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# REPORT TO THE CONGRESS

## Need Intensifies To Amend Legislation To Reduce Government Losses On The Peanut Price-Support Program

B-163484

Agricultural Stabilization and Conservation Service  
Commodity Credit Corporation  
Department of Agriculture

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

**092633**

~~43583~~

APRIL 13, 1973



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON D C 20548

B-163484

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report stating that the need intensifies to amend legislation to reduce Government losses on the peanut price-support program administered by the Agricultural Stabilization and Conservation Service, Department of Agriculture, for the Department's Commodity Credit Corporation.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67)

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of Agriculture.

A handwritten signature in cursive script that reads "James B. Axtell".

Comptroller General  
of the United States

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ABBREVIATIONS

ASCS Agricultural Stabilization and Conservation Service

CCC Commodity Credit Corporation

GAO General Accounting Office

D I G E S T

WHY THE REVIEW WAS MADE

About 5 years ago the General Accounting Office (GAO) reported to the Congress that the Commodity Credit Corporation (CCC), Department of Agriculture, had lost about \$270 million on the peanut price-support program during the 12 years 1955 through 1966 and that losses over the next 5 years 1967 through 1971 would be at least \$248 million. (See app I )

GAO recommended then that the Department develop for the Congress' consideration a program to control peanut production more effectively and that it study other means to remove excess acreage from production and/or equalize supply and demand.

The program has not been changed, and, as predicted, CCC has incurred greater losses. GAO, therefore, has reassessed the program to determine what should be done to effectively control production and reduce losses.

FINDINGS AND CONCLUSIONS

The Agricultural Adjustment Act of 1938, as amended, requires the Secretary of Agriculture to control peanut production on the basis of demand. However, the act specifies also that he authorize annually not

less than 1,610,000 acres for growing peanuts

The sponsors of the act expressed hope that the 1,610,000 acres--the minimum national acreage allotment--would be sufficient on all occasions to supply the edible trade without any substantial surplus.

Since 1955, however, fewer than 1,610,000 acres have been needed annually to satisfy commercial demand because advances in farm technology have increased yields per acre by an average of 70 pounds a year. An average of 1,015,000 acres annually would have produced the necessary supply during 1967 through 1971. (See p. 7.)

Under the program CCC has to buy the surplus peanuts and store them until they are sold. The prices at which CCC sells them are significantly less than the costs of buying them.

From 1967 through 1971 CCC recovered through sales 53 percent of its costs of buying surplus peanuts and lost \$279 million on the program, a 66-percent increase over the loss of \$168 million from 1962 through 1966. The loss for 1972 is estimated at \$105.5 million. Unless the program is changed, CCC's losses will continue to mount.

Projections developed in March 1972 by the Department's Agricultural Stabilization and Conservation Service, which administers the program for CCC, show that, if the present program is continued, losses from 1973 through 1977 will total \$537 million, a 92-percent increase over the losses for the 5 years ended in 1971 (See p 11)

Anticipated losses could be substantially reduced if the minimum acreage provision of the act were rescinded, so as to allow the Secretary flexibility to adjust the allotment to keep production more in line with commercial demand. The Department and the Congress would decide the rate of reduction and the level to which the allotment would be adjusted.

GAO does not propose any particular rate or level. However, this report contains an example, developed on the basis of information supplied by the Service, which shows the effects on CCC losses and grower income of one acreage reduction program that might be used (See p 13)

#### RECOMMENDATIONS OR SUGGESTIONS

This report contains no recommendations or suggestions to the Department.

#### MATTERS FOR CONSIDERATION BY THE CONGRESS

To give the Secretary of Agriculture more flexibility to adjust production so that it is consistent with commercial demand, GAO recommends that the Congress amend the Agricultural Adjustment Act of 1938 to remove the minimum acreage provision (See p. 16)

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department agreed with GAO's findings (See app II). It recognized that CCC's annual losses had grown rapidly in recent years and probably would increase unless changed by legislation.

Although agreeing that the legislative change which GAO recommends would help bring peanut production more in line with demand, the Department said that it was not completely satisfied that the change was the most desirable solution when considering the longrun interests of peanut growers, the peanut industry, and the public. The Department said it was studying GAO's recommendation and possible alternatives.

The National Peanut Growers Group and the National Peanut Council outlined several actions that the industry had taken or planned to take to try to build new and expand present markets domestically and abroad. The group requested that the industry be given an opportunity to test its promotion program before the Government modifies the price-support program.

Alternatives exist for bringing production and demand more in line, and the Department's study and the industry's promotional efforts are desirable. However, because CCC losses are expected to exceed \$100 million annually, more immediate action is needed.

Removal of the minimum acreage provision would not preclude any actions the Secretary may wish to take as a result of the Department's study. Also it would not affect the industry's ability to meet any increasing demand that may result from its promotion program since the Secretary would be able to adjust the allotment up as well as down (See p 16.)

## CHAPTER 1

### INTRODUCTION

We issued a report to the Congress on May 9, 1968, (B-163484), on the peanut price-support program of the Commodity Credit Corporation (CCC), Department of Agriculture. That report, the transmittal letter of which is included as appendix I, said that the annual production of peanuts had reached a point in 1955 where supply was greater than commercial demand.<sup>1</sup> This happened because improved farm technology caused higher yields per acre and because the Agricultural Adjustment Act of 1938 required that at least 1,610,000 acres be allotted every year for production. We pointed out that excess production had increased and that CCC, which had to acquire and dispose of the surplus, lost \$272.9 million from 1955 through 1966, including \$168 million from 1962 through 1966.

We estimated that, unless the program was changed, CCC losses for the program from 1967 through 1971 would amount to at least \$248 million and that losses in the following years would be even greater. We said that revising the act to permit more effective controls over production could best control these losses.

We recommended, therefore, that the Department

--develop for consideration of the Congress a program, including suggested legislative changes, to more effectively control peanut production and

--initiate studies to develop additional concepts to accelerate the removal of excess acreage from production and/or other means to equalize supply and demand

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<sup>1</sup>

For this report, commercial demand is total peanut production less CCC acquisitions under the price-support program and includes peanuts for (1) commercial edible use, (2) commercial crushing (when the peanuts are purchased directly from producers), (3) commercial export, (4) seed, feed, and home use, and (5) Federal food donation programs.

Because the program was not changed and CCC incurred greater losses, we reassessed the program to determine what should be done to effectively control production and reduce losses.

#### PEANUT PRICE-SUPPORT AND ALLOTMENT-QUOTA PROGRAMS

The Department operates two programs to support peanut farming (1) CCC's price-support program designed to support and stabilize the prices received by growers and (2) an allotment-quota program designed to limit production to the quantity that should insure orderly marketing. The programs, operated in conjunction with each other, are authorized by the Agricultural Act of 1949, as amended (7 U.S.C. 1421), and the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1281), respectively.

The Department's Agricultural Stabilization and Conservation Service (ASCS) administers both programs. The price-support program is administered under the general direction of the President or Executive Vice President of CCC.

The 1938 act requires that, between July 1 and December 1 of each year, the Secretary of Agriculture determine the quantity of peanuts--the national marketing quota--that should be produced in the next calendar year to insure orderly marketing. The act provides that the quota be determined on the basis of the average quantity of peanuts harvested for the edible trade during the preceding 5 years, adjusted for current trends and prospective demand.

The act provides also that the quota be converted to a national acreage allotment, that is, the number of acres that should be planted to produce the quota. However, the act specifies that this allotment not be fewer than 1,610,000 acres. The allotment is then apportioned to producing States and subsequently to farms primarily on the basis of past production. Agricultural Stabilization and Conservation State and county committees, under the direction of the ASCS headquarters staff, administer the allotment program.

The 1949 act requires that the Secretary carry out a peanut price-support program. He is to establish the level of price support, within certain minimum and maximum limits, at the start of the marketing year, which begins August 1. In setting the level, he is to consider the supply and demand for peanuts at the beginning of the marketing year. The peanut price-support level has varied. For crop years 1970 and 1971, the Secretary set the level at the statutory minimum which, on a national average basis, was 12.75 cents a pound for 1970 and 13.42 cents a pound for 1971.

Growers in 10 States produced peanuts in 1970 and 1971. The States are grouped into three producing areas--Virginia-North Carolina, the Southeast, and the Southwest. Each area is represented by a peanut growers' association.

CCC supports peanut prices primarily through warehouse storage loans to growers' associations and by purchasing from shellers. In making price support available through these loans, ASCS, acting for CCC, enters into agreements with the growers' associations, under which the associations provide facilities and personnel for administering the program locally. Growers may either sell to commercial processors at the market price or assign the peanuts to the growers' associations at the announced price-support level.

The associations can either sell the assigned peanuts commercially or use them as collateral for CCC warehouse storage loans. Because CCC accepts peanuts used as loan collateral in full payment of its loans, the growers' associations are assured of receiving not less than the price-support level.

CCC also supports prices by buying peanuts from shellers who have paid growers at least the price-support level. To participate in this program, shellers are required to comply with a quality-control program carried out jointly by the Department and the peanut industry.

Surplus peanuts which CCC has had to buy or peanuts which CCC has accepted in payment of loans are generally stored until sold, usually within a year, by competitive bids. This results in significant losses to CCC because the prices it receives are less than its acquisition costs.

CCC sells some peanuts for eating purposes in the United States, but the terms of most sales restrict the use of the peanuts to crushing for oil or to exporting. This restriction is to protect the edible peanut market.

PAST PROPOSALS TO REVISE  
THE PRICE-SUPPORT PROGRAM

Following our prior report, both Houses of the Congress proposed legislation in 1968 to change the program. The proposals included an incentive program under which growers would have received an increase in the minimum support price if they voluntarily adjusted their acreage planted below their allotment to a level recommended by the Secretary. The proposed legislation would not have removed the minimum national allotment provision from the 1938 act but, with grower cooperation, fewer than 1,610,000 acres would have been planted.

During committee hearings, growers generally supported the proposals. Manufacturers opposed them, however, on the basis that the cost of peanut products would increase and decrease consumption. Department officials endorsed the principles in the proposals but recommended certain changes to provide the Secretary with more flexibility to adjust the support prices to be paid to growers. The growers objected to the Department's changes. Following the hearings the committees did not report out the proposed legislation.

## CHAPTER 2

### NEED TO AMEND LEGISLATION TO REDUCE LOSSES

#### ON THE PEANUT PRICE-SUPPORT PROGRAM

Because the 1938 act specifies that the annual national acreage allotment not be fewer than 1,610,000 acres and yields per acre have continued to increase since our previous report, the Secretary has had to continue to authorize growing substantially more peanuts than needed to satisfy commercial demand. As a result, CCC acquired even greater surpluses from 1967 through 1971 than it did during the previous 5-year period. CCC's loss on the program during the 5-year period ended in 1971 totaled \$279 million, a 66-percent increase over the \$168 million loss incurred for the 5 years ended in 1966. The loss for 1972 is estimated at \$105.5 million.

On the basis of data available in March 1972, ASCS estimates that, in the absence of program modifications, CCC's loss from 1973 through 1977 will total \$537 million, a 92-percent increase over the losses for the 5 years ended in 1971.

#### PRODUCTION OF SURPLUS PEANUTS CONTINUES

The legislative history of the Agricultural Adjustment Act of 1938 shows that the minimum acreage provision was included to insure that allotments to producing States would not be significantly reduced after the 1941 crop year. In fixing the allotment, however, the sponsors stated

\* \* \* we have fixed the figure which we hope will be sufficient on all occasions to supply the edible trade without any substantial surplus, but enough surplus there to serve as an insurance.

Although the commercial demand during 1967 through 1971 could have been produced on an average of 1,015,000 acres, the Secretary was required by the act to allot 1,610,000 acres. During the period, production increased faster than commercial demand. The annual production increase during the 5 years averaged 116 million pounds, while the commercial demand increase averaged only 21 million pounds. Consequently CCC had to acquire increasing surpluses--both in pounds and as a percentage of the crop. CCC acquired 1,180 million

pounds of peanuts, or 39 percent, of the 1971 crop compared to 605 million pounds, or 24 percent, of the 1967 crop.

ASCS officials estimate that production on the minimum acreage allotment will continue to exceed commercial demand and that CCC's acquisition of surpluses will continue to increase. ASCS estimates that production on the 1,610,000 acres will reach 3,600 million pounds by 1977. In contrast, ASCS estimates that commercial demand will be 2,200 million pounds, consequently the annual surplus of peanuts will increase to 1,400 million pounds by 1977.

The chart on page 9 shows the extent to which production exceeded commercial demand in 1955 through 1971 and the surpluses CCC acquired. It also shows what production, demand, and surpluses are expected to be in 1977

#### Further increases in yields per acre

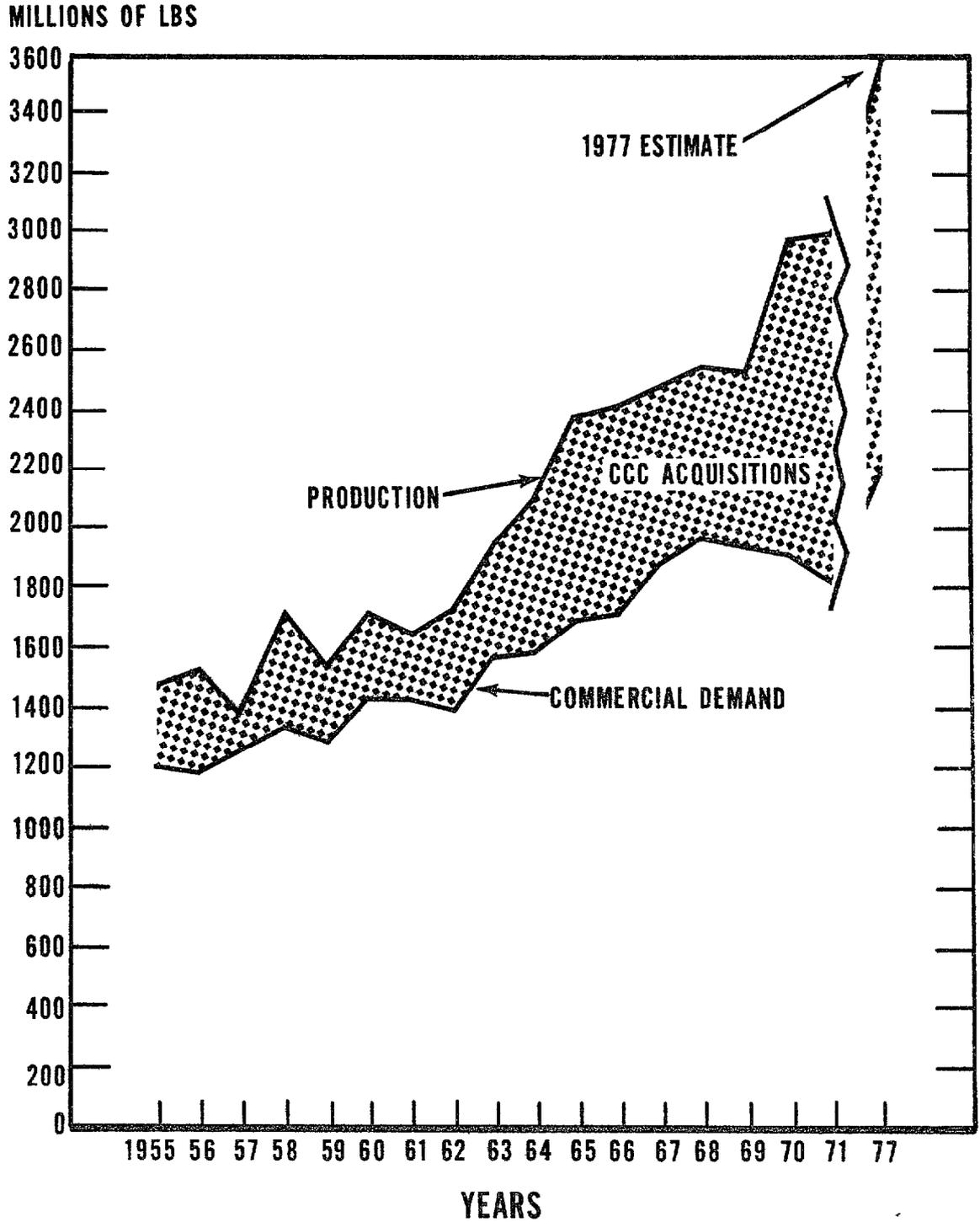
The increase in surplus peanuts from 1967 through 1971 was attributable primarily to expanded yields per acre. The average yield per acre increased from 1,700 pounds in 1966 to 2,045 pounds in 1971--a 20-percent increase. As shown in the chart on page 10, the average annual yield per acre has been in an overall upward trend since 1955.

According to an official of the Department's Economic Research Service, this increase is attributable to technological advances in production. The official, in an article on peanut production and marketing, stated

\* \* \* With land restricted by allotments for peanut production, growers have substituted other inputs such as fertilizer, herbicides and pesticides, for land. They have also shifted to higher yielding varieties, growth of more plants per acre, irrigation, and increased use of mechanical harvesters and dryers. \* \* \*

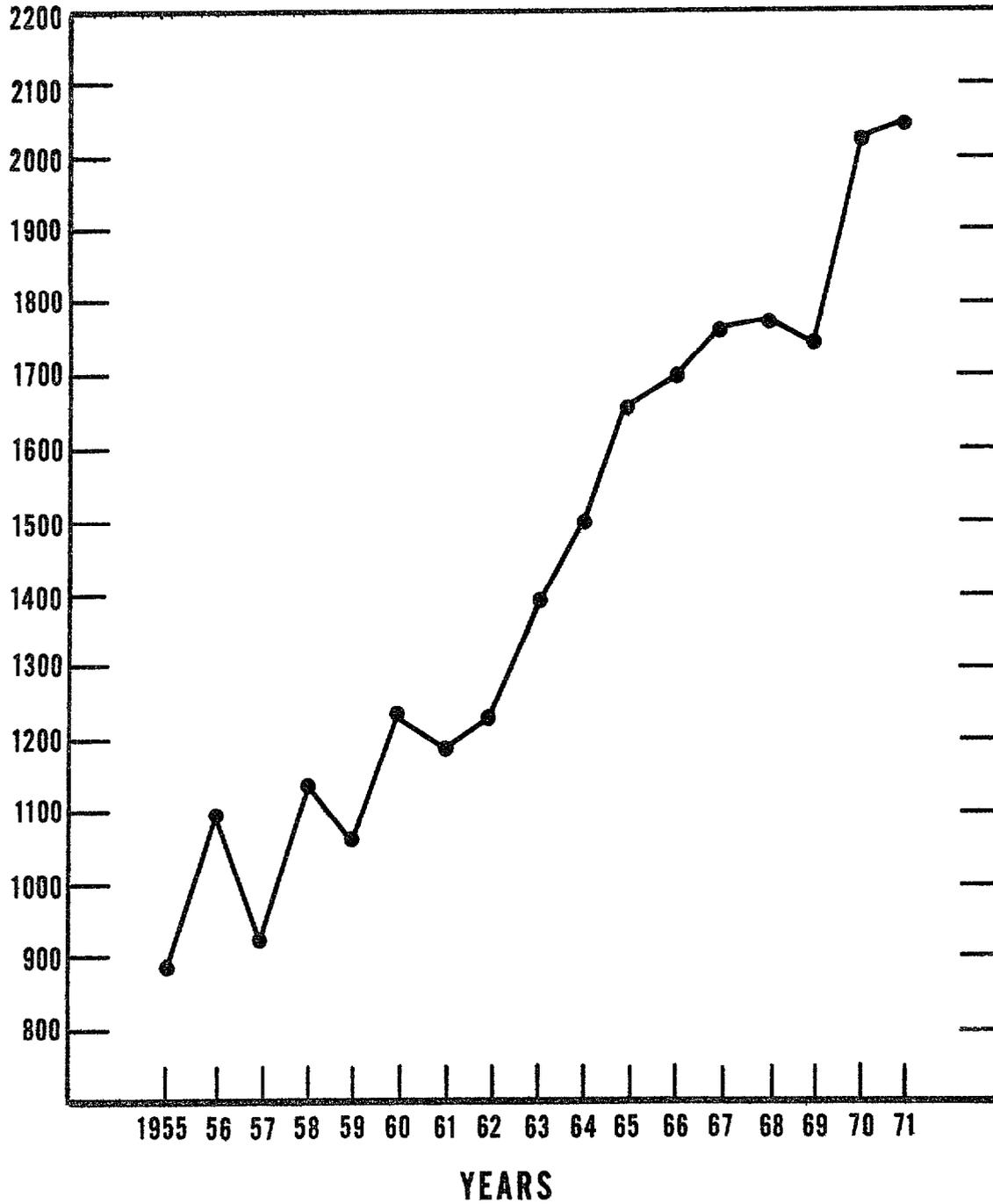
He also pointed out that yields per acre increased in all sectors of the peanut belt and that the annual increase had averaged 70 pounds per acre since 1955. The official predicted that yields will continue to increase on the basis of technology.

# PEANUT PRODUCTION, COMMERCIAL DEMAND AND CCC ACQUISITIONS FOR YEARS 1955 THROUGH 1971 AND PROJECTED FOR 1977



# AVERAGE YIELD PER ACRE FOR YEARS 1955 THROUGH 1971

POUNDS PER ACRE



Further increases in CCC losses

CCC losses under the price-support program totaled \$279 million from 1967 through 1971, a 66-percent increase over the \$168 million in losses during the previous 5 years. These losses occurred primarily because (1) the amount of surplus peanuts acquired increased and (2) the prices received by CCC from selling them were less than the cost to acquire them.

CCC's acquisition of 4,016 million pounds during 1967 through 1971 was a 54-percent increase over the 2,603 million pounds acquired during the previous 5 years. In selling the peanuts, CCC recovered 53 percent of its costs from 1967 through 1971. The quantity of peanuts acquired and CCC's net losses for 1955 through 1971 are shown in the following table.

<u>Crop year</u>	<u>Pounds acquired</u>	<u>Loss</u>
	(millions)	
Total 1955-61	<u>1,869</u>	<u>\$104.8</u>
1962	331	21.2
1963	371	28.3
1964	512	30.5
1965	688	44.3
1966	<u>701</u>	<u>43.8</u>
Total 1962-66	<u>2,603</u>	<u>168.1</u>
1967	605	48.2
1968	581	38.8
1969	588	36.0
1970	1,062	66.3
1971	<u>1,180</u>	<u>89.7</u>
Total 1967-71	<u>4,016</u>	<u>279.0</u>
Total 1955-71	<u>8,488</u>	<u>\$551.9</u>

ASCS officials expect that, in the absence of program modifications to control production, CCC losses will continue to increase. On the basis of data available in March 1972, these officials estimate that production will

exceed commercial demand by 6,400 million pounds from 1973 through 1977. They also estimate that, as a result, losses will amount to \$537 million for the 5 years ending in 1977, a 92-percent increase over the losses for the 5 years ended in 1971.

## AMENDMENT OF LEGISLATION COULD REDUCE LOSSES

Anticipated future losses could be substantially reduced if the minimum acreage provision were rescinded, so as to give the Secretary more flexibility to adjust the allotment to keep production more in line with commercial demand. However, the Department and the Congress would have to decide the rate of reduction and the level to which the allotment would be adjusted. The reduction could be effected in 1 year or it could be spread over several years. The allotment could be set at various levels necessary to meet commercial demand. Factors such as the anticipated effect on grower income and commercial demand and the amount of losses that would be acceptable under the program would need to be considered.

We are not proposing a particular rate or level. On the basis of information supplied by ASCS, however, we developed an illustration of the effect that one rate and level would have. This illustration, summarized in the following table, shows production, program losses, and grower income for the 1967-71 period compared with estimates for the 1973-77 period. For the 1973-77 period we calculated production, program losses, and grower income by

--assuming that the existing program would continue unchanged (program A) and

--assuming a program (program B) under which acreage, now set at 1,610,000 acres, would be reduced by 15 percent in 1973 and 10 percent for each later year until production decreases from 158 percent--its estimated 1972 level--to an annual 115 percent<sup>1</sup> of commercial demand.

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<sup>1</sup> This level was used to allow for yield fluctuations and to keep lower quality peanuts off the market.

	<u>Actual 1967-71</u>	<u>Estimated 1973-77</u>	
		<u>Existing Program A</u>	<u>Revised Program B</u>
Production			
Amount (millions of pounds)	13,510	16,910	12,486
Percent of change from actual 1967-71 production		+25	-8
Percent of change from program A			-26
Program loss <sup>a</sup>			
Amount (millions) (note a)	\$ 279	\$ 537	\$ 190
Percent of change from actual 1967-71 loss		+92	-32
Percent of change from program A			-65
Grower income <sup>a</sup>			
Amount (millions)	\$1,573	\$2,642	\$2,098
Percent of change from actual 1967-71 income		+68	+25
Percent of change from program A			-21

<sup>a</sup> Does not include storage, handling, and administrative costs.

In developing the estimates for programs A and B, we made the following assumptions on the basis of ASCS experience and anticipated developments.

- The yield per acre will increase an average of 60 pounds each year
- Commercial edible demand will increase an average of 2.6 percent each year.
- The parity price will increase an average of \$14 per ton each year.

--The support price will be based on (1) the percentage of normal supply to total supply and (2) the parity price.

As shown in the table, if acreage were reduced as assumed in program B, CCC's loss under the price-support program would be reduced by about \$347 million (\$537 million minus \$190 million), or 65 percent, during the 5 years 1973-77, as compared to the existing program, program A. The reduction would result from CCC's acquiring a smaller surplus than it would acquire if the present 1,610,000-acre allotment were continued because production would decrease by 4,424 million pounds, or 26 percent.

The table also shows that grower income under program B would (1) exceed that during the 1966-71 period by about 25 percent because of the continuing increase in yields and the expected future increases in the price-support level but (2) be 21 percent less than it would be under program A. These grower income amounts do not reflect any additional revenue that the growers might realize from growing other crops on land that would otherwise be used for peanuts.

The use of other acreage reduction rates and acreage allotment levels, of course, would cause corresponding changes in the amounts and percentages shown in the table for program B.

### CONCLUSIONS

Although the Agricultural Adjustment Act of 1938 authorizes the Secretary to control peanut production on the basis of demand, it precludes him from establishing the minimum national acreage allotment at fewer than 1,610,000 acres. Advances in farm technology have resulted in far greater yields per acre than were anticipated when the allotment was established. Since 1955, the amount of peanuts needed to satisfy commercial demand could have been produced on fewer than 1,610,000 acres.

The minimum acreage provision has resulted in substantial and increasing surpluses of peanuts, a condition which the sponsors of the act had hoped to avoid, and in spiraling losses to the Government. Such losses can be expected to continue to increase as long as the provision

remains in effect. Under the present program, the projected losses for 1973 through 1977 will almost double those for 1967 through 1971.

#### RECOMMENDATION TO THE CONGRESS

To give the Secretary of Agriculture more flexibility to adjust production so that it is more in line with commercial demand, we recommend that the Congress amend the Agricultural Adjustment Act of 1938 to remove the minimum acreage provision.

#### AGENCY AND INDUSTRY COMMENTS AND OUR EVALUATION

In a letter dated January 29, 1973 (see app. II), the Department said that it agreed with our basic findings. It said that

- it recognized that the annual cost of the program to CCC had grown rapidly in recent years,
- under existing legislation, it was unable to either reduce the allotment to the acreage necessary to satisfy domestic food requirements or reduce the level of support below 75 percent of the parity price, and
- annual losses would probably continue to increase unless the 1938 act was changed.

The Department agreed that adopting our recommendation would help bring production more in line with demand and would thus reduce the quantity of peanuts to be acquired and disposed of by CCC. However, the Department stated that it was not completely satisfied that this was the most desirable solution when considering the longrun interest of growers, the peanut industry, and the public. The Department advised us, therefore, that it was studying our recommendation and possible alternatives.

The National Peanut Growers Group, in commenting on our recommendation, stated that it recognized that peanut yield increases had caused supply to exceed commercial demand in recent years and that industry efforts to expand markets in the past had fallen short of the desired level. It cited

several actions that the industry had taken or planned to take to try to build new and expand present markets domestically and abroad and asked that the industry be given an opportunity to determine whether its promotion program would be instrumental in checking program costs before the Government modifies the program.

In commenting on our recommendation, the National Peanut Council also referred to the industry's promotional efforts but said that, because its membership comprised all segments of the industry, its bylaws prohibited it from taking a position on our recommendation.

We recognize that alternatives exist for bringing production and demand more in line, and we believe that the Department's study and the industry's promotional efforts are desirable. It may be some time, however, before the study and these efforts reduce CCC losses, which are expected to exceed \$100 million annually during the next several years. More immediate action--rescinding the minimum acreage provision--is needed so that the Secretary can adjust the level of production to meet commercial demand.

Such action would not preclude any actions the Secretary may wish to take as a result of the Department's study. It would not affect the industry's ability to meet any increasing demand that may result from its promotion program since the Secretary would be able to adjust the allotment up as well as down.

## CHAPTER 3

### SCOPE OF REVIEW

We directed our review primarily toward evaluating the effectiveness of the allotment-quota program in controlling peanut production and CCC losses. We reviewed the basic legislation authorizing the peanut price-support and allotment-quota programs and the policies and procedures established by the Department for administering them. We examined records and interviewed officials of ASCS in Washington, D.C.

We also interviewed officials of (1) the Department's Agricultural Research Service, Economic Research Service, and Office of the Inspector General, Washington, D.C., and (2) three peanut grower associations in the Southeast, Southwest, and Virginia-North Carolina producing areas.

With the assistance of ASCS officials, we identified and evaluated the possible effects of selected alternative peanut programs on production, CCC costs, and grower income.

C O P Y



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

B-163484

To the President of the Senate and the  
Speaker of the House of Representatives

The General Accounting Office has reviewed Department of Agriculture price-support programs for peanut growers. This report presents our finding and recommendations.

During the 12-year period 1955 through 1966, the annual production of peanuts increased--because of improved farm technology--to a point where supply is now substantially greater than demand. As a result, during this period, the Department's Commodity Credit Corporation had to dispose of increasing quantities of surplus peanuts at a loss of about \$274.5 million. [See GAO note.]

On the basis of available data, we estimate that, under existing legislation the losses for the peanut price-support programs during the 5-year period, 1967 through 1971, will amount to at least \$248 million and that the losses in the following years will continue to increase.

Because of the projected increase in losses, it appears to us that changes in the existing programs should be considered. We believe that changes, at this time, designed to stabilize production may forestall the need for even more extensive changes at some future time.

In our opinion, programs to control the production of peanuts can best be established by revising the Agricultural Adjustment Act of 1938. This act limits the quantity of peanuts which can be produced by providing for the national acreage allotment; that is, the number of acres which should be planted to produce the quantity of peanuts that would ensure orderly marketing. The act specifies, however, that the national acreage allotment shall be not less than 1,610,000 acres. Since passage of this act, new farm technology has increased the average yield per acre enormously and, thus, has reduced the usefulness of the national acreage allotment as a control over production.

We believe that the Department of Agriculture should consider recommending to the Congress a change in the Agricultural Adjustment Act of 1938, which would permit peanut production to be controlled on

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GAO note: Revised to \$272.9 million during this review.

APPENDIX I

B-163484

the basis of pounds instead of acres. This could reduce the Corporation's future losses by at least \$56 million during the period 1968 through 1972, without any reduction in the level of the producers' present income, if production were limited to the quantity of peanuts produced in 1967.

With respect to the concept of using pounds instead of acres as a means of controlling production, the Department is currently operating an acreage-poundage control program for one type of tobacco. The Department believes that the acreage-poundage control program has been successful

We are, therefore, recommending that the Department of Agriculture

- develop for consideration of the Congress a program, including suggested legislative changes, to more effectively control the production of peanuts and
- initiate studies for developing additional concepts for accelerating the removal of excess acreage from peanut production and/or other means of equalizing supply and demand.

The Corporation's Executive Vice President outlined action being taken to improve the peanut program. He stated that our recommendations were being considered and that every effort was being made to improve all aspects of the peanut program

We are reporting this matter to the Congress because of the substantial reduction in costs available to the Government if programs are established to overcome the problems associated with the over-production of peanuts.

Copies of this report are being sent to the Director, Bureau of the Budget, and to the Secretary of Agriculture.

/s/ Elmer B. Staats

Comptroller General  
of the United States



UNITED STATES DEPARTMENT OF AGRICULTURE  
 AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE • WASHINGTON, D C 20250

JAN 23 1973

Mr. Richard J. Woods  
 Assistant Director-In-Charge  
 U. S. General Accounting Office  
 USDA - Room 6639-S  
 Washington, D C. 20250

Dear Mr. Woods

This is in response to your request of November 14, 1972, for our review and comments on the draft of your proposed report on the peanut program.

We are in accord with the basic findings discussed in this report. Under existing legislation the Department is unable to either reduce the national acreage allotment to the acreage necessary to satisfy domestic food requirements or to reduce the level of support below 75 percent of the parity price.

We recognize, as the report points out, that the annual cost of the peanut program to CCC has grown rapidly in recent years. Furthermore, it is probable that annual losses will continue to tend upward, unless there is a change in the legislation authorizing and directing the program.

We note that the solution to the problem as recommended in the report is to "amend the Agricultural Adjustment Act of 1938, to remove the minimum acreage provisions and give the Secretary of Agriculture more flexibility to adjust production based on commercial demand." The report suggests that the rate of reduction (in the national acreage allotment) or production level are "matters to be determined by the Department and the Congress." The report is silent with respect to the minimum level of support provided by the Agricultural Act of 1949, as amended.

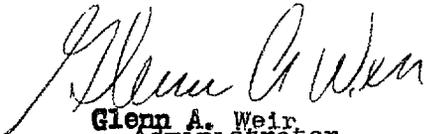
We agree that the proposal would provide a means for bringing peanut production more nearly in line with requirements and thus the quantity to be diverted by CCC would be reduced. We are not completely satisfied however that this is the most desirable solution when consideration is given to the long-run interest of producers, the peanut industry and the general public. We are, therefore, making a careful study of the proposal contained in the draft report and of possible alternatives.

APPENDIX II

Mr. Richard J. Woods

[See GAO note.]

Sincerely,



Glenn A. Weir  
Administrator

Enclosures

GAO note Deleted material pertained to comments considered in preparing our final report but not reproduced here.

PRINCIPAL OFFICIALS OF THE  
DEPARTMENT OF AGRICULTURE  
RESPONSIBLE FOR THE ACTIVITIES  
DISCUSSED IN THIS REPORT

Tenure of office  
From                      To

DEPARTMENT OF AGRICULTURE

SECRETARY OF AGRICULTURE:

Earl L. Butz	Dec. 1971	Present
Clifford M. Hardin	Jan. 1969	Nov. 1971
Orville L. Freeman	Jan. 1961	Jan. 1969

UNDER SECRETARY OF AGRICULTURE.

J. Phil Campbell	Jan. 1969	Present
John A. Schnittker	June 1965	Jan. 1969

ASSISTANT SECRETARY, INTERNATIONAL  
AFFAIRS AND COMMODITY PROGRAMS:

Carroll G. Brunthaver	June 1972	Present
Clarence D. Palmby	Jan. 1969	June 1972

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

ADMINISTRATOR

Kenneth E. Frick	Mar. 1969	Present
Horace D. Godfrey	Jan. 1961	Jan. 1969

COMMODITY CREDIT CORPORATION

PRESIDENT.

Carroll G. Brunthaver	June 1972	Present
Clarence D. Palmby	Jan. 1969	June 1972
John A. Schnittker	June 1965	Jan. 1969

EXECUTIVE VICE PRESIDENT.

Kenneth E. Frick	Mar. 1969	Present
Horace D. Godfrey	Jan. 1961	Jan. 1969

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