



The Florida Senate

Interim Report 2011-101

October 1, 2010

Committee on Agriculture

IMPACT OF THE OVERPRODUCTION OF PEANUTS

Issue Description

The Department of Agriculture and Consumer Services regulates the state's peanut industry. Responsibilities include the regulation of production practices pertaining to fertilizer application, crop research, food safety, marketing order assessments and collections, and marketing campaigns. In 2007 and 2008, peanut farmers throughout the nation overproduced, resulting in a large carryover for the 2009 growing season which impacted peanut production and prices.

Background

The Florida Department of Agriculture and Consumer Services is responsible for collection of assessment funds from growers and disbursement of the funds to the Florida Peanut Producers Association (FPPA) under Chapter 573, Florida Statutes. The Florida Peanut Marketing Order was established in 1975 for the purpose of promotion, education and research and to increase the opportunity for profit in peanut production in Florida. Florida Statutes also establish a Peanut Advisory Council appointed by the Commissioner of Agriculture. The nominees are submitted by producers from peanut producing counties.

Their duties are to:

1. Recommend to the department administrative rules and regulations relating to the Marketing Order.
2. Receive and report to the department complaints or violations of the Marketing Order.
3. Recommend to the department any amendments to the Marketing Order.
4. Advise the department in the assessment of members and in the collection of funds to cover expenses incurred by the department.
5. Advise the department in the collection and dissemination of information and data which the department may deem necessary.

The 2010 FPPA Board of Directors are Larry Ford, President Greenwood, Damon Sandlin, Vice President, Williston, Jeff Pittman, Secretary/Treasurer, Bascom, Scott Robinson, Williston, Nick Marshall, Baker, Bob Barnett, O'Brien, Damon Griswold, Jay, Henry McCrone, Blountstown, Steve Jordan, Bascom, and FPPA Staff is Ken Barton, Executive Director.

The Florida Peanut Producers Association Marketing Order originally called for not more than \$2.00 per ton assessment (check-off) on all peanuts produced in Florida, with a clause allowing growers to get their assessment back if they did not want to participate. In 1990, the Peanut Advisory Council voted for the FPPA to put forth a referendum to its members to amend the Marketing Order to read: "To increase the check-off to \$3.00 per ton and this assessment be mandatory with no refunds." This referendum passed in the summer of 1990 by 90% of the growers voting in favor and was initiated for the 1990 crop.

Florida's peanut farmers realize the importance of production research and contribute 1/3 of all assessments collected to the University of Florida/IFAS for peanut production research. The department collects the assessments and disburses payments on a quarterly basis as collections are made. The University of Florida/IFAS gets 1/3 and the FPPA receives 2/3 of the assessment funds.

History of Peanuts

Peanuts originated in South America, generally thought to be in the area of Brazil and Peru. They were grown as far north as Mexico by the time the Spanish began their exploration of the New World. When the explorers returned to Spain, they brought peanuts with them. Later, traders were responsible for spreading peanuts to Africa and Asia.

Records show that in the 1800's peanuts were grown commercially in South Carolina and used for oil, food and as a cocoa substitute. However, peanuts were regarded as food for livestock and the poor. They also were difficult to grow and harvest, so they were not widely grown in the United States (U.S.).

The first notable increase in peanut consumption in the U.S. came in 1860 with the outbreak of the Civil War. Soldiers on both sides turned to peanuts for food. They took their taste for peanuts home with them and peanuts were sold freshly roasted by street vendors and at baseball games and at the circus. While peanut production rose during this time, peanuts were still harvested by hand, leaving stems and trash in the peanuts. Thus, poor quality and lack of uniformity kept down the demand for peanuts.

Around 1900, labor-saving equipment was invented for planting, cultivating, harvesting and picking peanuts from the plants, as well as for shelling and cleaning the kernels. With these mechanical aids, peanuts rapidly came into demand for oil, roasted and salted nuts, peanut butter and candy.

In 1903, George Washington Carver began his research at Tuskegee Institute. While peanut butter had been developed by then, Carver developed more than 300 other uses for peanuts and improved peanut horticulture so much that he is considered by many to be the "father of the peanut industry." The botanist recognized the value of peanuts as a cash crop and proposed that peanuts be planted as a rotation crop in the Southeast cotton-growing areas where the boll weevil insect threatened the region's agricultural base.

Today, peanuts contribute more than four billion dollars to the U.S. economy each year. Americans eat more than 600 million pounds of peanuts and about 700 million pounds of peanut butter each year.

Types of Peanuts

There are 4 types of peanuts grown in the U.S. They are: Runner, Virginia, Spanish and Valencia. Each of these peanuts is distinctive in size and flavor.

Runners have become the dominant peanut type grown in the U.S., due to the introduction in the early 1970's of a new variety, the Florunner, which was responsible for a significant increase in peanut yields. Runners have rapidly gained wide acceptance because of their attractive kernel size. A high proportion of runners are used for peanut butter.

Virginias have the largest kernels and account for most of the peanuts roasted and eaten in shells.

Spanish-type peanuts have smaller kernels covered with a reddish-brown skin. They are used predominantly in peanut candy, with significant quantities also used for salted nuts.

Valencia's usually have three or more small kernels to a pod. They are very sweet and are usually roasted and sold in the shell; they are also excellent for fresh use as boiled peanuts.

The majority of acres planted in the southeast U.S., are of the Runner variety. However, a small amount of acres of each of the other types are planted in southeast U.S., including Florida. There are many different varieties within each type of peanut. Each variety will have different characteristics such as size, oil content, degree of flavor, disease resistance, maturity date, growth habits, etc.

The commercial production area for peanuts grown in Florida range from south of Marion County through northern Florida and the panhandle.

Farmers begin planting peanuts in central Florida in mid to late March, and in the panhandle farmers usually begin planting in early May. Harvesting begins approximately 130-140 days after planting. When peanuts are harvested, farmers will deliver them to buying points where they are dried to approximately 10% moisture so they can be stored in warehouses or sent directly to a shelling plant.

In 2009 the three southeastern states (Georgia, Florida and Alabama) produced 1.3 million tons of peanuts. Production nationwide was 1.82 million tons. The southeast production was approximately 72% of the total U.S. production. The majority of peanuts grown in the Southeastern U.S. are used to manufacture peanut butter.

Findings and/or Conclusions

In recent years, beginning in 2006 through the close of the 2010 season, peanut prices to growers in the Southeastern U.S. have been too low. Taking into account the ever increasing costs of production, it has been difficult for farmers to reach a break-even point of approximately \$500 per ton. (The only exception during this period was in 2008 when pre-harvest contract prices were at \$525 per ton.)

Year	PreHarvest Price to Farmers Per Ton
2006	\$355-\$395
2007	\$355-\$395
2008	\$525
2009	\$375-\$400
2010	\$400-\$450

In recent years, it appears that the supply of peanuts has measurably exceeded the demand. In order to correct this fiscal imbalance for the growers, the demand for the crop will need to be increased, the supply will have to be reduced or some combination of the two will be required. The tools and methods for accomplishing this goal are of paramount importance to the state's peanut producers but are currently unclear. Discussion of and solutions to this problem will need to continue forward from this time.

Options and/or Recommendations

- Option 1 Through legislative deliberation and consultation determine an appropriate approach to bring into balance the supply versus demand equation thereby restoring necessary prices for the state's peanut producers.
- Option 2 A Legislative Memorial could be sent to the U.S. Congress expressing the concern of the Legislature regarding the continuing low prices being received by Florida (and the nations) peanut producers. The Memorial could make a request to the U.S. Congress that the U.S. Department of Agriculture give attention to this matter.
- Option 3 The Legislature could encourage the Florida Department of Agriculture and Consumer Services' Division of Marketing and the Florida Peanut Producers Association (FPPA) to continue their coordination in an effort to restore balance to the supply versus demand equation thereby restoring necessary prices for Florida peanut producers.

COMMERCIAL PRODUCTION AREA FOR FLORIDA GROWN PEANUTS

