Consolidation and Concentration in the U.S. Peanut Industry

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U.S. agriculture experienced revolutionary changes in the 20th century. Many scholars refer to this transformation as the industrialization of agriculture. Innovation and the application of new technology propelled U.S. agriculture from a pastoral model to an industrial model. As a result, consolidation (the merger of two or more firms) and concentration (the number of firms in a market and their respective market shares) occurred. Though numerous articles reference measurable changes among various agriculture commodity sectors, little information exists about the U.S. peanut industry. The purpose of this study was to assess whether consolidation and concentration has occurred in the U.S. peanut industry and if so, what are the implications? Measurements were performed on the production, shelling, and manufacturing sectors of the U.S. peanut industry. Consolidation was measured by comparing the number of firms in each sector in 1982 and 2007. Concentration was calculated using the four firm concentration ratios (CR4) and the Herfindahl-Hirschman Index (HHI). Census data showed the number of farms producing peanuts declined from 23,011 to 6182, a 73% decrease from 1982 to 2007, with minimal change in acreage. Though consolidation has occurred, the number of producers remains large enough to limit concentration in the production sector. Consolidation and concentration has also occurred in the shelling sector with the emergence of a dominant core-fringe. Data analyzed from IBISWorld 2013 showed the CR4 (HHI) for candy, snack nuts, and peanut butter manufacturing to be 74.8% (1824), 47.4% (1291), and 83.3% (3052), respectively. These values indicate that with the exception of snack nuts, the manufacturing sector is very concentrated, especially peanut butter. Consequently, results point to varying levels of market power and price control among the various U.S. peanut industry sectors.