PEANUTS: Responding to Opportunities and Challenges from Intertwined Trade and Domestic Policies
IS THIS THE FUTURE?
Or

IS THIS THE FUTURE?
Argentina Background

- 2000 shelled peanuts import value in U.S.
  34.8 cents per pound
- Insurance + freight – less than 2 cents/lb
- U.S. shelled medium runners
  - 1996-97 60 cents/lb range
  - 1998-99 about 57.5 cents/lb
Argentina
Tariff Equivalent
66.66%
ARGENTINA?

Modern Technology in Production and Shelling

Research Plots
January 1, 2002
Exchange Rate
Devaluation
1.5-1.6 peso to $1
Free Market 3 peso to $1
2002 Farm Bill
Peanut Title

- Buyout – 11 cents/lb, 5 years
- DP – 1.8 cents/lb
- Market loan - $355/ton
- Counter-cyclical – Target price $495/ton
- Eliminate quota
- Base – 1998-01 period for yield and acreage
Cropping Pattern Shifts
Production Areas within States
Interregional Production Areas
Potential Infrastructure Shifts
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3000 lbs per acre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, operating costs</td>
<td>230.13</td>
<td>219.12</td>
<td>160.69</td>
<td>138.21</td>
<td>250.45</td>
<td>247.34</td>
<td>285.37</td>
<td>283.49</td>
</tr>
<tr>
<td>Subtotal - variable cost</td>
<td>301.76</td>
<td>285.87</td>
<td>235.55</td>
<td>200.33</td>
<td>316.72</td>
<td>311.73</td>
<td>371.20</td>
<td>368.60</td>
</tr>
<tr>
<td>Total costs listed less quota rent</td>
<td>459.31</td>
<td>433.92</td>
<td>396.89</td>
<td>341.77</td>
<td>469.75</td>
<td>459.67</td>
<td>535.86</td>
<td>529.47</td>
</tr>
<tr>
<td>4000 lbs per acre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, operating costs</td>
<td>172.60</td>
<td>164.34</td>
<td>120.52</td>
<td>103.66</td>
<td>187.84</td>
<td>185.51</td>
<td>214.03</td>
<td>212.62</td>
</tr>
<tr>
<td>Subtotal - variable cost</td>
<td>226.32</td>
<td>214.40</td>
<td>176.67</td>
<td>150.25</td>
<td>237.54</td>
<td>233.80</td>
<td>278.40</td>
<td>276.45</td>
</tr>
<tr>
<td>Total costs listed less quota rent</td>
<td>344.48</td>
<td>325.44</td>
<td>297.67</td>
<td>256.33</td>
<td>352.32</td>
<td>344.76</td>
<td>401.90</td>
<td>397.11</td>
</tr>
</tbody>
</table>
Infrastructure Changes

• Grading – what type & who pays
• Handling fees
• Storage cost
• Transportation cost
• Buying Points – what is their role?
• Movement towards grains system?
• Vertical Integration – top down or bottom up
Trade Implications

• Tariffs
• Minimum Access
• Offshore manufacturing
• Amber box to Green box
• Elimination of excess profits
• Market share?
"If you do not take change by the hand, change will take you by the throat."

Winston Churchill

Seasons change...

Families change...

Caterpillars change...