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**U.S. House Committee on Agriculture
Subcommittee on General Farm Commodities, Risk
Management and Credit**

Washington, D.C.

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Chairman Scott, Ranking Member Brown, and members of the Subcommittee, thank you for the opportunity to appear before you today to provide the peanut producers' perspective on the 2023 Farm Bill. My name is Daniel McMillan. I am an eighth-generation farmer from Enigma, Georgia. We grow peanuts, cotton, timber, some fruit crops, and raise cattle. Our family operates a peanut buying point in our small community, and we are part owners, along with 195 other peanut families, in a shelling facility.

I am here today representing the United States Peanut Federation (USPF). USPF is comprised of the Southern Peanut Farmers Federation, the American Peanut Shellers Association, and the National Peanut Buying Points Association. The Southern Peanut Farmers Federation includes the peanut grower organizations in Georgia, Alabama, Florida, and Mississippi.

My family has weathered many events over the course of our 250 years as American farmers. Throughout this time, we have seen several wars, the Great Depression, natural disasters, high interest rates in the 1980's, and a national pandemic—on top of the simple, every day challenges of each growing season.

The COVID-19 pandemic triggered a series of events on our farm. Since 2020, we have seen supply chain disruptions, inflation on key farm inputs, and labor shortages. Prior to 2020, the peanut industry was already in the throes of difficult variables such as low prices—much of which was a result of trade issues; a reduced market in China and a non-tariff trade barrier in

the European Union (EU), followed by the United Kingdom (UK). The EU and UK are some of our premium markets. (see attachment A)

In addition to the financial impact of low market prices and increased input costs, peanut farming requires high cost, specialized equipment on top of traditional equipment such as tractors, trucks, cultivator, plows, etc. This specialized equipment includes:

- Peanut Pickers
- Peanut Diggers
- Peanut Carts
- Peanut Lifter
- Peanut Reshaker
- Twin Row Planters and Layoff Rigs
- Dedicated Sprayer Rig

This specialized equipment is extremely expensive to purchase and maintain resulting in additional stressors on our farms.

Dr. Stanley M. Fletcher, Professor of Policy at the Center for Rural Prosperity and Innovation at Abraham Baldwin Agricultural College and Professor Emeritus at the University of Georgia, has developed and maintained peanut representative farms from 2001, prior to the 2002 Farm Bill, to today. We currently have twenty-two representative farms (see attachment B) spread across the country. They cover all of the peanut areas from Virginia to New Mexico.

Since the 2018 Farm Bill, we have seen inflation increase significantly. Dr. Fletcher reviewed the peanut representative farms' crop year 2021 cost of production as compared to 2022 costs and found a significant increase. The total cost of production increase per ton was 26.31% percent from 2021 to 2022. Prior to the 2021 representative farm update, the peanut reference price of \$535 per ton provided an effective safety net for growers. However, according to Dr. Fletcher, the reference price has not been a functional safety net since the 2021 crop year. Total Variable Input Costs (TVIC) inputs such as seed, fertilizer, fuel, crop insurance, etc., have increased 33.48% when comparing 2021 to 2022. (see attachment C). Our 2021 cost of production was \$545.97 per ton, and Dr. Fletcher reports our 2022 cost of production at approximately \$668 per ton.

I would like to provide anecdotal evidence supporting the representative farms Cost of Production analysis. In my home area, we saw fertilizer cost double from 2021 to 2022. Some products tripled in costs. Currently fertilizer prices are changing week to week preventing us from making informed management decisions. Commonly used fertilizers include diammonium phosphate (DAP), Potash, and Urea. When comparing the 2021 and 2022 crops, our farm saw the following increases in price for basic fertilizer needs:

	2021 Price per Ton	2022 Price per Ton
DAP	\$714.60	\$1209.60
Potash	\$425.60	\$956.25
Urea	\$528.60	\$1281.25

Crop protectant prices remain high which can pressure farmers to look for cheaper options sometimes leading to the detriment of the crop. Labor costs continue to increase. We use H2A workers and have seen a 14% increase in labor costs through the recent U.S. Department of Labor Adverse Effect Wage Rate (AEWR) changes. We are still facing cost increases and business disruptions resulting from problems with the supply chain. This past week, we went to a local parts store to buy a bundle of small metal sweeps for a field cultivator. A simple wear part cost \$2 each in 2021 but today is \$6 each. We have had up to six-month delays in mechanical repairs for some tractors and trucks. Due to the short supply of tractors, even rental tractors have become scarce. We saw costs for one of our rental tractors move from \$2000 per month in 2019 to \$3500 per month in 2023 for the same tractor. These are all increases that make it difficult to plan and budget.

I am proud to be an American peanut grower because of the high nutritional value peanuts provide to our nation and world. The Peanut Institute has released data highlighting the health value of peanuts in reducing heart disease, Alzheimer's disease, Type 2 diabetes, and some cancers. Peanuts, one of the cheapest sources of protein choices for consumers, contain 19 essential vitamins and minerals. (see attachment D)

Not far from our farm is the processing facility for MANA nutrition. MANA is a nonprofit organization known for the production of a ready-to-use therapeutic food (RUTF) through its fortified peanut paste. MANA has recently expanded their facility in Georgia. MANA's mission

statement is “We are here to end malnutrition.” My family and peanut growers across the country want to be part of the solution for hunger in the world.

What do we need from the 2023 Farm Bill?

First, the U.S. Peanut Federation supports an increase in the reference price in the 2023 Farm Bill. Growers, shellers and buying points all support the Price Loss Coverage Program as included in the 2018 Farm Bill with a reference price increase. While the 2018 Farm Bill’s Price Loss Coverage program has worked for peanut growers, the rise in input costs and cost of production necessitates a reference price increase if this program is to remain relevant as a farm safety net.

Secondly, the U.S. Peanut Federation supports a voluntary base update that includes growers with and without peanut base acres. While the 2014 Farm Bill allowed for base updating for peanut growers that already had base on their farms, it excluded many young farmers and new production areas. Our economists estimate that a voluntary base update, using the latest five-year Olympic average, will include approximately 112,000 peanut acres nationally. (see attachment E)

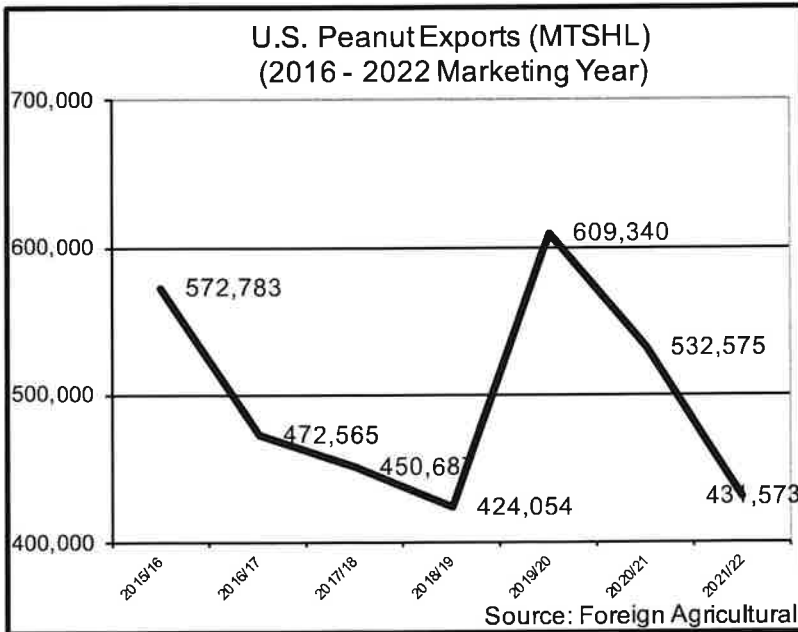
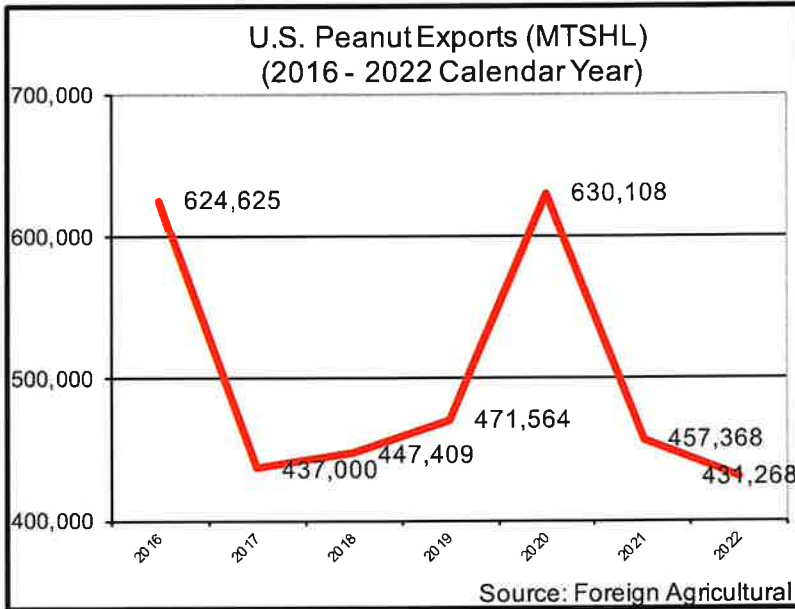
I would like to thank the committee members who have worked on prior farm bills and those of you here today for the tireless work you currently are doing on the 2023 Farm Bill. My family greatly appreciates your support of the American Farmer. You have provided farmers a safety

net that has helped our farms to survive. The safety net is one of the many tools that made it possible for me to have a future on our farm after I finished college. Quite frankly without it, there might not have been a farm for me to come back to.

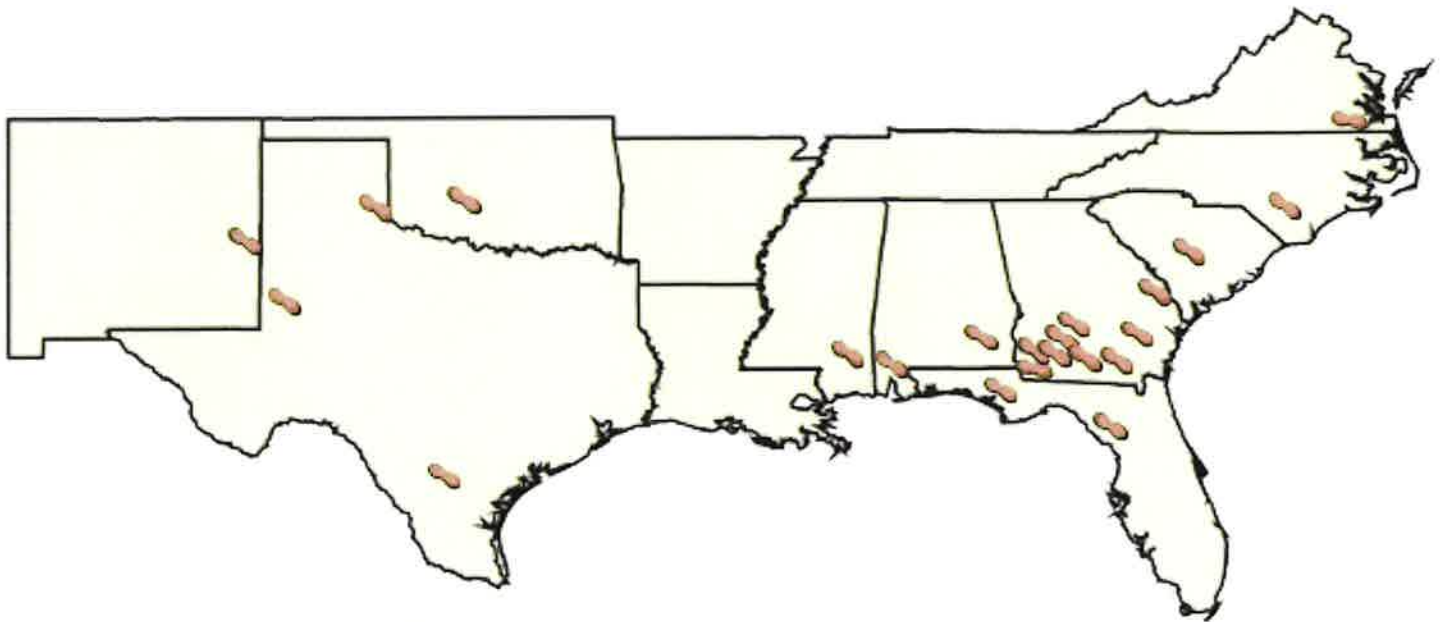
Thank you for allowing me to testify today.

U.S. SHELLED PEANUT EXPORTS 2016 - 2022

Total Shelled Peanut	UNIT	Calendar Year	QUANTITY	Marketing Year	QUANTITY
World Total	1 Peanuts	MTSHL	2016	2015/16	572,783
World Total	1 Peanuts	MTSHL	2017	2016/17	472,565
World Total	1 Peanuts	MTSHL	2018	2017/18	450,687
World Total	1 Peanuts	MTSHL	2019	2018/19	424,054
World Total	1 Peanuts	MTSHL	2020	2019/20	609,340
World Total	1 Peanuts	MTSHL	2021	2020/21	532,575
World Total	1 Peanuts	MTSHL	2022	2021/22	431,573



Areas Represented by the 22 United States Representative Peanut Farms



Georgia—9 farms

Florida—2 farms

Alabama—2 farms

South Carolina—1 farm

Mississippi — 1 farm

Texas—3 farms

New Mexico—1 farm

Virginia—1 farm

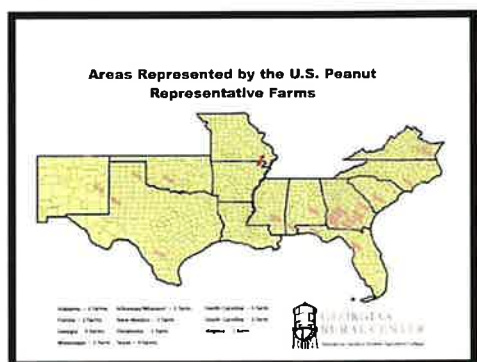
North Carolina — 1 farms

Oklahoma — 1 farm

United States Peanut Cost of Production

Stanley M. Fletcher, Professor of Policy
 Center for Rural Prosperity and Innovation
 Abraham Baldwin Agricultural College
 Professor Emeritus, University of Georgia

The U.S. peanut representative farms development started in 2001 prior to the 2002 Farm Bill. These representative farms have been maintained for 20 years and have been extensively utilized for peanut



policy in each Farm Bill. These representative farms cover all the peanut areas from Virginia to New Mexico based on production share as seen in the map. If a state production share equals to a partial representative farm, a whole farm was developed for that state. These farms were updated during the summer of 2021 with 2021 cost of production. Due to the recent peanut production in the Northeast Arkansas/Southeast Missouri, a new representative farm is planned to be developed during 2023.

A cash flow analysis is performed to indicate what the cash flow is required to produce a ton of peanuts. The cash flow costs are divided into 3 categories: TVIC (total variable input cost), QVIC (quasi variable input cost-whole farm cost allocated to a crop acre) and loan payments. A peanut farmer has 3 different loans during the crop season. They are the operating loan, an equipment loan, and a land loan. Over the years of updating the representative farms, it has been found that producers not able to cover all their cash flow cost have been rolling the deficit into their land loan and that percentage has been increasing over time.

Table 1. U.S. Peanut Cost of Production

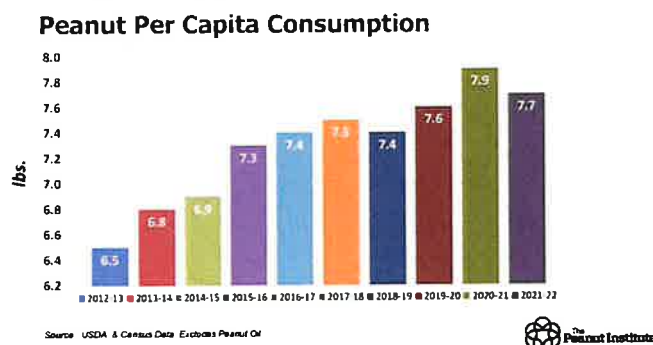
	2021 U.S. Rep Farm COP	Potential 2022 COP
Expected Yield	2.38 tons/acre	2.38 tons/acre
TVIC (seed, fertilizer, micronutrients, lime & gypsum, inoculants, chemicals, wild hog, cover crop, growth regulators, custom application, consultants, irrigation fuel, tractor fuel, drying, cleaning, hauling, checkoffs, crop insurance, and interest on operating loan)	\$713.52/acre	\$952.41/acre
QVIC (taxes, accounting/legal, fleet liability insurance, repairs maintenance and supplies, truck fuel & lube, phone, utilities, DTN, GPS, apps, labor cost and land rent)	\$388.33/acre	\$439.30/acre
Total Variable Cost (TVC)= TVIC+QVIC	\$1,101.86/acre	\$1,391.71/acre
Loan payments (equipment and land notes)	\$198.91/acre	\$198.90/acre
Total Cost = TVC + Loan payments	\$1,300.76/acre	\$1,590.61/acre
Total Cost per Ton	\$546.54/ton	\$668.32/ton

Based on the U.S. representative peanut farms, the average total cash flow cost per ton for the 2021 peanut crop was \$546.54/ton. Given the significant increase in the 2022 cost of production, Texas A&M AFPC reported selected input cost increase and FAPRI's inflation factors for the other input costs were utilized to adjust the 2021 cash flow costs by the expected increase in input costs. The projected 2022 peanut total cash flow cost to produce a ton of peanuts is \$668.32/ton.

THE NUTRITIONAL VALUE OF PEANUTS

Background

Peanuts are botanically classified as a legume, being an edible seed enclosed in a pod [1]. However, because of its composition, peanuts are also described as nuts for nutritional purposes. According to the Agricultural Marketing Resource Center, the total U.S. peanut production in 2021 measured 6.4 billion pounds [2]. Of that, about 60% was used for peanut butter production, while about 15% was crushed for peanut oil [2]. Peanuts and peanut butter account for close to 2/3 of all nut consumption in the United States [1]. Dollar for dollar, peanuts and peanut butter are less expensive than almost all nut and meat



proteins. Pairing the affordability with a very long shelf life, peanuts and peanut butter are excellent staples for most pantries. Studies have consistently shown that peanut products, when eaten daily, can significantly decrease the risk of heart disease and diabetes [1, 3, 4]. They also satisfy hunger, help manage weight, and promote health [1]. Peanuts and peanut butter are nutritious, affordable, and sustainable. A serving of peanuts is one ounce, or a handful, and a serving of peanut butter is two tablespoons.

Nutritional Value

Peanuts contain a variety of compounds that promote health including protein, heart-healthy fats, fiber, micronutrients, and antioxidants.

Protein

A one-ounce serving of peanuts—about a handful—is considered a good source of protein based on the United States Department of Agriculture Standard Legacy. Peanuts and peanut butter provide 7 grams of high quality, plant-based protein [5]. Protein is vital for growing children and adults, being integral for muscle growth, immunity, and bone development [6, 7]. Since the protein in peanuts is plant-based, it carries with it additional components promoting positive health benefits like fiber and unique bioactives, unlike animal protein.

Heart-healthy fats

The *2020-2025 Dietary Guidelines for Americans* suggests cooking and purchasing products made with oils higher in polyunsaturated and monounsaturated fat rather than butter, shortening, or coconut or palm oils [8]. More than 80% of the fats in peanuts are from heart-healthy unsaturated fats [5]. The American Heart Association recommends replacing saturated fats for poly- and mono-unsaturated fats to lower risk of cardiovascular disease and inflammation [9].



Fiber

Peanuts are a good source of fiber, which promotes digestion, heart health, and blood sugar control [5]. Over a third of the carbohydrates in peanuts is fiber and according to the 2020-2025 *Dietary Guidelines*, more than 90 percent of women and 97 percent of men do not meet recommended intakes for dietary fiber [8].

19 vitamins and minerals

Peanuts and peanut butter contain more than 19 vitamins and minerals that are integral to growth, development, metabolic function, and immunity [5]. These micronutrients work by multiple mechanisms and are likely having synergistic effects on health status. Peanuts and peanut butter are excellent sources of niacin, molybdenum, and manganese and are also good sources of folate, copper, and vitamin E [5].

Antioxidants

Research has identified numerous types of bioactive compounds in peanuts and in their skins that may add functionality and health benefits beyond basic nutrition [1]. For example, antioxidants like resveratrol and p-coumaric acid have been associated with improved vascular function, better cognition, and lower stress and anxiety [10, 11]. These and other bioactive nutrients have been recognized for their disease-preventive properties and are also thought to promote longevity. Packaged together with vitamins, minerals, healthy fats, protein, and fiber, peanuts are a complex plant food that promote health and wellness.

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2023 Peanut Potential Base Increase Comparing 2019 Base

The sum of the Olympic average of 2018-2022 certified acres minus 2019 commodity base by county*

	Peanuts
Alabama	2,096.41
Arkansas	29,048.31
Colorado	0.08
Florida	21,136.11
Georgia	22,269.77
Indiana	0.93
Louisiana	1,271.54
Minnesota	0.62
Mississippi	6,085.41
Missouri	15,748.29
Nebraska	97.64
New Mexico	-
North Carolina	12,103.49
Oklahoma	-
South Carolina	2,867.58
Texas	70.87
Virginia	-
Grand Total	112,797.05

* Negative numbers are reported as 0 in the calculations.