

ORGANIZED MARKETING AND THE DEVELOPMENT OF THE PEANUT INDUSTRY

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The peanut industry is of relatively recent development and this development is closely associated with the institution and operation of the Peanut Marketing Board.

Although peanuts have been grown in Queensland since the turn of the century, it was not until 1920 that they were grown by farmers in a big way. During the 1919-20 season several farmers of the South Burnett area, particularly, Young Brothers, B. J. Johansen of Memerambi, and Sam Long, of Tingoora, planted areas of from 2 to 5 acres of peanuts. The crop proved to be of considerable commercial value and other farmers in the Memerambi district planted experimental plots during 1920-21 season. Young Brothers increased their acreage from 5 to 40 that year. But the market was too restricted to allow any great expansion to take place until Mr. A. B. Abel, the principal of the Marrackville Margarine Company, which had built an oil expression plant at Marrackville, Sydney, came to the South Burnett, in 1922 and purchased the entire crop at prices of approximately 4d. per lb. for nuts in the shell and 6d. per lb. for kernels. Thus an assured market for a much larger quantity of peanuts appeared, just at the time when the suitability of the South Burnett area for peanut growing had been demonstrated.

Production increased rapidly from 61 tons in 1922 to 75 tons in 1923 and 231 tons in 1924.⁽¹⁾ The supply of peanuts had, by this time, exceeded demand and the merchants who had purchased the produce of a few farms at a satisfactory price were not prepared to pay what growers considered a reasonable price for the greater quantity offered in 1924. Consequently, the farmers refused to sell and a meeting of growers, held at Memerambi, decided to approach the Minister for Agriculture and Stock to obtain approval for the formation of a Peanut Board under the Primary Products Pools Act of 1922-1923. Mr. Muir was appointed a deputation on behalf of the meeting and instructed

1. Statistics of the State of Queensland (1922-23): Peanut Board (1924).

to seek the support of the Council of Agriculture in this venture. Consent was given by the Minister and, as no ballot was requested by the growers, the Board was formed. To avoid delay in the commencement of Board operations, a meeting of growers agreed to forego an election of Board members, Messrs. W. Muir and C. F. Adermann being chosen by the meeting itself as representatives of the South Burnett area and Mr. R. M. Wise as representative for the rest of Queensland.

The problem which faced the Board and the problem it was created to solve was that of marketing the growers' produce. Instead of individual growers, whom they were able to exploit, the merchants from this time forward would be compelled to deal with a growers' monopoly. But the Peanut Board soon found that compulsory collective selling was not sufficient, of itself, to solve marketing difficulties. The peanuts had also to be prepared for marketing and the Board, with the active and determined co-operation of the growers, launched into this aspect of organised marketing during 1924. The Board purchased a deshelling machine from the Cooktown Peanut Company which had gone into liquidation and commenced operations in Mr. Muir's barn at Crawford. Much of the work, such as grading and culling, was done by hand by the farmers themselves, and the Board, by starting with the definite aim of supplying 'quality lines,' and delivering the product throughout the year as the market required it, found the results of its first year's operations satisfactory. Approximately 4d. per lb. was paid to the grower.

Thus by 1924 the peanut industry was established in the Kingaroy district, largely, as a result of the adoption of the scheme of organised marketing envisaged by the Queensland Government. Three aspects of the task of organised marketing emerged during the first year of the Peanut Board's operation; namely, the treatment and storage of produce so that it might be supplied in the qualities and quantities demanded by the market throughout the year, and the principle of compulsory collective selling.

The growth of the industry in the South Burnett area to the stage where organised marketing became necessary seems to have been due to a combination of

factors. Firstly, the market conditions were favourable to Australian growers, owing to uncertain transport, freight charges and other post-war conditions; secondly, soils which grow peanuts best are found in the greatest quantities around Kingaroy where the farmers discovered the value of peanuts as a crop; thirdly, about 1919 the price of maize, which was the only cash crop in the Kingaroy district, was very low, and farmers were therefore looking for an alternative crop just when Young Brothers, Johansen, and other farmers demonstrated the value of peanuts as a crop; fourthly, the demand for peanuts was stimulated during the early 'twenties by the erection of an oil expression plant by the Marrackville Margarine Company in Sydney (1921), and later by the establishment of other companies for the processing of peanut products; fifthly, the future growth of the industry was ensured by higher tariff rates on peanut imports fixed by the Customs Tariff Act of 1921; lastly, the initiative of the growers was such that it enabled them to take advantage of these favourable conditions and to overcome the most pressing technical difficulties involved in growing and marketing peanuts.

For two years after its formation the Peanut Board treated the peanut crop in Mr. Muir's barn, but larger crops in 1926 and 1927 forced the Board to lease additional storage accommodation and to transfer treatment facilities to the Railway's grain shed at Kingaroy. It was realised, however, that more permanent arrangements would have to be made for the storage and treatment of peanuts and the growth in production indicated that such facilities would need to be larger and more efficient than those which were being used. It was decided, therefore, to build a block of silos, complete with treatment plant and machinery and that the Board would impose a levy of $\frac{1}{4}$ d. per lb. on peanuts delivered to it to cover the cost. The Queensland Peanut Growers' Co-operative Association Limited was incorporated and registered under the Primary Producers' Co-operative Associations Act of 1923-27 to act as a holding company for the growers, charged with the task of building, purchasing, holding and maintaining growers' assets. To ensure co-ordination between this Co-operative Association and the Peanut Board

the rules of the Co-operative provided that its directors should consist of the current members of the Board.

The block of silos was built in 1928 at the cost, including plant and machinery, of £58,000 which was met by a loan from the Commonwealth Bank of 75 per cent. of the total guaranteed by the Queensland Government. The balance was raised by the 1927 levy, supplemented by preference shares in the Association. (In practice the Co-operative Association is a non-trading non-profit making concern which pays no dividends, but acts merely as a holding company for the convenience of the industry).

The industry made steady progress till the years 1928 and 1929. Production in these two years was in excess of Australian demands and, as exporting was not profitable, planting was restricted in 1930 in an endeavour to bring the industry back to normal conditions. In an attempt to extend its market, The Peanut Board decided to supply the Virginian variety for the roasting trade which, in effect, meant that growers would have to be persuaded to plant some Virginia variety nuts instead of all Red Spanish variety. To help facilitate this task the Federal Government placed an embargo on the importation of peanuts from 1929 to 1930, but this proved ineffective. In 1930 the industry was granted a more effective embargo for an indefinite period.

The 1932 and 1933 productions were small, due to adverse weather conditions and a lack of confidence on the part of growers. A shortage of peanuts resulted and the Board was compelled to arrange with the Federal Government for the importation of peanuts to ensure an adequate supply. At the end of 1933 the Federal Government lifted the embargo.

By this time the peanut industry was centred in three areas of Queensland. The main area was the South Burnett with Kingaroy as centre. The headquarters of the Board and the main storage and treatment facilities were located here. The second area was Central Queensland with its centre at Rockhampton. The third area was the Atherton Plateau.

During the next five years the expansion of the industry was retarded by unfavourable seasonal conditions and by marketing problems. This combination of factors resulted in poor returns and farmers were

loath to plant heavily. In addition, the effects of poor cropping methods were making themselves felt in lowered yields and the incidence of the disease, 'crown rot,' was becoming more serious towards the end of this five year period. The Peanut Board v. the Rockhampton Harbour Board Decision of 1934 robbed the Board of its power to enforce its marketing scheme upon growers. The High Court decided by a majority vote that the Peanut Board did not have the right to enforce the compulsory acquisition of peanuts, and that growers could not be prevented from engaging in interstate trade in peanuts by the Board since the relevant provisions of the Primary Producers' Organisation and Marketing Acts (which had replaced the Primary Producers Pools Acts) contravened the provisions of section 92 and were therefore invalid. Since the effectiveness of the Board's marketing scheme depended on complete control over the sale of all Queensland grown peanuts the scheme was sabotaged by a section of growers who continually sold outside the Board thus forcing the Board to accept lower prices. But in spite of these difficulties the industry continued to develop steadily.

In 1939 the marketing difficulty was overcome by the passage of the Peanut Industry Protection and Preservation Act which ensured the Peanut Marketing Board fairly rigid control over the planting, grading, treatment and marketing of peanuts in Queensland through the health provisions of the Federal Constitution. This legislation was welcomed by the majority of growers.

The outbreak of war marked the beginning of a period of rapid development. Already the growth of the industry had necessitated the building of additional storage space at Kingaroy in 1938 at a cost of £58,000 of which £46,000 was advanced by the Commonwealth Bank under State Government guarantee. During the war the Commonwealth, at first, planned to commandeer the whole peanut crop for oil making purposes. This was not necessary since peanuts could be imported in sufficient quantities for the oil trade. The Board, therefore, challenged the acquisition order by recommending that Queensland peanuts be used mainly for edible purposes and that, if the need should arise, a greater percentage could then be diverted to oil pro-

duction. The Federal Government finally accepted the Board's proposal. From 1943 till the end of the war the peanut crop was sold by the Board under the control of the National Security Regulations.

By 1947, peanut production had reached its peak and it seems that the industry itself had almost reached its greatest development. That year 1,116 growers planted 52,000 acres and produced 23,164 tons of peanuts valued at £1,048,965/14/7.⁽²⁾ From that year production has declined. In 1948 the greatest number of growers participated in the industry and planted the greatest acreage in its history, but since then the number of growers and the acreage planted have also declined.

Expansion in the industry again created storage and treatment problems and new blocks of silos were planned at Kingaroy, the first erected in 1948 at the cost of £110,000 and the second completed by 1951. In both cases a loan guaranteed by the Queensland Government was used to pay the cost of construction.

Production has fallen from a record yield of 23,164 tons in 1947 to 4,190 tons in 1952, the number of growers from 1,490 in 1948 to 587 in 1952, and the acreage from 66,000 acres in 1948 to 13,000 acres in 1952.⁽³⁾ Several factors appear to be responsible for this decline. Bad weather conditions during the growing and harvesting seasons has been largely responsible. Incidence of crown rot disease has contributed. It was extremely prevalent during the 1948 and 1949 seasons, but its effect has been mitigated since that time, thanks to the officers of the Department of Agriculture and Stock. Soil erosion and exhaustion have also played their part. Peanut growing leads to exhaustion of the organic content of the soil and this combined with a lack of proper crop rotation reduces soil fertility and changes the natural crumb texture of the soil to dust texture which is extremely subject to both wind and water erosion. The work of the Department of Agriculture and Stock has begun to bear fruit in this field also. The lack of suitable labour is another factor which has operated to reduce the plantings of peanuts. Finally the lack of confidence on the part of farmers in the industry's future and the increasing returns offered

2. The Peanut Marketing Board.

3. The Peanut Marketing Board.

by alternative occupations, such as dairying, maize and sorghum growing have led farmers to leave the peanut industry.

There appears to be every prospect of revival of the peanut industry in the future if weather conditions during the growing seasons improve and growers' reluctance to plant peanuts is overcome. Peanut prices are now comparatively remunerative. The demand for peanuts is far in excess of Australian supplies and is increasing. The incidence of crown rot has been reduced and its effect on the yield lessened. Better cropping methods have been demonstrated and accepted by many farmers. Finally the shortage of labour has ceased to be acute. Under these conditions one seems justified in forecasting a resurgence in the industry's vitality.

The development of the peanut industry is interesting because of the part played in that development by organised marketing. There can be little doubt that the industry would have died in infancy had it not been sustained by a system of co-operative marketing under the tutelage of the Queensland Government. As I have already pointed out, the Peanut Marketing Board acquires all peanuts grown in Queensland, processes, treats and grades them in readiness for marketing. The market is supplied with peanuts as it requires them, a practice which is made possible by the storage facilities of the Queensland Peanut Growers' Co-operative Association which the Peanut Marketing Board controls. Finally, the Peanut Marketing Board operates as a collective selling organization for the growers thus strengthening their selling position. However, the Board also has a responsibility to the consumer which the State Government expects it to observe, and this, together with the potential competition of imported peanuts, limits its monopoly power. The Board carries out this responsibility in its selling policy. Growers receive payments equal to the sale value of their crops less expenses incurred in the handling of the crop from the time it enters the silos until it is sold. The first payment, based on production costs and current market prices, is made shortly after the peanuts are delivered. Interim payments are sometimes made during the selling period. The final payment is made after the complete season's crop is marketed.

The Board has done much to popularise peanuts and peanut products. In the early years of the industry it successfully broke down a prejudice against the red-stained Kingaroy peanut. It has co-operated with the Department of Agriculture and Stock in the seed selection and disease control, and has in numerous other ways benefited the peanut growers, even though it may have operated to the detriment of a minority.

It appears to me that the part played by the Peanut Marketing Board in allowing and fostering the growth of the Peanut Industry in Queensland, clearly indicates the necessity for organised marketing in Australia if primary industry is to be diversified and its contribution to the national income increased.