

STATEMENT

OF

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CHAIRMAN
GEORGIA PEANUT COMMISSION**

IRWIN COUNTY, GEORGIA

SOUTHERN PEANUT FARMERS FEDERATION

**BEFORE THE
U.S. HOUSE COMMITTEE ON AGRICULTURE**

MAY 14, 2010

Good Afternoon Chairman Peterson, Members of the Committee, my name is Armond Morris. I am a peanut producer from Irwin County, Georgia. I am Chairman of the Georgia Peanut Commission and am here today representing the Southern Peanut Farmers Federation. The Federation is comprised of the Alabama Peanut Producers Association, the Georgia Peanut Commission, the Florida Peanut Producers Association and the Mississippi Peanut Growers Association. The Southern Peanut Farmers Federation represents about three-fourths of the peanuts grown in the United States. Peanuts have an economic impact of hundreds of millions of dollars in our states and tens of thousands of jobs.

I have been a peanut producer for over 40 years. I farm approximately 2000 acres of peanuts, cotton, wheat, rye and watermelons. I have been active in local, state and national agricultural organizations and am a graduate of the Abraham Baldwin Agricultural College.

Mr. Chairman and members of the Committee, our message today is three-fold.

- Peanut producers support the marketing loan program.
- The current program prices are set too low to be a true safety net for producers.
- Farm Programs should be developed for farmers-- not for absentee baseholders.

As you are aware, peanut program prices were reduced in the 2002 Farm Bill when we changed from a supply-management program to a marketing loan peanut program. The 2008 Farm Bill maintained the same prices as the 2002 Farm Bill. The

market prices for this year should hold above the marketing loan price but this is no guarantee and certainly not a guarantee for the future.

Since the 2002 Farm Bill, peanut variable costs, for National Center for Peanut Competitiveness representative farms, have increased 52% per acre. In addition to the increased costs associated with producing a crop of peanuts, we are competing with other countries like Argentina, China and India where the environmental costs, other regulations and labor rates are much less than U.S. input costs.

I have attached a copy of a recent review, by the National Center for Peanut Competitiveness, of sample peanut farms across the country based on the January 2010 baseline. As you can see, peanut growers are not making a profit even with our current prices.

The number one goal for our producer organization is to obtain a legitimate safety net for our growers. We do not believe the current \$355 per ton marketing loan is sufficient to be a real safety net for producers.

The peanut loan repayment rate guidelines were established in the 2002 Farm Bill. The loan repayment rate has not functioned appropriately since the 2002 Bill. Congress directed the U.S. Department of Agriculture to consider the following when determining loan repayment rates:

- Minimize potential loan forfeitures;
 - Minimize the accumulation of stocks of peanuts by the federal government;
 - Minimize the cost by the Federal Government in storing peanuts;
- and

- Allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally.

It is this last variable the Committee included in the 2008 Farm Bill and similar language in the 2002 Farm Bill that has not been adhered to. In setting the loan repayment rate, USDA has not taken into account world market prices. Thus, the USDA posted price set every Tuesday afternoon, is too high. We ask the Committee to include language in the next farm bill that will assure that the prices our competitors in the world marketplace are selling peanuts will be considered in establishing the posted price. We have trade agreements that were negotiated using the U.S. International Trade Commission formula converting shelled peanuts back to farmers' stock. This ITC formula should be considered in determining the posted price. USDA uses a different formula for the posted price. We can provide the Committee more information on this issue. In addition to low prices, this has been a serious problem since we left the supply-management program in 2002.

We recognize the fiscal and political limitations in drafting a successful farm bill. Peanut producers want to stress to the Committee that we will work with you to develop the best possible program but the pricing structure in the 2008 Farm Bill is not sufficient and certainly won't work for peanut producers if these same prices hold through the life of the 2012 Farm Bill. If budget variables require the Committee to look at alternatives to our current marketing loan program structure, the Federation will work with you to develop the best safety net possible for our producers. I do want to point out that the ACRE program, as included in the 2008 Farm Bill, is not a viable option for peanut producers.

There are additional considerations for any program changes in the next farm bill. If a new program is structured to limit farm size beyond the payment limit structure imposed by the 2008 Farm Bill, peanut producers will face more serious limitations for profit than we do under the current program with low prices. Specifically, there are only a few buyers for peanuts. These processors are large international businesses. There is no way a small farmer can survive with the limited safety net, necessary economies of scale in the production of peanuts and with our current marketplace. Small businesses typically sell directly to consumers but we are at the mercy of others, not directly selling to the consumer. We must maintain our separate payment limit for peanuts. This was agreed to when producers worked with the House and Senate Agriculture Committees in the 2002 Farm Bill establishing a marketing loan program for peanuts. The current program will not work without the separate payment limit.

The Federation had grower meetings throughout our four states explaining the payment limit reforms in the 2008 Farm Bill. Although some might consider me a large farmer, my farm is not owned by a multinational corporation. I am not a wealthy man yet many reformers would argue that my farm should be outside the bounds of federal payment limitations. This is not a rational argument. If we depended on farmers markets, hobby farmers and the smallest peanut farms for peanut production, there would not be a sufficient supply of peanut butter on the shelves of America's grocery stores or in our school lunch program.

The Conservation Stewardship Program included provisions for a crop rotation program. We believe this program will enhance the environment and improve crop yields. The Department was slow to initiate regulations but the peanut industry is

working with the Natural Resources Conservation Service to increase grower sign-ups. We hope the Committee will continue the program in the 2012 Farm Bill.

The feeding programs at the USDA are very important to our producers. Peanut butter is a long-time participant in the school lunch program. Peanut butter also qualifies for the breakfast program and afterschool snack program. There are school systems all across this country participating in these federal feeding programs. The peanut industry does not have the resources to reach even a small percentage of these nutrition programs illustrating the nutritional value, low cost and long shelf life of peanut butter. We need the USDA to partner with our industry in outreach programs to school nutritionists. We are on the USDA lists but many times this falls short of explaining new products for kids, the facts, not rumors regarding peanut allergies and other important peanut butter related variables. This also includes our need for assistance in working with international relief agencies. Our congressional delegations and industry leaders struggled to get the attention of those preparing food assistance for Haiti relief. Although our industry provided 3 million servings of peanut butter to the relief effort, we were not successful in reaching decision-makers involved in establishing food assistance lists for U.S. and international aid. USDA has the experience and resources to help facilitate communications between the peanut industry and major relief organizations. The peanut butter products available for Ready-to-Use Therapeutic Food (RUTF) alone are a sufficient example of how helpful our products can be in impoverished parts of the world or countries in crisis.

Peanut butter does not qualify for the Fresh Fruit and Vegetable Snack program. We believe that all school feeding programs should allow for the purchase of peanut

butter. USDA, land grant universities, the Department of Defense and other institutions have long recognized the importance of peanut butter as a nutritional resource.

Finally, the recent legislative activity related to the reauthorization of child nutrition programs highlights the need for nutrition legislation to be the sole jurisdiction of the Agriculture Committee. We appreciate that members of the House seek appointment to your Committee because of their interest in production agriculture, conservation and nutrition. We would hope that in the future House leaders would consider the House Agriculture Committee as the home for all nutrition legislation much like the Senate.

We are hopeful the Congress will pass the agricultural disaster relief legislation similar to the bill approved in the Senate. The current SURE program has not been effective for peanut producers. Despite the USDA website seeking participation in the SURE program earlier in the year, the program was far from ready to go forward. In fact, peanut producers were turned away until recently because local offices had not been given sufficient instructions to receive applications for peanut losses. Even today, local offices are not consistent as to how they will handle producers from multiple counties. Peanut producing states typically have a large number of counties. It is not unusual for peanut producers to farm across a number of county lines.

Peanut producers received no public support or financial assistance from the Department during the PCA salmonella crisis caused by one peanut manufacturer, not by peanut producers. Peanut state members asked the Secretary to increase peanut butter purchases during the crisis to at least the purchase levels we saw in the mid 1990's to no avail. Other commodities have received financial assistance and support from USDA

when prices have dropped or when their commodity has been in crisis, dairy and pork being just two examples, not peanuts. We believe any relief for the peanut industry will come from Congress whether this is with regard to the function of our program or the use of our product in government domestic and international feeding programs.

In closing, production agriculture is part of our national security. The Secretary has spoken a great deal about rural development but production agriculture, at the heart of which is federal farm programs, should be at the top of the list of roles for USDA. Please help the Department remember the importance of production agriculture.

Thank you for allowing me to address the Committee today and the Federation looks forward to working with you.