CHAPTER 1

Groundnut production and trade

W.J. Florkowski

This chapter focuses on major issues and implications of groundnut production, processing, distribution and consumption, discussion of yields and area harvested, world prices and trade illustrates strong and weak links in the world groundnut sector.

Revenue generated from groundnut sales amounts to billions of dollars annually and sales for domestic use are important to regional and national economies. Groundnut is a high value product and an important source of cash to farmers in less developed countries, allowing the purchase of other foods and industrial goods.

Groundnut oil is a major vegetable oil in many parts of the world and its sale to domestic and foreign consumers generates revenue. Its production by mills crushing locally grown groundnut provides jobs and income for numerous workers. By-products, such as groundnut cake and meal, directly or indirectly improve nutrition.

Export sales of groundnut, groundnut oil and cake can increase the income of groundnut farmers and processors. Groundnut exporters include a number of countries in Africa, Asia and the Americas but the three major exporters in the 1980s were the USA, Argentina and China. An increase in yield and in the area harvested led to increased production and exports from China and Argentina. Many countries with increasing yields concentrate on satisfying a strong domestic demand but are likely to export in years of world shortage, taking advantage of a high price.

1.1 PRODUCTION, AREA HARVESTED AND YIELD

Several factors determine changes in yield, area harvested and level of production. Applied technology, better management and the weather directly influence yield. The area under crop is determined by groundnut price, expected profits from groundnut relative to other crops, and the

inputs available. Both policy and weather influence yield and area harvested. Policy is a factor that represents a broad spectrum of macroeconomic variables. Foreign exchange needs frequently lead to a government decision to increase production of an exportable commodity, as was the case in China. Food needs of growing populations could accelerate adoption of higher yielding cultivars.

In the following sections, discussion of the groundnut industry on each continent centres on selected producing countries which illustrate changes in the groundnut sector of specific regions. Trends in area harvested and production among countries reveal the changing importance of the domestic groundnut sector.

For several countries, continuous information on the industry is not available for the entire period (1960–1990). Reasons for gaps in the statistics include creation of sovereign states, social unrest and military conflicts. For the purposes of this presentation, however, the available information is adequate.

1.1.1 Groundnut production

Groundnut production is important to several countries with large populations, in which groundnut plays a role as a food crop. The volume of production reflects the amount of resources allocated to groundnut and its importance to a particular economy. Table 1.1 compares the average output for selected countries over three decades (1960s–1980s), and Table 1.2 highlights changes in production levels on a percentage basis. Some of the more obvious trends are as follows.

(a) North America

In Mexico, production decreased in the 1970s but recovered in the 1980s with an increase of 22%. In the USA, a production increase of 62% between the 1960s and the 1970s reflected technological gains.

(b) South America

In the large groundnut countries, production has been decreasing. The opposite trend is true in many smaller countries. Brazil was the largest producer in South America in the mid 1960s and the 1970s but its output decreased by 53% during the 1980s in comparison with the 1970s. Since 1986, Argentina has been consistently the largest producer in South America: production increased by 23% between the 1960s and the 1970s but decreased by 30% during the 1980s. The overall decrease in production in South America was the result of a smaller area being sown to groundnut in Brazil and Argentina.