

Good Morning Chairman Chambliss, 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 and the Florida Peanut Producers Association. Within the last month, Mississippi peanut growers voted to join the Federation. Our grower organizations represent about three-fourths of the peanuts grown in the United States.

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.

First, I want to thank you Mr. Chairman for bringing the Senate Agriculture Committee to South Georgia and for the Committee's leadership in moving the U.S. peanut program from a supply-management program to a more market oriented program in the 2002 Farm Bill. Your leadership protected those U.S. quota holders who had invested their money in peanut quota for many years. Yet, you allowed our industry to move into the future with a program designed to make U.S. peanut producers competitive in both the domestic and export marketplaces.

On a personal note Mr. Chairman, at the August 2001 Georgia Peanut Commission Board meeting in Tifton, Georgia, you told peanut producers that this program should be changed. You encouraged our producers to work with the Congress to create the best market-oriented program possible. Mr. Chairman, we took your counsel and are very pleased with the program we have today. We appreciate your leadership in assuring the peanut program remains a major part of Georgia's economic future.

The new peanut program has encouraged peanut product manufacturers to develop new products and spend more money on marketing these products. Domestic demand has increased for peanut products. The new program has also allowed producers to more readily enter peanut production. In Alabama alone, peanut production has expanded from 15 counties in 2002 to 32 counties in 2005. In Georgia, we have expanded production to counties that traditionally have been limited in the number of commodity options for producers. The Georgia 2005 peanut crop was valued at approximately \$370 million pushing 50,000 jobs into Georgia's economy. Seventy Georgia counties are directly impacted by peanut production. South Carolina is now an important peanut state producing more peanuts than the State of Virginia.

The Southern Peanut Farmers Federation has met with other segments of the industry including buying points, shellers and manufacturers and each have indicated they were pleased with the 2002 Farm Bill. Each segment of the industry supported the peanut title of the 2002 Farm Bill.

While the Congress passed a very respectable peanut program in 2002, the administration of the peanut program by the U.S. Department of Agriculture has not been as successful. While the domestic marketplace has seen a healthy increase in demand from consumers and production growth for producers, this has not been the case for the peanut export market.

The USDA continues to set the loan repayment rate for peanuts too high. Despite language to the contrary in the 2002 Farm Bill, the Department has relied far too much on data unrelated to the price other export nations are marketing peanuts for in the world marketplace. As the Committee heard in recent testimony at the Peanut Program Review hearing in Washington, D.C., U.S. peanut producers have lost a significant portion of their export market despite the changes invoked by the 2002 Farm Bill. Our present export situation is directly related to the high loan repayment rate set by USDA. The 2002 Farm Bill directed the Secretary to establish a loan repayment rate that the Secretary determines will:

- ? Minimize potential loan forfeitures
- ? Minimize the accumulation of stocks of peanuts by the Federal Government
- ? Minimize the cost by the Federal Government in storing peanuts
- ? Allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally.

It is this last point that is most problematic. The Federation believes that USDA is not sufficiently considering the competition in the world marketplace. This lack of response to competition from other origins has critically wounded our export programs.

We are encouraged by a recent meeting in Washington, D.C. with USDA Farm Service Agency economists. At this meeting, peanut producers offered three options for achieving a more accurate posted price.

- ? USDA should use the International Trade Commission methodology to convert shelled stock prices to farmers stock. This has been accepted as a suitable method within the U.S. industry and internationally.
- ? USDA should ask the Foreign Agricultural Service to collect farmer stock information from U.S. agricultural attaches in peanut exporting countries such as India, China and Argentina.
- ? Another option may be a percentage value difference of shelled goods from the U.S. versus other peanut origins. Domestic farmers stock prices could be factored to determine the value of other origin farmers stock and those values included in the USDA posted price formula.

The Southern Peanut Farmers Federation will continue to work with our industry partners to develop more specific suggestions for the next Farm Bill and will promptly submit those to your Committee. At present, we support the continuation of the current program but will seek to update specific provisions. When the 2002 Farm Bill was drafted, peanut producers did not envision record high energy prices that impact our major crop inputs including fuel, fertilizer

and chemicals. The 2006 peanut crop will feel the full impact of these increased costs. It is important that the next Farm Bill not rest on the backs of declining farm equity. In Georgia, we anticipate a 30% reduction in peanut plantings for the 2006 crop year. High energy costs and weak contract offers are the primary variables for less acreage. Weak contract offers are a direct result of the loan repayment rate being set too high. With a declining export market, peanuts are not moving out of the loan quickly enough resulting in a buyers' market.

As the Committee is aware, the storage and handling fees provided in the 2002 Farm Bill are eliminated for the 2007 crop year. Producers consider this an integral part of the peanut program. Without these fees, the marketing loan will be reduced, for producers, in excess of \$50 per ton. With a projected 30% reduction in Georgia production in the 2006 crop year, peanut plantings could fall below pre-2002 levels in the 2007 crop year if these fees are not restored. I would be remiss not to point out to the Committee that if these fees are not included in the 2007 Farm Bill, these costs will be passed on to the peanut producer. The \$355 per ton marketing loan rate in the 2002 Farm Bill will now be reduced to an approximately \$300 per ton marketing loan rate. Producers in the Southeast will not plant peanuts at this level. If the storage and handling fees are eliminated in the next Farm Bill, the Federation requests that the Committee consider options for replacing those fees through an increase in the marketing loan rate or other options.

Finally, our peanut producers in the Southeast are very concerned about the U.S. Trade Representative's Doha Round proposal for Less Developed Countries. To allow Less Developed Countries access to markets import and duty free could severely impact U.S. peanut producers. The list of countries involved in this sector produce over twice as many peanuts as U.S. producers. We appreciated Chairman Chambliss conveying the Committee's concerns about the Doha Round negotiations to the Administration. Congress should set Ag policy, not our trade negotiators.

I am grateful for the opportunity to be here today representing Southeastern peanut growers.

Thank you.