

# Peanut Producers' Perceptions and Attitudes Toward Alternative Marketing Institutions



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## Conversion Table

<b>U.S.</b>		
<i>Abbr.</i>	<i>Unit</i>	<i>Approximate Metric Equivalent</i>
<b>Length</b>		
mi	mile	1.609 kilometers
yd	yard	0.9144 meters
ft or'	foot	30.48 centimeters
in or"	inch	2.54 centimeters
<b>Area</b>		
sq mi or mi <sup>2</sup>	square mile	2.59 square kilometers
acre	acre	0.405 hectares or 4047 square meters
sq ft or ft <sup>2</sup>	square foot	0.093 square meters
<b>Volume/Capacity</b>		
gal	gallon	3.785 liters
qt	quart	0.946 liters
pt	pint	0.473 liters
fl oz	fluid ounce	29.573 milliliters or 28.416 cubic centimeters
bu	bushel	35.238 liters
cu ft or ft <sup>3</sup>	cubic foot	0.028 cubic meters
<b>Mass/Weight</b>		
ton	ton	0.907 metric ton
lb	pound	0.453 kilogram
oz	ounce	28.349 grams
<b>Metric</b>		
<i>Abbr.</i>	<i>Unit</i>	<i>Approximate U.S. Equivalent</i>
<b>Length</b>		
km	kilometer	0.62 mile
m	meter	39.37 inches or 1.09 yards
cm	centimeter	0.39 inch
mm	millimeter	0.04 inch
<b>Area</b>		
ha	hectare	2.47 acres
<b>Volume/Capacity</b>		
liter	liter	61.02 cubic inches or 1.057 quarts
ml	milliliter	0.06 cubic inch or 0.034 fluid ounce
cc	cubic centimeter	0.061 cubic inch or 0.035 fluid ounce
<b>Mass/Weight</b>		
MT	metric ton	1.1 tons
kg	kilogram	2.205 pounds
g	gram	0.035 ounce
mg	milligram	3.5 x 10 <sup>-5</sup> ounce

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# Acknowledgment

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## Introduction

The peanut industry, similar to the entire agricultural industry, is continually moving towards increased concentration in the first buyer, processing and input sectors. This especially holds true for the first buyer (i.e., shellers) market. Currently, two firms control more than 80 percent of the peanut shelling market in Georgia. This increased concentration, combined with adverse weather effects, has resulted in increased market volatility for Georgia peanut farmers. They have seen several major droughts since 1980, the most recent being the 2000 crop year. The reduction of the peanut quota support price, decreasing world commodity prices and the threat of major peanut program modifications in the upcoming 2002 Farm Bill have Georgia peanut growers searching for answers to the problems of production and price risk for their enterprises. For many years, peanuts have been one of the major crops Georgia farmers have relied on to provide a profit. Farmers have tried to ensure that the profit from peanuts offset the possible losses for the other commodities in their rotation. Now, the emphasis is shifting toward offsetting potential losses in growing peanuts (Fletcher, 2000).

Georgia peanut growers currently do not have effective tools for reducing price risk if the peanut program is significantly modified or ceases to exist. Even though prices they receive for other commodities have been low for the past few years, farmers have utilized futures markets to decrease the risk of large price fluctuations. Currently, there is no futures market for peanuts. Peanut producers also do not have the federal marketing orders or multiple forward contracting options available to producers of other selected commodities. Thus, Georgia peanut growers must either utilize forward contracts to reduce price risk or self-insure. Self-insuring involves a producer taking on all the marketing risks and can involve a great deal of financial uncertainty, while forward contracting is limited to a highly concentrated first buyer market. Producer receptiveness to alternative peanut marketing strategies need to be examined in light of

the increased concentration and before the peanut program is drastically modified or eliminated. Producer attitudes and perceptions need to be transparent to researchers so that practical solutions to the current problems can be investigated.

The primary alternative marketing institution investigated in this research is a new generation cooperative (NGC). NGC is a term that has been applied to about 50 cooperatives that have emerged in Minnesota and North Dakota since the early 1990s and have since spread across the country (Hancock, Skees, and Zeuli, 2000).<sup>1</sup> They are called NGCs for three primary reasons. First, they represent the newest generation of cooperatives. Second, their major focus is on value added processing rather than the past objective of commodity marketing. Third, rather than acting as a clearinghouse, a NGC is restricted to only accepting a predetermined amount of commodity from its members (Stefanson, Fulton, and Harris, 1995).

The secondary alternative marketing institution investigated in this research is a Federal Marketing Order (FMO). A FMO is a government-sanctioned institution authorized to facilitate the marketing activities of agricultural products (Farris, 1997). There are currently 36 active marketing agreements and order programs for various fruit, vegetable, and specialty crops as well as an additional program for peanuts (Agricultural Marketing Service, 2000). The marketing structure of the milk industry is one example of an FMO. They are used for a variety of purposes such as setting a minimum price, quality standards, or production limitations.

## Objectives

The objective of this report is to quantify peanut producers' perceptions of the current marketing environment and their receptiveness to alternative marketing structures. The specific structures examined are a new generation cooperative and a Federal Marketing Order.

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<sup>1</sup> Sugarbeet processing co-ops in North Dakota and Minnesota are the earliest examples of NGCs.

## Procedure

The target area for this study was the state of Georgia, which included farmers who had applied for a peanut marketing card in 1999. A marketing card is issued in the name of the farm operator for each farm on which peanuts are produced in the United States in the current year, and is used for marketing that operator's peanut production (Agricultural Regulations 2000). The marketing list used consisted of all farmers in Georgia who grew peanuts for the 1999 marketing year in addition to quota holders who assumed partial risk of production.

Once the questionnaire was developed, farmers were notified of the survey several ways including County Extension Agents, Farm and Plantation Magazine, Georgia Farm Bureau, Georgia Peanut Commission, and Georgia Peanut Producers Association. After the initial response, another letter and copy of the questionnaire were mailed to give producers a second chance to respond.

The survey was used to collect information in four different areas. The first section of the questionnaire requested marketing information (Appendix A). The purpose of this section was to gather data on producers' income expectations, contract information, and their satisfaction with the current marketing situation.

The second section requested feedback on the concept of a producer-owned, marketing NGC (Appendix B). A brief description of an NGC and some of its benefits were provided (Cobia, 1989). Farmers were asked about their interest in cooperatives, specifically a new peanut NGC as well as existing cooperatives, along with the services they feel a peanut NGC should provide. Once the NGC concept was introduced, the farmers were presented with questions that dealt with financing a producer-owned, peanut NGC. These financing questions range from initial investments to withholding profits in order to finance the cooperative.

The third section dealt with the idea of other alternative marketing methods (Appendix C). This section gave farmers a chance to voice their opinion on the current marketing system. They were also asked if the current USDA grading system would be adequate in the presence of a cash market and forward contract market; and who should operate or sponsor these markets if they existed. Finally, producer reaction to a Federal Marketing Order (FMO) was sought, including specifics on how this type of marketing organization should perform.

The final section of the questionnaire dealt with the demographics of the producer (Appendix D). They were asked to provide information on their entire operation as well as specific data on their peanut operation such as: acres, quota peanuts sold, additional peanuts sold, land

rent, and location. Producers were also given space to provide their personal ideas or suggestions that would help them grow peanuts profitably in the absence of the current peanut program.

Of the 5,219 producers surveyed, 638 surveys were returned with 571 usable ones, a 10.9 percent usable response rate. One of the criteria for a usable response was that the respondent either supplied information on the number of peanut acres grown or the number of pounds of peanuts produced. Without this production information, whether or not there was enough interest to supply a peanut NGC could not be determined. The remaining surveys were not usable for one of several reasons: not deliverable, unfilled, no longer farming, currently rent out land, etc.

## Results

The results are discussed in two areas. The first section includes results from the entire sample (See Appendices A-D). In the second section, the respondents were broken down into several demographic groups. These groups include location, size, irrigation practice, and willingness to join a cooperative (Appendix E). This analysis will show how these groups responded to various questions on the survey instrument.

### Overall Response

Data provided are divided into four main categories: marketing, cooperative, alternative marketing, and operation questions. This section provides results from "all producers." The data discussed deal with such issues as: income potential, satisfaction with the current marketing situation, demand for cooperative services, potential for marketing alternatives, and finally, specific operational questions concerning new generation cooperatives.

#### MARKETING

The data in this section provided results on how producers currently market their peanuts as well as producer perceptions of the current marketing structure and performance.

#### *Income Potential*

Producers estimated their income potential for 2001 through 2002 and the next five years. The scale was excellent, good, fair, poor, or very poor (Figure 1, page 7). Most felt their income would be average to poor for both time frames. Farmers were more optimistic for the two-year out look than for the five-year. Twenty-two percent of the respondents felt they had a better than average income potential for the next two years, 50 percent felt their two-year income potential was average, while 28

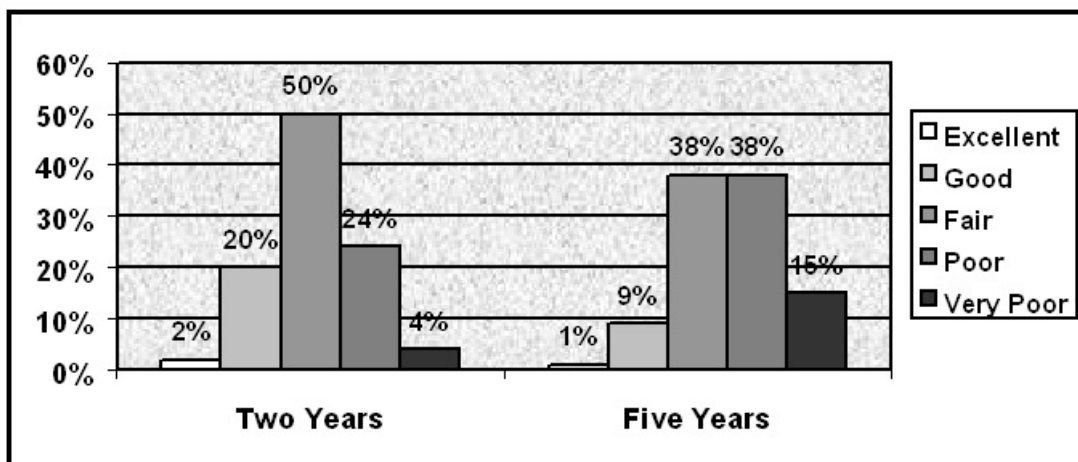


Figure 1: Income Potential for All Respondents

percent felt they had a less than average income potential in two years.

Ten percent felt they had a better than average income potential for the next five years. Another 38 percent felt their income potential for the next five years was average, while 53 percent felt they had a less than average income potential over the next five years. Peanut farmers, in general, seemed to feel that their long-run income potential was worse than their short-run income potential. Much of the uncertainty may be due to the potentially negative changes to the peanut program in the 2002 Farm Bill.

### Current Marketing Situation

Data were provided on peanut producers' satisfaction with the current price information, marketing information, and the number of peanut buyers. The results showed a general dissatisfaction with each topic (Figure 2). Forty-seven percent of peanut farmers were indif-

ferent with the current price information available to them, 39 percent were dissatisfied or very dissatisfied and only 15 percent were satisfied or very satisfied. Forty-six percent of peanut farmers dissatisfied or very dissatisfied, with the current marketing information provided to them, 39 percent were indifferent and 16 percent were satisfied or very satisfied. Sixty-six percent of peanut farmers were dissatisfied or very dissatisfied with the current number of peanut buyers operating in Georgia, 22 percent indifferent and 13 percent satisfied or very satisfied. This seems reasonable, considering the high concentration and lack of competitiveness in this sector. There are currently only two significant companies offering shelling services in Georgia.

Peanut farmers were generally indifferent to the price information that is currently being offered. Peanut farmers are generally more dissatisfied with marketing information than price information. A possible explanation for this is the quota price is set and does not fluctuate.



Figure 2: All Respondents' Satisfaction with the Current Marketing Environment

tuate throughout the year according to demand. Therefore, price information is not as important to farmers growing a majority of quota peanuts because the price is already set. The price risk they face is limited to the peanut quality standards required for receiving the set quota price.

The data show that 66 percent of peanut farmers were dissatisfied with the current number of buyers. The most likely explanation is the recent consolidation in the shelling industry in Georgia. Consolidation in the shelling industry leaves Georgia peanut farmers fewer options when marketing their peanuts, especially in the absence of the peanut program. This consolidation could also lead to price fixing by large shelling firms.

### ***Peanuts Contracted***

The average tons per farmer of quota peanuts contracted were 158 for 1999 and 160 for 1998. Some producers contracted many more quota peanuts than the average and over half of the respondents did not report contracting quota peanuts at all. Farmers that do not contract quota peanuts for two consecutive years lose the quota support price. There was a similar situation with additional contracts. Responding producers reported that on average they contracted 99 tons of additional in 1999 and 81 tons in 1998. However, most growers reported that no additional tons had been contracted for either year. Forward contracting with shelling firms is a common marketing tool used by peanut producers, so these low response values were probably due to producers not completing the survey rather than not contracting any quota or additional peanuts.

### ***Contract Price***

While compiling the contract price, the mean and the mode were only taken for observations greater than zero. This is due to the fact that some producers entered zeros,

but it should be safe to assume that no one gave their peanuts away. The average contracted price for quota peanuts in 1999 was \$614 per ton and \$627 for 1998 (Figure 3). The difference in the modes in this case is somewhat unexpected. For 1999, the mode was \$610 per ton, and in 1998 it was \$650 per ton. So in 1999, the price distribution was slightly skewed to the right, and in 1998 it was skewed to the left. The average reported price for additional peanuts in 1999 was \$324 and \$347 in 1998. The modes were \$325 and \$350 in 1999 and 1998 respectively. It can be concluded that additional prices were more normally distributed than the quota prices reported. This heavier skew in the price data for quota peanuts is probably caused by the price support.

### **COOPERATIVE**

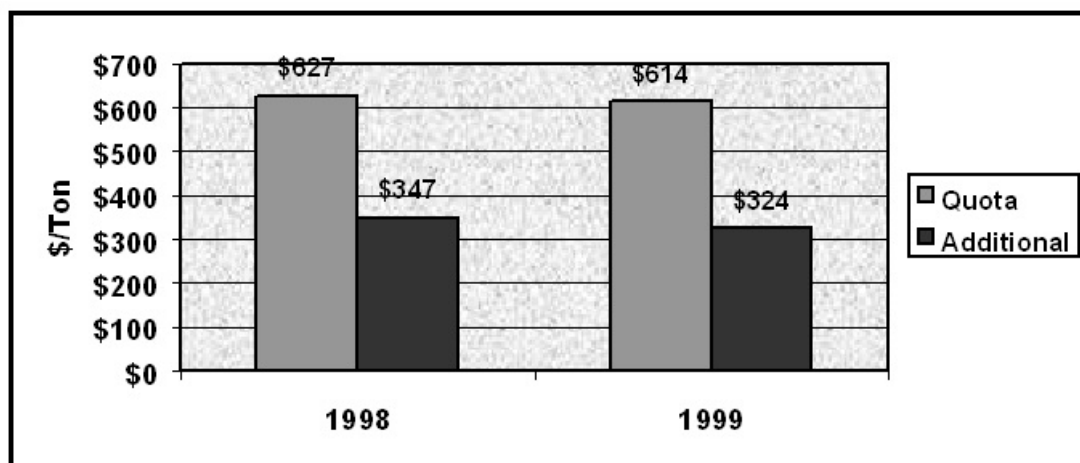
The cooperative data captures the producer's attitude towards the idea of forming a peanut NGC. The NGC idea is used as an alternative to the current service cooperatives that Georgia peanut producers patron. A NGC differs from current marketing cooperatives in the peanut industry by giving peanut growers more control over the marketing of their peanuts as well as the possibility of capturing value-added profits. The data in this section also includes feedback regarding the services a peanut NGC should provide and how it should be structured.

### ***Peanut NGC***

Results show that 61 percent of the farmers felt that under the current program a peanut NGC should be created for marketing peanuts; however, the percentage increased to over 74 percent if the current peanut program ceased to exist (Figure 4, page 9).

### ***Cooperative Services***

Producers ranked nine different services potentially offered by a peanut NGC. Services include the following:



**Figure 3: Average Peanut Contract Price for All Respondents**



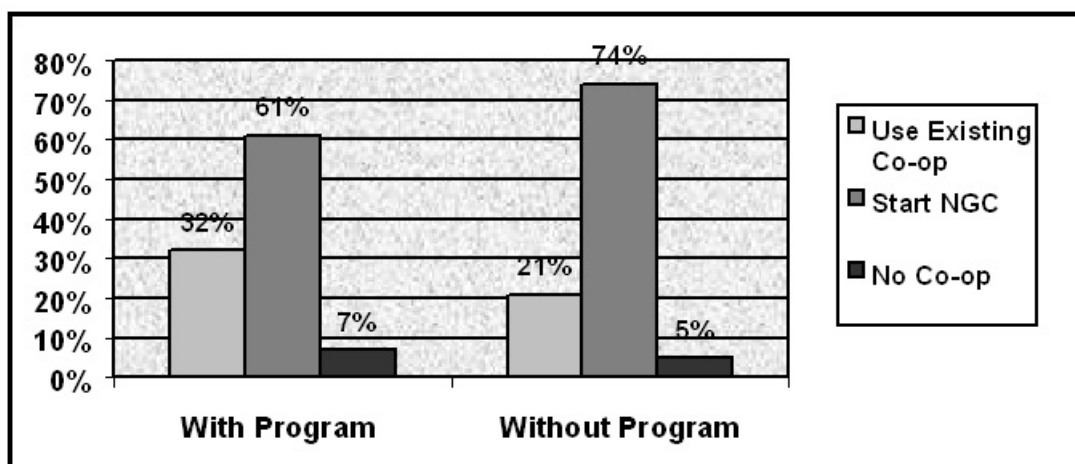


Figure 4: Farmers' Preferences Toward a Peanut NGC

- Transportation and marketing peanuts to private shellers
- Cooperative shelling of peanuts
- Operating buying points
- Marketing of member stock peanuts
- Marketing of cooperative shelled and/or processed peanuts
- Custom harvesting
- Production and harvesting supplies
- Equipment rental
- Crop Insurance

The results of the ranking were indexed in order to discover the most desired services. The number of observations that ranked a service as one (most desired) was multiplied by nine, two by eight, and so on. The total value was then summed for the service and divided into the total of all the services to create the index. The most requested service for the cooperative was the marketing of member stock peanuts, followed by the marketing of cooperative shelled and/or processed peanuts (Table 1). Operating buying points, cooperative shelling of peanuts, and transportation and marketing of peanuts to private shellers were commonly requested services. The co-op providing crop insurance and production and harvesting supplies also sparked some interest, while equipment rental and custom harvesting received little priority.

### ***Peanut NGC Financing***

When forming a NGC, many structural details must be addressed. For a NGC to survive, it must be capitalized, be able to guarantee a certain level of throughput<sup>2</sup>, and be able to pay the farmers for their peanuts without being

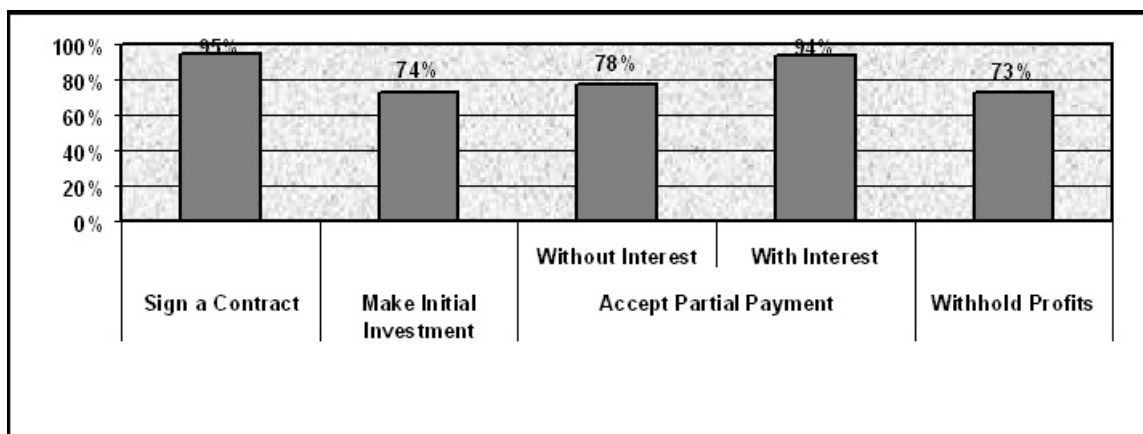
financially stressed. The producers provided data on how receptive they would be to some of the finer points of keeping a peanut NGC viable. Since the NGC members must provide enough throughput to run a peanut NGC at maximum efficiency, it is necessary for the producers to sign a contract to deliver their share of the product. Of those who responded, 95 percent said they would be willing to sign a contract to market through a peanut NGC at competitive prices in the future (Figure 5, page 10). If enough producers are willing to sign a contract, it is then necessary to provide a means of financing the cooperative.

Four standard means of financing NGCs were introduced to find the most favorable means of financing. Banks generally require NGC members to make an initial investment of 25 percent to 50 percent of the capital

Table 1: Ranking of Requested Cooperative Services

Rank	Cooperative Service	Index
1	Marketing of member stock peanuts	0.23
2	Marketing of cooperative shelled and/or processed peanuts	0.18
3	Operating buying points	0.16
4	Cooperative shelling of peanuts	0.14
5	Transportation and marketing of peanuts to private shellers	0.12
6	Crop insurance	0.06
7	Production and harvesting supplies	0.06
8	Equipment rental	0.03
9	Custom harvesting	0.02

<sup>2</sup> Throughput is defined as the capacity of peanuts shelled by a cooperative.



**Figure 5: Producers' Attitudes Toward Peanut NGC Financing Methods**

needed to purchase equipment and finance operations. Of the entire sample, 74 percent of the farmers responded they would be willing to make an initial investment. Seventy-eight percent reported they would be willing to accept a partial payment of 70-80 percent of their crops value at delivery with the remainder being disbursed within 30-60 days with no interest paid on the balance. If interest were added to the remaining balance, 94 percent would be willing to accept a partial payment.

Withholding profits on a per-unit basis is another option used to finance a NGC. Profits are withheld and credited to the member-farmer's account to be used by the NGC. The profits would be returned to the members at a later date with no interest paid on the withheld money. Of those who responded, 73 percent said they would be willing to finance a peanut NGC in this manner. The cooperative could also use a combination of partial payments and withholding profits.

Peanut farmers would generally be willing to accept any of these financing mechanisms to help assure the success of a NGC. The two most likely scenarios for

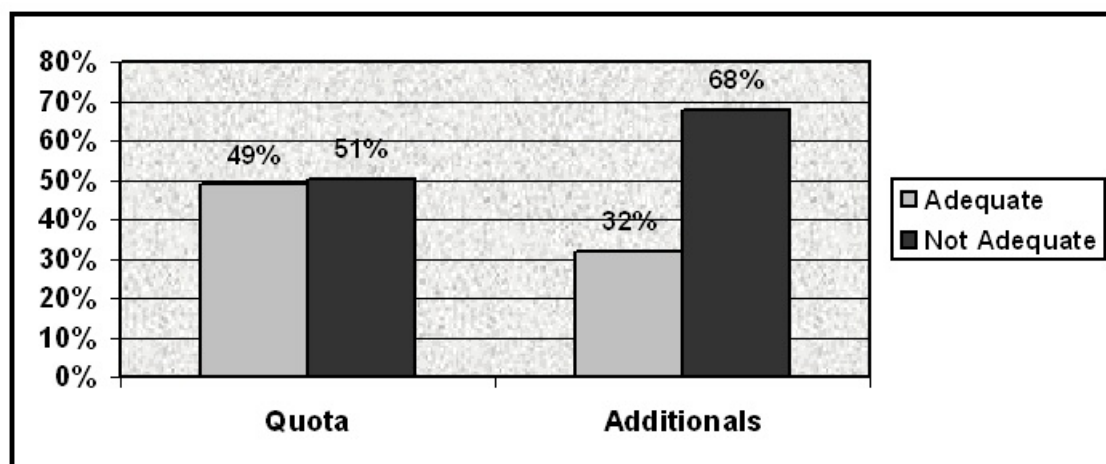
financing the NGC would be to require farmers to sign a contract to market a certain amount of peanuts through the cooperative, and to allow farmers to accept a partial payment for their peanuts with interest paid on the balance owed to the farmer. The limiting factors for financing a NGC would be the requirement of an initial investment and withholding profits on a per-unit basis.

#### **ALTERNATIVE MARKETING METHODS**

This section provides producer feedback on the current marketing program as well as some alternatives to the current program. The data in the alternative market section deals with the peanut marketing system, sponsoring or operating markets, as well as the idea of a Federal Marketing Order (FMO).

#### ***Current Marketing System***

A small majority of the peanut producers felt the current marketing system was inadequate for both quota and additional peanuts (Figure 6). For all producers, only 49.5 percent of the respondents felt that the current marketing system was adequate for quota peanuts. The



**Figure 6: Producers' Attitudes Toward the Current Marketing System**

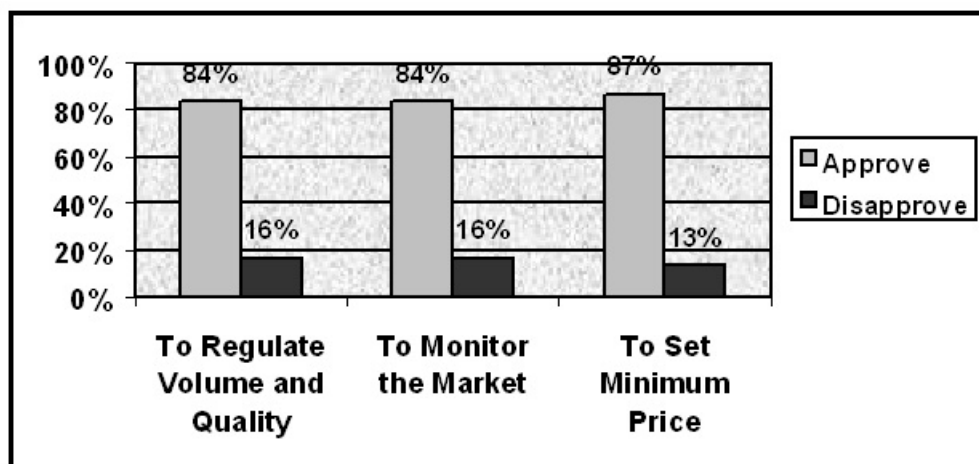


Figure 7: Producers' Attitudes Toward a Federal Marketing Order

numbers fell considerably when asked about the adequacy of marketing additional peanuts (32 percent). This was probably due in part to the lack of a higher price support for additional peanuts.

The results regarding the use of a FMO are presented in Figure 7. More than 80 percent of all producers who responded were in favor of establishing a FMO for the purposes of regulating the volume and quality of farmers' stock peanuts and to establish price by grades. They responded similarly to use the FMO to monitor the market and to set minimum prices. The entire sample showed a slightly more positive response to using the FMO for monitoring the peanut market.

Cash and forward contract markets were also considered as alternatives. Producers provided data, assuming that new markets were desirable, on who should sponsor or operate a cash market and forward contract market. They could choose as many potential operators

as they desired. For all farmers, the top choice to sponsor or operate a cash market was a peanut producer organization, while shellers and processors were the most popular choices for a forward contract market (Figure 8). A new marketing cooperative was the most popular response for both markets.

#### OPERATION FACTORS

The mean acreage for irrigated peanuts in 1999 (only considered for those reporting an acre value greater than zero) was 184 and the mode was 100 acres, while non-irrigated (dryland) peanuts averaged 118 acres with a mode of 80. It is assumed that for a peanut NGC to guarantee a certain level of throughput, it will have to contract mostly, if not only, irrigated peanuts to assure that contracts get filled in spite of dry weather. The results of irrigated peanut farmers are discussed further in the "Irrigated" Farmers section of this paper.

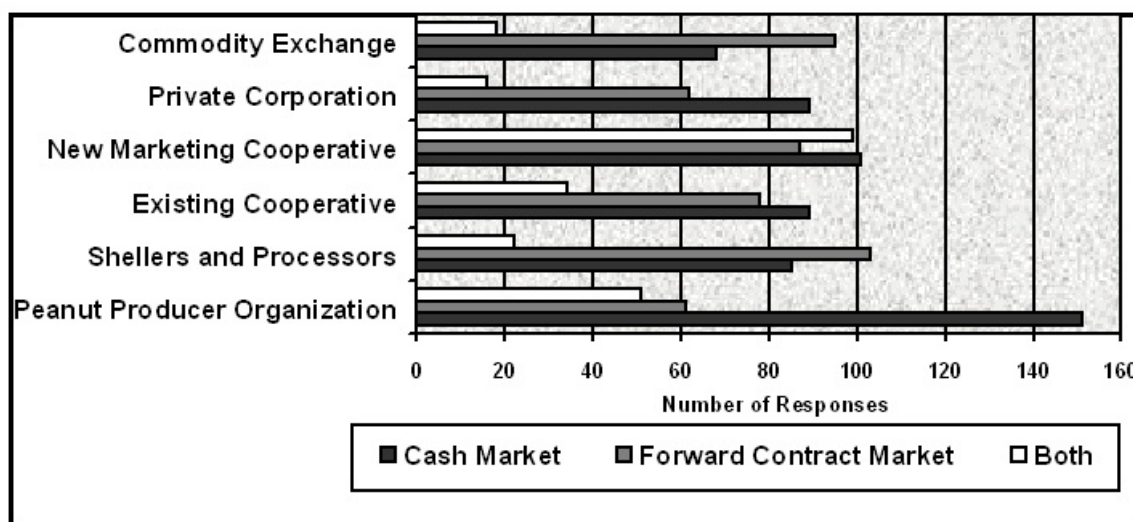


Figure 8: Who Should Sponsor or Operate Market?

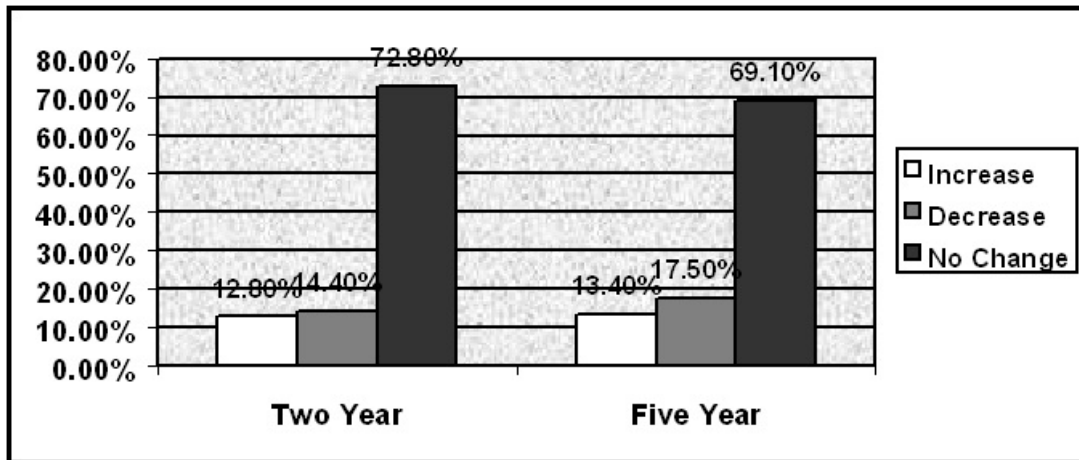


Figure 9: Expected Change in Planted Peanut Acres

Table 2: Poundage Sold and Average Grade in 1999

	Mean	Mode	Grade
Lbs. of quota peanuts sold commercially	318,153	600,000	71
Lbs. of quota peanuts sold through loan	126,687	200,000	71
Lbs. of additional peanuts sold commercially	238,289	80,000	72
Lbs. of additional peanuts sold through loan	87,092	14,000	72

The mean and mode were also taken of values greater than zero for pounds of peanuts sold and the average grade reported. The majority of both quota and additional peanuts (72 percent) were sold commercially (Table 2). The average grade for additional (72) was slightly higher than that for quota peanuts (71). Seventy-one percent of producers also utilized the buy-back mechanism for additional peanuts.

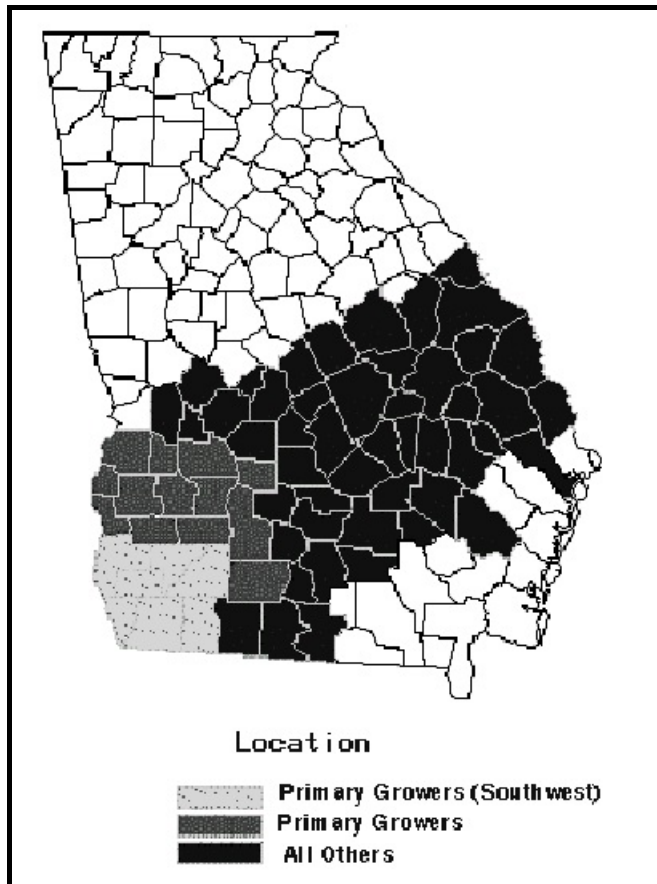
The average pounds of quota peanuts owned for those who reported owning quota were 187,747 pounds with a mode of 300,000 (Appendix D). So, the distribution of quota pounds owned is skewed to the left. The distribution of quota rented was the opposite of quota owned, with a mean of 49,436 pounds and a mode of 100,000. So the majority of those who reported owning quota own somewhere around 300,000 pounds with a few that own a lot less. The majority of those who reported renting quota rent around 100,000 pounds, while a few rent a lot more. Farmers reported an average rental rate of 10 cents per pound for peanut quota on irrigated land, unchanged from 1998, and 9.6 cents per pound for peanut quota on non-irrigated land, up from 9.4 cents in 1998.

When producers were asked about their utilization of the buy-back mechanism and fall transfer option, only 9 percent claimed to use the buy-back in 1999, down from 46 percent in 1998. In 1999, 50 percent used fall transfer, up from 37 percent in 1998. The increase in fall transfer is partly due to the drought year experienced in 1999, which prevented many farmers from producing their entire quota.

Finally, to gain a better estimate of the volume of peanuts that might be available to a peanut NGC, producers estimated the change in the number of acres of peanuts they would produce over the next two and five years. Farmers checked increase, decrease, or no change, and did not enter an acre value, so the results were only calculated as a percentage response and not acreage change (Figure 9).

#### OTHER COMMENTS

Of the open-ended questions asked, several common responses were returned. Some of the primary comments dealt with allowing “inferior” peanuts to be imported into the United States and treating them the same as the “high-er quality” Georgia peanuts. Most producers perceived that imports combined with an increasing concentration of shellers were the main reasons for low peanut prices. These low prices, combined with higher input costs (perceivably caused by a high concentration in the input sector), have caused a drastic drop in producer profits. Many producers also felt that the government is not providing enough assistance. They do not feel that they can afford to grow peanuts at the current world market price, especially considering the tougher regulations on chemical use that American farmers face. A small number also replied that they would not be growing peanuts next year.



**Figure 10. Location Demographic Breakdown**

## Response by Demographic

The first group presented in the demographic analysis is “all producers,” which includes observations from all “usable” responses. As stated earlier, there were 571 “usable” respondents. The second demographic group segregates respondents based on location. Figure 10 shows the three different location divisions.

All respondents in the following counties are considered “primary growers”: Baker, Calhoun, Clay, Colquitt, Crisp, Decatur, Dougherty, Early, Grady, Lee, Miller, Mitchell, Quitman, Randolph, Seminole, Stewart, Sumter, Terrell, Webster and Worth (Figure 10). All other counties’ respondents are considered “all others” (Figure 10). This location breakdown of counties was drawn from the concentration of irrigated acres in the peanut producing region of the state. The “primary growers” tend to have more irrigated acres than all other farmers. For further analysis, the “primary grower” region is broken down into “Southwest growers” that includes the following counties: Baker, Decatur, Early, Grady, Miller, Mitchell and Seminole. “All other primary growers” include those in the primary growers location that are not considered Southwest counties. This allowed

for a more concentrated location of farmers based on irrigation and percentage of production.

The third demographic splits all respondents into four size categories. First, all farmers who reported growing less than 250 acres of peanuts will be considered “small producers.” The farmers who reported growing at least 250 acres of peanuts will be considered “large producers.” Those farmers growing at least 500 acres will be considered “very large producers,” while the farmers growing less than 500 acres will be considered “small to large producers.”

The fourth demographic considers farming practices. Those farmers who have irrigation on at least 50 percent of their peanuts are defined as “irrigated” farmers. Those farmers who have irrigation on less than 50 percent of their peanuts are defined as “dryland” farmers.

The fifth and final grouping divides all respondents according to how they answered the questions discussing a peanut NGC under the two scenarios of the current program. The two program scenarios are: “Program” (under the current program or if the current program should remain) and “No Program” (if the current program should be discontinued). Those respondents who are classified as “NGC inclined” must meet one of the following criteria: 1) Answer yes to a peanut NGC under both scenarios or 2) Answer no to a peanut NGC under the “program” scenario but answer yes to a peanut NGC under the “no program” scenario. Those respondents who answered no to a peanut NGC under both program scenarios were defined as “NGC averse.” Finally, those respondents that answered yes to a peanut NGC under the “program” scenario but no to a peanut NGC under the “no program” scenario were defined as “illogical.” The illogical answers could be attributed to a misunderstanding of the question, not much thought in answering the questions, or those farmers may not grow peanuts without the peanut program and feel that a NGC would not help in its absence.

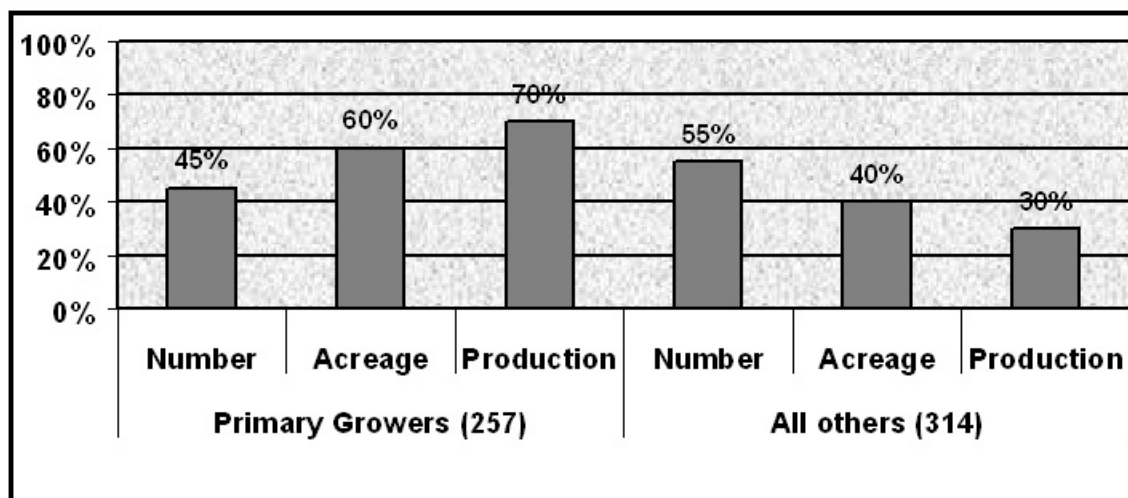
## PRIMARY GROWERS VS. ALL OTHER GROWERS

There were 45 percent of farmers in the “primary grower” region and 55 percent in the “all other” region (Figure 11, page 14). The “primary growers” account for 60 per-cent of the total acreage and 70 percent of the total production reported.

### *Primary Growers*

Of the 257 usable respondents in the “primary grower” region, there were 29 farmers who did not report peanut acres. Of the 228 “primary growers” who reported peanut acres, 73 percent were “NGC inclined”, 22 percent were “NGC averse” and 5 percent answered





**Figure 11: Primary Growers vs. All Other Growers**

“illogically.” There were 58 percent of “primary growers” who were “NGC inclined” and “irrigated,” but only 43 percent of those were “large producers.” There were 42 percent of “primary growers” who were “NGC inclined” and considered “dryland” farmers, with 22 percent of those being “large producers.”

#### **All Others**

Of the 55 percent respondents considered “all others,” 11 percent of those farmers did not report peanut acres. Of the 281 farmers considered “all others” and reporting peanut acres, 73 percent were “NGC inclined” and 21 percent were “NGC averse.” The remaining 8 percent answered “illogically” to the peanut NGC question. Of “all other” growers, there were 45 percent “NGC inclined” farmers who were “irrigated,” and 14 percent of those were “large producers.” Of the 55 percent in the “all other” region who were “NGC inclined,” “dryland” farmers, 13 percent were “large producers.”

#### **SIZE COMPARISON**

Of the 571 usable responses, 19 percent were “large producers,” 7 percent were “very large producers,” and

70 percent were “small producers” (Figure 12). Eleven percent did not provide peanut acreage data.

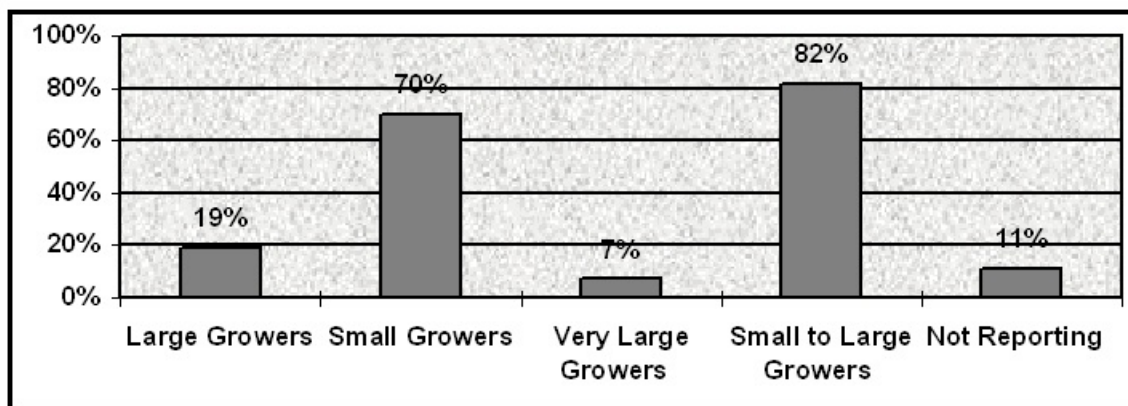
#### **IRRIGATED VS. DRYLAND**

Thirty-one percent of “all producers” either did not respond or reported having no irrigated peanuts. Forty-five percent were classified as “irrigated” farmers and 44 percent as “dryland” farmers (Figure 13, page 15). Of “irrigated” farmers, 27 percent were “large producers,” 11 percent were “very large producers,” 89 percent were “small to large producers,” and 73 percent were “small producers.”

Of “dryland” farmers reporting peanut acres, 15 percent were “large producers,” 4 percent were “very large producers,” 96 percent were “small to large producers,” and 85 percent were “small producers” (Fig. 14, page 15).

#### **RECEPTIVENESS TO A PEANUT NGC**

Of “all producers,” 73 percent were “NGC inclined,” 22 percent were “NGC averse,” and 5 percent answered the cooperative questions “illogically”(Fig. 15, page 15).



**Figure 12. Percentage of Producers by Size**

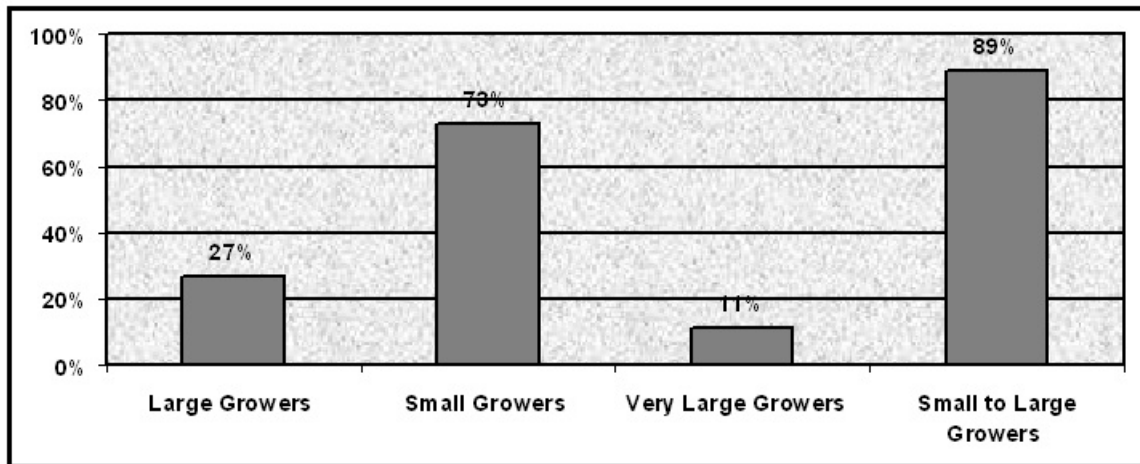


Figure 13. "Irrigated" Farmers by Size

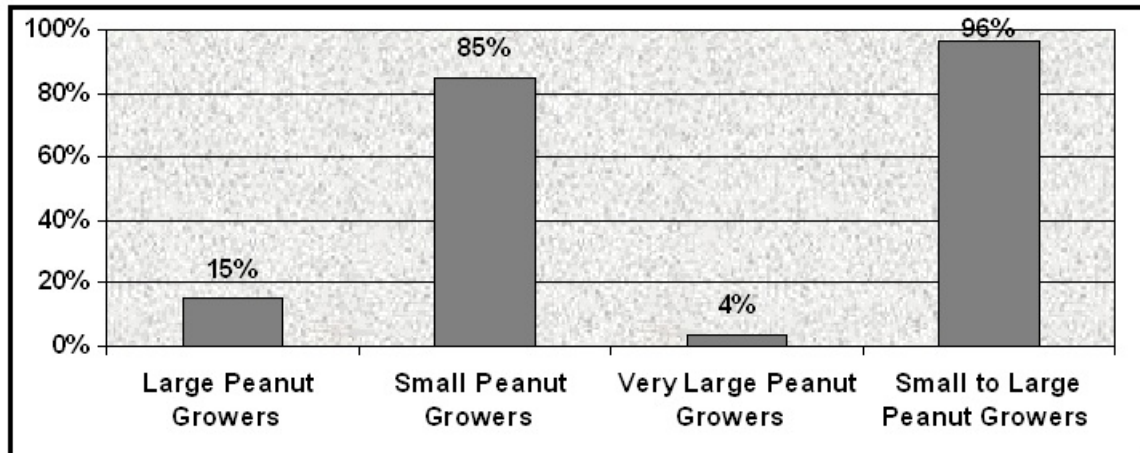


Figure 14. "Dryland" Farmers by Size

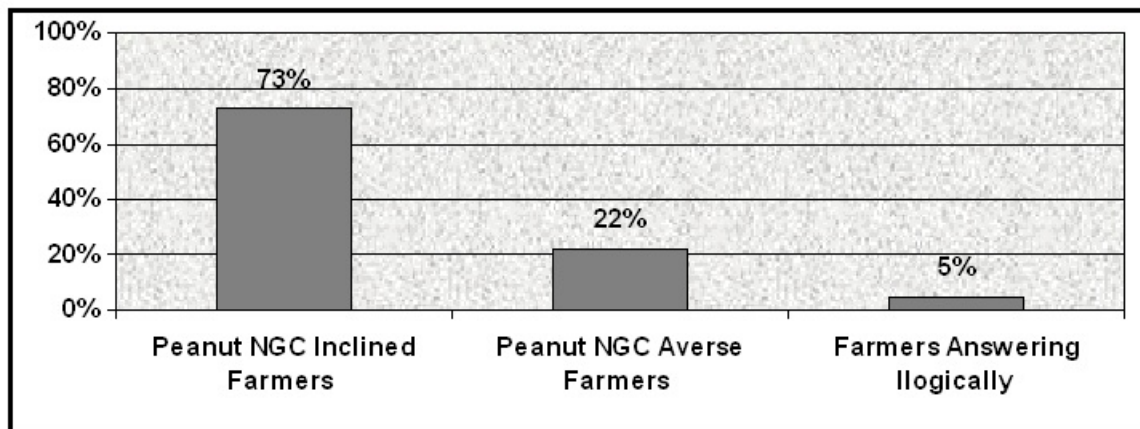


Figure 15. Preference for a Peanut NGC

### ***Peanut NGC Inclined Farmers***

There were 73 percent “NGC inclined” farmers, with 11 percent of those farmers not reporting acres. Of those farmers reporting peanut acres and who were “NGC inclined,” 23 percent were “large producers” and 65 percent of those were “irrigated.” Eight percent were “very large producers” and 76 percent of those were “irrigated.” Thirty-six percent were “small producers” who were “NGC inclined” and “irrigated.” Ninety-two percent were “small to large producers” that were “NGC inclined,” and 49 percent of those were “irrigated” farmers.

### ***Peanut NGC Averse Farmers***

Twenty-two percent of “all producers” were “NGC averse,” with 12 percent of those farmers not reporting peanut acres. Of the 20 percent of “all producers” who were “NGC adverse” and reporting peanut acres, 17 percent were “large producers” and 78 percent of those were “irrigated.” Six percent were “very large producers” and 71 percent of those were “irrigated.” Ninety-four percent were “small to large producers” and 51 percent of those were “irrigated” farmers.

## **Summary and Implications**

The peanut industry is a mainstay in Georgia’s economy, especially in South Georgia. The presence of a federally supported price coupled with a supply management program has helped individual peanut farmers in times of crisis, but may have hurt the industry as a whole. World trade agreements such as GATT, WTO and NAFTA have had a negative impact on peanut farmers in the past five years by allowing foreign peanuts into the United States through the elimination of Section 22 trade barriers. The issues of free trade, along with the consolidation occurring in all sectors of the peanut industry, especially among shellers, have producers searching for relief from decreasing profits. The consolidation has caused many problems in the peanut industry such as asymmetric price information and lack of market power for producers. The most pressing problems for farmers are the small number of buyers and the threat of price support reductions for peanuts. In addition, the increased number of droughts in the 1990s, along with the severe drought during the 2000 growing season, has increased production risk for Georgia peanut growers. The potential loss of the peanut program on top of all these other adverse conditions give peanut growers an added incentive to seek innovations that will increase profitability. Marketing alternatives are considered as a possible relief to price volatility.

This study was initiated to evaluate the potential acceptance of marketing alternatives among Georgia’s peanut farmers and quantify their attitude toward these alternatives in the presence and absence of the current peanut program. This was done so that future research could be limited to practical solutions to the current peanut marketing problems. The alternative that was given the most priority for this study was the new generation cooperative. This alternative would give farmers a means of adding value to their peanuts by NGC shelling and possibly further processing, as well as increasing their marketing power through pooling and purchasing of inputs. Farmers were categorized by several demographic factors to help delineate a profile for certain responses. Using operational data such as acres, production, irrigation and location, the farmers were grouped according to primary growers and all others, large and small farms, and irrigation practices. Peanut farmers generally felt that their long-run income potential was worse than their short-run income potential. It was also found from the study that farmers were generally dissatisfied with many aspects of the current peanut industry such as price information, marketing information, number of buyers, and the current marketing system for quota and additional peanuts. Peanut growers were most dissatisfied with the current number of buyers due to the recent consolidation in the peanut shelling industry. Location, size, and irrigation all had a significant affect on dissatisfaction with the current industry. “Primary growers” (Southwest Georgia Location), “large peanut farmers” (Greater Than 500 Acres) and “irrigated” peanut farmers (greater than 50 percent of peanuts are irrigated) were generally the most dissatisfied groups.

The alternatives to the current peanut marketing system investigated in this research were a Federal Marketing Order to regulate peanuts, use of existing cooperatives and formation of a peanut NGC. More than 95 percent of producers felt that either a new peanut NGC should be formed or that an existing cooperative should be restructured in the absence of the current peanut program. More than 80 percent of producers were in favor of utilizing a FMO to regulate the volume and quality, monitor the market, or set a minimum price for peanuts. For this study, more emphasis was placed on the formation of a peanut NGC.

In conclusion, the results of the survey carried an overall negative tone regarding the current marketing, grading, and overall peanut system. The majority of those responding were in favor of either utilizing a current cooperative or starting a new cooperative to limit some of the current problems. The alternative of utilizing a Fed-



eral Marketing Order also received a favorable response. More analysis needs to be done to discover what regions have both the willingness and adequate production to supply a cooperative.

Further research in this area should extend to include other demographic classes of producers such as age, education, farming experience, etc. This type of information could provide a valuable tool in analyzing farmers' reactions as well as target areas. Further research should be performed on the feasibility of starting a peanut NGC

in the Southwest corner of Georgia, including a cost-benefit analysis of building a new shelling plant or buying an existing shelling operation. This type of information could be used as a tool in educating farmers as to the type of returns they could expect from their investment in such an operation. This type of education could also serve as a means to a more responsive and representative survey since the idea of a basic cooperative was only briefly introduced to the farmers on the questionnaire.

# APPENDIX A: “Marketing” Data

**Table A.1: Producers’ Expected Income Potential**

	<b>N</b>	<b>Excellent</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>	<b>Very Poor</b>
<b>Two Years</b>	553	11	105	279	134	24
<b>Five Years</b>	529	4	46	200	198	81

**Table A.2: Producers’ Peanuts Contracted and Price**

	<b>1999</b>		<b>1998</b>	
	<b>Mean</b>	<b>Mode</b>	<b>Mean</b>	<b>Mode</b>
<b>Tons of Quota</b>	156.62	0	158.35	0
<b>Tons of Additional</b>	97.45	0	79.63	0
<b>Quota Price</b>	605.85	610	612.24	650
<b>Additional Price</b>	314.49	325	319.68	350

**Table A.3: Producers’ Satisfaction with Marketing Environment**

	<b>N</b>	<b>Very Satisfied</b>	<b>Satisfied</b>	<b>Indifferent</b>	<b>Dissatisfied</b>	<b>Very Dissatisfied</b>
<b>Price Info.</b>	554	17	65	257	138	77
<b>Marketing Info.</b>	554	14	72	212	179	77
<b># Of Buyers</b>	552	14	51	122	171	194

## APPENDIX B: “Cooperative” Data

**Table B.1: Producers’ Receptiveness to Cooperatives**

	<b>N</b>	<b>Yes</b>	<b>No</b>
<b>New Co-op With Program</b>	464	350	114
<b>Existing Co-op With Program</b>	321	189	133
<b>New Co-op Without Program</b>	478	417	61
<b>Existing Co-op Without Program</b>	263	120	143

**Table B.2: Producers’ Receptiveness to Financing a Cooperative**

	<b>N</b>	<b>Yes</b>	<b>No</b>
<b>Sign a Contract</b>	523	495	28
<b>Initial Investment</b>	495	361	134
<b>Delayed Payments Without Interest</b>	532	411	121
<b>Delayed Payments With Interest</b>	189	138	51
<b>Withhold Profits</b>	499	358	141

# APPENDIX C: “Alternative Marketing” Data

**Table C.1: Adequacy of the Current Marketing System**

	<b>N</b>	<b>Yes</b>	<b>No</b>
<b>For Quota Peanuts</b>	515	255	260
<b>For Additional Peanuts</b>	487	156	331

**Table C.2: Adequacy of the Current USDA Grading System**

	<b>N</b>	<b>Yes</b>	<b>No</b>
<b>For Cash Markets</b>	503	389	114
<b>For a Forward Contract Market</b>	456	316	140

**Table C.3: Producers’ Preferences for Market Sponsors**

<b>SPONSOR OR OPERATOR</b>	<b>N</b>	<b>Cash Market</b>	<b>Forward Contract</b>	<b>Both</b>
<b>Peanut Producer Organization</b>	263	151	61	51
<b>Shellers and Processors</b>	210	85	103	22
<b>Existing Producer Cooperative</b>	201	89	78	34
<b>Newly Formed Marketing Co-op</b>	287	101	87	99
<b>Private Corporation</b>	167	89	62	16
<b>Commodity Exchange</b>	181	68	95	18

**Table C.4: Producers’ Receptiveness to a Federal Marketing Order**

	<b>N</b>	<b>Yes</b>	<b>No</b>
<b>To Regulate Volume and Quality</b>	460	384	76
<b>To Monitor the Market</b>	417	349	68
<b>To Set Minimum Prices</b>	433	375	58

# APPENDIX D: “Operational” Data

**Table D.1: Producers’ Acreage Origin and Practice**

	1999		1998	
	Mean	N	Mean	N
<b>Acres Owned</b>	657	455	626	438
<b>Acres Rented from Others</b>	523	410	508	385
<b>Acres Rented to Others</b>	53	246	54	242
<b>Acres of Irrigated Peanuts</b>	150	389	138	372
<b>Acres of Non-Irrigated Peanuts</b>	100	410	89	399

**Table D.2: Producers’ Quota Origin**

	N	Mean Pounds
<b>Pounds of Quota Peanuts Owned</b>	410	187,747
<b>Pounds of Quota Peanuts Rented</b>	355	249,436

**Table D.3: Producers’ Anticipated Change in Peanut Acreage**

Duration	N	Increase	Decrease	No Change
<b>Two Years</b>	530	68	75	387
<b>Five Years</b>	490	64	86	340

## APPENDIX E: Operational Glossary

- “All others”:** Observations from producers from peanut-producing counties other than those listed under “primary growers” (Appendix B).
- “All producers”:** Observations from all “usable” responses.
- “Dryland” producers:** Observations from producers who reported that less than 50 percent of their peanuts were irrigated.
- “Illogical” response:** Observations from producers who answered yes to a peanut NGC under the “program” scenario but no to a peanut NGC under the “no program” scenario.
- “Irrigated” producers:** Observations from producers who reported that at least 50 percent of their peanuts were irrigated.
- “Large producers”:** Observations from producers who reported growing at least 250 acres of peanuts.
- “NGC averse”:** Observations from producers who answered no to a peanut NGC under both program scenarios.
- “NGC inclined”:** Observations from producers who met one of the following criteria: 1) Answer *yes* to a peanut NGC under both scenarios or 2) Answer *no* to a peanut NGC under the “program” scenario but answer yes to a peanut NGC under the “no program” scenario.
- “No program” scenario:** Scenario in which the current peanut program does not exist.
- “Primary growers”:** Observations from producers from the following counties: Baker, Calhoun, Clay, Colquitt, Crisp, Decatur, Dougherty, Early, Grady, Lee, Miller, Mitchell, Quitman, Randolph, Seminole, Stewart, Sumter, Terrell, Webster and Worth (Appendix B).
- “Program” scenario:** Scenario in which the current peanut program exists.
- “Small producers”:** Observations from producers who reported growing less than 250 acres of peanuts.
- “Small to Large producers”:** Observations from producers who reported growing fewer than 500 acres of peanuts.
- “Southwest growers”:** Observations from producers from the following counties: Baker, Decatur, Early, Grady, Miller, Mitchell and Seminole.
- “Usable” response:** Observations from returned surveys that had either supplied information on the number of peanut acres grown or the number of pounds of peanuts produced.
- “Very large producers”:** Observations from producers who reported growing more than 500 acres of peanuts.

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