

Peanut Policy Case

Story from : *All Things Considered*

National Public Radio

January 22, 1996

Segment #6, Congressional Reformers Target Peanut Subsidies

LINDA WERTHEIMER, Host: Washington's budget deadlock is now more than three months old. If the stalemate continues, Congress may have to debate various appropriations bills separately. That would allow reforms in existing agriculture programs to be challenged on the House and Senate floors, both from those who want more change and from those who feel the reforms already approved go too far. NPR's Kathleen Schalch has this report on the peanut program, one of several likely to be contested.

KATHLEEN SCHALCH, Reporter: Critics of the program say every time you buy a jar of peanut butter you pay an extra 31 to 40 cents because of government price supports. Congresswoman Nita Lowey, who represents parts of New York City and Westchester County says that's too much.

REP. NITA LOWEY (D, NY): As an urban representative, I have a lot of mothers who make peanut butter and jelly sandwiches for their youngsters and a lot of kids who eat candy bars. So I have a direct interest on the impact of these agricultural subsidy programs on consumers.

KATHLEEN SCHALCH: But few peanut eaters are lobbying for change, and the peanut program has deep political roots. It was created during the Depression of the 1930s as a way to keep struggling family farmers on their land. To limit the supply and shore up the price of peanuts, the government cut off most imports and handed out quotas, peanut growing licenses, to peanut farmers.

To this day, only farmers who own or lease these quotas can grow peanuts for the domestic market. The government guarantees them a price of \$678 per ton, roughly twice the price on the world market. And while government support payments for commodities like corn, cotton and wheat have fallen by half in the past decade, the support level for peanuts has actually climbed by 20 percent.

Mitch Head is executive director of the Peanut Advisory Board which represents peanut growers.

MITCH HEAD, Exec. Dir., Peanut Advisory Board: The problem is there are three companies, all of which are multi-billion dollar companies, that buy 90 percent of the crop from the farmers. So if you had no government intervention to set a minimum price, the three multi-national companies

would set the price and basically would drive the price down and force our farmers out of business.

KATHLEEN SCHALCH: Head likens the program to a minimum wage for farmers. But critics of the program have analogies of their own. Tom Early (sp) is senior vice president of Abel, Dact (sp) and Early, which represents companies that use peanuts in their products.

TOM EARLY, Sr. Vice Pres, Abel, Dact and Early: You know, if you had to set up a system in Russia under Stalin for growing peanuts with complete central planning, this is exactly the system you would come up with. It is definitely not capitalism; it's definitely not market oriented. It's the kind of system that it's just amazing to me to find in the United States today.

KATHLEEN SCHALCH: Early says the program distorts incentives for peanut farmers.

TOM EARLY: Since these peanut quotas were handed out quite a long time ago, some of the lands on which they're being grown are really not well suited for peanuts, and their costs are high but yet they continue to produce. On the other hand, you've got people who would like to produce and are efficient and they can't into the program.

KATHLEEN SCHALCH: When the peanut program started, Early says, most of the benefits may have flowed to peanut farmers. But today, he says, nearly two-thirds of all peanut quota owners are no longer farming. And farmers who lease quotas from them, typically turn over at least a third of the proceeds from every pound of peanuts they sell.

REP. NITA LOWEY: The way the peanut program works is very much of a feudal system.

KATHLEEN SCHALCH: Congresswoman Nita Lowey says some peanut quota owners now live in penthouse apartments in New York City.

REP. NITA LOWEY: If the idea is to keep the family farmer on the farm, why should someone in New York be able to own one of these subsidies, make these profits, and we're not really helping anyone.

KATHLEEN SCHALCH: Among those pleading the loudest for change are companies that turn peanuts into peanut butter, candy, and other products. They argue that artificially high prices are choking off demand. In the past five years, consumption of peanut snacks and peanut butter has fallen by more than 20 percent according to Mike McCloud, a lobbyist for these companies. He complains that high peanut prices are making his industry vulnerable to foreign competition. Until very recently, he said, almost all peanut products consumed in the United States were also manufactured here. But overseas suppliers can buy peanuts at half the U.S. price. To compete, McCloud warns, peanut processors may be forced to move their operations overseas.

MIKE MCCLOUD, Lobbyist for Peanut Product Manufacturers: And add to that fact the NAFTA, which gives the Mexicans unlimited ability to export peanut paste or peanut butter into this country, which they did not have before. And we maintain you can grow peanuts in Mexico just as well as you can in Texas. Texas is one of our most productive peanut growing areas, so we think that peanut butter production is going to move to Mexico.

KATHLEEN SCHLACH: McCloud says some peanut farmers may be profiting from the program today, but in the long term, he argues, as manufacturers move elsewhere American growers will be put out of business as well.

MITCH HEAD: That's the threat. The threat is that they move their plants to Mexico.

KATHLEEN SCHALCH: Mitch Head of the Peanut Advisory Board.

MITCH HEAD: We don't believe that the American companies will do that. We think that the American consumer is concerned about the quality of food that they put into their kids' school lunch boxes every day, and that they don't, they won't believe and they won't trust, you know, peanuts or peanut butter that's made in Mexico as compared to peanuts or peanut butter made in America. And so we really think it's a false threat.

KATHLEEN SCHALCH: Both houses of Congress have approved some modest changes in the peanut program, measures mostly recommended by the growers themselves, that would trim the subsidized price of peanuts by 10 percent and would require the program to operate at no cost to U.S. taxpayers. Critics argue that the no cost provision will simply force the government to further curb the supply of peanuts to assure that there are not surpluses and that the price stays high.

On the other hand, defenders of the program, including North Carolina Democratic Representative Charlie Rose and Alabama Republican Senator Howell Heflin, have introduced legislation to reverse congressionally approved cuts in the current subsidized price. Debate over this and other agricultural programs could reopen as early as next month.

In Washington, this is Kathleen Schalch reporting.