

2016 Estimated Peanut Supply vs. Storage

National Center for Peanut Competitiveness
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Given that cotton does not have a commodity program and only relied on crop insurance for its safety net, the recent and forecasted extremely low cotton prices coupled with the other commodities' low prices has forced Southern farmers to look towards peanuts as the safety net for their farming operations. These factors lead to an increased 2015 peanut production which has created an expected excess supply of peanut for 2016. According to USDA-ERS, national peanuts stocks are expected to be close to 1.44 million tons by August 1, 2016. This would be a historically high compared to 2015 (1.05) and 2014 (0.93). Similarly, the 2015 U.S. peanut acreage estimate (1.625 million acres) is approximately 20 percent higher than the 2014 U.S. peanut acreage. This percentage increase translates into nearly 250,000 additional acres. The supply situation coupled with expected low prices for alternative competitive crops have become a concern for the peanut industry as it relates to needed storage capacity. Without adequate storage capacity, many peanut producers may not be able to store their peanuts in a federal license warehouse and participate in the marketing loan program. Georgia, representing more than 50% of U.S. production, contributes significantly to this supply versus storage situation. The NCPC estimates 807,000 tons of FSP to be in storage for Georgia starting the 2016/17 marketing year in August. This is more than 200,000 tons above the previous year's beginning stocks. This is due to an increase of 24% of acres harvested and a high yield per acre of 4470 pounds resulting in a record 2015 peanut crop of 1.74 million tons.

The following table represents an analysis of a plausible supply scenario aimed to evaluate potential peanut stock for the harvested period of the 2016 crop. Also, this analysis presents estimates for additional storage required and/or reduction on acreage to mitigate potential scarce storage. This scenario assumed the 2016 crop would have the same acreage and yield as the 2015 crop.

2016 Peanut Supply Outlook (Acreage planted and yield equal to 2015)

Region	Area		Yield <i>lbs/acre</i>	Beginning Stocks	Production	Imports	Shelling	Total Stock	Available Capacity <i>1,000 tons</i>	Shortage/ Excess Capacity	Acreage Reduction <i>1,000 acres</i>
	Planted	Harvested									
	<i>1,000 acres</i>	<i>1,000 acres</i>									
US	1,625	1,568	3,963	1,443	3,107	43	509	4,084	3,857	(226.25)	(114.18)
Georgia	785	777	4,470	807	1,737	24	284	2,283	1,884	(398.43)	(178.27)
SPPF	1,219	1,196	4,132	1,148	2,471	34	405	3,247	2,620	(627.39)	(303.71)

Sources: USDA, National Agricultural Statistics Service, *Crop Production and Peanut Stocks and Processing*, and U.S. Department of Commerce

Under a production scenario with acreage and yield equal to 2015, a shortage of storage of 226,246 tons are estimated for U.S. which translates into 114,000 acres of peanut to be reduced in order to compensate for lack of storage. However, this analysis needs to be done at a regional level. For Georgia, 398,430 tons of deficit storage capacity is estimated despite the 22% increase in storage capacity by 2015. This translates into approximately 178,000 acres of reduced peanut planted acreage for 2016. Yet, when one examines the entire Southeast region, a deficit in storage capacity of 627,390 tons is estimated. This confirms that the Southeast region will be facing a difficult logistic situation under this scenario. Industry must consider different alternatives in order to mitigate this potential risk.