

STATEMENT

OF

MR. ARMOND MORRIS
CHAIRMAN
GEORGIA PEANUT COMMISSION

IRWIN COUNTY, GEORGIA

SOUTHERN PEANUT FARMERS FEDERATION

BEFORE THE
U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

April 25, 2007

Good Morning Chairman Harkin, Members of the Committee, my name is Armond Morris. I am a peanut producer from Irwin County, Georgia. I am Chairman of the Georgia Peanut Commission and am here today representing the Southern Peanut Farmers Federation. The Federation is comprised of the Alabama Peanut Producers Association, the Georgia Peanut Commission, the Florida Peanut Producers Association and the Mississippi Peanut Growers Association. Our grower organizations represent about eighty percent of the peanuts grown in the United States. In 2002, all segments of the peanut industry supported the peanut title. We are hopeful that will be the case in 2007.

I have been a peanut producer for 41 years. I farm over 2000 acres of peanuts, cotton, wheat, rye and watermelons. I have been active in local, state and national agricultural organizations and am a graduate of the Abraham Baldwin Agricultural College. I am proud to be a family farmer.

As you recall, our program changed significantly in the 2002 Farm Bill. Peanut growers went from a supply management program to a more market oriented program. The support price for peanuts, prior to the 2002 Farm Bill, was \$610 per ton. The new marketing loan, established in the 2002 bill, was \$355 per ton but the effective amount for growers was approximately \$405 per ton. This was due to a storage and handling fee provision paid by the U.S. Department of Agriculture through the 2006 crop year. Southeastern growers supported this change and lead in its development.

Manufacturers and peanut shellers benefited from the new program's much lower prices. Consumers also saw a significant reduction in the price of peanut butter according to the U.S. Department of Commerce. Our industry saw incremental growth in the first few years of this farm bill but with the increase in energy costs came dramatic changes to the U.S. peanut industry. We saw a 20% national reduction in acres in 2006 and we anticipate another 14%

drop in the 2007 crop year in my home state.

The University of Georgia's National Center for Peanut Competitiveness has determined that our variable costs have increased \$91.15 per acre for dry land peanuts and \$118.52 for irrigated peanuts since the writing of the 2002 Farm Bill. I have included two charts from the Center that are farm studies illustrating the impact of costs on peanut farmers by comparing the 2004 crop year to the 2006 crop year. I also did my own analysis on my farm and determined that costs had risen significantly for me. For example, fertilizer increased from \$180 per ton in 2002 to \$406 per ton in 2007. Diesel fuel rose from \$.94 per gallon to \$2.34 per gallon. Nitrogen more than doubled in costs during the same time period, likewise for ammonium nitrate. I have included these cost comparisons as part of my testimony.

What do America's peanut producers need in this farm bill to assure that we maintain a viable peanut industry in the United States? Our peanut states held meetings throughout each of our states asking a series of related questions. We asked producers to complete surveys and we compiled that data which we will be glad to share with your Committee Staff. What was evident in the surveys was that our price for peanuts was too low for growers to continue to plant. What we have seen in 2006 and 2007 is a trend that will continue without changes in the program. We know the marketing loan program can work for America's peanut producers but the price has to be a true safety net. Growers will not plant peanuts for \$355 per ton. The Southern Peanut Farmers Federation would like the Committee to consider the following for the Peanut Title of the Farm Bill. We strongly believe that peanut producers should realize the benefits of this program, not non-producers. We came to you in 2002 seeking to end the peanut quota program. This next farm bill should assure that the program works for farmers not landlords.

? Increase the marketing loan rate to \$450 per ton.

? Increase the target price to \$550 per ton.

? Increase the Direct Payment to \$40 per ton

? Establish a loan deadline of June 30 with all peanuts forfeited at that point directed to non-edible/non-seed use or crushed under physical supervision.

? The current Federal-State Inspection program for peanuts has been very successful in protecting consumers and the industry. Since peanuts are generally a food ingredient, we support expanding the USDA Federal-State Inspection to include peanut manufacturing facilities similar to the meat industry. The recent peanut butter product issue impacts the entire peanut industry as well as consumers. Federal-State Inspection assures that our products go to manufacturing facilities with their seal of approval. Peanut product manufacturing should meet this same criteria to protect the consumer, the peanut industry's customer.

? We support maintaining the separate payment limit for peanuts as established in the 2002 Farm Bill. As discussed during the 2002 debate, the transition to a more market oriented program would not have occurred without the separate limit.

? The Committee is aware of the difficulty the peanut industry has had with the USDA setting the loan repayment rate. We encourage the Committee to adopt language using the International Trade Commission's formula for establishing the posted price of peanuts versus the current USDA methodology.

Peanut producers would like the Committee to consider a conservation payment to encourage improved rotation and tillage practices in the peanut industry. The environment will benefit when peanuts are grown on a four year or longer rotation. This will also help the soil and water efficiency.

With regard to the bill's disaster program provisions, we support including language that increases a 75% crop insurance coverage option to 95% for counties designated as disaster counties and contiguous counties.

We recognize the significant budget constraints this Congress must face. We struggled a great deal trying to determine what peanut producers should present to the Congress for this next farm bill. What was evident from the beginning was a rapidly shrinking industry. We could not come here today and ask for a program that would ensure the demise of the U.S. peanut industry. The prices we have today do not work for a viable industry. Without changes, the U.S. peanut industry will continue to decline.

I appreciate you including our nation's peanut growers in the hearing today.