

Peanut Environmental Resource Stewardship (PERS) Program

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Agricultural policy in the U.S. has long been characterized as supporting farm income and meeting environmental objectives. With expanded emphasis on environmental concerns and a continued need for income enhancement, the term “green payments” refers to programs that have simultaneous objectives directed toward farm income and the environment. At a time when international trade agreements limit the scope of traditional income support programs, green payments offer a means of income enhancement that is associated with environmental resource stewardship, without correlation to production or price levels.

Peanut is a legume plant. While it has many known benefits in an agricultural crop rotation (e.g., nitrogen fixation and carbon storage), peanut has one of the highest levels of chemical active ingredients use on a per acre basis among the row crops. The significant increase in energy costs since 2004 has translated into higher chemical costs. Prior to the increased in energy costs, peanut farms in the Southern United States were in fair to good economic condition. However, based on the 19 peanut representative farms ranging from Virginia to New Mexico that the National Center for Peanut Competitiveness (NCPC) maintains, peanut farms overall economic viability is extremely vulnerable.

Peanuts have traditionally been the economic backbone of Southern agriculture. Besides the production aspect, there are also the peanut buying points, shellers and manufacturers located in the region. Due to the declining economic viability, peanut acreage in the United States has significantly decreased to the point where the acreage level is at all time lows. This significant reduction is impacting the peanut infrastructure which is having a ripple effect in rural communities.

To address this issue, NCPC proposes an additional program for consideration for the 2007 Farm Bill centered on environmental resource stewardship. The Peanut Center calls it the “Peanut Environmental Resource Stewardship (PERS) Program.” This program would reward a peanut producer for planting peanuts in a crop mix rotation while limiting the acreage that could be planted by the producer to optimize the crop rotation of the land. This program would pay a producer a given dollar amount per planted peanut acre, per year for compliance with the contract based on a 4-year rotation. Under the old peanut quota system, research had shown and the extension service recommended that at least a 3-year rotation was recommended. However, under the current program and chemical usage, a 4-year rotation would be a better agronomic practice and the high levels of chemical active ingredients would be significantly reduced on that acre of land over time.

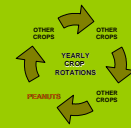
The PERS program would require a producer to sign a contract with USDA-FSA for a certain number of years that over the life of this contract would require the producer to prove each year that he/she is planting peanuts within the agreed rotational constraints. Each year the producer under contract would certify to USDA-FSA the total amount of available crop land he/she controls (both owned and rented) and would require the certification of all planted crop acreage, as well as all non planted available crop acreage to determine if the producer is in compliance with the contract. If a producer chooses to break the contract then certain penalties would apply similar to other conservation and environmental contract agreements. Under this proposed program, the contract would not be tied to a specific tract of land, and would not involve the owners of any land that is rented by the producer.

In conclusion, farmers would receive additional income from increased yields due to a longer rotation and government payments. This is supported by the analysis of this proposed program on our representative farms which showed net cash farm income improved. Yet, the public benefits significantly due to less chemical usage and improved soil for future generations.

Chart 1. Explanation of Benefits of PERS and an Example Farm's Transition into Compliance with PERS

PERS

PEANUT ENVIRONMENTAL RESOURCE STEWARDSHIP



Agricultural policy in the U.S. has long been characterized as supporting farm income and meeting environmental objectives. With expanded emphasis on environmental concerns and a continued need for an enhanced farm income safety net, farm programs meeting these objectives provide "green payments." At a time when international trade agreements limit the scope of traditional income support programs, green payments offer a means of enhancing the farm income safety net that is associated with environmental resource stewardship, without correlation to production or price levels. To address this issue for peanut farmers, the National Center for Peanut Competitiveness recommended to the Georgia Peanut Commission and the Southern Peanut Farmers Federation an additional program for consideration for the 2007 Farm Bill centered on environmental resource stewardship, called the "Peanut Environmental Resource Stewardship (PERS) Program." This program would reward a peanut producer for planting peanuts in a crop mix rotation while limiting the acreage that could be planted by the producer to promote a more optimize crop rotation of the land.

BENEFITS OF PERS

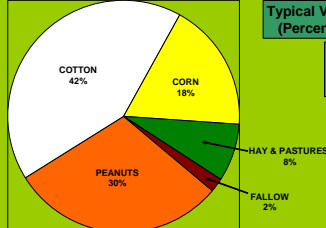
- WTO compliant. Fits into the "GREEN BOX" of trade agreements
- Increase peanut yields per acre over time
- Decrease peanut disease pressure over time
- Decrease pesticide applications over time
- Provides incentive not to plant peanuts in soils where peanut yields and quality typically suffer

- The public benefits from significantly less chemical usage and improved soils for generations to come
- PERS would be an optional program to the producer
- Farmers would receive additional income from increased yields and quality as well as the PERS payments
- Sets precedents for future environmental stewardship programs

Example of a 2,265 Ac Existing Whole Farm

CROPMIX	ACRES	%FARM	WHOLE FARM
Irrigated Peanuts	330 ac	15%	685 ac (30%) PEANUTS
Dry Peanut (Low Production Land)	55 ac	2%	
Dry Peanut (Good Production Land)	300 ac	13%	
Irrigated Cotton	455 ac	20%	955 ac (42%) COTTON
Dry Cotton	300 ac	13%	
Dry Cotton (Not in Peanut Rotation)	200 ac	9%	
Irrigated Corn	400 ac	18%	400 ac (18%) CORN
Dry Hay and Pastures (Not in Peanut Rotation)	175 ac	8%	175 ac (8%) HAY/PAST
Dry Fallow (Not in Peanut Rotation)	50 ac	2%	50 ac (2%) FALLOW
Total Acres		2,265 ac	100%

Whole Farm View of Acreage Breakout



Typical View of the Breakout of Acreage (Percentage of Peanut Rotation Only)

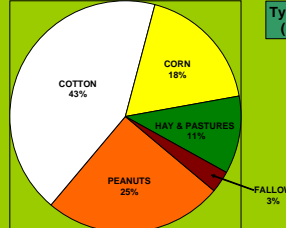
Peanuts	37%
Cotton	41%
Corn	22%



Example of a 2,265 Ac Whole Farm in Compliance with PERS

CROPMIX	ACRES	%FARM	WHOLE FARM
Irrigated Peanuts	330 ac	15%	575 ac (25%) PEANUTS
Dry Peanut (Low Production Land)	0 ac	0%	
Dry Peanut (Good Production Land)	245 ac	11%	
Irrigated Cotton	455 ac	20%	985 ac (43%) COTTON
Dry Cotton	300 ac	13%	
Dry Cotton (Not in Peanut Rotation)	230 ac	10%	
Irrigated Corn	400 ac	18%	400 ac (18%) CORN
Dry Hay and Pastures (Not in Peanut Rotation)	240 ac	11%	240 ac (11%) HAY/PAST
Dry Fallow (Not in Peanut Rotation)	65 ac	3%	65 ac (3%) FALLOW
Total Acres		2,265 ac	100%

Whole Farm View of Acreage Breakout



Typical View of the Breakout of Acreage (Percentage of Peanut Rotation Only)

Peanuts	33%
Cotton	44%
Corn	23%

It should be noted that changes in acreage allocation to comply with PERS program may vary from year to year and by geographical location, water availability, and potential commodity returns.

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