

**Karla Baker Thompson
JET Farms Georgia and Integrity Farms
Camilla, Georgia**

United States Peanut Federation

U.S. Senate Committee on Agriculture

Washington, D.C.

June 9, 2022

Chairman Warnock, Ranking Member Hoeven, and Members of the Subcommittee, thank you for the opportunity to appear before you today as you review trade priorities for U.S. farmers. I appreciate the Committee's seeking producers' input on the impact of trade policy on family farms. Today, I am representing the United States Peanut Federation (USPF). USPF is comprised of the American Peanut Shellers Association, the National Peanut Buying Points Association, and the Southern Peanut Farmers Federation which includes the peanut grower organizations in Georgia, Alabama, Florida and Mississippi.

I currently farm in a family business with my husband and extended family on our family farm in Southwest Georgia. We have a diversified farming operation including peanuts, blueberries, green beans, fresh sweet corn, and sugar cane. I am responsible for strategic planning, financial control and development and regulatory compliance. Our farm reflects an increasing diversity in southeastern agriculture. We have row crops and specialty crops. Trade issues impacting our farm range from non-tariff trade barriers to seasonal imports on fruits and vegetables that decimate our prices.

Approximately 75% of our U.S. peanuts are sold domestically. Historically, about 25% of U.S. peanuts are exported. The majority of southeastern peanuts are used for peanut butter. The U.S. peanut market is growing in small increments. According to the National Peanut Board, Americans currently consume 7.9 pounds of peanuts annually. For this discussion, it is important to understand the value of our commodity in light of today's inflationary impact on consumer food purchases and the increasing threat of hunger, particularly in less developed countries. Peanuts are full of nutrients like protein, fiber, healthy fats, vitamins, and minerals and are one of the least expensive sources of protein. Peanuts benefit malnourished people in

all types of situations. This includes people who are underweight and obese; herbivores and omnivores; in the hospital or at home. In Africa, a peanut paste, fortified with vitamins and minerals, is used to treat severe malnutrition and related diseases. This paste does not require water or refrigeration, which is a scarcity in under-developed countries. We are fortunate to have one of these ready-to-use therapeutic foods (RUTF) manufacturers in the Chairman's home state of Georgia.

Our primary peanut export markets are Canada, Mexico, Japan, the European Union (EU), and China. To fully understand our peanut trade markets, we need to look at the numbers since the 2002 Farm Bill. In the 2002 Farm Bill, peanuts went from a historical supply-management program to a marketing loan program similar to other Title I commodities. This new market oriented program, now the Price Loss Coverage (PLC) program, reduced the price of peanuts for U.S. growers and should have made U.S. peanuts much more attractive to other countries importing peanuts. After the 2002 Farm Bill reforms, U.S. peanut world market share did show a slight increase; however, since 2015 our U.S. share of the world market has been declining. The implementation of non-tariff trade barriers in the EU and United Kingdom (UK) have only exacerbated this problem. The U.S. peanut industry's share of the world peanut market is less today than the U.S. market share in the 1990's. (see attachment 1)

The U.S. is just one of a number of peanut exporting countries. The world peanut market is very competitive. Our major competitors -- Argentina, Brazil, China, and India -- are classified as developing countries by the World Trade Organization (WTO). This allows these countries to support their farmers at a higher level than allowed in the U.S. Argentina is a consistent competitor for the U.S., particularly in the EU.

A look at our major export markets shows some of the issues we are facing. Our best markets, and also those with the most potential for growth, are the markets that pay premium prices. These markets provide prices that are profitable for exporters and have an impact on grower prices. Unfortunately, some of these best markets are not healthy. The Canadian market saw an increased U.S. market share until 2013 when we saw a dramatic decrease. In the last few years, the Canadian market has started to recover for U.S. exports but is still significantly off the mark as compared to the numbers prior to 2013. (see attachment 2)

In Japan, the U.S. has generally seen a flat trend line with significant market swings year after year. (see attachment 3)

Regarding the EU market, while the first 3 months of 2022 saw a significant increase over 2021, the overall trend line since 2003 has been downward. The U.S. market share decreased in the EU from approximately 40% in 2003 to 14% in 2021. Much of this market share loss has been to developing countries. The increase in U.S. market share in early 2022 is deceptive since the overall U.S. peanut exports to the EU have decreased drastically since 2003. (see attachment 4)

As you can see from my attachments, the U.S. has experienced a general upward trend in market share for Mexico. However, there are large swings in the Mexican market year after year. (see attachment 5)

China is an unpredictable market for U.S. peanuts. While they made a large purchase of U.S. peanuts in 2016 and then again in 2020, there is clearly no consistency in our peanut export sales to China. (see attachment 6)

Both Mexico and China are important trading markets, but they do not provide premium prices that help drive U.S. prices to growers. (see attachment 7)

Why is there a struggle for U.S. peanut exports to the EU and, more recently the UK? Mr. Chairman, as you and Senator Tuberville and 17 of your colleagues noted in a letter to the U.S. Trade Representative, peanuts are susceptible to a naturally-occurring aflatoxin. U.S. peanut growers are subject to stringent testing by the U.S. Department of Agriculture to assure our peanuts are safe to enter the food supply, both domestic and international. The EU, and now the UK, however, are requiring expanded testing criteria for U.S. peanut imports. What does this mean? The EU, and now UK, select 20% of U.S. shipments (containers) for aflatoxin testing, and they test 100% of the selected peanuts. In contrast, they only select 10% of shipments from China and 5% of shipments from Argentina. These new requirements for the U.S. are far more extensive than those required of our competitors in the EU and are costing the U.S. peanut industry hundreds of millions of dollars each year. (see attachment 8)

Although the Congressional Budget Office has projected no peanut forfeitures under the PLC program for the foreseeable future, the peanut stock carryover is holding prices down for growers. We need to be moving more peanuts in the export market. The incremental growth in the domestic market is insufficient to impact peanut prices for growers.

Peanut acreage will be reduced in the U.S. this crop year due to higher prices for other commodities. We do not anticipate short or long-term growth in the EU or UK until U.S. peanuts are on a level playing field with the other peanut exporting countries. As an industry, we are struggling to replace the EU and UK markets for the future.

Long-term, we see both India and Africa as competitors in the world peanut market.

Our top trade priority, at this time, is to improve our position in the EU and UK which will require the reduction of the non-tariff trade barrier. The peanut industry has been working with USDA's Agricultural Marketing Service (AMS) and the Foreign Agricultural Service (FAS) on this problem. We need the U.S. Trade Representative to prioritize this problem in discussions with the EU and UK.

I would be remiss if I did not point out the extreme impact of supply chain issues and rising input costs on Southeastern farms. In addition to equipment, parts, and other input delays for our farming operation, the cost increases for inputs has been unprecedented for the 2021 and 2022 crops. According to the Center for Rural Prosperity and Innovation at Abraham Baldwin Agricultural College, based on U.S. representative peanut farms, the average total cash flow cost per ton of peanuts for the 2021 peanut crop was \$545.97. The projected 2022 peanut total cash flow cost to produce a ton of peanuts is \$666.94 per ton. Prices on virtually all of our inputs have risen. The increasing costs are not only straining our financial resources but it is making it difficult to budget expenses. For instance, I used to ask our chemical vendors for advance pricing on products. They would quote me a price then honor those prices for the season. Now, I have to re-bid our chemicals almost weekly, and most weeks I find that the prices have increased.

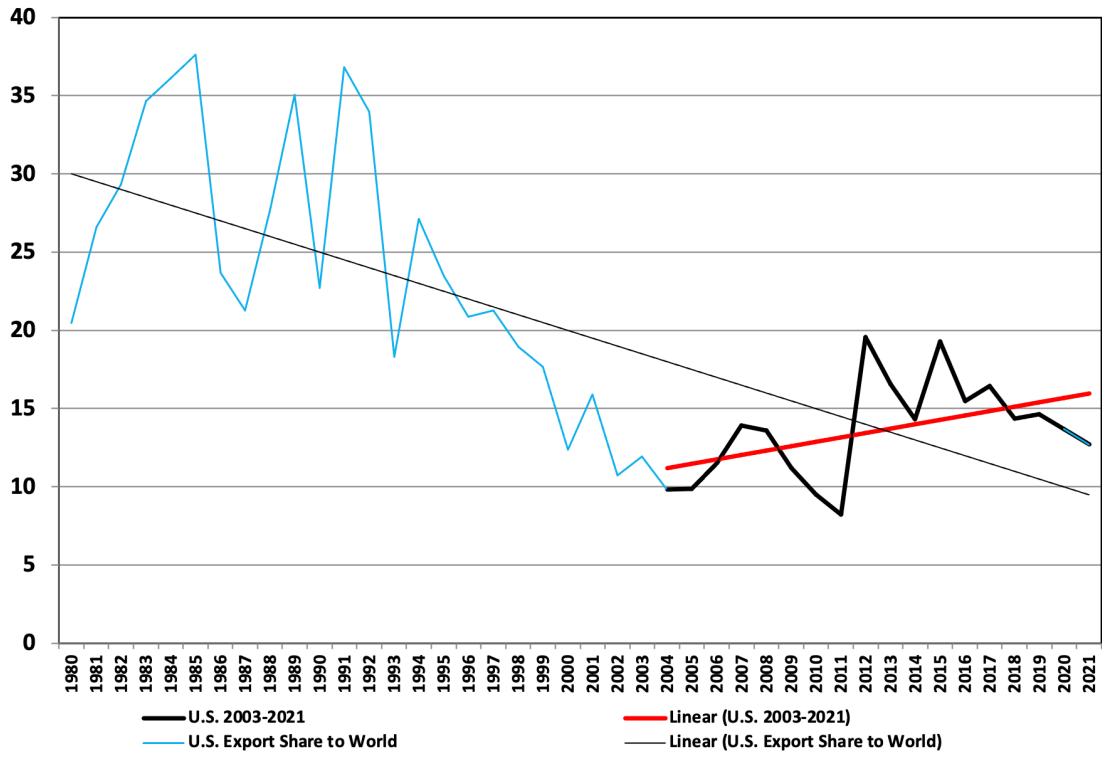
Peanuts require certain soils, particular climate or growing conditions, and specialized equipment. Our multiple pieces of harvesting equipment can be used for no other commodity. In a matter of a few short weeks, certain equipment is used to harvest and then will not be used again until the next year. With these rising costs of production for peanuts, we cannot

afford to ignore an unhealthy peanut export market. Simply put, we need to sell more U.S. peanuts.

Mr. Chairman, we appreciate you and Senator Tuberville, along with Senator Hyde-Smith, leading the effort to cure the problem peanut growers are experiencing with the non-tariff trade barrier in the EU and UK. We believe the best path to resolve this issue is with USTR prioritizing U.S. peanut exports in discussions with the EU and UK.

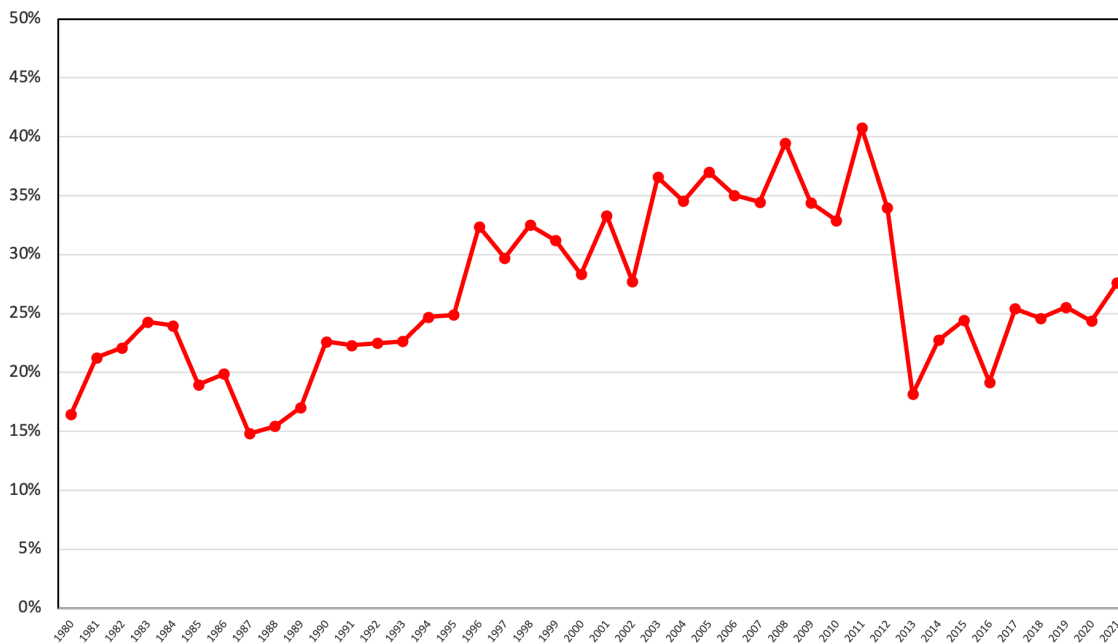
Thank you for allowing me to participate today.

U.S. Peanut Export Share of World Total Exports(%)



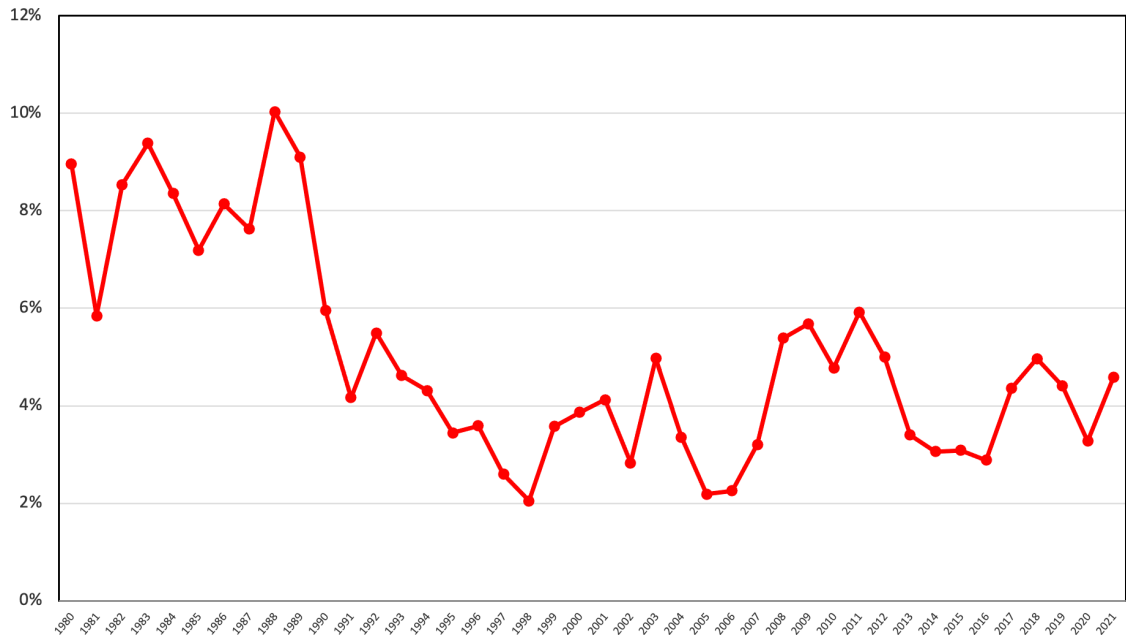
Source: PSD Online, Foreign Agricultural Service, USDA.

U.S. Peanut Exports Share(%) to Canada Markets 1980 – 2021 Calendar Year



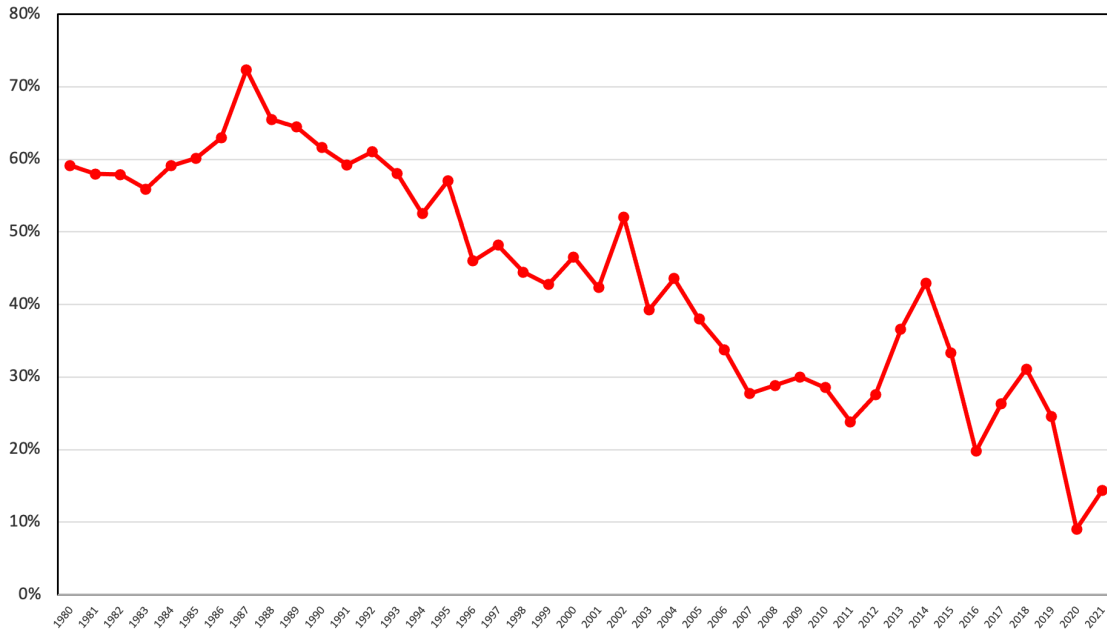
Source: FAS, USDA

U.S. Peanut Exports Share(%) to Japan Markets 1980 – 2021 Calendar Year



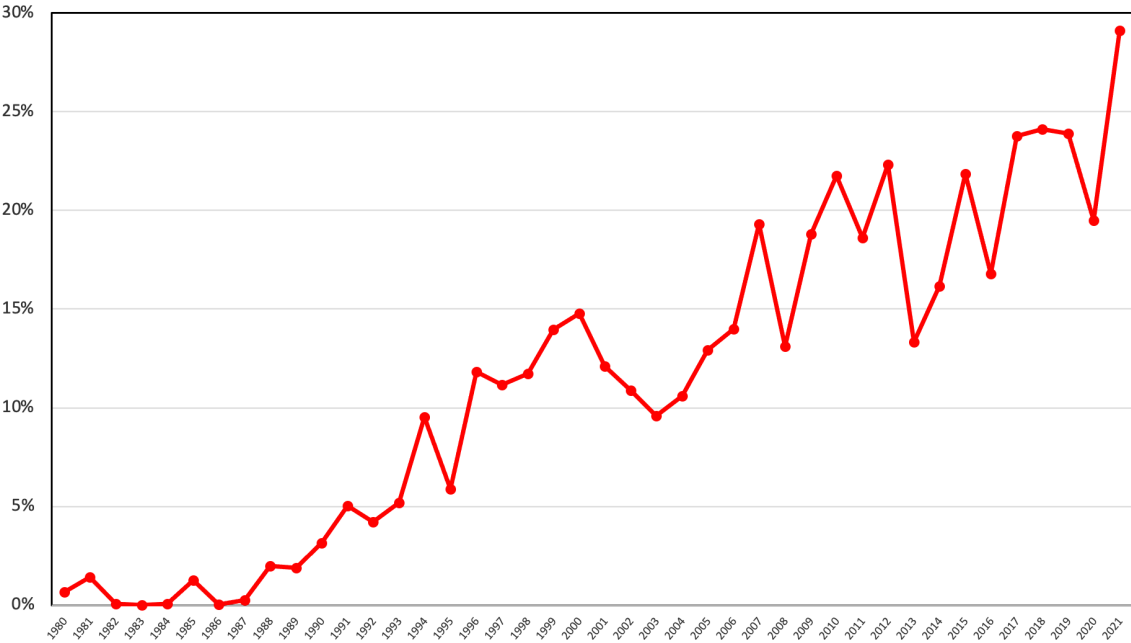
Source: FAS, USDA

U.S. Peanut Exports Share(%) to EU Markets 1980 – 2021 Calendar Year



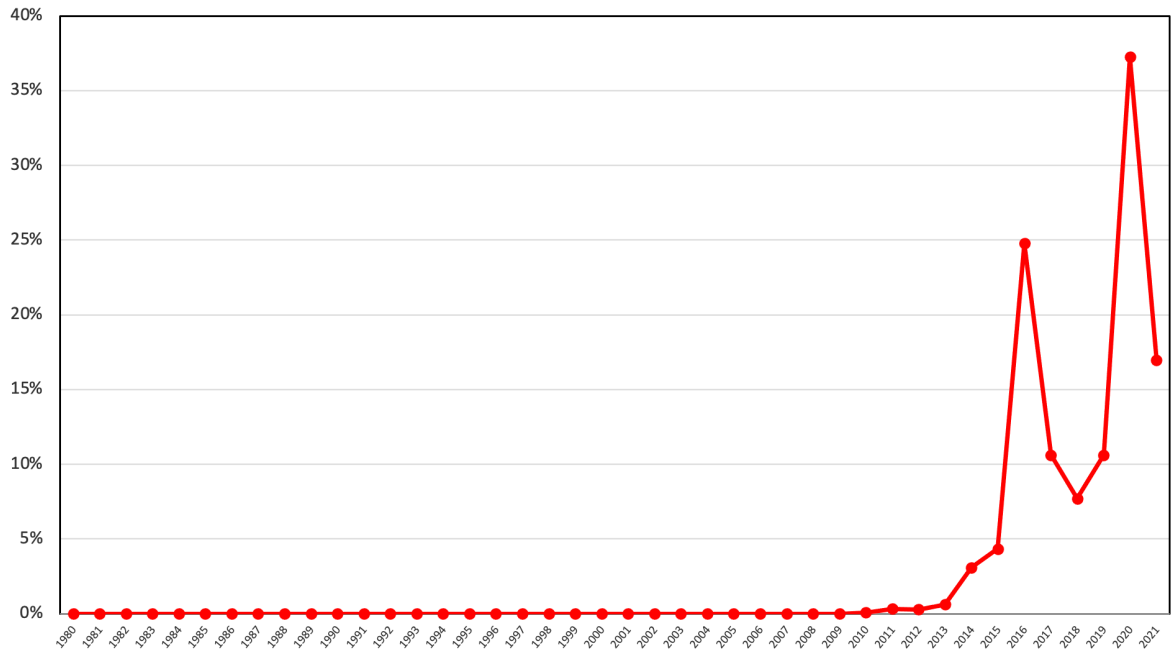
Source: FAS, USDA

U.S. Peanut Exports Share(%) to Mexico Markets 1980 – 2021 Calendar Year



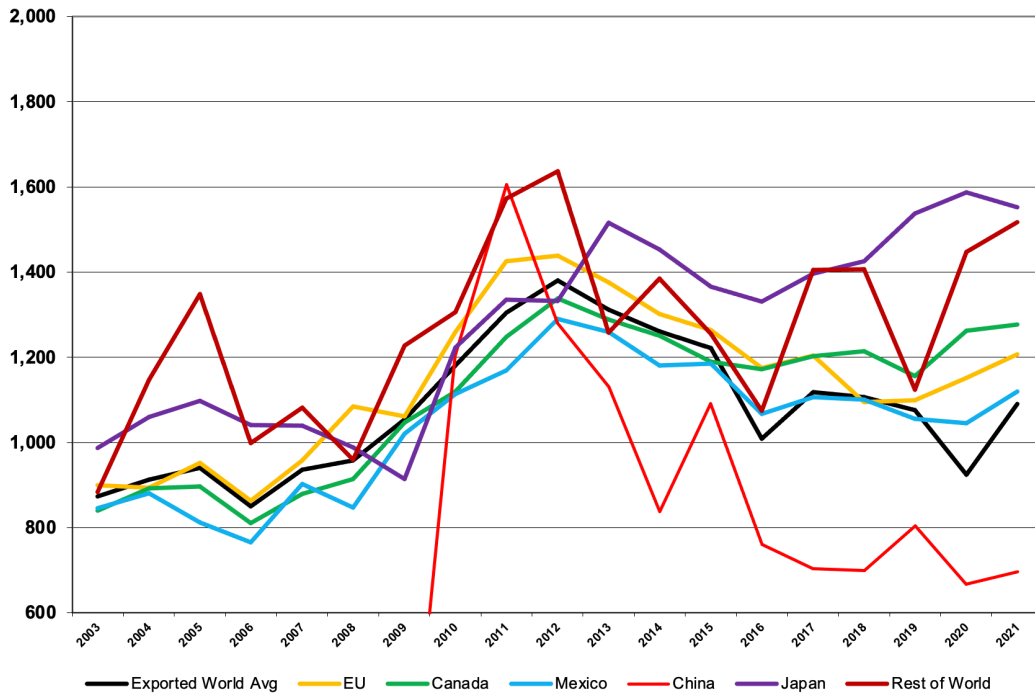
Source: FAS, USDA

U.S. Peanut Exports Share(%) to China Markets 1980 – 2021 Calendar Year



Source: FAS, USDA

U.S. Shelled Peanut Exports Received Prices (\$/shelled ton)
2003 - 2021 Calendar Year



Source: Foreign Agricultural Service (FAS), USDA

Congress of the United States
Washington, DC 20515

June 22, 2021

The Honorable Tom Vilsack
Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

The Honorable Katherine Tai
U.S. Trade Representative
Office of the U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Secretary Vilsack and Ambassador Tai,

We write to bring your attention to ongoing non-tariff trade barriers from the European Union (E.U.) affecting the domestic peanut sector. We encourage the U.S. Department of Agriculture (USDA) and the Office of the U.S. Trade Representative (USTR) to prioritize interagency collaboration and industry engagement in order to negotiate an effective solution with your E.U. counterparts that will ultimately allow increased market access for U.S. peanuts.

According to data published by USDA, domestic peanut farmers produced over 1.6 million acres of peanuts in 2020 with a farm gate value over \$1.2 billion. Due to their susceptibility to naturally-occurring aflatoxin, domestic peanut growers are subject to USDA testing to ensure all peanuts harvested for human consumption are safe to enter the food supply. U.S. growers have a long history of partnering with USDA to ensure their harvest is safe, with USDA also working on research initiatives to address the underlying causes of aflatoxin contamination and to improve post-harvest handling. Collectively, these efforts demonstrate that U.S. farmers and government officials are actively working to ensure that peanuts produced domestically are safe.

In 2020, an estimated 668,000 metric tons of U.S. produced peanuts were exported to international markets. Unfortunately, stringent E.U. testing requirements for aflatoxin are preventing increased U.S. exports into this high-value market. In recent years, the U.S. industry estimates they have lost approximately \$170 million in sales into the E.U. due to difficulties presented by these burdensome testing requirements. A review of data from the first quarter 2021 indicates an additional \$130 million in anticipated lost sales. Without efforts to negotiate a workable solution that will increase opportunities for domestic peanut operations, our farmers and businesses will continue to struggle with prohibitive requirements set by international partners.

As U.S. Senators who proudly represent peanut farmers in our states, we strongly support joint efforts by USDA and USTR to engage with your E.U. counterparts with the goal of reducing existing non-tariff trade barriers on peanut exports. Increased market access will ultimately benefit the peanut farmers in our states, and we stand ready to support your efforts on their behalf. Thank you for consideration of this request.

Respectfully,



Reverend Raphael Warnock
United States Senator



Tommy Tuberville
United States Senator



Bill Cassidy, M.D.
United States Senator



Tom Cotton
United States Senator



Tim Scott
United States Senator



Mark Warner
United States Senator



Thom Tillis
United States Senator



John Boozman
United States Senator



Lindsey O. Graham
United States Senator



Tim Kaine
United States Senator



Marco Rubio
United States Senator



Richard Burr
United States Senator



Roger F. Wicker
United States Senator



Rick Scott
United States Senator



Richard Shelby
United States Senator



Cindy Hyde-Smith
United States Senator



Ted Cruz
United States Senator



John Cornyn
United States Senator



Jon Ossoff
United States Senator