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Statement Before the

SUBCOMMITTEE ON SPECIALTY CROPS

COMMITTEE ON AGRICULTURE

U.S. HOUSE OF REPRESENTATIVES

Washington, D.C.

Hearing to

Review the Peanut Program

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Presented By:

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Mr. Chairman and Members of the Committee:

I am Ted Higginbottom and I am the President of the Western Peanut Growers Association (WPGA). WPGA represents growers who produce approximately 80 percent of the peanuts grown in the State of Texas.

Texas Peanut Production

Texas began producing peanuts in commercial quantities during the 1930s, when growers switched from cotton to planting peanuts in many areas that were hit by boll weevils. However, it is the last two decades that have really brought great changes to Texas peanut production. Even though West Texas peanut acreage was only about 3,000 acres in 1980, peanut production in this area of Texas now exceeds 160,000 acres.

In 2002, Texas produced 868 million pounds of peanuts, which represents 26 percent of U.S. peanut production. Texas is the second largest peanut producing state, with its peanut production valued at $158 million in 2002.

The Quota Program Restricted Peanut Growers in West Texas

We appreciate the opportunity to present our views on the new marketing loan program for peanuts, which was enacted as part of the 2002 Farm Bill. We believe that this new program offers peanut growers new opportunities that were not possible under the prior peanut quota system. The quota system became unsustainable in the face of mounting challenges, including the prospect of more peanut imports under current and future trade agreements.

Under the previous program, many of our members were unable to own or rent quota, and were precluded by law from selling peanuts in the domestic market. We believe the new program has served our area well by enhancing marketing opportunities, while providing a much-needed safety net for all producers. Therefore, WPGA would like to thank this committee for its great effort and leadership to establish the new peanut program.

The New Peanut Program Benefits the Entire Peanut Industry

Specifically, we know that peanuts have moved to more productive land within Georgia, Texas, Alabama and Florida and have expanded to South Carolina.

We think this change to a marketing loan program has been good for peanut growers and has also benefited shellers and manufacturers. In fact, the committee should be commended for developing this program that has created a win-win situation for all three segments of the peanut industry.

Since Congressional approval of the new peanut program, West Texas has experienced a multi-million dollar peanut industry expansion. Throughout the South Plains of Texas, new warehouse construction and major renovations are being made on both existing and some previously vacated storage facilities. A new buying point also has been built from the ground up in Hockley County. Renovations have been made to grain facilities in Lamb and Gaines Counties. Furthermore, the area's shelling plant in Seagraves, Texas is greatly expanding its shelling and storage facilities, while an entirely new shelling operation is under construction in Terry County. So what was a struggling peanut sector is now thriving.

The New Peanut Program is Working Well

The transition to this new program has gone smoother than anyone could have hoped for. Much of the success in implementing this new program is a credit to the tireless work of USDA staff, and we applaud them for their great effort. There were some delays in getting some of the program paperwork out, which occurred in the early days of the new program, but such glitches are to be expected in making a truly dramatic change in the peanut program. Overall, we believe the new program is working well.

However, even with our strong support of the program, we do want to take advantage of this hearing to discuss a few concerns that will improve the operation of the program.

The Need for USDA to Collect Assessments

The primary issue that we would like the committee to address is USDA's unwillingness to collect national peanut board and state association assessments. USDA had a decades old policy and practice of collecting state and national assessments that for some unknown reason it ended after enactment of the new peanut program.

I have served as a past chairman for both the National Peanut Board and the Texas Peanut Producers Board. By holding these past positions, I understand the hardships that are placed on organizations due to the lack of interest to help collect these federal and state mandated assessments.

We are concerned that USDA has refused to assist grower associations in taking out the assessments that are critical to funding promotion programs developed by the National Peanut Board and for operating the state associations and commissions. There is no justification for USDA's denial of this vital service. This has become more important under the new peanut program, when the vast majority of peanuts go through the loan program.

Both the House and Senate Appropriations Committee have expressed their concern about the need for USDA to collect the assessments, by urging the Department to provide this service. The language contained in the fiscal year 2004 Agriculture Appropriations Bill Committee Report (Report 108-193, page 53) of the House Appropriations Committee is as follows:

> "Historically, the Farm Services Administration (FSA) has deducted assessments mandated by Federal and State laws when peanuts go into the USDA loan program. These assessments are used to fund research and promotion programs that peanut growers vote for in referenda conducted pursuant to Federal and States laws.
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> In the course of implementing the new peanut program authorized by the Farm Security and Rural Investment Act of 2002, FSA for the first time, refused to collect the assessments when peanuts are put into the loan program. However, the changes in the law for the new program did not require FSA to cease collecting the assessments. The new policy created great confusion in the marketplace and has inhibited the ability of peanut growers to fund their research and promotion programs. It is especially confusing because private entities who buy peanuts from producers must comply with State and Federal law and collect these assessments. Therefore, the Committee encourages FSA to revert to its previous practice of collecting assessments mandated by Federal and State statutes on peanuts when a producer places peanuts under loan. The Committee directs FSA to report within six months how it plans to comply with the Committee's directive."

Similarly, the language contained in the fiscal year 2004 Agriculture Appropriations Bill Committee Report (Report 108-107, page 84) of the Senate Appropriations Committee is as follows:

> "Historically, the Farm Service Agency [FSA] has deducted assessments, which are mandated by Federal and State laws, when peanuts go into the United States Department of Agriculture [USDA] loan program. These assessments are used to fund research and promotion programs that peanut growers vote for in referenda conducted pursuant to Federal and States laws.

In 2002, FSA did not collect any peanut promotion program assessments. Because of this inaction, great confusion occurred in the marketplace and inhibited the ability of peanut growers to fund their research and promotion programs. Therefore, the Committee directs FSA to continue to collect assessments as mandated by Federal and State statutes when peanuts are placed under loan. Within 6 months of the date of enactment of this Act, FSA shall provide a report to the Committee on its efforts to implement this directive."

We encourage this committee to also take an active role in requiring the USDA to again carry out its historical function of collecting such assessments.

Harvest Expense Deduction

In addition, several of our growers have expressed their concerns to us about the need for certain production expenses to be deducted from their loan proceeds. These production expenses include custom harvesting, drying, cleaning and possibly seed costs. Such expenses were shown as deductions on USDA Farm Service Agency Form 1007 and buying points withheld these expenses from checks being issued for each grower's crop.

Since growers found this deduction under the former program to be advantageous, we ask the committee for its assistance in having this system reinstated, with FSA being the entity in position to make this function workable. This system seemed to work well for growers, buying points, shellers and financial institutions.

Crop Insurance Concerns

The last issue that I want to mention is a problem that I raised in testimony presented to the Subcommittee on General Farm Commodities and Risk Management on December 1, 2003. The crop insurance program for peanuts has not been changed to reflect the changes in the peanut program. Producers of other program crops have the ability to insure actual production history (APH) on acreage by unit or section, based on irrigated and non-irrigated practices. Peanuts are still operating under the program that was designed for the old quota system. Peanut farmers can only have a separate unit if the acreage is given a separate FSA serial number.

WPGA brought this issue to the Risk Management Agency's attention in March of 2003 during a meeting with RMA Administrator Ross Davidson and representatives from the RMA's Oklahoma Regional Office. During this meeting, RMA promised that the optional unit standard would be changed for the 2004 crop year. However, the contract change date for peanuts was November 30, 2003, and RMA failed to release a new policy for the 2004 crop year. Thus, we ask the committee to join us in pressing for this change in the 2005 crop year.

Conclusion

We believe that the new peanut program has a few issues that need to be addressed, but with the committee's help, we can sort through these concerns. I want to conclude by again commending the committee for its leadership in designing this new peanut program that provides U.S. peanut growers with the tools to become a very dynamic agriculture sector.

Thank you again for allowing us the opportunity to comment on the new peanut program. I look forward to answering any of your questions.