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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

THE OUTLOOK FOR PEANUTS IN 1956

Statement presented by S. Gershben at the 33rd
Annual Agricultural Outlook Conference,
Washington, D. C., December 1, 1955

The 1955 peanut crop will provide many more peanuts than necessary to meet food and farm uses and prices to farmers for Spanish and Runners are likely to be near the loan value. Prices for Virginia type peanuts have been well above the loan value. The loan value is the support price less about half a cent for storage, inspection, grading and expenses of cooperatively marketing the peanuts. Prices so far this year have been about 11.8 cents per pound compared with the national average support level of 12.2 cents.

Production of peanuts in 1955 is estimated at 1,739 million pounds, 716 million more than last year's small output. Most of the rise reflected a record yield, although harvested acreage also was greater. Larger acreage is due to a 7.5 percent increase in the allotment and the picking and threshing of a greater percentage of the allotted acreage. Compared with last year production in the Southeast increased the most followed by the Southwest and then the Virginia-North Carolina area.

Civilians in recent years have been consuming about 6.5 pounds of peanuts, farmers' stock basis, per person. Last year consumption fell about half a pound because of reduced supplies and higher prices. In March 1955, the import quota for the year was raised from 2 to 51 million pounds, shelled basis, and in May all restrictions on the quantity of shelled peanuts to be imported through July 1955 were removed. Imports rose sharply last spring and the total for September 1954-August 1955 was 180 million pounds, farmers' stock basis. With large supplies again available and prices lower, consumption in 1955-56 is likely to return to about 6.5 pounds per person. If farm uses are about the same as in recent years, about 500 million pounds, nearly 30 percent of the crop, would be available for crushing, exports and addition to stocks.

As most of the excess peanuts will be acquired by CCC under the support program, the quantity crushed and exported will depend to a large extent on Governmental sales policy. The Corporation has announced that it will purchase No. 2 shelled peanuts, which are the lower quality edible nuts, at specified prices for diversion into oil or export. Purchases for diversion will be made only under conditions of surplus and will be terminated whenever they appear to be no longer needed. CCC also can call its loans on farmers' stock peanuts.

Prospects are that prices received by farmers for 1956 crop peanuts will be lower than for the 1955 crop. The drop would reflect a reduction in the support price and production large enough to keep prices around support.

Present legislation provides for the transition from "old" to "modernized" parity for peanuts at the rate of 5 percent of the old parity price per year beginning with January 1956. Thus the parity level for the 1956 crop will be equal to 95 percent of the old parity. The old parity for peanuts on October 15, 1955 (the latest month available) was 13.5 cents per pound compared with 10.9 cents for modernized parity.

Another factor in determining the support level for the 1956 crop is the relationship between the estimated supply and the "normal" supply for that marketing year. For example, if the estimated supply (carryin stocks, production and imports) is expected to be not more than 108 percent of the normal supply, support would be at 90 percent of parity. If the supply percentage is more than 130 then support would be at no less than the minimum of 75 percent. Normal supply is defined by legislation as the estimated domestic consumption and expected exports plus a carryout equal to 15 percent of the two.

The estimated supply, and consequently the support level for the 1956 crop, will depend largely on the extent to which surplus 1955 crop peanuts are acquired and disposed of by CCC. The greater the carryover, whether in Government or commercial hands, the greater the supply percentage. If crushings and/or exports aren't substantial, the supply percentage would be large enough to depress the minimum support level down towards 75 percent of parity. (The sliding scale went into effect with the 1955 crop but the supply percentage as estimated last spring kept the support at 90 percent of parity.)

The following is an example of the probable range of support prices for the 1956 crop.

Assuming no change from the October 15, 1955 level in the index of prices paid, interest and taxes, transitional parity in 1956 would be 12.8 cents per pound (95 percent of the old parity of 13.5 cents). Support at 75 to 90 percent would range from 9.6 cents to 11.5 cents per pound. Support for the 1955 crop is 12.2 cents per pound, 90 percent of parity.

The 1956 national allotment for peanuts is 1,610,000 acres, the minimum set by law. Initially, the 1955 allotment also was set at the minimum but it was raised 7.5 percent last May. With average growing conditions in 1956, yields would be high enough to provide a moderate surplus of peanuts above probable food and farm uses.

