum allowable quota, but the quota could not be set below the minimum level by provision of the current U.S. peanut program. Thus, the principal program mechanism for adjusting supply to demand, the national poundage quota, was rendered ineffective.

Normally, when supply exceeds demand, prices will fall and encourage more demand and/or a smaller supply. However, the current peanut program's price support mechanism provides a price floor for peanuts and thereby reduces the ability of market price to equilibrate supply and demand. Thus, the principal market mechanism for balancing peanut supply and demand, peanut price, has been rendered largely ineffective.

The most likely result of ineffective supply and price control for peanuts in the face of falling domestic demand for peanuts for food use is an expensive decline of the U.S. peanut industry. Excess production, mandated by the current program, will be disposed of at high costs to the Government, as mandated by the current program, while foreign-produced peanuts garner an increasing share of the U.S. market.

The performance of the U.S. peanut program and its impact on the peanut industry over the past several seasons raise significant issues that must be addressed, among them:

(1) What is an appropriate level for the minimum annual poundage quota?

(2) How can the supply of U.S.-origin peanuts, produced under the current U.S. peanut program, be adjusted to reflect larger peanut and peanut product imports under NAFTA and the GATT?

(3) Can the peanut support rate continue to be ratcheted up regardless of the divergence between U.S. and world peanut prices?

(4) Can the U.S. Government continue to be a major purchaser of peanut products at increasing costs, while simultaneously encouraging the potential for excess production and increasing program outlays?

Debate on new peanut legislation will occur in a much different setting than in 1990. Before 1990, domestic food use of peanuts was on a near decade-long run of consecutive yearly records. Currently, peanut food use is in a protracted decline. Before 1990, peanut and product imports were an insignificant factor in domestic use and program performance. Currently, imports of peanuts and products are significant components of domestic use with potentially large program impacts. New legislation will need to recognize this new environment.

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Glossary

Acreage allotment -- An individual farm's share of the national acreage that the Secretary of Agriculture determines is needed to produce sufficient supplies of a particular crop. The farm's share is based on its previous production.

Basic commodities -- Six crops (corn, cotton, peanuts, rice, tobacco, and wheat) provided price support by the Agricultural Act of 1949.

Carryover -- Existing supplies of a farm commodity at the beginning of a new harvest for a commodity (end of the marketing year). It is the remaining stock carried over into the next year.

Census of Agriculture -- A survey taken by the Bureau of the Census every 5 years (in years ending in 2 and 7) to determine the number of farms, land in farms, crop acreage and production, livestock numbers and production, production expenses, farm facilities and equipment, farm tenure, value of farm products sold, farm size, type of farm, and so forth. Data are reported by various farm characteristics for States and counties.

Commodity Credit Corporation (CCC) -- A federally owned and operated corporation within the U.S. Department of Agriculture. The CCC was created to stabilize, support, and protect farm income and prices through loans, purchases, payments, and other operations. The CCC functions as the financial institution through which all money transactions are handled for agricultural price and income support and related programs. The CCC also helps maintain balanced, adequate supplies of agricultural commodities and helps in their orderly distribution. The CCC does not have any operating personnel or facilities, although its activities are handled mainly by the Foreign Agricultural Service and the Consolidated Farm Service Agency.

Food Security Act of 1985 (P.L. 99-198) -- The omnibus food and agriculture legislation signed into law on December 23, 1985, that provides a 5-year framework for the Secretary of Agriculture to administer various agriculture and food programs. The act amends the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 for the 1986-90 crop years (see permanent legislation).

Generic advertising -- Promotion of a commodity without reference to the specific farmer or manufacturer. Generic advertising has been used to overcome competition from another product, to increase awareness of lesser known products, and to alter negative opinions about an item. Examples are dairy and beef promotion campaigns. Overseas market development is another application of generic advertising.

Import quota -- The maximum quantity or value of a commodity allowed to enter a country during a specified time period. A quota may apply to amounts of a commodity from specific countries.

Legume -- A family of plants, including many valuable food and forage species, such as peas, beans, soybeans, peanuts, clovers, alfalfas, and sweetclovers. Legumes can convert nitrogen (nitrogen fixation) from the air and build up nitrogen in the soil. Many of the nonwoody species are used as cover crops and are plowed under for improvement of the soil.

Marketing quota -- Authorized by the Agricultural Adjustment of 1938, marketing quotas are used to regulate the marketing of some commodities when supplies are or could become excessive. The quota represents, in general, the quantity USDA estimates to be required for domestic use, exports, and adequate carryover stocks during the year. Marketing quotas are binding upon all producers if two-thirds or more of the producers holding allotments for the production of a crop vote for quotas in a referendum. When marketing quotas are in effect, growers who produce more of a commodity than their farm acreage allotments should yield are subject to marketing penalties on the "excess" production and are ineligible for government price-support loans. Quota provisions have been suspended for wheat, feed grains, and cotton since the 1960's; rice quotas were abolished in 1981. Poundage quotas are still used for domestically consumed peanuts, but not for exported peanuts. Marketing quotas are used for major tobacco types.

Oilseed crops -- Primarily soybeans, peanuts, cottonseed, sunflowerseeds, and flaxseed used for the production of edible and/or inedible oils, as well as high protein meals. Other oil crops are rapeseed, safflower, castor beans, and sesame.

Parity -- A measure of the purchasing power of a unit (bushel, pound, or hundredweight) of farm product. Parity was originally defined as the price that gives a unit of a commodity the same purchasing power today as it had in the 1910-14 base period. In 1948, the parity price formula was revised to allow parity prices for individual commodities to reflect a more recent relationship of farm and nonfarm prices by making the base price dependent on the most recent 10-year average price for commodities. Except for wool, mohair, and certain minor tobaccos, parity is not currently used to set price-support levels (see price-support programs) for any program crops. However, parity remains part of permanent legislation.

Parity index -- See prices-paid index.

Permanent legislation -- Legislation that would be in force in the absence of all temporary amendments and temporarily suspended provisions. The Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 serve as the principal laws authorizing the major commodity programs. These laws are frequently amended; provisions are added, suspended, and repealed. For the past several decades, periodic omnibus agriculture acts have provided for specific fixed-period commodity programs by adding temporary amendments to these laws, and suspending conflicting provisions of those laws for the same period. The temporarily suspended provisions of the 1938 and 1949 Acts go back into effect if current amendments, such as the Food, Agriculture, Conservation, and Trade Act of 1990, lapse and new legislation is not enacted.

Prices-paid index -- An indicator of changes in the prices farmers pay for goods and services (including interest, taxes, and farm wage rates) used for producing farm products and those needed for farm family living. Is referred to as the parity index when computed on a 1910-14=100 base.

Price support programs -- Government programs that aim to keep farm prices received by participating producers from falling below specific minimum prices. Price-support programs for major commodities are carried out by providing loans to farmers so that they can store their crops during periods of low prices. The loans can later be redeemed if commodity prices rise sufficiently to make the sale of the commodity on the market profitable, or the farmer can forfeit the commodity to the Commodity Credit Corporation (CCC). In the latter case, the commodity is stored and is not available to the market until prices rise above statutory levels that allow the CCC to sell the commodities. Other price support mechanisms include direct purchases and other payments.

Referendum -- The referral of a question to voters to be resolved by balloting. For example, marketing quotas, acreage allotments, or marketing agreements have been subject to referenda.

Section 22 -- A section of the Agricultural Adjustment Act of 1933 that authorizes the President to restrict imports by imposing quotas or fees if the imports interfere with Federal price support programs or substantially reduce U.S. production of products processed from farm commodities.

Temporary Emergency Food Assistance Program (TEFAP) -- Established in 1983 to allow donation of commodities owned by the Commodity Credit Corporation to States in amounts relative to the number of unemployed and needy persons. The food is distributed by charitable organizations to eligible recipients.

Two-price plan -- Price discrimination between the domestic and export markets by selling commodities for export at a different price than in the domestic market. Governments or firms may adopt a two-price plan in order to expand markets, dispose of surpluses, and increase returns.

Appendix table I--U.S. peanut acreage, yield, and production, 1950-94

Year	Planted	Harvested	Yield	Production
	---Million acres---		*Pounds per acre*	*Million pounds*
1950	2.63	2.27	898	2,035
1951	2.51	1.98	834	1,679
1952	1.84	1.44	936	1,356
1953	1.80	1.52	1,040	1,574
1954	1.82	1.39	727	1,008
1955	1.88	1.67	925	1,548
1956	1.83	1.38	1,161	1,607
1957	1.75	1.48	970	1,436
1958	1.70	1.52	1,205	1,814
1959	1.58	1.44	1,097	1,523
1960	1.53	1.40	1,232	1,718
1961	1.52	1.40	1,185	1,657
1962	1.51	1.40	1,228	1,719
1963	1.50	1.40	1,391	1,942
1964	1.49	1.40	1,502	2,099
1965	1.52	1.44	1,661	2,390
1966	1.49	1.42	1,700	2,416
1967	1.47	1.40	1,765	2,477
1968	1.50	1.44	1,770	2,547
1969	1.51	1.46	1,742	2,535
1970	1.52	1.47	2,030	2,983
1971	1.53	1.45	2,066	3,005
1972	1.53	1.49	2,203	3,275
1973	1.53	1.50	2,323	3,474
1974	1.52	1.47	2,491	3,668
1975	1.53	1.50	2,564	3,847
1976	1.55	1.52	2,464	3,739
1977	1.54	1.51	2,456	3,715
1978	1.54	1.51	2,619	3,952
1979	1.55	1.52	2,611	3,968
1980	1.52	1.40	1,645	2,303
1981	1.51	1.49	2,675	3,982
1982	1.31	1.28	2,693	3,440
1983	1.41	1.37	2,399	3,296
1984	1.56	1.53	2,883	4,406
1985	1.49	1.47	2,810	4,123
1986	1.56	1.54	2,408	3,697
1987	1.57	1.55	2,337	3,616
1988	1.66	1.63	2,445	3,981
1989	1.67	1.64	2,426	3,990
1990	1.84	1.81	1,991	3,603
1991	2.04	2.02	2,444	4,927
1992	1.69	1.67	2,562	4,284
1993	1.73	1.69	2,008	3,392
1994	1.63	1.60	2,598	4,150

Appendix table 2--U.S. peanut use and ending stocks, 1950-94

Year beginning August 1	Food	Crush	Exports	Seed, feed, and residual	Total use	Ending stocks	Stocks-to-use ratio
	Million pounds[1]						*Percent*
1950	981	629	69	211	1,890	332	17.6
1951	1,015	432	8	120	1,575	416	26.4
1952	1,008	195	3	144	1,350	422	31.3
1953	1,017	303	239	151	1,710	286	16.7
1954	1,019	107	9	130	1,265	209	16.5
1955	955	257	6	157	1,375	387	28.1
1956	1,029	260	102	152	1,543	456	29.6
1957	1,084	239	48	162	1,533	361	23.5
1958	1,096	335	62	170	1,663	514	30.9
1959	1,154	292	72	96	1,614	424	26.3
1960	1,244	362	81	87	1,774	368	20.7
1961	1,265	256	34	84	1,639	389	23.7
1962	1,293	302	43	75	1,713	397	23.2
1963	1,347	380	97	107	1,931	410	21.2
1964	1,411	473	179	75	2,138	373	17.4
1965	1,445	517	238	153	2,353	412	17.5
1966	1,420	587	222	229	2,458	372	15.1
1967	1,419	644	198	236	2,497	353	14.1
1968	1,467	654	105	319	2,543	357	14.0
1969	1,498	581	140	321	2,539	353	13.9
1970	1,518	799	290	277	2,884	453	15.7
1971	1,515	814	552	187	3,068	392	12.8
1972	1,612	850	521	257	3,240	429	13.2
1973	1,712	683	709	247	3,351	553	16.5
1974	1,664	590	740	82	3,076	1,146	37.3
1975	1,749	1,447	434	313	3,934	1,060	26.9
1976	1,635	1,108	783	666	4,192	608	14.5
1977	1,675	487	1,025	556	3,743	581	15.5
1978	1,759	527	1,141	521	3,948	586	14.8
1979	1,777	571	1,057	522	3,927	628	16.0
1980	1,465	446	503	505	2,919	413	14.1
1981	1,696	573	576	795	3,640	757	20.8
1982	1,849	342	681	463	3,335	864	25.9
1983	1,856	387	774	564	3,551	611	17.2
1984	1,911	625	860	199	3,595	1,424	39.6
1985	2,023	812	1,043	826	4,704	845	18.0
1986	2,073	514	663	291	3,541	1,003	28.3
1987	2,071	560	618	539	3,788	833	22.0
1988	2,254	814	688	217	3,973	843	21.2
1989	2,312	624	989	209	4,134	701	17.0
1990	2,020	689	652	287	3,647	683	18.7
1991	2,207	1,103	997	253	4,560	1,050	23.1
1992	2,122	891	951	27	3,991	1,350	33.8
1993	2,088	670	555	371	3,684	1,061	28.8
1994	2,025	1,000	750	245	4,020	1,200	29.9

[1]In-shell basis.

Appendix table 3--Peanut prices and ending stocks, 1950-93

Year August 1	Ending stocks CCC	Ending stocks Free[1]	Ending stocks Total	Price received by farmers	Loan rate Quota	Loan rate Nonquota	Export[2]
	Million pounds[3]			*Cents per pound*			
1950	7	325	332	10.9	10.80	---	---
1951	142	274	416	10.4	11.50	---	---
1952	92	330	422	10.9	12.00	---	---
1953	30	256	286	11.1	11.90	---	---
1954	0	209	209	12.2	12.20	---	---
1955	37	250	387	11.7	12.20	---	---
1956	151	305	456	11.2	11.40	---	---
1957	118	243	361	10.4	11.10	---	---
1958	196	318	514	10.6	10.66	---	---
1959	172	252	424	9.6	9.68	---	---
1960	103	265	368	10.0	10.06	---	---
1961	70	319	389	10.9	11.05	---	---
1962	105	292	397	11.0	11.07	---	---
1963	106	304	410	11.2	11.20	---	---
1964	65	308	373	11.2	11.20	---	---
1965	89	323	412	11.4	11.20	---	---
1966	114	258	372	11.3	11.35	---	---
1967	12	341	353	11.4	11.35	---	---
1968	0	357	357	11.9	12.01	---	---
1969	0	353	353	12.3	12.38	---	---
1970	11	442	453	12.8	12.75	---	---
1971	4	388	392	13.6	13.42	---	---
1972	24	405	429	14.5	14.25	---	---
1973	0	553	553	16.2	16.43	---	---
1974	552	594	1,146	17.9	18.30	---	---
1975	958	102	1,060	19.6	19.73	---	---
1976	0	608	608	20.0	20.70	---	---
1977	2	579	581	21.0	21.53	---	---
1978	0	586	586	21.1	21.00	12.50	20.00
1979	0	628	628	20.6	21.00	15.00	20.00
1980	0	413	413	25.2	22.75	12.50	21.75
1981	2	755	757	26.8	22.75	12.50	21.75
1982	0	864	864	25.1	27.50	10.00	23.70
1983	0	611	611	24.7	27.50	9.25	20.00
1984	0	1,424	1,424	27.9	27.50	9.25	21.25
1985	0	845	845	24.3	27.95	7.40	21.25
1986	0	1,003	1,003	29.2	30.37	7.49	20.00
1987	0	833	833	28.0	30.37	7.49	20.00
1988	0	843	843	27.9	30.76	7.49	20.00
1989	0	701	701	28.0	30.79	7.49	20.00
1990	0	683	683	34.9	31.57	7.49	20.00
1991	0	1,055	1,055	28.3	32.14	7.49	20.00
1992	0	1,350	1,350	30.0	33.75	6.55	20.00
1993	0	1,062	1,062	29.6	33.75	6.55	20.00

--- = Not applicable. [1]Basically commercial stocks. [2]Minimum export price for CCC nonquota peanuts. [3]In-shell basis.

Appendix table 4--CCC net farm-related peanut program expenditures, 1962-93

Fiscal year	Loan operations		Net price support and related expenditures[1]
	Outlays	Repayments	
		Million dollars	
1962	47.8	37.1	10.7
1963	65.4	43.5	21.9
1964	52.8	24.5	28.3
1965	70.9	44.1	26.8
1966	85.4	39.1	46.3
1967	92.5	45.6	46.9
1968	81.6	45.6	36.0
1969	86.0	46.9	39.1
1970	80.6	45.8	34.8
1971	146.4	75.5	70.9
1972	179.9	83.4	96.5
1973	185.6	130.3	55.3
1974	174.5	170.5	4.0
1975	201.3	80.2	121.1
1976[2]	371.0	120.6	250.4
1977	145.0	151.0	(6)
1978	109.9	149.0	(39.1)
1979	116.1	89.4	26.7
1980	115.6	87.7	27.8
1981	78.2	50.4	27.8
1982	153.4	141.2	12.2
1983	76.0	82.3	(6.2)
1984	68.7	67.5	1.2
1985	168.0	155.8	12.2
1986	214.6	182.2	32.4
1987	31.5	23.2	8.3
1988	104.1	97.2	7.2
1989	154.1	140.8	13.3
1990	63.3	62.7	.6
1991	123.3	75.0	48.3
1992	205.0	164.3	40.7
1993	81.3	94.6	(13.3)

[1]Loans and purchases, storage and handling expenses, and other outlays less sales proceeds, loan repayments, and other receipts, excluding P.L. 480 commodity costs. Parentheses indicate net receipt.

[2]Includes July-September 1976 to allow for shift from July/June to October/September fiscal years.

Appendix table 5--World peanut supply and disappearance, 1986-94[1]

Item	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
				1,000 metric tons					
Production:									
India	5,875	5,854	9,000	8,101	7,514	7,095	8,854	7,400	7,800
China	5,882	6,170	5,493	5,365	6,368	6,300	5,953	8,420	7,300
Senegal	817	932	690	815	703	754	579	625	635
Burma	544	519	438	459	470	440	425	374	422
U.S.	1,677	1,640	1,806	1,810	1,634	2,235	1,943	1,539	1,854
Indonesia	750	786	843	875	860	950	885	980	1,000
Nigeria	400	475	350	350	250	220	250	250	250
Argentina	518	450	243	336	574	476	210	250	240
Sudan	380	435	450	400	325	400	390	390	390
Zaire	380	380	380	380	380	380	380	380	380
South Africa	235	204	163	113	112	114	172	180	140
Other	2,925	3,131	3,134	2,972	2,931	2,880	2,993	2,981	3,009
Total	20,383	20,976	22,990	21,976	22,121	22,244	23,034	23,769	23,420
Imports:									
EC-12	557	577	582	624	582	648	557	567	586
Netherlands	177	144	149	192	230	242	186	192	205
U.K.	147	154	160	173	115	118	120	127	130
Germany	106	108	125	129	120	110	107	105	115
France	51	74	59	49	43	101	71	65	55
Italy	32	31	34	33	31	29	26	27	28
Spain	29	33	37	33	30	30	30	32	30
Japan	114	124	124	120	121	132	102	95	95
Canada	107	68	70	70	90	72	80	100	90
Former Soviet Union	0	50	64	56	55	55	10	10	10
Singapore	75	110	90	90	90	90	90	90	90
Hong Kong	72	55	55	65	65	65	65	65	65
Indonesia	66	41	21	72	137	79	154	160	165
Switzerland	40	30	28	27	24	22	26	28	27
Other	237	178	170	198	229	218	229	231	209
Total	1,268	1,233	1,204	1,322	1,393	1,381	1,313	1,346	1,337
Exports:									
U.S.	301	280	312	449	296	452	431	249	340
China	398	359	247	329	448	311	300	450	350
Argentina	170	150	86	122	130	169	110	115	110
Sudan	10	75	50	25	20	25	20	20	20
India	40	10	70	35	45	1	48	70	75
South Africa	16	37	33	28	27	14	35	30	15
Gambia	40	55	54	60	33	53	50	40	38
Brazil	8	8	2	3	2	3	2	3	3
Paraguay	23	19	10	15	10	15	15	15	15
Vietnam	40	40	40	40	70	70	65	65	65
Malawi	20	22	4	1	2	0	0	0	0
Other	215	240	203	190	252	261	259	278	280
Total	1,281	1,295	1,111	1,297	1,335	1,374	1,335	1,335	1,311

See footnote at end of table.

Continued--

Appendix table 5--World peanut supply and disappearance, 1986-94[1]--Continued

Item	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
					1,000 metric tons				
Crush:									
India	4,690	4,700	7,175	6,491	5,999	5,714	7,056	5,900	6,165
China	3,015	3,219	2,893	2,750	3,250	3,305	3,028	4,350	4,050
Senegal	500	580	465	582	480	502	320	300	300
Burma	435	415	301	321	320	290	277	243	275
U.S.	233	254	369	283	313	500	404	302	453
Nigeria	184	100	75	55	50	50	55	55	55
Argentina	350	180	87	112	233	200	70	98	95
EC-12	31	68	39	12	23	20	25	20	20
Other	1,447	1,396	1,312	1,237	1,144	1,203	1,287	1,281	1,269
Total	10,885	10,912	12,716	11,843	11,812	11,784	12,522	12,549	12,682
Food:									
China	2,010	2,146	1,895	1,827	2,209	2,219	2,185	3,000	2,400
U.S.	940	939	1,022	1,049	916	1,001	963	941	930
Indonesia	687	691	715	809	850	890	950	970	1,000
India	382	382	585	525	490	460	600	470	550
Zaire	229	229	229	229	229	229	229	229	229
Senegal	222	165	181	149	146	157	212	235	235
Japan	139	145	145	145	145	145	110	105	105
EC-12	491	449	477	534	449	488	435	425	443
Other	2,470	2,739	2,891	2,769	2,625	2,599	2,656	2,694	2,720
Total	7,507	7,885	8,140	8,036	8,059	8,188	8,340	9,069	8,612

[1]Local marketing years.

Appendix table 6--World peanut meal supply and disappearance, 1986-94[1]

Item	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
				1,000 metric tons					
Production:									
India	1,970	1,977	3,010	2,725	2,520	2,400	2,960	2,475	2,610
China	1,206	1,286	1,157	1,100	1,300	1,320	1,211	1,740	1,620
Senegal	200	232	186	233	183	193	122	114	114
Burma	165	160	98	105	105	95	90	79	88
U.S.	97	112	159	119	136	208	171	129	191
Argentina	144	72	33	45	90	80	28	40	38
EC-12	13	30	17	6	15	12	11	12	12
Other	622	580	537	495	456	479	505	500	495
Total	4,417	4,449	5,197	4,828	4,805	4,787	5,098	5,089	5,168
Imports:									
Eastern Europe	330	178	162	56	30	20	27	30	35
Czechoslovakia	53	53	40	40	20	20	20	20	20
Poland	277	125	122	16	10	0	7	10	15
EC-12	259	421	393	409	389	310	250	216	216
France	93	204	233	251	253	206	165	125	125
Netherlands	68	96	10	10	8	10	9	8	8
Germany	27	36	54	53	50	5	5	5	5
Italy	0	9	23	38	10	33	23	30	30
Former Soviet Union	0	40	40	26	15	15	5	0	0
Thailand	35	63	140	140	147	189	184	187	187
Other	88	53	145	163	190	203	258	268	282
Total	712	755	880	794	771	737	724	701	720
Exports:									
India	300	185	450	420	175	170	290	370	400
Senegal	155	247	180	215	166	78	87	100	92
Sudan	50	60	60	60	52	60	60	60	60
China	90	100	75	60	160	216	100	200	100
Argentina	40	40	23	35	72	70	28	32	30
EC-12	13	23	15	20	17	15	23	17	17
Other	38	34	39	54	75	103	60	70	74
Total	686	689	842	864	717	712	648	849	773
Consumption:									
India	1,670	1,792	2,560	2,305	2,345	2,230	2,670	2,105	2,210
China	1,116	1,186	1,082	1,040	1,140	1,108	1,116	1,540	1,520
Eastern Europe	333	181	165	59	33	23	30	33	38
Poland	277	125	122	16	10	0	7	10	15
Czechoslovakia	56	56	43	43	23	23	23	23	23
Burma	165	160	98	105	95	81	75	69	78
United States	103	109	147	112	103	155	163	106	164
EC-12	252	429	399	396	383	310	242	211	211
France	94	219	238	248	250	203	162	123	123
Netherlands	65	78	0	0	8	12	1	5	5
Germany	26	36	53	52	50	5	5	5	5
Thailand	47	73	148	142	148	190	185	188	188
Former Soviet Union	0	40	40	26	15	15	5	0	0
Other	691	568	614	556	590	699	684	693	711
Total	4,377	4,538	5,253	4,741	4,852	4,811	5,170	4,945	5,120

[1]Local marketing years.

Appendix table 7--World peanut oil supply and disappearance, 1986-94[1]

Item	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
				1,000 metric tons					
Production:									
India	1,360	1,363	2,080	1,882	1,740	1,655	2,030	1,710	1,800
China	754	805	723	688	813	825	773	1,088	1,013
Senegal	165	192	153	186	153	161	102	96	96
Burma	139	133	94	100	99	90	88	78	88
U.S.	69	76	113	88	97	162	130	94	143
Argentina	94	49	21	35	75	66	23	32	30
Other	520	515	451	429	399	421	449	449	446
Total	3,101	3,113	3,635	3,408	3,376	3,380	3,595	3,547	3,616
Imports:									
EC-12	261	294	266	246	241	249	246	232	243
France	131	143	125	108	115	95	101	85	90
Italy	42	55	54	53	51	52	53	53	53
Germany	15	24	20	23	23	24	21	22	22
Netherlands	14	15	12	15	7	30	20	21	27
U.K.	11	14	13	12	11	12	13	12	12
Hong Kong	35	29	32	33	31	20	20	20	20
Switzerland	13	7	6	6	5	5	5	5	5
Singapore	6	5	5	5	5	5	5	5	5
U.S.	1	15	1	2	5	0	0	5	1
Other	12	9	31	21	32	24	30	22	27
Total	328	359	341	313	319	303	306	289	301
Exports:									
Senegal	100	125	90	115	99	98	84	80	79
China	80	30	8	52	46	8	13	100	100
Argentina	77	44	21	33	54	70	28	31	29
Brazil	34	20	6	10	18	10	10	10	10
EC-12	37	49	56	38	38	37	37	45	40
Belgium-Luxembourg	25	23	23	17	17	17	18	19	19
France	6	14	19	9	8	11	11	15	10
South Africa	0	11	0	0	4	0	0	0	0
U.S.	3	3	5	9	11	68	27	23	29
Other	25	26	25	29	28	28	29	29	29
Total	356	308	211	286	298	319	228	318	316
Consumption:									
India	1,360	1,363	2,080	1,882	1,740	1,655	2,030	1,710	1,800
China	679	776	738	643	772	822	769	993	923
Burma	139	133	94	100	99	90	88	78	88
EC-12	234	269	222	214	210	213	222	205	207
France	127	141	108	103	106	82	91	80	80
Italy	45	56	56	52	51	55	56	56	56
U.S.	73	99	103	88	90	81	104	89	108
Nigeria	59	30	22	25	23	23	25	25	25
Sudan	58	55	55	61	44	61	61	61	61
Senegal	65	62	61	69	58	61	21	16	17
Hong Kong	31	25	27	28	26	17	17	17	17
Other	384	370	344	330	332	326	354	348	346
Total	3,082	3,182	3,746	3,440	3,394	3,349	3,691	3,542	3,592

[1]Local marketing years.

Appendix table 8--U.S. peanut exports, 1986-92[1] [2]

Country	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
				Metric tons			
Greece	35	0	0	270	155	308	220
Belgium-Luxembourg	1,362	1,375	1,161	1,741	2,430	2,789	1,648
Denmark	6	18	9	957	179	548	1,281
France	3,590	2,871	4,154	6,922	4,127	24,825	7,106
Germany	11,348	18,129	10,607	14,861	9,168	34,108	26,394
Ireland	153	315	310	385	406	545	515
Italy	4,105	2,882	2,219	5,776	2,152	3,916	3,043
Netherlands	69,757	74,090	59,591	90,312	56,397	86,366	96,241
U. K.	44,522	36,171	59,537	94,479	67,228	71,492	61,348
Portugal	2,688	1,807	6,402	5,709	3,360	5,952	4,868
Spain	9,723	10,092	13,591	14,359	11,010	15,217	14,725
Total EC	147,289	147,750	157,581	235,771	156,612	246,066	217,389
Canada	41,888	30,748	36,139	49,398	36,330	52,366	57,843
Japan	21,487	16,835	19,952	20,645	4,149	15,081	12,470
Mexico	86	2,221	4,140	7,115	5,621	11,268	13,479
Norway	1,918	2,366	2,687	4,896	1,114	2,611	4,059
Sweden	3,071	3,304	2,281	3,619	1,848	1,911	2,260
Switzerland	4,785	579	342	899	130	380	329
New Zealand	1,625	2,350	2,862	2,088	1,879	1,379	1,348
Australia	376	595	4,022	5,691	1,385	460	275
Other	3,691	4,090	4,583	6,910	13,257	7,636	14,105
Total	226,216	210,838	234,589	337,032	222,325	339,158	323,557

[1]August-July marketing year.
[2]Includes all export kernel categories (edible kernels, in-shell, prepared and preserved, and oilstock) converted to shelled-weight basis.

Appendix table 9--U.S. peanut oil exports, 1986-92[1] [2]

Country	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
				Metric tons			
France	0	0	0	0	2,248	14,959	0
Germany	3	0	0	0	0	63	835
Italy	0	0	490	0	0	12,833	1,400
Netherlands	0	0	0	0	1,999	18,173	10,321
U.K.	0	0	7	0	13	29	0
Spain	0	0	0	0	0	0	0
Total EC	3	0	497	0	4,260	47,090	12,571
Canada	1,818	1,977	3,101	4,930	3,816	5,674	3,876
Hong Kong	968	731	616	0	82	6,250	5,397
Malaysia	0	327	457	572	503	379	554
Mexico	9	44	234	1,543	792	265	42
Singapore	0	112	127	242	261	452	278
Other	13	8	99	1,121	1,445	5,765	714
Total	2,911	3,199	5,131	8,408	11,159	65,875	23,432

[1]August-July marketing year.
[2]Crude and refined oil combined.

Appendix table 10--U.S. exports of peanuts and peanut products, 1986-92[1] [2]

Item	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
				Metric tons			
Shelled, for oil stock	11,688	6,902	2,391	4,261	3,480	25,764	2,141
Shelled, not for oil stock	170,151	153,169	171,130	257,828	154,557	232,531	247,753
Prepared and preserved	18,629	24,794	25,093	31,847	23,917	27,309	27,281
In-shell	25,748	25,973	35,975	43,097	40,372	53,554	46,382
Total peanuts	226,216	210,838	234,589	337,032	222,325	339,158	323,557
Crude peanut oil	2,391	2,384	4,100	5,660	9,624	63,917	21,845
Refined peanut oil	521	815	1,030	2,748	1,535	1,958	1,587
Total peanut oil	2,912	3,199	5,130	8,408	11,159	65,875	23,432
Peanut butter	5,866	5,854	6,614	8,427	8,633	9,983	10,312

[1]August-July marketing year.
[2]Shelled basis. To convert from in-shell to shelled basis, multiply the in-shell weight by 0.7519.

Appendix table 11--World supply and utilization, major oilseeds, 1986-92[1]

Item	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
				1,000 metric tons			
Production:							
Soybean	98,111	103,530	96,058	107,369	104,137	107,380	116,980
Cottonseed	27,241	31,266	32,457	30,704	33,390	36,617	31,597
Peanut	20,383	20,976	22,990	21,976	22,121	22,244	23,034
Sunflowerseed	19,264	20,952	20,331	21,884	22,841	21,836	21,324
Rapeseed	19,473	23,338	22,634	21,983	25,112	28,267	25,136
Copra	4,709	4,385	4,340	5,103	4,761	4,730	4,841
Palm kernel	2,502	2,684	2,941	3,333	3,319	3,411	3,995
Total	191,683	207,131	201,751	212,352	215,681	224,485	226,907
Exports:							
Soybean	28,515	30,422	23,850	28,112	24,259	28,255	29,752
Cottonseed	243	315	310	328	340	445	565
Peanut	1,281	1,295	1,111	1,297	1,335	1,374	1,335
Sunflowerseed	1,813	2,220	1,890	1,983	1,983	2,212	1,903
Rapeseed	4,599	4,529	4,256	4,252	4,000	4,799	3,999
Copra	320	248	300	298	276	235	229
Palm kernel	119	120	152	75	60	59	64
Total	36,890	39,149	31,869	36,345	32,253	37,379	37,847
Imports:							
Soybean	29,367	28,697	24,303	26,925	25,945	29,274	29,597
Cottonseed	256	327	287	373	370	512	672
Peanut	1,268	1,233	1,204	1,322	1,393	1,381	1,313
Sunflowerseed	1,921	2,143	1,807	1,860	1,899	2,440	1,890
Rapeseed	4,927	4,352	4,472	4,565	4,554	4,688	4,028
Copra	321	276	273	292	263	221	224
Palm kernel	115	90	92	67	55	49	56
Total	38,175	37,118	32,438	35,404	34,479	38,565	37,780
Crush:							
Soybean	84,885	87,316	82,538	87,913	80,600	92,303	97,493
Cottonseed	21,284	23,710	24,881	23,618	25,865	28,644	24,286
Peanut	10,885	10,912	12,716	11,843	11,812	11,784	12,522
Sunflowerseed	16,413	18,012	17,687	19,049	19,870	19,033	18,453
Rapeseed	18,343	20,927	20,551	20,905	23,657	25,503	22,855
Copra	4,650	4,369	4,186	5,044	4,771	4,612	4,816
Palm kernel	2,384	2,683	2,772	3,327	3,279	3,366	3,871
Total	158,844	167,929	165,331	171,699	175,854	185,245	184,836

[1]Trade and crush are aggregated using individual marketing years.

U.S. Department of Agriculture
Economic Research Service

SUMMARY OF REPORT #AER-709

The 1995 Farm Bill

Tobacco's Future? How Will New Legislation Affect Production?

April 1995

Contact: Verner Grise, (202) 219-0890

Production of U.S. tobacco is likely to decline by the end of the 1990's, according to a new report from USDA's Economic Research Service. Accelerated antismoking activity, together with an increasing number of smoking restrictions and prohibitions and proposals to increase cigarette taxes, is weakening leaf demand. This, together with ample world production at lower prices, is hurting U.S. export prospects.

A shift worldwide to cheaper cigarettes and technological advances that permit production of an acceptable-quality cigarette with cheaper leaf are holding down demand for U.S.-grown leaf. Furthermore, stagnant cigarette demand and trade barriers continue to hold down U.S. export prospects, although the General Agreement on Tariffs and Trade should help soften potential declines in exports.

Congress will soon consider new farm legislation to replace the expiring Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624). A number of problems face the tobacco industry and amendments to modify the tobacco program may be considered in the next farm bill debate. ***Tobacco: Background for 1995 Farm Legislation*** provides an overview of the U.S. tobacco industry, reviews Federal tobacco programs and their effects, and examines issues and potential program changes.

The tobacco program is authorized under permanent legislation and, unlike most commodity programs, it does not have to be rewritten every 4 or 5 years. However, a number of legislative changes have been made since the basic marketing quota provisions of the Agricultural Adjustment Act of 1938. Legislation enacted in 1986 and 1993 made substantial changes in the program. The 1986 law reduced flue-cured and burley price supports, changed the setting of quotas to a more market-oriented approach, and provided for orderly movement of surplus stocks into trade channels. The 1993 law limited use of foreign-grown leaf in U.S. cigarettes, by applying assessments on imports and penalizing noncompliance.

Despite the changes that have been made in the tobacco program, several major concerns persist. Issues that affect the industry concern:

- Program rationale. The rationale for a tobacco program that has any government involvement. Intensive efforts by health groups and some Congressional leaders to bring tobacco products under the jurisdiction of the Food and Drug Administration (FDA), growing antismoking efforts, and prohibitions and restrictions on smoking are jeopardizing U.S. tobacco support programs.

To Order This Report...

The information presented here is excerpted from ***Tobacco: Background for 1995 Farm Legislation,*** AER-709, by Verner N. Grise. The cost is $9.00.

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