

## 2016 Peanut Supply vs. Storage

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Market conditions and particularly increased production from the 2015 crop have led to 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 July 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 tables represent an analysis of alternative supply scenarios aimed to evaluate potential peanut stocks 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. Three scenarios were estimated where the first scenario assumed the 2016 crop would have the same acreage and yield as the 2015 crop. Scenario 2 assumed planted acreage to be the Olympic average of the planted acreage for 2003-2007 and yield would be the average of the 2013-2015 yields. Scenario 3 uses same yield as Scenario 2 but planted acreage is the Olympic average of the planted acreage for 2008-2012.

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

Region	Area			Beginning Stocks	Production	Imports	Shelling	Total Stock	Available Capacity	Shortage/ Excess Capacity	Acreage Reduction
	Planted	Harvested	Yield								
	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>lbs/acre</i>								
				<i>1,000 tons</i>				<i>1,000 tons</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)
SPFF	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.

In general, under scenarios 2 and 3 no shortage of storage is expected. Dropping acreage planted to levels observed between 2008-2012 periods but maintaining productivity close to current yields might be an optimal supply scenario for GA and the Southeast region unless demand dictates the need for more acreage. Excess storage at this level may serve as a security to mitigate any unexpected increase in acreage or yield or even changes in market conditions for the 2016 crop and beyond. Even so, the Southeast is still very tight with a surplus capacity estimated at only 62,730 tons which is approximately three 20,000 ton warehouses.

**2016 Peanut Supply Outlook (Average acreage planted of 2003-2007 and average yield of 2013-2015)**

Region	Area		Yield	Beginning Stocks	Production	Imports	Shelling	Total Stock	Available Capacity	Shortage/ Excess Capacity	Acreage Reduction
	Planted	Harvested									
	<i>1,000 acres</i>	<i>1,000 acres</i>									
US	1,339	1,305	3,962	1,443	2,586	43	509	3,563	3,857	294.49	0.00
Georgia	582	575	4,345	697	1,249	21	246	1,721	1,884	163.12	0.00
SPFF	906	884	4,068	1,004	1,799	30	354	2,478	2,620	141.73	0.00

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

**2016 Peanut Supply Outlook (Average acreage planted of 2008-2012 and average yield of 2013-2015)**

Region	Area		Yield	Beginning Stocks	Production	Imports	Shelling	Total Stock	Available Capacity	Shortage/ Excess Capacity	Acreage Reduction
	Planted	Harvested									
	<i>1,000 acres</i>	<i>1,000 acres</i>									
US	1,321	1,280	3,962	1,443	2,537	43	509	3,513	3,857	344.02	0.00
Georgia	588	582	4,345	719	1,264	21	253	1,750	1,884	133.85	0.00
SPFF	935	908	4,068	1,050	1,846	31	370	2,557	2,620	62.73	0.00

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

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