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UNITED STATES DEPARTMENT OF AGRICULTURE
Production and Marketing Administration

# THE 1953 PRICE SUPPORT PROGRAM FOR PEANUTS

Statement presented by Howard A. Akers at the 31st Annual Agricultural Outlook Conference, Washington, D. C., October 29, 1953

There are three peanut-producing areas in the United States-- the Southwestern area, the Southeastern area, and the Virginia-Carolina area. Peanut farmers in the Southeastern and Southwestern areas are now in the final period of harvesting and marketing the peanuts which they produced this year, but the crop is just beginning to move to market in the Virginia-Carolina area.

As you know, we have had acreage allotments and marketing quotas on peanuts each year since 1948, and price support is available on quota peanuts only. Therefore, one of the eligibility requirements for price support is that the producer have a within quota marketing card.

The price of eligible 1953 crop quota peanuts is being supported at 90% of parity. This price, which varies by type and grade, is $229 per ton for base grade Virginia peanuts, $213 for Runners, $234 for Southeast Spanish, and $230 for Southwest Spanish.

For 1954 crop peanuts, the law provides that the support price shall be 90% of parity if the producers approve marketing quotas for 1954. Producers will vote, in a referendum to be held on December 15 of this year, on the question of whether or not they will have peanut marketing quotas for the years 1954, 55, and 56. If as many as 2/3 of the producers voting in the referendum are in favor of quotas, they will be in effect all three years.

If less than 2/3 of the voting producers are in favor of quotas, there will be no acreage allotments and no marketing quotas on the 1954 crop, and the support price will be an amount equivalent to 50% of parity. Then it will be necessary to hold another referendum next fall so that the farmers can decide whether or not quotas will be in effect in future years.

If marketing quotas are in effect after 1954, the law provides for price support each year at a sliding scale rate based on the supply of peanuts as of the beginning of the marketing year, which is August 1. For example,

| The minimum level of price support shall be: | If the supply percentage is: |
|---|---|
| 90% of parity | 108% or less, |
| 89% of parity | Over 108% but not more than 110%, |
| 88% of parity | Over 110% but not more than 112%, |

and so on down the line until the minimum price support level would be 75% of parity when the supply percentage is more than 130%.

I have told you that the price of 1953 crop peanuts is being supported at 90% of parity. Now I want to tell you how the program works and what the farmer has to do to get the support price for his peanuts. The program is carried out through the facilities of the Production and Marketing Administration, and the State PMA Committees are responsible for making price support available to the producers within their respective States.

The price of 1953 crop peanuts is supported through farm storage loans, warehouse storage loans, and loans to cooperatives operating under agreements to receive, store, and handle peanuts for producers. Loans are available now and will continue to be available through January 31, 1954. Cooperatives also will accept peanuts from producers through January 31. All loans mature on May 31, 1954.

## Farm Storage Loans

The 1953 farm storage loan program is about the same as it was in 1952. If a producer wants a farm storage loan, the county office will send an inspector out to the farm to estimate the quantity of peanuts in storage and take a sample. After the sample is graded by the Federal-State inspection service, the county office prepares and approves the loan documents, and determines the amount of the loan. In computing the quantity of peanuts to be placed under loan, the county office deducts an amount, equal to at least 5% of the gross weight, as a safety factor against any error which may have been made in estimating the quantity in storage. This is done in an effort to avoid an under-delivery at maturity if the producer delivers the peanuts to CCC.

After the county committee has approved the farm storage loan documents, the producer may take them to a lending agency, which is probably his local bank, and obtain his loan; or he may obtain a direct loan at the county office. The producer may pay off his loan and redeem the peanuts at any time during the loan period. However, if he does not pay off the loan, he must deliver the peanuts to CCC at maturity. Settlement with the producer at maturity will be made at the support price for the type, grade and quantity of peanuts delivered, plus an allowance of 4/10 of a cent per pound to cover loss by shrinkage during the storage period. This is comparable to the shrinkage allowance for peanuts in warehouse storage.

## Warehouse Storage Loans

The 1953 warehouse storage loan program is also about the same as it was in 1952, except for the fact that CCC will assume, to a certain extent, the shrinkage loss on 1953 crop peanuts delivered to

CCC at maturity. Warehouse storage loans are made through the county office on the basis of warehouse receipts issued to the producer by a warehouseman under contract with CCC. Very few producers participate in the warehouse storage loan program, because the cooperatives operate in most of the areas where warehouse storage is available; and it is usually to the farmer's advantage to deliver his peanuts to the cooperative.

## Loans to Cooperatives

This year CCC is making loans to five cooperatives. Two of them are the Southwestern Peanut Growers Association, which operates in the Southwestern area, and the GFA Peanut Association, which operates in the Southeastern area. Both of these Associations have been cooperating in the various price support programs for many years. There are two other cooperatives in the Southeastern area which are operating under agreements with CCC this year for the first time. They are the Farmers Gin and Peanut Association at Omega, Georgia, and the Gacar Peanut Growers Association, Inc., at Waynesboro, Georgia. The Growers Peanut Cooperative Association at Franklin, Virginia, which also has been participating in the price support programs for many years, is liquidating, and therefore, has transferred its assets, liabilities, and responsibilities under the price support program to a new cooperative for that area, which is the Peanut Growers Cooperative Marketing Association, with headquarters at Aulander, North Carolina.

Although this year the cooperatives are not obligated to set up warehouses and receive peanuts from producers throughout the entire production area in which they are located, their operations are widespread, and they will handle the bulk of the 1953 crop. Last year, only one cooperative operated in each of the three areas, and each one did agree to set up receiving points throughout the entire area. This year, CCC is not making any loans to cover the cooperatives' operating costs; therefore, we make no effort to direct the extent to which they will set up peanut warehouses. However, they are cooperating with the State PMA Committees, and in many instances the cooperatives are accepting the responsibility for establishing receiving points at locations convenient to the producers.

Under the cooperative loan program, the cooperative enters into a 1953 Cooperative Loan and Warehouse Agreement with CCC. It then obtains warehouse storage space for the peanuts which it will receive from producers. Some cooperatives own and operate a few warehouses, but those who handle large quantities of peanuts have contracted with warehousemen for additional space in locations where they will need it. The cooperatives may also store peanuts in warehouses under contract with CCC.

Each cooperative executes a "blanket" note with its lending agency bank which is operating under a lending agency agreement with CCC. After the cooperative has signed the Agreement with CCC, obtained its warehouse space, and executed its note, it is ready to receive peanuts and place them under loan.

The producer is required to deliver his peanuts to the cooperative warehouse or receiving point. The peanuts are sampled and graded by inspectors licensed by the Secretary of Agriculture. The warehouseman determines the weight and price support value of the peanuts, and he issues a sight draft to the producer in the amount being advanced by the cooperative. The amount of the advance is the price support value of the peanuts, less warehouse storage charges, from the date the peanuts are placed in storage to the maturity date of the loan, and a specified sum to cover administrative expenses of the cooperative. The administrative expense deduction is a fixed amount agreed upon in advance by the cooperative and its producer members.

Combined with the draft to the producer is the warehouse receipt, issued to CCC, which contains the warehouseman's guarantee to deliver out of the warehouse a specified quantity of peanuts.

The producer may cash his draft wherever he chooses, and it is then sent, through regular banking channels, to the lending agency from whom the cooperative is obtaining its loan. The lending agency disburses the proper amount of the loan to the cooperative, and retains the paid draft and warehouse receipt. The amount of the loan is the price support value of the peanuts less storage charges.

The cooperatives will try to find markets for the peanuts which they have under loan. They have the privilege of redeeming peanuts at any time during the loan period by repaying that part of the loan and interest due with respect to the quantity of peanuts being redeemed. In some instances, the cooperative's warehouseman is a sheller, and the cooperative has given the sheller an option to buy a specified quantity of the peanuts stored in his warehouse. These options usually carry a penalty provision if the sheller fails to purchase the peanuts.

Last year, CCC established the minimum price at which a cooperative could sell peanuts under loan. This year, however, the cooperative is free to sell peanuts to anyone at whatever price it sees fit.

The cooperative is obligated, by the terms of its agreement with CCC, to distribute to the producers from whom it receives peanuts, the proceeds from the handling of 1953 crop peanuts under loan. This distribution may be made only in the form of cash or credit to the producer's account, unless some other form of disposition is approved by CCC.

All peanuts which the cooperative does not redeem by the maturity date become the property of CCC. Since these are non-recourse loans, delivery of the peanuts in accordance with the guarantee on the warehouse receipts is accepted by CCC in full satisfaction of that part of the loan made on the basis of the warehouse receipts outstanding at maturity. The cooperative is not required to pay interest on that part of the loan liquidated by delivering peanuts to CCC.

That is a brief explanation of the 1953 price support program. If you have any questions, we will be glad to try to answer them during the question period of this session.