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INCREASE IN MINIMUM LEVEL PRICE SUPPORT  
ON 1980 AND 1981 QUOTA PEANUTS

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JUL 11 1980

HEARING

BEFORE THE

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COMMITTEE ON

AGRICULTURE, NUTRITION, AND FORESTRY

UNITED STATES SENATE

NINETY-SIXTH CONGRESS

SECOND SESSION

ON

S. 2249

A BILL TO INCREASE THE MINIMUM LEVEL OF PRICE SUP-  
PORT ON QUOTA PEANUTS FOR THE 1980 AND 1981 CROPS

MARCH 12, 1980

Printed for the use of the  
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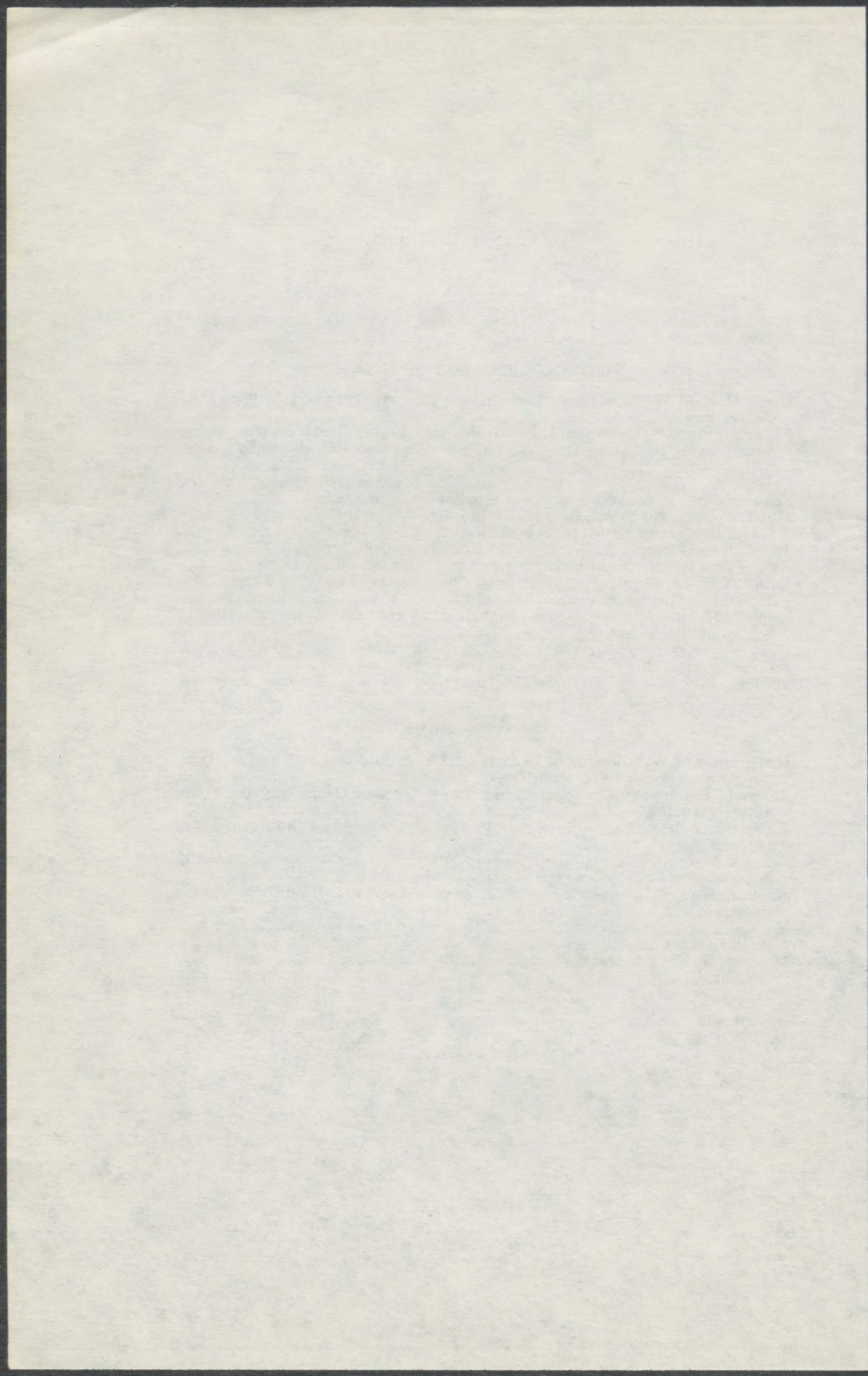
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## INCREASE IN MINIMUM LEVEL PRICE SUPPORT ON 1980 AND 1981 QUOTA PEANUTS

WEDNESDAY, MARCH 12, 1980

U.S. SENATE,  
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,  
*Washington, D.C.*

The committee met, pursuant to notice, at 8:34 a.m., in room 324, Russell Senate Office Building, Hon. Herman E. Talmadge (chairman of the committee) presiding.

Present: Senators Talmadge, Stone, Stewart, and Helms.

### STATEMENT OF HON. HERMAN E. TALMADGE, A U.S. SENATOR FROM GEORGIA

The CHAIRMAN. The committee will please come to order.

This morning the committee will hear testimony on S. 2249, a bill I introduced on February 4 to raise the minimum price support on quota peanuts for the 1980 and 1981 crops to \$502 per ton. I am pleased that Senators Bentsen, Boren, Stewart, Stone, and Tower have joined as cosponsors of this legislation.

The peanut program, which traces its origin to the earliest price support legislation on basic farm commodities, was substantially revised by Congress in the Food and Agriculture Act of 1977. The program was changed from straight acreage allotments and mandatory price supports at not less than 75 percent of parity to a two-tier system of farm poundage quotas and a minimum support level that could be adjusted upward at the discretion of the Secretary of Agriculture.

Two major aims of the new legislation were to reduce Government costs of supporting the crop and to allow American peanuts to compete for a much larger share of the world market.

The new program has proved to be an unqualified success in both regards. The annual cost of the program has been drastically reduced from \$150 to \$200 million a year to an average range of about \$25 million, or less. U.S. peanut exports are running at record highs and now account for about a fourth of the total annual production.

In one respect, however, the new program has fallen short of expectations of some of its sponsors in Congress and of the Nation's peanut producers who helped develop the program.

The 1977 act established a minimum price support of \$420 per ton for quota peanuts for the crop years 1979 through 1981. In 1978, the first year of the new program, this amounted to about 70 percent of parity. The law specifically gave the Secretary authority to adjust the support level beginning with the 1979 crop on a basis



of increases in production costs and several other factors. In spite of sharp production increases that occurred in 1978, the Secretary has declined to raise the minimum support level for 1979. This year, with an even steeper acceleration of production costs, the Secretary has raised the quota support level to \$455 per ton, which is about 62 percent of parity.

In my study of the situation, particularly in the light of the special problems that confront peanut producers in handling a perishable food crop, I have concluded that the \$455 support level announced by the Secretary is totally inadequate. It does not go nearly far enough in catching up with the cost increases that have occurred in the production of peanuts since passage of the 1977 act. It makes no provision for the even higher costs that farmers will bear in producing this year's crop.

This is the reason that I have introduced S. 2249 to increase the minimum support level for the remaining 2 years of the program to \$502 per ton. That figure is the very minimum that can be arrived at through the most limited application of the formula based on the index of prices paid that Congress placed in the new law as a guideline for the Secretary in determining quota support levels.

Further, \$502 per ton is only 68 percent of current parity, well below the level that applied for the 1977 crop under the old program. Indeed, if the old law were still applicable, the support price for 1980 peanuts would be about \$555 per ton, \$53 more than is proposed under my bill.

It is my hope that Congress and the administration will agree to this proposed change as an interim modification in the peanut program for the final 2 years of the existing law. Congress must enact new overall farm legislation next year. We will have an opportunity at that time to review the peanut program in all of its aspects and to develop whatever permanent changes in the price support mechanism as may be needed.

Before beginning the testimony, I would like to comment on a statement that some opponents of my bill have circulated. It has been suggested that some kind of understanding was arrived at during consideration of the 1977 act to the effect that the \$420 support level would be frozen at the \$420 legal minimum and would not be increased during the 4-year life of the peanut program.

As the chief sponsor of the new peanut program in the Senate, I would like to make it emphatically clear that there is no such understanding, there was no such understanding, formal or otherwise, as far as the Senate is concerned.

Indeed, we took considerable pains to see to it that the peanut bill contained ample authority for the Secretary to raise the support level on the basis of production cost increases and other factors. Obviously, the administration also was not a party to any such alleged understanding to freeze the support level, because the Secretary has seen fit to increase the support level for this year, though insufficiently in my view.

This morning we will hear first from Mr. Howard Hjort, representing the Department, who will enlighten the committee as to how the \$455 support price was arrived at and how they interpret-



ed the guidelines that Congress placed in the law for adjusting the support level. I also would like to hear how the peanut support level compares currently to other commodity loan and target levels, especially those commodities of a somewhat special nature such as dairy and wool.

Now, we will insert in the record a copy of the bill and also a statement from the Virginia Farm Bureau which recommends favorable action.<sup>1</sup>

Mr. Hjort, you are our first witness, I believe, in view of the fact that Deputy Secretary Jim Williams could not be with us. Please be seated. You may insert your full statement in the record and handle it in any way you see fit, sir.<sup>2</sup>

**STATEMENT OF HOWARD W. HJORT, DIRECTOR OF ECONOMICS, POLICY ANALYSIS AND BUDGET, U.S. DEPARTMENT OF AGRICULTURE**

Mr. HJORT. Thank you, Mr. Chairman. Deputy Secretary Jim Williams is suffering with a bout of the flu, as so many people are these days, and could not be here.

The CHAIRMAN. There is so much of it around.

Mr. HJORT. Mr. Chairman, I am sure that you know that the administration cannot support S. 2249, the bill to increase the minimum quota loan rate for peanuts from \$420 to \$502 per ton. We believe that doing so would increase peanut price supports to levels substantially above the full cost of production for the average peanut producer, even considering a fair return to land. As a result, it could mean much higher levels of price and income support relative to cost of production for peanuts than we provide for most other crops.

As you know, we recently announced our loan prices and sales policies for 1980 additional crop peanuts. We are continuing a Commodity Credit Corporation sales policy similar to the 1979 crop policy with a minimum of \$435 per ton for sales for export of additional peanuts for edible uses, which is \$20 a ton below the quota loan rate. We also reduced the loan price on additional peanuts from \$300 to \$250 a ton, and increased the quota loan price by \$35 a ton, from \$420 to \$455.

As you know, the law requires the Secretary, in establishing the quota loan prices, to take into account nine specific factors that are specified in the law. They include: Any changes in the prices paid index, the supply of the commodity in relation to its demand, the price support levels of other commodities, the availability of funds, the perishability of the commodity, the importance of the commodity to agriculture and the national economy, the ability to dispose of stocks acquired through price support operations, the ability and willingness of producers to keep supplies in line with demand, and the need for offsetting temporary losses of export markets.

Now, we did examine each one of those factors carefully, and based on those considerations, a range of options was considered. These options and the impacts of each are discussed in detail in an economic impact statement related to the decision. A copy of that

<sup>1</sup> See p. 78 for the statement of the Virginia Farm Bureau Federation and p. 80 for the text of S. 2249.

<sup>2</sup> See p. 45 for the prepared statement of Mr. Hjort.



impact statement has been made available to the committee, and we have additional copies if others would like them.

We would note that if only changes in the producer price index were considered over the last year, an increase in the quota loan rate to \$480 a ton would be justified for 1980, because the producer price index increased 14.5 percent during 1979. At the other extreme, if only the expected supply were considered in relation to the expected demand for peanuts, which is another factor we have to take into account, the legal minimum quota loan rate of \$420 a ton would have been justified, because the estimated supply of 1980 crop peanuts is projected to substantially exceed the estimated requirements for domestic edible use and reasonable carryover. All of the other factors that we considered indicated quota loan rates generally within a \$420 to \$480 range.

In the course of all of this analysis and deliberation, we made a very thorough investigation of the costs and changes in costs of producing peanuts. We did consult with the producers on those estimates, and they generally agreed with our cost estimates for past years and with the projections for the current year.

Assuming most likely yields and national average costs, and considering revenues from both additional peanuts and quota loan peanuts, and with an additional loan price of \$250 a ton, a quota loan price of between \$450 and \$460 a ton was projected to cover full cost of production, including a return to land.

So, on the basis of that and considering the nine factors specified in the law, the \$455 per ton quota was established.

Now, I understand that that is not popular with the producers. It is also unpopular with inflation fighters in the Government who believe that the increase should have been smaller because we still expect a substantial surplus of quota loan peanuts in 1980; current estimates say about 106,000 tons.

At the same time, the \$455 quota loan rate provides a much higher rate of price support relative to the cost of producing peanuts than we provide for wheat, corn, soybeans, or cotton. In 1980, the \$2.50 per bushel wheat loan will cover about 56 percent of production costs; for corn, the \$2.10 loan will cover 79 percent; for cotton, the 48-cent loan will cover about 70 percent; and for soybeans, about the same percentage.

We are providing peanut price support levels that cover a larger proportion of the full cost of producing peanuts than we do for the other crops. We are doing that in recognition of the fact that the peanut program is in transition from a situation of chronic overproduction to one where domestic production and domestic consumption, some day, will be in balance. The 1977 act requires that the adjustment be made through gradual decreases in the poundage quota, and we have done so in 5-percent increments.

Even so and even though the Secretary decided in 1978 and 1979 not to increase the quota loan prices above the minimum, we find that we still had surpluses. In 1978, there were 155,000 tons of surplus quota loan peanuts; in 1979, that figure was 145,000 tons. We do expect in 1980 that it will be reduced to about 106,000 tons.

Costs, as you have pointed out, have been far below what they were prior to the 1977 act. They were about \$18 million in 1978; they will be somewhere between \$34 and \$47 million for 1979; and



we are projecting about \$27 million under the program that has been announced.

But still we expect that quota peanut production in 1980 will exceed domestic consumption, in spite of continued increases in domestic edible and related use.

So there really are two basic problems in the current peanut program. First, in spite of continued reductions in the poundage quota, there is still a surplus of quota peanuts. The projected 1980 surplus under the announced program will be almost three-fourths as large as the 1978 surplus if we have normal weather.

The second problem is related to the first. Largely because domestic market prices continue to be supported by the quota loan rate, the value of the acreage allotment continues to be capitalized into land and lease values. These values mean windfalls for those who hold allotments, and they unnecessarily increase the costs to producers who lease allotment land.

So, Mr. Chairman, we believe that increasing the quota loan rate above the announced level would tend to make these two problems more severe. It would mean higher domestic prices and a slight reduction in domestic consumption. Such an increase would give producers an additional incentive to produce, and the result almost certainly would be larger surpluses. At the same time, a higher quota loan rate would tend to increase the value of each allotment. As a result, it would be expected to increase even more the cost producers must pay to lease peanut allotments.

As a result of those concerns, we suggest that there are two general kinds of program changes that should be considered. As you have indicated, probably the appropriate time to consider them in detail is in 1981 when so many of the laws will have to be reviewed and reassessed. One is finding some way of getting the domestic quota in line with domestic consumption, so that we no longer have to find ourselves in a situation where the support price and the market price are one in the same.

If we were to try to bring production and expected domestic consumption into balance in 1980, even with the announced support price, it appears to us that there would have to be at least another 10-percent reduction in the quota for 1980, and at the \$502 level, it would probably have to be on the order of 20 percent, which is a very large adjustment. There are some tables attached to the testimony that show some of those estimates.

To take care of the other problem, the abnormal rent that goes to those that own land that happens to have an allotment associated with it, I do not know of any other solution over time than to eliminate the acreage allotments. Then, one has a different cost picture for those that are actually producing peanuts as opposed to those that are actually holding the allotment.

The allotments at the present time are not making any significant production adjustment, and if they were eliminated, one would expect that abnormal rent to be removed. At the present time, about 70 percent of the peanuts are produced on nonowned land; about a fifth of that is on a shared-rent basis; I think the current estimate is about 52 percent is leased land. That, of course, means higher than justified costs to the actual producer of peanuts



and, similarly, higher than justified returns to those that happen to own those allotments.

There, of course, could be other kinds of program changes that could be considered, but they would require additional legislation and closer attention than we can give in this one session. It does appear to us that this whole matter should be fully and carefully considered in connection with the 1981 legislation.

Mr. Chairman, that concludes a summary of the statement that we have, and I will try to answer your questions.

The CHAIRMAN. Mr. Hjort, the support price for quota peanuts in 1980 was announced by the Secretary at \$455 per ton, which is about 62 percent of parity. However, the support price on nonquota peanuts is \$250 per ton, or about 34 percent of parity.

Does this not mean, in effect, that the support level on a farmer's total production amounts to only about \$395 per ton, or about 54 percent of parity?

Mr. HJORT. I am not sure how that latter comparison was calculated. Very few producers are very interested in that additional loan rate. When they do produce additional peanuts, they contract with someone. But I assume that those calculations would be reasonably close to what one would expect.

The CHAIRMAN. I think that is about right; our economist prepared that figure for me.

Do you know of any other farm commodity that is supported that low?

Mr. HJORT. Well, as I indicated, if we look at loan levels, the wheat loan is actually below that. As a matter of fact, if we make all of the comparisons on the same basis, the \$455 a ton for peanuts is higher, relative to cost of production, than for any other crop that we are supporting at the present time.

The CHAIRMAN. How does that compare with wool?

Mr. HJORT. It may be that wool is in that same area.

The CHAIRMAN. What is the parity on wool?

Mr. HJORT. The price support level is \$1.23 a pound, and that is 71.5 percent of parity. A quota loan level of \$455 a ton reflects 61.6 percent of January parity.

The CHAIRMAN. What about dairy?

Mr. HJORT. At the 1980 price support levels announced, dairy is at 68.4; wool at 71.5, and mohair at 71.5. Those three would be higher.

The CHAIRMAN. How about rice?

Mr. HJORT. I would think that that is well below; I do not know that I have that comparison in front of me.

The CHAIRMAN. Will you supply it for the record?

Mr. HJORT. Yes, sir.

[The following information was subsequently received for the record:]

The 1980 loan level for rice represents 40 percent of parity. The 1980 rice target price represents 53 percent of parity.

The CHAIRMAN. I am trying to get an average figure on how we are treating these various commodities. As you know, I have a parochial interest in peanuts.

Mr. HJORT. Yes, sir.



The CHAIRMAN. We produce 40 percent of the total production in the United States, and it is a very, very important crop to my State. There are about 50 counties in Georgia whose economies are virtually totally dependent upon the support for peanuts.

What does the Department estimate the average cost of producing a pound of peanuts is?

Mr. HJORT. Well, we have reached an agreement in terms of a judgment for 1980 that the most likely would be between about \$450 to \$460 a ton.

The CHAIRMAN. \$450 to \$460?

Mr. HJORT. Right.

CHAIRMAN. If you average the quota support price with the non-quota support price, which would be about \$395 per ton, that is approximately \$55 to \$65 per ton below the cost of production, is it not?

Mr. HJORT. That would be, on that part of it, below the cost of production, including full return to land, and so on.

The CHAIRMAN. You would not want to produce peanuts on that basis, would you?

Mr. HJORT. No, sir, and I think that only producers that find their own circumstances to be such that it is profitable to do so will do so.

The CHAIRMAN. I noticed that you cited nine factors that the 1977 act requires the Secretary to take into consideration in establishing the support level for quota peanuts. One is "any changes in the prices paid index."

Mr. HJORT. Right.

The CHAIRMAN. How much has that increased since 1977?

Mr. HJORT. Since 1979—from that last year, it was 14.5 percent.

The CHAIRMAN. Take it back to 1977 now; they have had only one price increase since that time.

Mr. HJORT. I do not think I have that figure here. We can correct it for the record, but I think it is in excess of 30 percent.

The CHAIRMAN. And you did not increase the support level that much, did you?

Mr. HJORT. No, sir.

The CHAIRMAN. All right; I have some other items. The support levels of other commodities; you have been through that, and I think we are in substantial agreement that several other commodities have a higher support level than peanuts. What is it on dairy right now?

Mr. HJORT. Well, the one that was announced last October was—the minimum support level on dairy is 80 percent of parity.

The CHAIRMAN. And the Department supported that, did they not?

Mr. HJORT. We did, with a fair amount of reservation, and hindsight suggests that we should not have. The dairy program is in trouble today.

The CHAIRMAN. How could you support 80 percent on dairy and 54 percent on peanuts?

Mr. HJORT. We are supporting 100 percent of cost of production for peanuts.



The CHAIRMAN. I think you and I agreed that it is about \$55 to \$65 below the cost of production when you take in the nonquota peanuts, Mr. Hjort.

Mr. HJORT. I think the total price in the statement indicates that on the average, with the \$455 and the expected contract prices, they would be between 97 and 100 percent of cost.

I think it is fairly obvious that only those that happen to have cost return situations that let them produce peanuts at that contract price will do so.

The CHAIRMAN. Let me see if I misunderstood you. I thought you said that the Department estimated the cost of producing a ton of peanuts at \$450 to \$460 per ton. Is that correct?

Mr. HJORT. Yes, sir.

The CHAIRMAN. If you average the support level for quota and nonquota peanuts, is that not \$395 per ton?

Mr. HJORT. No, sir.

The CHAIRMAN. Why is it not?

Mr. HJORT. Well, sir, on the loan, it would be. But there is not anybody that I know of that is going to produce peanuts for \$250 a ton. Some of them are going to testify here today, and you can ask them how many of them think their costs are \$250. I do not think you will get many of them who will say it is.

So they are not going to produce at that level; they are only going to produce at the contract price. The estimate of the contract price is \$385, or somewhere in that area, and that, in our calculations, indicated that on total, when you take both into account, it would be between 97 and 100 percent, on a national average, of total costs.

The CHAIRMAN. Assuming \$385 as a contract price for nonquota peanuts, which is your figure and not the loan level, that still would be about \$65 to \$75 below the cost of production, using your own figures, would it not?

Mr. HJORT. Here is the calculation. Averaging quota returns and additional returns, we calculated that the total would be about \$576 per acre. When one looks at that, then, as a percent of return—total cost as a percent of return—that translates into 97 to 100 percent of the total per acre cost.

The CHAIRMAN. But if he relied totally on the contract price of \$385, and not the support level of \$502, it would still be \$65 to \$75 below the cost of production, would it not?

Mr. HJORT. The \$385 would definitely be below the national average cost of production, yes.

The CHAIRMAN. Senator Stewart.

Senator STEWART. I do not have any questions at this time, Mr. Chairman. I got here a little late for the testimony.

The CHAIRMAN. Senator Helms.

Senator HELMS. Thank you, Mr. Chairman. I was a little late because of the prayer breakfast.

The CHAIRMAN. I understand; I had three appointments at the same time this morning myself.

Senator HELMS. We have to figure out how to be in six places at one time around here.

The CHAIRMAN. Maybe we ought to pass a law authorizing that. [Laughter.]



Senator HELMS. Mr. Hjort, I guess the bottom line is: Do you really think that peanut farmers can avoid bankruptcy with what you are proposing and the position you are taking? How many do you think will go out of business?

Mr. HJORT. I would not think very many.

Senator HELMS. Well, I want you to go to North Carolina with me, sir.

The CHAIRMAN. Would you yield momentarily?

Senator HELMS. Surely.

The CHAIRMAN. I would like to step outside briefly; I think I will be back in 5 or 6 minutes. Will you preside, Senator Stewart, until I return?

Senator STEWART. Surely.

[Whereupon, Senator Stewart assumed the Chair.]

Senator HELMS. Back in January, I was in Northampton County, which is in the northeastern part of my State. If there is a group of people on the face of the Earth who do not want to be on the Government dole, it is those people. Most of those people there were young farmers who were just hanging on, trying to stay in business. Through causes not of their own making, they are slipping down.

Now, there is not any question that their problem has been caused right here where I work in the Congress of the United States by excessive appropriations, excessive Federal spending, and a Federal deficit that is now in excess of \$830 billion. The Government is going into the capital market and borrowing to keep its operation going, and therefore there is no money available, and what is available is at interest rates with which you are familiar.

Now, I think you will agree that I have tried to be as cooperative as possible in keeping this situation under control in terms of Federal spending. But we are reaching a point where we have to choose between the workers and the shirkers in this world.

Just the other day, I found \$629 million of duplication in terms of the food stamp program. The Department of Agriculture just got up in arms at the Food and Nutrition Service and said, "Oh, you cannot do that." The committee prevailed that day, and then 2 days later, after your people had gone back to the offices and sent out misrepresentations all across this country, there was a turnaround on the part of a couple of Senators and some absentees, and that \$629 million savings was reduced to \$300 million.

That does not mean that the food stamp program is going down in cost; it is still going up substantially.

You say that you think the majority of the farmers will stay in business if the prices they receive are below the cost of production?

Mr. HJORT. No, sir. We met repeatedly with the industry.

Senator STEWART. Gentlemen, some of the witnesses here are interested in the testimony. Senator Helms, I can hear you, but Mr. Hjort, I do not think they can hear you. So if you could speak into that microphone so they could hear, it would be helpful.

Pardon me; go ahead.

Mr. HJORT. Senator, we did meet with the industry repeatedly to go over estimates or production costs. I believe you will find that there is agreement between our estimates of costs and the esti-



mates of the producers; that for 1980, the cost of production nationwide is likely to average between about \$450 and \$460 a ton.

It was that conclusion that we were able to use in connection with the other nine factors that we have to take into account to justify an increase from the \$420 to the \$455. That was not an easy decision to obtain in this situation, and I do not want to leave you with the impression that I am implying that returns to peanut producers are the same or will be the same this year as they were in 1976 or 1977.

There have been no increases in the quota loan since the 1977 act passed, and that means that those producers have been in a situation where the price of their product has not been going up and the costs have been going up. That was what was very much behind the 1977 act, however. There was a clear indication that the program was essentially out of control. Costs were becoming very high, and there was a great abnormal rent.

Those that owned allotments, as opposed to those who produced peanuts, were capturing an abnormal benefit. We continued to have production of domestic edible peanuts in excess of the consumption requirements. What was passed was authority to reduce that quota 5 percent. We have been doing so, and we still find ourselves in a situation where more is being produced than the domestic market can absorb.

So I am not implying that this is an easy transition. Anytime one goes through a transition period like this, it is very difficult.

[Whereupon, Senator Talmadge resumed the Chair.]

Senator HELMS. Well, it is not really a transition period; it is a period of survival, Mr. Hjort. I just wonder if sometimes we do not have the cart before the horse in terms of our priorities.

Now, since the Department has used the cost of production to determine the support rate, can we assume that the 1981 support rate will reflect the true 1980 increased costs of production?

Mr. HJORT. Well, as you know, by law the Secretary has to take into account nine factors.

Senator HELMS. Yes.

Mr. HJORT. We do have to weigh all of those factors together, but we did look very carefully at costs this year, and will do so again next year. But the final decision has to be based on all of those nine factors.

Senator HELMS. What percentage of parity did the farmers realize on the production of peanuts on this allotment, when you combine the price support quota and additional peanuts for each of the years that the two-price system has been in effect?

Mr. HJORT. I believe I will have to provide that specific data for the record, if I might.

Senator HELMS. I would appreciate that.

[The following information was subsequently received for the record:]

The 1978 weighted average support price on peanuts represented 60 percent of parity. The weighted average of 1979 support levels represents 54 percent of parity.

Senator HELMS. Mr. Chairman, I do not want to consume an inordinate amount of time. I will reserve the rest of my questions for the time being.



The CHAIRMAN. Thank you, sir. Thank you, Mr. Hjort.

Mr. HJORT. You are welcome.

The CHAIRMAN. The next witness is Mr. Emmett Reynolds, who is president of the National Peanut Growers Group, accompanied by Mr. Ross Wilson, secretary, and Russell Schools, vice chairman.

Come around, gentlemen. Mr. Reynolds is an old friend of mine of many, many years, and it is a pleasure, indeed, to welcome you to our committee, Emmett.

Mr. REYNOLDS. Thank you, Your Honor. I am happy to be here.

The CHAIRMAN. Sit down, gentlemen. You may insert your full statement in the record if you desire, and proceed in any manner you see fit, sir.

**STATEMENT OF EMMETT REYNOLDS, CHAIRMAN, NATIONAL PEANUT GROWERS GROUP STEERING COMMITTEE, ACCOMPANIED BY ROSS WILSON, SECRETARY, AND RUSSELL SCHOOLS, VICE CHAIRMAN**

Mr. REYNOLDS. Mr. Chairman, I would request that the statement we have furnished be a matter of the record.

The CHAIRMAN. Without objection, it will be inserted in full in the record.<sup>1</sup>

Mr. REYNOLDS. My testimony will deviate from that slightly, but it will include additional facts, possibly, to the testimony that is in writing.

Mr. Chairman and members of the committee, I am Emmett Reynolds, chairman of the National Peanut Growers Group Steering Committee. The National Peanut Growers Group is a federation of the Nation's 14 regional peanut producer organizations, and they are in our audience today, Mr. Chairman—members, one or more individuals from nearly all of those grower group organizations throughout this country—and they are here for the purpose of answering questions, should they be asked.

We regret, as I feel sure you do, that it is necessary to conduct this hearing today. We have met five times with USDA since the 1979 peanut quota support rate was announced in February in an effort to achieve a satisfactory quota support rate in 1980. In mid-January, we felt we had reached an understanding with the Department that a reasonable quota support rate adjustment would be made. However, the USDA announcement January 30 setting \$455 per ton for quota peanuts in 1980 in reality represented only a token adjustment after 3 years of essentially the same support level.

That development is extremely depressing to growers who have made every effort to work with USDA and the Congress in bringing about desired program modifications. However, since such a situation has developed, Mr. Chairman, on behalf of all the peanut growers, we very much appreciate your taking the initiative in introducing legislation that could, if adopted, give us a reasonable support level.

We feel we must answer for the record the objections USDA has raised during the course of these five meetings over the past year.

In rejecting our request last year for a quota support increase in 1979, the Department determined that five of the eight factors in

<sup>1</sup> See p. 64 for the prepared statement of Mr. Reynolds.



section 401(b) of the Agriculture Act of 1949 were unfavorable to our request. The other three factors were neutral. However, our case was clearly supported by the increase in the index of prices paid.

The same five factors have been cited from time to time in regard to our request relative to the 1980 crop quota support rate. We therefore offer the following comments on each:

Mr. Chairman, I would like to name those five. They are a matter of the record and have been used on other occasions. For the sake of time, I will list them: One, the importance of peanuts to—

Senator HELMS. Would the gentleman yield for just a moment?

The CHAIRMAN. Senator Helms.

Senator HELMS. Mr. Chairman, it bothers me that apparently there is nobody here from the Department of Agriculture to respond to some of the things that are going to be said. Now, if they are going to just come in and testify and leave, then we are not going to settle anything.

The CHAIRMAN. Do you want them back?

Senator HELMS. Yes, sir, I would like to have them back.

The CHAIRMAN. Notify the Department that we would like to have someone here ready to speak for the Department.

Senator HELMS. I apologize, sir.

Mr. REYNOLDS. Thank you, sir. I was very concerned when I felt they left behind me.

Should I continue?

The CHAIRMAN. Yes.

Mr. REYNOLDS. No. 1, the importance of peanuts to agriculture and the national economy. No. 2, price support levels of other commodities: The USDA said that the present support level ranks high in comparison to target and loan rates established for target program commodities.

The growers contend that, one, the Department, however, failed to compare peanuts with commodities under price support programs. When the quota peanut support level is compared to support levels of other commodities in terms of parity, peanuts are below the average for all other commodities. Two, for peanuts, the investment in planting, harvesting, and drying the crop is considerably greater than for other commodities. Most peanut equipment used in the production, harvesting, and marketing of the crop is highly specialized and is not adaptable to use with other commodities. The production risk for the producer is greater due to the nature of the crop and its vulnerability to losses from insects, disease, mold and freeze damage.

I believe Mr. Hjort testified that they agreed the cost of production was \$450 to \$460 a ton, or approximately 23 percent, sir. Since we have been negotiating this testimony that we are giving today, interest rates alone have increased from 4 to 5 percent. I was very concerned that Mr. Hjort did not have current figures, as current as we have, because we know that the adjustment on the prices paid for milk is made every 90 days, and he used an October figure. This concerns me.



Three, supply in relation to requirements; four, the availability of funds; five, the ability and willingness to keep supplies in line with demand.

Peanut growers have received only an 8.3-percent increase in the quota support rate under the present amended law. During the same period, according to USDA statistics, the index of prices paid by growers increased 12 percent in 1978 and 15 percent in 1979. As a result, peanut growers likely will receive only 50 percent of parity for peanuts this fall compared to 71 percent in 1977. With production yields leveling off and wildly escalating production costs and inflationary forces, production efficiency alone cannot continue.

Use of the inflation rate of 9.2 percent in 1978 would have dictated a support rate of \$458. The inflation rate of 13 percent in 1979 called for a support price of \$518, just to maintain the level of 1977 income.

The peanut industry and the USDA are doing a good job securing utilization of peanuts in domestic and export markets, resulting in dramatic reductions in program costs. For example, in 1978 only 255,000 tons, or 13 percent of the total crop of 1,988,000 tons, were placed in loan. Peanut shellers later purchased from loan 66,000 tons for domestic edible and related uses at a price reflecting no loss to USDA. In addition, 40,000 tons of loan inventory sold for export crushing, reflecting little, if any, program loss, so that a total of only 148,000 tons of loan peanuts, or 7.5 percent of the crop, sold for domestic crushing resulted in a loss. It now appears that the 1979 crop will be utilized in about the same favorable proportions.

For the years 1977, 1978, and 1979, peanut program costs averaged about \$17 million annually, just 2 percent of the value of the \$800 million crop.

We recommend that the quota support rate in 1980 be adjusted to reflect a major portion of the increase in the index of prices paid by growers during the period of the present peanut program. A literal interpretation of this recommendation would mean that the \$420 per ton minimum be increased 12 percent, to \$470, to compensate for 1978, and that the \$470 be increased by 14 percent, to \$536, for 1980.

However, by using the method utilized by USDA in its impact statement of February 15, 1979, production costs for the months of November and December are ignored, and the result would be \$502 per ton. Although \$502 per ton reflects about 68 percent of parity, by marketing time in September 1980, the \$502 figure will represent only about 58 percent of parity, if inflation continues at the present rate.

Mr. Chairman, the National Peanut Growers Group has met with the Department on five occasions in regard to the quota support rate for 1980. In those sessions, USDA officials acknowledged that the 1977 peanut program amendments have shown significant progress in grossly reducing program costs, improving the balance of supply and demand, and expanding export markets. But in spite of these achievements made possible at the expense of the growers, USDA has seen fit to adjust the quota support level by only 8.3 percent, against an increase in the index of prices paid by



growers of 26.5 percent in the past 2 years plus an additional 13 percent expected in 1980.

Growers agree basically with the Department's peanut production cost estimates of roughly a 10-percent increase for 1979 and a projection of at least 12 percent in 1980. We also agree with USDA's estimated national average production cost per pound of 22.8 cents for 1980. Mr. Chairman, the 22.8 cents per pound translates to \$456 per ton for production cost against a quota support level of \$455 per ton, which explains the dilemma of thousands of peanut producers.

The \$502 per ton support rate called for in S. 2249 represents an approximate 19 percent increase over the \$420 rate for 1978 and 1979. Such an increase appears to be consistent with the increases contemplated for target price commodities under pending legislation. We feel that we have fully justified and are completely entitled to a quota support rate of \$502 for 1980. We strongly endorse S. 2249 and urge its adoption by the committee.

Mr. Chairman, I have a question for the record, a question for Secretary Bergland. We have been here, as I mentioned, on five occasions. Now, where do we go for relief of our dilemma?

My next question is, why are ag price increases inflationary if the prices of other things, such as fuel, labor, transportation, and many things that we have to pay increases on—why are they not inflationary?

My third question is, who in this administration is concerned about the future of our food supply, the stability of the farmer, and just how does agriculture continue to provide the backbone for the economy of America, if we are treated the way, as we have witnessed to you today, that we have been in the past 3 or 4 months.

To me, I feel, ladies and gentlemen, that we face today an identical situation that energy faced a few years ago with food. Now, our prices on fuel today are almost prohibitive. If our prices on food a year or 2 from now become as exorbitant as fuel is today, I pity the farmer and the consumer, because farmers are consumers.

Mr. Chairman, that is my statement.

The CHAIRMAN. Thank you, Mr. Reynolds, for an excellent statement.

Mr. REYNOLDS. I have with me Mr. Wilson and Mr. Schools, if they would like to add anything to my statement.

The CHAIRMAN. Any comment, gentlemen?

Mr. SCHOOLS. We are told to support the statement, sir, from our areas.

The CHAIRMAN. For the record, where are you from, sir?

Mr. SCHOOLS. I represent Virginia and North Carolina here today.

The CHAIRMAN. And where are you from?

Mr. WILSON. Mr. Chairman, I am from Texas, and the southwestern peanut growers endorse 100 percent the statement made by Mr. Reynolds.

The CHAIRMAN. Let me see if I understand what you said now. Nothing has been so divided as the peanut belt. The Virginia people and the North Carolina people usually run off in one direction, and South Carolina, Georgia, Florida, and Alabama in an-



other direction, and Arizona, Texas, and Oklahoma in another direction, on many items.

Do I understand correctly that you are united in one common effort to raise the support price for peanuts?

Mr. REYNOLDS. Absolutely.

The CHAIRMAN. I congratulate you on your cooperation. [Laughter.]

Mr. REYNOLDS. Sir, it was not easy, but we appreciate very much the opportunity to tell you we are united.

The CHAIRMAN. Since we wrote this law in 1977, you have had one increase in the support for peanuts from \$420 a ton to \$502, is that right?

Mr. REYNOLDS. No, sir; from \$420 to \$455.

The CHAIRMAN. From \$420 to \$455?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. That amounts to about 9 percent?

Mr. REYNOLDS. Around 8.3, sir.

The CHAIRMAN. How much has the cost of production gone up since 1977 when we wrote this law?

Mr. REYNOLDS. Approximately 28 percent.

The CHAIRMAN. By harvest time, come November, it will probably be what?

Mr. REYNOLDS. Well, interest alone has increased 4 percent since December 1.

The CHAIRMAN. So we are talking about something like 30 percent, minimum, and maybe more?

Mr. REYNOLDS. Yes, sir, minimum.

Mr. SCHOOLS. More than that.

The CHAIRMAN. Forty percent?

Mr. REYNOLDS. Forty percent, sir.

The CHAIRMAN. I noticed on page 8 of your statement that for the years 1977, 1978, and 1979, peanut program costs averaged about \$17 million annually, or just 2 percent of the value of the crop, which is estimated to be about \$800 million.

Now, prior to 1977, this program cost \$150 to \$200 million a year, did it not?

Mr. REYNOLDS. Yes, sir, from 35 up to that figure.

The CHAIRMAN. So we have reduced that to a minimum support level. Do you know of any other agricultural commodity where the cost is that low?

Mr. REYNOLDS. No, sir, I do not. Mr. Hjort testified that peanuts were supported at a price according to the cost of production. I wonder if there are other commodities based on those same identical figures.

The CHAIRMAN. I would appreciate the staff supplying at this point in the record the cost per commodity for comparison purposes.

#### SUPPORT PRICES COMPARED TO COST OF PRODUCTION<sup>1</sup>

|                 | Average yield | Cost per acre | Cost per unit | Support price                            | Percent support cost |
|-----------------|---------------|---------------|---------------|------------------------------------------|----------------------|
| Corn (bu) ..... | 100.3         | \$222.55      | \$2.22        | <sup>2</sup> \$2.10<br><sup>3</sup> 2.35 | 95<br>106            |



SUPPORT PRICES COMPARED TO COST OF PRODUCTION<sup>1</sup>—Continued

|                     | Average yield | Cost per acre | Cost per unit | Support price                                | Percent support cost |
|---------------------|---------------|---------------|---------------|----------------------------------------------|----------------------|
| Cotton (lb) .....   | 497.0         | \$319.12      | \$0.642       | <sup>2</sup> \$0.48<br><sup>3, 4</sup> .59   | 75<br>92             |
| Wheat (bu) .....    | 32.1          | 106.03        | 3.30          | <sup>2</sup> 2.50<br><sup>3</sup> 3.63       | 76<br>110            |
| Rice (cwt) .....    | 44.98         | 424.86        | 9.40          | <sup>2, 4</sup> 7.15<br><sup>3, 4</sup> 9.50 | 76<br>101            |
| Soybeans (bu) ..... | 30.7          | 162.96        | 5.31          | <sup>2</sup> 4.50                            | 85                   |
| Peanuts (lb) .....  | 2,568.0       | 507.21        | .198          | <sup>2</sup> 22.75                           | 115                  |

<sup>1</sup> The cost of production estimates are the 1979 projections by USDA as reported in the Senate committee print entitled, "Cost of Producing Selected Crops in the United States—1977, 1978 and Projections for 1979." They include variable costs, machinery ownership costs, overhead, management, and a return to land based on acquisition costs.

<sup>2</sup> Loan.

<sup>3</sup> Target.

<sup>4</sup> Mid points of announced ranges.

The CHAIRMAN. Now, this \$17 million a year which is the average cost for the peanut program in 1977, 1978, and 1979 is less than we give most banana republics in foreign aid every year, is it not?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. So it seems that our Government has their priorities quite confused, does it not?

Mr. REYNOLDS. In my opinion, it does, sir, if they are concerned about the welfare and stability of the peanut farmer. I would like to also say that the peanut farmers of this country are also diversified farmers and they produce other commodities. If anyone thinks they could do without the peanut farmer because he produces peanuts, they are sadly mistaken, because they have to be diversified to continue to have enough gross income to pay part of their bills, so they are producing other commodities along with peanuts.

The CHAIRMAN. Senator Stewart.

Senator STEWART. Mr. Hjort indicated a minute ago that he did not feel like farmers would have any difficulty. Senator Helms asked him, if the price supports were not raised, what would happen to farmers in North Carolina. I have some in my State, particularly in the southeastern part of my State, who are diversified, as you have just indicated.

Have you any estimation as to how many farmers would be so severely impacted that they would not any longer be in the farming business as a result of the refusal to pass this legislation or to change the price supports?

Mr. REYNOLDS. Senator Stewart, it is hard to identify those who are just peanut farmers alone. But if you took the peanut farmer who is diversified and has been operating on this close a margin, there are many of them, and especially our young farmers in our area. If they are not associated with people who have assets and are willing to help use them, they are out of business now.

We have in our country many young men who have pledged to continue to rent a farm that they have rented for the last 2 or 3 years who have not yet received loans to pay rents with. I predict, from information from lending institutions, that a lot of these are not going to be able to get money unless they reorganize in some way or associate themselves with other people.



Senator STEWART. I assume that Mr. Hjort's statement was that these people would move into the production of other commodities. I do not know what he based his statement on, but I have a lot of peanut farmers down in the southern part of the State of Alabama who indicate that they do not have that kind of capability. I just wondered where he got his information.

Mr. REYNOLDS. I would like to know myself, because if a person is absolutely unable financially to grow peanuts, I would like to know how Mr. Hjort, the economist, can provide information that he can do other things.

Senator STEWART. Mr. Chairman, I would point out that this is the same Mr. Hjort who works for Secretary of Agriculture Bergland, who indicated that they wanted to do what they could to protect the family farmer. I have a lot who fit in that category in the southeastern part of my State. They are going to be in extreme difficulty if this legislation does not pass. I commend you for introducing the legislation.

The CHAIRMAN. I appreciate your cosponsorship.

Senator Helms, will you yield to Senator Stone?

Senator HELMS. I want to ask a few questions, so you go right ahead.

Senator STONE. Thank you. I appreciate Senator Helms yielding just for a minute.

Mr. Reynolds, is it not a fact that without the success that southeastern farmers have had with their peanut and tobacco production in the last few years, there would be no reason for Senator Stewart to inquire about the number of farmers who will be leaving the land, as most farmers would not have been able to survive. It is these cash crops that sustain the farmers during drought, freeze, blight, and other disasters that have taken place in southeastern agriculture in the last several years.

Mr. REYNOLDS. Yes, sir.

Senator STONE. Is it not also a fact that the world market and general market conditions responded to the revisions made in the peanut support program a little more than a year ago and that the program was a success?

Mr. REYNOLDS. Yes, sir.

Senator STONE. Is it not a fact that the cost of energy and the cost of chemicals, to say nothing of the cost of the use of money, have gone up substantially in the last year?

Mr. REYNOLDS. Yes, sir.

Senator STONE. And therefore, for these reasons, is it not a fact that without some adjustment to the support program, the margins that produced the financial success essential to keeping the farmers in the southeast in business would disappear?

Mr. REYNOLDS. Yes, sir. The basis of the average family farm in the area between your country and middle Georgia—peanuts and tobacco do make up the greatest component of gross income which maintains those farms. Without adjustments to help those be a strong supporter of the financial assets of those farms, you are very right; there will be no farmers in that category, because we have no other crops that we can turn to that will afford enough income to meet the increased demand in every category that you mentioned.



Senator STONE. Is it also not a fact that in the last several years the export market for peanuts and peanut products has been growing dramatically, and that such growth helps to alleviate the balance of payments and the balance of trade problems that this country has been experiencing.

Mr. REYNOLDS. Yes, sir. I am glad you mentioned that; I had forgotten to. With the \$32 billion export relation with other parts of the world, and with \$16 billion of that being agricultural products or agriculturally oriented products, it bothers me tremendously as to what we will do with that deficit when agriculture continues to be phased out.

Under the embargo, it was said that we would not lose any position, but there was a guarantee made to the grain companies that they could honor their contracts. Nobody honored my contracts that I have at my bank with my soybeans and my corn that I have in bins today, which are going down, down, down. I am supposed to sell those commodities and pay my fertilizer bills, but I do not have any—

Senator STONE. What is happening to your fertilizer bill?

Mr. REYNOLDS. My fertilizer bill has gone up 20 percent since December 1, and my soybeans have gone down about the same amount since December 1.

Senator STONE. That tells the story of the cost squeeze, does it not?

Mr. REYNOLDS. That is right.

To relate to your question, in 1977 when this group found itself in a position of helping to supply favorable farm legislation for peanuts, we were asked to do two things: reduce the cost of the peanut program to USDA, and continue to supply an adequate supply for consumers of our high-quality food product. We have done this.

As the chairman mentioned, we have reduced the cost of the program from \$140 to \$160 million down to an average of \$17 million for the last 3 years. We have not had any recognition for doing that.

Senator STONE. At the same time, have you not increased by millions export sales from this country?

Mr. REYNOLDS. Yes, sir. We increased the export in tons from 150,000 tons to 460 to 480,000 tons. So that is the growth we have provided under this program, and I am very disturbed that the program is not adequately supporting the economy of this country enough to secure it for us and give us stability.

Senator STONE. I want to close my remarks with a quote from our chairman. When members of the State Department appeared before this committee, he advised them that what is needed is an American desk in the State Department. Frankly, when it comes to our exports and our international trade, all of our agencies need an American desk.

If we provide assistance to our agricultural industry, our balance of payments, our balance of trade, and our strength will take care of themselves. If we do not provide this assistance, we are only hurting ourselves.

Mr. REYNOLDS. If agriculture does not do it, sir, what other segment of the economy of this country can and will do it?



Senator STONE. The only segment of the economy to consistently provide support to our balance of trade is agriculture. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Helms.

Senator HELMS. Mr. Reynolds, you and the chairman expressed joint pleasure that there is unity here today among the various producers of peanuts. This \$502 figure that you agreed upon is a compromise figure, is it not?

Mr. REYNOLDS. Yes, sir.

Senator HELMS. I recall the comments at the meeting in Northampton County to which I alluded earlier in this hearing. The figures were substantially higher than that. Joe Suggs is here today, along with Hoke Leggett and Sonny Dixon. All three of them are distinguished farm leaders in my State.

Joe Suggs has taken a little bit of flak because he has entered into agreements on the \$502 figure. Is that correct, Joe?

Mr. SUGGS. Yes, sir.

Senator HELMS. So let us not say that \$502 is the maximum; it is down in the middle between what a great many peanut farmers say they ought to have. As a matter of fact, it may be the minimum that you agreed upon.

Senator Stewart and Senator Stone alluded to farmers going out of business. I think we have some arithmetic to show, Mr. Chairman, what the situation really is. You can sort of measure it by analyzing where the credit needs of farmers are being met.

Now, has there not been a massive shift away from private lenders to the Farmers Home Administration?

Mr. REYNOLDS. Yes, sir.

Senator HELMS. Do you have any figures on that?

Mr. REYNOLDS. I believe that agriculture about 3 or 4 years ago was using about 36 percent at Farmers Home or others. The last figure I heard, they now are using 84 percent.

Senator HELMS. And they cannot do that unless—

Mr. REYNOLDS. They are not qualified to secure loans anywhere else.

Senator HELMS. Exactly. So, Mr. Chairman, just simple arithmetic on that refutes what Mr. Hjort said a while ago. The farmers are in a desperate situation. Now, we have some here; I see some young faces sitting back there. I believe that if you take a poll among these young farmers—and these are the ones that we have to count on if we are going to continue to eat in this country—I believe that you would find about 90 percent of them who say that it is very doubtful under the circumstances that they would stay in business.

That goes back to what you said. If we let the deal go down of providing food for this country, then the country is going down. I appreciate your testimony, sir.

What would this cost, Mr. Chairman, about \$5 million?

Mr. REYNOLDS. The increase to \$502?

Senator HELMS. Yes.

Mr. REYNOLDS. Ross, have you got any idea?

Mr. WILSON. I have seen projections on \$480.

The CHAIRMAN. Does the Department know?

Mr. MOTES. Fifty-two million dollars.



Senator HELMS. A \$52 million increase?

Mr. MOTES. Fifty-two million dollars for the total program.

Senator HELMS. I understand that, but what is the increase?

Mr. MOTES. The increase is from \$27 million to \$52 million.

Senator HELMS. I believe that is high.

The CHAIRMAN. That is 25 percent of what the Government asks us to appropriate for Nicaragua.

Senator HELMS. That is right. Incidentally, in the Foreign Relations Committee, I fought that too, Mr. Chairman.

The CHAIRMAN. I commend you, sir.

Senator HELMS. Yes, sir.

Mr. REYNOLDS. We need to understand that the total outlay for the cost of the program is not receivable to the farmers through the cost of the peanut program.

Senator HELMS. I understand.

Mr. REYNOLDS. This is the administration's total from the beginning to the end of the program, and it is absolutely not what the farmers would be dealing with.

Senator HELMS. I thank you, Mr. Reynolds; I thought your testimony was excellent, and particularly the question that you asked at the end.

Mr. Chairman, I suggest that the committee staff take the questions which were in addition to his testimony and submit them to Mr. Bergland on behalf of the committee.

The CHAIRMAN. Without objection, that will be done.

Mr. REYNOLDS. And I would love to see the answers.

The CHAIRMAN. We will send Mr. Reynolds a copy of the answers and put them in the record.

[The answers to the questions posed by Mr. Reynolds were subsequently submitted by Secretary Bergland:]

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., April 7, 1980.

HON. HERMAN E. TALMADGE,  
*Chairman, Committee on Agriculture, Nutrition, and Forestry,*  
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This replies to your letter in which you presented questions that Mr. H. Emmett Reynolds of Arabi, Georgia, Chairman of the National Peanut Growers Group, asked your Committee to direct to me. Mr. Reynolds' questions are repeated and replied to in the same order as presented.

Q. "Mr. Chairman, I have a question for the record, a question for Secretary Bergland. We have been here, as I mentioned, on five occasions. Now, where do we go for relief of our dilemma?"

A. The problems which currently beset the peanut farmer are still the basic problem of overproduction. Production costs are also inflated because of the cost attached to acreage allotments. The \$455 support rate along with the additional support rate of \$250 per ton is estimated to recover about 97-100 percent of the producer's production costs. The support rate of peanuts is much higher than for feed grains or wheat. For example, the \$2.50 per bushel wheat loan rate will cover about 56 percent of the cost of production. For corn the \$2.10 loan rate will cover 79 percent, for cotton the 48 cent loan rate will cover about 70 percent, and soybeans the \$4.50 per bushel rate will cover about 70 percent.

Q. "My next question is, why are agriculture price increases inflationary if the prices of other things, such as fuel, labor, transportation, and many other things that we have to pay increases on—why are they not inflationary?"

A. We have only to look at the Consumer Price Index which rose 1.8 percent in January to realize that all price increases are inflationary. The price support increase granted peanuts, feed grains, wheat and cotton was made in an effort to



assist producers who are caught in the cost-price squeeze. However, this Administration is trying to fight inflation from the farm to the consumer.

Q. "My third question is, who in this Administration is concerned about the future of our food supply, the stability of the farmer, and just how does agriculture continue to provide the backbone for the economy of America, if we are treated the way, as we have witnessed to you today, that we have been in the past three or four months?"

A. The entire Administration is concerned about future food supply and stability of all farmers. This Administration has implemented the grain reserve, built farm storage facilities, and provided emergency credit to farmers who cannot obtain credit at commercial banks. The grain reserve protects farmers when prices are weak and encourages selling when demand reasserts itself. In this respect, the stability of prices is guaranteed to farmers and the Nation is assured of an adequate food supply. In another effort to stabilize prices, the Farm Storage Facility Program has been greatly expanded. This also assures producers of storage income while they hold their grain in the reserve.

This Administration has continued the market-oriented concept which was created in the Agricultural Act of 1965, and further refined in the Food and Agriculture Act of 1977. Acreage allotments were eliminated for most commodities to allow farmers to respond to market conditions and plant those commodities which are in demand. We only have to look at the contribution agriculture makes to the balance of trade in order to realize that American agriculture still remains the backbone of America's economy.

Sincerely,

BOB BERGLAND, *Secretary.*

The CHAIRMAN. Thank you very much, gentlemen; I compliment you on your testimony.

The next witness is Mr. G. C. Davis, chairman of the legislative committee, Southeastern Peanut Shellers Association.

Mr. DAVIS. Mr. Chairman, I have Mr. Tom Chandler, who is also a member of that committee.

The CHAIRMAN. Sure, bring him around. It is a pleasure indeed to welcome longtime friends and constituents of mine. We are happy to have you both here. You may insert your full statement into the record and proceed in any manner you see fit.

**STATEMENT OF G. C. DAVIS, CHAIRMAN, LEGISLATIVE COMMITTEE, SOUTHEASTERN PEANUT SHELLERS ASSOCIATION, ACCOMPANIED BY TOM CHANDLER**

Mr. DAVIS. I will be very brief, Mr. Chairman.

Mr. Chairman and members of the committee, we appreciate this opportunity to testify. Ours is a trade association composed of commercial peanut shellers and crushers in Alabama, Florida, and Georgia. It is the oldest organized group in the American peanut industry. Over the years, we have enjoyed a close supportive relationship with the peanut growers in our production area.

Our presence here today is in support of the peanut growers in their request for an increase in support price for the 1980 crop of quota peanuts, a reiteration of the association's position on record with the Department of Agriculture, dated January 9, 1980.

Again, we appreciate the opportunity to appear before you.

The CHAIRMAN. That is brief and to the point and understandable; there can be no confusion. I congratulate you.

Mr. DAVIS. Thank you, sir.

The CHAIRMAN. If every witness we had before this committee would make themselves that clear and that brief, it would not take long to hold a hearing.

Tom, I suppose you also concur in what Mr. Davis has said.



Mr. CHANDLER. Yes, I do. This is the position of the Southeastern Peanut Shellers Association.

The CHAIRMAN. I want to congratulate you, because sometimes people might assume that there is a conflict of interest between the shellers and the producers. But you all do not consider that to be any conflict at all.

Mr. DAVIS. No, sir.

The CHAIRMAN. In other words, you cannot be in business unless the farmer stays in business and continues to produce peanuts.

Mr. DAVIS. We would not last long, no, sir.

The CHAIRMAN. Senator Helms.

Senator HELMS. As we say on the Senate floor, I wish to associate myself with the chairman's remarks. I am glad to have you here.

The CHAIRMAN. Thank you very much; good to see you.

The next witness is Mr. Jack Miller, chairman of the peanut committee, Georgia Farm Bureau Federation, accompanied by Mr. Bob Marlow.

They are also constituents of mine and longtime friends. We are happy to have you, gentlemen. You may insert your full statement in the record and may proceed in any manner you see fit.

**STATEMENT OF JACK E. MILLER, CHAIRMAN, GEORGIA FARM BUREAU PEANUT COMMODITY DIVISION COMMITTEE, ACCOMPANIED BY BOB MARLOW**

Mr. MILLER. Thank you, Mr. Chairman. Mr. Chairman and members of the committee, I appreciate the opportunity to present comments on Senate bill S. 2249, to increase the 1980 support price on quota peanuts to \$502 per ton.

I am Jack Miller, chairman of the Georgia Farm Bureau Peanut Commodity Division Committee and a member of the Georgia Farm Bureau State Board of Directors. As a full-time farmer, I operate a 900-acre farm in Lee County, which is located in southwest Georgia, and raise 148 acres of peanuts. I am very interested in changes that would improve the income of farmers, and am here today representing Georgia Farm Bureau's 125,000 members, 16,000 of which are peanut producers.

The Georgia Farm Bureau voting delegates at the annual Georgia Farm Bureau convention in November established the following policy:

We urge the Secretary of Agriculture, when considering an increase in the minimum support level for quota peanuts for 1980 and future crops, to take into full account any increase in the index for the prices paid by farmers for production items, interest, taxes, and wage rates.

This apparently was not done in Secretary of Agriculture Bergland's announcement on January 30, 1980, establishing the national support level of \$455 per ton.

As you well know, the effect of no quota support increase since the amended program has been in operation has resulted in a gross reduction in the prices paid to the grower, since production costs increased 12 percent in 1978, 14 percent in 1979, and there is an anticipated increase of 20 to 25 percent in 1980. I have a few figures that I wrote down on the back part of my testimony, showing that interest is up 30 percent already. I just got back from the bank Monday that they will only give me a 90-day loan, and



that loan was up another 3 or 4 percent, which would make the interest to be up 50 percent from this time last year.

The CHAIRMAN. What is the interest rate on that loan?

Mr. MILLER. Fifteen and three-quarters.

The CHAIRMAN. Fifteen and three-quarters—your banker is kind to you.

Mr. MILLER. Yes, sir.

The CHAIRMAN. The rural banks in Georgia, and I hope the rest of the Nation, have taken into consideration, in adjusting interest rates, the ability of our farmers to pay. I wish the banks all over the country would do that.

Of course, the big city banks in New York now have a prime rate of 17¾ and they require a compensating balance. By the time you figure it all up, it is about 20 percent.

Mr. MILLER. Yes, sir. Thank you for bringing that up. Like I say, this was prepared just a few weeks ago, and, of course, we did not know that was going up. Apparently, the banks are anticipating this because they are limiting to a short-term note, renewable in a short term.

It has already been brought up that fertilizer has increased by 20 percent since the first of the year. We know, of course, that the prices of other things are continuing to go up month by month, and so we do not really know what the cost of production is going to be by September 1980.

According to information released by the USDA and published in the March 2, 1980, issue of the Albany Herald, higher prices for some commodities pushed up average farm prices in February by 0.8 percent—sounds good. Despite the slight increases, prices were 1.2 percent below a year ago. Farmers' expenses have risen 0.7 percent in February alone. Retail food prices are expected to rise 7 to 11 percent this year, with most of the increase coming in higher costs for processing and marketing. The farmer, of course, will not receive any of this increase.

Peanut production appears to have reached a plateau since 1974, increasing only 3.4 percent. With production yields leveling off, growers cannot continue to offset constant support rates plus inflationary forces by efficient production alone.

We feel that a quota support rate of not less than \$502 per ton, which amounts to approximately 19 percent over the \$420 per ton 3 years ago, is necessary. Although \$502 per ton is roughly 70 percent of parity at the present, by market time in September 1979, this will reflect a considerably reduced percentage of parity for that date of about 60 percent, if inflation continues at the present rate. We therefore feel that Senate bill S. 2249, asking for the \$502, is very reasonable.

I feel that if quota peanuts are supported at \$502 per ton, the basic needs for domestic consumption would be met and the additional peanuts would be grown as worldwide demand dictates. This would ensure the farmers of at least a break-even situation in an average production year. I think the Department agrees with us that at least half of the farmers have a chance of making a profit and the other half are in trouble.

We would also like to remind you of the high degree of responsibility that the Nation's peanut producers showed in helping to



develop the needed changes in the program in the 1977 act. These changes have resulted in a very substantial reduction in what the incomes from peanuts would have been under the former program. These changes have also reduced program cost to nominal levels; in fact, the peanut program has cost the Government a very small percentage when compared to other Government farm programs.

Peanut farmers also realized at this time the need for export promotion of their product and, as a result, developed a very aggressive program with their own funds to promote the sale of U.S. peanuts in the world market. Export sales have increased over 50 percent during this period of time.

We believe these factors should be taken into consideration along with the sound economic case that exists for fair and reasonable increases in the peanut quota support by Senate bill S. 2249.

I realize that a few people in Government do understand the situation of the peanut farmer, and many have tried to recommend changes to help. These individuals have been overruled on their requests by persons of higher authority.

Problems for the farmer in the past have been his own, with him working them out by producing more or increasing efficiency. The farmers' problems have now evolved to be the concern of every consumer in America. Our problem is serious, and we are willing to make every effort possible to explain our situation.

In commenting on that particular paragraph, I would like to comment that in years past farmers have not had to work in legislative affairs, because most of the—when I started farming, most of the legislators had a farming background, and so we did not have to participate in some of these things that we are doing today. But now we are not represented fairly, and so the problems of the farmer are not just his now, but I think they are something that every consumer must address himself to, because we are in a serious situation and this is going to spread to the food industry everywhere, and I think the average consumer is going to be in a great deal of trouble.

Mr. Chairman, thank you for the opportunity to meet with you to discuss the support of the Senate bill S. 2249, which will increase the support for quota peanuts to \$502 per ton for the 1980 crop.

May I bring up another point? This cost of the program has been brought out very well, but I have noted on the information that I have that the cost of the peanut program since 1977 has gone down, whereas the cost of every other program in the Government has continued to go up, and I think this is as a result of what the peanut producers have been willing to do in these few years. But we cannot continue to operate with our costs going up and our income going down.

The CHAIRMAN. I compliment you on an excellent statement, and I compliment the peanut producers on trying to get the costs of the program down, which you pointed out they have done. It is one of the few commodity groups that I have known in America, or any other group in America that I know anything about, who is willing to come in and say, "We are willing to take our share in order to reduce Government costs." Now, having reduced Government costs, the Government wants to penalize you further.



I believe you stated in your statement that you raise about 90-some acres of peanuts.

Mr. MILLER. Right.

The CHAIRMAN. How much have your costs of production gone up since 1972?

Mr. MILLER. I would say more than double.

The CHAIRMAN. In other words, 100 percent?

Mr. MILLER. Absolutely.

The CHAIRMAN. And during that period of time, the support level has been increased only 8.3 percent?

Mr. MILLER. No, not since 1972.

The CHAIRMAN. Since 1977, how much has it risen?

Mr. MILLER. The cost of production, since 1977, has probably risen more than 50 percent.

The CHAIRMAN. And the price support increased 8.3 percent?

Mr. MILLER. Right.

The CHAIRMAN. That is a hard way to make a living, is it not?

Mr. MILLER. Yes.

Senator HELMS. You cannot do it on volume, can you?

The CHAIRMAN. No, you cannot do it on volume.

I notice that appended to your statement—and you alluded to it in your statement—are some of the items that have gone up even more than the inflationary spiral. You state here anticipated cost of production increases for 1980: Interest, up 30 percent. That is above the inflationary rate nationally, is it not?

Mr. MILLER. Very much so.

The CHAIRMAN. Limestone, up 25 percent; that is above the national inflation rate. Fuel, up 120 percent; that is six times the inflation rate increase.

I think that farmers have been harder hit by inflation than any other group that I can possibly think of, unless it is our elderly citizens who are retired and on minimum benefits such as social security or SSI. Do you agree with that statement?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Thank you very much.

Senator Helms?

Senator Helms. Mr. Miller, your testimony is excellent. I had a peanut farmer write to me the other day, and he compared the peanut farmer, when he goes to get credit, with four of the seven dwarfs. He said that when you go in to borrow money, you are Bashful; when you find out that they do have a little money to lend you, you are Happy. When you find out the interest rate, you are Grumpy; and if you accept the interest rate, you are Dopey. [Laughter.]

Thank you very much.

The CHAIRMAN. Thank you very much, gentlemen.

Our next witness is Mr. Buren Jones, Georgia American Agriculture Movement, Lumpkin, Ga. Buren is an old friend of mine of many years and a constituent.

Come around; we are delighted to have you, sir. You may insert your full statement in the record and summarize it in any manner you see fit, Mr. Jones.<sup>1</sup>

<sup>1</sup> See p. 67 for the prepared statement of Mr. Jones.



STATEMENT OF BUREN JONES, GEORGIA AMERICAN  
AGRICULTURE MOVEMENT, LUMPKIN, GA.

Mr. JONES. Senator, it is a privilege and an honor to be here today. I am known as Buddy Jones from Lumpkin, Ga.; I am a peanut farmer. I produce some 730 acres of peanuts in Stewart County, Ga.

The CHAIRMAN. If you will yield at that point, is all that land owned or rented?

Mr. JONES. I am in partnership with the Singer Co. in Lumpkin, Ga., known as the Singer-Jones farm. The Singer Co. owns something like 300 acres of the allotment of 350, and we lease the rest on a long-term lease.

The CHAIRMAN. By "long-term," what do you mean?

Mr. JONES. A 5-year lease.

The gentleman from the Department of Agriculture was talking about high rent costs. My cost of rent is tied up on a long-term lease and is very low compared to some rent in the State; it averages less than \$100 an acre. I will summarize my testimony on the basis of that rent.

I would like to state that the American Agriculture Movement of Georgia, and I as a farmer of Stewart County, Ga., would like this opportunity to state that we support Mr. Reynolds' testimony 100 percent, and all other testimony that has been presented here today.

The CHAIRMAN. Except for Mr. Hjort's. [Laughter.]

Mr. JONES. Yes, sir; excuse me for disregarding that.

In 1977 when the American Agriculture Movement started, I think the farmers were split and divided on some of the things that they wanted to do and accomplish. Today, each organization is here in unity, and I think we now have a good opportunity to help ourselves by working together. The only way the farmer is going to be able to help himself is to do it himself.

I think it is a crying shame that Senator Talmadge had to devote all his time getting up a new bill, when we have legislation already in force that, at a stroke of a pen, could change our price system to where we could survive. If the administration would do their job, he could be helping on the energy problem, world problems, and other problems that we have facing us today. Instead, he is having to waste his time here trying to help the peanut farmers of the Southeast.

I would like to take this opportunity to persuade you of the necessity of an additional increase in the support price for quota peanuts for the 1980 crop. Much of south Georgia is completely dependent on peanuts as far as any hope of paying the large debts built up over the past 3 years.

I would like to summarize a little bit right there. When I first started farming about 20 years ago, a ton to the acre of peanuts was a real big yield of peanuts in Georgia. A farmer figured that if he made 1,500 pounds, he could break even.

You know, I farmed all my life, and up until 1977, I never heard of a disaster program. When I was a boy in 1954 and we farmed, we did not even pick our peanuts. In the next year or two, you know, we had a pretty good economy in agriculture, and we could



make a good crop and overcome it, because we had some profit if we made a good crop.

In 1977, they came out with the disaster program, and that was the beginning of the era that was a disaster for farmers. They have had to have a disaster program every year since. With the present administration, we will have to have a disaster program next year if the farmer is to survive.

Much of the economy of the rural communities and many other larger cities in south and central Georgia has, in the past 15 years, become increasingly dependent on peanuts as a stabilizing force in their economy.

The money spent by the Commodity Credit Corporation on peanuts has given a greater return to the citizens of the peanut-growing area than to the peanut producers themselves. The gross peanut sales from producers in the United States in 1979 was \$823 million. Applying the 7-to-1 economic factor to this, you can see that that is \$5,761,000 that went into the economy.

This came as a direct result of peanut production in 1979. I believe that when our leaders in Washington learn to apply simple math to their decisions, we will be able once again to become a flourishing nation instead of the withering mass we have become in the past 150 years.

The only increase in peanut price supports in 3 years came this year and was only a little over 7 percent, while our costs have increased 30 percent. The \$455 per ton price is not nearly enough to cover the cost of production.

To summarize a little bit on that, they raised the price 7 percent, but they lowered the price on our excess peanuts from \$350 to \$250 for disaster loans. What bewilders me is, why is it that everytime this country has a product that we can export out of this country to balance the trade deficit, they want the farmers to grow it below the cost of production.

If you export \$30 billion worth of products out of this country and it costs the farmers \$40 billion to produce it, you have a \$10 billion deficit. That money is gone; we have no resources whatsoever to pay it with. The only place it can show up is in the PCA debts that people cannot pay and the FHA loan officers that people cannot shake.

If you do not believe that is a fact, you go around and look at these offices and you will find out that the debt is there. We have exported our wealth out of this country, through not only peanuts, but soybeans and other crops.

On March 5, a weed control chemical, Dynitro, which must be used for quality peanut production, increased from \$7.75 to \$14.20 a gallon. This is happening in all of our production items, and if we are to survive, Congress must act to alleviate the pressure by increasing the prices of our commodities whenever possible.

I want to urge you to consider the \$502 per ton support price for quota peanuts for the 1980 crop year. To summarize a little bit on this, I do not know whether our department of agriculture in Georgia knows as much about cost of production as Mr. Bergland's office does or not, but we have a man down there, Mr. Frank McGill, who has been working with peanuts for my entire farming career; all he has done is research.



This information was put out by our department of agriculture in Georgia, and I think Mr. Talmadge knows what the farmers have had to go through in southwest Georgia due to diversified farming and high costs of equipment. We have had to try to go to irrigation in a lot of places, especially way down in the southwest peanut belt, to try to make our equipment warrant itself.

On irrigated land, we are taking a yield of 4,600 pounds of peanuts, which is unrealistic on an average. If you have 500 acres of peanuts under irrigation and you think you are going to make 4,600 pounds an acre, you are kind of wet in the head, in my opinion. But these are the figures they came out with.

Taking the 4,600-pound-per-acre production figure, which is by far too high for most areas, the cost of producing an acre of peanuts, using the Agriculture Extension Service figures, would be \$892.

Using the \$455 per ton for quota and \$250 per ton for nonquota, and a 3,500 pound original quota which would mean 2,450 pounds of peanuts at \$455 for a net of \$557.37 and 2,150 at \$250 for a net of \$268.75, combined means \$826.12 per acre sales.

This situation leaves a loss of \$66 per acre and we have used maximum production figures and minimum cost of production figures. Unless immediate action is taken to further increase loan price of peanuts, peanut producers along with rural communities in the peanut-producing areas and agribusiness will only go further in debt and be at the mercy of ever-increasing interest costs.

Attached to my testimony here, I have a few facts. I have a chart here that says from 1960 to 1979—and this is on all the costs of farming, not just pertaining to peanuts. In the past when I was making good money on peanuts, I could plant my peanuts and I would plant 100 acres of corn, because it was a good rotation for my peanuts.

I would make a profit on my peanuts, and if I did not make any money on my corn, a heap of farmers, back before the business world got to going so good, if they sold the corn and cleared the corn, that is what they made.

But now the arithmetic has changed and we have to figure a profit on everything we grow. From 1960 to 1979, the price to the farmer rose 160 percent on the average. The cost of farming was up 309 percent, and along with that, the farm debt rose 445 percent.

Since January 1, 1980, costs have increased substantially. Diesel fuel was up 88 percent in a year's time. Fertilizer was up 25 to 30 percent, and it has gone up another 10. Herbicide is up 10 percent, and it has gone up another 10 since the first of the year.

Interest is up 40 percent, and this has nearly doubled again since the first of the year. Farm machinery is up 12 to 25 percent, and this went up again. The price of all our commodities has either gone up very little or gone down. I do not believe I can stay in business now in this situation, trying to produce peanuts at \$502 a ton after 1980.

You know, most farmers have been losing money since 1977. A while ago, they were talking about the young farmers who are in trouble. If these old farmers do not tell a lie, they are in trouble too.



They keep talking about the family farm. A family farm today is a corporate farm; it is a big business. I started traveling around a good bit in 1977 with the American Agriculture Movement, talking to farmers all over this country. I was shocked to find farmers in the Midwest growing 3,000 acres of wheat with a \$100,000 gross income.

It is nothing to have a farmer in Georgia or Alabama or Florida who worked from 12 to 1,500 acres, and some of them up to 3,000 acres, on a family farm. They are not corporations; father and son operations with three or four employees. Their gross income is anywhere from \$800,000 to \$2 million a year; that is a big business.

In 1973 and 1974 when the energy crunch first started, my gross income in those years was \$1.3 and \$1.4 million. I had hogs; I had cows; I had cotton; I had corn; and I had peanuts. I saw I was in trouble then. I put in some \$350,000 worth of irrigation in 1973 and 1974, because my lenders told me that was the thing to do.

If I was going to keep borrowing this kind of money, I had to buy an insurance policy. I bought the insurance policy. My costs of production have continuously risen, and my prices have stayed the same. The yield factor just is not there with irrigation.

We have had auditors in to do our books; we keep a real good set of records. We know what it costs us. When I took a piece of paper and a pencil and I sat down and tried to figure out what I was going to do to warrant my investment on irrigation and equipment, it said expand.

When I sat down and figured what I would get for corn, cotton, soybeans—at that time, you could make a little money on peanuts. But the scope of land that I would have to work to make rotation on my peanuts, with these other crops that I would have to plant, I would lose money on my peanuts.

If I cut back, I could not pay my capital investment. If I expanded, I lost even more, so I chose to start cutting back. I cut my operation in half in 1975, and now I am down to just more or less producing those peanuts and letting the land lay out. I plant a few beans if I can catch a contract for \$7.95 or \$8, which is something I feel I can make money on.

But now the peanut is gone, and peanuts have generated the economy in the Southeast in the last 10 to 15 years. Now we are faced with a disaster in the peanut program. Well, it is really not a disastrous peanut program; we have a disaster in the administration.

We have a group of people out there that I cannot vote in and I cannot vote out. I cannot hire them, I cannot fire them, and I can hardly talk to them, because they know a lot more than I know. They sit in that office and do a study on the telephone, and that is what I have to live by.

We have to get some way of getting to these people and letting them understand what is happening and how much power they have. They have a lot more power than Senator Talmadge, or anybody else in this room. That gentleman that just testified from the Agriculture Department can do a lot more than Senator Talmadge can do for me or against me. But I have the opportunity to vote for Mr. Talmadge or to vote against him, but I cannot vote for or against that man.



I can vote for or against his boss, Mr. Jimmy Carter, but that is the only alternative I have. I still cannot hire him or fire him. I think that peanut people and all agriculture people are going to have to work with you people, and we are going to have to convince these people some way that we need help. They have to understand our problems.

We need to educate the consumer, but we need to educate these bureaucrats a heck of a lot more. Thank you.

The CHAIRMAN. Thank you very much, Mr. Jones, for a very logical and very eloquent statement. I hope that every Member of Congress will read this statement in the record.

Now, I have been on the farm you operate; it is fertile, large, and efficient. If you cannot make a profit there, the average peanut farmer in Georgia cannot make one, can he?

Mr. JONES. That is correct. I do not figure myself to be inefficient. These figures here showed \$32 an acre for labor to produce an acre of peanuts. I want to see a man work 1,000 acres of peanuts with \$32,000 labor.

The CHAIRMAN. He cannot do it.

Mr. JONES. Your aide makes more than that by himself. [Laughter.]

It takes 10 to 12 people to work 1,000 acres of peanuts.

The CHAIRMAN. Now, is it not true that the average farmer in Georgia—and I think it is also true of the Nation—is really surviving by the increased valuation of his land and he is borrowing more and more on the equity of his land and living on borrowed money?

Mr. JONES. That is correct, sir. That was the problem I had. I did not inherit the big farm; I did not have any equity. We started our partnership in 1968. We had just a little equipment; we bought equipment. Incidentally, the last new piece of farm equipment I bought was in 1974. They were talking about air-conditioned cabs, and all these things. I am still farming with tractors I bought in 1968; a tractor cost me \$6,500 at that time.

I mean, I am not trying to go out and buy new stuff. I would like to have new stuff, but I know I cannot do it. But I am still losing money every year.

The CHAIRMAN. I think you summarized your statement here when you computed cost. On page 2 of your testimony, after your computations, "This situation leaves a loss of \$66.68 per acre and we have used maximum production figures and minimum cost of production figures." That pretty well summarizes the situation, does it not?

Mr. JONES. Yes, sir. Just to show you a good example, we average in Stewart County around 3,000 pounds of peanuts to the acre. Last year, I had about half of mine under irrigation. I got a 1,000-pound yield increase on irrigated peanuts. The man says, "Well, that is over \$200 an acre that you have to pay for irrigation."

My average yield then was only 2,500 pounds; with dryland peanuts, maybe 1,500 pounds. We had a lot of dry weather, and then we were out in the fields plowing up for about 3 weeks.

But, you know, I have to get way up past 3,000 pounds before I can take that \$200 and pay for my irrigation. Sure, it made that much more, but I already had that cost put in to start with.



I do a lot of flying; I flew Charles around a good bit for the Senator, and we flew all over the State of Georgia. It disturbed me to see a farmer grasping, trying to produce food and fiber.

You know, when a man puts in irrigation, he has to put in the most efficient irrigation system he can. You see bulldozers running, pushing up trees so they can put that circle in that field. I know what it costs; I have been down that road. Their cost is a lot greater than what mine is. I tried to figure out how he is going to survive; what is he going to do.

I have a boy that is 20 years old; he is going to get married this Sunday. If you have time, I would like to tell you a little story.

The CHAIRMAN. We will take time.

Mr. JONES. I was this high [indicating], and I used to sit around the supper table at night with the family, with my grandfather and grandmother. I was going to a little school called Western Georgia, and they were talking about consolidating that school with one 9 miles up the road, called Preston.

They said, "We cannot allow this, because we do not want it and we think we ought to have the right to have our local school." Well, you know what? The next year, I got on that bus and went to Preston.

A few years later when President Eisenhower was in office, we had a State's rights argument. I am not talking about civil rights; I am talking about the State's rights. I am talking about people's rights—my right to stay in business as a private businessman, your rights, and everybody else's rights in this room.

We sat around that same table, and they said they were going to do something about it; they were going to fight for their rights. You know, we lost them, and now my son has heard his father say the same thing.

So I hope that unity will come someday so we can stand up and put America back on its feet and it get it headed in the right direction. Thank you.

The CHAIRMAN. Thank you. Senator Helms?

Senator HELMS. No comment, except thank you.

The CHAIRMAN. Thank you very much.

[Applause.]

The CHAIRMAN. Ordinarily, we are not supposed to have any demonstrations, but I concur in the enthusiasm of the audience.

The next witness is Mr. Floyd L. King, director at large for peanuts, Gold Kist, Inc., Atlanta, Ga. We are delighted to have you, Mr. King. You may insert the full statement in the record and summarize it in any manner you see fit.

#### STATEMENT OF FLOYD L. KING, DIRECTOR AT LARGE FOR PEANUTS, GOLD KIST, INC., ATLANTA, GA.

Mr. KING. Thank you, Mr. Chairman. For the benefit of those people who did not understand who I am, I am a peanut grower from Oklahoma. I have been in the irrigation and farm supply business for 26 years, and in the farming business for a lifetime.

Senator HELMS. Would you hold for a moment?

[Pause.]

The CHAIRMAN. Excuse me, sir. You may proceed in any manner you see fit.



Mr. KING. Again, I am a peanut producer from Oklahoma. I was formerly president of the Oklahoma Peanut Growers Association for 13 years, and a director on the Southwestern Peanut Growers Association for about that long, and a director at large on Gold Kist for 18 years. I am also a director at the largest bank in Caddo County that supplies farmers with the money they borrow to make a crop.

I say these things only to point up some experience in more than one category that would be pertinent to this testimony and this issue today. I am speaking now for Gold Kist, Inc., Atlanta, Ga., as a director at large for peanuts.

We would like to take this opportunity to tell you of the action taken on December 6, 1979, by the Gold Kist, Inc., board of directors on behalf of our 10,000 peanut-producing members, in which the board urged USDA and Secretary Bergland to implement steps to substantially raise the price support for 1980-81 stock peanuts above the current level of \$420 per ton.

Since the current peanut program was initiated, peanut farmers have faced unrelenting increases in all input costs, coupled with the USDA's announcement of a 5-percent reduction in quota pounds for 1980. We understand that USDA studies confirm that substantial cost increases have occurred. Grower figures, which are well documented, show cost increases of 11 percent for 1978 and 14 percent for 1979. We are sure that additional increases will occur in 1980 prior to harvest time.

Our peanut-producing members in the Southeast, Southwest, and Virginia-Carolina producing areas are family farmers who have seen profit margins eroded by these continued cost increases in all areas, with no relief in the form of profit potential.

Peanut producers must have immediate relief by a substantial increase in support price. We therefore urge you to increase the price of quota peanuts for the 1980 crop year commensurate with the cost increases well proven already by the grower sector.

I might ad lib to the point that this means 75 percent of parity. There is absolutely no reason to believe that growers can continue to produce high-quality peanuts and give a bountiful supply to the trade without receiving a price which would help to offset cost increases brought on by inflation.

We, as a cooperative of 10,000 peanut-producing members, hold out the hand of peanut farmers in a respectful manner and ask you to consider in a positive way this request for a well-deserved price support increase.

Peanut growers received in 1979 approximately 59 percent of parity for their peanuts, compared to 71 percent in 1977. It is inconceivable to expect this segment of our society to survive in an inflationary atmosphere and absorb this type of treatment.

We are sure it is not the intent of Congress or USDA to contribute to deterioration of the grower industry, but you can be sure of one fact. Unless price supports are increased for 1980 to reflect the increase of prices paid by producers, deterioration is certain and farmers will suffer undeserved losses.

I would like to ad lib for just 1 minute. Senator Talmadge, you were the vice chairman, I believe, of the Senate Agriculture Committee a number of years ago when the colored people of this



Nation located themselves in the area of the lake; I believe they referred to it as "Resurrection City."

Senator Holland, at that time, was the chairman of the Senate Committee on Agriculture, if I am not mistaken.

The CHAIRMAN. Senator Ellender.

Mr. KING. Senator Ellender.

The CHAIRMAN. Holland was the chairman of the Agricultural Appropriations Subcommittee.

Mr. KING. I see. At that time, we were asked to come up here and modify the peanut program. Each administration since President Eisenhower has asked us to modify the peanut program.

I testified before you at that time to the effect that peanut producers did not want to become adamant and did not want to get to the hysterical state. We did not want our program to deteriorate to the point that we would have to become adamant, and that we would have to come up here every year over and over and over again, like these gentlemen before me, and tell you that we are literally begging for some help. I'll be darned if we have not gotten to that point.

Pride of farmers is well known, and it does not help that pride to have to come up here every year and beg some bureaucrat to listen carefully, without biased prejudices, to a proposal from agriculture.

As Bob Poage said when he retired, we may have written our last good agricultural bill, because it is so difficult to get enough votes and to get enough people to listen to fulfill the need of agriculture.

Who do you see here today that is our opposition? USDA representatives came and went. In the House Agriculture Committee a few weeks ago, the USDA representatives were way down the ladder—privates and corporals, compared to the people who make decisions in USDA.

I respect the fact that Jim Williams is sick, but I do not respect the fact that everytime Agriculture comes up to testify, they find some reason either not to attend at the highest level or to come and speak and leave. I also object to the fact that someone in the Office of Management and Budget has the power to set this price support and to control so many segments of our economy, and they never show their heads at an agricultural hearing. I think this is pathetic.

I think, Mr. Chairman, that you are one of the stalwarts of agriculture, and I think Senator Helms is. Farmers are not dumb. Peanut farmers have become politically oriented enough to know who their friends are, and I think that the peanut farmers should congratulate you people who have stayed with us and are still here. I wonder where the others are. I think it is time that those others, wherever they are from—Oklahoma, Texas, or wherever they are from—should wake up.

I have a newspaper clipping here out of the Daily Oklahoman; it is yesterday morning's newspaper. It says, "Carter To Loosen Voluntary Wage Guidelines." Mr. Chairman, those wages, whenever they are raised as the unions strike and they get 3-, 4-, and 5-year contracts and produce the combines that we have to buy, that means that this administration is, in effect, saying, "All right, we will give up on our inflationary battle and we will go along with



labor to produce a farmers combine so that peanut growers can buy it with \$450 a ton peanuts. But we will not go along with raising those price supports in agriculture that will make them able to buy that combine."

This is political hypocrisy in its strictest form, and I think USDA is part of it. I have been a businessman for 26 years. We have 31,000 acres of irrigated peanuts in my county, which is one of the better producing counties in the Nation.

I know the implement business. I think I know the banking line enough to know what position the peanut grower is in. Gentlemen, I wonder if you would think about this. Every month, the board of directors of our bank goes down this huge list of loans; we approve them or we change them.

It is frightening, Senator Talmadge and Senator Helms—and I might say for the USDA people, if there are any in attendance here—it is frightening to learn about the producers. I am talking about good producers now; I am not talking about someone out here that is a jake-leg operator and does not know how to operate efficiently and does not know how to farm.

I am talking about good producers to whom we have said, "You must go to FHA; we can no longer finance you under these situations." Why? "Your security, first of all, is low, and your potential for profit is down next to zero." This is serious.

I know there is testimony here from the peanut butter manufacturers, and I wish Jimmy Mack were here. I do not know why he is not, because the peanut producers have helped that man out, and they have helped the manufacturers out. Yet, they do not show their tails here.

There is coming a time when there has to be something done about this. I asked Jack Coppege a minute ago for permission to make this statement. He made a statement to Howard Hjort before Mr. Hjort left to the effect that there had to be something done or the producers were not going to produce peanuts. Do you know what Howard Hjort replied? "Well, so be it; that is all right."

It is reminiscent of a paragraph in his statement where he says, "Why not just throw the whole thing out?" I say that that kind of irresponsibility in USDA, whether he is from Purdue, from Yale, or wherever he is from, needs some reorientation by the administration. There needs to be some changes made.

Jack made this statement following that: "I am not just talking about peanuts, but I am talking about grain and wheat and cattle, and all these things." And Howard Hjort replied, "Well, no, they will not do that; they will have to go ahead and produce it." That was his remark, Senator Talmadge.

I sell peanut combines manufactured, Senator, in your State down at Albany in the Lilliston Manufacturing Co. I have been handling those cultural tools as well as the harvesting tools for about 20 years, I guess. I have a price list here for 1978.

I wanted to go back to 1973, 1974, and 1972, but we had destroyed those. But I do have the price for a 1978, model 1580 peanut combine, and I have the 1980 price sheet for that same one. I wish to goodness that the manufacturers would listen to this.

That 1580 combine in 1978—only a little over a year ago—was \$10,150. Today, we are almost ashamed to price that combine at



\$12,600, and it has not changed one iota in pounds of metal, not one.

The 6,000 High-Cap combine, which is a very popular combine throughout the Nation, was priced at \$13,850 just a little over a year ago. There is a price list right here, and it can be left here if you want it—\$16,750. I paid \$780 freight to get one of those from Valdosta, Ga. to Eakly, Okla., in the fall of 1979.

I know what I am talking about in irrigation also, because I have been there for 26 years; that is what I started in. A man walked into our 25th anniversary day on December 11, 1979, and he said, "I have some bad news." I said, "You are the tenth one today; what is it?" He said, "Prices on pumps are going up 12 percent on January 1, and 21 percent on your repairs on January 1."

Let me say this, Senator. Since that time, we have been notified by letter by numerous companies—and we deal with a lot of different companies; electric motors, internal combustion diesels, and pumps of all kinds—we have been notified by approximately half of our major suppliers, "Do not depend on the price book; you will be billed at the time of delivery." That is like it was in 1973 and 1974.

In Howard Hjort's statement, when he began to talk about changing this program so that farmers who were leasing peanuts could lease them for a lower price, in our opinion that is entirely misdirected. May I suggest that the real reason is strictly politics.

Why not admit it, Mr. Hjort—and I hope to goodness he reads this—that peanut producers simply do not have enough votes to influence USDA or the administration to support peanuts at a livable level? Why, at the same time, do you approve annual raises at USDA itself and other bureaucratic levels? You have grain, corn, and other segments there on your doorstep almost weekly, dissatisfied with target prices.

If you have all of these problems with these other programs, why bring a good peanut program down to their level? Let us elevate those to what we used to know as a real good peanut program, a workable program, and one that worked and one that farmers could live with, where manufacturers were assuming the responsibility to sell that product at that price.

I think it is time that this administration and USDA realine and reorient their priorities. Otherwise, we will have to continue saying that this is disgustingly serious. Thank you, Senator.

The CHAIRMAN. Thank you very much, Mr. King, for a very able and very eloquent statement.

On page 2 of your testimony you stated, "Peanut growers received in 1979 approximately 59 percent of parity for their peanuts, compared to 71 percent in 1977." Now, that is a reduction of about 15 percent; is it not?

Mr. KING. Yes, sir.

The CHAIRMAN. The cost of production during that period of time went up about 50 percent; did it not?

Mr. KING. That is correct.

The CHAIRMAN. If the other segments of our society, particularly labor unions, had had that happen to them, they would be in Washington tearing up the Capitol, would they not?

Mr. KING. They would have torn it down and hauled it away.

The CHAIRMAN. Senator Helms.



Senator HELMS. Mr. Chairman, I do not think that anything else needs to be said. The process of picking out one segment of the economy which, in numbers, is not able to defend itself politically, is a destructive process.

Mr. KING. That is exactly what has happened.

Senator HELMS. I agree with you, sir, and I agree with the Chairman that your testimony was eloquent.

Mr. KING. Mr. Chairman, I have a note here to the effect that the Southwest Peanut Shellers Association would like for me to reiterate that they are in complete agreement with the testimony of the producers side of this issue, and they request you to positively consider a raise to \$502 a ton, sir.

The CHAIRMAN. Thank you very much, sir.

Mr. James E. Mack was supposed to testify on behalf of the Peanut Butter and Nut Processors Association and the National Confectioners Association, but he was unable to be present at this point. I will ask that his statement be inserted into the record.<sup>1</sup>

The next witnesses are Mr. Carlton Butler and Marvin Everett, Virginia American Agriculture Movement.

Gentlemen, you may come around. You may insert your full statement in the record, Mr. Butler, and you can summarize it as you see fit, sir.

Mr. BUTLER. Mr. Chairman, could I also ask Billy Bain, a Virginia peanut grower, to come forward?

The CHAIRMAN. Oh, certainly, sir. We are delighted to have him.

**STATEMENT OF CARLTON BUTLER, VIRGINIA REPRESENTATIVE FOR PEANUTS, AMERICAN AGRICULTURE MOVEMENT, CARRSVILLE, VA.**

Mr. BUTLER. Mr. Chairman and members of the Senate Agriculture Committee, it is a pleasure for me to be here today to testify before you. My name is Carlton Butler, a peanut farmer from Carrsville, Va., and also the State representative for peanuts for the American Agriculture Movement. I am here today to testify for Senate bill S. 2249, introduced by you, Senator Talmadge, in support of \$502 per ton for quota peanuts. I am very concerned with the support price recently set by the Secretary of Agriculture.

As you know, under the 1977 farm bill the peanut program was changed. The old program had worked well both for the farmer and for the sheller. We were supported at 75 percent of parity. This was adjusted each year in August to reflect the increase in the price index. This helped the peanut farmer to keep up with inflation, but this is not the case under the new program. We were supported at \$420 per ton for 3 years, and in this time period, the cost of production has skyrocketed to a point that we are barely making ends meet.

In late January, the Secretary of Agriculture announced a new support price of \$455 for quota peanuts and reduced additional down to \$250. This is a very small increase compared to a cost of production that has gone up over 26 percent in 3 years. The quota price is an 8.3 percent increase over the \$420 price for 1978 and 1979. If you take this over a 3-year average, you have less than a 3-percent increase per year. How in the world can you and I survive

<sup>1</sup> See p. 76 for the prepared statement of Mr. Mack.



on a 3-percent increase when inflation is averaging 13 percent a year or higher? It does not take an economist very long to figure out what this means in terms of making a profit on your investment.

If the peanut program had not been changed, the peanut farmers of this country would be getting around \$550 per ton for their peanuts today. Today, we are \$100 a ton short of what we should be getting. If some of the commodities under the 1977 farm bill are supported at 80 percent of parity and adjusted twice a year, then all commodities should be treated the same way.

Mr. Chairman, if you take the increase in support price for the 1980 crop and compare it to the 1979 support price, the farmer will be getting a whopping \$5.25 more per acre in 1980 than he got in 1979. This will not be enough money to pay the price of hauling the peanuts to market.

I would like to read an article that appeared in our local newspaper the other day by a Congressman from our State, and I would quote: "Farmers who raise peanuts are being brutally squeezed between rapidly increasing costs and low prices for products." The Congressman said:

The \$35 per ton increase included in Bergland's announcement represents an 8.3-percent hike for the last 3 years, while inflation has risen over 26 percent. People outside farming certainly would not accept pay increases averaging less than 3 percent per year. The ultimate solution is a cure for inflation. Meanwhile, if we want food on the table, we have got to keep the farms in business.

I would like to share with you some of the reasons why I feel the quota should be set at \$502 per ton. Since 1977, the cost of production items has gone up drastically. In Virginia, the cost of producing an acre of peanuts is around \$650 for 1980. This has been projected by the extension service. Fuel has gone up from 45 cents a gallon in 1977 to a dollar per gallon for 1980. LP gas for drying the crop is up from 34 cents in 1977 to 52 cents in 1980. A peanut combine has gone up from \$12,000 in 1977 to \$14,500 in 1980. A 125-horsepower tractor has gone up from \$28,962 in 1977 to \$38,000 to date. I could go on and on, but I think you see what I am trying to say.

When the quota was set at \$455 per ton for the 1980 crop, it was around 61-percent parity. By the time we harvest the 1980 crop, it will be about 55-percent parity. Until we get the support price adjusted each year with the price index or adjusted to the rate of inflation, we will never get ahead.

Mr. Chairman and members of the Senate committee, I would like for you to listen to this quote from section 102 of Public Law 95-113, which is the present farm bill; it was dated September 29, 1977:

It is neither the policy nor the intent of Congress that agriculture and agriculture-related programs be administered exclusively for family-farm operations, but it is the policy and the express intent of Congress that no such program be administered in a manner that will place the family-farm operation at an unfair economic disadvantage.

This new peanut program is doing just what the last paragraph states. We are at an unfair economic disadvantage. As I read this, I wonder if Congress is really trying to accomplish what is intended according to present law.



Gentlemen, I would like to thank you for your time this morning, and I sincerely hope that you will consider what has been said here today by those testifying in favor of increasing the support price of peanuts to \$502 per ton. Gentlemen, my future rests in your decision on this matter.

Thank you.

The CHAIRMAN. Thank you, Mr. Butler. Mr. Everett?

**STATEMENT OF MARVIN EVERETT, VIRGINIA BOARD MEMBER,  
AMERICAN AGRICULTURE MOVEMENT, SOUTHAMPTON  
COUNTY, VA.**

Mr. EVERETT. Mr. Chairman, I am Marvin Everett from Southampton County, Va. I apologize for my hoarseness today. Sir, I hope I can make it through my testimony. I felt a need to be here today, if ever I needed to be here, to work with you all. I want to congratulate you, sir, for your efforts that you are taking to help us down on the farm.

We appreciate this opportunity to present the American Agriculture Movement's views with respect to the economic situation currently facing American farmers.

As you know, this is our third year here trying to improve the situation for all farmers. We are dismayed to report that very few, if any, changes have been made to help the average American farmer in the last 3 years. Granted, FHA and SBA loans have helped a few farmers prolong their day of reckoning. Realizing all of you are good businessmen, we ask you, can you borrow yourself out of debt when operating below the cost of production.

We hear so much today about how much the farmer's income has increased, but very seldom do we hear anything about the fact that inflation cuts our net income by one half or more each year. Does it make good sense to put a lid on the prices we receive for our commodities, while at the same time allowing everything we have to buy go up considerably each year?

We believe the only fair way to solve this situation is to use the 100-percent parity concept for all farm commodities. As you all know, we have been termed greedy and selfish by one who is supposed to be representing the American farmer. This same person saw the need to vote for 90 percent parity while serving in the Congress. This has added to our frustration. If one is greedy for wanting a reasonable return on his investment so as to stay in business, then I am greedy, Mr. Chairman.

Being personal for a moment, on our farm we sold timber in 1978 to pay our bills and cashed in a CD in 1979 to hold on. The timber is not growing fast enough and the CD's have been used. So where do we go from there?

We have a father and sons operation. The sons hope to be the fourth generation of farmers for us. With over 100 years logged to the family, we feel we have gained some experience about our business. We know if we are making or not. Our past history shows we managed to progress with changing times.

Urban Congressmen apparently understood the problems with Chrysler and New York City. We wonder why they fail to work to save the American farmer. They need to realize that they can



survive without Chrysler or New York City as such, but they must have food. We need your help to educate these people.

Our management problems are open to anyone, just ask our neighbors or bankers. We plan to leave you with some facts and figures compiled by the extension service on the cost of production for peanuts and corn in Virginia. I see you have them before you, sir. Agriculture is the largest industry in the State of Virginia, so you can imagine what will eventually happen to our State. The farmers' plight is presently being felt in education, highways, and interest rates in our State.

Mr. Chairman, in order to help our State as well as others, we would like to recommend the following: No. 1, Government support price for most peanuts be set at \$502 per ton. The current support price, despite a \$35 increase in January, is totally inadequate, since inflation has been more than 26 percent over the past 3 years. We feel an 8-percent raise is unfair. Gross income for Virginia growers in 1979 was down by \$12 million.

No. 2, we feel a grain diversion program is essential to avoid a surplus or have us used as political weapons with foreign countries. This can be accomplished by a paid program on voluntary participation.

No. 3, low-interest money be made available to farmers showing a loss since the 1977 farm bill went into effect.

No. 4, we believe that farmers are entitled to receive fair prices for their products that cover the cost of production, and receive a reasonable return on their land, labor, capital, and management.

Economists are saying rising production costs are expected to cut the farmers' net income by 20 percent in 1980. This means a drop in net farm income last year's \$31 billion to about \$25 billion.

In closing, let us remember Henry Ford's saying, and I quote: "You cannot build a reputation on what you are going to do."

We have been meeting here on the Hill for days, weeks, and months, with very little results. You have heard our story several hundred times. It reminds me of our preacher. Most of us think we can attend church, listen to the preacher, and be a Christian. We would hope today that all of us would examine our lives to see how we measure up to being a Christian, a Congressman, or a farmer who is truly dedicated to the service of God and man.

We thank the committee very much for the opportunity to present AAM views on the serious problems of depressed farm income, which is the lowest in the history of American agriculture. Sir, I thank you.

The CHAIRMAN. Thank you, Mr. Everett. I have read your computation of cost figures here, table A, "One Acre of Peanuts—1980." What is the source of this material? <sup>1</sup>

Mr. EVERETT. What is the source, sir?

The CHAIRMAN. Yes.

Mr. EVERETT. Sir, this was compiled by our extension service in Southampton County.

The CHAIRMAN. At the University of Virginia, I take it?

Mr. EVERETT. Yes, sir, and at VPI.

The CHAIRMAN. Under the agricultural extension service?

Mr. EVERETT. Yes, sir.

<sup>1</sup> See p. 70 for the crop budget guides furnished by Mr. Everett.



The CHAIRMAN. As I read it, the production cost for an acre of peanuts here is \$630 an acre, is that correct?

Mr. BUTLER. That was in 1979, Senator.

The CHAIRMAN. 1979.

Mr. EVERETT. Sir, we are looking at \$659.47. It is the "total expenses" there; about three-quarters of the way down, sir.

The CHAIRMAN. Now, your unit cost is \$21.98 and your income is \$21 per unit, so that leaves you a net loss of \$29.47 per acre.

Mr. EVERETT. Yes, sir.

The CHAIRMAN. You cannot get rich fast doing that, can you?

Mr. EVERETT. Sure cannot, sir.

The CHAIRMAN. You would not recommend a fellow to go out and buy a lot of land and go into the peanut production business today, would you?

Mr. EVERETT. No, sir.

The CHAIRMAN. Thank you.

Mr. BAIN. Mr. Chairman?

The CHAIRMAN. Yes, sir?

#### STATEMENT OF BILLY BAIN, AMERICAN AGRICULTURE MOVEMENT, DINWIDDIE COUNTY, VA.

Mr. BAIN. I am Billy Bain; I am from Dinwiddie County, Va. I have some thoughts I would like to throw up at this time, and I appreciate your letting me join with my fellow Virginia farmers. I do depend on peanuts for the main part of my income in farming.

I would like to discuss briefly this land-rent situation, about how raising support prices will make rent go up. I would like for the USDA to consider that a lot of land as well as peanuts is rented on the fourth. I am sure you realize what it is, but just to clarify—when you say "rented on the fourth," the landowner shares in a fourth of the expense of raising a crop.

The CHAIRMAN. Do you rent your land, or do you own it?

Mr. BAIN. I rent most of it.

The CHAIRMAN. For the production of peanuts?

Mr. BAIN. Yes, sir. But the landowner does share in the cost production of the crop and also receives a fourth of the income from the crop. So, therefore, I do not see how raising the support prices will make land rent go up any higher, as it was said, because if I receive more for mine, then the landowner is going to receive an equal share of increase. It would not be a competitive type thing, as USDA is making us believe.

Also, I think we need to protect some of the older people. He said he wanted to lower the rent on the peanut allotment to some of the landowners. I think they should realize that not all landowners are lawyers or doctors or politicians. We do have some people out here that have farmed all their lives and gone into retirement.

I know that three of the people that I rent from are widows, and they depend solely on this rent that I pay them. So what I am asking is, do they want these people to receive a lower income from farming and be eligible for food stamps and maybe get on welfare? I do not follow their thinking there.

Also, on the Government cost, by raising the support price to \$502, I do not believe the increase will be as drastic as they had



said, because we are talking about quota peanuts only. I cannot imagine how it would increase by \$25 million.

They are comparing these loan rates to other commodities. It looked like to me that what they were saying in Mr. Hjort's testimony was that the other loan rates are too low, also. If all of them were set at 90 percent of parity as they should be and as they used to be, we would not have this problem that we are facing in all farm commodities today.

Senator, I testified before this committee 2 years ago. I am not coming back anymore, because I think next year, if there is nothing done, you are going to have other people here to back us up. You are going to have these equipment dealers here fighting for us. Some of the shellers are fighting for us now. If you ride by a farm equipment dealer, you will see the equipment backing up on the yards already, because nobody is going to buy it.

So I hope that you will have success with your legislation. I appreciate your effort, and I just hope you will wake some other people up.

The CHAIRMAN. Thank you very much, gentlemen. Do you have an additional comment, Mr. Butler?

Mr. BUTLER. Yes, sir. I have a few questions I would like to address to the USDA. I am very disturbed that Dr. Hjort this morning did not see enough concern for the farmer to stay and listen to our side of the story. We showed our courtesy and listened to him express his views.

I do appreciate this gentleman coming back, but I do not think a question has been addressed to him since he has been here, so I would hate for him to go back and not have a question.

The CHAIRMAN. I will direct our staff to submit questions.

Mr. BUTLER. I would like to ask this gentleman from the USDA how much his increase in salary has been since 1977. Would you answer, sir?

The CHAIRMAN. Do you want to answer it?

Mr. MOTES. I am not sure if I can remember.

The CHAIRMAN. He will supply it for the record.

Mr. BUTLER. Well, I would like for it to go in the record.

The CHAIRMAN. It will go in the record.

Mr. BUTLER. I am sure that it has gone up more than 8.3 percent.

Mr. MOTES. I think it was 5 percent.

Mr. BUTLER. That is per year.

Mr. MOTES. I believe that is the total.

Mr. BUTLER. How about an in-grade step; does that not give you more of an increase in salary?

Mr. MOTES. I have not had a within-grade.

Mr. BUTLER. There is one other thing I would like to bring out too. The USDA does not seem to realize that the support price determines the price that peanuts are going to be at the market. If they set the support price at \$400, that is all we would get. If they set it at \$500, we would get \$500; if they set it at \$455, that is what we are going to get.

If you go back to the program prior to the 1977 Farm Act, we had what we called support price and loan rate. The support price was \$430 a ton; the loan rate was \$410. Our representative from



the Virginia peanut growers can testify that \$410 was all we got for the peanuts. Is that not right, Mr. Schools?

Mr. SCHOOLS. Yes.

Mr. BUTLER. So the support price is going to determine the price of peanuts, if we could just get them over there to listen. I am sure that if their salaries had not gone up any in the last 3 years, they would not be able to stay up with the current economic conditions.

We have heard a lot about price controls; the administration says they will not work. They tried them on us for 3 years, and we can testify that they will not work. Thank you, sir.

The CHAIRMAN. Thank you, gentlemen; we appreciate your testimony.

The Chair is delighted to recognize the presence of the distinguished senior Senator from South Carolina, Senator Thurmond, who is always very supportive on agriculture programs. He does an excellent job of trying to look after the interests of farmers; he is a cosponsor of this legislation.

Senator Thurmond?

#### STATEMENT OF HON. STROM THURMOND, A U.S. SENATOR FROM SOUTH CAROLINA

Senator THURMOND. Mr. Chairman, thank you very much for your kind remarks. I want to congratulate you for the fine interest you have shown in the farmers, and on your good work on behalf of the farmers.

I will take just a minute to endorse this bill, S. 2249. There is no question in my mind that if farmers are going to survive, more has to be done to assist them. Everything they buy has increased dramatically and they have not received a proportionate increase for their crops that they have produced. I think this especially applies to the peanut farmers.

I just wanted to drop by, Mr. Chairman, to tell you of my deep interest in this bill and to tell the committee that I hope they will approve this bill promptly and give the farmers some relief.

The CHAIRMAN. Thank you very much, Senator. We are always honored and delighted to have you appear with our committee at any time, sir.

The final witness for today is Mr. Robert Mullins, assistant director of legislative affairs, National Farmers Union.

Mr. Mullins, we are happy to have you, sir. You may insert your full statement in the record and summarize it as you see fit, sir.<sup>1</sup>

#### STATEMENT OF ROBERT MULLINS, ASSISTANT DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. MULLINS. Thank you very much, sir. Reuben apologizes for not being able to be here this morning.

The CHAIRMAN. Give Reuben our regards.

Mr. MULLINS. He is home in bed with the flu.

The CHAIRMAN. There is a lot of that happening.

Mr. MULLINS. Mr. Chairman, I do appreciate the opportunity to respond to your kind invitation to testify at this hearing concerning price support legislation on peanuts.

<sup>1</sup> See p. 75 for the prepared statement of Mr. Johnson as submitted by Mr. Mullins.



First of all, I would like to extend to you the greetings of our new national president, George Stone of Oklahoma. He asked that I relay that message to you.

The CHAIRMAN. Please extend him our regards and tell him he will be welcome at any and all times.

Mr. MULLINS. Thank you, sir.

We have heard excellent testimony this morning on the economic situation in the peanut industry. I would just like to make a couple of comments in view of the time factor that we have here.

First of all, in recognition of your leadership in introducing S. 2249, the delegates to the National Farmers Union convention last week went on record in support of your legislation to increase the price support level on quota peanuts from \$455 to \$502 per ton.

Mr. Chairman, we view the legislation before this committee today as extremely important to our peanut producers. My peanut producers are in the Southwestern part of the country—Texas, Oklahoma, and New Mexico.

We believe the increases proposed by your legislation for 1980 and 1981 minimum support levels are fully justified, one, by the rapidly increasing costs of production to peanut producers; and two, by the requirement that the Department of Agriculture shall adjust support levels to reflect any changes in the index of prices paid by farmers for production items, including interest, taxes, and wage rates.

One of the most rapidly escalating costs for peanut producers, particularly in the Southwestern part of the country, is for fuel and energy. In the first 2 months of this year alone, the index of prices paid by farmers for fuel and energy has already increased 6 percent. The cost for fuel and energy for farmers in mid-February, 1980 is 59 percent higher than a year ago.

Peanut producers particularly are severely impacted by these spiralling costs, since almost one-third of their entire cost of production can be directly attributable to energy and fuel costs.

We do not believe that peanut producers are asking for anything unreasonable. The proposed increase in the loan rate to \$502 per ton is, in fact, only 68 percent of parity today. As has been mentioned before, by harvest time it will be even less than that.

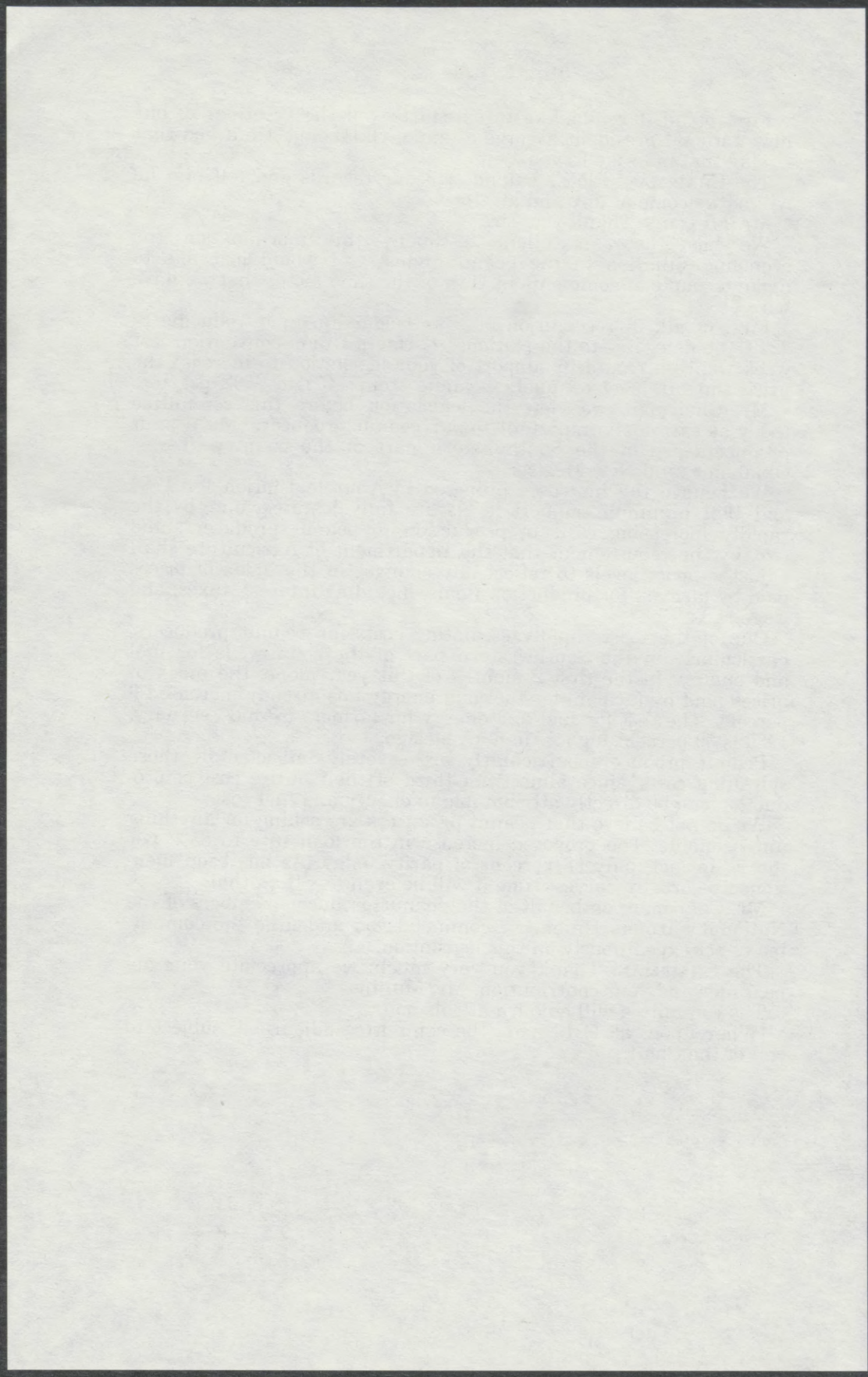
Mr. Chairman, on behalf of the peanut producer members of the National Farmers Union, we commend you and urge the committee to act expeditiously on this legislation.

The CHAIRMAN. Thank you very much; we appreciate your appearance and your contribution, Mr. Mullins.

The committee will adjourn at this point.

[Whereupon, at 11:13 a.m., the committee adjourned, subject to call of the Chair.]







## APPENDIX

STATEMENT OF HOWARD W. HJORT, DIRECTOR OF ECONOMICS, POLICY ANALYSIS  
AND BUDGET, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, I am happy to be here today to discuss S. 2249, a bill to increase the minimum quota loan rate for peanuts from \$420 per ton to \$502 per ton.

The Administration opposes this bill. We believe that it would increase peanut price supports to levels substantially above the full cost of production for the average peanut farmer, even considering a fair return to land. As a result, it would mean much higher levels of price and income support relative to cost of production for peanuts than we provide for most other crops.

This bill would nearly double the cost of the peanut program for 1980, from an estimated \$27 million to about \$52 million. And we believe it would undermine the cooperative effort begun in 1977 by the peanut producers, the Congress, and the Administration to balance production with the domestic demand for peanuts. To increase quota loan rates to the \$502 per ton level required by S. 2249 would provide a guaranteed profit for the average producer under average conditions. It would risk returning to the high costs and widespread criticism the program faced before the 1977 amendments.

As you know, we recently announced our loan prices and sales policy for 1980 additional crop peanuts. We are continuing a Commodity Credit Corporation sales policy similar to the 1979-crop policy with a minimum of \$435 per ton for sales for export of additional peanuts for edible uses—\$20 per ton below the quota loan rate. Largely because we expect lower prices for oilseeds and related products in 1980 throughout the world, we reduced the loan price for additional peanuts from \$300 per ton to \$250 per ton. And, we increased the quota loan price by \$35 per ton from \$420 to \$455.

The law requires that the Secretary establish quota loan prices on the basis of nine specific factors, including any changes in the prices paid index, the supply of the commodity in relation to its demand, the price support levels of other commodities, the availability of funds, the perishability of the commodity, the importance of the commodity to agriculture and the national economy, the ability to dispose of stocks acquired through price support operations, the ability and willingness of producers to keep supplies in line with demand, and the need for offsetting temporary losses of export markets.

Each of these factors was investigated carefully and, based on those considerations, a range of options was considered. These options and the impacts of each are discussed in detail in the economic impact statement related to this decision. A copy of that impact statement has been made available to the Committee staff, and I have other copies here.

If only changes in the producer price index were considered, an increase in the quota loan rate to \$480 per ton would be justified for 1980 because the producer price index increased 14.5 percent during 1979. At the other extreme, if only the expected supply were considered in relation to the expected demand for peanuts, the legal minimum quota loan rate of \$420 per ton would be justified because the estimated supply of 1980-crop peanuts is projected to substantially exceed estimated requirements for domestic edible use and reasonable carryover. The other factors indicated quota loan rates generally within the \$420- and \$480-range.

In the course of our analyses, we made a very thorough investigation of the changes in costs peanut producers faced in 1979 and expect in 1980. We consulted with producers on these estimates—I personally met with producers' representatives



on several occasions—before deciding on the 1980 program. They generally agreed with our cost estimates for past years, and with our projections for the coming year.

We estimate that total cost of production per ton for 1980, including a return to land based on composite acquisition cost, will increase between 5.5 percent (with high yields and operating cost increases of about 10 percent per acre) and about 20 percent (with low yields and operating cost increases of 15 percent per acre). The yield ranges were from a low of 2,450 pounds per planted acre to 2,700 pounds per planted acre. The most-likely yield assumption is 2,650 pounds per planted acre. Based on that yield assumption, total costs per ton are expected to increase by about 11 percent for 1980.

These cost changes will vary greatly by region. Costs in the Southeast could be as much as 6 to 8 percent below the national average, while costs in the Southwest could be up to 18 percent above the national average.

On a per acre basis, total costs (including a return based on composite acquisition costs for land) are expected to increase between 10 and 12 percent from the 1979 level of \$524 per acre.

Assuming most likely yields and national average costs, and considering revenues from both additional peanuts and quota loan peanuts, and with an additional loan price of \$250 per ton, a quota loan price of between \$450 and \$460 per ton is projected to cover full cost of production, including a return to land.

After considering each of the nine factors specified in the law, the \$455 per ton quota loan price was established for 1980-crop peanuts. It is expected that the total returns from both quota and additional peanuts will cover between 97 percent and 100 percent of the national average cost of production on a per-acre basis.

I understand that the \$455-per-ton quota loan rate is unpopular with producers. It is also unpopular with inflation fighters in the government who feel that the increase should have been smaller because we still expect a substantial surplus of quota loan peanuts in 1980—some 106,000 tons. And, at the same time, the \$455 quota loan rate provides a much higher rate of price support relative to the cost of producing peanuts than we provide for wheat, corn, soybeans or cotton. In 1980, the \$2.50-per-bushel wheat loan will cover about 56 percent of the cost of production. For corn, the \$2.10 loan will cover 79 percent; for cotton, the 48-cent-per-pound loan rate will cover about 70 percent; and for soybeans, the \$4.50 per bushel rate will cover about 70 percent.

We provide peanut price support levels that cover a larger proportion of the full cost of producing peanuts than we do for other crops, recognizing that the peanut program is in transition from a situation of chronic over-production to one where domestic production and domestic consumption will be in much closer balance. The 1977 Act requires that the adjustment be made through gradual decreases in the poundage quota.

Mr. Chairman, I believe we all can agree that, prior to the 1977 Act, the peanut program was badly in need of revision—both to reduce its costs and to bring production and domestic consumption into closer balance without unduly disrupting producers' incomes. In 1977, the peanut growers, the Congress and the Administration agreed on a program to achieve those objectives. The Administration had considered a peanut program closely patterned after the target price program offered for other commodities. The National Peanut Growers group offered a "consensus" proposal that the Congress and the Administration accepted in virtually every aspect.

In operating the new program, the Secretary decided in 1978 and 1979 not to increase quota loan prices above the minimum, largely because production was expected to be substantially greater than domestic consumption. In 1978, there were 155,000 tons of surplus quota loan peanuts. In 1979, that figure was 145,000 tons. In 1980, we expect that it will be reduced to 106,000 tons. Program costs, although far below earlier levels, were \$18 million in 1978, between \$34 and \$47 million in 1979, and will be about \$27 million in 1980 if we have yields at trend levels.

We expect that quota peanut production in 1980 will exceed domestic consumption in spite of substantial increases in domestic edible and related use—now projected to be 1,298,000 tons, up 43,000 tons from 1979.

These statistics indicate that while progress has been made in this program, more will be required before we will see market prices significantly and persistently above quota loan prices.

We have two basic problems in our current program. First, in spite of the reductions in the poundage quota, there is still a surplus of quota peanuts. The projected 1980 surplus will be almost three-fourths as large as the 1978 surplus if we have normal weather.



The second problem is related to the first. Largely because domestic market prices continue to be supported by the quota loan rate, the value of the acreage allotment continues to be capitalized into land and lease values. These values mean windfalls for those who hold allotments and they unnecessarily increase the costs of producers who lease allotment land.

Mr. Chairman, we believe that increasing the quota loan rate above the announced level would tend to make these two problems more severe. An increased quota loan rate would mean higher domestic prices and reduced domestic consumption. And, such an increase would give producers an additional incentive to produce. The result would almost certainly be larger surpluses.

At the same time, a higher quota loan rate would tend to increase the value of each allotment. As a result, it would be expected to increase even more the cost producers must pay to lease peanut allotments.

As a result of these concerns, we suggest that there are two general kinds of program changes that should be considered. The first would be an acceleration of the annual reduction in the poundage quota in an effort to bring domestic production and domestic consumption into balance at a more rapid rate than the 5 percent annual quota reductions specified in the 1977 Act.

In order to bring production and expected domestic consumption into balance in 1980, significant additional reductions in the poundage quota would be required—an additional 10 percent, or more (a total reduction of 15 percent reduction from the 1979 level) in order to bring the quota loan surplus down below the 100,000-ton range—the level projected for the current program. The attached analysis shows the expected supply and use of peanuts, and program costs at 2 quota loan rates with and without such a reduction.

In conjunction with the poundage quota reductions, the Congress should consider eliminating the acreage allotments.

The effective reductions in quota loan production to date have come from reductions in the poundage quota. By law, the allotment cannot be reduced. Since the allotments provide no significant production adjustment, and since they do provide a basis for windfall returns to land owners, we suggest that the Congress consider eliminating the acreage allotments altogether and retaining only the poundage quotas which would be allocated to producers on the basis of production levels.

The allotments imply abnormal rents. They tend to increase costs of production above levels necessary to attract land resources into peanut production. We estimate that 70 percent of our peanuts will be produced on non-owned land in 1980. Most will be leased, but about a fifth will be on a share rent basis. The elimination of the allotment provision in the law would set into motion a series of adjustments that would mean significant savings for producers who lease land.

Alternatively, the peanut program could be operated without either acreage or poundage restrictions in order to permit the most efficient producers to produce for both the export and domestic markets, and to do so at a profit.

Both of these program changes would imply a shift by high cost producers from peanut production to other crops. And, they imply a reduction in the value of allotments for those who lease them to operators.

It is the policy of this Administration to offer farmers the maximum flexibility to make decisions about what to produce on the basis of expected market prices. We have consistently favored voluntary programs in order to avoid having the value of allotments capitalized into land and into leases, and to facilitate economic adjustment to changing consumption and production conditions.

In general, those sectors of Agriculture where programs are voluntary have found that they are able to achieve levels of production efficiency that permit them to sell profitably in export markets. There appears to be little sentiment on the part of soybean, wheat and feed grain producers for mandatory programs. Although many would prefer higher prices, very few would choose to relinquish their foreign markets.

We recommend that peanut producers consider a much less restrictive program very carefully. The Administration would work closely with the producers and with the Congress to develop and move such a program into place. New legislative authority would be required. But we would certainly expect that at lower export prices a much expanded world market for peanuts could lead to higher returns for farmers from peanut production.

For producers, the question would be whether they would be better off selling all the peanuts they wished to produce at the market price and without paying any additional amount to land owners who hold allotments—or would they be better off producing an increasingly restricted amount to be sold at the quota loan price.



In 1977, when the program authorized by the 1977 Act was first offered, producers voted overwhelmingly for the restrictive allotment, poundage quota based program. It may be that they would do so again. However, I would offer two observations.

First, the Administration's efforts to bring peanut production and domestic use into closer balance have meant steadily reducing poundage quotas—holding them at legal minimums. That objective will require continued restrictions in production unless demand increases more rapidly than most observers expect.

Second, there is no basic justification for transfers of public funds to peanut producers, or to any other group to provide incentive for sustained domestic production in excess of domestic and export consumption. We believe that the public will continue to provide adequate funding for programs to help farmers and others who produce essential goods adjust to economic conditions they cannot alter. We also believe there will be increasing insistence on effective economic adjustments as a consequence of the public support received.

Mr. Chairman, program and production adjustments are always difficult. I have worked closely with peanut producers this past year, and I believe this effort has been productive. Through our meetings, we have narrowed the range of controversy immeasurably. I will continue to seek the advice and counsel of producers on our important programs. We welcome their advice and we will be happy to have their comments on these proposals.

I will try to answer any questions you may have.

TABLE I.—1980 PEANUT PROGRAM: ESTIMATED GOVERNMENT COSTS, "MOST LIKELY" WEATHER

| Item                                | Quota loan<br>\$455 P.<br>quota<br>1,516 | Quota loan \$502  |                              |                               |
|-------------------------------------|------------------------------------------|-------------------|------------------------------|-------------------------------|
|                                     |                                          | P. quota<br>1,516 | P. quota<br>cut 5<br>percent | P. quota<br>cut 10<br>percent |
| A. Loan outlays:                    |                                          |                   |                              |                               |
| 1. Quota.....                       | 59.7                                     | 101.6             | 77.6                         | 64.6                          |
| 2. Additional:                      |                                          |                   |                              |                               |
| Initial loans.....                  | 37.9                                     | 37.9              | 47.7                         | 61.7                          |
| Profit distributions.....           | 12.8                                     | 16.1              | 23.3                         | 33.5                          |
| Profits to quota pool.....          | 3.4                                      | 4.2               | 4.2                          | 4.2                           |
| Total additional.....               | 54.1                                     | 58.2              | 75.2                         | 99.4                          |
| 3. Total outlays.....               | 113.8                                    | 159.8             | 152.8                        | 163.8                         |
| B. Repayments:                      |                                          |                   |                              |                               |
| 1. Quota:                           |                                          |                   |                              |                               |
| Domestic edible.....                | 5.3                                      | 5.9               | 5.9                          | 5.9                           |
| Domestic crush.....                 | 26.0                                     | 40.1              | 31.3                         | 25.5                          |
| Shrinkage.....                      | 1.8                                      | 3.0               | 2.3                          | 1.9                           |
| Profits from additional.....        | 3.4                                      | 4.2               | 4.2                          | 4.2                           |
| Total quota.....                    | 36.5                                     | 53.2              | 43.7                         | 37.5                          |
| 2. Additional:                      |                                          |                   |                              |                               |
| Domestic edible.....                | 23.5                                     | 25.8              | 25.8                         | 25.8                          |
| Export edible.....                  | 16.5                                     | 18.3              | 35.2                         | 59.3                          |
| Domestic crush.....                 | 11.0                                     | 11.0              | 10.8                         | 10.4                          |
| Shrinkage.....                      | 1.1                                      | 1.1               | 1.4                          | 1.4                           |
| Total additional.....               | 52.1                                     | 56.2              | 73.2                         | 97.4                          |
| 3. Total repayments.....            | 88.6                                     | 109.4             |                              |                               |
| C. Net outlays:                     |                                          |                   |                              |                               |
| 1. Quota.....                       | 23.2                                     | 48.4              | 33.9                         | 26.9                          |
| 2. Additional.....                  | 2.0                                      | 2.0               | 2.0                          | 2.0                           |
| 3. Misc. outlays <sup>1</sup> ..... | 2.0                                      | 2.0               | 2.0                          | 2.0                           |
| 4. Total program costs.....         | 27.2                                     | 52.4              | 37.9                         | 30.9                          |

<sup>1</sup> Net overhead, assumes outlays of \$3 million and recoveries of \$1 million.



TABLE II.—1980 PEANUT PROGRAM: PROJECTED CROP DATA, SUPPLY-USE, PRICES, AND VALUES, FARMERS STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1

| Item                                                 | Quota loan<br>\$455, P.<br>quota<br>1,516 | Quota loan \$502  |                              |                               |
|------------------------------------------------------|-------------------------------------------|-------------------|------------------------------|-------------------------------|
|                                                      |                                           | P. quota<br>1,516 | P. quota<br>cut 5<br>percent | P. quota<br>cut 10<br>percent |
| Crop data:                                           |                                           |                   |                              |                               |
| National allotment (1,000 A).....                    | 1,614                                     | 1,614             | 1,614                        | 1,614                         |
| Planted acres (1,000 A).....                         | 1,530                                     | 1,540             | 1,520                        | 1,500                         |
| Harvested acres (1,000 A).....                       | 1,500                                     | 1,510             | 1,490                        | 1,470                         |
| Yield (pounds).....                                  | 2,700                                     | 2,700             | 2,700                        | 2,700                         |
| Effective quota (1,000 tons).....                    | 1,600                                     | 1,600             | 1,524                        | 1,450                         |
| Supply-use (1,000 tons):                             |                                           |                   |                              |                               |
| Supply:                                              |                                           |                   |                              |                               |
| Beginning stocks.....                                | 300                                       | 300               | 300                          | 300                           |
| Marketings.....                                      | 1,960                                     | 1,960             | 1,930                        | 1,905                         |
| Total.....                                           | 2,260                                     | 2,275             | 2,230                        | 2,205                         |
| Use:                                                 |                                           |                   |                              |                               |
| Domestic edible, seed.....                           | 1,173                                     | 1,140             | 1,140                        | 1,140                         |
| Domestic crush:                                      |                                           |                   |                              |                               |
| Loan surplus.....                                    | 162                                       | 230               | 185                          | 160                           |
| Other.....                                           | 125                                       | 125               | 125                          | 125                           |
| Subtotal.....                                        | 287                                       | 355               | 310                          | 285                           |
| Export.....                                          | 500                                       | 480               | 480                          | 480                           |
| Total.....                                           | 1,960                                     | 1,975             | 1,930                        | 1,905                         |
| Ending stocks.....                                   | 300                                       | 300               | 300                          | 300                           |
| Prices (dollars per ton):                            |                                           |                   |                              |                               |
| Loan rate, quota.....                                | 455                                       | 502               | 502                          | 502                           |
| Loan rate, additional.....                           | 250                                       | 250               | 250                          | 250                           |
| Season average price, edible.....                    | 465                                       | 507               | 507                          | 507                           |
| Minimum sales price (export edible, additional)..... | 435                                       | 482               | 482                          | 482                           |
| Contract price, additional.....                      | 420                                       | 467               | 467                          | 467                           |
| Crushing, unrestricted (minimum).....                | 275                                       | 275               | 275                          | 275                           |
| Crushing, restricted.....                            | 240                                       | 230               | 240                          | 240                           |
| Farm receipts (millions of dollars):                 |                                           |                   |                              |                               |
| Value of marketings:                                 |                                           |                   |                              |                               |
| Quota.....                                           | 725                                       | 798               | 758                          | 720                           |
| Additional.....                                      | 157                                       | 173               | 189                          | 211                           |
| Total.....                                           | 882                                       | 971               | 947                          | 931                           |

TABLE III.—1980 PEANUT PROGRAM: PROJECTED BREAKDOWN OF SUPPLY-USE BETWEEN QUOTA AND ADDITIONAL PEANUTS, FARMERS STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1

| Item                                   | Quota loan<br>\$455, P.<br>quota<br>1,516 | Quota loan \$502  |                              |                               |
|----------------------------------------|-------------------------------------------|-------------------|------------------------------|-------------------------------|
|                                        |                                           | P. quota<br>1,516 | P. quota<br>cut 5<br>percent | P. quota<br>cut 10<br>percent |
| A. Quota peanuts:                      |                                           |                   |                              |                               |
| 1. Supply:                             |                                           |                   |                              |                               |
| Beginning stocks.....                  | 275                                       | 275               | 275                          | 275                           |
| Marketing and imports.....             | 1,560                                     | 1,575             | 1,495                        | 1,420                         |
| Total supply.....                      | 1,835                                     | 1,850             | 1,770                        | 1,695                         |
| 2. Use:                                |                                           |                   |                              |                               |
| a. Commercial:                         |                                           |                   |                              |                               |
| Domestic edible and related seed ..... | 1,237                                     | 1,204             | 1,204                        | 1,204                         |
| Exports.....                           | 200                                       | 180               | 145                          | 95                            |
| Total commercial.....                  | 1,437                                     | 1,384             | 1,349                        | 1,299                         |



TABLE III.—1980 PEANUT PROGRAM: PROJECTED BREAKDOWN OF SUPPLY-USE BETWEEN QUOTA AND ADDITIONAL PEANUTS, FARMERS STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1—  
Continued

| Item                             | Quota loan<br>\$455, P.<br>quota<br>1,516 | Quota loan \$502  |                              |                               |
|----------------------------------|-------------------------------------------|-------------------|------------------------------|-------------------------------|
|                                  |                                           | P. quota<br>1,516 | P. quota<br>cut 5<br>percent | P. quota<br>cut 10<br>percent |
| A. Quota peanuts—Continued       |                                           |                   |                              |                               |
| 2. Use—Continued                 |                                           |                   |                              |                               |
| b. Loan:                         |                                           |                   |                              |                               |
| Domestic edible and related..... | 11                                        | 11                | 11                           | 11                            |
| Domestic crush, surplus.....     | 112                                       | 180               | 135                          | 110                           |
| Total loan.....                  | 123                                       | 191               | 146                          | 121                           |
| c. Total use.....                | 1,560                                     | 1,575             | 1,495                        | 1,420                         |
| 3. Ending stocks.....            | 275                                       | 275               | 275                          | 275                           |
| B. Additional peanuts:           |                                           |                   |                              |                               |
| 1. Supply:                       |                                           |                   |                              |                               |
| Beginning stocks.....            | 25                                        | 25                | 25                           | 25                            |
| Marketing <sup>1</sup> .....     | 400                                       | 400               | 435                          | 485                           |
| Total supply.....                | 425                                       | 425               | 460                          | 510                           |
| 2. Use:                          |                                           |                   |                              |                               |
| a. Commercial-export.....        | 262                                       | 262               | 262                          | 262                           |
| b. Loan:                         |                                           |                   |                              |                               |
| Domestic edible and related..... | 50                                        | 50                | 50                           | 50                            |
| Export edible.....               | 38                                        | 38                | 73                           | 123                           |
| Domestic crush, surplus.....     | 50                                        | 50                | 50                           | 50                            |
| Total loan.....                  | 138                                       | 138               | 173                          | 223                           |
| c. Total use.....                | 400                                       | 400               | 435                          | 485                           |
| 3. Ending stocks.....            | 25                                        | 25                | 25                           | 25                            |

<sup>1</sup> Net after transfers to quota pool.

## SUMMARY

### Title

1980-Crop Peanut Loan Rates and CCC Sales Policy

### Selected actions

Announce the following:

1. Loan level for quota peanuts of \$455 per ton.
2. Loan level for additional peanuts of \$250 per ton.
3. CCC sales policy similar to 1979 crop, with a minimum of \$435 per ton for edible export sales.

### Policy considerations

1. Production costs continue to increase, but the loan level on quota peanuts was maintained at \$420 per ton in both 1978 and 1979.
2. World production of all oils is projected to increase by about 13 percent in 1979-80, and prices are expected to soften somewhat. World oil prices may improve in 1980-81, since a decrease in acreage planted to oilseeds is expected.

### Significant impacts

1. Selected loan rate actions meet legislative criteria, and should result in a supply of peanuts in excess of requirements for domestic edible use and a reasonable carryover.
2. Selected loan rate actions are projected to be sufficient to cover about 97 to 100 percent of total production costs (including a return to land and management).
3. Farm value of marketings are estimated at \$882 million in 1980, an increase of \$77 million from 1979.
4. CCC costs for the 1980 crop, under most likely weather conditions, are projected at \$27.2 million, down from an estimated \$34 million for the 1979 crop. This reduction is due to an 18,000 ton reduction in the loan surplus, and a \$5 per ton higher domestic crushing sales policy.



## FINAL IMPACT STATEMENT

I. Title: 1980 Crop Peanut Program—National Average Loan Rates and Sales Policy for Loan Stocks.

II. Proposed action and groups impacted: For the 1980 crop, announce the national average loan level for quota peanuts at \$455 per ton; announce the national average loan level for additional peanuts at \$250 per ton; and, announce a sales policy for peanuts taken under loan or acquired by CCC, including a minimum of \$435 per ton for edible export sales. Peanut growers, the peanut industry, and all users of U.S. peanuts will be affected.

III. Purpose and need for the action: The proposed loan rate actions are required by the Agricultural Act of 1949, as amended, including amendments contained in the Food and Agriculture Act of 1977. The loan rate for additional peanuts must be announced by February 15, 1980. Although there are no statutory dates for announcing the quota loan rate and sales policy for loan stocks, it would be desirable to announce them at the same time, since each of the proposed actions is projected to have a significant impact on planting and marketing decisions for 1980.

A. Quota loan rate: The quota loan rate for the 1980 crop may be no less than \$420 per ton, which was the level in effect for the 1978 and 1979 crops. It may be increased at the Secretary's discretion after consideration of the following factors:

1. Change in the index of prices paid by farmers for production items, interest, taxes, and wage rates (Prices Paid Index) during calendar year 1979. The increase in the Prices Paid Index (1910-1914 base) during 1979 was about 14.5 percent. A comparable increase in the minimum price support level of \$420 per ton would result in a loan rate of about \$480 per ton.

2. Supply of the commodity in relation to demand. The estimated supply of 1980-crop peanuts is projected to exceed estimated requirements for domestic edible use and a reasonable carryover.

3. Price support levels of other commodities. The quota loan level of \$455 per ton reflects 61.6 percent of January parity. Of the 1980 price support levels announced, dairy at 68.4 percent, wool at 71.5 percent, and mohair at 71.5 percent reflect a higher percentage of parity. The support for 1980 upland cotton reflects a lower percentage of parity.

## Commodity:

## Price support level

|                          |         |
|--------------------------|---------|
| Dairy (cwt.).....        | \$11.49 |
| Upland cotton (lb.)..... | .48     |
| Wool (lb.).....          | 1.23    |
| Mohair (lb.).....        | 2.903   |

4. Availability of funds. Under most likely U.S. weather conditions, program costs are projected at \$27.2 million for the 1980-crop. It is estimated that Commodity Credit Corporation (CCC) funds will be available for this purpose.

5. The perishability of the commodity. It is hazardous to hold peanuts in dry storage through the hot summer months because of danger of loss due to deterioration, insect infestation, or rodent damage. Shelled peanuts can be kept in cold storage for two years or more with little loss of weight or quality; however, the costs incurred would be prohibitive.

6. Importance of commodity to agriculture and the national economy. Nationally, peanuts are a minor crop, representing about one percent of the total farm value of all U.S. crops. However, peanuts are an important crop in the major peanut producing States and are extremely important to the economies of areas within those States. In 1979, over 98 percent of U.S. peanuts were produced in the following States: Georgia (42.9 percent), Alabama (15.1 percent), Florida (4.5 percent), North Carolina (9.4 percent), Virginia (6.5 percent), Texas (13.0 percent), and Oklahoma (6.8 percent). The value of 1979 crop picked and threshed production is estimated at \$821 million.

7. The ability to dispose of stocks acquired through price support operations. There is an immediate commercial cash market for peanuts for crushing at competitive prices. For the 1980-crop, projections indicate that CCC could lose \$245 per ton on quota peanuts and \$40 per ton on additional peanuts sold for domestic crushing at competitive prices.

8. The ability and willingness of producers to keep supplies in line with demand. In a referendum held December 12 through 15, 1977, 93.6 percent of the growers voting approved marketing quotas and acreage allotments for the 1978 through 1980 crops of peanuts.

9. The need for offsetting temporary losses of export markets. U.S. exports of peanuts in the 1979-80 marketing year reached 500,000 tons, 70,000 tons less than 1978's all-time high. Whether comparable export volume can be sustained through



the 1980-81 marketing year will depend largely on export availabilities from India and other producers of peanuts for edible use. The latest projection for 1980-81 U.S. exports is 500,000 tons.

B. Additional loan rate: There is no legal minimum for the additional loan rate. For 1979 crop peanuts, it was established at \$300 per ton. The Secretary has authority to determine this rate after consideration of the following factors:

1. Demand for peanut oil and meal. The minimum price CCC will accept for 1979 crop peanuts sold for unrestricted crush is \$330 per ton and projections indicate that CCC will receive \$235 per ton for peanuts sold for restricted crush. For the 1980 crop, these prices are projected at about \$280 per ton for peanuts sold for unrestricted crush and \$240 per ton for peanuts sold for domestic restricted crush. It is anticipated that there will be softening of oil prices during the 1979-80 marketing year because of the record production of oilseeds, both in the United States and abroad. However, peanut oil has highly specialized uses and the price for domestic crushing peanuts from the 1980 crop is projected to rise slightly from the 1979 price of \$235 per ton to \$240 per ton.

2. Expected prices of other vegetable oils and protein meals. Record production of oilseeds is expected in both the United States and other producing countries in 1980. Total 1979-crop production is expected to be 13 percent above 1978 production. Record utilization is also forecast. Disappearance is not projected to completely absorb production increases, however, and world carryover stocks may double last year's. Although some softening of prices for both oils and meals is expected, price responses should be modest, reflecting progressively growing demand.

3. Demand for peanuts in foreign markets. The demand for U.S. peanuts in foreign markets is estimated at 500,000 tons in the 1980 marketing year, the same as in 1979. It is estimated that world demand, combined with the selected minimum sales policy, will sustain an average export price for edible peanuts of at least \$435 per ton for U.S. peanuts. Because of the record production of oilseeds both in the U.S. and abroad, projections indicate that for 1980 export crushing markets will not absorb additional loan stocks at \$280 per ton, the minimum price at which CCC will sell additional peanuts for export crushing. CCC is projected to realize a loss of \$40 a ton on about 50,000 tons of additional peanuts sold for domestic crushing.

C. Sales policy:

1. Sales for domestic edible use. Subsection 804(j) of the Agricultural Adjustment Act of 1938 (a 1977 amendment) provides that any peanuts owned or controlled by CCC may be made available for domestic edible use in accordance with regulations established by the Secretary. It specifies that sales prices for additional peanuts shall be not less than (1) 100 percent of the quota loan value if the peanuts are sold and paid for during the harvest season upon delivery by the producer, (2) 105 percent of the quota loan value if sold after delivery but not later than December 31 of the marketing year, or (3) 107 percent of the quota loan value if sold later than December 31, plus an amount sufficient to recover all costs incurred for such items as storage, handling, inspection, etc. The above minimums were in effect for 1979 crop additional peanuts.

Under the 1977 Act, no quota peanuts may be sold for domestic edible use at less than 105 percent of the loan value, plus costs. Historically, the 107 percent minimum rate has been applied administratively to quota sales made after December 31, as a means of encouraging shellers to purchase their requirements from producers. Minimum sales prices in effect for 1979 crop quota peanuts are 105 percent of loan, plus costs, through December 31, 1979, and 107 percent of loan, plus costs, after that date.

2. Sales for export. The law specifically exempts export sales of loan peanuts from minimum sales price restrictions. Since 1974, no export sales have been made at less than the applicable loan rate. In 1979, the announced export sales policy was:

- (a) No export sales of quota peanuts, edible or crushing, at less than the quota loan rate, plus costs.

- (b) No export sales of additional peanuts at less than \$400 per ton for edible grades, or less than the additional loan rate, plus costs, for export for crushing.

- (c) Peanuts sold for export for crushing were required to be fragmented prior to export to prevent their entering the edible market.

3. Sales for domestic crushing. The law also specifically exempts domestic crushing sales from minimum sales price restrictions. For the 1979 marketing year, USDA announced that sales of both quota and additional peanuts for domestic crushing only would be made by CCC at market prices. However, oil produced from peanuts purchased under this provision was restricted to domestic markets if the sales price was less than the applicable quota or additional loan rate, plus costs.



D. Background: The minimum allotment of 1,614,000 acres was in effect for both the 1978 and 1979 crop years. Poundage quotas of 1,680,000 tons and 1,596,000 tons, respectively, were established for the 1978 and 1979 crops—also the statutory minimum in each case. Peanut demand was less than supply for both the 1978 and 1979 crop years; the loan surplus was 154,500 tons in 1978 and is projected at 180,000 tons for 1979. Thus, the minimum acreage allotment and minimum national poundage quotas in both years adequately met legal requirements.

Loan rates were set at \$420 per ton for quota peanuts for both the 1978 and 1979 crop years (the minimum required by legislation), and for additional peanuts at \$250 per ton in 1978 and \$300 per ton in 1979. The estimated national average value of quota and additional marketings on a planted acre basis are projected to rise from \$517 per acre in 1978 to \$519 per acre in 1979 as a result of an increase in quota marketings. However, producer returns above total cost, including land and management, could decline from 1978's estimated \$42 per planted acre to a projected minus \$5 per planted acre in 1979 due to increased production costs (Appendix Table VII).

TABLE 1.—1978 AND 1979 PEANUT CROPS: SUPPLY-USE ESTIMATES, LOAN RATES, FARM VALUE OF MARKETINGS, AND CCC NET OUTLAYS

| Item                                                                              | 1978 crop | 1979 crop |
|-----------------------------------------------------------------------------------|-----------|-----------|
| Crop data (1,000 tons): Minimum poundage quota.....                               | 1,680     | 1,596     |
| Supply (1,000 tons) .....                                                         | 2,198     | 2,235     |
| Use (1,000 tons):                                                                 |           |           |
| Domestic edible and related.....                                                  | 1,202     | 1,255     |
| Exports.....                                                                      | 525       | 500       |
| Loan surplus (domestic crush).....                                                | 148       | 180       |
| Total use .....                                                                   | 1,898     | 1,935     |
| Loan rates (dollars per ton):                                                     |           |           |
| Quota .....                                                                       | 420       | 420       |
| Additional .....                                                                  | 250       | 300       |
| Net outlays, loan surplus (dollars in millions) .....                             | 18        | 34        |
| Farm value of marketings (dollars per planted acre).....                          | 517       | 519       |
| Returns over costs, including land and management (dollars per planted acre)..... | 46        | -5        |

World production of all oils is expected to increase by approximately 13 percent for the 1979-80 marketing year and carryover is expected to increase substantially. Thus, oil prices throughout the complex are likely to soften somewhat. Carryover for 1980-81 should also be considerable; however, world oil prices may improve over 1979-80 since a decrease in acreage planted to oilseeds is expected. World production of peanuts for the 1979-80 crop year is projected to be 18.4 million tons, virtually the same as last year's crop. However, there continues to be considerable uncertainty over the size of the Indian peanut crop and the availability of edible peanuts and peanut oil for export. If India is unable to supply its traditional share of the world market, the demand for crushing peanuts could be greater than currently projected, moderating the decline in peanut oil products. U.S. peanut exports in the 1979-80 marketing year are projected to total 500,000 tons. This is a 12 percent decrease from 1978's record high of 570,000 tons.

#### IV. Options considered:

A. National average loan rate for quota peanuts has been examined at \$420 per ton, the statutory minimum and level in effect for the current crop; at \$455 per ton, representing about an 8 percent increase from the 1979 level; and, at \$480 per ton, reflecting the increase in the Prices Paid Index from the 1978 to the 1979 calendar year average.

B. National average loan rate for additional peanuts has been analyzed at the 1979 level of \$300 per ton and at \$250 per ton. A loan rate of \$275 per ton was analyzed in the Draft Impact Analysis based on a domestic crushing price of \$285 per ton. Since that time, the projection for the domestic crushing price has fallen to \$240 per ton, justifying consideration of a lower additional loan level.

C. CCC sales policy for additional loan peanuts sold for export edible use has been assumed to continue the 1979 program provision, about \$20 per ton below the quota loan rate. The options range from \$400 per ton with the \$420 quota loan rate option to \$460 per ton with the \$480 quota loan rate option.



V. USDA and other Federal costs: Under most likely U.S. weather conditions, and the selected loan rate options, 1980 crop program costs are projected at \$27.2 million compared with an estimated \$34 million for the 1979 crop program. Costs are expected to be lower in 1980-81, primarily because the loan surplus, on which program losses may be incurred, is expected to be 18,000 tons below the 1979-80 level while the domestic crushing sales price for this surplus is expected to be up by \$5 per ton.

The Commodity Credit Corporation is projected to realize a loss of about \$40 per ton on 50,000 tons of additional peanuts sold for domestic restricted crush. The law requires that net profits from CCC sales of additional peanuts be returned to growers, except that profits from sales for domestic edible and related use of a particular type may be retained to offset any losses on quota peanuts of that type. (See Appendix Table 1.)

Weather related U.S. yield variations could have a significant impact on program costs, ranging from an increase of about \$22.5 million to a decrease of about \$22.6 million from the \$27.2 million estimate. In addition, assuming most likely U.S. weather variations, world export availabilities due to weather or export policies of other exporting countries could impact on 1980 crop program costs ranging from an increase of \$17.1 million to a decrease of \$19.6 million from the most likely estimate of \$27.2 million.

#### VI. Expected impacts:

A. Impact on main purpose and need to which action is addressed and duration.

With a quota loan rate of \$455 per ton and an additional loan rate of \$250 per ton, planted acreage is projected to decrease by 19,000 acres in 1980. However, the 1980 crop projected yield of 2,700 pounds per harvested acre could offset reductions in planted acres resulting in marketings of 1,960,000 tons—21,000 tons above the 1979 crop estimate.

Domestic edible and related use is projected to increase from an estimated 1,255,000 tons in 1979 to 1,298,000 tons in 1980. Projected export requirements of 500,000 tons in 1980-81, the same as for 1979-80, are expected to exceed production of additional peanuts. Consequently, purchases of quota peanuts for edible and crushing export are projected at about 200,000 tons, reducing the quota loan surplus from 145,000 tons in 1979 to about 112,000 tons in 1980 (Appendix Tables II and III).

Farm value of marketings in 1980 are estimated at \$882 million compared with \$805 million for the 1979 crop. Weather-related U.S. yield variations could impact 1980 farm value of marketings ranging from an increase of \$35.7 million under favorable weather to a decrease of \$47 million under unfavorable weather from the most likely estimate of \$882 million.

Total costs of production per ton from 1979 to 1980 could range from an increase of about 5.5 percent, with high yields and operating cost increases of about 10 percent per acre, to about 20 percent, assuming low yields and operating cost increases of 15 percent per acre.<sup>1</sup> However, based on most likely yields and per acre operating costs, total costs per ton are expected to increase by about 11 percent to \$450 per ton (Appendix Table 6). These costs will vary by region. Costs in the southeast could be as much as 6 to 8 percent below the national average, while costs in the southwest could be up to 18 percent higher than the national average.

Considering costs on a planted acre basis, current projections indicate that total costs per acre, including composite acquisition land costs, could increase 10 to 13 percent, from the 1979 level of \$524 per acre. A combination of the national average value of quota and additional marketings is projected at \$576 per planted acre. Estimated net returns per planted acre in 1980 could range from a minus \$17 to plus \$1 (Appendix Table 7).

Favorable weather in each of the three peanut producing areas could result in an increase of 5,000 acres harvested and 125 pounds per acre in yield. Quota production would be projected to increase by about 10,000 tons and additional production by about 75,000 tons for a total increase of 85,000 tons. Export of the lower-priced additional peanuts would be expected to increase by the amount of the production increase in additionals, while commercial quota exports could be decreased 10,000 tons. Thus, the entire projected 85,000 ton increase in production would be added to the quota loan projected to decrease harvested acreage by about 5,000 acres and decrease yields by an average of 190 pounds per acre. Quota production would decline by 10,000 tons and additional production by 120,000 tons, resulting in a reduction in the loan surplus of a projected 130,000 tons.

<sup>1</sup> The range on yields is assumed to be 2,450 pounds per planted acre to 2,700 pounds per planted acre. The most likely yield assumption is 2,650 pounds per planted acre.



Variations in world weather and crop yields or export policies of other exporting countries could result in an increase of up to 80,000 tons or a decrease of as much as 70,000 tons from U.S. export projections.

The national acreage allotment and poundage quota will apply to the 1980 peanut marketing year, August 1, 1980, through July 31, 1981.

#### Cost Impacts:

Current projections indicate that the established poundage quota of 1,516,000 tons with an acreage allotment of 1,614,000 acres and the selected loan rate options provide the production capacity to meet all domestic requirements, thereby preventing cost increases due to overall short supply.

The quota loan rate of \$455 per ton would increase costs to shellers, manufacturers and subsequently domestic consumers since the market price will reflect this \$35 per ton increase above the 1979 loan level. The cost to shellers could increase to about 36.5 cents per pound compared with an estimated 33.7 cents for 1979 crop peanuts.

#### Other Significant Economic Impacts:

The United States is a residual supplier of peanuts in world markets. Historically the dominant exporting nations, India and Senegal, have set their export prices below those announced by the U.S. (irrespective of the level) as a matter of policy. This competitive situation can be expected to continue. The commercial contract price for producing peanuts would be influenced, but would not be determined by, the additional loan rate and CCC sales policy. The contract price with a \$435 per ton minimum price for edible export sales is projected at \$385 per ton in 1980-81.

As a residual market, U.S. domestic policies have little effect on export competitiveness at the loan rates considered. However, with the selected option total export demand from the 1980 crop is projected at about 500,000 tons. Of this quantity, approximately 85 percent of demand (425,000 tons) is expected to be for high quality edible peanuts. Total supplies of additional peanuts for all types are projected at 425,000 tons, including stocks of some qualities which will fail to meet edible export standards. As a result, about 200,000 tons of quota peanuts will be exported to satisfy this demand.

Current and projected demand factors suggest that establishment of a CCC sales policy for additional peanuts for edible export use at a minimum of \$435 per ton would encourage exporters to contract with producers at prices favorable to each. In the absence of an announced CCC sales policy, handlers would be forced to offer producers contract prices sufficiently low to protect themselves from any unanticipated softening of demand and the possibility of having to compete with sales of CCC stocks at still lower prices. Announcement of a sales policy for additional peanuts at a price near the current quota loan rate assures producers that contract prices for such peanuts will exhibit a high degree of correlation with actual demand conditions since, if prices offered are unacceptably low, producers can place their peanuts under loan with the expectation of some additional income from pool profits returned at year end.

#### D. Other significant social effects:

None are anticipated since the proposed actions are expected to result in a plentiful supply of edible peanuts to meet commercial edible demand and the needs of the School Lunch and similar programs for peanuts and peanut products.

#### E. Distribution of effects:

The effects of changes in the loan levels would not be distributed proportionately among the States. The Southwest area would be adversely affected to a greater extent by the reduced additional loan rate, since their costs of production can be as high as 18 percent above other areas. Reports indicate that additional peanuts cannot be produced economically in that region. Consequently, many producers in the Southwest are likely to limit planted acreage to that which will produce the quota poundage.

#### F. Environmental impact evaluation:

On the basis of an environmental evaluation, it is determined that the 1980-crop peanut program options selected will have no impact on any of the factors considered in the environmental impact statement process, and implementation of this program will have no significant effects on the quality of the human environment. Therefore, neither an Environmental Assessment or an Environmental Impact Statement is needed.

#### VII. Reason for selection of proposed option:

A. Quota loan rate \$455 per ton. A quota loan rate of \$455 per ton was determined to be sufficient to meet legislative criteria. It is projected to result in a supply of peanuts in excess of requirements for domestic edible and related use and a reasonable carryover. This loan rate also represents 61.6 percent of January parity.



This increase in the PPI does indicate the need for an increase in the quota loan rate for 1980-crop peanuts. However, this Index includes items not related to costs of production for peanut producers. The Economics, Statistics and Cooperatives Service, USDA, projects that a quota loan rate of \$455 per ton would cover full cost of production on a tonnage basis assuming a planted acre yield of 2,650 pounds and an increase in per acre operating cost of 15 percent. Average full costs of production (including a return to land and management) for 1980 are projected to range from \$575 to \$593 per planted acre. A combination of the national average value of marketing associated with a quota loan rate of \$455 per ton and an additional loan rate of \$250 per ton is projected to cover about 97 to 100 percent of the producers total cost per planted acre.

A quota loan rate above \$455 per ton was rejected primarily as further increasing cost to consumers, and program costs, and would not be needed to assure adequate supplies for domestic edible and carryover requirements for quota peanuts.

B. Additional loan rate \$250 per ton. The \$250 per ton rate was selected because it is consistent with the legislative criteria. This reduction in the additional loan rate reflects the weak export crushing demand for the 1980-81 marketing year because of the record production of oilseeds, both in the U.S. and abroad.

An additional loan rate above \$250 per ton would be above the level indicated by projected export and crushing demand.

C. Minimum sales price for edible export \$435 per ton. It was determined that the minimum sales price of \$20 per ton below the quota loan rate, the same relationship in effect for 1978 and 1979, should be continued as a means of maintaining farm income from additional peanuts. In 1979, under this policy, commercial contract prices are estimated to average about \$380 per ton. Such contract prices are expected to average about \$420 per ton in 1980—\$170 per ton above the additional loan rate. A lower minimum CCC sales price probably would reduce commercial contract prices and thus reduce farm income. A minimum price higher than \$435, in the light of current market projections, would increase the risk of loss of farm income.

#### VII. Other options considered:

A. Quota loan rate. A quota loan level of \$420 per ton, the minimum statutory level, is \$35 below the selected option.

Domestic and export consumption is projected to be 30,000 tons higher than under the projected demand with a quota loan of \$450 per ton because of the impact of the lower loan rate on commercial consumer prices. The higher demand reduces the loan surplus by an equivalent amount, resulting in CCC costs of \$17.8 million compared with \$27.2 under the \$455 per ton option. (Appendix Table I, II, and III.) With a combination of national average value of quota marketings at \$420 per ton and additional marketings at \$250 per ton, producer returns per planted acre are projected at about \$533 compared with costs ranging from \$575 to \$593 per acre. Net returns could range from minus \$42 to minus \$60 per acre.

A quota loan of \$480 per ton would increase the minimum loan level by 14.5 percent to reflect the average increase in the Prices Paid Index in calendar year 1979 compared with calendar year 1978. Compared with the \$455 per ton option, the higher quota loan rate is projected to increase the loan surplus 28,000 tons reflecting a decrease of 18,000 tons in domestic use and 10,000 tons in exports—resulting in a \$9.6 million increase in CCC costs. (Appendix Table I, II, and III.) With national average value of quota marketings at \$480 per ton and additional marketings at \$250 per ton, producer returns per planted acre are projected at \$603, compared with costs ranging from \$575 to \$593 per acre. Net returns could range from \$10 to \$28 per acre.

TABLE 2.—1980 CROP PEANUTS: CHANGES FROM SELECTED OPTION IN PROJECTED USE AND GROWER INCOME RESULTING FROM A \$420 AND \$480 PER TON QUOTA LOAN RATE, MARKETING YEAR BASIS

| Item                                                        | Selected option<br>\$455/\$250 | Change from selected option |                |
|-------------------------------------------------------------|--------------------------------|-----------------------------|----------------|
|                                                             |                                | \$420/\$250                 | \$480/\$250    |
| Planted acres (1,000 A).....                                | 1,530                          | 0                           | 0              |
| Domestic edible and related use and seed (1,000 T).....     | 1,298                          | +20                         | -18            |
| Exports (1,000 T).....                                      | 500                            | +10                         | -10            |
| Loan surplus (1,000 T).....                                 | 162                            | -30                         | +28            |
| CCC program costs (million).....                            | \$27.2                         | -\$9.4                      | +\$9.6         |
| Producers returns above total costs (per planted acre)..... | -\$17 to \$1                   | -\$25 to -\$43              | +\$27 to +\$45 |



If the entire increase in the price to shellers were borne by the edible quality peanuts in a ton of farmer's stock, the cost of 1,367 pounds (1974-78 average quantity of edibles per ton of farmers' stock) would increase about 2.1 cents per pound. It is believed that this entire increase would be passed through to manufacturers. Data on the extent to which manufacturers might pass through their increased costs to consumers is not available. However, it is reasonable to assume that the higher the support level above the statutory minimum, the greater the cost to consumers.

B. *Additional loan rate.* An additional loan of \$300 per ton would be unchanged from the 1979 level.

This higher additional loan rate could be seen as a slight incentive to production because growers placing peanuts in additional loan pools would receive \$50 per ton more during the harvest season than under the selected option, increasing farm value of marketings on additional peanuts \$3.3 million.

This option would increase the risk of program losses on additional peanuts placed under loan. With this higher option CCC would realize a loss of about \$90 per ton on 50,000 tons of additional peanuts sold for domestic crushing resulting in program costs on additional peanuts of \$4.5 million compared with \$2 million under the \$250 per ton option.

#### IX. Public comment:

Public comment was solicited in a press release and by a Notice of Proposed Rulemaking published in the Federal Register on December 4, 1979. In addition, copies of the press release, Notice of Proposed Rulemaking, and background paper were furnished to interested members of Congress, grower groups, sheller groups, manufacturers, and consumers.

There were 285 responses—58 from members of Congress; 7 from peanut grower organizations; 9 from general farm organizations; 3 from sheller organizations; 1 from a local bank; 11 from State governments, 189 from individuals; 5 from agribusinesses; and 2 from area marketing associations. Two hundred and eighty-five responses were received on the quota loan level. Of these, 5 commentators recommended the minimum level of \$420 per ton. All other respondents recommended a higher support level within the range of \$456 to \$565 per ton. A majority recommended that the minimum support level be increased to \$500 per ton or above. This \$500 loan level was rejected by the Department as increasing consumer costs and adding about \$25.2 million to budget outlays. Moreover, it would more than cover full costs of production on a planted acre basis and a tonnage basis. There were 64 comments on the additional loan level. Of these, 10 commentators recommended the \$300 per ton level in effect for the 1979 crop; 10 recommended that the loan rate be established at a level under which no program costs would be incurred; and, the remaining recommendations were mostly in the \$345 to \$400 per ton range. There were 16 comments received on the CCC sales policy on additional loan peanuts sold for export edible use. Of these respondents, 2 recommended a minimum edible export sales price of \$400 per ton the same as in 1979; 6 recommended an increase roughly proportional to any increase in the quota loan rate; 1 organization recommended that this minimum price be equivalent to the quota loan rate; and 7 recommended an increase in the sales price ranging from \$450 to \$500 per ton (Appendix Table 8).

Approved:

HOWARD W. HJORT,  
*Director, Economics, Policy Analysis and Budget.*

APPENDIX TABLE I.—1980 PEANUT PROGRAM: ESTIMATED GOVERNMENT COSTS, "MOST LIKELY" WEATHER—NATIONAL POUNDAGE QUOTA 1,516,000 TONS

[In millions of dollars]

| Item                       | Quota loan rate |               |               |
|----------------------------|-----------------|---------------|---------------|
|                            | \$420 per ton   | \$455 per ton | \$480 per ton |
| A. Loan outlays:           |                 |               |               |
| 1. Quota.....              | 41.9            | 59.7          | 77.0          |
| 2. Additional:             |                 |               |               |
| Initial loans.....         | 37.9            | 37.9          | 37.9          |
| Profit distributions.....  | 10.3            | 12.8          | 14.6          |
| Profits to quota pool..... | 2.8             | 3.4           | 3.8           |
| Total additional.....      | 51.0            | 54.1          | 56.3          |
| 3. Total outlays.....      | 92.9            | 113.8         | 133.3         |



APPENDIX TABLE I.—1980 PEANUT PROGRAM: ESTIMATED GOVERNMENT COSTS, "MOST LIKELY"  
WEATHER—NATIONAL POUNDAGE QUOTA 1,516,000 TONS—Continued

[In millions of dollars]

| Item                                | Quota loan rate |               |               |
|-------------------------------------|-----------------|---------------|---------------|
|                                     | \$420 per ton   | \$455 per ton | \$480 per ton |
| B. Repayments:                      |                 |               |               |
| 1. Quota:                           |                 |               |               |
| Domestic edible.....                | 5.0             | 5.3           | 5.6           |
| Domestic crush.....                 | 19.0            | 26.0          | 32.5          |
| Shrinkage.....                      | 1.3             | 1.8           | 2.3           |
| Profits from additional.....        | 2.8             | 3.4           | 3.8           |
| Total quota.....                    | 28.1            | 36.5          | 44.2          |
| 2. Additional:                      |                 |               |               |
| Domestic edible.....                | 21.7            | 23.5          | 24.7          |
| Export edible.....                  | 15.2            | 16.5          | 17.5          |
| Domestic crush.....                 | 11.0            | 11.0          | 11.0          |
| Shrinkage.....                      | 1.1             | 1.1           | 1.1           |
| Total additional.....               | 49.0            | 52.1          | 54.3          |
| 3. Total repayments.....            | 77.1            | 88.6          | 98.5          |
| C. Net outlays:                     |                 |               |               |
| 1. Quota.....                       | 13.8            | 23.2          | 32.8          |
| 2. Additional.....                  | 2.0             | 2.0           | 2.0           |
| 3. Miscellaneous <sup>1</sup> ..... | 2.0             | 2.0           | 2.0           |
| 4. Total program costs.....         | 17.8            | 27.2          | 36.8          |

<sup>1</sup> Net overhead. Assumes outlays of \$3 million and recoveries of \$1 million.

APPENDIX TABLE II.—1980 PEANUT PROGRAM: PROJECTED CROP DATA, SUPPLY-USE, PRICES AND  
VALUES, FARMERS STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1

| Item                                  | Quota loan rate |               |               | Probable variation due to U.S.<br>weather <sup>1</sup> |       |
|---------------------------------------|-----------------|---------------|---------------|--------------------------------------------------------|-------|
|                                       | \$420 per ton   | \$455 per ton | \$480 per ton | Favorable                                              | Poor  |
| Crop data:                            |                 |               |               |                                                        |       |
| National allotment (1,000 acres)..... | 1,614           | 1,614         | 1,614         |                                                        |       |
| Planted acres (1,000 acres).....      | 1,530           | 1,530         | 1,530         |                                                        |       |
| Harvested acres (1,000 acres).....    | 1,500           | 1,500         | 1,500         | + 5                                                    | - 5   |
| Yield (pounds).....                   | 2,700           | 2,700         | 2,700         | + 125                                                  | - 190 |
| Effective quota (1,000 tons).....     | 1,600           | 1,600         | 1,600         | + 100                                                  | - 150 |
| Supply-use (1,000 tons):              |                 |               |               |                                                        |       |
| Supply:                               |                 |               |               |                                                        |       |
| Beginning stocks.....                 | 300             | 300           | 300           |                                                        |       |
| Marketing.....                        | 1,960           | 1,960         | 1,960         | + 85                                                   | - 130 |
| Total.....                            | 2,260           | 2,260         | 2,260         |                                                        |       |
| Use:                                  |                 |               |               |                                                        |       |
| Domestic edible, seed.....            | 1,193           | 1,173         | 1,155         |                                                        |       |
| Domestic crush:                       |                 |               |               |                                                        |       |
| Loan surplus.....                     | 132             | 162           | 190           | + 85                                                   | - 130 |
| Other.....                            | 125             | 125           | 125           |                                                        |       |
| Subtotal.....                         | 257             | 287           | 315           |                                                        |       |
| Export.....                           | 510             | 500           | 490           |                                                        |       |
| Total.....                            | 1,960           | 1,960         | 1,960         |                                                        |       |
| Ending Stocks.....                    | 300             | 300           | 300           |                                                        |       |
| Prices (per ton):                     |                 |               |               |                                                        |       |
| Loan rate, quota.....                 | \$420           | \$455         | \$480         |                                                        |       |



APPENDIX TABLE II.—1980 PEANUT PROGRAM: PROJECTED CROP DATA, SUPPLY-USE, PRICES AND VALUES, FARMERS STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1—Continued

| Item                                                 | Quota loan rate |               |               | Probable variation due to U.S. weather <sup>1</sup> |       |
|------------------------------------------------------|-----------------|---------------|---------------|-----------------------------------------------------|-------|
|                                                      | \$420 per ton   | \$455 per ton | \$480 per ton | Favorable                                           | Poor  |
| Prices (per ton)—Continued                           |                 |               |               |                                                     |       |
| Loan rate, additional .....                          | \$250           | \$250         | \$250         |                                                     |       |
| Season average price, edible .....                   | \$430           | \$465         | \$485         |                                                     |       |
| Minimum sales price, (export edible, additional) ... | \$400           | \$435         | \$460         |                                                     |       |
| Contract price, additional .....                     | \$385           | \$420         | \$445         |                                                     |       |
| Crushing, unrestricted (minimum) .....               | \$275           | \$275         | \$275         |                                                     |       |
| Crushing, restricted .....                           | \$240           | \$240         | \$240         | —\$20                                               | +\$20 |
| Farm receipts (millions):                            |                 |               |               |                                                     |       |
| Value of marketings:                                 |                 |               |               |                                                     |       |
| Quota .....                                          | \$671           | \$725         | \$757         |                                                     |       |
| Additional .....                                     | \$146           | \$157         | \$166         |                                                     |       |
| Total .....                                          | \$817           | \$882         | \$923         |                                                     |       |

<sup>1</sup> Not applicable to the \$420 quota loan option under favorable weather, due to a tight peanut supply.

APPENDIX TABLE III.—1980 PEANUT PROGRAM: PROJECTED BREAKDOWN OF SUPPLY-USE BETWEEN QUOTA AND ADDITIONAL PEANUTS, FARMERS STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1

[Tons in thousands]

| Item                                    | Quota loan rate |               |               | Probable variation due to U.S. weather <sup>1</sup> |             |
|-----------------------------------------|-----------------|---------------|---------------|-----------------------------------------------------|-------------|
|                                         | \$420 per ton   | \$455 per ton | \$480 per ton | Favorable                                           | Unfavorable |
| A. Quota peanuts:                       |                 |               |               |                                                     |             |
| 1. Supply:                              |                 |               |               |                                                     |             |
| Beginning stocks .....                  | 275             | 275           | 275           |                                                     |             |
| Marketing and imports .....             | 1,560           | 1,560         | 1,560         | + 10                                                | — 10        |
| Total supply .....                      | 1,835           | 1,835         | 1,835         |                                                     |             |
| 2. Use:                                 |                 |               |               |                                                     |             |
| a. Commercial:                          |                 |               |               |                                                     |             |
| Domestic edible and related, seed ..... | 1,257           | 1,237         | 1,219         | 0                                                   | + 12        |
| Exports .....                           | 210             | 200           | 190           | — 75                                                | + 78        |
| Total commercial .....                  | 1,467           | 1,437         | 1,409         | — 75                                                | + 90        |
| b. Loan:                                |                 |               |               |                                                     |             |
| Domestic edible and related .....       | 11              | 11            | 11            |                                                     |             |
| Domestic crush, surplus .....           | 82              | 112           | 140           | + 85                                                | — 100       |
| Total loan .....                        | 93              | 123           | 151           |                                                     |             |
| c. Total use .....                      | 1,560           | 1,560         | 1,560         |                                                     |             |
| 3. Ending stocks .....                  | 275             | 275           | 275           |                                                     |             |
| 3. Additional peanuts:                  |                 |               |               |                                                     |             |
| 1. Supply:                              |                 |               |               |                                                     |             |
| Beginning stocks .....                  | 25              | 25            | 25            |                                                     |             |
| Marketing .....                         | 400             | 400           | 400           | + 75                                                | — 120       |
| Total supply .....                      | 425             | 425           | 425           |                                                     |             |
| 2. Use:                                 |                 |               |               |                                                     |             |
| a. Commercial-export .....              | 262             | 262           | 262           | + 50                                                | — 50        |
| b. Loan:                                |                 |               |               |                                                     |             |
| Domestic edible and related .....       | 50              | 50            | 50            | 0                                                   | — 12        |
| Export edible .....                     | 38              | 38            | 38            | + 25                                                | — 28        |



APPENDIX TABLE III.—1980 PEANUT PROGRAM: PROJECTED BREAKDOWN OF SUPPLY-USE BETWEEN QUOTA AND ADDITIONAL PEANUTS, FARMERS STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1—  
Continued

(Tons in thousands)

| Item                            | Quota loan rate |               |               | Probable variation due to U.S. weather <sup>1</sup> |             |
|---------------------------------|-----------------|---------------|---------------|-----------------------------------------------------|-------------|
|                                 | \$420 per ton   | \$455 per ton | \$480 per ton | Favorable                                           | Unfavorable |
| B. Additional peanuts—Continued |                 |               |               |                                                     |             |
| 2. Use—Continued                |                 |               |               |                                                     |             |
| b. Loan—Continued               |                 |               |               |                                                     |             |
| Domestic crush, surplus.....    | 50              | 50            | 50            |                                                     | — 30        |
| Total loan.....                 | 138             | 138           | 138           | + 25                                                | — 70        |
| c. Total use.....               | 400             | 400           | 400           | + 75                                                | — 120       |
| 3. Ending stocks.....           | 25              | 25            | 25            |                                                     |             |

<sup>1</sup> Not applicable to the \$420 quota loan option under unfavorable weather, due to a tight peanut supply.

APPENDIX TABLE IV.—PEANUT PROGRAMS: ACTUAL 1978 AND ESTIMATED 1979 CROP DATA, SUPPLY-USE, PRICES AND VALUES, CCC NET PROGRAM COSTS, FARMERS STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1

| Item                                                 | 1978 marketing year | 1979 marketing year |
|------------------------------------------------------|---------------------|---------------------|
| Crop data:                                           |                     |                     |
| National allotment (1,000 acres).....                | 1,614               | 1,614               |
| Planted acres (1,000 acres).....                     | 1,544               | 1,549               |
| Harvested acres (1,000 acres).....                   | 1,512               | 1,525               |
| Yield (pounds).....                                  | 2,639               | 2,607               |
| Effective quota (1,000 tons).....                    | 1,680               | 1,688               |
| Supply-use (1,000 tons):                             |                     |                     |
| Supply:                                              |                     |                     |
| Beginning stocks.....                                | 290                 | 296                 |
| Marketings.....                                      | 1,943               | 1,939               |
| Total.....                                           | 2,233               | 2,235               |
| Use:                                                 |                     |                     |
| Domestic edible, seed.....                           | 1,103               | 1,155               |
| Domestic crush:                                      |                     |                     |
| Loan surplus.....                                    | 155                 | 180                 |
| Other.....                                           | 109                 | 100                 |
| Subtotal.....                                        | 264                 | 280                 |
| Export.....                                          | 570                 | 500                 |
| Total.....                                           | 1,937               | 1,935               |
| Ending Stocks.....                                   | 296                 | 300                 |
| Prices (per ton):                                    |                     |                     |
| Loan rate, quota.....                                | \$420               | \$420               |
| Loan rate, additional.....                           | \$250               | \$300               |
| Season average price, edible.....                    | \$422               | \$426               |
| Minimum sales price (export edible, additional)..... | \$400               | \$400               |
| Contract price, additional.....                      | \$390               | \$380               |
| Crushing, unrestricted.....                          | \$356               | \$325               |
| Crushing, restricted.....                            | \$330               | \$235               |
| Farm receipts (million dollars):                     |                     |                     |
| Value of marketings:                                 |                     |                     |
| Quota.....                                           | 645                 | 662                 |
| Additional.....                                      | 153                 | 143                 |
| Total.....                                           | 798                 | 805                 |



APPENDIX TABLE IV.—PEANUT PROGRAMS: ACTUAL 1978 AND ESTIMATED 1979 CROP DATA, SUPPLY-USE, PRICES AND VALUES, CCC NET PROGRAM COSTS, FARMERS STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1—Continued

| Item                                          | 1978 marketing<br>year | 1979 marketing<br>year |
|-----------------------------------------------|------------------------|------------------------|
| Returns over costs, excluding land .....      | 235                    | 181                    |
| CCC net program costs (million dollars) ..... | 18                     | 34-47                  |

APPENDIX TABLE V.—PEANUT PROGRAMS: ACTUAL 1978 AND ESTIMATED 1979 BREAKDOWN OF SUPPLY-USE BETWEEN QUOTA AND ADDITIONAL PEANUTS, FARMER STOCK BASIS, MARKETING YEAR BEGINNING AUG. 1

[Tons in thousands]

| Item                             | 1978 marketing<br>year | 1979 marketing<br>year |
|----------------------------------|------------------------|------------------------|
| <b>A. Quota peanuts:</b>         |                        |                        |
| 1. Supply:                       |                        |                        |
| Beginning stocks.....            | 290                    | 271                    |
| Marketing and imports.....       | 1,546                  | 1,555                  |
| Total supply.....                | 1,836                  | 1,826                  |
| 2. Use:                          |                        |                        |
| a. Commercial:                   |                        |                        |
| Domestic edible and related..... | 1,148                  | 1,203                  |
| Exports .....                    | 226                    | 168                    |
| Total commercial.....            | 1,374                  | 1,371                  |
| b. Loan:                         |                        |                        |
| Domestic edible and related..... | 16                     | 7                      |
| Export edible.....               | 0                      | 28                     |
| Export crush .....               | 20                     | 0                      |
| Domestic crush, surplus.....     | 155                    | 145                    |
| Total loan.....                  | 191                    | 180                    |
| c. Total use .....               | 1,565                  | 1,551                  |
| 3. Ending stocks.....            | 271                    | 275                    |
| <b>B. Additional peanuts:</b>    |                        |                        |
| 1. Supply:                       |                        |                        |
| Beginning stocks.....            | 0                      | 25                     |
| Marketings <sup>2</sup> .....    | 396                    | 384                    |
| Total supply.....                | 396                    | 409                    |
| 2. Use:                          |                        |                        |
| a. Commercial-export .....       | 302                    | 215                    |
| b. Loan:                         |                        |                        |
| Domestic edible and related..... | 47                     | 45                     |
| Export edible.....               | 5                      | 89                     |
| Export crush .....               | 17                     | 0                      |
| Domestic crush, surplus.....     | 0                      | 35                     |
| Total loan.....                  | 169                    | 169                    |
| c. Total use.....                | 371                    | 384                    |
| 3. Ending stocks.....            | 25                     | 25                     |

<sup>1</sup> Additional peanuts transferred to quota pool under disaster provision.

<sup>2</sup> Net after transfers to quota pool.



APPENDIX TABLE VI.—TOTAL AND SHORT TERM COSTS OF PRODUCING PEANUTS, 1976-80

[Costs per acre]

|                           | 1976     |            | 1977     |            | 1978     |            | 1979     |            | 1980     |            |
|---------------------------|----------|------------|----------|------------|----------|------------|----------|------------|----------|------------|
|                           | Total    | Short term | Total    | Short term | Total    | Short term | Total    | Short term | Total    | Short term |
| Variable.....             | \$207.71 | \$187.64   | \$263.00 | \$232.91   | \$270.00 | \$237.38   | \$299.58 | \$263.98   | \$347.37 | \$308.85   |
| Seed.....                 | 39.56    | 39.56      | 53.34    | 53.34      | 54.50    | 54.50      | 57.93    | 57.93      | 60.48    | 60.48      |
| Fertilizer.....           | 16.82    | 16.82      | 18.92    | 18.92      | 18.80    | 18.80      | 19.96    | 19.96      | 23.85    | 23.85      |
| Lime and gypsum.....      | 13.48    | 13.48      | 16.41    | 16.41      | 18.03    | 18.03      | 19.33    | 19.33      | 23.10    | 23.10      |
| Chemicals.....            | 55.80    | 55.80      | 68.17    | 68.17      | 64.10    | 64.10      | 66.84    | 66.84      | 73.46    | 73.46      |
| Customs operations.....   | 11.23    | 11.23      | 4.26     | 4.26       | 4.48     | 4.48       | 4.75     | 4.75       | 5.13     | 5.13       |
| All labor.....            | 20.07    | .....      | 30.09    | .....      | 32.62    | .....      | 35.60    | .....      | 38.52    | .....      |
| Fuel and lubrication..... | 12.21    | 12.21      | 20.35    | 20.35      | 20.84    | 20.84      | 30.27    | 30.27      | 40.33    | 40.33      |
| Repairs.....              | 10.67    | 10.67      | 18.55    | 18.55      | 19.87    | 19.87      | 22.04    | 22.04      | 24.35    | 24.35      |
| Drying.....               | 22.89    | 22.89      | 26.06    | 26.06      | 29.27    | 29.27      | 32.94    | 32.94      | 43.89    | 43.89      |
| Interest.....             | 4.49     | 4.49       | 6.85     | 6.85       | 7.49     | 7.49       | 9.92     | 9.92       | 14.26    | 14.26      |
| Miscellaneous.....        | .49      | .49        | .....    | .....      | .....    | .....      | .....    | .....      | .....    | .....      |
| Machinery ownership.....  | 32.76    | .....      | 48.87    | .....      | 54.76    | .....      | 66.88    | .....      | 75.46    | .....      |
| Replacement.....          | 21.70    | .....      | 32.32    | .....      | 34.72    | .....      | 38.51    | .....      | 42.55    | .....      |
| Interest.....             | 8.67     | .....      | 12.34    | .....      | 15.34    | .....      | 22.81    | .....      | 26.57    | .....      |
| Taxes and insurance.....  | 2.39     | 2.39       | 4.21     | 4.21       | 4.70     | 4.70       | 5.56     | 5.56       | 6.34     | 6.34       |



|                                   |         |       |         |       |         |        |         |        |         |        |
|-----------------------------------|---------|-------|---------|-------|---------|--------|---------|--------|---------|--------|
| General farm overhead.....        | 17.19   | 17.19 | 15.73   | 15.73 | 17.52   | 17.52  | 19.48   | 19.48  | 21.53   | 21.53  |
| Management.....                   | 25.77   | ..... | 32.76   | ..... | 34.23   | .....  | 38.59   | .....  | 44.44   | 44.44  |
| Land- Composite acquisition:..... | 55.06   | 55.06 | 95.25   | 95.25 | 107.85  | 107.85 | 112.83  | 112.83 | 119.40  | 119.40 |
| Total acre cost.....              | 338.49  | ..... | 455.61  | ..... | 484.36  | .....  | 537.36  | .....  | 608.20  | .....  |
| Planted acre yield.....           | 2,445   | ..... | 2,431   | ..... | 2,602   | .....  | 2,586   | .....  | 2,650   | .....  |
| Total unit cost.....              | \$0.138 | ..... | \$0.187 | ..... | \$0.186 | .....  | \$0.208 | .....  | \$0.230 | .....  |
| Byproduct value.....              | .005    | ..... | .005    | ..... | .005    | .....  | .005    | .....  | .005    | .....  |
| Net unit cost.....                | .133    | ..... | .182    | ..... | .181    | .....  | .203    | .....  | .225    | .....  |
| Special cost categories:          |         |       |         |       |         |        |         |        |         |        |
| Hired labor.....                  | \$5.98  | ..... | \$6.02  | ..... | .....   | .....  | .....   | .....  | \$6.73  | .....  |
| Family living.....                | 46.80   | ..... | 50.03   | ..... | .....   | .....  | .....   | .....  | 60.34   | .....  |
| Total short term costs.....       | 315.06  | ..... | 404.15  | ..... | .....   | .....  | .....   | .....  | 468.92  | .....  |
| Planted acre yield.....           | 2,445   | ..... | 2,431   | ..... | 2,602   | .....  | 2,586   | .....  | 2,650   | .....  |
| Total unit short term cost.....   | \$0.129 | ..... | \$0.166 | ..... | \$0.164 | .....  | \$0.181 | .....  | \$0.200 | .....  |



APPENDIX TABLE VII.—PEANUTS: NATIONAL AVERAGE COSTS AND RETURNS PER PLANTED ACRE

| Loan prices       | Dollars per acre           |                                 |               |                                        |                             | Cost as percent of returns |
|-------------------|----------------------------|---------------------------------|---------------|----------------------------------------|-----------------------------|----------------------------|
|                   | Quota returns <sup>1</sup> | Additional returns <sup>1</sup> | Total returns | Total cost including land <sup>2</sup> | Returns cost including land |                            |
| 1978:             |                            |                                 |               |                                        |                             |                            |
| \$420/\$250 ..... | 417                        | 99                              | 517           | 471                                    | 46                          | 110                        |
| 1979:             |                            |                                 |               |                                        |                             |                            |
| \$420/\$300 ..... | 427                        | 92                              | 519           | 524                                    | —5                          | 99                         |
| 1980:             |                            |                                 |               |                                        |                             |                            |
| \$420/\$250 ..... | 439                        | 95                              | 533           | 575 to 593                             | —42 to —60                  | 90 to 93                   |
| \$455/\$250 ..... | 473                        | 103                             | 576           | 575 to 593                             | —17 to 1                    | 97 to 100                  |
| \$480/\$250 ..... | 494                        | 108                             | 603           | 575 to 593                             | 10 to 28                    | 102 to 105                 |

<sup>1</sup> Value of marketings amounted with respective loan levels.<sup>2</sup> Value of byproduct (\$13 per acre) has been deducted.

APPENDIX TABLE VIII.—1980 CROP PEANUT PROGRAM: SUMMARY OF COMMENTS ON 1980 SUPPORT LEVELS AND SALES POLICY AS OF JAN. 14, 1980

| Respondent                       | Quota loan rate |               |          | Additional loan rate  |               |          | CCC sales policy on additional peanuts sold for export edible |               |                 |          |
|----------------------------------|-----------------|---------------|----------|-----------------------|---------------|----------|---------------------------------------------------------------|---------------|-----------------|----------|
|                                  | Number          | \$420 per ton | Increase | No cost to Government | \$300 per ton | Increase | About \$20 per ton below quota support                        | \$400 per ton | Quota loan rate | Increase |
| Members of Congress.....         | 58              |               |          | 58                    |               | 1        |                                                               |               |                 |          |
| Grower groups .....              | 7               |               |          | 7                     | 2             |          | 1                                                             |               |                 |          |
| General farm organizations ..... | 9               |               |          | 9                     | 1             | 1        |                                                               |               |                 |          |
| Sheller associations .....       | 3               |               |          | 3                     | 1             | 2        | 1                                                             |               |                 |          |
| Area marketing associations..... | 2               |               |          | 2                     | 1             |          |                                                               | 1             |                 |          |
| State government agencies.....   | 11              | 1             | 10       | 3                     | 4             |          | 1                                                             | 1             | 1               | 2        |
| Agribusiness.....                | 5               | 2             | 3        |                       |               |          |                                                               |               |                 |          |
| Bank.....                        | 1               |               | 1        |                       |               |          |                                                               |               |                 |          |
| Individuals:                     |                 |               |          |                       |               |          |                                                               |               |                 |          |
| SE.....                          | 125             | 1             | 124      | 1                     | 1             | 36       |                                                               |               |                 | 4        |
| VC.....                          | 4               |               | 4        |                       |               |          |                                                               |               |                 |          |
| SW.....                          | 60              |               | 60       | 1                     | 1             | 8        | 3                                                             |               |                 | 1        |
| Total.....                       | 189             | 1             | 188      | 2                     | 2             | 44       | 3                                                             |               |                 | 5        |
| Total respondents.....           | 285             | 4             | 281      | 10                    | 10            | 44       | 6                                                             | 2             | 1               | 7        |

<sup>1</sup> About 80 percent of the respondents requesting an increase recommended \$500 per ton or above.

## STATEMENT OF EMMETT REYNOLDS, CHAIRMAN, NATIONAL PEANUT GROWERS GROUP STEERING COMMITTEE

Mr. Chairman and members of the Committee, I am Emmett Reynolds, Chairman of the National Peanut Growers Group Steering Committee. The National Peanut Growers Group is a federation of the nation's 14 state and regional peanut producer organizations. We regret, as I feel sure you do, that it is necessary to conduct this Hearing today. We have met five times with USDA since the 1979 peanut quota support rate was announced in February of 1979 in an effort to achieve a satisfactory quota support rate in 1980. In mid-January we felt we had reached an understanding with the Department that a reasonable quota support rate adjustment would be made for 1980. However, the USDA Announcement on January 30 setting \$455 per ton for quota peanuts in 1980 in reality represented only a token adjustment after three years of essentially the same support level. That development is extremely depressing to growers who have made every effort to work with USDA and the Congress in bringing about desired program modifications. However, since such a situation has developed, Mr. Chairman, on behalf of all peanut growers, we very much appreciate your taking the initiative in introducing legislation that



could, if adopted, give us a reasonable support level. We also appreciate your calling this Hearing to sound out the various interests.

We feel we must answer for the record the objections USDA has raised during the course of these five meetings over the past year.

In rejecting our request last year for a quota support increase in 1979, the Department determined that 5 of the 8 factors in Section 401(b) of the Agriculture Act of 1949 were unfavorable to our request. The other 3 factors were neutral. However, our case was clearly supported by the increase in the index of prices paid.

The same 5 factors have been cited from time to time in regard to our request relative to the 1980 crop quota support rate. We therefore offer the following comment on each:

*1. Importance of peanuts to agriculture and the national economy.*

The USDA indicated that a quota support increase would be inflationary causing an increase in the consumer price index. NPGG contends that:

(1) USDA emphasis for many years has been on reducing program costs to reduce tax outlays. Growers have cooperated in this effort, which has been successful.

(2) A review of retail peanut butter prices for the period 1977-79 shows that the retail price of peanut butter has advanced at least as rapidly since the support rate for farmers stock peanuts has been frozen as during periods of periodic increases. For example, retail peanut butter prices advanced only 5.1 percent from December, 1977 through June, 1978—a period reflecting two years of farmers stock price increase. From June, 1978 to August, 1979, a 14 month period reflecting only 2.5 percent increase in farmers stock price, there occurred a 12.7 percent increase in the retail price of peanut butter.

*2. Price support levels of other commodities.*

The USDA said that the present support level ranks high in comparison to target and loan rates established for target program commodities. NPGG contends that:

(1) The Department, however, failed to compare peanuts with commodities under support price programs. When the quota peanut support level is compared to support levels of other commodities in terms of parity, peanuts are below the average for all of the other commodities.

(2) For peanuts the investment in planting, harvesting and drying the crop is considerably greater than for the other commodities. Most of the peanut equipment used in the production, harvesting and marketing of the crop is highly specialized and is not adaptable to use on other commodities. The production risk for the producer is greater due to the nature of the crop and its vulnerability to losses from insects, disease, mold and freeze damage.

*3. Supply in relation to requirements.*

USDA indicated that peanut supplies would continue to be in abundance. NPGG contends that:

(1) The previous pattern of peanut production outstripping consumption appears to be reversed. Since 1974, peanut production has increased only 3.4 percent while consumption during this same 4-year period has increased 6.3 percent.

Increased application of improved production technology can no longer be used to offset the spiraling increases in production costs as suggested by the Department. Moreover, we submit that U.S. peanut yields since 1975 have fluctuated more due to prevailing weather conditions during the growing and harvesting periods than to adoption of improved technology. A Department report on this subject has implied that a portion of the 12 percent increase in production costs during 1980 may be recovered from yield increases resulting from the application of technology. In the USDA report the lower U.S. yields achieved during 1977 were used as a base and yields during 1978 and 1979 do reflect a 9 percent increase. However, the report including the 1980 projected yield also shows yields to be relatively unchanged for a 3-year period at approximately 2,600 pounds per acre. Since the 1977 yield reflects a year of considerable drought across the U.S., it would appear unrealistic to attribute the higher yields of 1978-1979 to improved technology. Therefore, little evidence is available to show that U.S. peanut growers will be able to recover the 1980 projected cost increases through increased yield.

(2) The quota support rate announced by the Department on January 30 may cause a substantial reduction of additional peanuts across the nation's peanut belt. Additional peanuts are contracted by shellers for export at prices based on, but less than, the quota support rate. In 1979 contract price ranges were from 73 percent to 93 percent of the quota level. Belt wide the contract price is believed to have averaged about 90 percent of the quota support rate. Growers in all production areas who expect difficulty with the \$455 quota support obviously cannot produce 80 percent of their allotments at a contract price below that level.

*4. Availability of funds.*



USDA pointed out that an increase in the quota rate would increase government outlays.

NPGG contends that:

(1) Grower leadership in 1977 played a major role in program modifications which have grossly reduced peanut program costs. For the years 1977, 1978 and 1979, program costs have averaged about \$17 million, only 2 percent of the total value of the crop which is about \$800 million.

(2) Although government outlays would be increased somewhat with a support rate of \$502 per ton in 1980, income to producers from quota peanuts alone would be increased by approximately \$120 million over 1979 with 90 percent of the increase resulting from commercial trade sources and not from the U.S. Treasury. Returns to growers from sales of additional peanuts would be increased proportionately at no cost to the taxpayer.

5. *Ability and willingness to keep supplies in line with demand.*

USDA said that "an increased quota loan would increase the present surplus of production for domestic edible and related use".

NPGG contends that:

(1) Growers have repeatedly demonstrated their willingness to bring supplies in line with demand as evidenced by: Their support of the amended law in 1977 calling for sharp reductions in production, and the grower referendum in 1977 reflects that 93.6 percent of growers voting endorsed the proposed marketing quotas.

(2) Recent increases in domestic consumption of peanut products have been significant—8 percent in 1978-79 with similar trends predicted in 1979-80.

(3) Periodic support increases in the past have not resulted in increased plantings. For the period 1967-1977 support adjustments were made frequently with only a 5 percent increase in plantings at the highest point.

Peanut growers have received only 8.3 percent increase in the quota support rate under the present amended law. During the same period, according to USDA statistics, the index of prices paid by growers increased 12 percent in 1978 and 15 percent in 1979. As a result, peanut growers likely will receive only about 50 percent of parity for peanuts next fall compared to 71 percent in 1977. With production yields leveling off growers cannot continue to offset wildly escalating production costs plus inflationary forces through production efficiency alone.

Use of the inflation rate of 9.2 percent in 1978 would have dictated a support rate of \$458.60 in 1978 and the inflation rate of 13 percent in 1979 called for a support price of \$518, just to maintain the 1977 level of income.

The peanut industry and USDA are doing a good job securing utilization of peanuts in domestic and export markets resulting in dramatic reductions of program cost. For example on the 1978 crop only 255,306 tons (13 percent) out of the total crop of 1,988,000 tons was placed in loan. Peanut shellers later purchased from loan 66,279 tons for domestic edible and related use at a price reflecting no loss to USDA. In addition, 40,293 tons of loan inventory sold for export-crushing reflecting little, if any, program loss so that a total of only 148,734 tons of loan peanuts, or 7.5 percent, of the crop, sold for domestic crushing, resulted in losses. It now appears that the 1979 crop will be utilized in about the same favorable proportions.

For the years 1977, 1978 and 1979 peanut program costs averaged about \$17 million annually, just 2 percent of the value of the crop (\$800 million).

#### RECOMMENDATION—1980 QUOTA SUPPORT LEVEL

Our recommendation is that the quota price support rate in 1980 be adjusted to reflect a major portion of the increase in the index of prices paid by growers during the period of the present peanut program. A literal interpretation of this recommendation would mean that the \$420 per ton minimum quota support rate be increased 12 percent (to \$470) to compensate for 1978 and that the \$470 be increased by 14 percent (to \$536) for 1980. However, by using the method utilized by USDA in its Impact Statement of February 15, 1979, production costs for the months of November and December are ignored, and the result would be \$502 per ton. Although \$502 per ton reflects about 68 percent of current parity, by marketing time in September, 1980 the \$502 figure will represent only about 58 percent of parity, if inflation continues at the present rate.

Mr. Chairman, the National Peanut Growers Group has met with Department officials on five occasions in regard to the quota support rate for 1980. In those sessions USDA officials acknowledged that the 1977 peanut program amendments have shown significant progress in grossly reducing program costs, improving the balance of supply and demand and in expanding export markets. But, in spite of these achievements made possible at the expense of growers, USDA has seen fit to adjust the quota support level by only 8.3 percent against an increase in the index



of prices paid by growers of 26.5 percent the past two years plus an additional 13 percent increase expected in 1980.

Growers agree basically with the Department's peanut production cost estimates of roughly a 10 percent increase for 1979 and a projection of at least 12 percent for 1980. We also agree with USDA's estimated national average production cost per pound of 22.8 cents for 1980. Mr. Chairman, the 22.8 cents per pound translates to \$456 per ton production cost against a quota support level of \$455 per ton, which explains the dilemma of thousands of peanut producers.

The \$502 per ton support rate called for in S. 2249 represents an approximate 19 percent increase over the \$420 rate for 1978 and 1979. Such an increase appears to be consistent with increases contemplated for target price commodities under pending legislation.

We feel that we have fully justified and are completely entitled to a quota support rate of \$502 per ton in 1980. We strongly endorse S. 2249 and urge its adoption by the Committee.

Thank you Mr. Chairman.

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STATEMENT OF BUREN JONES, LUMPKIN, GA., ON BEHALF OF THE AMERICAN  
AGRICULTURE MOVEMENT

Mr. Chairman and Committee Members:

I would like to take this opportunity to persuade you of the necessity of an additional increase in the support price for quota peanuts for the 1980 crop.

Much of South Georgia is completely dependent on peanuts as far as any hope of paying the large debts built up over the past 3 years.

Much of the economy of the rural communities and many other larger cities in South and Central Georgia has in the past 15 years, become increasingly dependant on peanuts as a stabilizing force in their economy.

The money spent by Commodity Credit Corporation on peanuts has given a greater return to the citizens of the peanut growing area than to the peanut producers themselves. The gross peanut sales from producers in the U.S. in 1979 was 823 million dollars. Applying the 7 to 1 economic factor to this you can see that \$5,761,000.00 went into the economy. This came as a direct result of peanut production in 1979. I believe that when our leaders in Washington learn to apply simple math to their decisions we will be able to once again become a flourishing nation instead of the withering mass we have become in the past 150 years.

The only increase in peanut price supports in three years came this year and was only a little over 7 percent while our costs have increased 30 percent. The \$455.00 per ton price is not nearly enough to cover the cost of production.

On March 5 the price of a weed control chemical (Dynitro) which must be used for quality peanut production increased from \$7.75 to \$14.20. This is happening in all of our production items and if we are to survive, Congress must act to alleviate the pressure by increasing the prices of our commodities whenever possible.

I want to urge you to consider the \$502 per ton support price for quota peanuts for the 1980 crop year.

Taking the 4,600 lb. per acre production figure which is by far too high for most areas the cost of producing an acre of peanuts using The Agriculture Extension Service figures would be \$892.00.

Using the \$455.00 per ton for quota and \$250.00 per ton for non quota, and a 3,500 lb. original quota which would mean 2,450 lbs. of peanuts at \$455.00 for a net of \$557.37 and 2,150 lbs. at \$250. for a net of \$268.75 and combined means \$826.12 per acre sales.

This situation leaves a loss of \$66.68 per acre and we have used maximum production figures and minimum cost of production figures.

Unless immediate action is taken to further increase loan price of peanuts, peanut producers along with rural communities in the peanut producing areas and agri-business will only go further in debt and be at the mercy of ever increasing interest cost.



# FARMING FACTS

**We don't want a subsidy,  
we want a FAIR Price.**

**From 1960 to 1979**

|                       |         |
|-----------------------|---------|
| PRICE TO FARMER ..... | UP 160% |
| COST OF FARMING ..... | UP 309% |
| FARM DEBT .....       | UP 445% |

**From Jan. 1, 1979 to Jan. 1, 1980**

|                             |              |
|-----------------------------|--------------|
| DIESEL FUEL .....           | UP 88%       |
| FERTILIZER .....            | UP 25-30%    |
| HERBICIDE .....             | UP 10%       |
| INSECTICIDE .....           | UP 10%       |
| INTEREST .....              | UP 40%       |
| FARM MACHINERY .....        | UP 12%-25.6% |
| LOAN RATE ON CORN .....     | UP 5%        |
| LOAN RATE ON SOYBEANS ..... | Unchanged 0% |
| LOAN RATE ON COTTON .....   | DOWN 4.6%    |

***Does History Repeat Itself?***

***When Will Prices Return To Loan Rate?***

**HELP YOURSELF THINK**

**JOIN AAM**

**American Agricultural Movement**



## PEANUTS ESTIMATED PRODUCTION COSTS PER ACRE

[Based on 3,400 pound yield]

| Item of expense (units)                                           | Estimated cost per unit | Estimated cost for item rounded to nearest dollar | Your estimate |
|-------------------------------------------------------------------|-------------------------|---------------------------------------------------|---------------|
| Estimated operating costs:                                        |                         |                                                   |               |
| Seed (120 lb) .....                                               | \$0.48                  | \$57                                              |               |
| Lime (0.5 tons) .....                                             | 20.00                   | 10                                                |               |
| Fertilizer (5-10-15 or equivalent) (5 cwt) .....                  | 6.00                    | 30                                                |               |
| Gypsum .....                                                      |                         | 13                                                |               |
| Herbicides .....                                                  |                         | 40                                                |               |
| Insecticides .....                                                |                         | 22                                                |               |
| Fungicides .....                                                  |                         | 45                                                |               |
| Machinery—preharvest:                                             |                         |                                                   |               |
| Fuel—Diesel (16 gal) .....                                        | .90                     | 14                                                |               |
| Repairs and maintenance .....                                     |                         | 12                                                |               |
| Machinery—harvest and hauling:                                    |                         |                                                   |               |
| Fuel—Diesel (10 gal) .....                                        | .90                     | 9                                                 |               |
| Repairs and maintenance .....                                     |                         | 11                                                |               |
| Labor (8 hrs) .....                                               | 4.00                    | 32                                                |               |
| Cleaning and drying (1.7 tons) .....                              | 29.00                   | 49                                                |               |
| Commodity commission .....                                        |                         | 4                                                 |               |
| Interest on operating capital (\$348) .....                       | ( <sup>1</sup> )        | 17                                                |               |
| Other .....                                                       |                         |                                                   |               |
| Total operating costs per acre <sup>2</sup> .....                 |                         | 365                                               |               |
| Estimated fixed costs:                                            |                         |                                                   |               |
| Machinery—preharvest .....                                        |                         | 26                                                |               |
| Machinery—harvest and hauling .....                               |                         | 25                                                |               |
| General overhead (\$365) .....                                    | ( <sup>3</sup> )        | 18                                                |               |
| Management (\$365) .....                                          | ( <sup>3</sup> )        | 18                                                |               |
| Other .....                                                       |                         |                                                   |               |
| Total fixed costs per acre <sup>4</sup> .....                     |                         | 87                                                |               |
| Total estimated cost per acre, excluding land and allotment ..... |                         | 452                                               |               |

<sup>1</sup> 10 percent (6 mo).<sup>2</sup> Operating costs per pound—\$365 ÷ 3,400 lbs. = \$.107.<sup>3</sup> 5 percent.<sup>4</sup> Fixed costs per pound—\$87 ÷ 3,400 lbs. = \$.026.

## ESTIMATED COST PER POUND WITH VARYING YIELD LEVELS AND VARYING LAND AND ALLOTMENT RENTAL RATES

| Yield per acres (lbs.) | Without land charge | With land and allotment rent of— |         |         |         |         | Your estimate (cost per pound) |
|------------------------|---------------------|----------------------------------|---------|---------|---------|---------|--------------------------------|
|                        |                     | \$150                            | \$175   | \$200   | \$225   | \$250   |                                |
| 2,600                  | \$0.168             | \$0.225                          | \$0.235 | \$0.245 | \$0.254 | \$0.264 | .....                          |
| 3,000                  | .148                | .198                             | .206    | .215    | .223    | .231    | .....                          |
| 3,400                  | .133                | .177                             | .184    | .192    | .199    | .206    | .....                          |
| 3,800                  | .121                | .161                             | .167    | .174    | .180    | .187    | .....                          |
| 4,200                  | .111                | .147                             | .153    | .159    | .165    | .171    | .....                          |
| 4,600                  | .103                | .136                             | .142    | .147    | .152    | .158    | .....                          |

## ESTIMATED ADDITIONAL COSTS OF IRRIGATING PEANUTS

| Item                                | Amount | Your estimate |
|-------------------------------------|--------|---------------|
| Added operating costs:              |        |               |
| Fungicides—White mold control ..... | \$45   | .....         |
| Harvest and hauling machinery ..... | 3      | .....         |
| Labor .....                         | 5      | .....         |



## ESTIMATED ADDITIONAL COSTS OF IRRIGATING PEANUTS—Continued

| Item                                  | Amount     | Your estimate |
|---------------------------------------|------------|---------------|
| Added operating costs—Continued       |            |               |
| Cleaning and drying .....             | \$10 ..... |               |
| Irrigation .....                      | 28 .....   |               |
| Interest on operating capital .....   | 5 .....    |               |
| Total added operating costs .....     | 96 .....   |               |
| Added fixed costs:                    |            |               |
| Irrigation .....                      | 60 .....   |               |
| General overhead and management ..... | 10 .....   |               |
| Total fixed costs .....               | 70 .....   |               |
| Estimated total added costs .....     | 166 .....  |               |

Notes: (1) Cost adjustments of \$8 were used for each 400 lb fluctuation below and above 3,400 lb.

(2) The cost estimates were based upon cost data available at the time this budget was prepared. Adjustments will be necessary as costs change. Extension Agronomists—Peanuts, were advisers in the preparation of this budget.

[The following tables were furnished by Mr. Everett, see p. 38 for his oral presentation.]

## CROP BUDGET GUIDE: TABLE A.—1 ACRE OF PEANUTS—1980

| Item                                         | Quantity | Unit price | Total amount   | Your farm |
|----------------------------------------------|----------|------------|----------------|-----------|
| Receipts .....                               | 3,000    | \$21.00    | \$630.00 ..... |           |
| Operating costs: .....                       |          |            |                |           |
| Seed .....                                   | 110      | .62        | 68.20 .....    |           |
| Fertilizer (prorated) .....                  | 400      | 5.50       | 22.00 .....    |           |
| Plaster .....                                |          |            | 21.75 .....    |           |
| Lime (ton) .....                             | .4       | 23.00      | 9.20 .....     |           |
| Chemicals:                                   |          |            |                |           |
| Nematicides .....                            |          |            | 18.15 .....    |           |
| Herbicides .....                             |          |            | 41.05 .....    |           |
| Insecticides .....                           |          |            | 28.32 .....    |           |
| Fungicides .....                             |          |            | 29.67 .....    |           |
| Other .....                                  |          |            | 33.48 .....    |           |
| Production machinery .....                   |          |            | 33.98 .....    |           |
| Harvesting machinery .....                   |          |            | 44.89 .....    |           |
| Miscellaneous .....                          |          |            | 20.00 .....    |           |
| Interest (except harvesting) .....           | \$325.80 | .06        | 19.55 .....    |           |
| Subtotal, variable .....                     |          |            | 390.24 .....   |           |
| Fixed cost:                                  |          |            |                |           |
| Labor .....                                  | 10.8     | 4.00       | 43.20 .....    |           |
| Production machinery .....                   |          |            | 34.28 .....    |           |
| Harvesting machinery .....                   |          |            | 61.75 .....    |           |
| Land cost or rent .....                      |          |            | 130.00 .....   |           |
| Subtotal, fixed .....                        |          |            | 269.23 .....   |           |
| Total expenses .....                         |          |            | 659.47 .....   |           |
| Returns to fixed cost .....                  |          |            | 239.76 .....   |           |
| Returns to land, labor, and management ..... |          |            | 143.73 .....   |           |
| Returns to land and management .....         |          |            | 100.53 .....   |           |
| Returns to labor and management .....        |          |            | 13.73 .....    |           |
| Returns to management .....                  |          |            | 29.47 .....    |           |
| Cost per unit (cwt) .....                    |          |            | 21.98 .....    |           |



CROP BUDGET GUIDE: TABLE B.—LABOR AND EQUIPMENT REQUIREMENTS—PEANUTS—1980

| Operation and machinery used   | Hours used |         | Operating cost | Fixed cost |
|--------------------------------|------------|---------|----------------|------------|
|                                | Man        | Machine |                |            |
| Land preparation:              |            |         |                |            |
| Tractor (110 horsepower) ..... | 0.95       | 0.87    | \$5.96         | \$6.47     |
| Plow (5 B) .....               | .35        | .33     | 1.39           | 1.72       |
| Disc (3X) 12 ft .....          | .60        | .54     | 2.13           | 2.67       |
| Planting:                      |            |         |                |            |
| Tractor (110 horsepower) ..... | .8         | .5      | 3.43           | 3.72       |
| Planter 4R .....               | .8         | .5      | 1.68           | 2.08       |
| Growing:                       |            |         |                |            |
| Tractor (75 horsepower) .....  | 2.3        | 1.71    | 8.33           | 9.39       |
| Cultivate (4R) .....           | .35        | .33     | .71            | 1.00       |
| Spray (8X) .....               | 1.60       | 1.05    | 1.12           | 1.60       |
| Rotary Hoe (4R) .....          | .35        | .33     | 1.23           | 1.73       |
| Harvest:                       |            |         |                |            |
| Tractor (110 horsepower) ..... | 1.00       | .80     | 5.48           | 5.95       |
| Tractor (75 horsepower) .....  | 2.25       | 1.40    | 6.82           | 7.69       |
| Digger .....                   | 1.00       | .80     | 3.69           | 4.59       |
| Combine .....                  | 1.75       | 1.00    | 10.80          | 13.43      |
| Wagon .....                    | .7         | .40     | .10            | .34        |
| Dryer (30 cwt) .....           | .5         |         | 18.00          | 24.75      |
| Truck .....                    | 1.0        |         | 5.00           | 5.00       |
| Miscellaneous: Truck .....     | 2.0        |         | 3.00           | 3.00       |
| Total .....                    | 10.8       |         | 78.87          | 96.03      |

CROP BUDGET GUIDE: TABLE A.—1 ACRE of CORN—1980

| Item                                     | Quantity          | Unit price        | Total amount | Your farm |
|------------------------------------------|-------------------|-------------------|--------------|-----------|
| Receipts .....                           | 100               | \$2.80            | \$280.00     | .....     |
| Operating cost:                          |                   |                   |              |           |
| Seed .....                               | <sup>1</sup> 0.28 | 48.20             | 13.50        | .....     |
| Cover crop .....                         | 1.25              | 4.50              | 5.62         | .....     |
| Fertilizer (prorated) .....              | 600               | 5.50              | 33.00        | .....     |
| Nitrogen .....                           | 110               | .23               | 25.30        | .....     |
| Lime .....                               | <sup>2</sup> .6   | .23               | 13.80        | .....     |
| Herbicides .....                         |                   |                   | 12.66        | .....     |
| Other chemicals .....                    |                   |                   |              | .....     |
| Production machinery .....               |                   |                   | 14.75        | .....     |
| Harvest machinery .....                  |                   |                   | 40.00        | .....     |
| Miscellaneous .....                      |                   |                   | 6.00         | .....     |
| Interest (except harvesting) .....       | 124.63            | <sup>3</sup> 6.00 | 7.48         | .....     |
| Subtotal variable .....                  |                   |                   | 172.11       | .....     |
| Fixed costs:                             |                   |                   |              |           |
| Labor .....                              | 3.5               | 4.00              | 14.00        | .....     |
| Production machinery .....               |                   |                   | 16.81        | .....     |
| Harvest machinery .....                  |                   |                   | 4.00         | .....     |
| Land cost or rent .....                  |                   |                   | 35.00        | .....     |
| Subtotal fixed .....                     |                   |                   | 69.81        | .....     |
| Total expenses .....                     |                   |                   | 241.92       | .....     |
| Returns to fixed cost .....              |                   |                   | 107.89       | .....     |
| Returns to land, labor, management ..... |                   |                   | 87.08        | .....     |
| Returns to land and management .....     |                   |                   | 73.08        | .....     |
| Returns to labor and management .....    |                   |                   | 52.08        | .....     |
| Returns to management .....              |                   |                   | 38.08        | .....     |
| Cost per unit (bu) .....                 |                   |                   | 2.42         | .....     |

<sup>1</sup> Bag.<sup>2</sup> Tons.<sup>3</sup> Percent.



CROP BUDGET GUIDE: TABLE B.—LABOR AND EQUIPMENT REQUIREMENTS—CORN—1980

| Operation and machinery used | Hours used |           | Operating cost | Fixed cost |
|------------------------------|------------|-----------|----------------|------------|
|                              | Man        | Machinery |                |            |
| Land preparation:            |            |           |                |            |
| Tractor (110 hp) .....       | 0.70       | 0.56      | \$3.84         | \$4.17     |
| Chisel plow 7 .....          | .30        | .30       | .40            | .56        |
| Disc 12 (2X) .....           | .40        | .36       | 1.42           | 1.77       |
| Planting:                    |            |           |                |            |
| Tractor (75 hp) .....        | .40        | .25       | 1.22           | 1.37       |
| Planter .....                | .40        | .25       | .84            | 1.04       |
| Harvesting:                  |            |           |                |            |
| Combine .....                |            |           | 26.00          |            |
| Dryer .....                  | .3         |           | 10.00          |            |
| Truck .....                  | .5         |           | 4.00           | 4.00       |
| Cover crop:                  |            |           |                |            |
| Tractor (110 hp) .....       | .20        | .18       | 1.23           | 1.34       |
| Tractor (75 hp) .....        | .70        | .53       | 2.58           | 2.91       |
| Rotary mower .....           | .50        | .4        | .48            | .68        |
| Disc (1X) .....              | .20        | .18       | .71            | .89        |
| Seeder .....                 | .20        | .13       | .03            | .08        |
| Miscellaneous: Truck .....   | .70        |           | 2.00           | 2.00       |
| Total .....                  | 3.5        |           | 54.75          | 20.81      |

CROP BUDGET GUIDE: TABLE A.—1 ACRE OF SOYBEANS—1980

| Item                                     | Quantity | Unit price | Total amount | Your farm |
|------------------------------------------|----------|------------|--------------|-----------|
| Receipts .....                           | 30       | \$6.50     | \$195.00     |           |
| Operating costs:                         |          |            |              |           |
| Seed .....                               | 0.75     | 10.00      | 7.50         |           |
| Fertilizer (prorated) .....              | 4.00     | 5.50       | 22.00        |           |
| Lime (prorated) .....                    | .4       | 23.00      | 9.20         |           |
| Herbicides .....                         |          |            | 15.09        |           |
| Insecticides .....                       |          |            | 6.78         |           |
| Production machinery .....               |          |            | 14.04        |           |
| Harvest machinery .....                  |          |            | 20.02        |           |
| Miscellaneous .....                      |          |            | 4.00         |           |
| Interest (except harvesting) .....       | 78.61    | .06        | 4.72         |           |
| Subtotal .....                           |          |            | 103.35       |           |
| Fixed costs:                             |          |            |              |           |
| Labor .....                              | 3.4      | 4.00       | 13.60        |           |
| Production machinery .....               |          |            | 15.47        |           |
| Harvest machinery .....                  |          |            | 4.00         |           |
| Land cost or rent .....                  |          |            | 35.00        |           |
| Subtotal .....                           |          |            | 68.07        |           |
| Total expenses .....                     |          |            | 171.42       |           |
| Returns to fixed cost .....              |          |            | 91.65        |           |
| Returns to land, labor, management ..... |          |            | 72.18        |           |
| Returns to land and management .....     |          |            | 58.58        |           |
| Returns to labor and management .....    |          |            | 37.18        |           |
| Returns to management .....              |          |            | 23.58        |           |
| Cost per unit (bu) .....                 |          |            | 5.71         |           |



CROP BUDGET GUIDE: TABLE B.—LABOR AND EQUIPMENT REQUIREMENTS—SOYBEANS—1980

| Operation and machinery used | Hours used |         | Operating cost | Fixed cost |
|------------------------------|------------|---------|----------------|------------|
|                              | Man        | Machine |                |            |
| Land preparation:            |            |         |                |            |
| Tractor (110 hp) .....       | 0.75       | 0.66    | \$4.52         | \$4.91     |
| Chisel plow .....            | .35        | .30     | .40            | .56        |
| Disc (2X) .....              | .4         | .36     | 1.42           | 1.77       |
| Planting:                    |            |         |                |            |
| Tractor (75 hp) .....        | .35        | .25     | 1.22           | 1.37       |
| Planter (4R) .....           | .35        | .25     | .84            | 1.04       |
| Growing:                     |            |         |                |            |
| Tractor (75 hp) .....        | 1.0        | .72     | 3.51           | 3.95       |
| Cultivator (4R) .....        | .4         | .33     | .71            | 1.00       |
| Sprayer (3X) .....           | .6         | .39     | .42            | .60        |
| Harvesting:                  |            |         |                |            |
| Combine .....                |            |         | 17.00          |            |
| Tractor (75 hp) .....        | .3         | .2      | .97            | 1.10       |
| Wagon .....                  | .3         | .2      | .05            | .17        |
| Truck .....                  | .25        |         | 2.00           | 2.00       |
| Miscellaneous: Truck .....   | .75        |         | 1.00           | 1.00       |
| Total .....                  | 3.4        |         | 34.06          | 19.47      |

CROP BUDGET GUIDE: TABLE A.—ONE ACRE OF SOYBEANS—DOUBLE CROPPED (CONVENTIONAL)—1980

| Item                                     | Quantity | Unit price | Total amount | Your farm |
|------------------------------------------|----------|------------|--------------|-----------|
| Receipts .....                           | 23       | \$6.50     | \$149.50     |           |
| Operating costs:                         |          |            |              |           |
| Seed .....                               | 1        | 10.00      | 10.00        |           |
| Fertilizer .....                         | 3.5      | 5.50       | 19.25        |           |
| Lime .....                               | .2       | 23.00      | 4.60         |           |
| Herbicides .....                         |          |            | 15.09        |           |
| Insecticides .....                       |          |            | 6.78         |           |
| Production machinery .....               |          |            | 8.56         |           |
| Harvest machinery .....                  |          |            | 19.52        |           |
| Miscellaneous .....                      |          |            | 2.00         |           |
| Interest .....                           | 66.28    | .06        | 3.98         |           |
| Subtotal .....                           |          |            | 89.78        |           |
| Fixed costs:                             |          |            |              |           |
| Labor .....                              | 2        | 4.00       | 8.00         |           |
| Production machinery .....               |          |            | 9.90         |           |
| Harvest machinery .....                  |          |            | 2.77         |           |
| Land cost or rent .....                  |          |            | 17.50        |           |
| Subtotal .....                           |          |            | 38.17        |           |
| Total expenses .....                     |          |            | 127.95       |           |
| Returns to fixed cost .....              |          |            | 59.72        |           |
| Returns to land, labor, management ..... |          |            | 47.05        |           |
| Returns to land and management .....     |          |            | 39.05        |           |
| Returns to labor and management .....    |          |            | 29.55        |           |
| Returns to management .....              |          |            | 21.55        |           |
| Cost per unit (bu) .....                 |          |            | 5.56         |           |



CROP BUDGET GUIDE: TABLE B.—LABOR AND EQUIPMENT REQUIREMENTS—DOUBLE CROPPED SOYBEANS—1980

| Operation and machinery used | Hours used |         | Operating cost | Fixed cost |
|------------------------------|------------|---------|----------------|------------|
|                              | Man        | Machine |                |            |
| Land preparation             |            |         |                |            |
| Tractor (110 hp) .....       | 0.4        | 0.36    | \$1.75         | \$1.98     |
| Disc (2X) .....              | .4         | .36     | 1.43           | 1.77       |
| Planting:                    |            |         |                |            |
| Tractor (75 hp) .....        | .4         | .25     | 1.22           | 1.37       |
| Planter .....                | .4         | .25     | .84            | 1.04       |
| Growing:                     |            |         |                |            |
| Tractor (75 hp) .....        | .6         | .39     | 1.90           | 2.14       |
| Sprayer (3X) .....           | .6         | .39     | .42            | .60        |
| Harvesting:                  |            |         |                |            |
| Tractor (75 hp) .....        | .30        | .20     | .97            | 1.10       |
| Wagon .....                  | .30        | .20     | .05            | .17        |
| Combine .....                |            |         | 17.00          |            |
| Truck .....                  | .20        |         | 1.50           | 1.50       |
| Miscellaneous: Truck .....   | .50        |         | 1.00           | 1.00       |
| Total .....                  | 2.0        |         | 28.08          | 12.67      |

CROP BUDGET GUIDE: TABLE A.—1 ACRE OF WHEAT—DOUBLE CROPPED—1980

| Item                                     | Quantity | Unit price | Total amount | Your farm |
|------------------------------------------|----------|------------|--------------|-----------|
| Receipts .....                           | 40       | \$3.75     | \$150.00     | .....     |
| Operating costs:                         |          |            |              |           |
| Seed .....                               | 2        | 5.50       | 11.00        | .....     |
| Fertilizer .....                         | 3.5      | 5.50       | 19.25        | .....     |
| Nitrogen .....                           | 50       | .23        | 11.50        | .....     |
| Lime .....                               | .4       | 23.00      | 9.20         | .....     |
| Herbicides .....                         |          |            | 2.36         | .....     |
| Production machinery .....               |          |            | 6.89         | .....     |
| Harvest machinery .....                  |          |            | 19.77        | .....     |
| Miscellaneous .....                      |          |            | 2.00         | .....     |
| Interest .....                           | 62.20    | .06        | 3.73         | .....     |
| Subtotal .....                           |          |            | 85.70        | .....     |
| Fixed costs:                             |          |            |              |           |
| Labor .....                              | 1.9      | 4.00       | 7.60         | .....     |
| Production machinery .....               |          |            | 7.79         | .....     |
| Harvest machinery .....                  |          |            | 3.02         | .....     |
| Land cost or rent .....                  |          |            | 17.50        | .....     |
| Subtotal .....                           |          |            | 35.91        | .....     |
| Total expenses .....                     |          |            | 121.61       | .....     |
| Returns to fixed cost .....              |          |            | 64.30        | .....     |
| Returns to land, labor, management ..... |          |            | 53.49        | .....     |
| Returns to land and management .....     |          |            | 45.89        | .....     |
| Returns to labor and management .....    |          |            | 35.99        | .....     |
| Returns to management .....              |          |            | 28.39        | .....     |
| Cost per unit (bu) .....                 |          |            | 3.04         | .....     |



CROP BUDGET GUIDE: TABLE B.—LABOR AND EQUIPMENT REQUIREMENTS—DOUBLE CROPPED  
WHEAT—1980

| Operation and machinery used | Hours used |         | Operating cost | Fixed cost |
|------------------------------|------------|---------|----------------|------------|
|                              | Man        | Machine |                |            |
| Land preparation:            |            |         |                |            |
| Tractor (110 hp) .....       | 0.4        | 0.36    | \$2.47         | \$2.68     |
| Disc (2X) .....              | .4         | .36     | 1.42           | 1.78       |
| Planting:                    |            |         |                |            |
| Tractor (75 hp) .....        | .3         | .2      | .97            | 1.10       |
| Drill .....                  | .3         | .2      | .26            | .52        |
| Growing:                     |            |         |                |            |
| Tractor (75 hp) .....        | .2         | .13     | .63            | .71        |
| Sprayer .....                | .2         | .13     | .14            | .20        |
| Harvesting:                  |            |         |                |            |
| Tractor .....                | .3         | .20     | .97            | 1.10       |
| Wagon .....                  | .3         | .20     | .05            | .17        |
| Combine .....                |            |         | 17.00          |            |
| Truck .....                  | .2         |         | 1.75           | 1.75       |
| Miscellaneous: Truck .....   | .5         |         | 1.00           | 1.00       |
| Total .....                  | 1.9        |         | 26.66          | 10.81      |

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES,  
NATIONAL FARMERS UNION

Mr. Chairman and Members of the Committee, I am Reuben L. Johnson, Director of Legislative Services, National Farmers Union, 1012 Fourteenth Street, N.W., Washington, D.C. I am pleased to appear before this Committee today on behalf of the peanut producer-members of the National Farmers Union and the newly-elected national officers of the Farmers Union. The Farmers Union wishes to commend the Chairman for introducing the legislation before the Committee today to provide a minimum level of protection for the Nation's peanut producers.

The delegates to the National Farmers Union's annual convention held last week in Denver, Colorado, gave unanimous approval to a statement in support of the legislation now before the Committee when they said:

"We support legislation now before the Congress to increase the price support level on quota peanuts from \$455 per ton to \$502 per ton."

I am attaching for the Committee's information a complete text of the 1980 National Farmers Union's policy statement on the peanut program.

Mr. Chairman, we view S. 2249 as a very important piece of legislation in view of the announcement made by the Secretary of Agriculture on January 30, 1980, establishing the 1980 peanut price support level at \$455 per ton.

The increase proposed by your legislation in the 1980 and 1981 minimum support levels for peanuts is fully justified by (1) the rapidly escalating costs of production to peanut producers, and (2) by the requirement of the Food and Agriculture Act of 1977 that price support levels be adjusted for "any change in the index of prices paid by farmers for production items, including interest, taxes and wage rates paid by farmers."



One of the most rapidly escalating of these costs for peanut producers, especially in the southwestern part of the country, is the cost of fuel and energy. In the first two months of this year, the index of prices paid by farmers for fuel and energy has increased 6 percent. The cost of fuel and energy for farmers in February 1980, is 59 percent higher than a year ago. Peanut producers are severely impacted by these spiraling costs since almost one-third of their entire cost of production can be directly attributable to energy and fuel costs.

Peanut producers are not asking for anything unreasonable. The proposed increase in the loan level to \$502 per ton is, in fact, only 68 percent of parity.

Mr. Chairman, we urge the Committee to act expeditiously in approving the legislation which you have proposed which will reaffirm the intent of Congress when they enacted the peanut price support provisions of the 1977 Act.

EXCERPT FROM 1980 POLICY STATEMENT—NATIONAL FARMERS UNION

*Peanut, rice, and tobacco programs*

We support continuation of the tobacco program as it is presently constituted to assure the maximum price support permitted by law.

We urge reinstatement of the peanut and rice programs to conform to the provisions of the Agricultural Act of 1938.

We urge the Secretary of Agriculture to utilize existing authority to raise the loan rate for rice to 90 percent of parity.

We favor continuation of the policy to sell and transfer allotted acres within the state.

We oppose production of peanuts without allotments. The three area grower associations should be maintained.

We recommend:

a. National quota support level should be increased by the index of prices paid by farmers for production items;

b. Support level for additional peanuts should remain at \$250/ton in order to hold down program costs;

c. Sales policy for additional peanuts acquired under loan and sold for export edible use-sales level should be set the same as the quota support rate; and

d. We support legislation now before the Congress to increase price supports on quota peanuts from \$455 per ton to \$502 per ton.

STATEMENT OF JAMES E. MACK, ON BEHALF OF THE PEANUT BUTTER AND NUT PROCESSORS ASSOCIATION AND THE NATIONAL CONFECTIONERS ASSOCIATION

Mr. Chairman, my name is James E. Mack, and I appear as General Counsel and in behalf of the Peanut Butter and Nut Processors Association and the National Confectioners Association. The active members of the National Confectioners Association are candy manufacturers, and the active members of the Peanut Butter and Nut Processors Association and manufacturers of peanut butter and peanut butter sandwiches and processors of packaged peanuts. The industries represented by these Associations, it is estimated, are responsible for approximately 95 percent of United States edible peanut usage, and the actual members of these Associations use approximately 80 percent of the peanuts consumed in this country. We are opposed to S. 2249.

As is well known, the peanut program has been one of the most costly of the many agricultural programs, having cost approximately \$1,083,824,457 since its inception in 1933. Costs were escalating greatly until three years ago, when there was general recognition, both by the Government and peanut producers, that some action needed to be taken to curtail the cost. For the fiscal year ending June 30, 1976, the cost to the Government was \$110,000,000, and for the fiscal year ending June 30, 1977, the cost to the Government was \$101,000,000. Under the current program, the costs are substantially less, but still many millions of dollars each year. The Secretary of Agriculture and the Carter Administration developed what we felt was a statesmanlike approach for such cost curtailment. It was presented to Congress, but the peanut producers felt that they needed higher support. Accordingly, there came forward the proposal which is today the law of the land, providing for price support of \$420 per ton for 1978, 1979, 1980, and 1981. While under the statute, the Secretary of Agriculture is authorized to increase the level of price support, it was presented to Congress on the basis that it was a four-year program at \$420 per ton; and, as you are aware, the critical action occurred on the House Floor in an amendment offered by Representative Margaret Heckler, which would have limited the 1978 price support to \$390 per ton, \$375 for 1979, \$360 for 1980, and



\$345 for 1981 and subsequent years. That amendment was defeated by the very narrow vote of 207-210. The Chairman of the Oilseeds and Rice Subcommittee of the House Agriculture Committee, in whose district possibly one-fourth of the Nation's peanuts are produced, when asked on the House Floor if the bill meant \$420 per year for four years, responded that that was "essentially correct." (See attached page from July 26, 1977, *Congressional Record*.)<sup>1</sup> Our manufacturers carefully studied the proposal, recognized what appeared to be the sincere and conscientious effort of the producers to take constructive action and, therefore, did not oppose the legislation for \$420 per ton for four years. In view of this understanding that support would be \$420 for four years, they were very surprised and disappointed when the producers only one year later sought unsuccessfully to get the price support increased for the 1979 crop.

The effort was renewed this year, and the Secretary increased the level of support to \$455 per ton, approximately equivalent to 2 cents per pound at the inshell level; possibly reaching double that amount by the time the product is shelled, processed, and reaches the consumer. The subject legislation (S. 2249) would add another 2½ cents per pound at the inshell level, reaching approximately 5 cents per pound at the consumer level, or a total of 9 cents per pound consumer price increase if S. 2249 should be enacted. Aside from the fact that it was understood that the current level of support would remain the same for four years, and that if S. 2249 should be enacted, the total approximate increase per pound to the retail consumer will be about 9 cents, there are many other things which we think are wrong with the Peanut Price Support Program, as follows:

1. The fundamental concept of price support seems to have been forgotten almost altogether. It was conceived at a time of national economic depression to protect the farmer against severe loss for a particular crop if a combination of unfavorable circumstances should develop. The idea was not to perpetually guarantee a substantial profit. It is felt that peanut producers should recognize that they must be expected to produce and sell their wares on a competitive basis in the marketplace as most other industries do, including agricultural industries.

2. Peanuts enjoy treatment with special favoritism considerations and benefits which, to our knowledge, are accorded only one other crop; specifically, tobacco. Most of the population is not aware of it, but a person may not lawfully produce and market peanuts (in excess of one acre) unless he has a peanut acreage allotment. If he has an allotment in his own right, most probably it was because his father (and even more likely, his grandfather) had such an allotment dating back to the 1930's. It is indeed a feudalistic system, whereby the Federal Government has annointed certain land for a certain few, with special privilege which it denies to all others. We think it especially significant that thousands of these privileged owners of peanut allotments do not themselves farm the land or have someone else produce peanuts on the land, but instead lease the allotment to someone else who produces the peanuts on his own land and merely pays the owner of the allotment rental of the allotment. In June, 1979, your Senate Committee on Agriculture, Nutrition, and Forestry was submitted a document by the Economics, Statistics, and Cooperative Service of the Department of Agriculture, entitled "Costs of Producing Selected Crops in the United State—1977, 1978, and Projections for 1979." At the time of that submission, apparently the most recent data pertaining to peanut allotments involved the 1977 crop. We think it provides most revealing statistical information. The most significant of all, appearing on pages 34 and 35, is that most peanuts are produced on leased allotments; that is, the peanut "producer" who owns the allotment does not actually produce the peanuts, so that for the most part, the beneficiaries of the Federal Governmental Program are peanut allotment owners who lease their allotment, and not the individuals who till the soil to produce the peanuts. In the Southwest, 60 percent of the peanuts are produced from rented allotments; in the Southeastern area, 73 percent; and in the Virginia/Carolina area, 78 percent. The same report indicates that for 1977, the average allotment lease, per acre, was \$33 in Texas, \$39 in Oklahoma, \$97 in Alabama, \$116 in North Carolina, \$121 in Virginia, and \$196 in Georgia, which is by far the Nation's largest peanut producing state. Therefore, it seems definite that the greatest beneficiaries of the Peanut Program are not those who plant and produce the peanuts, but those in the real estate business of leasing peanut allotments.

To the contrary, while we do not have statistical data, the lease value for land on which to produce other crops, such as corn or soybeans, on the average is much less.

It is recognized that in the case of some peanut acreage allotment land, as with other crops, some land is more valuable than other land; and indeed, we realize that there is land owned by those having a peanut allotment on which it is difficult to

<sup>1</sup> Congressional Record—H7764, July 26, 1977.



produce peanuts at a profit at \$420 per ton. On the average, however, an individual who does not have an allotment can afford to pay a substantial rental per acre and produce and sell peanuts profitably at \$420 per ton. Certainly consumers and the United States Government should not be expected to establish a price support for peanuts so that the most inefficient use of land can produce peanuts at a profit.

The situation is comparable involving the sale of land which is accompanied by sale of a peanut allotment. If a given acre of good quality peanut land is sold, for example in Georgia, the price it will bring is much more than a comparable piece of adjoining or nearby land which does not have an acreage allotment.

3. In order to reduce the cost to the Government, the program established in 1977 for the four crop years commencing in 1978 provided for reduced poundage marketing quotas. Thus, each year the supplies available to consumers are getting tighter even though consumption is rising somewhat. Therefore, we find that United States peanut processors are in a tight supply situation. With national inflation pulling heavily on the United States economy, certainly the Government should not consider substantially further increasing the Peanut Price Support primarily for the benefit of those who do not actually produce the peanuts. It seems overwhelmingly probable that if the support price is increased, future peanut allotment leases will bring a higher price to further benefit the owners of the allotments rather than those who actually produce the peanuts.

In addition, however, another problem has resulted. Some manufacturers need Spanish-type peanuts, others require Virginia-type peanuts, and others use Runner-type peanuts. Yield per acre is greater for Runner peanuts; therefore, whenever the land is suitable for production of Runner peanuts, understandably producers prefer to plant Runners. This does result in a very tight supply situation for Spanish and Virginia peanuts, much to the distress of some of our member companies.

It is recognized that in 1981 the peanut program must be fully addressed by Congress, presumably as part of general farm legislation. If action is not taken in 1981, then the previous peanut program will again become effective, with tremendously excessive cost to the consumer as well as to the Federal Government. Therefore, we feel that Congress will decide that it must take important action in 1981.

Our view is that when the Program is revised next year, an open acreage program should be established, similar to the current programs on other commodities such as wheat, corn, and soybeans.

Meanwhile, it is requested that the Committee take no action on S. 2249.

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STATEMENT OF S. T. MOORE, JR., PRESIDENT, VIRGINIA FARM BUREAU FEDERATION, RICHMOND, VA.

The Virginia Farm Bureau Federation wishes to express its support of S-2249, a bill to increase the support price for 1980 crop quota peanuts to \$502.00 per ton.

Since the enactment of the Food and Agriculture Act of 1977, the costs of producing, harvesting and drying peanuts have increased approximately 39 percent while the support level for quota peanuts was set at \$420 per ton for the 1978 and 1979 crops. For the 1980 crop, USDA on January 30 announced a token increase for 1980 quota peanuts to \$455 per ton while at the same time reducing the loan level on additional peanuts from \$300 to \$250 per ton.

When the Act of 1977 became effective for the 1978 crop, peanut growers found themselves not only in a position that the support level per average ton had been reduced from the \$430 level to \$420 per ton for 80 percent of the base foundation poundage quota and \$250 per ton for the remainder of their production within their acreage allotment. This resulted in a blend price situation that, in effect, reduced producer income from peanuts grown and marketed. As you are aware, the producers' quota was reduced by an additional 5 percent for 1979; and for 1980, the Department has announced another reduction of 5 percent.

On the basis of a "Cost of Production Budget" prepared by the Farm Management Specialist of Extension Service in the peanut producing area of Virginia which was prepared in mid-December, Virginia peanut growers were facing a cost of production per acre of \$529.47, excluding return to land and management. Since mid-December, fuel, fertilizer, chemical and interest costs have increased significantly and will no doubt bring the production cost up to at least \$550.00 per acre or more. (A copy of the cost of production budget with comparisons to 1977, 1978 and 1979 is attached.)

Mr. Chairman, the following tables illustrate the blend price effect and Act of 1977 has had on a ton of peanuts with regard to producer income:



|                             |  |          |
|-----------------------------|--|----------|
| 1978:                       |  |          |
| \$420 times 80 percent..... |  | \$336.00 |
| \$250 times 20 percent..... |  | 50.00    |
| Blend price per ton .....   |  | 386.00   |
| 1979:                       |  |          |
| \$420 times 75 percent..... |  | 315.00   |
| \$300 times 25 percent..... |  | 75.00    |
| Blend price per ton .....   |  | 390.00   |
| 1980:                       |  |          |
| \$455 times 70 percent..... |  | 318.50   |
| \$250 times 30 percent..... |  | 75.00    |
| Blend price per ton .....   |  | 393.50   |

Using the above blend price concept, the net change from 1978 to the loan levels announced by Secretary Bergland on January 30 reflects only a 1.94 percent price improvement in contrast to the 39 percent increase in cost of production. Peanut farmers can not continue to operate in this type of economic situation.

We would therefore, express our support for S-2249, and would ask that you share copies of this letter with other members of the Committee and finally that it be made a part of the record of the March 12th hearing.

Favorable consideration of our views on this matter are appreciated.



96TH CONGRESS  
2D SESSION

# S. 2249

To increase the minimum level of price support on quota peanuts for the 1980 and 1981 crops.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 4 (legislative day, JANUARY 3), 1980

Mr. TALMADGE introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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## A BILL

To increase the minimum level of price support on quota peanuts for the 1980 and 1981 crops.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That section 108(a) of the Agricultural Act of 1949 is  
4       amended by striking out "\$420 per ton" and inserting in lieu  
5       thereof "\$502 per ton".

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