

# PEANUTS

Report to the President on  
Investigation No. 22-42  
Under Section 22 of the  
Agricultural Adjustment Act,  
as Amended

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United States International Trade Commission / Washington, D.C. 20436



# UNITED STATES INTERNATIONAL TRADE COMMISSION

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REPORT TO THE PRESIDENT  
ON INVESTIGATION NO. 22-42

PEANUTS

UNITED STATES INTERNATIONAL TRADE COMMISSION  
January 15, 1981

Findings and recommendations

On the basis of the information developed in the course of the investigation, the Commission unanimously finds and recommends that the annual quantitative import restriction on peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter), described in item 951.00 of the Appendix to the Tariff Schedules of the United States, may be modified to permit the entry of 200,000,000 pounds of peanuts, as prescribed in Presidential Proclamation 4807, or more, during the period August 1, 1980, to July 31, 1981, inclusive, in addition to the quota of 1,709,000 pounds specified in item 951.00, without rendering or tending to render ineffective, or materially interfering with, any program or operation undertaken by the Department of Agriculture with respect to peanuts, or reducing substantially the amount of any product processed in the United States from peanuts.

Chairman Alberger, Vice Chairman Calhoun, and Commissioner Stern further find and recommend that the annual quantitative import restriction on peanuts may be modified to permit the entry of up to 400,000,000 pounds of peanuts (farmer's stock basis or 300,000,000 pounds shelled basis) during the 1-year period August 1, 1980, to July 31, 1981, inclusive, 1/ in addition to the quota of 1,709,000 pounds specified in item 951.00, without rendering or tending to render ineffective, or materially interfering with, any program or

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1/ Vice Chairman Calhoun finds that a limit ought to be placed on the volume of peanuts entered during the period June 30 to July 31, 1981.

operation undertaken by the Department of Agriculture with respect to peanuts, or reducing substantially the amount of any product processed in the United States from peanuts.

### Background

The Commission instituted its investigation on October 15, 1980, following the receipt on October 1, 1980, of a request for an investigation filed by the Peanut Butter and Nut Processors Association and the National Confectioners Association. The investigation was instituted pursuant to section 22(d) of the Agricultural Adjustment Act of 1933 (7 U.S.C. 624) to determine whether the annual import quota on peanuts may be modified or suspended for the 12-month period beginning August 1, 1980, without rendering or tending to render ineffective, or materially interfering with, any program or operation undertaken by the Department of Agriculture with respect to peanuts, or reducing substantially the amount of any product processed in the United States from peanuts.

Notice of the Commission's investigation was published in the Federal Register of October 22, 1980 (45 F.R. 70159). A public hearing was held in Washington, D.C., on December 1, 1980. All interested parties were afforded an opportunity to appear and to present information for consideration by the Commission.

On December 4, 1980, United States Trade Representative Reubin Askew advised the Commission that, pursuant to authority delegated to him by the President, he had issued Presidential Proclamation 4807 authorizing on an emergency basis the entry of 200,000,000 pounds of edible grade peanuts, in addition to the existing quota of 1,709,000 pounds, such authorization to continue in effect through June 30, 1981. He requested an immediate

Commission investigation under section 22 of the Agricultural Adjustment Act of 1933 to determine whether the additional peanuts allowed by the proclamation may be imported without rendering or tending to render ineffective, or materially interfering with, the price support program for peanuts conducted by the Department of Agriculture, or reducing substantially the amount of any product processed in the United States from peanuts, and that the Commission report its findings and recommendations as soon as possible. On December 9, 1980, Commission Chairman Alberger advised Ambassador Askew that the Commission would consider the emergency action set forth in the proclamation in formulating its findings and recommendations in the present investigation.

This report is being furnished to the President in accordance with section 22(d) of the Agricultural Adjustment Act of 1933. The information in the report was obtained at the public hearing, from interviews by members of the Commission's staff, and from information provided by other Federal and state agencies, the Commission's files, submissions from the interested parties, and other sources.

## Views of the Commission

As indicated above by our findings and recommendations, we have concluded that the import quota on peanuts described in item 951.00 of the Appendix to the Tariff Schedules of the United States may be modified to permit the entry of 200,000,000 pounds of peanuts, as prescribed in Presidential Proclamation 4807, or more, during the period August 1, 1980, to July 31, 1981, inclusive, in addition to the quota of 1,709,000 pounds specified in item 951.00, without rendering or tending to render ineffective, or materially interfering with, any program or operation undertaken by the Department of Agriculture with respect to peanuts, or reducing substantially the amount of any product processed in the United States from peanuts. The principal considerations supporting our finding and recommendation are set forth below.

Background

The program of the Department of Agriculture (USDA) that is of concern to the Commission in this investigation is the peanut price-support program provided in section 807 of the Food and Agriculture Act of 1977. <sup>1/</sup> Under the current law, the price paid to farmers for their peanuts is supported through a loan program which establishes a floor under the domestic market price. In general, prices paid to farmers for peanuts have not deviated significantly from the price-support levels set by the USDA.

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<sup>1/</sup> 7 U.S.C. 1445c.



The Act requires the Secretary of Agriculture to establish annually a national acreage allotment and a national poundage quota for peanuts, which in recent years has served primarily to limit the amount of peanuts for which farmers could receive support payment. Under the Act, the Secretary of Agriculture sets a two-tier loan rate for the 1978/79 to 1981/82 peanut crops at not less than \$420 per short ton for peanuts produced within a farm's poundage quota. The loan rate for additional peanuts is based on the estimated demand for peanut oil and meal, the expected prices for other vegetable oils and protein meals, and world market conditions. Producers can place any or all of their harvested peanuts under loan to the Government at the specified prices per ton. The loans normally are redeemed when the market price is above the support price. The growers may forfeit their crop--the loan collateral--to the Government and retain the loan proceeds when market prices are below the support price.

U.S. production and exports of peanuts have risen substantially over the last decade. The second largest crop ever produced was harvested in crop year 1979/80--amounting to nearly 4.0 billion pounds (farmers' stock basis) 1/--and was only slightly smaller than the record harvest in 1978/79. Average annual U.S. exports from 1977/78 to 1979/80 were substantially larger than those in previous crop years. Domestic consumption of peanuts for food has also increased over the last decade and accounted for over 50 percent of U.S. production in 1979/80.

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1/ All references to quantities in this opinion are to farmers' stock basis unless otherwise specified. The weight of peanuts in the shell (farmers' stock basis) is approximately 133 percent of peanuts removed from the shell (shelled basis).

Production of peanuts in the United States in the 1980/81 crop year declined by about 42 percent to 2,297 million pounds owing to severe drought in peanut growing regions. A further decline in the supply of edible quality peanuts was caused by increased incidence of aflatoxin, a mold which renders peanuts inedible. This situation not only affected the growers of peanuts who were unable to provide the market with their product, but also processors of peanuts. As the shortage situation developed, the processors found that traditional supply channels did not provide peanuts in quantities sufficient to maintain normal operations. Limited quantities of peanuts were available on the open market from some suppliers but only at prices substantially higher than had previously prevailed. As a result, a number of processors reduced the level of their operations and laid off employees.

#### Discussion

It is clear to us that, in the absence of increased imports of edible peanuts, there will be no improvement in the serious situation facing peanut processors. The quantity of peanuts permitted to enter the United States has, since 1956, been limited to 1,709,000 pounds (shelled basis). This quantity is less than one-tenth of 1 percent of the level of consumption of peanuts for food use in recent crop years. Imports in this amount would not provide any relief from the current shortage situation.

Upon the recommendation of the Secretary of Agriculture, the United States Trade Representative issued on December 4, 1980, a proclamation providing for the importation of an additional quantity of peanuts up to 200 million pounds of peanuts (shelled basis) until June 30, 1981. We have found unanimously that imports of this quantity may be entered without rendering or tending to render ineffective, or materially interfering with, any program or

operation undertaken by the USDA with respect to peanuts, or reducing substantially the amount of any product processed in the United States from peanuts. Most peanut growers already have sold their total production. No action taken upon the recommendation of the Commission can alleviate any losses which these growers might have suffered owing to crop failure. Since the market price is now and is expected to remain above the support price, we believe that those farmers still in possession of peanuts at this time will be able to find a buyer at prices higher than the support price. Therefore, increased imports will not cause increased purchases by the Commodity Credit Corporation (CCC) in this crop year nor will they otherwise cause a significant decline in the price to farmers. With additional imports of 200 million pounds (shelled basis), there will still be a shortfall of peanuts available for edible purposes of about 190 million pounds.

The USDA recommendation is at least partly based on a judgment that a 200 million pound quota (shelled basis) will be more than adequate to permit entry into the United States of any peanuts available on the world market. USDA estimates that there are only about 110 million pounds of peanuts available for import in this crop year. However, it is possible that available peanuts could exceed this amount. The two nations with the largest production of peanuts and historical interest in export markets--India and China--have had good harvests this year. Other producing nations have also had adequate harvests. Prices of edible grade peanuts, both in the United States and in other markets, have increased by two to four times the level of the previous year. The high level of prices may attract more than normal interest in the export of edible quality peanuts by foreign producers.

We also have found unanimously that a quantity of more than 200 million pounds (shelled basis) of edible grade peanuts may be entered through July 31,

1981, without rendering or tending to render ineffective, or materially interfering with, any program or operation undertaken by the USDA with respect to peanuts, or reducing substantially the amount of any product processed in the United States from peanuts. For the same reasons as stated above, such quota modification would not affect the support program through July 31, 1981.

We also recognize that a recommendation allowing for a quantity of imports greater than 200 million pounds (shelled basis) must take into account the possible effects on next year's support program. In recent years the carry-over of peanuts in inventory from one crop year to the next has averaged about 600 million pounds, approximately 30 percent of consumption for food purposes. This inventory provides a supply of peanuts to processors during the months of August and September of each new crop year until production from the harvest becomes generally available to the market. Normal monthly consumption of peanuts in recent years has been a minimum of about 160 million pounds. We would expect, therefore, that a minimum of 320 million pounds will be necessary to supply processors in the early months of the 1981/82 crop year. The USDA estimates that yearend inventory will be 150 million pounds of peanuts. If this estimate is accurate, there would be a shortage of peanuts at the beginning of the new crop year of at least 170 million pounds. We believe that only if these carry-over inventories should approach the 600 million pound level would prices to farmers in the early months of the new crop year begin to decline to a level close to the support price. For this reason farmers will choose to sell their product on the open market for a premium over the support price, rather than to the CCC. We believe, therefore, that a quantity of peanuts greater than 200 million pounds (shelled basis) could be imported into the United States without

adversely affecting the peanut price-support program of the USDA in the 1981/82 crop year.

Chairman Alberger, Vice Chairman Calhoun, and Commissioner Stern further recommend that the quota on peanuts through July 31, 1981, 1/ can be modified to permit the entry of up to 400 million pounds of peanuts. 2/ This figure is based on information provided by USDA that there will be a shortage of peanuts available to processors of at least 455 million pounds for the 1980/81 crop year, and that there will be a shortage of peanuts in inventory at the end of the crop year of at least 170 million pounds. The total shortfall in this crop year is, therefore, at least 625 million pounds. Processing of peanuts which has not occurred owing to the shortage of peanuts in the first four

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1/ Vice Chairman Calhoun is of the view that a limit should be placed on the volume of imports entered in the period June 30 to July 31, 1981. In his view a lower than normal carryover of inventory might provide farmers an opportunity to recoup, in the beginning of the 1981/82 crop year, some of the losses they sustained in this crop year. Were it not for the increased level of imports proclaimed on behalf of the President, the first months of the 1981/82 crop year would be characterized by an unusual excess of demand over supply. In such a circumstance, farmers' prices in the early months of the crop year would permit, to some degree, compensation for the lower crop yields during this crop year. His view is that farmers ought to be permitted some opportunity to benefit from this normal operation of the market.

2/ Commissioners Moore and Bedell do not join in this finding. It is their view that the establishment of a specific quantity of peanuts which might be entered without causing a detrimental effect on the price support program is not supported by the information available to the Commission. It is their view that such a calculation should be left to the expertise available to the USDA as market conditions may warrant in the coming months. Should the limit established in the proclamation of December 4, 1980, be too low, the President has the authority under the Act to further modify the restrictions on an emergency basis and to request further advice of the Commission. Commissioners Moore and Bedell stress, however, that they have particular concern with the appropriate level of inventory to be carried into the new crop year. The potential effects of an excessively large inventory, depressed prices and increased purchases by the CCC, should be considered in any further modification of the quota.

months of the crop year (August-November) before the proclamation of December 4, 1980, cannot be regained and need not be considered in the determination of the requirements of the remaining eight months. Therefore, we conclude that approximately 400 million pounds of imported peanuts through July 31, 1981, are needed by peanut processors, considering the reduced level of consumption likely to result this year from the high prices of both domestic and imported peanuts.

It is our view that only if virtually the entire quota amount of 400 million pounds is entered in the final month of the crop year could there be a serious effect upon prices in 1981/82 by virtue of increasing inventories. We consider this possibility to be highly unlikely. Processors need peanuts now. Therefore, it is reasonable to expect that much of the quota will be used prior to the ending date. Moreover, since the price of peanuts on world markets is substantially above previous years' levels, and since a normal crop in the United States in 1981/82 would likely cause a decline in domestic prices, we do not believe that processors will pay premium prices for imported peanuts in the final month before the new crop year commences. Therefore, we determine that a 400 million pound modification of the quota through July 31, 1981, will not render or tend to render ineffective, or materially interfere with, any program or operation undertaken by the USDA with respect to peanuts, or reduce substantially the amount of any product processed in the United States from peanuts.

## INTRODUCTION

On October 1, 1980, the United States International Trade Commission received a petition on behalf of the Peanut Butter and Nut Processors Association and the National Confectioners Association requesting that the Commission institute an expedited investigation under section 22(d) of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to determine whether the quantitative restriction currently in effect on the importation of peanuts should be suspended for the 12-month period ending July 31, 1981. The petition alleged that, because of severe drought conditions in peanut-producing areas of the United States, a substantial supply shortage is imminent. After considering the request, the Commission, on October 15, 1980, instituted an investigation on its own motion under section 22(d) of the Agricultural Adjustment Act to determine whether changed circumstances exist which require the modification or suspension of the section 22 quantitative import restriction on peanuts set forth in item 951.00 of the Appendix to the Tariff Schedules of the United States (TSUS). 1/ The peanuts subject to this restriction are those peanuts shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter) provided for in TSUS items 145.20, 145.21, and 145.48. Specifically, the Commission instituted the investigation under section 22(d) to determine whether the annual import quota for the 12-month period beginning August 1, 1980, may be modified or suspended without rendering or tending to render ineffective, or materially interfering with, any program or operation undertaken by the Department of Agriculture with respect to peanuts, or reducing substantially the amount of any product processed in the United States from peanuts.

Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of October 22, 1980 (45 F.R. 70159). 2/ The public hearing was held in Washington, D.C., on December 1, 1980, at which all interested parties, including the Department of Agriculture, were afforded the opportunity to present information for consideration by the Commission.

On December 4, 1980, the United States Trade Representative (USTR) advised the Commission that, pursuant to authority delegated to him by the President, he had issued a proclamation authorizing the importation of 200,000,000 pounds of peanuts suitable for edible use, in addition to the existing quota of 1,709,000 pounds, such authorization to continue in effect through June 30, 1981. This action was taken following the receipt of advice from the Secretary of Agriculture that emergency action was necessary to relieve a substantial deficit in the domestic supply of edible peanuts. The USTR also requested the Commission to make an immediate investigation under section 22 of the Agricultural Adjustment Act of 1933, as amended, to determine whether the peanuts described in new TSUS item 951.01 added by the

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1/ A copy of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), is presented in app. A.

2/ A copy of the Commission's notice of investigation and hearing is presented in app. B.

above-cited proclamation may be imported without rendering or tending to render ineffective, or materially interfering with, the price support program for peanuts conducted by the Department of Agriculture, or reducing substantially the amount of any product being processed in the United States from domestic peanuts, and to report the results to him as soon as possible. 1/

## INFORMATION OBTAINED IN THE INVESTIGATION

### Description and Uses

Peanuts (or groundnuts) are the seeds of an annual legume which grows close to the ground and bears nuts below the surface. The papery pods range from about 3/4 inch to 2 inches in length and usually contain two kernels, although three kernels predominate in some varieties.

Peanuts are grown throughout the world, with the greatest production in Asia and Africa. The products that enter commerce from these areas, however, are mostly in the form of oil and meal. About one-half of the U.S. peanut supply is used domestically for edible purposes, principally in the form of peanut butter, candy, salted shelled nuts, and nuts roasted in the shell. The remaining peanuts are crushed for oil and meal, exported, used for seed or feed, or disposed of on the farm.

There are three principal types of peanuts grown in the United States--Virginia, Spanish, and Runner. Certain of these three types are preferred for particular uses because of differences in flavor, oil content, size, and shape, but they are used interchangeably to some extent. Practically all peanuts marketed in the shell are of the Virginia type, together with some Valencias (a minor variety) selected for large size and attractive appearance of the shell. But the bulk of the Virginia peanuts are shelled, with the larger nuts generally used for salting and the smaller nuts generally used in making peanut butter or confectionery.

Almost all peanuts of the Spanish and Runner types that enter commercial channels are shelled before reaching consumers. Substantial quantities of Spanish peanuts are also salted, but their principal uses are in the manufacture of peanut butter and peanut candy. Runner-type peanuts are used primarily in the manufacture of peanut butter and confectionery.

Salted peanuts are generally roasted in oil and packed in retail-size transparent plastic bags and hermetically sealed cans. Salters pack a small quantity of salted peanuts in bulk for repackaging or for reselling through vending machines. Dry-roasted salted peanuts are also marketed in significant quantities. The primary use of peanut butter is in the home, but large quantities are also used in the commercial manufacture of sandwiches, candy, and bakery products.

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1/ A copy of the letter from the USTR to the Commission, his proclamation as published in the Federal Register, and the reply of the Chairman of the Commission are presented in app. C.



In the United States, low-grade or culled peanuts not suitable for the edible market are used for the production of peanut oil. Most of the "surplus" edible-grade peanuts acquired by the Government under the peanut price-support program administered by the U.S. Department of Agriculture are also used for producing peanut oil. Peanut oil is used primarily as a cooking or salad oil. Lesser quantities are used, after hydrogenation, in shortening and margarine. Peanut oil-cake and meal, obtained as byproducts from crushing peanuts for oil, are used as livestock food.

#### U.S. Department of Agriculture Program for Peanuts

##### Description of the program

The production of peanuts in the United States is regulated through acreage allotments and poundage quotas, and the price of peanuts is supported through price-support loans. The programs for crop years since 1977 are based on the Food and Agriculture Act of 1977 (Public Law 95-113). The principal purposes of the 1977 legislation are to provide price and income protection to farmers, and assurance to consumers of an abundance of food and fiber at reasonable prices. The Food and Agriculture Act of 1977 was the first major change in the peanut program since 1949. The peanut program is a mandatory participation program; in order for a grower to obtain the support price or sell his peanuts to a sheller or broker, he must have an inspection certificate from the U.S. Department of Agriculture.

Acreage allotment and poundage quota.--The price-support legislation requires the Secretary of Agriculture to establish annually a national acreage allotment and a national poundage quota for peanuts, which in recent years has served primarily to limit the amount of peanuts for which farmers could receive support payments. Prior to the 1977 legislation, the Secretary of Agriculture was required to establish annually only a national acreage allotment. In past years, acreage was limited to 1,610,000 acres, although somewhat less than that was harvested, and farmers were eligible for support prices on whatever peanuts were produced on those acres. Over the years peanut production increased dramatically as yields increased, resulting in increased quantities of surplus peanuts and, thus, requiring the Commodity Credit Corporation (CCC) of the U.S. Department of Agriculture to acquire substantial portions of the peanut crop in some years.

Under the 1977 legislation, the national acreage allotment and the poundage quota are intended to bring peanut supplies in balance with market needs for peanuts for edible and related purposes. The minimum national allotment is 1,614,000 acres. However, the acreage may be increased if it is determined that additional acreage is necessary to meet estimated requirements. Peanut acreage allotments for farms are based on the preceding year's farm allotment. The 1977 legislation also requires a 5-percent reduction in the poundage quota each year--from 1,680,000 short tons in 1978 to 1,440,000 short tons in 1981--unless the Secretary determines that such a quota would be insufficient to meet estimated requirements for domestic edible use and a reasonable carryover. Poundage quotas may be transferred from farm to farm but allotments will be adjusted, based on yield, for the farm to which the transfer is made.

Peanuts that are produced within a farm's poundage quota may be sold for export, or sold in the domestic market for edible purposes or for crushing into oil. Nonquota "additional" peanuts must be delivered to fulfill export contracts or placed under CCC loan. Once placed under loan, the additional peanuts may be sold for domestic or export edible use or crushed into oil. If a farm's acreage allotment is exceeded, all peanuts marketed to the CCC from the farm are subject to a penalty assessed on the basis of the excess acreage. Penalties are also assessed for marketing more peanuts than the effective farm poundage quota calls for.

Loans.--The loan program has been the basic feature of peanut price-support legislation. Under the program, producers can place their harvested peanuts under loan from the CCC at specified values per ton. Producers may take out individual farmer-stored CCC loans, or they may utilize their grower association to obtain such loans and store the peanuts. Producers redeeming their loans are obligated to pay the incurred interest (11.5 percent per annum for 1980) and storage costs.

In general, the loan rate has acted as a floor for domestic market prices, which have seldom dropped appreciably below the loan rate. The 1977 legislation calls for the Secretary of Agriculture to set a two-tier loan rate for the 1978/79 to 1981/82 peanut crops at not less than \$420 per short ton on peanuts produced within a farm's poundage quota. The loan rate for additional peanuts is based on the estimated demand for peanut oil and meal, the expected prices for other vegetable oils and protein meals, and world market conditions.

The support price may be raised above \$420 by the Secretary, after consideration is given to the Index of Prices Paid for Production Items, Interest, Taxes, and Wage Rates, as well as other factors. Legislation prior to 1977 called for the Secretary of Agriculture to set the loan rate at not less than 75 percent of parity. 1/ Since parity changed, the support price also changed. For example, the support price rose from \$395 per short ton in 1975 to more than \$430 per short ton in 1977, less \$20 per short ton charged by the CCC to cover costs such as inspection and handling. In addition, producers participating in the program could place their entire output of peanuts under loan. The support price for the 1980/81 crop year is \$455 per ton. 2/

#### Operation of the program

The Government has attempted to bolster the price of peanuts by controlling the flow of peanuts into the commercial market. The CCC, through its loan activities, acquisitions, and stocks, has usually exerted considerable influence in the domestic market for peanuts.

Quantities placed under loan and deliveries to the CCC.--During crop years 1975/76 to 1979/80, the annual quantity of peanuts used by producers as

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1/ Parity is, in general, the price which will give agricultural commodities the same purchasing power in terms of goods and services farmers buy that the commodities had in a specified base period.

2/ The peanut crop year extends from Aug. 1 to the following July 31.

collateral for CCC loans ranged from 260,000 tons in 1978/79 to 568,000 tons in 1975/76 (table 1). During August 1-October 29, 1980, about 135,000 tons were used as collateral by producers for loans. Beginning with crop year 1977/78, 15 percent or less of annual U.S. production of peanuts has been delivered to the CCC; in crop years 1970/71 through 1976/77, 22 percent or more of the output was so delivered.

CCC stocks and sales of peanuts.--During the 1970's, the great bulk of U.S. stocks of peanuts were generally held by peanut processors. In crop years 1974/75 and 1975/76, however, a change in the Department of Agriculture's policy regarding the resale of peanuts acquired by the CCC resulted in its having to carry large stocks of peanuts in the form of peanut oil. On July 31, 1975, the CCC's inventory of peanuts stood at 552 million pounds (equivalent to 15 percent of production in that crop year), compared with no stocks on July 31, 1974 (table 1). Stocks continued to increase during crop year 1975/76 and totaled 958 million pounds (equivalent to 25 percent of production) by July 31, 1976. The CCC was eventually able to liquidate those inventories, but only at substantial losses. Estimated losses to the CCC in the 2 years were approximately \$222 million. Since then, ending stocks of peanuts held by the CCC have been negligible, as yearend U.S. stocks of peanuts have again been held almost entirely by private concerns.

Section 407 of the Agriculture Act of 1949 (63 Stat. 1051), as amended, sets forth the conditions for CCC sales of peanuts. Sales of peanuts for domestic edible use, including use as seed, must be made at not less than 105 percent of the quota loan value (with certain adjustments) plus all costs incurred, such as inspection, warehousing, and shrinkage. Export sales of quota peanuts must be made at not less than 100 percent of the quota loan value plus all costs incurred. Export sales of additional peanuts for edible uses in the 1980 marketing year must be made at not less than \$435 per ton. Export sales of additional peanuts for crushing only must be made at 100 percent of the additional loan value plus all costs incurred, and such peanuts must be fragmented prior to export. Sales of quota and additional peanuts for domestic crushing only must be sold at competitive prices. If such prices are less than the applicable loan rate for quota or additional peanuts plus all costs incurred, the use of the oil produced from such peanuts will be restricted to domestic markets. Over the years, most of the peanuts sold by the CCC were generally channeled into the domestic market for crushing.

#### U.S. Customs Treatment

##### Tariff treatment

Imported peanuts are classifiable for tariff purposes in items 145.20 or 145.21 of the Tariff Schedules of the United States, if unshelled, or in item 145.48, if shelled, blanched, or otherwise prepared or preserved. Imports

Table 1.--Peanuts: U.S. average loan rates and farm prices, quantities placed under loan, deliveries to the CCC, CCC stocks, and program costs, crop years 1970/71 to 1980/81

Crop year	Average loan rate	Average farm price	Quantity placed under loan	Deliveries to the CCC		CCC end-of-period stocks	CCC net realized loss
	Cents per pound	Cents per pound	1,000 tons	Quantity	Ratio to production	Million pounds	1,000 dollars
1970/71	12.750	12.8	542	531	36	11	66,324
1971/72	13.425	13.6	619	587	39	4	97,287
1972/73	14.250	14.5	639	590	36	24	58,518
1973/74	16.425	16.2	515	416	24	0	4,845
1974/75	18.300	17.9	536	481	26	552	1/ 100,000
1975/76	19.725	19.6	568	506	26	958	1/ 121,799
1976/77	20.700	20.0	427	420	22	0	39,376
1977/78	21.525	21.0	263	153	8	2	9,816
1978/79	2/ 21.000	21.1	260	137	10	0	17,980
1979/80	2/ 21.000	20.7	350	296	15	0	1/ 50,000
1980/81	2/ 22.750	3/	4/ 135	3/	3/	3/	3/

1/ Estimated.

2/ Loan rates for "additional" peanuts were as follows: 1978/79--12.5 cents per pound, 1979/80--15 cents per pound, and 1980/81--12.5 cents per pound.

3/ Not available.

4/ Data are for Aug. 1-Oct. 29, 1980.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

under these items are also presently subject to the quantitative limitations provided for in item 951.00 of the Appendix to the TSUS. The rates of duty currently applicable to imports are shown in table 2.

The rate of duty for item 145.20 is that originally provided for in the Tariff Act of 1930. The rate of duty for item 145.48 has been in effect since January 1, 1980, and reflects a concession granted by the United States in the Tokyo round of negotiations under the General Agreement on Tariffs and Trade. This rate of duty is scheduled to be reduced to 3 cents per pound on January 1, 1981, when the final stage of the duty reduction becomes effective. Prior to January 1, 1980, the rate was 7 cents per pound. The average ad valorem equivalent of the present rate on unshelled peanuts (item 145.20) was 3.2 percent based on the value of imports from all countries in crop year 1979/80, and that on peanuts, shelled, blanched, or otherwise prepared or preserved (except peanut butter) (TSUSA items 145.4850 and 145.4880), was 6.2 percent.

#### Section 22 quota

U.S. imports of peanuts have been subject to quantitative restrictions since July 1, 1953, following an investigation under section 22 of the Agricultural Adjustment Act, as amended. 1/ Under Presidential Proclamation 3019, issued on June 8, 1953, a 1,709,000 pound (aggregate quantity, shelled basis) limitation was established on the quantity of peanuts permitted to be entered or withdrawn from warehouse for consumption during any 12-month period beginning on July 1 in any year.

In 1955 and 1956, as a result of three supplemental section 22 investigations, 2/ the import quota was temporarily relaxed by Presidential proclamation to allow for imports in excess of the quota in order to relieve shortages of certain types of peanuts in the United States. Subsequent to the second supplemental investigation, the quota year for peanuts was changed to commence on August 1 of each year. 3/

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1/ In that investigation, the U.S. Tariff Commission (now the U.S. International Trade Commission) determined that peanuts, whether shelled, not shelled, blanched, salted, prepared or preserved (including roasting peanuts, but not including peanut butter) were practically certain to be imported in such quantities as to interfere materially with the Government's price-support program for peanuts.

2/ The three supplemental sec. 22 investigations conducted by the Commission are summarized in app. D.

3/ Item 951.00 of the Appendix to the TSUS provides as follows: Whenever, in any 12-month period beginning August 1 in any year, the aggregate quantity specified below of peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter) provided for in items 145.20, 145.21, and 145.48, part 9A, schedule 1, has been entered, no such products may be entered during the remainder of such period---1,709,000 pounds: Provided, that peanuts in the shell be charged against this quota on the basis of 75 pounds for each 100 pounds of peanuts in the shell.

Table 2.--Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter): U.S. rates of duty, by TSUSA items, crop year 1979/80.

TSUSA No.	Commodity description	Rate of duty			Share of imports 4/
		Col. 1	LDDC	Col. 2	
		1/	2/	3/	
		Cents per lb.	Cents per lb.	Cents per lb.	Percent
145.2000	Peanuts, not shelled-----	4.25		4.25	5
145.2100	If product of Cuba 5/-----	3.4			0
	Peanuts, shelled, blanched, or otherwise prepared or pre-served (except peanut butter):				
145.4850	Not shelled-----	4.6	3.0	7.0	70
145.4880	Other-----	4.6	3.0	7.0	25

1/ The rates of duty in rate of duty column numbered 1 are most-favored-nation rates, and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. However, such rates would not apply to products of developing countries which are granted preferential tariff treatment under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

2/ The rates of duty in rate of duty column "LDDC" are preferential rates (reflecting the full U.S. MTN concession rate for a particular item without staging) and are applicable to products of the least developed developing countries (LDDC) designated in general headnote 3(d) of the TSUS which are not granted duty-free treatment under the GSP. If no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty provided in column numbered 1 applies.

3/ The rates of duty in rate of duty column numbered 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

4/ Data do not include peanut butter. Imports of peanuts in the shell converted on the basis of 75 pounds of shelled peanuts for each 100 pounds of peanuts in the shell.

5/ In Proclamation 3447, dated Feb. 3, 1962, the President, acting under authority of sec. 620(a) of the Foreign Assistance Act of 1961 (75 Stat. 445), as amended, prohibited the importation into the United States of all goods of Cuban origin and all goods imported from or through Cuba, subject to such exceptions as the Secretary of the Treasury determines to be consistent with the effective operation of the embargo.

Under Proclamation 4807, issued by the United States Trade Representative on behalf of the President on December 4, 1980, the quota was modified to allow an additional 200,000,000 pounds (shelled basis) of edible peanuts to be entered through June 30, 1981. The temporary expansion of the import quota was made in order to relieve a shortage in the U.S. supply of edible peanuts.

The import quota on peanuts is administered by the U.S. Customs Service on a first-come-first-served basis. No special applications or licenses are required to import peanuts.

## U.S. Producers

### Peanut growers

In crop year 1979/80, 1.53 million acres of peanuts were harvested on about 75,000 farms in the United States; in comparison, 1.5 million acres were harvested on about 77,500 farms in crop year 1975/76. In 1979/80, 54 percent of the acreage harvested for peanuts was concentrated in the Southeastern United States (Alabama, Florida, Georgia, Mississippi, and South Carolina). Farm operators in these five States accounted for 63 percent of U.S. output in 1979/80. The major area of production of Runner-type peanuts is the Southeast, whereas the principal area of production of Spanish-type peanuts is the Southwest (Texas, Oklahoma, and New Mexico). Most of the Virginia-type peanuts are grown in Virginia and North Carolina.

### Peanut shellers and crushers

There are 66 commercial peanut shelling firms in the United States. Peanut shellers acquire peanuts from growers for their own account or for the account of the CCC. The shellers take field-harvested peanuts, clean and remove all foreign matter (such as stones, soil, and bits of pods), and grade and store the peanuts. Most of the peanuts are shelled before they are stored or shipped; only the largest and best of the Virginia-type peanuts are not shelled. Peanut oil is produced by about 11 peanut crushers, most of whom produce the oil incidental to their operations as shellers of peanuts for the edible nut trade.

## U.S. Consumption

Apparent U.S. consumption of peanuts increased irregularly from 2.6 billion pounds in crop year 1970/71 to 2.9 billion pounds in crop year 1979/80, as shown in table 3. <sup>1/</sup> The substantial increase in apparent U.S. consumption of peanuts in crop years 1975/76 and 1976/77 resulted principally from a change in the U.S. Department of Agriculture's policy concerning the disposal of peanuts acquired by the CCC. For those crop years, the CCC could

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<sup>1/</sup> Unless otherwise indicated, all quantitative data in this report are on an unshelled basis.

Table 3.--Peanuts (farmers' stock): 1/ U.S. production, imports, exports, beginning stocks, and apparent consumption, crop years 1970/71 to 1980/81

Crop year	(In millions of pounds)									
	Production	Imports	Exports	Beginning stocks	Food	Seed, feed, farm loss and shrinkage	Crushed for oil	Total		
1970/71	2,979	2	290	353	1,583	209	799	2,591		
1971/72	3,005	2	552	453	1,623	79	814	2,516		
1972/73	3,275	2	521	392	1,694	175	850	2,719		
1973/74	3,474	1	709	429	1,840	119	683	2,642		
1974/75	3,668	1	740	553	1,800	-54	590	2,336		
1975/76	3,857	1	434	1,146	1,870	193	1,447	3,510		
1976/77	3,751	1	783	1,060	1,800	513	1,108	3,421		
1977/78	3,726	1	1,025	608	1,850	392	487	2,729		
1978/79	3,989	1	1,140	581	1,996	321	527	2,844		
1979/80	3,980	1	1,065	586	2,030	273	571	2,874		
1980/81 2/	2,297	112	575	628	1,655	317	340	2,312		

1/ The term "farmers' stock peanuts" refers to picked and threshed peanuts which have not been shelled, crushed, cleaned, or otherwise changed (except for removal of foreign material, loose shelled kernels, and excess moisture) from the form in which they are customarily marketed by producers.

2/ Imports, exports, and apparent consumption are estimated.

Source: Production, exports, beginning stocks, and apparent consumption compiled from official statistics of the U.S. Department of Agriculture; imports compiled from official statistics of the U.S. Department of Commerce.



not sell peanuts for less than the loan rate plus any handling and storage costs that were incurred. This resulted in the CCC not being able to sell peanuts to the export market, domestic edible market, or crushers because the release price was higher than the prevailing market price. Hence, the CCC had the peanuts crushed for oil in the year following harvest in order to store the peanuts. (The quality of peanuts either shelled or unshelled deteriorates very rapidly if they are stored for more than 1 year.)

During crop years 1970/71 to 1979/80, an average of about 50 percent of the peanut crop was consumed domestically as food. The remainder was exported (20 percent), used for seed or livestock feed (6 percent), or crushed into oil (22 percent). U.S. consumption<sup>1</sup> of peanuts for food increased more than 25 percent from crop year 1970/71 to crop year 1979/80; the average annual rate of increase during this period was 2.8 percent. In crop years 1978/79 and 1979/80, the annual consumption of peanuts for food averaged 2.0 billion pounds (unshelled basis). More than half of the peanuts used in the domestic production of food products are consumed in the form of peanut butter. Salted peanuts and peanut candy account for most of the remaining uses of edible peanuts in food products, as shown in table 4.

Table 4.--Peanuts: U.S. apparent consumption for food, by principal products, crop years 1975/76 to 1979/80

(In millions of pounds, shelled basis)

Crop year	Peanut butter	Salted peanuts	Peanut butter sandwich	Peanut candy	Other	Total
1975/76-----	861.9	201.2	27.9	318.8	21.3	1,431.0
1976/77-----	821.9	337.6	32.2	312.6	23.6	1,527.9
1977/78-----	829.7	364.7	37.5	312.8	24.9	1,569.6
1978/79-----	884.4	387.8	37.3	357.0	25.5	1,692.0
1979/80-----	931.0	378.9	40.3	343.6	25.8	1,719.6

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Because of rounding, figures may not add to the totals shown.

## U.S. Production and Stocks

Production

U.S. production of peanuts increased gradually during the 1970's--from 3.0 billion pounds in crop year 1970/71 to 4.0 billion pounds in crop year 1979/80 (table 3). However, the 1980/81 crop is estimated to total only 2.3 billion pounds, representing a decline of 42 percent from the 1979/80 output and the smallest crop since that in 1956.

Production in the Southeast is expected to total 1.4 billion pounds in crop year 1980/81, or 44 percent less than production last year. Reduced yields resulting from dry weather in Georgia and Alabama, the two principal producing States in the Southeast, and a decline in the acreage harvested are responsible for the decreased output. During crop years 1977/78 to 1979/80, the Southeast accounted for 63 percent of U.S. output.

Dry weather in the Southwest and the Virginia-Carolina region is the cause of decreased production in those areas. Output is expected to total 465 million pounds in the Southwest in 1980/81, or 43 percent less than last year's production. Output in the Virginia-Carolina area will total only 420 million pounds, representing a decline of 34 percent (table 5).

Table 5.--Peanuts: U.S. production, by areas, crop years 1977/78 to 1980/81

Region	1977/78	1978/79	1979/80	1980/81
Production (million pounds)				
Southeast----	2,301.5	2,532.8	2,524.7	1,411.0
Southwest----	687.5	667.6	822.2	466.0
Virginia-				
Carolina----	737.1	788.3	633.5	420.0
Total----	3,726.0	3,988.6	3,980.4	2,297.0
Percent of total production				
Southeast----	62	63	63	61
Southwest----	18	17	21	20
Virginia-				
Carolina----	20	20	16	18
Total----	100	100	100	100

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Because of rounding, figures may not add to the totals shown.

In addition to the decline in production resulting from adverse weather and a reduction in the acreage harvested, an estimated 12 to 15 percent of the harvested peanuts are afflicted with aspergillus flavus mold, rendering them unusable as edible nuts. <sup>1/</sup> Hence, the total supply of edible peanuts will probably be about 2 billion pounds during crop year 1980/81. The amount of harvested peanuts containing unacceptable levels of aflatoxin varies from farm to farm and from region to region, with peanuts produced in the Southwest generally having the lowest level and peanuts produced in the Southeast generally having the highest level.

### Stocks

U.S. stocks of peanuts increased irregularly from 353 million pounds in crop year (beginning August 1) 1970/71 to 628 million pounds in 1980/81 (table 3). In most years these stocks were privately held. As noted previously, however, the unusually large increase in stocks in 1975/76 and 1976/77 were held primarily by the CCC.

### U.S. Exports

In recent years the United States has been a major exporter of peanuts, primarily edible grades. Exports increased from 434 million pounds (farmers' stock basis) in crop year 1975/76 to 1.1 billion pounds in crop years 1978/79 and 1979/80 (table 3). During the period 1975-79, the U.S. share of annual world peanut exports ranged from 12.7 percent in 1976 to 50.8 percent in 1978.

Principal U.S. export markets are the European Economic Community (EEC), Canada, and Switzerland, which together accounted for more than three-fourths of U.S. exports in 1979 (table 6). Annual U.S. exports to the EEC averaged 276 million pounds (shelled basis) during 1975-79, equivalent to 43 percent of total U.S. exports. Canada was the second most important market for U.S. peanuts during 1975-79; annual U.S. exports to Canada averaged 114 million pounds, equivalent to 18 percent of total U.S. exports. The bulk of U.S. peanut exports consist of shelled peanuts, with relatively small quantities of unshelled peanuts also being exported.

The United States is believed to be the world's leading exporter of edible peanuts. Promotional efforts by the U.S. Government and the National Peanut Council are directed toward this market, making only peanuts of the highest quality available for export. In crop year 1979/80, more than 75 percent of U.S. exports of peanuts consisted of edible grades.

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<sup>1/</sup> Some strains of aspergillus flavus mold produce toxic metabolites that are referred to as aflatoxins. These aflatoxins are highly toxic and carcinogenic for certain animal species. Hence, there are very strict limits on the amount of aflatoxin that may be present on peanuts if they are to be classified as edible grades. In most other recent years, about 2 percent of the crop was afflicted with aspergillus flavus mold. Although such peanuts are unusable as edible nuts, they may be used for seed or crushed into oil.

Table 6.--Peanuts: U.S. exports, by types and by region or country of destination, 1975-79

(In thousands of pounds) 1/

Type and region or country	1975	1976	1977	1978	1979
Shelled:					
EEC-----	185,626	85,658	246,598	408,720	373,135
Canada-----	110,731	77,773	105,792	106,901	120,304
Switzerland-----	51,499	15,518	124,385	42,678	76,957
Japan-----	41,160	65,373	58,250	51,710	62,465
All other-----	129,054	39,842	124,701	171,829	133,672
Total-----	518,070	284,164	659,726	781,838	766,533
Unshelled:					
EEC-----	6,275	7,868	12,248	41,667	39,361
Canada-----	10,000	6,793	9,991	19,708	19,405
Switzerland-----	758	747	5,111	7,981	12,194
Japan-----	7,108	0	2,464	3,324	1,190
All other-----	2,102	886	2,757	15,738	11,741
Total-----	26,243	16,294	32,571	88,418	83,891

1/ Exports of shelled peanuts are on a shelled basis; exports of unshelled peanuts are on an unshelled basis.

Source: Compiled from official statistics of the U.S. Department of Commerce.

#### U.S. Imports

Aggregate U.S. imports of peanuts have been negligible in recent years. During crop years 1970/71 to 1972/73, annual imports averaged about 1.4 million pounds; during crop years 1973/74 to 1979/80, imports averaged about 425,000 pounds. During the past decade, average annual imports were equivalent to less than 0.1 percent of apparent U.S. consumption. About two-thirds of the total imports are roasted unshelled peanuts. The principal suppliers include Singapore, Taiwan, Malaysia, Hong Kong, the Peoples Republic of China (China), and Canada (table 7).

Table 7.--Peanuts: U.S. imports for consumption, by products and by principal sources, crop years 1976/77 to 1979/80

(In thousands of pounds)

Item and source	1976/77	1977/78	1978/79	1979/80
Peanuts, unshelled:				
Malaysia-----	8	5	5	5
Hong Kong-----	1	0	0	3
China-----	3	6	7	1
All other-----	2	10	5	1/ 0
Total-----	13	20	16	9
Peanuts, prepared or preserved:				
Peanut butter:				
Taiwan-----	0	0	0	1
All other-----	0	0	1	0
Total-----	0	0	1	1
Unshelled:				
Singapore-----	162	101	152	139
Taiwan-----	112	88	106	129
Malaysia-----	76	42	64	56
All other-----	68	65	75	67
Total-----	418	296	396	390
Other:				
China-----	24	12	44	48
Canada-----	52	2	6	22
Hong Kong-----	9	13	19	16
All other-----	69	66	70	54
Total-----	154	92	140	140

1/ Excludes 29,000 pounds of Brazil nuts misclassified as unshelled peanuts.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

As indicated earlier, imports of peanuts and peanut products (except peanut butter) are limited to an absolute annual quota of 1,709,000 pounds (shelled basis). The quota on peanuts has not been filled in recent years because the price of imported peanuts was generally higher than the domestic price, and because U.S. processors and users were not familiar with the marketing channels for importing peanuts. During crop years 1970/71 to 1979/80, the quota was from 20 percent to 100 percent filled, as shown in the following tabulation. As of November 19, 1980, about 10 percent (170,690 pounds) of the 1980/81 quota had been filled.

<u>Crop year</u>	<u>Quantity imported</u> <u>(1,000 pounds) 1/</u>	<u>Percent of</u> <u>quota filled</u>
1970/71-----	1,205	71
1971/72-----	1,709	100
1972/73-----	1,227	72
1973/74-----	373	22
1974/75-----	473	28
1975/76-----	425	25
1976/77-----	468	27
1977/78-----	338	20
1978/79-----	449	26
1979/80-----	445	26

1/ Shelled basis.

#### World Production and Trade

##### Production

World production of peanuts increased from 16.8 million metric tons in 1976/77 to 18.2 million metric tons in 1978/79, then declined to 17.7 million metric tons in 1979/80 (table 8). Estimates as of December 10, 1980, placed the world output at 17.4 million metric tons in 1980/81. Production increases in India and China in 1980/81 were more than offset by production short falls in the United States, Sudan, and Senegal. Five countries produce the bulk of the world's peanut crop. India is the largest producer of peanuts; crops in that country increased from 5.3 million metric tons in 1976/77 to 6.2 million metric tons in 1978/79, but then declined to 5.8 million metric tons in 1979/80. India's estimated output in 1980/81 is 6.0 million metric tons. During crop years 1976/77 to 1980/81, the average annual output of India accounted for about one-third of the world total.

China is the second largest producer, with crops ranging from 2.4 million metric tons in 1978/79 to 3.2 million metric tons in 1980/81; its production accounted for 16 percent of the world's peanut crop during the 5-year period shown in the table. The United States is the third largest producer. Production in the United States averaged 1.61 million metric tons annually, and accounted for 9 percent of the world's peanut crop during the period. Other important peanut-producing countries are Senegal and Sudan. Together these two countries accounted for 9 percent of the world peanut crop during the 5-year period.

Table 8.--Peanuts: World production, by specified countries, crop years  
1976/77 to 1980/81

(In millions of metric tons)

Country	1976/77	1977/78	1978/79	1979/80	1/ 1980/81
India-----	5.26	6.07	6.21	5.77	6.00
China-----	2.75	2.55	2.38	2.82	3.20
United States-----	1.70	1.69	1.81	1.80	1.04
Sudan-----	.71	.71	.83	.85	.80
Senegal-----	1.18	.68	1.05	.60	.50
Other-----	5.25	5.64	5.88	5.84	5.87
Total-----	16.85	17.34	18.16	17.68	17.41

1/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

### Trade

Annual world trade in peanuts during 1975-79 averaged about 1.2 million metric tons (unshelled basis), equivalent to less than 7 percent of world production in most years. The major producer-exporters of peanuts are the United States, Argentina, Sudan, Senegal, and Brazil (table 9). In 1979, these five countries accounted for 71 percent of total world exports. In most recent years, the United States has been the leading exporter of peanuts. The major peanut importers are the EEC, Canada, and Japan. In 1978, these three areas accounted for more than 70 percent of world imports.

Table 9.--Peanuts: Exports by specified countries, 1975-80

(In thousands of metric tons)

Country	1975	1976	1977	1978	1979	1/ 1980
United States-----	325	179	413	512	485	240
Argentina-----	5	1	29	53	57	85
Sudan-----	294	431	222	132	86	60
Senegal-----	14	189	102	20	75	50
Brazil-----	75	30	36	19	25	25
All other-----	512	579	356	272	292	369
Total-----	1,225	1,409	1,158	1,008	1,020	829

1/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Although India and China are the world's largest producers of peanuts, they account for a relatively small part of international trade since most of their output is required for home consumption as peanut oil. During 1975-79, exports of peanuts from these two countries ranged from 39,000 metric tons in 1978, equivalent to less than 4 percent of world trade in that year, to 241,000 metric tons in 1976, equivalent to 17 percent of world trade. It is anticipated that, because of their relatively good crops, exports by India and China in 1980/81 will be substantially larger (ranging from 100,000 to 150,000 metric tons) than the 65,000 metric tons they exported in 1979/80 (table 10).

Table 10.--Peanuts: Exports by major exporters, crop years 1979/80 and 1980/81

(In thousands of metric tons)

Country	1979/80 <u>1/</u>	1980/81 <u>2/</u>
United States-----	485	240
Southern Hemisphere:		
Argentina-----	57	85
Brazil-----	25	25
South Africa-----	57	50
Subtotal-----	139	160
Other selected countries:		
India-----	20	<u>3/</u> 100
China-----	45	50
Sudan-----	86	60
Senegal-----	75	50
Gambia-----	60	60
Malawi-----	17	27
Egypt-----	18	7
Israel-----	13	8
Thailand-----	12	17
Subtotal-----	346	379
Others-----	50	50
<b>Total-----</b>	<b>1,020</b>	<b>829</b>

1/ Preliminary.

2/ Estimated.

3/ Only 50,000 tons have been officially authorized by the Government of India this season.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Although exports of peanuts from producing countries other than the United States are projected to be about 589,000 metric tons in crop year 1980/81, up by 54,000 metric tons from the 1979/80 level, demand for these peanuts by importing countries will be strong. Many importing countries that relied on U.S. exports will be trying to make up part of their deficit



(totaling 245,000 metric tons) from available world supplies. In addition, U.S. importers will be in the world market trying to obtain nearly 121,000 metric tons (unshelled basis) under the current modified U.S. import quota.

It is likely that exports of peanuts from countries other than the United States will be larger than the 589,000 metric tons currently forecast because of the high world price for peanuts. It is anticipated that, as the differential increases between the price of peanuts (and/or the peanut oil equivalent) and the price of substitute vegetable oils, peanuts will be diverted from domestic oil markets in those countries to the world market for edible peanuts.

## Prices

### Price trends

Prices paid for peanuts depend upon factors such as variety, quality and size of the peanut, and supply-demand conditions prevailing in the marketplace. The several types of peanuts are distinguished by a price differential depending upon the individual market for each. Each of the major types of peanuts is graded according to standards set by the U.S. Department of Agriculture, and the price differential between each grade is generally several cents per pound. Among the better grades of whole, shelled peanuts, the Virginia types have generally been priced highest (about 44 cents per pound, f.o.b. miller (sheller), in 1979), and medium-size Runners (the lowest priced) from the Southeast region have been available for about 5 to 10 cents per pound less. Other types and grades have generally sold between the prices of these two types. Although prices vary on an almost daily basis, these relationships have held fairly constant for several years, as shown in table 11. Owing to the parallel price movements for most types and grades of peanuts, prices of medium-grade Runners are used in the remaining discussion as an indicator of all prices.

The Bureau of Labor Statistics' index of prices of medium-grade Runner peanuts in the Southeast region, f.o.b. mill, shows that the trend in prices paid by peanut users was upward during 1971-80, although there were significant fluctuations about the trend line (fig. 1). There also were occasional periods in which the prices rose or fell rapidly, most notably in 1974 when prices for many commodities substantially increased on a worldwide basis. Seasonal fluctuations are also seen throughout the period shown, generally with prices at their lowest levels just before and immediately after the beginning of each crop year, and at their highest levels in early spring. Traditionally, in advance of the beginning of each peanut harvest, millers and brokers begin to accept contracts for delivery to peanut users for several months into the crop year. Such contracts would normally consider the costs of storage and anticipated depletion of available supplies during the year and, therefore, prices are expected to be lower at the beginning of each crop year and to increase during the later months.

Table 11.--Peanuts: Simple average of monthly f.o.b. price per pound of cleaned and shelled peanuts, by types, crop years 1971/72 to 1979/80 1/

Classification	(In cents per pound)									
	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	3/
Southeastern area:										
Georgia, Alabama, and Florida:										
Shelled:										
Runner, jumbo-----	24.1	25.6	29.8	32.3	33.5	34.4	37.3	36.9	38.0	
Runner, medium-----	4/	4/	4/	29.1	31.4	33.0	35.3	35.0	35.0	
Runner, U.S. splits-----	22.6	23.3	26.0	26.5	27.1	26.8	32.3	34.3	34.6	
Virginia-North Carolina:										
Cleaned unshelled Virginias:										
Fancy-----	23.1	23.9	26.5	33.8	30.8	32.5	36.5	33.5	35.0	
Shelled Virginias:										
Extra large-----	27.5	32.5	34.5	40.6	39.6	39.6	40.6	43.2	43.0	
Medium-----	26.4	29.9	32.1	34.4	36.6	37.3	38.6	36.9	38.5	
No. 2 with 70% splits-----	22.3	23.1	25.3	25.3	24.8	25.6	30.3	32.6	34.0	
Southwestern area:										
Texas and Oklahoma:										
Shelled:										
Spanish, No. 1-----	23.4	24.3	30.1	30.9	34.3	36.3	40.1	38.4	39.5	
Spanish, U.S. splits-----	23.0	23.5	26.9	27.3	27.1	27.5	33.5	34.9	35.0	
New Mexico:										
Handpicked unshelled										
Valencias 5/-----	21.8	22.0	25.5	29.8	31.4	32.1	34.5	35.6	36.8	

1/ The crop year begins about Oct. 1 in the Virginia-North Carolina area, and in August in the Southeastern and the Southwestern States. Prices are for shipment within 6 months.

2/ Calculated by the Commission from preliminary data.

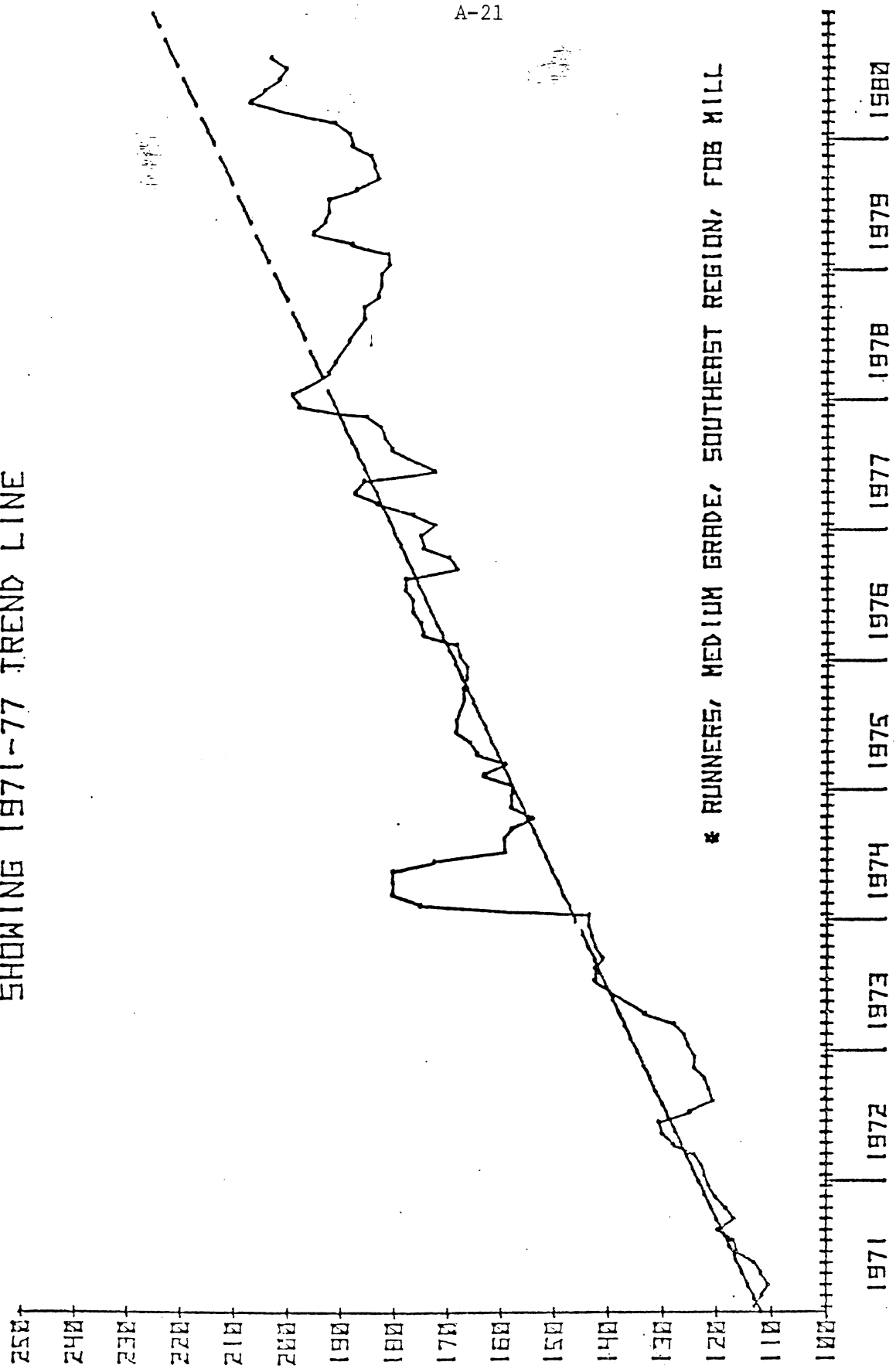
3/ Estimated by the Commission.

4/ Not available.

5/ No U.S. grade standards apply to Valencia peanuts.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

FIGURE 1  
PEANUTS\* INDEX OF PRICES, 1971-80  
SHOWING 1971-77 TREND LINE



\* RUNNERS, MEDIUM GRADE, SOUTHEAST REGION, FOB MILL

(1967 = 100.0)

SOURCE: U.S. DEPT. OF LABOR, BUREAU OF LABOR STATISTICS

During 1971-77, prices of Runner peanuts in the United States increased at an average annual rate of about 9 percent. However, after the first few months of 1978 a distinct decline occurred which, except for the seasonal rise and fall at the end of the 1978/79 crop year, left prices noticeably below the trend level established in earlier years. An increase of about 8 percent occurred in April 1980, possibly owing to normal seasonal fluctuations exacerbated by anticipation of a disappointing crop. This rise was immediately followed by a slight weakening of prices. Prices at the beginning of the 1980 crop year were higher than in any earlier period, although still well below the trend established before 1978.

The market for peanuts was reported as very slow through August 1980, and prices did not show significant movement at that time. By mid-September, however, most marketing areas reported little or no trading and, because so few sales were reported, prices were not considered reliable indicators of the actual market conditions. In late November and in December 1980 limited sales were reported at prices ranging from 90 cents per pound to \$1.50 per pound, depending upon the type and grade of peanut. These prices were approximately 2.5 to 4 times the prices reported in the previous year for the same type and grade of peanuts.

#### Prices to farmers

Prices paid to farmers for peanuts traditionally have not deviated significantly from the price-support levels set by the Department of Agriculture. Table 12 shows this close relationship from 1971 through 1979 for three of the four major types of peanuts. Beginning with the 1975/76 crop year, producers of Valencia-type peanuts have been able to obtain a slight premium over both the support price and prices of other peanuts. Because of the close relationship between the support price and prices to farmers, the latter traditionally have not been reported in detail by the Department of Agriculture, and the prices received by millers and brokers have been held to be the appropriate indicators of market trends. The Department reports, however, that in the first few months of the 1980/81 crop year this relationship has not continued. The apparent shortfall in the peanut crop has enabled some farmers to obtain substantially higher prices for the available peanuts. Preliminary data indicate that premiums of 20 to 24 cents per pound above the support price (for a total price of 43 to 47 cents per pound) became commonplace in November 1980, and by mid-December premiums of more than 50 cents per pound were reported for the best quality peanuts. In testimony before the Commission, USDA representatives stated that the average price received by farmers in November was about 26 cents per pound, a premium of about 3 cents above the support price. This average price may include prices for peanuts of lower quality which would normally not have been sold in the open market. It does, however, indicate that not all farmers have necessarily profited from the high price levels. It also is reported that additional peanuts, that portion of a farmer's production above his quota which is supported at 12.5 cents per pound, were sold at prices close to the support price for quota peanuts.

Table 12.--Peanuts: Support prices and average prices received by growers, by types, crop years 1971/72 to 1980/81

(In cents per pound)

Crop year	Support price	Prices received by farmers <sup>1/</sup>			
		Virginia-type	South-eastern Runner	South-western Spanish	New Mexico Valencias
1971/72-----	13.4	14.2	14.6	13.6	13.8
1972/73-----	14.3	14.6	15.1	14.2	15.2
1973/74-----	16.4	16.2	16.6	15.6	16.9
1974/75-----	18.3	17.6	18.5	17.4	17.7
1975/76-----	19.7	18.7	19.3	18.2	22.5
1976/77-----	20.7	19.9	20.1	19.0	24.5
1977/78-----	21.5	21.5	22.1	20.8	24.5
1978/79-----	<sup>2/</sup> 21.5	21.9	21.9	20.4	22.1
1979/80-----	<sup>2/</sup> 21.0	<sup>3/</sup> 21.6	<sup>3/</sup> 21.1	<sup>3/</sup> 20.7	<sup>3/</sup> 22.0
1980/81-----	<sup>2/</sup> 22.7	<sup>4/</sup>	<sup>4/</sup>	<sup>4/</sup>	<sup>4/</sup>

<sup>1/</sup> Prices are based on average quality factors for each crop year as described in the price-support schedules and summaries of inspections as reported by the Federal-State Inspection Service.

<sup>2/</sup> Weighted average for quota peanuts and additional peanuts.

<sup>3/</sup> Estimated by the Commission from preliminary data.

<sup>4/</sup> Not available.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Most peanuts are believed to have been in the hands of brokers by mid-December 1980. Farmers in the Southeast and in Virginia often have storage facilities for a large share of their crop, but high prices encouraged the early sale of peanuts which would normally have been stored until later in the season. Farmers in other regions do not normally store their own peanuts, but, since their crop is harvested slightly later in the season, they benefited from prices which had increased by the time of their harvest. To the extent that brokers have accepted contracts for delivery of 1980/81 crop year peanuts based upon the expectations of a normal crop, this price to farmers is probably substantially above the contract price. It is expected, therefore, that those commitments which are filled will be done so at a financial loss to the brokers.

### Prices of related products in the United States

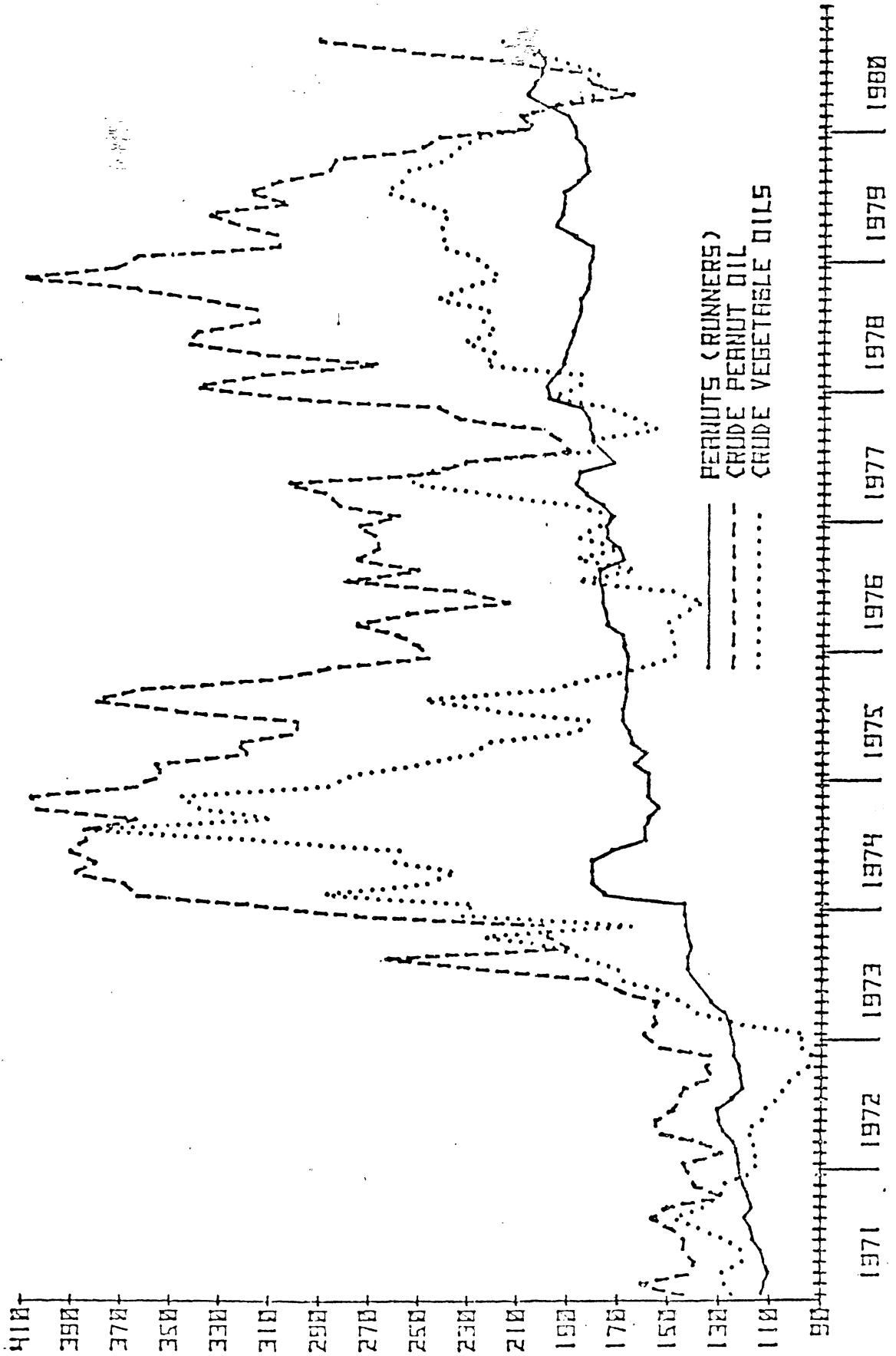
Prices of peanuts show some relationship to prices of peanut oil in U.S. markets, although not always a strong one. It is apparent from figure 2 that increases in prices of these commodities occurred nearly simultaneously on several occasions during the period 1971-80. Most notable of these concurrent movements was in 1974 when the index of peanut oil prices increased by more than 100 percent and the index of peanut prices increased by about 30 percent. Other concurrent movements can be seen in 1972, 1973, and twice in 1977. The fluctuations in the index of peanut oil prices, however, are substantially more violent than those in the index of peanut prices and, as shown in the figure, resemble the movements in the index of prices of all crude vegetable oils (including peanut oil). It is likely that peanut oil prices have been determined in the past largely by the market for various competing oils rather than by the price of the peanuts from which the oil is made. It is probable that, when prices for oils in general increase owing to demand factors, the price of peanuts is drawn higher as well. However, when the price for peanuts to be crushed is so high that such processing is unprofitable, it is expected that other oilseeds are substituted; under conditions such as apparently prevail in the 1980/81 crop year, it is probable that only those peanuts judged to be inedible will be crushed into oil and meal.

### Prices of peanuts and related products in the world market

Movements in prices for U.S. hand-picked select Runners, c.i.f. London, closely parallel those in prices for Runners in the U.S. market (fig. 3). A price differential exists between these two prices--averaging about 2.9 cents per pound in the 1977-79 period. In early 1980 the premium paid in the London market increased to about 5.8 cents per pound. This increase in European prices for edible peanuts may indicate increased demand relative to the available or anticipated supply. Prices in November 1980 were reported at approximately 56 cents per pound in the United Kingdom and, by mid-December, peanuts were trading at \$1.10 per pound. This slight lag in the rise of European prices after a rise in U.S. prices appears to be normal (fig. 3).

The figure shows that the price of ungraded peanuts of any origin in European ports is substantially less than that of the select Runners. Furthermore, movements in the prices of the ungraded peanuts show little direct relationship to those in the prices of select peanuts. It is probable that the current world market for edible peanuts is distinct from that for ungraded peanuts. Most, if not all, of the ungraded peanuts are intended for crushing into peanut oil and meal, and prices of such peanuts would be expected to be determined primarily by the market for those commodities.

PRICE INDEXES: PEANUTS, PEANUT OIL, VEGETABLE OILS

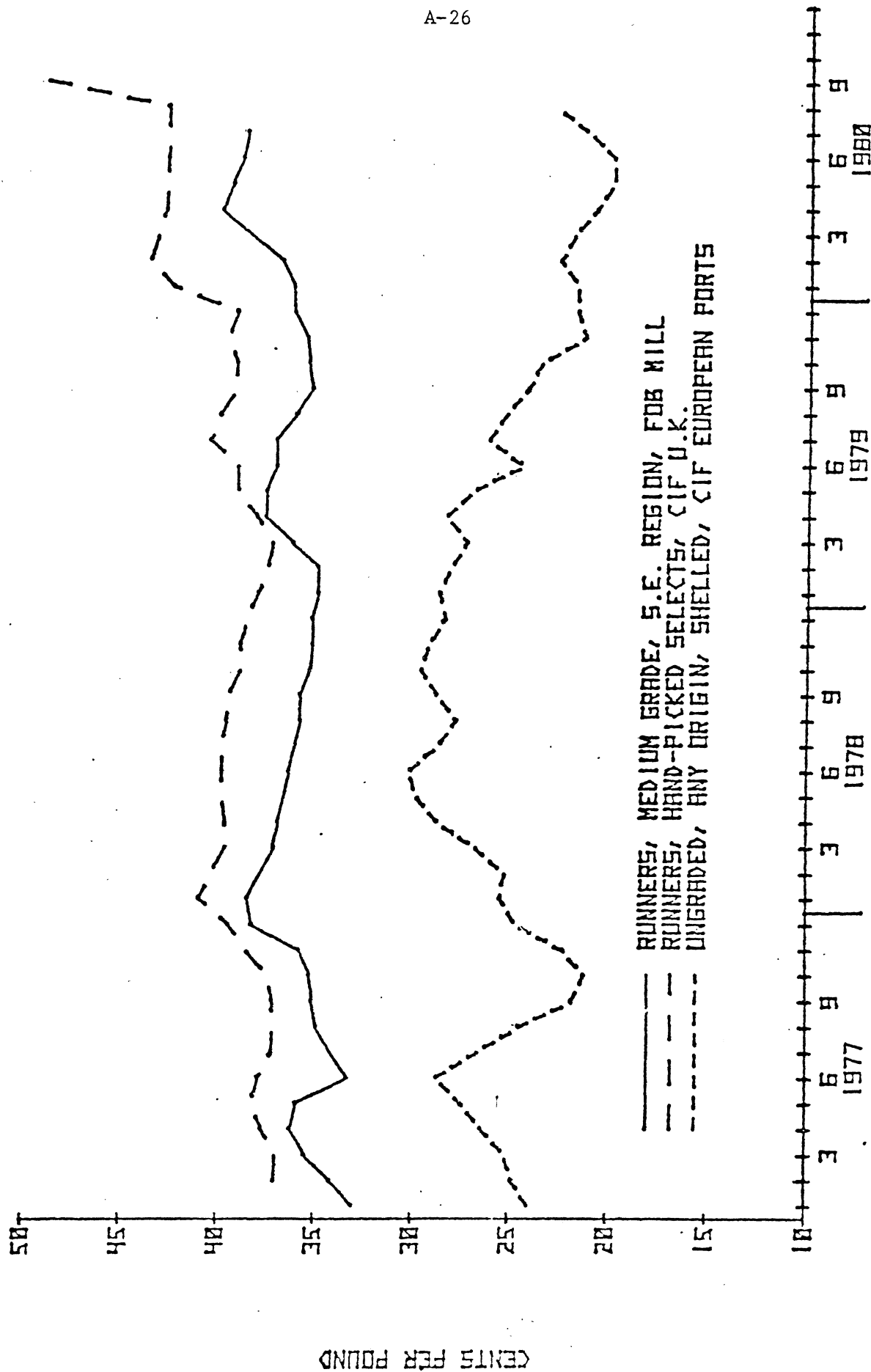


1957 = 100

(1957 = 100)

\* RUNNERS, MEDIUM GRADE, SOUTHEAST REGION, F.O.B. MILL  
SOURCE: U.S. DEPT. OF LABOR, BUREAU OF LABOR STATISTICS

FIGURE 3  
PEANUTS: PRICES IN U.S., LONDON, EUROPE



SOURCE: U.S. DEPT. OF AGRICULTURE; LONDON PUBLIC LEDGER; OIL WORLD WEEKLY



Figure 4 shows a high degree of correlation between the price movements for ungraded peanuts, peanut oil, and peanut meal in European markets during 1975-80. Only in one instance--mid-1977--did the index of peanut prices substantially deviate from that of oil prices; in that period the index of peanut meal prices climbed substantially, possibly indicating that demand for meal was the determinant in peanut price movements at that time. (In mid-1979, however, the figure shows that prices of peanut oil and peanuts diverged from those of peanut meal; the reasons for this divergence are not apparent at this time.) Although it seems clear that the level of U.S. consumption of peanuts has not generally had a significant influence on world prices for peanuts, the data show a relatively high degree of responsiveness to supply and demand factors in the world market. It is probable that, given an appropriate differential between prices of ungraded peanuts and prices of edible peanuts, an effort might be made by some suppliers to separate edible peanuts from otherwise ungraded peanuts for export to the United States. The absence of a substantial existing market for edible peanuts of non-U.S. origin indicates that the differential in recent years (about 20 cents per pound) between ungraded peanuts and select Runners in European markets has not been sufficient to elicit such a response in the past.

#### Probable Effect of Modification or Suspension of Quota

Testimony before the Commission at the public hearing and in written submissions was virtually unanimous regarding the necessity to relax the quantitative restrictions on imports of edible peanuts into the United States. Only growers expressed mixed opinions, some requesting that restrictions not be relaxed, others conceding the need for greater quantities of imports. Actions taken under section 22(b) of the Agricultural Adjustment Act, as amended, by the United States Trade Representative on December 4, 1980, upon the recommendation of the Secretary of Agriculture, modified the existing peanut quota through June 30, 1981. The proclamation provided for the admission of up to 200 million additional pounds (shelled basis) of edible peanuts meeting certain U.S. Department of Agriculture (USDA) standards, and requested advice from the Commission concerning the effects of such modification of the quota on any program administered by the USDA.

The following discussion is of the impact of three possible alternative actions relating to import restrictions: (1) no relaxation of the current restriction on imports (1.7 million pounds, shelled basis), 1/ (2) expansion of the quota limits by 200 million pounds (shelled basis), and (3) expansion of quota limits by more than 200 million pounds.

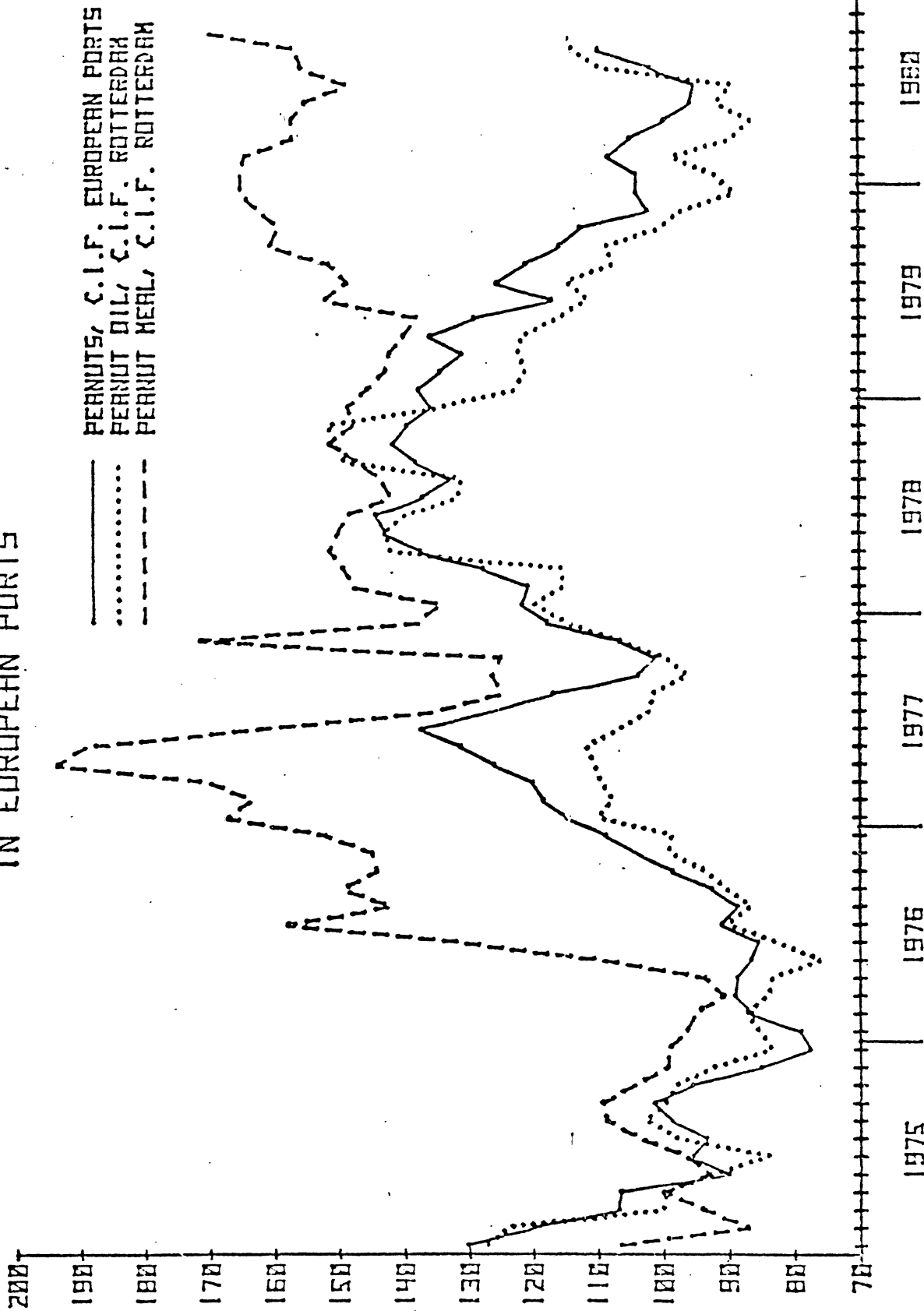
#### No relaxation of the existing peanut quota

Testimony at the Commission's hearing clearly described the effects of no increase in imports under the current shortage conditions. Potential purchasers of peanuts described at length the difficulties encountered in

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1/ Shelled-basis peanuts are those which have been removed from their shell. The weight of shelled peanuts is approximately 75 percent of the weight of peanuts still in the shell (farmers' stock basis).

# PRICE INDEXES OF PEANUTS, PEANUT OIL, PEANUT MEAL IN EUROPEAN PORTS \*



(1975 = 100)

\* PEANUTS AND PEANUT OIL OF ANY ORIGIN; PEANUT MEAL OF INDIAN ORIGIN..

SOURCE: U.S. DEPT. OF AGRICULTURE

obtaining domestic supplies sufficient to meet their current and anticipated needs. Many buyers with contracts and long-standing supplier relationships had received allocations of peanuts substantially less than the quantity for which they had contracted. Those who normally purchase on the open (spot) market generally found few peanuts available through traditional channels. Some purchasers were offered shipments of peanuts outside normal supply channels at prices which they considered exorbitant; frequently the quantities offered were insignificant relative to the needs of the buyer. As a result of a lack of domestic peanut supplies, a number of firms had reduced operations and laid off employees.

Although there are indications that some peanut growers have benefited from the high prices of their product, the USDA reported that the average price to farmers in November 1980 was about 26 cents per pound--approximately 3 cents per pound (13 percent) more than the official support price for quota peanuts of 22.7 cents per pound. This average price undoubtedly conceals a great deal of variation in actual prices received, but may reflect that a large number of farmers did not profit to any substantial degree from prices paid by processors to brokers (reportedly 300 to 400 percent of the normal level). This situation may be due to the structure of the marketing system for peanuts. Prices to growers have normally remained close to the USDA support price. Although some growers, particularly in the Southeast, have facilities to store peanuts, most farmers are reported to have offered their crop to the market soon after the price rose above the normal level. Although offered prices continued to rise, most farmers had already sold their peanuts. The traditional practice of brokers is to accept contracts for a large share of the peanut crop in advance of the actual harvest at a price expected to prevail in the market. Deliveries of these peanuts would then be made at the contracted price regardless of prices eventually prevailing on the spot market. Most profits from the higher prices reported during October-December 1980, therefore, are likely to be accruing to brokers or other dealers who were able to purchase from growers at lower prices but who did not themselves have contracts to fill.

Table 13 shows USDA estimates of the supply of edible grade (segregation 1) peanuts in 1980/81 with and without increased imports. The USDA believes that total supply will be 2,570 million pounds (farmers' stock basis), about 58 percent of the supply in 1979/80 (col. 2). Harvests in recent years have produced an excess of segregation 1 peanuts, which were generally exported, crushed for oil, or used for seed. Compared with previous years, the estimates show a substantial reduction in the quantity of segregation 1 peanuts for these uses. The reduction of exports and peanuts for crushing operations, and the release by the USDA of segregation 3 peanuts for an estimated 50 percent of seed requirements, alleviate some of the pressures caused by the shortage. (The remainder of the lower quality segregation 2 and 3 peanuts will be crushed for oil.) Therefore, according to USDA estimates, the use for domestic edible purposes will be only 22 percent or 455 million pounds less than the previous year's level of 2,030 million pounds.

The issue of the appropriate ending level of peanut stocks was addressed in submissions to the Commission by several large peanut processors and by the USDA. The USDA estimate of the supply and utilization situation for peanuts

Table 13.--Peanuts: U.S. supply and utilization, crop years 1979/80 and 1980/81

(In millions of pounds, farmers' stock basis)				
Item	1979/80	1980/81 <u>1/</u>	1980/81 <u>2/</u>	
Supply:				
Segregation 1 (edible):				
Beginning stocks-----	586	628	628	
Marketings-----	3,842	1,940	1,940	
Imports-----	1	2	112	
Total edible supply-----	4,429	2,570	2,680	
Marketings of segregation				
2 and 3 (oilstock)-----	75	290	290	
Total supply-----	4,504	2,860	2,970	
Utilization:				
Segregation 1 (edible):				
Domestic edible uses-----	2,030	1,575	1,655	
Seed-----	210	125	125	
Loan surplus crush for				
oil-----	436	-	-	
Subtotal domestic-----	2,676	1,700	1,780	
Exports-----	816	420	450	
Total edible food and				
seed use-----	3,492	2,120	2,230	
Oilstock grade peanuts				
(pickouts) and segrega-				
tion 2 and 3:				
Domestic loan surplus				
crushed-----	-	150	150	
Other domestic crushed--	135	190	190	
Seed-----	-	125	125	
Subtotal domestic-----	135	465	465	
Exports (pickouts from				
seg. 1 peanuts)-----	249	125	125	
Total oilstock use--	384	590	590	
Total use-----	3,876	2,710	2,820	
Ending stocks-----	628	150	150	

1/ With the assumption that imports (under the 1,709,000-pound quota) will amount to about 2,000,000 pounds (farmers' stock basis).

2/ With the assumption that imports under the modified quota (200,000,000 pounds on a shelled basis, or 267,000,000 pounds on a farmers' stock basis) will amount to about 112,000,000 pounds.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

depends upon the reduction of yearend stock--those in inventory as of July 31 of the crop year--to about 150 million pounds by the end of the 1980/81 crop year; this quantity is equivalent to less than 25 percent of stocks on July 31, 1980. These ending stocks are the peanuts available to processors from August 1 until the new year's crop of peanuts become available as the harvest progresses. Although the peanut harvest begins in August, it is contended that "new crop U.S. peanuts are not available to manufacturers in meaningful volume until late September." <sup>1/</sup> Therefore, the adequacy of 150 million pounds of carryover stocks is subject to question. The USDA stated that the level of peanuts processed in each month of recent years ranges from 160 million to 186 million pounds, farmers' stock basis. <sup>2/</sup> Therefore, if the rate of consumption of peanuts were the same as in earlier years, the level of peanut inventory needed for the 2 months of August and September 1981 would be a minimum of 320 million pounds--more than double that allowed for in the USDA estimates (table 13). On a historical basis, beginning stocks have not been less than 22 percent of peanut utilization for food purposes during any crop year since 1970/71 (table 14). This historical pattern suggests a minimum requirement of 400 million pounds in beginning stocks are necessary for the 1981/82 crop year. Beginning stocks of 150 million pounds are only 38 percent of this level; less than 10 percent of the amount of peanuts used for food purposes in any year since 1967; only 25 percent of the 1977-80 average beginning stock level of 600 million pounds; and lower than the level of beginning stocks in any of the past 30 years.

Table 14.--Peanuts: Beginning stocks and food usage, crop years 1970/71 to 1980/81

Crop year	Beginning stocks	Food usage	Stocks as a share of food usage
	Million pounds	Million pounds	Percent
1970/71-----	353	1,583	22
1971/72-----	453	1,623	28
1972/73-----	392	1,694	23
1973/74-----	429	1,840	23
1974/75-----	553	1,800	31
1975/76-----	1,146	1,870	61
1976/77-----	1,060	1,800	59
1977/78-----	608	1,850	33
1978/79-----	581	1,996	29
1979/80-----	586	2,030	29
1980/81-----	628	1,655	38

Source: Based on data in table 3.

<sup>1/</sup> Submission of F. N. Corbin of Proctor & Gamble Co., Dec. 8, 1980.

<sup>2/</sup> Letter to the Commission from USDA, Dec. 11, 1980.

Under the unusual circumstances of the 1980/81 crop year, it is likely that growers, brokers, and users of peanuts will be somewhat wary of the market as the next crop year approaches. If the beginning inventory is as low as 150 million pounds at that time, prices paid by processors to the brokers holding the peanuts may be expected to remain substantially above the 40-cents-per-pound level prevailing during the 1979/80 crop year, especially through the first months of the 1981/82 crop year. Exacerbating the situation is the possible reaction of peanut growers at that time. Farmers should be expected to market early in the year only that portion of their crop necessary to cover expenses. This may cause a temporary increase in peanuts placed under the loan program so as to reserve the option of reclaiming and selling the peanuts commercially at a later date. When the condition of the national harvest becomes known, farmers should be expected to try to obtain the best price. If the harvest is good, large quantities may become available in the early months of the crop year, thereby taking advantage of high beginning prices. If the harvest is not good, farmers should be expected to have learned from the experience of 1980/81 and to hold back from the market as much of their crop as possible. This departure from the traditional marketing patterns, where the crop is available to the market in a predictable distribution throughout the year, may further disturb an already unsettled market. Should the crop not be as good as in recent years prices may remain high through the year. A potential benefit of high prices could be reduced deliveries of peanuts to the Commodity Credit Corporation, thereby resulting in lower costs of administering the program in the 1981/82 crop year. <sup>1/</sup> Thus, such a situation might reduce Government outlays while providing peanut farmers increased income, although at some expense to consumers in the form of higher peanut and peanut product prices.

Consumption of peanuts will decline by an undetermined amount during 1981 as a direct result of the higher prices of peanuts in all world markets. Testimony indicates that there may be some difficulty in readjusting to more normal conditions in the future due to loss of consumer markets and possible bankruptcy of smaller peanut processors. Recent crops have invariably produced an excess supply of edible peanuts. If such a crop is harvested in 1981/82, the amount of the oversupply could be substantially greater owing to the reduced level of demand. If the oversupply were greater than any reduction in offerings to the CCC by farmers (owing to initially high prices), prices may drop significantly and the support activities of the USDA would be intensified through net increases in purchases of peanuts by the CCC and increase in the cost of administering the support program through the 1981/82 crop year.

#### Expansion of the quota by 200 million pounds

Most interested parties providing testimony and submissions to the Commission agreed that some degree of relaxation of restrictions on imports of edible peanuts is necessary. (A summary of the positions taken is shown in

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<sup>1/</sup> Peanuts placed under the loan program do not belong to the CCC unless the farmer fails to repay the loan; the peanuts are then formally "delivered" to the CCC.

app. E.) Table 13 shows the estimates of the USDA made on the basis of an expansion of the import quota by 200 million pounds, shelled basis (or 267 million pounds, farmers' stock basis), the level proclaimed by the USTR. The USDA estimates that sufficient peanuts to fill the expanded quota may not be available on the world market, and that a total of only 112 million pounds will be entered into the United States. The only significant difference between these estimates and those discussed above is seen in an increase of 80 million pounds in domestic edible utilization and an increase of 30 million pounds in exports. Such a scenario provides some relief for the users of peanuts, although not enough to completely reverse the effects of the shortfall suffered by processors during the year.

The effect of the expansion of the quota to the level recommended by the USDA depends primarily upon the availability of peanuts worldwide, their price, and the level of yearend stocks. If virtually all peanuts entered under the larger quota are used for edible purposes, USDA expects yearend stocks to be at 150 million pounds. The discussions above concerning the decline in demand for peanuts and the appropriate level of ending stocks, with the implications for the following crop year, are applicable also to this situation. Even if the entire 200 million pounds were available, the effect on farmers' and brokers' prices would probably be negligible since peanuts entered under the quota would have been purchased at a world price not substantially different from that prevailing in the United States. It is probable, therefore, that prices will remain relatively high, at least through the beginning of the 1981/82 crop year.

Availability of peanuts for import into the United States under an increased quota is not certain. The USDA estimated in November 1980 that world production of peanuts would be 4 to 5 percent above the level of the previous year. Increases in exports from India and China were expected to account for the greatest share of U.S. imports. Since these estimates were made, however, the USDA has substantially revised its estimates of world production levels. Production in China is now expected to be 380,000 metric tons greater than in 1979/80 (250,000 tons larger than the earlier estimate), while India's production is expected to be only 230,000 metric tons greater than in 1979/80 (a decrease of 600,000 tons from the November estimate). This net decrease from earlier estimates suggests that world production will not increase by 5 percent, but will decline by 1.5 percent (270,000 metric tons or 595 million pounds) from levels a year earlier.

The level of exports from India and China depend upon political and economic decisions of the two governments. Both countries have established official control of peanut exports. The revised estimates of their production in 1980/81 does not preclude expansion of their exports should they consider the returns to be adequate. High prices in the world market may elicit increased exports from China, in particular, in light of its record crop; the Indian crop will be somewhat below the levels produced during 1977-79. Southern Hemisphere countries, notably Argentina and Brazil, will begin their harvest in March, and some portion of this crop should become available for export by May. The premium price should be expected to encourage the extra effort and expense of selecting peanuts for the edible export market if the expanded quota has not been filled by that time.

Expansion of the quota by more than 200 million pounds

Expansion of the quota by more than 200 million pounds, shelled basis, would be likely to have an effect on the U.S. market similar to the limited expansion discussed above; if peanuts are not available for importation, there can be no significant difference. It has been suggested in submissions to the Commission that the greatest adverse effect on the peanut support program will come as a result of timing rather than quantity alone. If consumption of peanuts for edible purposes were to remain at 2,030 million pounds, the 1979/80 level, and all other USDA estimates concerning the 1980/81 crop year were assumed to be the levels shown in table 13, there would be a shortfall of 455 million pounds which could only be made up by imports. If such quantities were available on world markets, they would be purchased at relatively high prices. (If such quantities were available, it is likely that the world price would be somewhat less than the current record-high U.S. price; the fact that prices in the world market are not much lower than U.S. prices is an indication that the market does not expect such large quantities to become generally available.)

If 455 million pounds were entered, most of the peanuts would go to processors for current consumption and there would be no significant increase in ending stocks from the estimated 150 million pounds. <sup>1/</sup> As before, low yearend stocks would encourage high prices through the early part of the 1981/82 crop year. Only if substantial imports are entered shortly before the end of the 1980/81 crop year are yearend stocks likely to be at or above the level needed to satisfy normal demand in August and September, and only if ending stocks are well above this level, will prices paid to brokers (the only dealers likely to have peanuts available at that time of the crop year) be depressed below normal levels. Ending stocks in recent years have averaged about 600 million pounds--a difference of 450 million pounds from the USDA estimate of 150 million pounds. Such an amount is unlikely to be entered in the 3-month period of May, June, and July--when imports from the Southern Hemisphere are potentially available--since Brazil and Argentina together have never exported more than 181 million pounds. If stocks are at the level needed for August and September, and the prices paid for the imported peanuts are similar to current U.S. prices paid to brokers, prices to farmers for the new crop may be lower than if there had been no increase in imports, but are unlikely to be depressed below support levels. Since any processing of peanuts foregone from August to December 1980 is unlikely to be completely made up by increased production at a later date, there is no advantage in allowing imports to increase to the level needed to meet the total shortfall for the crop year. However, since prices on the world market are high, it is not probable that buyers will purchase more peanuts than they need for the current production schedule, behavior which would be further encouraged by the high costs of financing excessive inventory. If peanuts are entered in such quantities appropriate to meet the level of demand only from the time of the proclamation to the end of the crop year, there are not likely to be adverse effects upon the price support program in the current year (1980/81).

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<sup>1/</sup> It is possible that such imports might release some U.S. peanuts for export and seed purposes, but this would not affect the substance of this discussion.



The above discussion suggests that imports are not likely to depress farmers' prices to the support levels in either the 1980/81 crop year or the 1981/82 crop year. Increased imports are also not likely to effect the level of purchases by the CCC in the 1981/82 crop year. Recent U.S. crops have invariably produced an excess supply of peanuts, resulting in CCC purchases under the loan program. Since foregone consumption of peanuts by processors will probably not be made up, an excess of peanuts in the next crop year will not be avoided by deliberately holding down consumption in the current year. The major advantage, then, of permitting only a limited expansion of the quota is the increase of prices paid to farmers to a level significantly above the official support price in the early part of the 1981/82 crop year. The cost of this artificial support would be paid directly by consumers rather than through Government programs. It should also be noted, however, that such high price levels will probably not continue beyond the 1981/82 crop year, barring another disastrous harvest.



APPENDIX A

SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT, AS AMENDED

**§ 624. Limitation on imports; authority of President**

(a) Whenever the Secretary of Agriculture has reason to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken under this title or the Soil Conservation and Domestic Allotment Act, as amended or section 32, Public Law Numbered 320, Seventy-fourth Congress, approved August 24, 1935, as amended [7 USCS § 612c], or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken, he shall so advise the President, and, if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the United States Tariff Commission [United States International Trade Commission], which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties, and shall be conducted subject to such regulations as the President shall specify.

(b) If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall by proclamation impose such fees not in excess of 50 per centum ad valorem or such quantitative limitations on any article or articles which may be entered, or withdrawn from warehouse, for consumption as he finds and declares shown by such investigation to be necessary in order that the entry of such article or articles will not render or tend to render ineffective, or materially interfere with, any program or operation referred to in subsection (a) of this section, or reduce substantially the amount of any product processed in the United States from any such agricultural commodity or product thereof with respect to which any such program or operation is being undertaken; Provided, That no proclamation under this section shall impose any limitation on the total quantity of any article or articles which may be entered, or withdrawn from warehouse, for consumption which reduces such permissible total quantity to proportionately less than 50 per centum of the total quantity of such article or articles which was entered, or withdrawn from warehouse, for consumption during a representative period as determined by the President: And provided further, That in designating any article or articles, the

## 7 USCS § 624

## AGRICULTURE

President may describe them by physical qualities, value, use, or upon such other bases as he shall determine.

In any case where the Secretary of Agriculture determines and reports to the President with regard to any article or articles that a condition exists requiring emergency treatment, the President may take immediate action under this section without awaiting the recommendations of the Tariff Commission [International Trade Commission], such action to continue in effect pending the report and recommendations of the Tariff Commission [International Trade Commission] and action thereon by the President.

(c) The fees and limitations imposed by the President by proclamation under this section and any revocation, suspension, or modification thereof, shall become effective on such date as shall be therein specified, and such fees shall be treated for administrative purposes and for the purposes of section 32 of Public Law Numbered 320, Seventy-fourth Congress, approved August 24, 1935, as amended [7 USCS § 612c], as duties imposed by the Tariff Act of 1930, but such fees shall not be considered as duties for the purpose of granting any preferential concession under any international obligation of the United States.

(d) After investigation, report, finding, and declaration in the manner provided in the case of a proclamation issued pursuant to subsection (b) of this section, any proclamation or provision of such proclamation may be suspended or terminated by the President whenever he finds and proclaims that the circumstances requiring the proclamation or provision thereof no longer exist or may be modified by the President whenever he finds and proclaims that changed circumstances require such modification to carry out the purposes of this section.

(e) Any decision of the President as to facts under this section shall be final.

(f) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section.

(May 12, 1933, c. 25, Title I, § 22, as added Aug. 24, 1935, c. 641, Title I, § 31, 49 Stat. 773; Feb. 29, 1936, c. 104, § 5, 49 Stat. 1152; June 3, 1937, c. 296, § 1(k), 50 Stat. 246; Jan. 25, 1940, c. 13, 54 Stat. 17; July 3, 1948, c. 827, Title I, § 3, 62 Stat. 1248; June 28, 1950, c. 381, § 3, 64 Stat. 261; June 16, 1951, c. 141, § 8(b), 65 Stat. 75; Aug. 7, 1953, c. 348, Title I, § 104, 67 Stat. 472.)

## AGRICULTURAL ADJUSTMENT

## 7 USCS § 624, n 7

## INTERPRETIVE NOTES AND DECISIONS

1. Generally
2. Investigation
3. Import restrictions; fees or quotas
4. —Findings necessary to imposition of fee or quota
5. Judicial review
6. Modification of proclamation
7. Particular commodities

**1. Generally**

Since purpose of executive agreement, effect of which was to exclude food product of foreign country from importation into United States, was to bar imports which would interfere with Agricultural Adjustment program, provisions of 7 USCS § 624 for investigation by Tariff Commission and recommendation to President for his action must be complied with, and executive agreement which failed to comply was void. *United States v Guy W. Capps, Inc.* (1953, CA4 Va) 204 F2d 655, affd 348 US 296, 99 L Ed 329, 75 S Ct 326.

**2. Investigation**

Importer of dried figs and fig paste could not maintain action against Secretary of Agriculture to have marketing agreement and order for California dried figs declared invalid and restraining him from conducting investigation of impact of importation of figs, where Secretary had taken no action, even assuming that later there might be order entered on basis of marketing program which would adversely affect plaintiff. *Wolff v Benson* (1958) 103 App DC 334, 258 F2d 428.

**3. Import restrictions; fees or quotas**

7 USCS § 624 contains neither ambiguity in language, nor uncertainty in legislative intent, and there is no basis, therefore, for construing disjunctive "or" as conjunctive "and;" President has power to impose fees or quantitative limitations, in the alternative; proclamation No. 3084 which attempts to impose both fee and quota is invalid insofar as it imposes fee. *United States v Best Foods, Inc.* (1960) 47 Cust & Pat App 163.

**4. —Findings necessary to imposition of fee or quota**

Congress in 7 USCS § 624 has required as condition precedent to imposition of tax or quota

a finding by President that importations of certain articles are likely to increase in such way as to threaten price support program, directly or by limiting domestic processing of price-supported commodity, and fee imposed without such finding was void. *Best Foods, Inc. v United States* (1963) 50 Cust Ct 94, 218 F Supp 576.

**5. Judicial review**

Congress contemplated, in connection with fee levied on imported merchandise by purported authority of 7 USCS § 624, usual administrative customs procedure, including entry, appraisal, liquidation, protest, and filing of such protest by collector with Customs Court, and ouster of that jurisdiction could not be inferred from statute; judicial review is not precluded by provision of § 624(e) that Presidential findings of fact should be final. *Best Foods, Inc. v United States* (1956) 37 Cust Ct 1, 147 F Supp 749.

**6. Modification of proclamation**

Congressional delegation to President of power, pursuant to prescribed procedure, to modify proclamation imposing quota on peanuts, did not empower him by his modifying proclamation to also proclaim new fee of two cents per pound that had not previously been proclaimed. *Best Foods, Inc. v United States* (1957) 39 Cust Ct 305, 158 F Supp 583.

**7. Particular commodities**

President's quota restriction on tung oil was applicable to importer's en route tung oil, product of and imported from Paraguay notwithstanding provisions of General Agreement on Tariffs and Trade. *C. Tennant, Sons & Co. v Dill* (1957, DC NY) 158 F Supp 63.

Fee at rate of two cents per pound, exacted on imported peanuts pursuant to presidential proclamation issued under 7 USCS § 624, is invalid. *Best Foods, Inc. v United States* (1963) 50 Cust Ct 94, 218 F Supp 576.

Calcium reduced dried skim milk is an "article of milk" subject to license requirements and import restrictions pertaining to milk rather than to those pertaining to edible preparations other than milk. *Western Dairy Products, Inc. v United States* (1974) 72 Cust Ct 75, 373 F Supp 568, affd (Cust & Pat App) 510 F2d 376.

APPENDIX B

U.S. INTERNATIONAL TRADE COMMISSION NOTICE  
OF INVESTIGATION AND HEARING

modification or suspension of the section 22 quantitative import restriction on peanuts, set forth in item 951.00<sup>1</sup> of the Appendix to the Tariff Schedules of the United States, for the 12-month quota period beginning August 1, 1980. Specifically, the Commission instituted the investigation under section 22(d) to determine whether the annual import quota for the 12-month period beginning August 1, 1980, may be modified or suspended without rendering or tending to render ineffective, or materially interfering with, any program or operation undertaken by the Department of Agriculture with respect to peanuts, or reducing substantially the amount of any product processed in the United States from peanuts.

**EFFECTIVE DATE:** October 15, 1980.

**FOR FURTHER INFORMATION CONTACT:** Mr. Stephen D. Burket, 202/523-0033.

**SUPPLEMENTARY INFORMATION:**

**Background.**

Since July 1, 1953, U.S. imports of peanuts have been subject to an annual quota (beginning on August 1 of each year) of 1,709,000 pounds (aggregate quantity, shelled basis). This quota was imposed, based on a U.S. Tariff Commission (now the U.S. International Trade Commission) finding, as a result of an investigation under section 22 of the Agricultural Adjustment Act of 1933. In 1955 and 1956, as a result of actions taken under section 22(d) of that act, the import quota was temporarily relaxed to allow for imports in excess of the quota in order to relieve shortages of certain types of peanuts in the United States.

The current investigation (No. 22-42) is being instituted following receipt on October 1, 1980, of a petition filed by counsel on behalf of the Peanut Butter and Nut Processors Association and the National Confectioners Association requesting that the Commission make such an investigation under section 22(d), and alleging that because of severe drought conditions in producing areas in the United States and a resultant decline in U.S. production of peanuts, it is urgent that action be taken to suspend entirely the import restriction for the current quota period.

<sup>1</sup>Item 951.00 provides that whenever, in any 12-month period beginning August 1 in any year, an aggregate quantity of 1,709,000 pounds (shelled basis) of peanuts, shelled or not shelled, blanched or otherwise prepared or preserved (except peanut butter) provided for in TSUS items 145.00, 145.01, and 145.48 (part 9A, schedule 1) has been entered, no such products may be entered during the remainder of such period. Peanuts in the shell are charged against the quota on the basis of 75 pounds for each 100 pounds of peanuts in the shell.

**[Investigation No. 22-42]**

Peanuts, Shelled or Not Shelled  
Blanched, or Otherwise Prepared or  
Preserved (Except Peanut Butter);  
Investigation and Hearing

**AGENCY:** United States International  
Trade Commission.

**ACTION:** Institution of an investigation  
under section 22(d) of the Agricultural  
Adjustment Act (7 U.S.C. 624) to  
determine whether changed  
circumstances exist which require the



*Authority:* Section 22(d) of the Agricultural Adjustment Act provides that "After investigation, report, finding, and declaration in the manner provided in the case of a proclamation issued pursuant to subsection (b) of this section, any proclamation or provision of such proclamation may be suspended or terminated by the President whenever he finds and proclaims that the circumstances requiring the proclamation or provision thereof no longer exist or may be modified by the President whenever he finds and proclaims that change circumstances require such modification to carry out the purposes of this section." This investigation will be subject to the provisions of part 204 of the Commission's Rules of Practice and Procedure (19 CFR 204).

**PUBLIC HEARING:** The Commission will hold a public hearing in connection with this investigation beginning at 10 a.m., e.s.t., Monday, December 1, 1980, in the Hearing Room of the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m., e.s.t.), November 24, 1980. All persons desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 10 a.m., e.s.t., on November 25, 1980, in Room 117 at the U.S. International Trade Commission Building. For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rule of Practice and Procedure, Part 204 (19 CFR 204) and Part 201 (19 CFR 201).

**WRITTEN SUBMISSIONS:** In addition to or in lieu of an appearance at the hearing, interested persons may submit to the Commission a written statement of information pertinent to the subject matter of this investigation. Written statements should be addressed to the Secretary to the Commission, 701 E Street, NW., Washington, D.C. 20436, and must be received not later than December 10, 1980. All written submissions, except for confidential business data, will be available for public inspection.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's Rules of Practice and

*Procedure* (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

By order of the Commission.

Issued: October 16, 1980.

Kenneth R. Mason,

Secretary.

[FR Doc. 80-33006 Filed 10-21-80; 8:45 am]

BILLING CODE 7020-02-M



APPENDIX C

UNITED STATES TRADE REPRESENTATIVE'S LETTER TO THE COMMISSION  
AND PROCLAMATION MODIFYING THE IMPORT CONTROLS ON PEANUTS

THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON  
20506

December 4, 1980

Honorable Bill Alberger  
Chairman  
United States International  
Trade Commission  
Washington, D.C. 20436

Dear Mr. Chairman:

Pursuant to Section 22 of the Agricultural Adjustment Act of 1933, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that an additional quantity of peanuts, described in item 951.00 of part 3 of the Appendix to the Tariff Schedules of the United States, may be imported under certain specified conditions without rendering or tending to render ineffective, or materially interfering with, the price support program for peanuts of the Department of Agriculture, or reducing substantially the amount of any product being processed in the United States from domestic peanuts. The specified conditions are that the additional importations should be limited to 200 million pounds, that such additional quantities should be entered not later than June 30, 1981, and that such imports should be restricted to peanuts suitable for edible use.

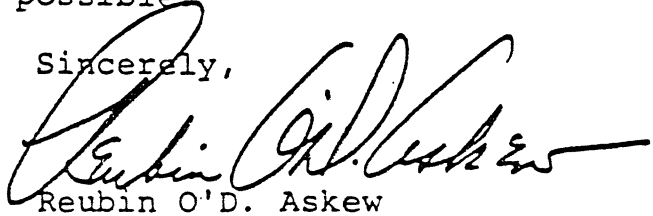
The Secretary has also advised me, pursuant to Section 22(b) of the Agricultural Adjustment Act of 1933, as amended, that a condition exists requiring emergency treatment with respect to peanuts and has therefore recommended that I take prompt action under Section 22(b) to authorize additional imports. I am today issuing a proclamation authorizing the importation of 200 million pounds of peanuts suitable for edible use, in addition to the existing quota of 1,709,000 pounds, such authorization to continue in effect through June 30, 1981.

The United States International Trade Commission is, therefore, requested to make an immediate investigation under Section 22 of the Agricultural Adjustment Act of 1933, as amended, to determine whether the peanuts described in new TSUS item 951.01 added by the above-cited proclamation, may be imported without rendering or tending to render ineffective, or materially

- 2 -

interfering with, the price support program for peanuts conducted by the Department of Agriculture, or reducing substantially the amount of any product being processed in the United States from domestic peanuts, and to report the results to me as soon as possible.

Sincerely,

A handwritten signature in cursive script, appearing to read "Reubin O'D. Askew". The signature is written in dark ink and is positioned above the printed name.

Reubin O'D. Askew

## Presidential Documents

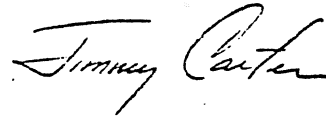
Memorandum of December 3, 1980

Memorandum for the United States Trade Representative

By the authority vested in me as President by the Constitution and statutes of the United States, including Section 301 of Title 3 of the United States Code, I hereby authorize you to perform on my behalf, with respect to the importation of peanuts only, all functions vested in me by Section 22 of the Agriculture Adjustment Act of 1933, as amended (7 U.S.C. 624).

This delegation of authority shall expire on January 20, 1981.

This memorandum shall be published in the Federal Register.



THE WHITE HOUSE,  
Washington, December 5, 1980.

Editorial Note: Reprinted from the Federal Register of December 5, 1980 (45 FR 80465).

Proclamation 4807 of December 4, 1980

### Modification of Import Controls on Peanuts

On Behalf of the President of the United States of America

#### A Proclamation

1. Item 951.00 of Part 3 of the Appendix to the Tariff Schedules of the United States provides that no more than 1,709,000 pounds of peanuts described therein may be imported into the United States during any 12 month period beginning August 1 in any year. This limitation was proclaimed by the President in Proclamation No. 3019 of June 8, 1953 (18 FR 3361) and was amended in subsequent proclamations, under the authority of Section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 624).
2. The President has delegated his authority under Section 22 of the Agricultural Adjustment Act of 1933, as amended, with respect to peanuts, to me as United States Trade Representative by memorandum dated December 3, 1980.
3. I have been advised by the Secretary of Agriculture that there is a substantial deficit in the domestic supply of peanuts, of the type and physical description described below, which are suitable for edible use. I have been further advised by the Secretary of Agriculture that he has reason to believe that an additional quantity of the peanuts described below may be imported without rendering or tending to render ineffective, or materially interfering with, the price support program of the Department of Agriculture with respect to peanuts, or reducing substantially the amount of any product processed in the United States from peanuts with respect to which such program is being undertaken.

4. I agree that there is reason for such belief by the Secretary of Agriculture. Therefore, I am requesting the United States International Trade Commission to make an immediate investigation with respect to this matter pursuant to section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 624), and to report its findings and recommendations to me as soon as possible.

5. The Secretary of Agriculture has also determined and reported to me that a condition exists with respect to peanuts which requires emergency treatment, and that the modification in the quantitative import limitations hereinafter proclaimed should be imposed without awaiting the report and recommendations of the United States International Trade Commission.

6. I find and declare that a condition exists which requires emergency treatment and that, without awaiting the recommendations of the United States International Trade Commission with respect to such action, an additional quantity of peanuts should be permitted entry, as hereinafter proclaimed, in order to meet domestic requirements for peanuts suitable for edible use, until supplies become available from the 1981 domestic crop. I also find and declare that the entry of such quantities of peanuts, under the conditions hereinafter proclaimed, will not render or tend to render ineffective, or materially interfere with, the price support operations now being conducted by the Department of Agriculture for peanuts, or reduce substantially the amount of any product processed in the United States from domestic peanuts.

NOW, THEREFORE, I, Reubin O'D. Askew, United States Trade Representative, acting pursuant to the authority vested in the President of the United States of America by the Constitution and Statutes of the United States of America, including section 22 of the Agricultural Adjustment Act of 1933, as amended, and delegated to me by memorandum dated December 3, 1980, do hereby proclaim:

(1) Part 3 of the Appendix to the Tariff Schedules of the United States is hereby modified by inserting in numerical sequence the following temporary provision:

Item	Articles	Quota Quantity
951.01	Notwithstanding the quantitative limitation on the importation of peanuts described in item 951.00, an additional quantity of such peanuts, within the scope of such quota, may be entered during the period December 4, 1980 through June 30, 1981: <i>Provided</i> , That the following certificates (or a bond for their production) for such peanuts shall be filed with the appropriate customs officer at the time of entry (except that such peanuts, blanched or otherwise prepared or preserved shall not require such certificates):	200,000,000 pounds: <i>Provided</i> , That peanuts in the shell shall be charged against this quota on the basis of 75 pounds for each 100 pounds of peanuts in the shell.
	(a) a certificate issued by the U.S. Department of Agriculture attesting to the fact that the peanuts meet the requirements as to quality, size, and wholesomeness that are specified in the Outgoing Quality Regulations of the Marketing Agreement for peanuts No. 145 (45 F.R. 41675-63 (June 20, 1980)) and	
	(b) a certificate issued by the U.S. Department of Agriculture laboratories or designated laboratories approved by the Peanut Administrative Committee attesting to the fact that the peanuts tested "negative" as to aflatoxin.	

(2) The temporary provision added to Part 3 of the Appendix to the Tariff Schedules of the United States by paragraph (1) of this proclamation shall be deleted therefrom on July 1, 1981.

Signed this 4th day of December, 1980.

Reubin O'D. Askew

[FR Doc. 80-28248

Filed 12-3-80; 11:42 am]

Billing code 3195-01-M\*



CHAIRMAN



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## UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, D.C. 20436

December 9, 1980

Honorable Reubin Askew  
United States Trade Representative  
1800 G Street NW.  
Washington, D.C. 20406

Dear Mr. Ambassador:

Thank you for your letter of December 4, 1980, in which you (i) advised of your issuance of a proclamation authorizing the importation of 200 million pounds of peanuts suitable for edible use, in addition to the existing quota of 1,709,000 pounds, such authorization to continue in effect through June 30, 1981, and (ii) requested that the United States International Trade Commission make an immediate investigation under section 22 of the Agricultural Adjustment Act of 1933, as amended, to determine whether the peanuts described in new TSUS item 951.01 added by the above-cited proclamation, may be imported without rendering or tending to render ineffective, or materially interfering with, the price support program for peanuts conducted by the Department of Agriculture, or reducing substantially the amount of any product being processed in the United States from domestic peanuts, and to report the results to you as soon as possible.

As you know, after considering a petition on behalf of the Peanut Butter and Nut Processors Association and the National Confectioners Association, the Commission, on October 15, 1980, instituted an investigation on its own motion under section 22(d) of the Agricultural Adjustment Act to determine whether changed circumstances exist which require the modification or suspension of the section 22 quantitative import restriction on peanuts. In connection with this investigation (No. 22-42), a public hearing was held on December 1, 1980, at which all interested parties, including the Department of Agriculture, were given the opportunity to be heard. The Commission is scheduled to arrive at a determination and recommendation no later than January 13, 1981, and will, of course, report its results to you at that time.

CHAIRMAN



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, D.C. 20436

Since the subject matter of your request is commensurate with our current investigation, the Commission is not instituting a new investigation at this time. However, we shall certainly consider your proclamation in formulating our findings and recommendations on this matter.

Your proclamation and letter have been made a part of the official record in this investigation.

Sincerely,

A handwritten signature in cursive script that reads "Bill Alberger".

Bill Alberger  
Chairman

APPENDIX D

PREVIOUS COMMISSION SUPPLEMENTAL SECTION 22  
INVESTIGATIONS ON PEANUTS

On November 26, 1954, the Commission instituted a supplemental investigation under section 22(d) of the Agricultural Adjustment Act, as amended, on the basis of a complaint by domestic peanut users that the essential requirements for peanuts in the United States for the remainder of the quota year beginning on July 1, 1954, could not be met except by additional imports. On February 18, 1955, the Commission completed the supplemental investigation and transmitted its report to the President. By proclamation dated March 9, 1955, the President modified the import restrictions under section 22 with respect to peanuts by permitting the entry of an additional 51 million pounds of certain shelled peanuts during the remainder of the quota year ending June 30, 1955, subject to a fee of 2 cents per pound, in addition to the regular duty. 1/

On March 31, 1955, the Commission instituted a second supplemental investigation under section 22(d) of the Agricultural Adjustment Act, as amended, on the basis of advice from the Secretary of Agriculture that the additional quantity of peanuts permitted entry over the basic quota during the remainder of the quota year July 1, 1954-June 30, 1955 was insufficient to meet requirements until supplies become available from the 1955 crop. On May 5, 1955, the Commission completed the second supplemental investigation and transmitted its report to the President. By proclamation dated May 16, 1955, the President modified the import restriction under section 22 by permitting the unlimited entry or withdrawal from warehouse of shelled peanuts of all sizes into the United States until July 31, 1955. Entries of such peanuts were also subject to a fee of 2 cents per pound in addition to the regular duty. 2/ Moreover, the quota year for peanuts was changed to commence on August 1 of each year.

A third supplemental investigation under section 22(d) of the Agricultural Adjustment Act, as amended, was instituted by the Commission on July 6, 1956, on the basis of a request by domestic peanut users to determine whether the admission of additional large-size "Virginia-type" peanuts in excess of the existing quota was consistent with the purposes of section 22 and the needs of domestic users of such peanuts. On August 16, 1956, the Commission completed the supplemental investigation and transmitted its report to the President. By proclamation dated August 29, 1956, the President modified the import restriction on peanuts by permitting large variety Virginia-type peanuts to be brought into the country until the close of business on September 10, 1956, subject to a fee of 7 cents per pound, but not more than 50 percent ad valorem, in addition to the basic duty of 7 cents per pound.

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1/ The Court of Customs and Patent Appeals, in United States v. Best Foods, 47 C.C.P.A. 163 (1960), held that the additional two-cents-per-pound fee was invalid, because sec. 22 gives the President authority to impose either a fee or a quota, but not both a fee and a quota with respect to the same commodity. The ruling did not affect the validity of the modified quota.

2/ In Best Foods, Inc., v. United States, 218 F. Supp. 576 (Cust. Ct. 1963), the Customs Court invalidated this additional two-cents-per-pound fee on the grounds that the Presidential Proclamation contained no finding, as required by sec. 22(b) prior to the imposition of fees or quantitative restrictions on imports, that peanuts were, or were likely to be, imported under such conditions or in such quantities as to threaten the price-support program or the domestic processing of products made from peanuts. The only finding made in the proclamation was that import quotas needed to be relaxed in order to relieve a shortfall in the domestic supply of peanuts.

APPENDIX E  
POSITIONS OF PRINCIPAL PARTIES

U.S. Department of Agriculture recommends allowing an additional 200,000,000 pounds (shelled basis, equivalent to 267,000,000 pounds on an unshelled, or farmer's stock, basis) of edible peanuts to be imported through June 30, 1981. Stated that "Our present judgement is that a 200 million pound quota level is a safe limit and probably will not be attained in any case."

National Confectioners Association and the Peanut Butter and Nut Processors Association (the petitioners) contend that "there is no legal or logical basis for a recommendation by the Commission other than for a complete lifting of Section 22 import restrictions on peanuts at least through July 31, 1981; that there should be no quantitative limitations on imports and that the cut-off date not be prior to July 31, 1981."

Chocolate Manufacturers Association favors suspension of import quota until July 31, 1981. CMA states that "USDA recommendation for relief is faulty in two respects. First, its proposed quota increase, 200 million pounds, is grossly insufficient to meet domestic needs. Second, its proposed cut-off date for the quota increase, June 30, 1981, would, even assuming a normal crop in 1981, virtually insure that the ITC will have to revisit this matter again next year."

National Peanut Growers Group "is in support of the request to suspend Section 22(d) . . . provided certain conditions are stipulated in such authorization" (1) No imports until Jan. 31, 1981, (2) No imports after June 30, 1981, (3) A maximum quantity of 175,000 tons--350,000,000 pounds--(unshelled basis, or 262.5 million pounds on a shelled basis) be permitted for import, (4) A maximum of 35,000 short tons per month, and (5) Application of U.S. quality standards.

Procter & Gamble Manufacturing Co. believes that "the import quota should be raised to at least 350,000,000 pounds and the closing date should be delayed to July 31, 1981."

Best Foods recommended that "the quota be suspended for at least the balance of the 1980 crop year, through July 31, 1981 . . . We also strongly recommend that a tonnage limitation not be imposed."

Swift & Co. (Esmark, Inc.) stated that "we are in support of the Peanut Butter and Nut Processors Association in petition to have the peanut import quota suspended at the earliest possible time. Such suspension to be in effect at least for the current 12-month quota period ending July 31, 1981."

American Agriculture Movement opposes any change in the import quota.

Frank Jordan (Va. farmer) opposed any increase in the imports of peanuts.

Representative Group of Concerned Peanut Growers favors a maximum of 175,000 short tons (farmer's stock) increase in imports (35,000 tons per month maximum) not later than June 30, 1981. Also favors a supply-demand price relationship reassessment by USDA not later than April 15, 1981, and setting the import duty "at such a level so that imported peanuts will not depress the price for U.S.-produced edible peanuts."

Bakery, Confectionery & Tobacco Workers International Union. "A reasonable decision of this Commission would be at the very least that a suspension be given . . . to these quotas for at least this crop year."

Southwestern Peanut Shellers Association recommends increased quotas for edible peanuts until June 30, 1981, to be prorated by months. Prefers "a larger total maximum (quota), say of 175,000 tons farmers stock basis prorated by months with those safeguards in them (than) a smaller maximum without any safeguards put in because I think that we just don't know what's going to be happening during the months ahead and I would like for this Commission to build in a way that this can be reviewed without going through all the formalities of a new hearing."

American Farm Bureau Federation "is opposed to unlimited imports of peanuts during this short supply year, but we feel that it may be necessary to import limited quantities for this year only in order to maintain normal usage." Recommends formation of an advisory group which "would recommend to the Secretary of Agriculture the quantities and qualities of peanuts to be imported quarterly during the 12-month period beginning August 1, 1980."

Borden, Inc., suggests "that the Commission recommend unrestricted imports rather than attempting to guess requirements that will keep price increases to our customers to a minimum. Restricting imports to 200 million pounds will encourage speculators to exploit the continuing shortage and enhance prices to U.S. users."

Brewster Food Service, Inc., supports "the immediate and total removal of Section 22 . . . import restrictions on peanuts and immediate embargoing of the export of all United States grown peanuts . . ."

Foodservice & Lodging Institute "strongly supports the complete suspension of Section 22 quantitative import restrictions on peanuts for the current 12 month period."

Standard Brands, Inc. "We strongly support the petition filed on October 1, 1980, to suspend entirely the import restriction for the current quota period."

Early County Farm Bureau "totally oppose any changes in the importing of peanuts into the United States."

Virginia-Carolina Peanut Association. "We heartily agree with this petition and join with the two petitioners in the relief sought by them."

Virginia Farm Bureau Federation "opposes the suspension of the annual import quota . . . on an unlimited basis for the period August 1, 1980 through July 31, 1981." . . . "At a later date, if it is determined that the total U.S. supply is inadequate to meet the domestic edible demand for peanuts, a limited suspension of the import quota for the current marketing year could be declared subject to (certain ) conditions."





