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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

THE OUTLOOK FOR PEANUTS IN 1959-60

Statement presented by George W. Kromer
Agricultural Economics Division
at the 37th Annual Agricultural Outlook Conference
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The total supply of farmers' stock peanuts during the 1959-60 marketing year that began August 1, 1959 is placed at about 2,150 million pounds, nearly the same as last year but otherwise the largest since 1950. The 45 percent increase in carryover stocks on August 1, 1959 over a year earlier about offset the 10 percent drop in peanut production. Nevertheless, the 1959 peanut crop is well above probable food and farm uses, and CCC will acquire the surplus under the support program. CCC last season acquired about one-fifth of the record 1958 peanut crop.

The 1959 peanut crop was estimated as of November 1, 1959 at 1,656 million pounds compared with 1,836 million produced in 1958. The decline reflects a 2 percent reduction in acreage to be picked and threshed along with yields somewhat below last year's record high.

Acreage allotments for 1959 are practically unchanged from 1958. The slight reduction in acreage planted alone for all purposes this year is attributed to the continued substitution of corn for peanuts for hogging in some areas and an increased signup of peanut growers in the Conservation Reserve program, especially in Georgia, Alabama, Oklahoma, and Texas.

The Southeastern area of the U. S. accounted for a big share of the decline in 1959 peanut production. Based on November 1 indications, output in this area was down 15 percent from last year. Heavy rains late in the season heavily damaged peanuts caught on the ground. Many peanuts brought in after the rains carried a high percentage of damage. Indicated 1959 output in the Virginia-Carolina area is down about 5 percent from last year whereas the Southwestern output is off only about 4 percent. Estimated yield per acre for the U. S. is 1,107 pounds compared with last year's record of 1,205 pounds.

Prospects are that prices received by farmers for 1959 crop peanuts will average lower than the 10.6 cents per pound received for the 1958 crop. In fact, peanut farm prices this year are likely to be at the lowest level since the 1946 season when they averaged 9.1 cents per pound.

Lower prices this year reflect the 10 percent drop in the support price and another crop of peanuts well in excess of food and farm requirements. The national average support price for 1959 crop peanuts is 9.7 cents per pound (\$193.50 per ton), compared with 10.7 cents per pound (\$213.20 per ton) last year. This means that farm prices will average near the loan value, as in recent years. The loan value is the support price less charges for storage, inspection, and grading, and for expenses of the cooperatives that market the peanuts. It averages about half a cent less than support. Loans on 1959 crop peanuts are available to individual producers and grower associations through January 31, 1960 and will mature May 31, 1960 or earlier on demand by CCC.

Prices to farmers for 1959 crop Spanish and Runner peanuts so far this season are averaging at about the CCC loan value, about 10 percent less than last year. Virginia-Carolina peanuts have just started to move in volume and prices are also running near the reduced loan rate for this year.

Civilian consumption of peanuts in the postwar era has averaged about 6.5 pounds per person, farmers' stock basis (4.5 pounds shelled), about the same as for 1937-41. Supplies of peanuts in most years were plentiful and prices averaged near the support.

Current indications point to an increase in the consumption of peanuts during the 1959-60 marketing year. Supplies available will be the heaviest in recent years and the 1959 price support is 1.0 cent per pound below last year, and the lowest in the postwar years. These factors are setting the stage for some increase in the consumption of peanuts, but the rate will depend largely upon how much of the anticipated reduction in farm prices is reflected in the price of peanut products purchased by consumers.

If the consumption of peanuts per person should rise slightly in 1959-60 and farm uses should remain about the same as in recent years, about 350 million pounds or 20 percent of the 1959 crop would be available for crushing, exports, and addition to stocks. As most of the surplus peanuts will be acquired by CCC under the support program, the quantity crushed and exported will mainly depend on the Corporation's diversion policy.

As of the end of October, farmers had placed 265 million pounds of 1959 crop peanuts under loan, about 85 percent of which were in the Southeastern area.

Prospects for 1960-61

If growing conditions are average, the 1960 peanut crop probably will result in a moderate surplus above food and farm uses.

A marketing quota requirement of 934,000 tons (1,868 million pounds) of 1960 crop peanuts and a national allotment of 1,610,000 acres for picking and threshing was announced by the USDA on October 6, 1959. This is the minimum marketing quota and acreage allotment permitted under existing legislation.

Peanut producers will vote in a referendum to be held December 15 on application of marketing quotas for the 1960, 1961, and 1962 crops. Quotas have been in effect since 1949. A two-thirds favorable vote in a referendum is required in order to continue quotas. Existing legislation provides that if quotas are in effect, the price of peanuts will be supported at some level between 75 and 90 percent of parity. If quotas are rejected, support will be at 50 percent of parity to cooperators.

If marketing quotas for 1960 are approved, production probably will be large enough to keep prices around support. The actual level of support under the marketing quota has not been announced. Because of the uptrend in yields, production of peanuts from the minimum allotment of 1.6 million acres provides a surplus of peanuts above edible requirements even though population is increasing.