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UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

Outlook for Peanuts in 1964-65

Talk by George W. Kromer
Economic and Statistical Analysis Division
at the 42nd Annual Agricultural Outlook Conference
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The supply of peanuts (farmers' stock basis) during the 1964-65 marketing year that began August 1 is estimated at 2,575 million pounds, 8 percent more than the previous year and equal the 1948-49 record. The increase is attributed to the larger crop, as carryin stocks were just a shade higher than the year before. The 1964 crop sharply exceeds probable food and farm uses, and CCC will acquire the surplus under the support program.

The 1964 peanut crop was estimated on November 1 at 2,193 million pounds compared with 2,022 million in 1963. The 1964 increase is entirely due to record yields in all 3 sectors of the peanut belt. The November 1 indicated average yields by areas, with comparisons, are as follows:

<u>Area</u>	<u>Average</u> <u>1958-62</u>	<u>1963</u> (Pounds per acre)	<u>Indicated</u> <u>1964</u>
Virginia-North Carolina	1,872	2,049	2,195
Southeast	1,126	1,445	1,562
Southwest	924	978	1,176
United States	1,214	1,435	1,589

The 1964 acreage to be picked and threshed, at 1,380,300 is 2 percent below the acreage harvested for nuts last year. Acreage allotments for 1964-crop peanuts are again at the legal minimum of 1,610,000 acres.

The 1964-65 outlook is for peanut prices to producers to average around 11.2 cents per pound, about the same as last year. Peanuts are in surplus and farm prices, as in recent years, likely will rest on the CCC support rate.

The 1964-crop peanuts are being supported at a national average loan rate of \$224.00 per ton (11.2 cents per pound), unchanged from last year. The 1964 support price is 79 percent of the August 1964 parity. Support by types is as follows: Virginia, \$236.86 per ton; Runner, \$211.24; Southeast Spanish, \$228.98; Southwest Spanish, \$219.70; and Valencia (suitable for cleaning and roasting) \$236.86.

Principal provisions of the 1964 program are similar to those in effect for the 1963 crop. Support is available by means of warehouse storage loans to

grower associations, and through farm storage loans, and purchase agreements to producers. Loans and purchase agreements are available from time of harvest through January 31, 1965. Loans will mature May 31, 1965, or earlier on demand by CCC.

Civilian consumption of peanuts has increased in recent years, rising from 5.8 pounds per person in 1955-56 to 7.1 pounds (farmers' stock basis) in 1963-64. Of the 7 pounds per capita, about 6 are consumed in the form of peanut butter, salted peanuts, and in candy. The other pound is divided almost equally between roasted peanuts (the ball-park type) and those consumed as food on farms.

The consumption rate of 7 pounds per person is expected to continue during the 1964-65 marketing year. Assuming a 2 percent increase in total peanut consumption and about the same farm use as in recent years, around 600 million pounds or about one-fourth of the 1964 peanut crop will be acquired by CCC.

Peanut crushings during 1964-65 are expected to rise from the 380 million pounds crushed last year. Extent of the rise will depend somewhat upon the CCC diversion policy. The USDA quality control program (mentioned below) is expected to result in an increase of peanuts moving into crushing channels. USDA will continue to make peanut butter purchases on the open market for distribution to the school lunch program and to needy persons. In 1963-64 USDA peanut butter purchases amounted to 68 million pounds (farmers' stock equivalent).

Exports under the USDA expanded peanut merchandising program are expected to pickup sharply in 1964-65, mainly to Western Europe and Latin America. Under this program, CCC invites competitive bids from processors to buy surplus peanuts and export them as peanut butter, as salted peanuts, or as in-shell roasted peanuts. CCC also takes bids on peanuts for domestic crushing or for export as raw peanuts. Exports of shelled peanuts to Canada probably will continue at about the 1963-64 rate of 75 million pounds (farmers' stock basis.)

The USDA announced on July 30, 1964, an industry-wide program in cooperation with peanut producers, shellers, and processors to assure further that only high quality peanuts are marketed for food, and that those not meeting these standards are channeled into nonfood uses.

The program, involving all segments of the peanut industry, is designed to protect consumers by keeping damaged peanuts which may contain mold-produced aflatoxin from being sold for food.

Recent studies by USDA, the Department of Health, Education, and Welfare, and the peanut industry have shown a close relationship between damaged peanuts and the presence of aflatoxin. While there are no studies to indicate a danger to public health, both industry and Government wanted to insure that the damage portion of any commodity would not be used for food or feed.

The 4-phase program for peanuts was developed as a result. It provides:

1. Changes in the price support program for 1964-crop peanuts to be carried out in cooperation with the industry which will provide only high quality peanuts for food products and divert damaged peanuts to other uses for which they are suitable.
2. Educational assistance to the peanut industry to help improve the quality of peanuts through improved methods of growing, harvesting, drying, storing, shelling, and processing.
3. A broad research program seeking better ways to eliminate damage to peanuts and particularly damage due to molds.
4. Inspection by Federal-State inspectors of all lots of shelled peanuts before shipment for edible use.

The quality control program initiated for 1964-crop peanuts is effectively removing lower quality peanuts from the edible channels of trade. Consumers are being offered higher quality peanuts and peanut products because of the program. Industry representatives gave additional consideration to the need for producing and marketing high quality products at a recent meeting with Department officials. At the conclusion of a two day meeting in early November the 24-member National Stabilization Advisory Committee for peanuts commended the Department for the quality control program which was set up under emergency conditions as part of the price support program for peanuts for the 1964-crop. The committee expressed the view that quality control probably could best be accomplished in the future by use of a marketing agreement and order coordinated with the price support program and recommended that preparatory action be taken on this matter.

The USDA announced on November 9, 1964 a national peanut marketing quota of 1,187,375 tons and a national allotment of 1,610,000 acres for picking and threshing for the 1965 crop.

Legislation provides that the Secretary of Agriculture must proclaim a national marketing quota and a national acreage allotment each year. The marketing quota must be equal to the larger of (a) the average quantity of peanuts harvested for nuts during the five years immediately preceding the year in which the quota is proclaimed, adjusted for current trends and prospective demand conditions, or, (b) that quantity sufficient to provide a national acreage allotment of 1,610,000 acres.

In determining the marketing quota for the 1965 crop of peanuts, a "normal" yield of 1,475 pounds per acre was used. This yield, multiplied by the minimum national acreage allotment of 1,610,000 acres results in the 1965 national peanut marketing quota of 1,187,375 tons.

Peanut marketing quotas have been in effect each year since 1949. The last referendum was held in December 1962 when a record 96.9 percent of the growers voting favored marketing quotas for the 1963, 1964, and 1965 crops.

Peanuts: Supply and disposition (farmers' stock basis),
United States, 1937-64

Year begin- ning Aug 1	Supply				Disposition					
	Pro- duc- tion	Im- ports	Begin- ning Stocks 1/	Total supply	Ex- ports and ship- ments	Crush- ed for oil	Seed, feed, farm loss and shrink- age	Domestic food use		
								Mili- tary	Civil- ian	Civil- ian per capita
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Lb.
Average 1937-41	1,395	5	122	1,522	3	320	197	15	891	6.7
1942	2,193	4	190	2,387	5	420	336	146	1,172	9.0
1943	2,176	2	308	2,486	34	488	295	223	1,089	8.5
1944	2,081	54	357	2,492	28	436	307	288	1,122	8.7
1945	2,042	32	311	2,385	64	397	275	14	1,268	9.4
1946	2,038	2/	367	2,405	249	534	293	---	1,081	7.7
1947	2,182	2/	248	2,430	482	477	301	3	932	6.5
1948	2,336	2/	235	2,571	725	473	210	6	955	6.5
1949	1,865	2/	202	2,067	172	610	219	7	856	5.7
1950	2,035	0	203	2,238	69	629	212	14	967	6.4
1951	1,659	0	347	2,006	8	432	139	10	1,005	6.6
1952	1,356	0	412	1,768	3	195	142	10	998	6.4
1953	1,574	2/	420	1,994	239	303	152	10	1,007	6.4
1954	1,008	180	283	1,471	9	107	132	7	1,012	6.3
1955	1,548	5	204	1,757	6	257	172	1	954	5.8
1956	1,607	5	367	1,979	102	260	161	3	1,026	6.1
1957	1,436	2	427	1,865	48	239	157	3	1,081	6.4
1958	1,814	2	337	2,153	62	335	164	8	1,088	6.3
1959	1,588	1	496	2,085	72	292	172	3	1,151	6.5
1960	1,786	2/	395	2,181	81	362	154	8	1,236	6.9
1961	1,740	3	340	2,083	34	256	170	7	1,258	6.9
1962	1,810	2	358	2,170	43	302	166	8	1,285	6.9
1963	2,022	2	366	2,390	97	380	186	5	1,342	7.1
1964 3/	4/2,193	2	380	2,575			200	5	1,375	7.2

1/ Includes oil stock peanuts.

2/ Less than 500,000 pounds.

3/ Preliminary. Disposition is forecast.

4/ Indicated November 1.

Shelled edible peanuts and shelled oil stock peanuts converted to farmers stock peanuts based on conversion factors calculated from result of shelling operations in each year.