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Peanut Growers Meet War Demands

The peanut promises to play an important role in the war economy. Oils derived from the peanut are needed to meet increased domestic consumption of vegetable fats, to take care of larger lend-lease demands, and to make up the loss of the far eastern supply of fats and oils. The Agricultural Marketing Administration recently announced a plan of diverting into lend-lease channels, over the next three to six months, 60 to 70 per cent of the lard and 40 per cent of the pork produced from Federally inspected hog slaughterings. Despite increased production, a scarcity will occur unless demand is shifted to other sources. If other types of oil are substituted for lard in domestic consumption, a shortage will in turn be felt in other industries which have been using these oils in the past.

In addition to increased demands placed upon ordinary domestic production, the problem is accentuated by the cutting off of 68 per cent of our supplies of imported oils, or 10 per cent of our total normal consumption requirements. The quantity lost, however, is overshadowed in importance by the strategic nature of many of the oils which were imported from the East Indies. Coconut oil for soap making, of which an important by-product is glycerine, which in turn is used in the manufacture of nitroglycerine, formerly came from the Philippines. Supplies of palm oil and palm kernel oil, which were likewise used by the soap industry, are also cut off. If domestic oils are substituted in the production of glycerine, larger quantities will be necessary than if the imported oils were used, since domestic oils yield only from 10 to 11 per cent glycerine, while the imported oil yielded 14 per cent. Other important oils, such as castor oil, tung oil, linseed oil, and olive oil, were supplied almost entirely by imports.

▶ To meet the increased demand and to provide substitutes for imported oils, a widespread program was launched, calling for increases in production of lard, tallow, cottonseed oil, peanut oil, soy beans, and other fats and oils.

Farmers in the South, and particularly those in the Sixth District, are taking an important part in this program by expanding the production of peanuts. Plans announced in the fall of 1941 called for an increase of 83 per cent in the peanut acreage, as well as increases in other oil crops. Of the 3.5 million acres of peanuts planned, 1.6 million were to be acreage allotment or quota peanuts, while the remaining 1.9 million acres were to go into oil.

After the outbreak of the war, the goals for all oil-bearing crops were revised upward. The goal for peanuts was set at 5 million acres, instead of the September goal of 3.5 million, and the 1941

production of about 2 million acres. The goal of planting for 1942 has been practically reached. Current Federal crop estimates place the acreage at 4.8 million acres, just short of the 5 million acre goal. This represents 96 per cent more than was planted in 1941. Acreages planted by states are shown in Table I.

Even before World War II peanuts were fast becoming one of the most important cash crops in the District. Acreage and production figures for recent years are summarized in Tables II and III. In 1941 the acreage picked and threshed in the six District states constituted 57 per cent of all the acreage harvested in the United States and 56 per cent of the total production.

The principal types of peanuts grown in the District are the Spanish, or white Spanish peanut, and the runner peanut. The Spanish type, which has a high oil content, leads in production in Georgia, Florida, and Alabama. The runner peanut has been grown principally as feed for hogs and as a source of vegetable oil. This peanut, which leads in Alabama, also is grown in Florida and Georgia. The Virginia peanut, which has a low oil content, is the leading type grown in Tennessee.

▶ Normally, the peanut butter industry utilizes more peanuts than any other one use. Although the sale of peanuts in the shell is 80 per cent less in quantity than during the ten years preceding 1930, the sale of shelled peanuts for salted nuts, candy, and other uses has increased.

The crushing of peanuts for oil constitutes another important use. During World War I, the tremendous demand for glycerine for munitions and the growing requirements for fats in general stimulated crushing. By 1918 over 95 million pounds of peanut oil were being produced. Since World War I, the amount of peanuts converted into oil has varied with the relative price of the nuts and other oil. After 1934, shelled peanuts usually sold sufficiently higher in price in relation to the price of oil to make it unprofitable to crush any but the lower grades. In the last few years the governmental program has diverted some quantities of all grades of peanuts into oil. The principal uses of peanut oil in 1941 are summarized in Table IV.

Many important by-products are obtained from the crushing and shelling of peanuts. Peanut cake and peanut meal, which are made from the residue after the crushing process, are sold chiefly as stock feed and as fertilizer. Peanut meal as a fertilizer ranks above cottonseed meal in ammonia and nitrogen content. Peanut hulls are often fed back into machines that grind peanut cake into meal in order to reduce the protein content of the peanut meal. The hulls are also used as fillers for fertilizers, as



bedding in stables, and as essential ingredients in the manufacture of floor-sweeping compounds, linoleum, dynamite, insulation blocks, magnesia tiles, and plaster and wallboard. Peanut hay, which has a high fat value in the feeding of cattle, is sometimes ground for use as a stock feed. The value of peanuts as a hog feed has long been recognized.

▶ Peanut production came under the general agricultural program of the AAA in 1934 when part of the 1934 crop was diverted to the manufacture of peanut oil and to feeding of livestock. In 1935 acreage devoted to peanuts was limited. Diversion payments were made in 1935-36 to contracting growers and oil millers. There was no program for the 1936-37 season.

Beginning with the 1937-38 season, the program authorized regional associations of peanut growers to pay certain prices. The associations bought directly from the producers and paid for the peanuts with money borrowed from the Commodity Credit Corporation.

Although various producers' marketing cooperatives had existed prior to 1937, the present associations are a result of the 1937 program. Under this program four associations were established: the Peanut Stabilization Cooperative, Inc., of North Carolina; the Virginia Peanut Growers' Cooperative, Inc.; the Georgia-Florida-Alabama Peanut Association (GFA) in the southeastern section; and the Southwestern Peanut Growers' Association.

In order to induce growers to plant additional peanut acreage, they were assured by the Department of Agriculture of a minimum of \$82 a ton on United States No. 1 white Spanish type for oil, delivered at approved local receiving agencies, and a minimum of \$78 a ton on No. 1 runners, and \$70 a ton per Class A Virginias. No limitation was imposed upon the quantity to be produced or marketed.

The first step to furnish growers with the necessary seed was taken by the Department of Agriculture on January 31, 1941, when all peanuts suitable for planting, which were held by agencies operating under the peanut marketing program, were taken over by the Commodity Credit Corporation. Six million dollars was allotted for the purchase of the seed. The GFA entered into an agreement with the Commodity Credit Corporation whereby the GFA acted as an agent in the distribution of the peanut seed for the states of Alabama, Florida, Georgia, Mississippi, and South Carolina. Similar agreements were made with other associations in other areas. The GFA distributed the peanuts through its warehouses and agents to growers promising to plant oil acreage and agreed to remit all notes and cash received from the sale of the seed to the Commodity Credit Corporation. The association was to receive reimbursement for the necessary handling, transportation, and administrative expenses.

To become eligible for the purchase of peanuts for seed, the grower had to obtain a clearance certificate from his county AAA office, certifying that the peanuts were to be used for planting for oil purposes only. The grower might pay cash for the seed or sign a note, in which case the price was increased \$2 a ton. Prices to the grower were prices paid by the Commodity Credit Corporation plus some charges for handling and transportation. The producers' notes are to be liquidated after the peanuts are harvested.

The Federal Reserve Bank of Atlanta for the Sixth District acts as RFC custodian in the program. It advances cash for warehouse receipts, representing peanuts purchased by the Commodity Credit Corporation. As the peanuts are sold for seed, cash or producers' notes are substituted for the trust receipts. By the end of June, 90,345 producers' notes, amounting to \$2.5 million, had been received by the Federal Reserve Bank of Atlanta. An idea of the extent of the program may be obtained by examining Table V.

TABLE I
Peanut Acreage Estimate
1942*

	1941 Average	July 1, 1942 Estimate
Alabama.....	455	819
Florida.....	202	313
Georgia.....	770	1,424
Louisiana.....	28	52
Mississippi.....	35	79
Tennessee.....	7	11
District.....	1,497	2,698
United States.....	2,456	4,827

*Includes acreage for all purposes.
Source: U. S. Department of Agriculture.

TABLE II
Peanut Acreage*
(In Thousands)

Year	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	District	U. S.
1934.....	240	57	471	140	39	14	961	1,488
1935.....	272	63	464	130	32	11	972	1,473
1936.....	276	72	567	140	25	9	1,090	1,606
1937.....	230	70	507	110	24	9	950	1,500
1938.....	265	75	590	130	29	8	1,097	1,708
1939.....	270	85	650	130	30	8	1,173	1,859
1940.....	310	94	705	110	28	6	1,253	2,040
1941.....	315	94	670	100	27	7	1,213	*1,964

*Represents the acreage picked and threshed, excluding hogged out.
Source: U. S. Department of Agriculture.

TABLE III
Peanut Production*
(In Millions of Pounds)

Year	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	District	U. S.
1934.....	156.0	31.4	289.7	6.7	21.8	9.9	515.5	1,010
1935.....	198.6	38.4	329.4	5.7	16.3	6.9	595.3	1,147
1936.....	223.6	45.4	433.8	6.7	13.5	5.6	728.6	1,253
1937.....	172.5	42.0	375.2	5.5	12.5	6.1	613.8	1,224
1938.....	203.4	56.3	469.1	6.5	14.8	6.2	756.3	1,306
1939.....	128.3	56.3	341.3	6.1	13.5	6.0	551.5	1,180
1940.....	227.9	73.3	581.6	4.0	11.5	4.5	902.8	1,749
1941.....	252.0	65.8	525.9	3.3	14.0	5.3	866.3	1,558

*Harvested for nuts.
Source: U. S. Department of Agriculture.

TABLE IV
Factory Consumption of Peanut Oil
1941
(In Thousands of Pounds)

Shortening.....	81,905
Oleomargarine.....	2,209
Other edible products.....	18,102
Soap.....	597
Miscellaneous.....	5,112
Loss.....	6,375
Total.....	114,300

Source: U. S. Bureau of the Census.

TABLE V
Federal Reserve Bank of Atlanta
Peanut Seed Producers' Notes, 1942

1942	Number of Loans	Face Amount (In Thousands of Dollars)
March 31.....	6,052	172.4
April 30.....	29,161	873.5
May 31.....	77,857	1,847.9
June 30.....	90,345	2,533.5

▶ The next problem to be faced and overcome is the harvesting of the crop. The peanuts are dug in late August or early September, are allowed to dry, and are ready for the picker or thresher. The use of machines in picking is general. In this connection a real problem seems to exist. Peanuts are being raised in some counties where peanuts were never raised commercially before, or for any purpose other than hogging off, which does not require the use of machinery. If the pickers had been used on the normal basis of about 250 acres per picker, an enormous quantity of new pickers would have been required. It was obviously impossible to manufacture enough machines so that they might be provided on the old basis, since last year's output was only 750 pickers. In addition, pickers use vital war materials, making it impossible to secure sufficient raw materials, even if manufacturing facilities were available.

Again, through the cooperation of many agencies it appears that this problem of equipment will be solved before the time for the harvesting of the crop. A survey made by the GFA indicated that about 3,000 machines could be produced by the equipment manufacturers, or a 400 per cent increase over the previous year's production. If these machines were rationed and existing machines were used more intensively, it was believed enough machines would be provided to harvest the crop. The War Production Board provided the necessary authorization for the companies to secure the steel and other raw materials. The entire output of the manufacturers has

been purchased by the GFA with a loan provided by the Commodity Credit Corporation. The machines will be sold by the association where it is indicated that there is a need for the machine and that its services will be made available to the growers at a reasonable price.

▶ Once the peanut crop is harvested, storage facilities must be provided. The peanut crop of 1940, the largest on record, crowded the facilities of warehouses, and the new crop is expected to be more than twice this size. The Commodity Credit Corporation is underwriting the cost of new warehouses, which are being constructed by the GFA. At least part of the additional warehouses will be ready to store the crop.

Fortunately no problem appears to exist in connection with processing the crop. In addition to the already existing facilities designed especially for processing peanuts, there are extensive facilities throughout the area for the crushing of cottonseed which may be used in the production of peanut oil.

▶ There appears to be every assurance that the program will be completely successful. Barring some unforeseen contingencies, a large portion of the deficiency in oil will be met by the peanut growers of the Sixth District. In addition, valuable by-products will be available in increased quantities. Peanut cake and meal may provide a partial substitute for the nonorganic nitrogen used in commercial fertilizers, a shortage of which is anticipated for next year.

Insurance Against War Damage

On July 1, 1942, the Federal Reserve Bank of Atlanta, in common with the other Federal Reserve Banks, assumed a new function: that of serving as fiscal agent and custodian for the War Damage Corporation. This agency is a subsidiary of the Reconstruction Finance Corporation and has for its purpose the offering of protection against losses arising from enemy attack or from action of the United States armed forces in resisting such attack.

Insurance protection offered by the War Damage Corporation is written through the offices and facilities of nearly 6,000 fire insurance companies that have agreed to act as fiduciary agents. Each fiduciary agent is authorized to receive applications and remittances covering war damage insurance premiums and to have the sole privilege of issuing policies.

In writing war damage policies, the fiduciary agents utilize the services of what are called "producers." Any authorized insurance broker, any duly licensed agent of a fire insurance company that has been appointed as a fiduciary agent, and any direct writing mutual company or reciprocal exchange appointed as a fiduciary agent may act as a producer. Producers are entitled to a *service fee* not to exceed five per cent of each policy premium with a minimum fee of \$1 per policy and a maximum fee of \$1,000 per policy. Fiduciary agents are entitled to an *expense reimbursement* equal to 3½ per cent of the premium, subject to a minimum fee of 50 cents and a maximum fee of \$700 for any one policy.

▶ While the risk insured against is new, the war damage insurance policies follow generally accepted insurance pro-

cedures except for minor variations. Policies are written for a one-year term. Only one policy may be issued to an insured or on any one property, and only one policy is permitted to an insured for certain types of coverage. These types of coverage are enumerated as follows:

- (1) Properties at fixed locations
- (2) Property in transit
- (3) Builders' risk on hulls
- (4) Cargo stored afloat
- (5) Hulls
- (6) Growing crops and orchards

Properties for which war damage insurance is not available are "accounts, bills, currency, debts, evidences of debt, securities, money, bullion, and stamps." Only by special policies or endorsements may coverage be secured for furs, jewelry, works of art, statuary, paintings, pictures, etchings, antiques, stamps and coin collections, manuscripts, books and printed publications more than 50 years old, models, curiosities, and objects of historical or scientific interest. Limits of coverage are placed upon certain of these special articles. In the case of furs, jewelry, art articles, and the like, the limit of coverage is \$5,000 for any one article and \$100,000 for any one interest for commercial dealers and \$10,000 for any one interest of a private nature. A limit of \$10,000 is set in the coverage for any one pleasure watercraft or aircraft and a limit of \$100,000 is set in the coverage for growing crops and orchards.

▶ War damage insurance is written on a purely voluntary basis. While it is doubtful that present fire insurance coverage