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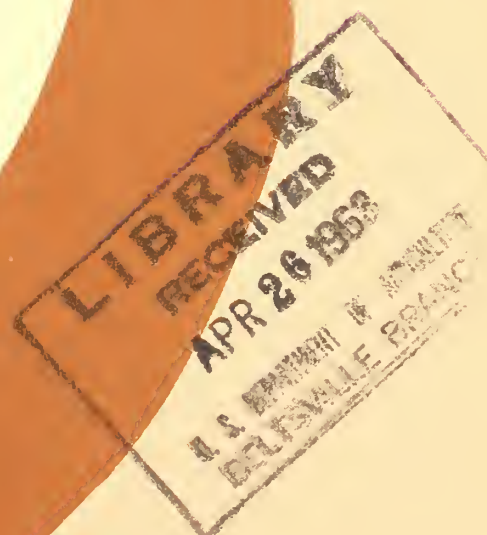
Growth Through Agricultural Progress

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No. 555

Marketing Research Report 555

Buying
FARMERS' STOCK
PEANUTS
in the Virginia-
North Carolina Area

by Gilbert W. Biggs, Richard A. King
and E. Walton Jones



Farmer Cooperative Service • U. S. Department of Agriculture

FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

This study was conducted under authority of the Agricultural Marketing Act of 1946 (RMA, Title II).

October 1962



Growth Through Agricultural Progress

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMER COOPERATIVE SERVICE

December 1962

ERRATA

Marketing Research Report 555

"Buying Farmers' Stock Peanuts in The Virginia-North Carolina Area"

Page iii, right hand column

11th line from top of page: Change "One-half" to "Two-thirds"

14th line from top of page: Change "Two-thirds" to "One-half"

Page 23, right hand column

item 2. Change "Over one-half" to "Almost two-thirds"

item 3. Change "Almost two-thirds" to "Over one-half"

1. The first part of the paper is devoted to the study of the properties of the function $f(x)$ defined by the equation

$$f(x) = \int_0^x f(t) dt$$

where

$$f(x) = \int_0^x f(t) dt$$

It is shown that the function $f(x)$ is continuous and differentiable at every point of the interval $[0, 1]$.

2. In the second part of the paper the properties of the function $f(x)$ are studied in more detail.

It is shown that the function $f(x)$ is continuous and differentiable at every point of the interval $[0, 1]$.

3. In the third part of the paper the properties of the function $f(x)$ are studied in more detail.

It is shown that the function $f(x)$ is continuous and differentiable at every point of the interval $[0, 1]$.

4. In the fourth part of the paper the properties of the function $f(x)$ are studied in more detail.

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Highlights

This study examines the characteristics and practices of first-buyers of farmers' stock peanuts in the Virginia-North Carolina Area. The term "first-buyer" as used here means the business entity--whether it be individual proprietorship, partnership, or corporation--which purchased the farmers' stock peanuts directly from growers. Peanuts are classified as "farmers' stock" until they are shelled or processed for sale to consumers in the shell.

This study is one in a series conducted jointly by the Farmer Cooperative Service and the Department of Agricultural Economics of North Carolina State College to seek ways of improving efficiency in marketing farmers' stock peanuts. Peanut growers, peanut buyers, and others in the Virginia-North Carolina peanut industry requested this work.

Characteristics of First-Buyers.-- In the summer of 1959 a random sample of 80 first-buyers were interviewed about their operations during the 1958 market season. Annual volume of purchases ranged from 2,000 to 65,000 bags. Sixty-one percent of the buyers were individual proprietorships, and 97 percent bought on a commission basis. Forty percent represented more than one firm. Fifty-one percent sold supplies to growers.

Facilities and Personnel Used.-- First-buyers owned a large portion of the facilities used in peanut buying. Building facilities were used 7.2 weeks in the peanut buying op-

eration, 9.5 weeks in the peanut storage operations, and 21.8 weeks for other purposes. The larger firms made greater use of their facilities for peanut buying and storing operations, while the small firms made greater use of their facilities for other purposes.

Few first-buyers have specialized facilities such as bulk handling stations, and those that do are mostly large firms. Thus, where bulk handling requires modification of present facilities or new construction, first-buyers will require adequate financing.

Two out of three persons engaged in peanut buying operations were temporary personnel. Fewer temporary personnel would be necessary to operate bulk handling stations.

Operating Methods.-- First-buyers purchased 85 percent of their volume from a radius of under 10 miles from the buying station. Alternative marketing methods might require hauling peanuts a considerable distance. Growers would have to consider whether there was sufficient price advantage to cover the additional cost of hauling, or whether the convenience of bulk handling more than offsets the added cost of hauling.

Sixty-nine percent of the total volume of peanuts were purchased during the 5-week period from November 3 through December 6, 1958. More efficient marketing methods must be capable of absorbing a large

volume over an equal or shorter period.

Eighty-one percent of the first-buyers shipped peanuts to their principals daily, and 51 percent stored peanuts. Seventy-three percent of the peanuts in first-buyer storage on January 3, 1959, were held by large firms indicating that large volume operators will probably show the most interest in increased storage facilities.

Buying Practices.--Ninety-six percent of the first-buyers indicated that the advance price set by Peanut Growers Cooperative Market Association, Franklin, Va., was the basis for pricing farmers' stock peanuts. The advance price at the time this study was conducted, and up to the 1961 crop, was the support price less a small amount to cover inspection, storage, and part of the operating expenses of the loan program. Nearly all first-buyers indicated that their prices did not change during the 1958 buying season.

Actually, the principals whom first-buyers purchased for played the major role in establishing prices for peanuts. Thus, price competition among first-buyers in the area is limited, particularly in an oversupply situation. Instead, competition takes other forms.

First-buyers considered certain non-price factors important in securing peanut volume. For instance, 75 percent of the peanuts purchased were transported to buying stations in growers' trucks, with 80 percent of the buyers paying drayage of 15 cents a bag at some time during the season. There was considerable variation in the proportion of buyers purchasing peanuts that were paying drayage over

the buying season. These customary drayage payments, compensating growers for delivery services, will need special consideration as efficiencies are introduced into the marketing system.

One-third of the buyers thought that services they made available to peanut growers were important in building the personal contacts so essential in peanut buying. One-half of the buyers selling production supplies thought this helped get peanuts. Two-thirds of those purchasing other products from growers thought this helped secure peanuts. Ninety percent furnished market information to growers by personal contacts.

If changes in marketing methods result in fewer buying stations in a locality, the personal contacts may suffer. A cooperative marketing venture might provide some of the personal interest that is so much a part of the present peanut marketing system, or perhaps fieldmen could be used to maintain the personal contacts with growers.

There were four important elements in the market structure of the area under study:

1. **Price supports.**--The price support program established a floor in the market, and one would not expect to find price competition except in a very short supply year.

2. **Competition.**--The 13,704 growers of peanuts, a relatively uniform product, presented a condition approaching pure competition among sellers.

3. **Concentration of buying power.**--Fifty-three percent of the peanuts were purchased for the four largest principals. During the 1958

market season, 22 percent of the volume was purchased for the fifth to eighth largest principals; and 9 percent was purchased for the Peanut Growers Cooperative Marketing Association. Thus, a relatively few principals played an important role in peanut procurement in the area.

4. Entry.--It appeared that there would be many opportunities to enter peanut growing, fewer opportunities to get into peanut buying, and still fewer opportunities to get into peanut shelling or processing.

Buyers' Opinions on Marketing Methods.--In view of the peanut market situation presented in the Virginia-North Carolina Area, first-buyers were asked to evaluate present and alternative buying systems. Eighty-four percent indicated advantages for the current system of country buying points, 27 percent listed advantages for the old system of sending buyers to farms, 8 percent saw advantages in auction markets, and 5 percent thought a central market had advantages. These responses indicate a need to stress the advantages of alternative systems, if first-buyers are to accept changes without considerable opposition.

First-buyers observed trends having great impact on the marketing system. Ninety percent observed an increase in bulk handling facilities; 70 percent, an increase in artificial drying of peanuts; and 64 percent, an increase in windrow harvesting and curing. These technological advance-

ments hasten changes in the marketing system.

Interpretation of data on this specialized market includes the following implications:

1. Peanut-buying is generally a part-time operation, integrated with other services. Any changes from the present marketing system should make multiple use of managerial skills of buyers and facilities for handling peanuts.

2. Rapid expansion in efficient bulk peanut facilities can be expected. These facilities should make use of the latest techniques. Unnecessary duplication of facilities should be avoided. Where existing facilities cannot be modified, it will be necessary to build new structures especially adapted to bulk handling. The large capital outlay necessary may result in fewer peanut buyers in the area and will require the support of lending agencies.

3. If the number of area buying points is reduced as the marketing system changes, the present personal contacts between growers and buyers may need to be replaced with a system of fieldmen; or a joint selling organization representing growers might perform the first-buyer function.

4. Any changes in the marketing system must incorporate clear-cut advantages for all segments of the industry--from grower to processor--if it is to be accepted with a minimum of disruptions.

Buying Farmers' Stock Peanuts in the Virginia-North Carolina Area

by Gilbert W. Biggs

Richard A. King and E. Walton Jones¹

In response to requests from grower and industry groups, Farmer Cooperative Service, in cooperation with North Carolina State College, made a study of methods used by growers and first-buyers in marketing farmers' stock peanuts in the Virginia-North Carolina area.

Peanuts are no longer "just peanuts" to growers, first-buyers, shellers, and processors in that area. In 1958, roughly 14,000 growers, 200 first-buyers, and 25 processors were operating there.

The grower survey showed that peanuts occupy a prominent place in the total farm program of farmers in the Virginia-North Carolina Area, accounting for about 300,000 acres or 25 percent of the cropland included on farms located in the 17 counties covered the survey. Each farm averaged 22 acres of peanuts.

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Peanuts ranked third in average number of acres, being exceeded only by corn (34 acres) and soybeans (26 acres).

The grower survey has the specific objectives of determining and analyzing: (1) Organization of peanut producing farms; (2) extent of peanut production within the area; (3) marketing facilities and market outlets now available to peanut producers; (4) farmer opinions regarding alternative marketing techniques; and (5) existing marketing practices of producers.

This report on problems of first-buyers is the first in a series of three developed from the survey. The second will be a detailed study of marketing peanuts in the Virginia-North Carolina Area, and the third will integrate these materials with others in an overall evaluation of peanut marketing in this Area.

This first-buyer survey, prepared by Farmer Cooperative Service, had the specific objectives of getting the following information about first-buyers: (1) Organizational characteristics; (2) current buying practices; (3) physical facilities and personnel used; (4) pricing practices followed; and (5) opinions on alternative marketing systems.

Method of Study

A random sample of 80 first-buyers was selected from a total of 192 in the 17-county area. The information was secured from questionnaires presented in personal interviews during the summer of 1959. Not all buyers interviewed replied to every question; therefore, in some phases of the analysis all buyers could not be included. Locations by county of the 80 first-buyers interviewed in the 17-county area are shown in figure 1.

The term "first-buyer" used in this study designates the business entity--whether it be individual proprietorship, partnership, or corporation--which purchased the farmers' stock peanuts directly from growers.

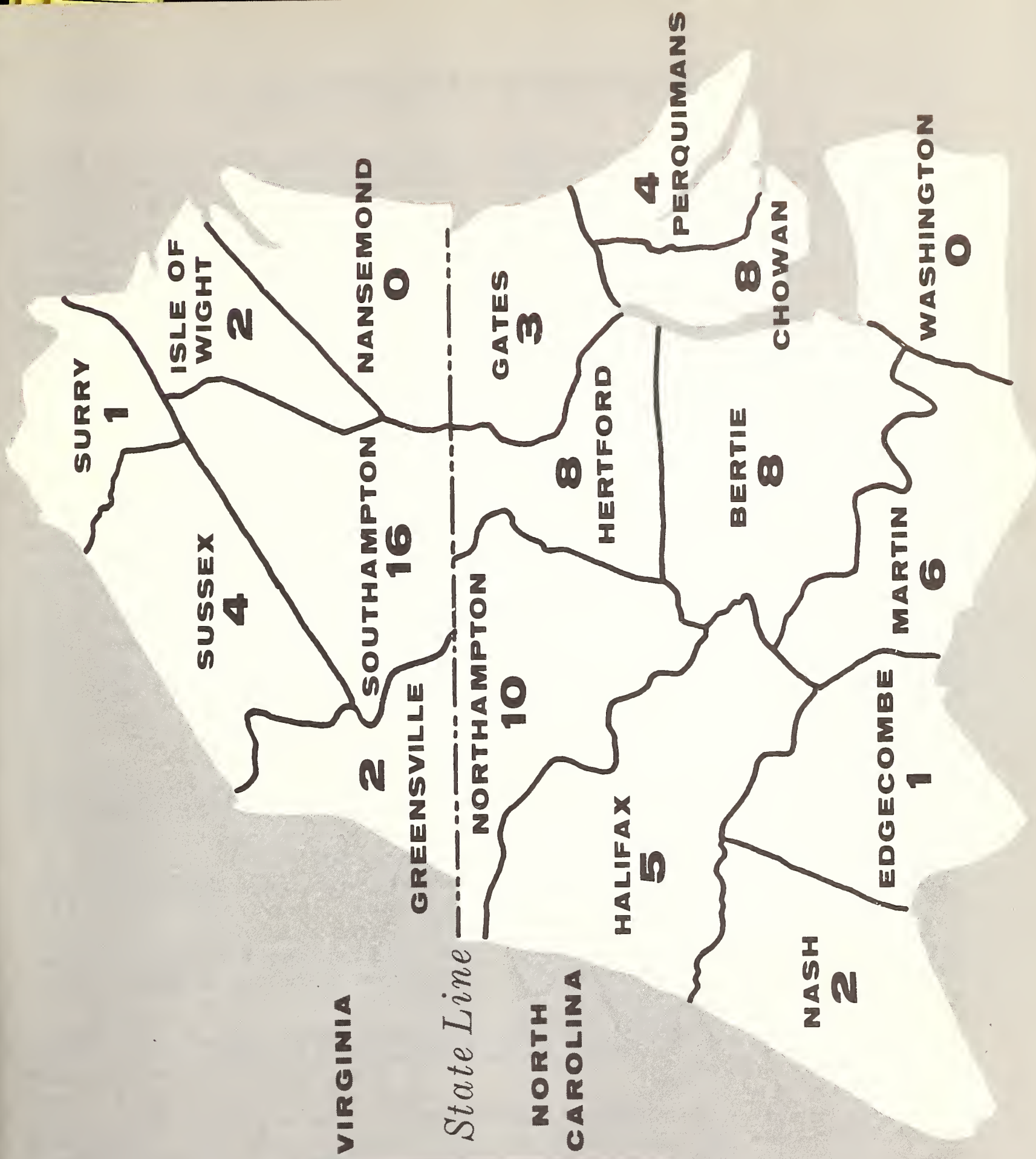
The term "principal" designates the business entity--whether it be individual proprietorship, partnership, or corporation--for whom first-buyers were purchasing farmers' stock peanuts. In most cases these firms were shellers and processors of the peanuts. The Peanut Growers Cooperative Marketing Association of Franklin, Va., was also classified as a principal.

The term "farmers' stock peanuts" refers to peanuts as they come from the farm. They have been separated from the vines and have had excess soil removed. They may be transported to the buying station in bag or in bulk.



Bulk-harvested peanuts are dumped from the combine into a truck during harvesting operations. Combined peanuts must be dried. One in ten buyers in this survey provided this service.

FIG. 1
Location of 80 first-
buyers of farmers'
stock peanuts,
included in the
sample
Virginia-North Carolina
Peanut Area,
1958 market season



Characteristics of First-Buyers

The predominant type of business organizations for first-buyers was the individual proprietorship. The volume of purchases from the smallest to the largest firm varied considerably.

There were four important arrangements between first-buyers and principals: (1) Most of the contracts were oral; (2) a high percentage of the first-buyers received compensation on a commission basis; (3) some first buyers represented more than one principal; and (4) the principals in advance supplied funds for purchasing peanuts to a large proportion of buyers.

Many first-buyers sold production supplies to peanut growers and purchased products other than peanuts from them.

Type of Business Organization

Types of organization represented among 78 first-buyers were as follows: Individual proprietorships--48, partnerships--23, and corporations--7. Individual proprietorships accounted for approximately 55 per-

cent of the total purchases of farmers' stock peanuts bought in the 1958 market season. Figures for partnerships and corporations were 28 percent and 17 percent, respectively. Average volume for the corporations (44,157 bags) was nearly twice that of the proprietorships (20,885 bags) and the partnerships (22,804 bags).

Size of Firm

The 77 first-buyers supplying volume data were divided into three approximately equal groups. Size of firm was measured in terms of the number of bags of farmers' stock peanuts purchased during the 1958 season. Bulk purchases were converted to bags at the rate of 100 pounds to the bag.

With a range in volume from 2,000 bags for the smallest firm to 65,000 bags for the largest, average for the medium-size firms was nearly two and one-half times that of the small ones (table 1). Average volume of the large firms was nearly twice that of the medium and approximately five times that of the small ones.

TABLE 1.--Purchases of 77 first-buyers of farmers' stock peanuts by size of firm, Virginia-North Carolina Peanut Area, 1958 market season

Size of firm	Volume of purchases (bags)				Firms	
	Range	Total	Average	Percent	Number	Percent
Small	2,000-14,999	213,898	8,227	12.4	26	33.8
Medium	15,000-26,999	529,319	20,358	30.8	26	33.8
Large	27,000-65,000	975,370	39,015	56.8	25	32.4
All firms	2,000-65,000	1,718,587	22,319	100.0	77	100.0

Although small firms comprised approximately one-third of the total number, they accounted for only 12 percent of the total purchases. In terms of volume, large firms were approximately twice as important as the medium firms and roughly five times as important as the small firms.

Arrangements Between Buyers and Principals

Arrangements between first-buyers and principals are important in considering characteristics of first-buyers because these arrangements, affect dealings between growers and first-buyers. First-buyers also project an image of the principals they represent and serve as intermediaries between principals and growers. The arrangements considered were: (1) type of contract, (2) means of compensation, (3) multiple principal relationships, and (4) financing purchases.

Type of Contract

Approximately 84 percent of the contracts between first-buyers and principals were oral contracts. Only 16 percent of the contracts were written. This would indicate a high degree of mutual respect and confidence between first-buyers and principals in the area. Probably customs established over the years in the buyer-principal relationship played an important role in the dealings between the first-buyer and the principal. Any alternative marketing system would have to take into consideration these established customs.

Means of Compensation

Of the first-buyers, 97 percent were paid on a commission basis by their principals, while only 3 percent were paid a straight salary. The basis for the commission was a certain rate per bag, or hundred-weight, of peanuts purchased for the principal.

Multiple Principal Relationships

Of the 80 first-buyers interviewed, 59 percent represented only 1 principal each, as shown in the accompanying tabulation.

Number of principals represented	First-buyers	
	Number	Percent
1	47	58.9
2	26	32.5
3	5	6.2
4	0	0.0
5	1	1.2
Independent ¹	1	1.2
Total	80	100.0

¹ Purchased directly from growers and resold to different shellers.

Approximately 40 percent of the first-buyers represented more than one principal. An apparent reason for this situation was that many buyers operated under contracts that allowed a principal to call a buyer off the market at any time. Therefore buyers liked to represent two or more principals so that they could continue to buy in case they were called off the market by one.

Grower goodwill is an important factor in a buyer's ability to secure peanuts. If he is unable to purchase a grower's peanuts at a particular

time, he may not be able to get that grower's peanuts the next season.

Only one independent buyer was found. Although he did not represent any particular sheller, he purchased farmers' stock peanuts directly from growers and then resold to any or all shellers in the area.

Most of the purchases were made for the 14 shellers and processors located in the area. Eighty-five percent of the first-buyers purchased 87 percent of the total volume for 14 shellers and processors (table 2).

The principals supplied funds in advance to 70 percent of the buyers. In most cases buyers were allowed to draw a draft on the principal in payment for the grower's peanuts.

In 30 percent of the cases, first-buyers did not receive funds in advance to purchase peanuts. In several of these instances, the buyers were located near their principals' shelling plants and sent the weight slips in when the peanuts were purchased. Upon receipt of the slips, principals drew checks in favor of the growers.

TABLE 2.--Purchases by type of principal, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Type of principal	First-buyers		Quantity purchased (bags)		
	Number	Percent of total	Total	Average	Percent of total
Fourteen shellers and processors	105	84.7	1,492,233	14,212	86.9
Peanut Growers Cooperative Marketing Assn.	15	12.1	160,304	10,687	9.3
For own account	4	3.2	66,050	16,512	3.8
Total	¹ 124	100.0	1,718,587	13,860	100.0

¹ Total exceeds 77 since some first-buyers represented more than one principal.

Twelve percent of the buyers purchased 9 percent of the volume for the Peanut Growers Cooperative Marketing Association. Three percent of the buyers purchased approximately 4 percent of the volume for their own account. This includes one independent buyer and a few who purchased peanuts for seed and for resale.

Financing Purchases

First-buyers did not finance their own purchases to any great extent.

Services to Growers

Many first-buyers made available to growers other services in addition to buying peanuts. These buyers may be broken down into two categories: (1) Those selling production supplies; and (2) those selling production supplies and also purchasing other agricultural products from growers.

As has been pointed out previously, the size of buyers' businesses varied. Some were growers who

merely bought peanuts during a 6-week period. Others were full-time businessmen who were, for example, in the fertilizer, feed, or some other type of business. These first-buyers frequently made available more than one service to peanut growers.

Of 77 first-buyers, 51 percent sold production supplies to peanut growers. That is to say, they bought peanuts and sold production supplies to peanut growers and did not make available any other service such as buying other products. Thirty-six percent of the first-buyers sold production supplies and bought products other than peanuts from growers, and 13 percent bought peanuts only. Since 87 percent of the first-buyers engaged in other activities, it may be concluded that peanut buying was a part-time operation which was integrated into other activities.

Table 3 shows the variety of services and supplies first-buyers made available to peanut growers.

In most cases the larger firms made available more supplies and services than the small firms. Of the eight buyers that picked peanuts for growers, however, five were small and three were medium in size.

Twenty-eight, or 36 percent, of the first-buyers purchased products other than peanuts from growers. Nine of these firms were small, 10 were medium, and 9 were large. The 28 firms that purchased products

TABLE 3.--Production supplies and services made available to peanut growers by 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Kinds of supplies and services made available by peanut buyers	Buyers	
	Number	Percent
Selling used bags	52	67.5
Selling fertilizer	40	51.9
Selling seed peanuts	29	37.7
Shelling seed peanuts	29	37.7
Selling new bags	27	35.1
Making cash loans	8	10.4
Drying peanuts	8	10.4
Picking peanuts	8	10.4
Furnishing groceries	7	9.1
Other	1	1.3

other than peanuts also sold production supplies to peanut growers. The other farm products purchased included most of the farm products produced in the area, which were as follows:

<u>Products</u>	<u>Number of buyers</u>
Soybeans	22
Corn	16
Cotton	13
Livestock and poultry	9
Small grains	6
Melons	3
Tobacco	3
Hay	3
Snap beans	3

This information reinforces the observation that peanut buying is tied in with other enterprises and is a part-time operation.

Facilities and Personnel Used

Two important considerations in any proposed change in the marketing

system for farmers' stock peanuts are the ownership of facilities and

the part-time utilization of facilities and personnel in the peanut buying operation.

One of the purposes of the survey, then, was to gain information on the ownership and use of facilities at buying stations. A shift from bag to bulk handling will probably require extensive modification and in many cases building new facilities at buying stations. Since the shift to bulk handling will also have an impact on the number of personnel required to operate a buying station, it was essential to secure information on the personnel used in operating these stations.

Ownership and Use of Facilities

First-buyers themselves owned a major portion of the facilities used in buying peanuts, as table 4 shows. Principals did not own the physical facilities to any great extent.

Apparently the large firms made fuller use of their facilities in buying and storing peanuts than the medium and small firms did, as shown in table 5. However, the medium and small firms made greater use of their facilities for other purposes than the large firms.

First buyers who sold production supplies and bought products other than peanuts from growers made greater use of their building facilities for buying peanuts and other purposes than those who sold production supplies or bought peanuts only (table 6).

Appendix table 1 shows kinds of equipment used in peanut buying by size of firm.

Personnel Used in Peanut Buying

The seasonal nature of peanut buying requires the use of a considerable number of temporary personnel (table 7). The large percentage

TABLE 4.--Ownership of facilities by type of facility, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Ownership	Number of responses by type of facility				
	Land	Buildings	Trucks	Scales	Other equipment
First-buyers	52	53	59	50	48
Other ¹	12	11	3	9	9
Principal	3	4	2	12	10
Dual ownership ²	0	1	2	1	1
No answer	10	8	11	5	9
	—	—	—	—	—
Total	77	77	77	77	77

¹ "Other" means an individual or a group other than first-buyer or principal.

² Dual ownership means facilities were owned by the buyer and the principal, buyer and other, or principal and other.

TABLE 5.--Weekly use of building by size of firm, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season.

Size of firm	Average number of weeks buildings were used for--		
	Buying	Storing	Other purposes
Small	6.7	4.4	30.9
Medium	7.0	10.9	22.8
Large	7.8	11.4	15.1
All Firms	7.2	9.5	21.8

of temporary personnel required indicates the problem of first-buyers in recruiting workers at the beginning of the buying season.

The permanent personnel did not spend full time on peanuts. They were regularly employed by the first-buyers and worked on peanuts only during the buying season. During the remainder of the year, they

TABLE 6.--Use of building facilities by type of service made available, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Type of service	Number of buyers	Number of buildings	Average number of weeks building facilities used for--		
			Buying	Storage	Other purposes
Sold production supplies only	39	58	7	12	17
Sold production supplies and bought products other than peanuts	28	50	8	9	25
Bought peanuts only ¹	10	12	5	4	19
Total	77	120	7	10	21

¹ Includes one buyer who does not provide production supplies and failed to answer whether he bought products other than peanuts.

TABLE 7.--Permanent and temporary personnel used to operate 76 buying stations for farmers' stock peanuts by size of firm, Virginia-North Carolina Peanut Area, 1958 market season

Size of first-buyer	Personnel		
	Temporary	Permanent	Total
Average number of personnel ¹			
Small	4	3	7
Medium	7	3	10
Large	7	4	11
All firms	6	3	9
Percent of personnel			
Small	57.7	42.3	100.0
Medium	67.2	32.8	100.0
Large	62.6	37.4	100.0
All firms	63.0	37.0	100.0

¹For the number of firms reporting and the total number of employees, see appendix table 2.

were employed in other capacities, such as making services available to growers.

It is difficult to give any particular job descriptions for the personnel used. In many cases the owners handled bags of peanuts, drove trucks, and performed a multitude of duties. The same is true for many employees. Truck drivers, for instance, could easily operate the equipment for loading and unloading at a bulk buying station. Most truck drivers were permanent employees.

Large firms employed more bookkeepers and weighers than small firms. Forty-nine owners worked in the peanut buying operation and considered themselves part of the operating personnel. These owners were distributed as follows: 17 small, 14 medium, and 18 large firms (appendix table 2).

Implications in Part-time Use

Certain implications are suggested by the part-time use of facilities and personnel in peanut buying at the country buying point.

First-buyers owned a large portion of the facilities used. Since

there is considerable investment in the present facilities, we can expect the present system to continue until a preponderance of economic evidence indicates that a new system will operate, at or below the present system's current costs. Aid in overcoming resistance to change might be expected to the degree that the present system could be modified or adapted to the new system.

Building facilities were used an average of 7.2 weeks in the peanut buying operations, 9.5 weeks in storage operations involving peanuts, and 21.8 weeks for other purposes. Many facilities were used for other purposes during off-peanut season. This may be one difficulty encountered in constructing bulk handling stations. The bag stations could be used for other purposes, while a bulk station is a specialized-type facility. Therefore, a bulk station would be used only a short period during the year unless it could be used to a greater extent for storage. In some instances the bulk-type facility was used for grain and soybeans.

Approximately two out of three of the total number of persons used in the peanut buying operation were temporary personnel. A change to bulk stations would probably result in fewer temporary employees being used.

Operating Methods

It was desirable as a part of the survey to establish the present operating methods of first-buyers in order to determine the impact of an alternative marketing system on their operations. In examining the

operation of first-buyers in the area covered by the study, the following factors were taken into consideration: (1) Radius of area served, and (2) flow of peanuts through the buying station.

Radius of Area Served

Approximately 85 percent of the purchases of first-buyers were within a radius of less than 10 miles from the buying station (table 8). Fifty-five percent of the purchases were within a radius of less than 5 miles. As would be expected, the larger firms are likely to draw peanuts from a greater radius than the small and the medium firms. The large firms drew approximately 22 percent of their purchases from a radius of over 10 miles; corresponding figures for the small and medium firms were 11 percent and 7 percent, respectively.

purchased. Of the 80 buyers, 78 reported that the Federal-State Inspection Service graded 100 percent of their purchases. One buyer reported the Service graded 99 percent of his purchases, while another reported it graded 97 percent of his purchases.

Weekly Purchases

The proportion of total volume purchased for specified weeks by size of firm during the marketing season is shown in figure 2. Toward the end of the season the proportion taken by the large firms increased, while that of the medium and the small firms declined.

TABLE 8.--Relationship between size of firm and percentage of volume purchased within a given radius, 65 first-buyers of farmers' stock peanuts, Virginia-North Carolina Area, 1958 market season

Size of firm	Number of firms	Percent of purchases within a given radius				Total
		Under 5 miles	5-9.9 miles	10-19.9 miles	20 and over miles	
Small	23	60.4	28.7	10.4	0.5	100
Medium	22	60.4	32.9	6.2	0.5	100
Large	20	51.3	27.0	17.5	4.2	100
All firms	65	55.5	29.2	12.8	2.5	100

Flow of Peanuts Through Buying Stations

In the flow of peanuts through the buying stations, the following factors were examined: (1) Weighing and grading, (2) weekly purchases, (3) purchasing season, (4) form in which peanuts were shipped to principals, (5) frequency of shipping to principals, and (6) storage.

Weighing and Grading

All buyers interviewed reported that they always weighed the peanuts

Only a few firms were purchasing peanuts at the beginning of the season. The number reached a peak in the week, Nov. 17-22, when 74 of the 76 firms were purchasing, and declined toward the end of the season (appendix table 3). Of the total volume, 69 percent was purchased during the 5-week period, Nov. 3-Dec. 6. Nearly 80 percent of the total volume was purchased by Dec. 6.

The flow of farmers' stock peanuts to the buying station depends on weather conditions during the harvesting season. Many growers lack storage facilities or do not

PERCENT OF WEEKLY PURCHASES

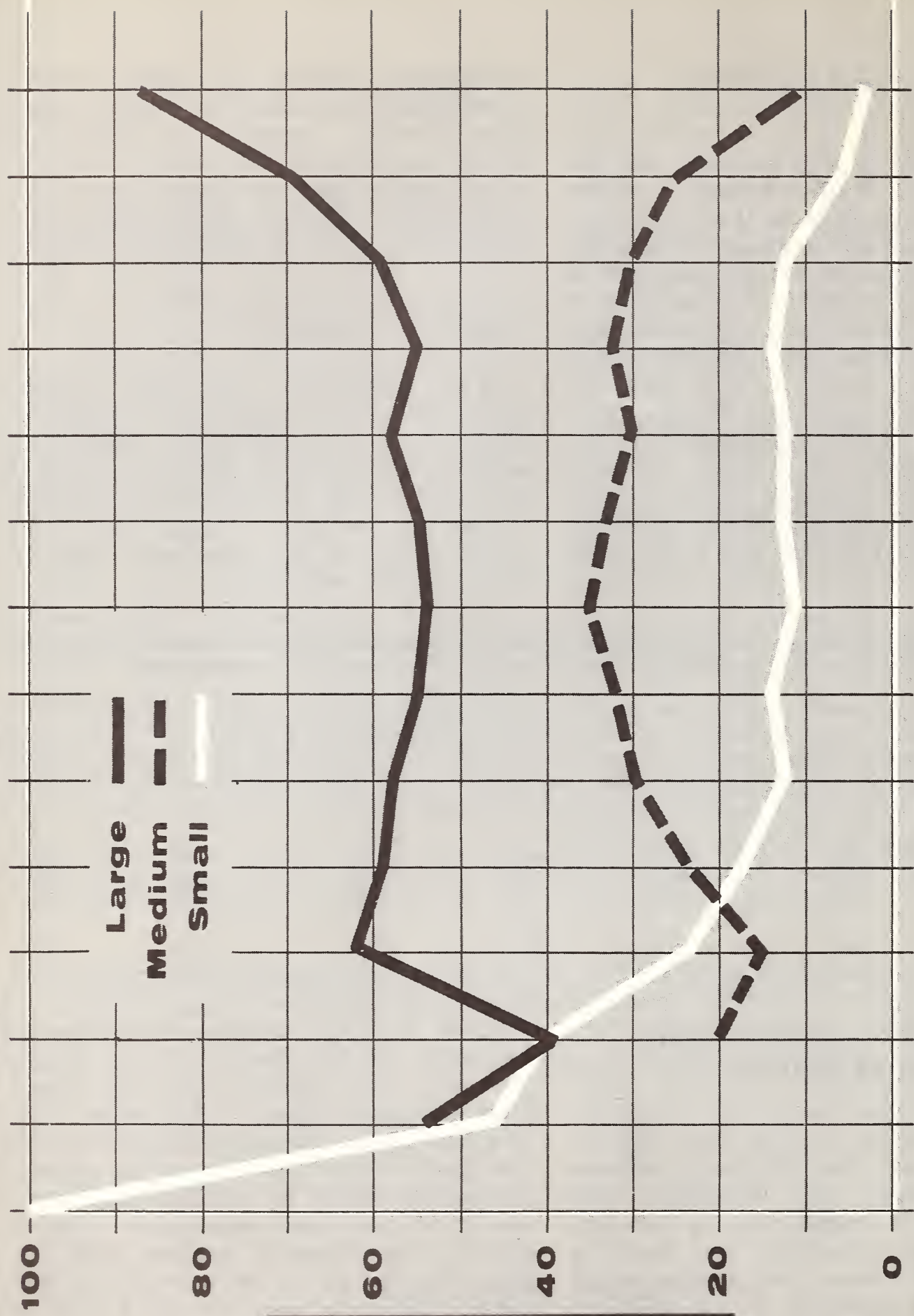


FIG.2
Proportion of weekly
volume of purchases,
by size of firm,
76 first-buyers of
farmers' stock
peanuts
Virginia-North Carolina
Peanut Area,
1958 market season

Before Oct. 6
Oct. 6-11
Oct. 13-18
Oct. 20-25
Oct. 27-Nov. 1
Nov. 3-8
Nov. 10-15
Nov. 17-22
Nov. 24-29
Dec. 1-6
Dec. 8-13
Dec. 15-20
Dec. 22-27
Dec. 29-Jan. 3

WEEKLY PURCHASING PERIODS



These men with hand scoops are sampling farmers' stock peanuts as they are unloaded.

wish to store peanuts on the farm, preferring to transport them directly from the field to the buying station. Therefore, when conditions are satisfactory for picking peanuts an important factor for the grower is whether the buyer stands ready to take those picked that day. With the grower this may be an important consideration in selecting the buyer.

Form in Which Peanuts Were Shipped

Sixty-two percent of the first-buyers shipped their peanuts to their principals in bags (table 9). Thirty-four percent shipped in both bag and bulk. As the size of firm increased the percentage shipping in bags declined. As the size of firm increased,

TABLE 9.--Form in which peanuts were shipped to principals, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Size of firm	Distribution of first-buyers by form of shipment					
	Bag		Bulk		Both bag and bulk	
	Number	Percent	Number	Percent	Number	Percent
Small	21	27.3	1	1.3	4	5.2
Medium	18	23.4	1	1.3	7	9.1
Large	9	11.6	1	1.3	15	19.5
All firms	48	62.3	3	3.9	26	33.8

the percentage shipping in both bag and bulk increased. In some instances, the peanuts were purchased in bags, dumped in bulk handling facilities by the buyer, and then shipped to the principal in bulk.

Frequency of Shipping Peanuts to Principals

Of the first-buyers, 81 percent shipped peanuts daily to their principals and 51 percent stored peanuts. The predominant practice was to ship peanuts daily. However, some of those buyers that shipped daily stored some peanuts for their principals. Many buyers moved out their purchases to the principals on trailer trucks the same day they were purchased. This eliminated the need for storage space.

Storing Peanuts

Large firms held 73 percent of the peanuts that were in storage on January 3 (table 10). The figures for the medium and small firms were 23 percent and 4 percent respectively. The large percentage figures for the small firms at the beginning of the buying season were due to the fact that the small firms started buying at the first of the season.

Implications of Operating Methods

The major portion of first-buyer purchases came from a relatively small area. In any alternative marketing system where peanuts would have to be hauled a considerable distance, the interest of growers would depend on whether or not the



Farmers' stock peanuts are purchased in both bulk and bags at this Virginia buying station. Here they are being loaded out in bulk for shipment to a nearby shelling plant.

TABLE 10.--First-buyers having inventory on hand and percentage of total inventory held first of week, by size of firm, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Weekly period	Distribution of inventory by size of firm							
	Small (26)		Medium (26)		Large (25)		All firms (77)	
	Number	Percent of inventory	Number	Percent of inventory	Number	Percent of inventory	Number	Total inventory on hand first of week (bags)
On hand Oct. 6	0	--	0	--	0	--	0	--
Oct. 6-Oct. 11	1	100.0	0	--	0	--	1	500
Oct. 13-Oct. 18	1	83.3	0	--	1	16.7	2	600
Oct. 20-Oct. 25	1	83.3	0	--	1	16.7	2	1,200
Oct. 27-Nov. 1	1	26.2	1	10.5	2	63.3	4	3,185
Nov. 3-Nov. 8	1	4.5	3	26.0	7	69.5	11	22,305
Nov. 10-Nov. 15	2	2.9	9	24.7	13	72.4	24	70,173
Nov. 17-Nov. 22	3	2.6	10	22.9	16	74.5	29	135,743
Nov. 24-Nov. 29	4	2.9	13	24.2	18	72.9	35	235,759
Dec. 1-Dec. 6	5	3.4	14	25.1	21	71.5	40	347,372
Dec. 8-Dec. 13	7	4.2	15	24.7	20	71.1	42	442,780
Dec. 15-Dec. 20	7	5.1	16	24.7	22	70.2	45	507,621
Dec. 22-Dec. 27	7	5.3	16	25.4	21	69.3	44	561,316
Dec. 29-Jan. 3	7	4.8	15	25.5	20	69.7	42	602,981
On hand Jan. 3	6	4.4	10	22.6	19	73.0	35	572,581

price was sufficient to cover the additional cost of hauling, or whether the added cost of hauling was more than offset by the convenience of handling peanuts in bulk. As will be shown in detail later, 75 percent of the peanuts were hauled to the buying station in growers' trucks.

Since all peanuts were weighed and all but a minor percentage were graded before purchasing, any alternative system would have to provide for these operations.

Almost three-quarters of the purchases were made during the 5-week period from November 3 to December 6. This would indicate that any alternative marketing system used must be capable of receiving a large percentage of the total volume of peanuts over a relatively short

period of time during the marketing season.

A higher percentage of large firms than of medium and small ones shipped peanuts to their principals in both bag and bulk form. The larger-size firms, by handling peanuts in both forms, were attempting to accommodate growers who wanted to sell in bags as well as those who wanted to sell in bulk. This indicates that the larger firms probably would move toward bulk handling before the medium and small firms.

A high percentage of first-buyers shipped peanuts daily to their principals. This would indicate that an alternative system would need to provide facilities for moving peanuts out for daily shipments, even

though approximately one-half the firms stored some peanuts.

Large firms performed a major portion of the storage function. Thus

in an alternative system it would appear that the storage function would be especially important in planning facilities for the larger firms.

Buying Practices

A major purpose of the survey was to determine the current buying practices in the area and what might be involved in considering an alternative marketing system. Buying practices are examined under the following categories: (1) Basis for prices to growers, and (2) non-price factors.

Basis for Prices to Growers

One of the main concerns of peanut growers is the basis used to determine prices paid to them for farmers' stock peanuts. The grower has invested considerable resources, time, and energy in producing his peanuts. It is not until the peanuts are sold that he determines whether he is compensated for his efforts.

Support Price or Cooperative Advance Price

Almost all--96 percent--of the first-buyers stated that the basis used for pricing a particular grade of farmers' stock peanuts was the same as the cooperative advance price (appendix table 4). The term "cooperative advance price" as used here corresponds to the loan price for peanuts in 1958. Four percent of the first-buyers reported prices to growers based on the support price. One buyer indicated that the price

was based on, but was less than, the support price. Two others reported that prices paid to growers were the same as the support price.

The support price of the Virginia-type peanuts per average ton of 1958 crop quota was \$224.97.² An amount equivalent to \$9 per net-weight ton to provide funds to pay inspection, storage, and part of the operating expenses for the loan program was deducted from the price support in making loan advances to growers. Therefore the loan price or cooperative advance price was below the support price. Growers actually received the loan or cooperative advance price, not the support price. For a further discussion of the price support program see section on "The Price Support Program for Peanuts," page 24.

Change in Price for a Particular Grade of Peanut

Buyers indicated little change in price for a particular grade of peanut during the 1958 market season. Seventy-six, or 99 percent, of the 77 first-buyers indicated that prices did not change through the 1958 market season. This bears out evidence that the cooperative advance price formed a floor for farmers' stock peanuts

² Commodity Stabilization Service (Now known as the Agricultural Stabilization and Conservation Service), U.S. Dept. of Agr.

and that there was little fluctuation from this level.

Data from secondary sources substantiated these observations by first-buyers (table 11). The monthly seasonal average prices for farmers' stock peanuts in the area was 11 cents a pound for November, December, and January during the 1958-59 market season.

did not exist. This forced competition into other channels.

Non-Price Factors

In the opinion of first-buyers, two considerations other than price were important in obtaining peanut vol-

TABLE 11.--Monthly and seasonal average prices of farmers' stock peanuts to growers, Virginia Type Bunch, Virginia and North Carolina, 1956-57 to 1960-61

Crop year	Average prices (cents per pound)					
	November	December	January	February	March	Season average
1956-57	13.0	12.6	11.7	11.7	11.7	12.6
1957-58	11.5	11.3	11.3	--	--	11.4
1958-59	11.0	11.0	11.0	--	--	11.0
1959-60	10.2	10.2	10.3	--	--	10.2
1960-61	11.1	11.5	11.5	--	--	11.2

Source: Agricultural Marketing Service, U.S. Dept. of Agr. Peanut Market News, Weekly Report, Wednesday, May 24, 1961, p. 7.

The Role of Principals in Pricing

First-buyers acted on instructions from their principals when pricing peanuts to growers. In most instances, principals supplied first-buyers a chart, which was to be followed in computing the price of a given grade of peanut. The Federal-State Inspector had graded the peanuts and the first-buyer simply followed the chart furnished by his principal. This was also true of first-buyers who placed peanuts under loan for the Peanut Growers Cooperative Marketing Association.

In the peanut-producing area under study, price competition, particularly in an over-supply situation,

ume. These were drayage and services to growers.

Drayage

As has already been stated, the grower could sell his peanuts through first-buyers at the loan price to shellers or processors or place them under loan with the cooperative. If he placed them under loan, however, he was responsible for transporting them from his farm to the warehouse approved by Commodity Credit Corporation. In order to attract peanuts, first-buyers representing shellers or processors had to pay the grower drayage for

bringing his peanuts to the buying station.

Three methods were used to transport peanuts from farm to buying station--growers' trucks, buyers' trucks, and leased trucks (table 12). Of the volume purchased by 76 first-buyers, 75 percent was transported in growers' trucks, 23 percent in buyers' trucks, and only 2 percent in trucks leased by buyers.

one medium firm paid 20 cents, and one small firm paid 25 cents.

Figure 3 and appendix table 5 show the proportion of firms that paid drayage. All paid during the week, Oct. 13-18, but that was the early part of the season and only five firms purchased. During the 5-week period, Nov. 3-Dec. 6, when 69 percent of the total volume of peanuts was purchased, the propor-

TABLE 12.--Relationship between volume of purchases and method of hauling from farm to buying station by size of firm, 76 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Size of firm	Purchases	
	Number of bags	Percent
<u>Small firms</u>		
Growers' trucks	151,963	9.0
Buyers' trucks	55,185	3.2
Leased trucks (by buyers)	6,750	0.4
Totals	213,898	12.6
<u>Medium firms</u>		
Growers' trucks	332,606	19.6
Buyers' trucks	172,840	10.2
Leased trucks (by buyers)	3,873	0.2
Totals	509,319	30.0
<u>Large firms</u>		
Growers' trucks	789,212	46.5
Buyers' trucks	162,158	9.5
Leased trucks (by buyers)	24,000	1.4
Totals	975,370	57.4
<u>All firms</u>		
Growers' trucks	1,273,781	75.0
Buyers' trucks	390,183	23.0
Leased trucks (by buyers)	34,623	2.0
Totals	1,698,587	100.0

Of the 77 first-buyers reporting, 80 percent--or 62--paid 15 cents a bag for drayage (table 13). Three small firms paid 10 cents a bag,

tion of firms paying drayage varied from a high of 77 percent to a low of 64 percent. During the week, Nov. 17-22, when 74 of 76

PERCENT OF FIRMS PAYING DRAYAGE

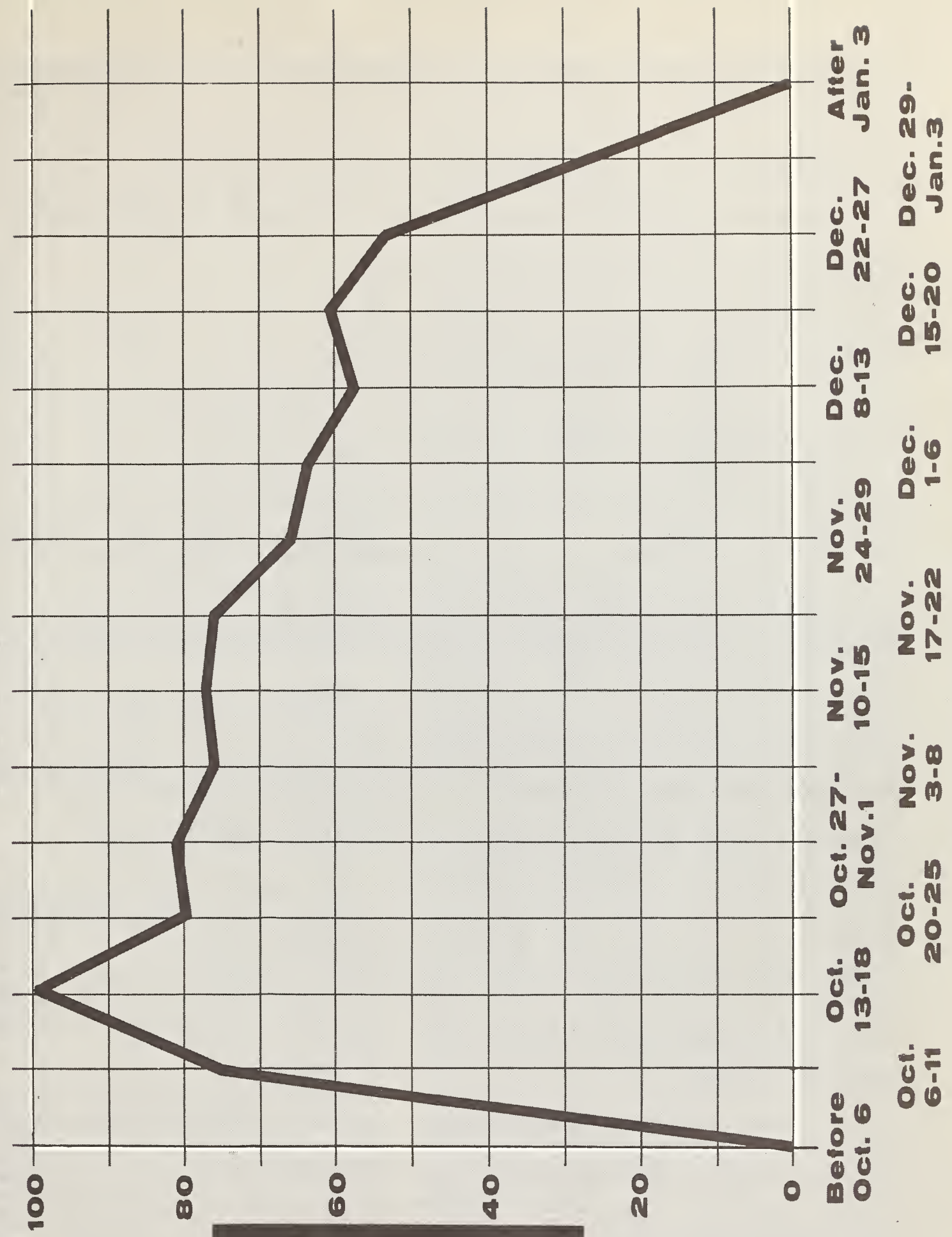


FIG. 3
Proportion of firms purchasing that paid drayage, 76 first-buyers of farmers' stock peanuts
Virginia-North Carolina Peanut Area, 1958 market season

WEEKLY PURCHASING PERIODS

TABLE 13.--Rates of drayage payments to growers for hauling peanuts from farm to buying station by size of firm, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season.

Size of firm	Distribution of firms by drayage rate per 100-lb. bag					Total firms
	No drayage	10¢	15¢	20¢	25¢	
Small (number)	7	3	15	0	1	26
Medium (number)	2	0	23	1	0	26
Large (number)	1	0	24	0	0	25
All firms (number)	10	3	62	1	1	77
All firms (percent)	13.0	3.9	80.5	1.3	1.3	100.0

firms purchased peanuts, 76 percent paid drayage.

Services to Growers

A second area with considerable competition for peanut volume was services to peanut growers. It has been pointed out previously that peanut buying was a part-time operation and buyers frequently had other enterprises. These activities enabled them to attract peanut volume through means other than price.

When questioned, the most important reason, in addition to price, that buyers gave for growers selling to them was "personal contacts" (table 14). Second was "convenience," and third was "drayage allowance." These three accounted for 75 percent of the reasons why first-buyers thought growers sold peanuts to them.

The small and the medium buyers thought personal contacts and convenience were more important than large buyers did. Large buyers thought drayage was more important than small and medium buyers did.

Large buyers also rated selling production supplies and buying products other than peanuts from growers higher than smaller ones.

The reason for this rating might have been that large buyers were more likely to sell production supplies to peanut growers and buy products other than peanuts from them than medium or small buyers. Advertising ranked low on the list, and no particular preference for it was shown by size of firm.

Selling Production Supplies.--The 67 first buyers that sold production supplies to peanut growers were asked if they thought this helped in securing peanut volume. Fifty-five percent thought it did; 37 percent said it didn't (table 15).

Of the 37 first-buyers who said selling production supplies helped in securing peanuts, 40 percent were small buyers. Of the 25 who said that selling production supplies did not help, 40 percent were large buyers.

Those who said selling production supplies helped in securing volume were asked how it helped. Almost 90 percent gave two reasons: Personal contacts--65 percent and goodwill--24 percent (appendix table 6).

Those who sold production supplies thought they had the opportunity to build up personal contacts and goodwill with growers and thereby secure peanut volume. The

TABLE 14.--Relationship between size of firm and buyers' opinions as to main reasons in addition to price that growers sold to them, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Buyers' opinions of the main reasons in addition to price that growers sold to them	Distribution of responses by size of firm				
	Small	Medium	Large	All firms	
	Number	Number	Number	Number	Percent
Personal contact with growers	24	25	20	69	36.5
Convenience	14	17	13	44	23.3
Drayage allowance	7	9	13	29	15.3
Selling production supplies to peanut growers	4	4	9	17	9.0
Buying products other than peanuts from growers	3	3	4	10	5.3
Advertising	2	2	2	6	3.2
Other	2	7	5	14	7.4
Total	56	67	66	¹ 189	100.0

¹ Total exceeds 77 because some buyers gave more than one reason

TABLE 15.--Relationship between the size of firm and buyers' opinion on whether selling production supplies helps in securing peanuts, 67 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Buyers' opinion on selling production supplies	Distribution of responses by size of firm				
	Small	Medium	Large	All firms	
	Number	Number	Number	Number	Percent
Helps in securing peanuts	15	12	10	37	55.2
Does not help in securing peanuts	7	8	10	25	37.3
No answer	0	2	3	5	7.5
Total	22	22	23	67	100.0

question was raised whether present peanut volume could be maintained without selling production supplies. Forty-three percent of the 37 buyers thought it could, whereas 57 percent thought it couldn't (appendix table 7).

Buying Products Other Than Peanuts.--When 28 first-buyers who bought products other than peanuts from growers were asked if they thought this helped in securing peanut volume, 64 percent said it did.

(table 16). The reaction to this question was mixed, however. Although the majority thought buying these products helped, 54 percent said they thought they could maintain their volume without buying other products.

"Personal contacts" was the most important way in which buying products other than peanuts helped in securing peanut volume. This method comprised 53 percent of the 19 ways given by those buyers who said



buying other products helped in securing peanuts (appendix table 8). The second most important way was "goodwill." These two ways accounted for 79 percent of the 19 ways listed by the 18 first-buyers.

Fifty-four percent, of those who bought products other than peanuts from growers said they could maintain their present volume of peanuts without purchasing other products from growers, but 36 percent said they could not (appendix table 9).

Furnishing Market Information.-- Table 17 again shows the great value first-buyers put on personal contacts, with more than 93 percent placing this method of supplying market information first. Newspaper ads, radio, circulars, and newsletters made a poor showing in comparison. No buyer used television facilities for this purpose in 1958.

Implications of Non-Price Factors

Since first-buyers thought the basis for prices to growers was the cooperative advance or loan price, which did not change throughout the purchasing season, competition for peanut volume should be found in other channels. Two of the most important of these were drayage and personal contacts.

A high proportion of first-buyers paid the same drayage figure, but there was considerable variation in the proportion of firms purchasing peanuts that were paying drayage during the buying season.

One of the important services rendered to growers by some buyers is shelling seed peanuts for them. Top, bags of farmers' stock peanuts are checked before shelling. Center, peanuts are dumped into hopper for shelling. Bottom, After being shelled, treated, and bagged, peanuts are ready for the farmer to plant.

TABLE 16.--Relationship between size of firm and buyers' opinion on whether buying other farm products helped in securing peanuts, 28 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Buyers' opinion on buying other farm products	Distribution of responses by size of firm				
	Small	Medium	Large	All firms	
	Number	Number	Number	Number	Percent
Helps in securing peanuts	7	6	5	18	64.3
Does not help in securing peanuts	2	4	4	10	35.7
Total	9	10	9	28	100.0

TABLE 17.--Methods used to furnish market information to peanut growers, 76 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Methods used to furnish market information	First-buyers using	
	Number	Percent
Personal contacts	71	93.4
Newspaper ads	14	18.4
Radio	7	9.2
Circulars	5	6.6
Newsletters	1	1.3
Television	0	--
Other	6	7.9

Personal contacts--an essential part of peanut buying--is emphasized by the following:

1. Over one-third of the buyers thought personal contacts were the main reason in addition to price that growers sold to them,

2. Over one-half of the buyers selling production supplies thought personal contacts were the main reason growers sold to them,

3. Almost two-thirds of the buyers purchasing products other than peanuts thought personal contacts were the main reason growers sold to them, and

4. Nine out of ten buyers used personal contacts to furnish market information to peanut growers.

A cooperative form of enterprise might be used as a means of preserving the idea of personal contacts. In addition, some form of joint selling might be considered, or perhaps fieldmen could be used to maintain personal contacts with growers.

Implications of Market Structure

It is desirable at this point to focus the findings of this study on the structure of the peanut market in the Virginia-North Carolina Area. This is important because of changes facing the present market structure due

to technological improvements in harvesting and handling peanuts. Market structure has been defined as "those characteristics of the organization of a market which seem to influence strategically the nature

of competition and pricing within the market."³

Mueller and Garoian,⁴ speaking of market structure said:

"Among the leading market structural characteristics affecting firm behavior are:

"1. The degree of buyer and seller concentration--described by the number and size distribution of sellers or buyers operating within the relevant market,

"2. The extent to which firms sell identical or differentiated products,

"3. The ease with which new firms can enter the relevant market, and

"4. The extent to which firms are or may become vertically integrated."

It is not the purpose of this phase of the study to deal with the entire market structure of the Virginia-North Carolina Peanut Area. Since this study is oriented around first-buyers, only those aspects of market structure in this area will be presented. Roughly 200 first-buyers in the area were included in the study, while approximately 14,000 growers of peanuts, or sellers, were within the same area. In considering the aspects of market structure, it is important to know the environment in which the market operates.

³Bain, Joe S. *Industrial Organization*. John Wiley & Sons, New York, 1959, p. 7.

⁴Mueller, Willard F., and Garoian, Leon. *Changes in the Market Structure of Grocery Retailing 1940-58*. Research Report 5, Agr. Expt. Sta., University of Wisconsin, April 1960, p. 2.

Price Support Program for Peanuts

A price support program operates in all three peanut areas--the Southwestern, the Southeastern, and the Virginia-North Carolina Area. The support price varies by type of peanut. Historically the support price for Virginia-type peanuts has been higher than that of the Spanish and the Runner types. The price any individual grower receives reflects the grade of peanuts he delivers. Peanuts are graded by samples drawn from individual loads; therefore the price of one load may differ somewhat from that of another even though they both came from the same field.

The price support program is operated through the organization of producer associations in the various production areas. The Peanut Growers Cooperative Marketing Association (PGCMA) serves growers in the Virginia-North Carolina Area. This association acts as a fiscal agent of the Commodity Credit Corporation (CCC), which through its operating arm the Commodity Stabilization Service (CSS),⁵ of the U.S. Department of Agriculture is charged with administering the price support program.

Although, the PGCMA is a fiscal agent of CCC, savings accumulated by PGCMA belong to farmers who marketed peanuts through it. In order to qualify as a producer association under the legislation establishing the price support program, PGCMA meets the following requirements:

"A group of producers organized in accordance with the provisions of

⁵Now known as the Agricultural Stabilization Conservation Service (ASCS).

the Capper-Volstead Act, for the purpose of handling peanuts for and on behalf of its producer members, which qualifies as a cooperative in the State(s) in which it functions, is approved by CCC; and meets the following requirements:

"(1) The major portion of the peanuts handled by the association is delivered to the association by producer members;

"(2) The members and any non-members for whom the association handles peanuts have a right to share pro rata in the profits made from handling peanuts;

"(3) The association has the legal right to pledge or mortgage the peanuts which it receives from producers, who have no right to redeem or obtain possession of their peanuts after delivery to the association;

"(4) The manager of the association must not be engaged in the business of buying, selling, storing, or dealing in peanuts, other than in his capacity as manager of the association or as a producer; and

"(5) The association shall maintain such accounts and records as CCC may prescribe."⁶

As previously pointed out, the support price of the Virginia-type peanuts per average ton of 1958 crop quota was \$224.97. An amount equivalent to \$9 per net weight ton was deducted from the price support in making loan advances to growers to provide funds to pay inspection,

storage, and part of the operating expenses for the loan program.⁷

In order to qualify for Virginia-type price support purposes, the peanuts had to contain 30 percent or more "fancy" size, that is, peanuts riding a 34/64 x 3-inch screen. Peanuts having 8 percent damage, or over, and those having 11 percent, or over, in foreign material were not eligible for price supports.

The grower who wanted to place his peanuts under the price support program took them to a first-buyer, who had authority to store peanuts for CCC. This buyer also might be buying for a sheller. The peanuts had to be graded by a Federal-State inspector to qualify for price supports. A grid table furnished by PGCMA was consulted and the price to the grower computed according to various grade factors. A draft drawn on the Commodity Credit Corporation was given to the grower.

PGCMA may sell the peanuts before their delivery to CCC. It sells at the best possible price and returns the savings, if any, to the growers who placed their peanuts under loan through it.

It would appear that PGCMA, through the loan price or cooperative advance price, would establish a floor in the peanut market. In effect this is what happened during the 1958 season. To place his peanuts under the loan program, however, a grower had to transport his crop to the PGCMA approved warehouse. He could have stored his peanuts on the farm and secured a farm storage loan through the ASC county office.

⁶ Commodity Stabilization Service, U.S. Dept. of Agr. Title 6 Agricultural Credit, Reprint from Federal Register dated August 10, 1956, Section 446.804.

⁷ The \$9 deduction was discontinued beginning with the 1961 crop.

Peanut growers rarely follow this procedure, however, because they do not have storage facilities.

In general, looking at the situation from the grower's viewpoint, the first-buyers representing shellers and processors will have to match the cooperative advance price, at least, in order to get peanuts.

The seller never knows the exact price for a given load of peanuts until it has been inspected and graded. This situation, coupled with the thinking of some growers that they do not want to take part in Government programs, may cause the seller not to enter into the price support program. This program is, therefore, a factor in the market structure which will influence decisions of both buyers and sellers.

Competition Among Peanut Growers

The number of sellers in the market has important effects on the competition among sellers. Since, the area surveyed has 13,704 sellers of a relatively uniform product in the market a condition approaching pure competition exists on the sellers' side.

As has already been explained, farmers' stock peanuts are peanuts as they come from the farm. They have been separated from the vines and have excess soil removed from them. They may be brought to the buying station in bag or in bulk. There is no attempt to advertise or place them in any special package. The actual grade of the peanuts may vary with cultural practices followed, climatic conditions, soil type,



A truck load of farmers' stock peanuts in bags arrives at a Virginia shelling plant.

TABLE 18.--Concentration of buying power by class of principals for which 77 first-buyers purchased farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Class of principals	Percent of total volume of purchasers	Accumulative percentage
Four largest	53.2	53.2
Fifth-to-eighth	22.1	75.3
Six others	11.6	86.9
Peanut Growers Cooperative Marketing Association	9.3	96.2
For first-buyers' own accounts	3.8	100.0
Total	100.0	100.0

and other factors. However, because the support price for peanuts with specified quality and damage characteristics is announced in advance, price information available to growers may be deemed satisfactory.

Concentration of Buying Power

In the 17-county area included in the survey, 192 first-buyers represented 15 principals. These included 14 shellers and processors and the Peanut Growers Cooperative Marketing Association. Some first-buyers represented more than 1 of the 15 principals. Thus, buying power rested in the hands of the principals, since they exercised price and volume control over first-buyers.

One measure of concentration of buying power is the percent of total volume of purchases made by the 77 first-buyers for a given class of principals. Table 18 lists percentages of total volume by class of principal. It shows that only a relatively few principals play an important role in peanut procurement in the area.

In a situation where only a few firms purchase a large proportion of the total volume, each purchaser is influenced by the activities of the others. Since the support price for peanuts should act as a floor, one would probably not find price competition except in case of a very short crop year. There would, then, in a year of normal production be two factors working toward stability of prices in the market: (1) The price support program for peanuts and (2) the concentration of buying power. Where there is high concentration of buying power, prices are likely to be relatively stable.

Ease of Entry

Ease of entry is an important aspect of market structure since it influences competition and pricing. Entry into peanut growing is influenced by an individual grower's ability to raise capital to buy or rent land and secure an acreage allotment.

Grower outlets are influenced by whether there are high barriers to the entry of shellers, processors, or first-buyers into the peanut market. Entry of a sheller or processor

into the market is probably governed largely by the sheller's or processor's ability to raise capital and to secure the expensive equipment necessary to shell and process peanuts. It may be that having to develop sales outlets also would be a significant barrier to shellers or processors.

It has been pointed out that peanut buying is a part-time enterprise. Not many individuals buy peanuts as independents. This study includes only 1 independent out of 80 peanut buyers interviewed. As indicated previously, 59 percent of the first-

buyers represented only 1 principal. Entry into peanut buying would then seem to be governed by the appointment of agents by the principal. Since personal contacts are considered important in peanut buying, principals would probably consider this along with other factors when appointing agents to buy peanuts for them.

It appears that there would be many opportunities to get into peanut growing, fewer opportunities to get into peanut buying, and still fewer to get into peanut shelling or processing.

Alternative Marketing Methods

Attitudes of first-buyers toward certain alternative techniques for marketing farmers' stock peanuts were examined. These attitudes, along with the trends and trade practices discovered during the survey, were considered in establishing criteria and requirements which should be used by growers and the industry in evaluating any alternative marketing method.

Alternative Marketing Techniques

From time to time alternative marketing techniques have been suggested by various groups for farmers' stock peanuts. It was the purpose of this study to get the comments of first-buyers on these techniques just as the views of growers were sought in the grower survey. First-buyers were asked to comment on the advantages and disadvantages of four alternative marketing techniques: (1) Country buy-

ing points, (2) sending buyers to farms, (3) auction markets, and (4) a central market.

Country Buying Points

Under this system the buyers are located in the small town or country point near where the peanuts are produced. This is the system currently used in buying farmers' stock peanuts in the Virginia-North Carolina Peanut Area. As previously pointed out, in the area covered by this study a large percentage of a buyer's volume of purchases came from within a small radius of the buying station. The buyer in many cases was also a peanut grower and had close personal contacts with growers in the area he served.

Advantages.--Eighty-four percent of the first-buyers gave 82 responses indicating advantages for country buying points (table 19 and appendix table 10). Eighty-three percent of these responses fell into

three categories: (1) Convenience to growers (34 percent), (2) best and fairest method for growers (32 percent), and (3) better service to growers (17 percent).

responses fell in the realm of better service. This was probably due to buyers' thinking that country shipping points provided a way of giving more personal attention to growers

TABLE 19.--Comments on the advantages and disadvantages of country buying points, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Advantages and disadvantages of country buying points	Responses	
	Number	Percent
<u>Advantages</u>		
Convenience to growers	28	34.1
Best or fairest method to grower	26	31.7
Better service to growers	14	17.1
Better grading and inspection service	5	6.1
Establishes confidence in buyer	4	4.9
Miscellaneous	5	6.1
Total	182	100.0
<u>Disadvantages</u>		
Too many peanut buyers	5	35.7
Techniques for grading need improving	4	28.6
Miscellaneous	5	35.7
Total	114	100.0

¹The total number of responses may exceed the total number of buyers (appendix table 10) giving responses since some buyers gave more than one response.

Under "convenience," buyers stressed the importance of less hauling and fewer storage facilities required by the grower. When the grower begins to pick his peanuts, he wants a market outlet available within a short distance. This enables him to haul the peanuts directly from the field to the buying station. Thus storage facilities are not required and hauling requires less time.

Thirty-two percent of the responses given related to the fairness of this method to the grower because he can see his peanuts graded and reject the grade if dissatisfied. Seventeen percent of the

and quicker handling of their peanuts.

Disadvantages.--Only 18 percent of the first-buyers indicated any disadvantages in country buying points (appendix table 10). The two most important disadvantages indicated were (1) too many peanut buyers, and (2) techniques for grading need improving (table 19).

Sending Buyers to Farms

Under this alternative the buyers would be sent to the farms with the necessary equipment so a definite

offer could be made at the farm. This was the system used before adopting the present system.

Advantages.--Twenty-seven percent of the first-buyers indicated advantages for this method, 49 percent indicated no advantages, and 24 percent made no response (appendix table 10). The three most important advantages given were: (1) Grower knows the price of his peanuts before they are moved, (2) this method is convenient to growers, and (3) it would speed up the buying process (table 20).

Disadvantages.--Seventy percent of the first-buyers gave disadvantages to this method (appendix table 10). Sixty percent of the

responses given fell into one category--that the peanuts could not be properly graded at the farm because of the difficulty of getting a fair sample of the grower's crop (table 20).

Auction Markets for Peanuts

Under this system each grower's peanuts would be brought in and graded and placed on display where each buyer could bid on a lot. In other words, auction markets for peanuts would be established similar to those that exist for tobacco in the area.

Advantages.--Only 8 percent of the first-buyers indicated any advantages

TABLE 20.--Comments on the advantages and disadvantages of sending buyers to farms, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Advantages and disadvantages of sending buyers to farms	Responses	
	Number	Percent
<u>Advantages</u>		
Grower knows price before peanuts are moved	6	26.1
Convenience to growers	5	21.8
Would speed up buying process	4	17.4
Would be better than the present system	3	13.0
Buyer would be responsible for his purchases	2	8.7
Miscellaneous	3	13.0
Total	123	100.0
<u>Disadvantages</u>		
Peanuts could not be properly graded at the farm	34	59.6
Would destroy the present system which is better	6	10.5
Too risky for farmer	6	10.5
Lack of storage space on farm	3	5.3
Too much time consumed in sampling and buying peanuts	3	5.3
Better to bring peanuts to buying station	2	3.5
Miscellaneous	3	5.3
Total	157	100.0

¹ The total number of responses may exceed the total number of buyers (appendix table 10) giving responses since some buyers gave more than one response.

for this method (appendix table 10). Seventy-one percent indicated no advantages and 21 percent made no response.

Disadvantages.--Seventy-five percent of the first-buyers indicated disadvantages to an auction market for peanuts (appendix table 10). Eighty-one percent of the responses fell into three categories: (1) Lack of facilities for handling peanuts during rush, (2) lack of competition in bidding, and (3) unspecified (table 21).

auction market would not work but failed to give a specific disadvantage. These responses were grouped under unspecified disadvantages.

Central Market

First-buyers were asked to comment on the advantages and disadvantages of a central market where all producers could bring truck loads of peanuts to offer for sale and where all buyers could have an equal

TABLE 21.--Comments on the advantages and disadvantages of auction markets for peanuts, 77 first-buyers of farmers' stock peanuts Virginia-North Carolina Peanut Area, 1958 market season

Advantages and disadvantages for auction markets for peanuts	Responses	
	Number	Percent
<u>Advantages</u>		
Would provide more competition	2	25.0
Might improve quality of peanuts	2	25.0
Would allow sheller to select a particular type of peanut	1	12.5
Would give grower a chance to accept or reject bid	1	12.5
Might reduce the cost of marketing peanuts	1	12.5
Would reduce the number of commission buyers	1	12.5
Total	18	100.0
<u>Disadvantages</u>		
Lack of facilities for handling peanuts during rush	25	43.1
Lack of bidding	11	19.0
Unspecified	11	19.0
Average grower is not equipped to sell at auction	8	13.8
Miscellaneous	3	5.1
Total	158	100.0

¹The total number of responses may exceed the total number of buyers (appendix table 10) giving responses since some buyers gave more than one response.

The first of these disadvantages was by far the most important. Buyers felt that an auction system could not provide the facilities to grade, handle, and display peanuts, and to unload trucks during the rush. In 11 responses, buyers stated that an

opportunity to make an offer to buy. Under this system each grower's peanuts would be displayed and he would negotiate with the buyers for the sale of his peanuts. There would be no formal bidding as in the auction.

Advantages.--Only 5 percent of the first-buyers indicated advantages for this method whereas 69 percent indicated no advantages and 26 percent made no response (appendix table 10). Only five responses giving one advantage each were indicated for this method (table 22).

bulky crop like peanuts in a short marketing season. They felt that peanuts would back up at shelling plants and growers would be delayed in harvesting their crops. Growers also would have to haul the peanuts for considerable distances, thus working a hardship on them.

TABLE 22.--Comments on the advantages and disadvantages of a central market for peanuts, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Advantages and disadvantages of a central market for peanuts	Responses	
	Number	Percent
<u>Advantages</u>		
Convenience to growers	1	20.0
Sheller could secure particular type of peanut	1	20.0
More bidding possible	1	20.0
More economical to handle crop	1	20.0
Might work in a short season	1	20.0
Total	15	100.0
<u>Disadvantages</u>		
Lack of marketing facilities would delay harvesting	40	66.6
Would be too far to haul peanuts	13	21.7
Would work hardship on present marketing facilities	4	6.7
Miscellaneous	3	5.0
Total	60	100.0

¹The total number of responses may exceed the total number of buyers (appendix table 10) giving responses since some buyers gave more than one response.

Disadvantages.--Seventy-seven percent of the first-buyers indicated disadvantages for this method (appendix table 10). Eighty-eight percent of the responses given fell into two categories: (1) Lack of marketing facilities would delay harvesting, and (2) it would be too far to haul peanuts (table 22). Two-thirds of the responses fell into the first category. Buyers felt that this system would result in a lack of facilities for storing and handling peanuts and unloading trucks, and in delay and confusion in attempting to move a

To summarize alternative marketing techniques, the percentage of first-buyers citing advantages for each follows:

1. Country buying points--84 percent
2. Sending buyers to farms--27 percent
3. Auction markets--8 percent
4. Central market--5 percent

The chief objection to each technique in terms of percent of responses follows:

1. Central market. Lack of marketing facilities would delay harvesting--67 percent

2. Sending buyers to farms. Peanuts could not be properly graded at the farm--60 percent

3. Auction markets. Lack of facilities for handling peanuts during rush--43 percent

4. Country buying points. Too many peanut buyers--36 percent

The overwhelming approval of the existing system of country buying points indicates first-buyers would probably oppose a change. Thus the advantages of any alternative would have to be stressed to win their support. This problem would not be insurmountable if definite economies could be shown for the alternative.

Underlying Trends

Several underlying trends in the production and marketing of farmers' stock peanuts will probably necessitate changes in the marketing system. The impact of these changes on the competitive position of growers and the need for improved marketing procedures will be evaluated.

Changes Observed by First-Buyers in the Last Five Years

Buyers were asked to indicate changes in peanut marketing they had observed in the last 5 years. The greatest change mentioned was the increase in bulk handling facilities--90 percent of the first-buyers noting this change (table 23).

Eighty percent noted that growers had been delivering a higher

TABLE 23.--Changes noted in the last 5 years in peanut marketing, 80 first-buyers, of farmers' stock peanuts
Virginia-North Carolina Peanut Area, 1958 market season

Changes noted by first-buyers	Distribution of first-buyers' responses (percent)				
	Increase	No change	Decrease	Miscellaneous replies ¹	Total
Bulk handling facilities	90.0	6.2	0.0	3.8	100
Growers delivering a higher grade	80.0	11.2	3.8	5.0	100
Artificial drying of peanuts	70.0	22.5	1.3	6.2	100
Growers delivering extra large peanuts	65.1	22.5	6.2	6.2	100
Windrow harvesting and curing	63.7	27.5	1.3	7.5	100
Number of buyers	53.8	36.2	7.5	2.5	100
Shellers requesting extra large peanuts	35.0	30.0	21.3	13.7	100
Credit advanced to growers	26.2	52.5	0.0	21.3	100
Direct purchases by shellers	12.5	70.0	3.8	13.7	100
Number of shellers	12.5	58.7	21.3	7.5	100
Other changes ²	2.5	1.3	0.0	96.2	100

¹ Includes "Don't know," "Not applicable," and "Varies or fluctuates with season."

² Includes "Yields increased," "Better seed and know how," and "Inspection services more rigid in specifications."

grade of peanuts, whereas 70 percent noted an increase in artificial drying of peanuts. Sixty-five percent noted growers delivering more extra large peanuts, 64 percent noted an increase in windrow harvesting and curing, 26 percent noted an increase in credit advanced to growers, and only 12 percent noted an increase in direct purchases by shellers.

The trends with the greatest effect on growers' marketing practices and buyers' facilities were an increase in bulk handling facilities and improved harvesting methods.

Bulk Handling

Bulk handling eliminates placing peanuts in bags. Thus the peanuts can be handled with less labor on the farm and at the buying stations. This should result in considerable savings in labor. As more growers adopt improved harvesting methods, bulk handling will be emphasized to increase efficiency.

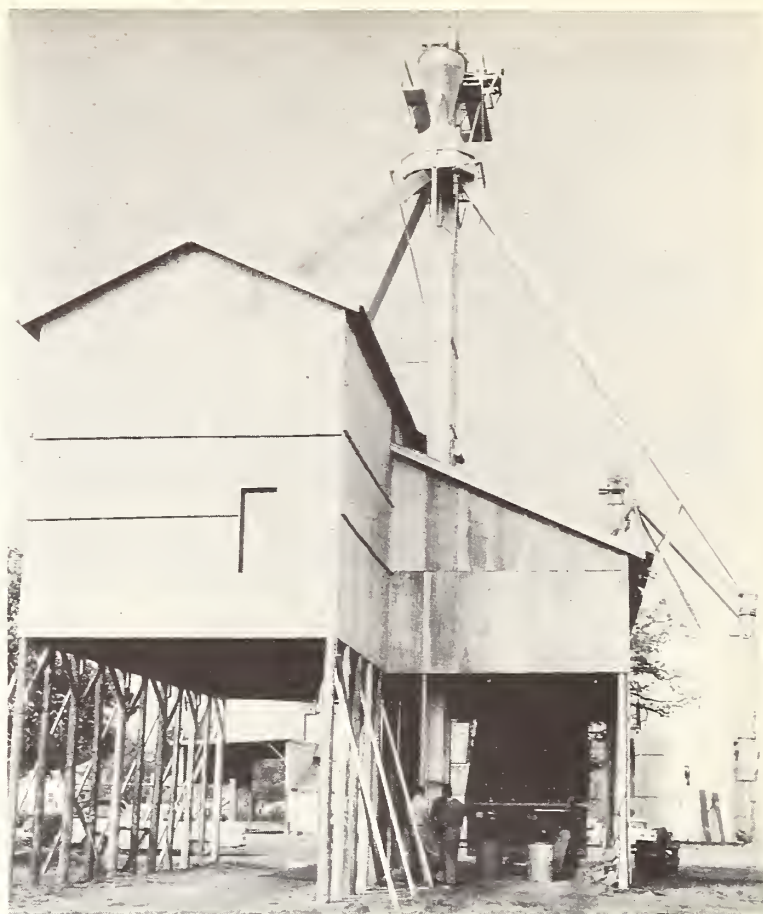
Improved Harvesting Methods

Among these important improvements are windrow harvesting and curing, and artificial drying. They will now be discussed briefly.

Windrow harvesting and curing.--Buyers had observed an increase in windrow harvesting and curing in the area. The reason for this increase is brought out in table 24.

Mills and Dickens also pointed out the following:

There is a 22.8 man-hour reduction per acre in harvesting labor in



Peanut growers in the Virginia-North Carolina area transport their peanuts in bulk from the field to buying stations similar to this one. This North Carolina station is equipped with an automatic sampling installation (at top of photo).

using the windrow over the traditional stackpole method. This reduction in labor requirements results in a savings of \$12.54 an acre in labor costs as the harvesting operation can be carried on with 2 men instead of 12. This method is the best one for farms with 30 acres or more of peanuts.

Artificial drying.--Since windrow harvesting results in peanuts with a high moisture content, some type of artificial drying is usually required. It takes considerable precision to dry peanuts properly. The question may be raised as to whether drying can be done more successfully at the farm or at the buying station.

TABLE 24.--Comparison of man-hours per acre for stackpole and windrow harvesting

Operation	Man-hours per acre	
	Stackpole	Windrow
Digging and stacking (or windrowing)	17.8	1.0
Picking (or combining)	10.0	4.0
Handling and curing	0.0	3.0
Spreading vines back on land	3.0	0.0
Total	30.8	8.0

Source: Mills, W. T. and Dickens, J. W. Harvesting and Curing the Windrow Way Bulletin 405, Agr. Expt. Sta., North Carolina State College, Raleigh, April 1958, p. 5.

Implications of Technological Changes

Changes noted by first-buyers and obvious advantages of technological improvements point to the need of a completely changed marketing system. The original economic justifi-

cation for country buying points may have lessened. The trend toward improved harvesting methods will increase the pressure for bulk handling facilities, shorten harvesting time, reduce the purchasing season, and increase the storage period.

Appendix

APPENDIX TABLE 2.--Personnel used to operate 76 buying stations for farmers' stock peanuts by size of firm, Virginia-North Carolina Peanut Area, 1958 market season

Job description	Distribution of the number of permanent and temporary personnel by size of firm							
	Small		Medium		Large		All firms	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
Handlers	6	66	6	84	8	98	20	248
Truck drivers	21	4	20	10	47	6	88	20
Owners	17	0	14	0	18	0	49	0
Managers	12	2	12	0	5	0	29	2
Bookkeepers	2	3	2	7	4	10	8	20
Weighers	0	2	1	4	4	6	5	12
Buyers	0	0	0	0	3	2	3	2
Timekeepers	0	0	1	1	0	1	1	2
Unclassified	13	20	22	54	12	46	47	120
Total	71	97	78	160	101	169	250	426
Average number of employees per first-buyer	3	4	3	7	4	7	3	6

APPENDIX TABLE 3.--Number of firms and percentages of peanut volume they purchased during specified weeks by size of firm, 76 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Weekly purchasing periods	Distribution of firms' purchasing and volume purchased by size of firm							
	Small		Medium		Large		All firms	
	Number of firms	Percent of volume	Number of firms	Percent of volume	Number of firms	Percent of volume	Number of firms	Volume in bags
Before Oct. 6	1	100.0	0	0.0	0	0.0	1	500
Oct. 6 - 11	3	45.5	0	0.0	1	54.5	4	5,500
Oct. 13 - 18	3	41.2	1	19.6	1	39.2	5	10,200
Oct. 20 - 25	6	22.9	3	15.1	6	62.0	15	44,248
Oct. 27 - Nov. 1	11	16.8	8	24.1	13	59.1	32	95,133
Nov. 3 - 8	18	12.5	21	29.8	24	57.7	63	204,982
Nov. 10 - 15	23	13.5	22	31.6	25	54.9	70	226,559
Nov. 17 - 22	24	11.3	25	34.8	25	53.9	74	262,476
Nov. 24 - 29	23	12.0	25	32.9	25	55.1	73	265,922
Dec. 1 - 6	22	11.7	21	30.0	24	58.3	67	220,707
Dec. 8 - 13	18	13.1	18	31.8	21	55.1	57	152,306
Dec. 15 - 20	14	12.3	12	29.6	15	58.1	41	103,702
Dec. 22 - 27	5	5.1	8	25.4	11	69.5	24	66,185
Dec. 29 - Jan. 3	1	2.0	3	10.5	7	87.5	11	40,267
After Jan. 3	0	0.0	0	0.0	0	0.0	0	0
Total	2 172	3 12.6	2 167	3 30.0	2 198	3 57.4	2 537	1,698,687
							100.0	100.0

¹ Less than 0.05 percent of total volume.

² Totals more than 76 because some buyers were purchasing for more than 1 week.

³ Totals represent percentages of volume purchased during marketing season.

APPENDIX TABLE 4.--First-buyers' opinions on bases used for pricing peanuts by size of firm, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Bases used for pricing	Distribution of responses by size of firm				
	Small	Medium	Large	All firms	
	Number	Number	Number	Number	Percent
Co-op advance price					
Plus	0	0	0	0	0.0
Minus	0	0	0	0	.0
Same	25	24	25	74	96.1
Support price					
Plus	0	0	0	0	0.0
Minus	0	1	0	1	1.3
Same	<u>1</u>	<u>1</u>	<u>0</u>	<u>2</u>	<u>2.6</u>
Total number of firms	26	26	25	77	100.0

APPENDIX TABLE 5.--Relationship between first-buyers making drayage payments and those purchasing peanuts during specified weeks by size of firm, 76 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Weekly purchasing periods	Distribution of firms purchasing and paying drayage by size of firm											
	Small			Medium			Large			All firms		
	Number purchasing drayage	Number paying drayage	Percent purchasing that paid drayage	Number purchasing drayage	Number paying drayage	Percent purchasing that paid drayage	Number purchasing drayage	Number paying drayage	Percent purchasing that paid drayage	Number purchasing drayage	Number paying drayage	Percent purchasing that paid drayage
All payments before Oct. 6	1	0	0.0	0	0	0.0	0	0	0.0	1	0	0.0
Oct. 6 - 11	3	2	50.0	0	0	0.0	1	1	25.0	4	3	75.0
Oct. 13 - 18	3	3	60.0	1	1	20.0	1	1	20.0	5	5	100.0
Oct. 20 - 25	6	5	33.3	3	2	13.4	6	5	33.3	15	12	80.0
Oct. 27 - Nov. 1	11	8	25.0	8	7	21.9	13	11	34.3	32	26	81.2
Nov. 3 - 8	18	12	19.0	21	18	28.6	24	18	28.6	63	48	76.2
Nov. 10 - 15	23	15	21.4	22	19	27.1	25	20	28.6	70	54	77.1
Nov. 17 - 22	24	14	18.9	25	21	28.4	25	21	28.4	74	56	75.7
Nov. 24 - 29	23	11	15.1	25	18	24.7	25	19	26.0	73	48	65.8
Dec. 1 - 6	22	10	14.9	21	15	22.4	24	18	26.9	67	43	64.2
Dec. 8 - 13	18	7	12.3	18	13	22.8	21	13	22.8	57	33	57.9
Dec. 15 - 20	14	6	14.6	12	9	22.0	15	10	24.4	41	25	61.0
Dec. 22 - 27	5	0	0.0	8	5	20.9	11	8	33.3	24	13	54.2
Dec. 29 - Jan. 3	1	0	0.0	3	1	9.1	7	2	18.2	11	3	27.3
All payments after Jan. 3	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0
Average	25	19	25.0	26	24	31.6	25	24	31.6	76	67	88.2

APPENDIX TABLE 6.--First-buyers' opinions regarding ways selling production supplies helps secure peanuts, 37 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Ways selling production supplies helps to secure peanuts	First-buyers responding	
	Number	Percent
Personal contacts	24	64.9
Goodwill	9	24.3
Difficult to evaluate - helps a little	1	2.7
Sell farm machinery - do repair work on credit	1	2.7
Grower depends on supplier to purchase crop	1	2.7
Do not have to move peanuts after they are dried	1	2.7
Total	37	100.0

APPENDIX TABLE 7.--Relationship between the size of firm and buyers' opinions on whether present volume could be maintained without selling production supplies, 37 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Present peanut volume could be maintained:	First-buyers responding by size of firm							
	Small		Medium		Large		All firms	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
By selling production supplies	10	62.5	6	54.5	5	50.0	21	56.8
Without selling production supplies	6	37.5	5	45.5	5	50.0	16	43.2
Total	16	100.0	11	100.0	10	100.0	37	100.0

APPENDIX TABLE 8.--First-buyers' opinions on ways buying other farm products from growers helped secure peanuts, 18 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Ways buying other farm products helped to secure peanuts	Responses	
	Number	Percent
Personal contacts	10	52.6
Goodwill	5	26.2
Price is important	1	5.3
Feels obligated since owner buys other products	1	5.3
Fresh produce helps to get peanuts	1	5.3
Same as selling products	1	5.3
Total	19	100.0

¹ Total is greater than 18 because buyers could give more than one way.

APPENDIX TABLE 9.--Relationship between size of firm and buyers' opinion on whether present volume could be maintained without buying other products, 28 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Present peanut volume could be maintained	First-buyers responding by size of firm							
	Small		Medium		Large		All firms	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Without buying other products	4	44.4	6	60.0	5	55.6	15	53.6
Only by buying other products	5	55.6	2	20.0	3	33.3	10	35.7
No answer	0	--	2	20.0	1	11.1	3	10.7
Totals	9	100.0	10	100.0	9	100.0	28	100.0

APPENDIX TABLE 10.--Buyers indicating advantages and disadvantages of alternative marketing techniques, 77 first-buyers of farmers' stock peanuts, Virginia-North Carolina Peanut Area, 1958 market season

Buyers indications	Distribution of buyers' responses by alternative marketing technique							
	Country buying points		Sending buyers to farms		Auction markets		Central market	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<u>Advantages</u>								
Gave specific advantages	65	84.4	21	27.3	6	7.8	4	5.2
Gave no advantages	3	3.9	38	49.3	55	71.4	53	68.8
No response	9	11.7	18	23.4	16	20.8	20	26.0
Total	77	100.0	77	100.0	77	100.0	77	100.0
<u>Disadvantages</u>								
Gave specific disadvantages	14	18.2	54	70.1	58	75.3	59	76.6
Gave no disadvantages	36	46.7	4	5.2	7	9.1	2	2.6
No response	27	35.1	19	24.7	12	15.6	16	20.8
Total	77	100.0	77	100.0	77	100.0	77	100.0



