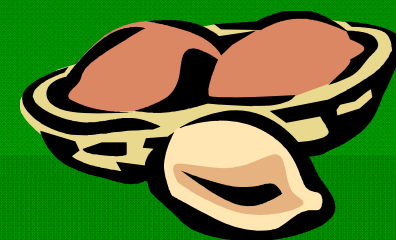


Opportunities for Peanut Growers through Better Price Discovery



USDA Peanut Industry Seminar

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Price Discovery Challenge since 2002

- Previous marketing quota program provided little incentive for price discovery
- Heavy use of option contracts continues to hinder the development of a farmer stock cash market
- Farmers dependent upon local sheller or buying point to know the value of their peanuts

Five programs designed to benefit U.S. producers are also dependent upon accurate price discovery:

- Marketing Loan Program
- Counter-cyclical Program
- Crop Insurance
- Average Crop Revenue Election Program (ACRE)—new program
- Supplemental Revenue Assistance Program (SURE), i.e. permanent disaster program—new program

NASS Weekly Farmer Stock Peanut Price Survey

- Attempts to meet pricing needs of peanut industry and USDA programs
- It is the only consistent, publicly available source of peanut prices available to USDA
- Seeks participation of peanut brokers and shellers, small and large, to increase the number of transactions captured

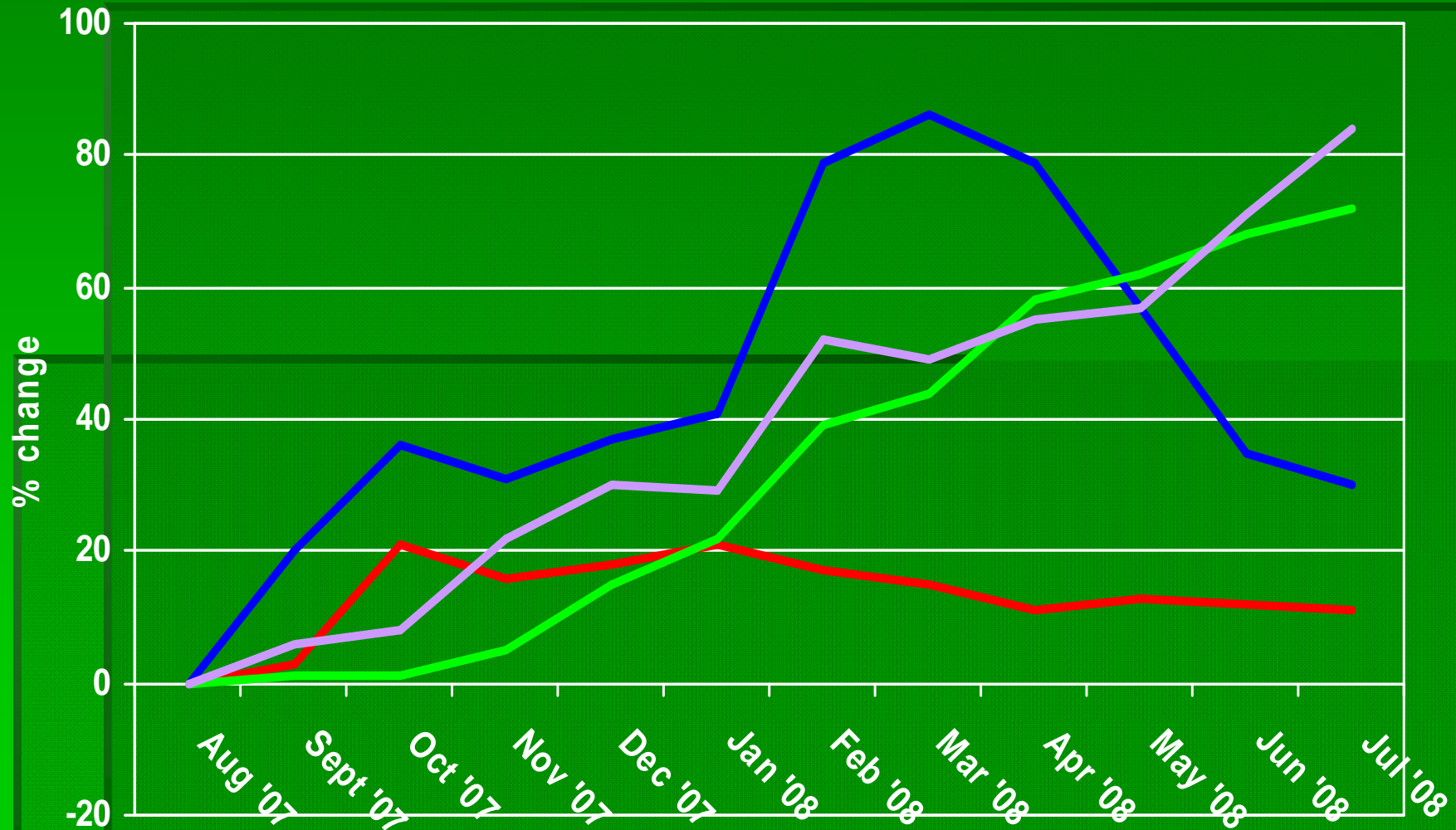
Peanut Prices Reported to NASS

- Generally lower than peanut prices discussed in farm journals or provided informally to USDA
- Since 2003, NASS season-average peanut price has lagged same-year contract prices by between 10 and 15 percent

Prices Received by Farmers for Major Commodities Gain 30-85 Percent since August 2007; Peanuts Gain 11 Percent

— Peanuts — Wheat — Corn — Soybeans

Base = Aug., '07



Importance of Accurate Peanut

Pricing

“Production agriculture relies on smoothly functioning futures markets for risk management and price discovery.” July 30, 2008 Georgia Peanut Commission letter to the U.S. House of Representatives expressing support for Commodity Markets Transparency and Accountability Act of 2008.

- Lack of reliable price discovery creates uncertainty for peanut growers
 - reduces grower ability to take advantage of market trends
 - makes growers more dependent upon option contracts
- USDA programs need accurate prices to operate efficiently



Marketing Loan Program

- National Posted Price—i.e. the alternative loan repayment rate (when less than the loan rate plus interest)
- Also attempts to estimate a current market-clearing farmer stock peanut price for the benefit of farmers and entire industry

Crop Insurance

- Peanut farmers benefit from efficient management of risk.
- The RMA Price Election is designed to provide the proper level of protection against crop loss. Farmer premium and indemnity are derived from the Price Election.
- Price Election is correlated with prices reported to NASS.
- More efficient crop insurance results in healthier farms and a more stable industry.

ACRE Program

- New program to provide a form of revenue insurance to U.S. farmers
- Requires market prices to determine revenue guarantee each year (revenue guarantee is a 2-year moving average of market prices)
- Prices also needed to determine whether a loss has occurred
- With an estimated 2007-crop SAP of \$408, peanut producers unlikely to consider revenue guarantee high enough to participate in 2009 when the program begins

SURE Program

- New program to provide supplemental disaster relief to farmers
- RMA Price Election is a factor in determining the revenue assistance guarantee
- Thus, the level of available disaster relief is correlated with reported prices

Developments in NASS Peanut Price Survey

- NASS is hoping to implement changes to Weekly Peanut Price Questionnaire
- New questions will focus on capturing option payment. Disclosure of full option should provide data to support higher Price Election for crop insurance and higher revenue guarantees for ACRE and SURE.
- Another new question will attempt to capture weekly cash price. This may be useful in setting the weekly NPP.



Thank you and questions

- If we all work together on improving peanut price discovery, everyone in the peanut industry will benefit, as will the integrity of USDA programs.

