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For Immediate Release

Peanut product price increases due to simple supply and demand *Peanut butter and other products still great “bang for buck”*

LUBBOCK, Texas (November 7, 2011) – Peanut butter and peanut product cost hikes have whirled across the news in recent months, citing higher peanut prices as the culprit for the climb. Unfortunately, this may sway some consumers to conclude farmers are responsible for the price increase, but that is not the case.

Despite some offers of \$800 to \$1,000 per ton for peanuts this fall, most farmers contracted their crops for \$550 to \$600 per ton before planting last spring. In order to obtain financing for operation costs each year, most farmers must forward-contract their crops to secure financing.

Media have often cited the U.S. Department of Agriculture’s national posted price for peanuts, which can further mislead consumers. The USDA’s estimates have reached more than \$1,200 per ton, but within the peanut industry it is well-known farmers never receive the estimated price.

Prominent food manufacturers have announced they will have to pass some of their increase in buying costs on to consumers. Peanut butter producers have announced as much as a 40 percent increase in retail prices – bringing a jar of the tasty staple from just over \$2 to closer to \$3 when the increase hits.

Why such a steep increase?

Severe drought conditions, poor market prices at planting and a low supply of peanuts left from the 2010 crop have created a perfect storm that is fostering the price increase. The higher prices for consumers are simply the result of the basic principles of supply and demand, not farmers.

Coming into the 2011 growing season, the southeastern United States – which constitutes most of the U.S. peanut production – had struggled amid drought conditions in 2010, causing the industry to dip further into reserve supplies than usual.

As farmers began making planting decisions last spring, the price offered for peanuts failed to compete with other rotational crops. Crop rotation is vital to maximizing peanut production and preserving natural resources, so farmers already have the equipment to successfully grow other crops such as cotton and corn. This enables farmers to follow market demand trends, and this spring peanuts simply weren’t in the competitive market.

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*Peanut Price Increase
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Though farmers explained to peanut buyers that prices were not comparable to cotton and corn acres, buyers assumed there would be enough peanuts. Like any business owner, farmers had to make planting decisions that will ensure their farms' viability to survive in trying economic times.

These factors were met with drought conditions across Texas and the Southeast this growing season. Texas, usually the second-most peanut producing state, experienced the worst year-long drought in the state's history. The extreme heat and lack of moisture caused Texas peanut crops to yield 40 percent less than normal or even worse according to Texas AgriLife experts. Texas peanut production is down 53 percent from last year, at 273.0 million pounds. Harvested acreage is down 36 percent from last year to 105,000 acres. United States production is estimated to be down 13-17 percent from last year.

While peanut prices are higher than the industry's seen in recent years, it is important to remember farmers are facing inflated production costs as well. Farmers are footing a much larger bill for fuel, fertilizer, seed, pest and weed control, and energy costs. Texas farmers were hit extra-hard this year with increased irrigation costs since Mother Nature shared no quantifiable moisture this year.

Even in the shadow of rising peanut product costs, peanut butter is still a great bang for your buck," Shelly Nutt, Texas Peanut Producers Board executive director, says. "Relative to other food options, peanut butter is a relatively inexpensive source of high quality protein, and this increase only equates to approximately \$0.04 per serving, which is 2 tablespoons."

As our country continues to face economic difficulties, products such as peanut butter allow mothers to keep their families well-nourished while not hurting their pocketbooks. Not only is peanut butter a tasty treat for kids of all ages, it is packed with 29 essential nutrients and has been proven to help reduce the risk of diabetes, heart diseases and some cancers. A peanut-enriched diet boasts a number of health benefits, learn more at www.TexasPeanutBoard.com.

Texas peanut farmers are dedicated to providing a delicious and nutritious food source to American consumers, and hope the supply and demand will soon stabilize. Meanwhile, Texas peanut farmers will stick to their motto and continue **"feeding Texans one nut at a time."**

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The Texas Peanut Producers Board is a statewide board funded by a voluntary checkoff program. TPPB is responsible for coordinating peanut research, promotion and marketing programs. For more information, visit www.TexasPeanutBoard.com or contact TPPB Communications Director Stephanie Pruitt at stephanie@texaspeanutboard.com.