2015 Peanut Warehousing

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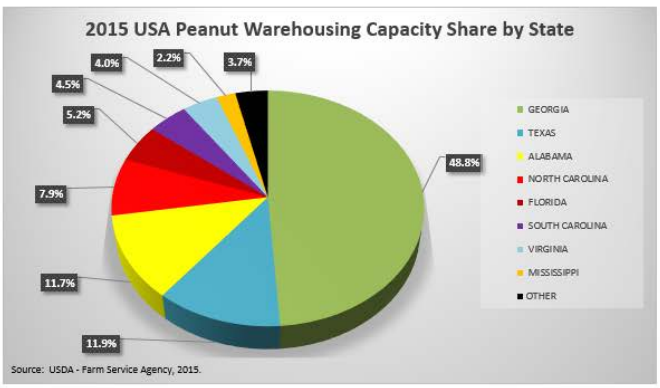
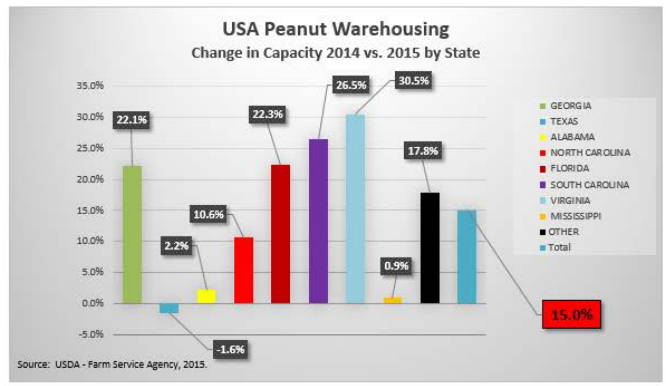
The USDA estimates that peanut stocks will be historically high for the 2015/16 year crop. An additional 392,000 tons compared to previous period are expected by July 2016. Given this increase and the potential of continual large carryover plus increased production, the peanut industry has been adjusting their federal peanut warehouse capacity. It is important to understand the distribution of the increase in storage capacity and location of capacity. This report provides a background on peanut warehousing capacity as reported by USDA as of December 31, 2015.

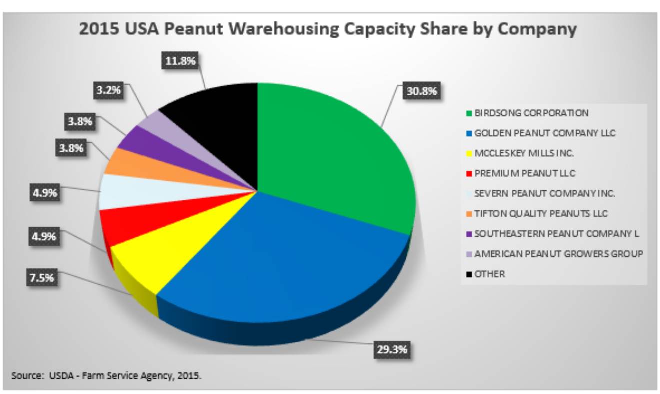
Charts below display the state capacities and changes in storage capacity by state for U.S.

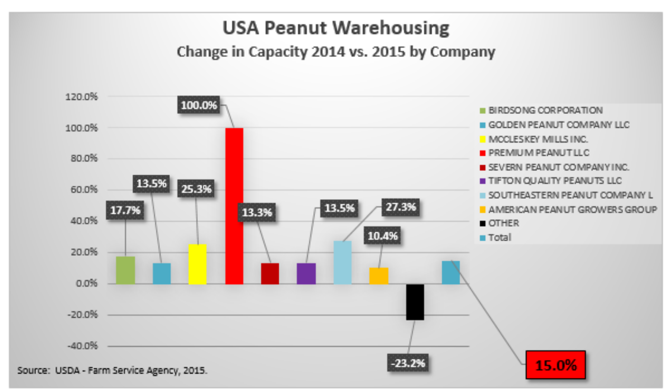




Georgia has 48.8% of the total peanut warehouse capacity in 2015 which represents 1.89 million tons followed by Texas and Alabama with 11.9% and 11.7% respectively. In general an increase of 15% in storage capacity in 2015 relative to 2014 for U.S. Percentage-wise Virginia reported the highest increase in storage which represents only 36,410 tons. On the other hand, Georgia increased storage capacity by 22.1% representing 341,140 additional tons of capacity.

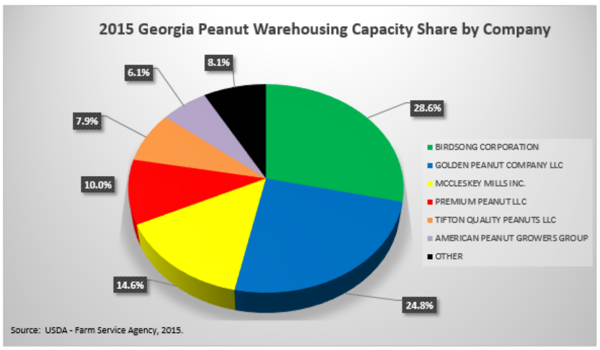
Similarly, a detailed report by licensed company is shown in the below charts.

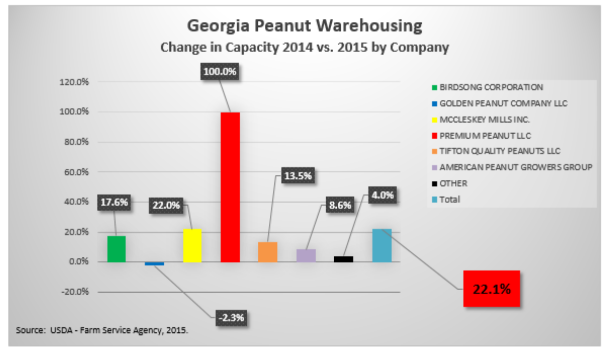




As expected Birdsong Corporation and Golden Peanut Company account for the largest share in storage with 30.8% and 29.3%, respectively, and increased their capacity 17.7% and 13.5%, respectively. McCleskey Mills increased its storage capacity 25.3% and is the third largest in storage capacity with 7.5% of the total storage. Premium Peanut LLC started operation in Georgia in 2015 accounting for 4.9% of the U.S. storage capacity with 188,990 tons. In total, these four companies added 560,000 tons to the U.S. peanut storage capacity in 2015.

Georgia represents almost 50% of the total peanut storage capacity in the U.S. which is consistent with its production level. Following charts shows in detail capacities by company in Georgia as well as changes in capacities between 2014 and 2015.





Premium Peanut LLC and Birdsong Corporation reported the highest contribution with roughly 269,960 tons. Premium Company started operations in South Georgia with facilities located mainly in Coffee county and account for roughly 188,990 tons of storage. On the other hand, Birdsong increased their storage capacity mainly in Miller and Bulloch counties. Although Golden Peanut LLC increased its capacity overall in the U.S., in Georgia they decreased their capacity by 10,760 tons due to the sell/closure of warehouses located in Coffee, Irwin, Worth and Jeff Davis counties. However they increased their capacity in counties such as Early, Jefferson and Clay. Golden and Birdsong represents more than 50% of the total storage capacity in Georgia.

One key fact taken from these charts is the diversity of firms owning peanut warehouses. There is less concentration of warehouses by a few firms as compared to during the time period of supply management (i.e., prior to 2002). Second, warehouse capacity is shifting more to the Southeast.

Finally, despite the fact that Georgia increased its storage capacity by 314,140 tons in 2015, preliminary estimates by NCPC suggest that the state will require at least 339,000 additional tons to cover additional peanut stock expected by the beginning of harvest time for the 2016 crop. NCPC advises to take measures aimed to mitigate the risk of lack of warehouse to store loan peanuts. If a farmer does not have access to peanut warehouse approved by USDA, their peanuts cannot participate in the marketing loan program. Thus, farmers may need to reduce their intended planted acreage. While these numbers are preliminary estimates of the forthcoming 2016 crop year situation, it is a warning bell for the industry.

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