

Good morning everyone, our hearing this morning is to review the implementation of the peanut provisions of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). I would like to thank our witnesses for the time, trouble, and expense that they were willing to incur today to help us obtain a sector wide review of the peanut program. In addition, I would like to welcome members of the public attending this hearing as well as those who are listening through our website.

The peanut provisions in the 2002 farm bill were a radical departure from those authorized in past farm bills. Congress repealed the depression-era quota system dating back to the 1930's and which limited the amount of peanuts that were allowed to be marketed for domestic food use and dramatically altered the entire peanut sector. Although the old program had served the industry well for many years, many felt the program needed to be changed to respond to an ever-changing global marketplace.

As many of you remember, changing a sixty year old program was not an easy feat. The quota program was intricately intertwined in the roots of many small communities from Virginia and Georgia to Florida over to Texas and Oklahoma. Although some producers were understandably reluctant to accept change, the majority recognized the need to respond to the pressures of the market. As a result, policy makers were able to rewrite the direction of federal peanut policy. In a historic moment, all facets of the peanut industry reached a united position that allowed us to move the industry into the next generation.

I would like to add a personal note here: It took a great deal of fortitude and commitment on the part of folks involved in the peanut industry. We had not always had the cooperation of growers, shellers and manufacturers in the peanut industry, and in the history of the program, there was not always total agreement among those three sectors of the industry - particularly in my state, which is the largest peanut-growing state. While I had friends on all sides of the issue, it was a delicate line that we had to walk, but from one segment of the growing part of the country to the other, from one segment of the sheller industry to the other, as well as the entire manufacturing community, came together in really an unprecedented way, and allowed us to proceed in a very positive way in the last farm bill.

I have told my friends in each segment of the industry over the years that I appreciate that commitment, but I wanted to say that again publicly today. The fact is, that while I came under a lot of criticism from a lot of my growers who thought the program we wrote in 2002 was the wrong direction, virtually 100 percent of those growers have come to me since then and agreed that we were right and that they were a little bit emotional in some of their comments and some of the way of their thinking in 2002.

I think the fact of the matter is that the 2002 Farm Bill has worked very well from a peanut perspective and has been a very positive bill.

The new program allowed producers to transition from the old quota program by providing compensation to quota owners and users while establishing a three-pronged program that is similar to the programs available to producers of many other commodities. With the

establishment of a direct payment, counter-cyclical payment, and marketing loan programs for peanuts, today's peanut program allows producers to be more competitive in the marketplace both domestically and abroad. The program has worked largely in the manner that was envisioned in 2002, and since then numerous producers, especially those who were reluctant to accept the historic changes, have told me that the program is working well. That is not to say, however, that the program has worked perfectly.

Those areas which historically have produced peanuts have shifted to other areas since the enactment of the 2002 Farm Bill. Acreage in many traditional peanut producing areas has shifted, both within states and across state lines, and there has been significant expansion of acreage in new producing areas.

Unfortunately, the new peanut program has not been free of challenges. Under the marketing quota program, peanut prices were largely determined by government policy. Under the new program, which allows the marketplace to determine peanut prices, timely and current market price information for peanuts is lacking. This is understandable because of the small number of U.S. peanut producers, sporadic sales, and the absence of a market exchange. However, the lack of such timely market information has complicated USDA's task of implementing the program - particularly, the establishment of the weekly loan repayment rate, which is vital to ensuring that U.S. producers are competitive in the export market, has proven to be a substantial challenge.

I look forward to hearing from all sectors of the peanut industry today. I am hopeful that the witnesses' testimony will help us all gain a better understanding of the successes and problems facing the industry today.