

# Taxpayers may foot peanut bill

Southern farms producing more crops than US can consume

BY CHRIS PRENTICE  
REUTERS

NEW YORK — A mountain of peanuts is piling up in the South, threatening to hand American taxpayers a near \$2 billion bailout bill over the next three years, and leaving the government with a big chunk of the crop on its books.

Peanut growers in states including Georgia and Alabama boosted sowing acreage by a fifth this spring and now are wrapping up harvesting their 3.1 million ton crop, the second-largest ever, even as prices plumb seven-year lows.

There is a debate over why it is happening and how long the supplies and costs will build. Farmers and peanut groups blame the glut on poorer market conditions for alternative crops, such as cotton and corn, and improving yields as a result of crop rotation and new varieties.

Some experts say it is the unintended consequence of recent changes in farm policies that create incentives for farmers to keep adding to excess supply.

One way or another, farmers look set to keep producing more peanuts than Americans can consume, leaving taxpayers on the hook.

First, the U.S. Department of Agriculture is paying farmers most of the difference between the “reference price” of \$535 per ton (26.75 cents per pound) and market prices, now below \$400 per ton. A Nov. 18 report to Congress estimates such payments this year for peanuts exceed those for



BRIAN SNYDER | REUTERS

Farmer Emmett Joiner looks at a field of peanuts waiting to be harvested on his 340-acre cotton and peanut farm in Garfield, Georgia, in October. A mountain of peanuts is piling up in the South, threatening to hand American taxpayers a near \$2 billion bailout bill over the next three years, and leaving the government with a big chunk of the crop on its books.

corn and soybeans by more than \$100 per acre.

Secondly, government loan guarantees mean once prices fall below levels used to value their crops as collateral, farmers have an incentive to default on the loans and hand over the peanuts to the USDA rather than sell them to make the payments.

### Peanuts for Florida

“It’s a predicament,” said Tyron Spearman, executive director of the National Peanut Buying Points Association, a group commissioned by peanut shellers. “Is it a concern to us? Yes. We certainly hate any increase in cost but that’s the way the program was designed.”

Through forfeitures, the USDA amassed 145,000 tons of peanuts from last year’s crop, its largest stockpile in at least nine years, according to data compiled by Reuters.

That stockpile is enough to satisfy the average annual consumption of more than 20 million Americans — more than the population of Florida — and puts the administration in a bind.

Storing the peanuts in shellers’ and growers’ warehouses comes at a cost. Selling them could depress the market further and in turn would add to the price subsidy bill.

Payments to peanut farmers could total between \$960 million and \$1.9 billion through fiscal 2018, according to estimates from the Congressional Budget Office and USDA projections cited in the Congressional Research Service report.

The higher costs come as the 2014 Farm Bill set high peanut reference prices relative to historic averages and cut support for production of cotton, an alternative crop, encouraging growers

to dedicate more acres to peanuts, the report and experts said.

The government spends far more on big cash crops such as corn, wheat and soybeans, with support for corn alone expected to cost \$3.6 billion this year, according to Congressional Budget Office estimates. Yet, relative to crops size and value, peanut crops are costlier, with payments worth more than a third of the crop’s value.

Experts say the spike in spending highlights the risk of distortions to other markets, but overall spending caps and the fact that reference prices for other crops are closer to market levels than those set for peanuts act as mitigating factors.

As peanut carryover inventories are forecast to hit a record of 1.4 million tons by end-July 2016 and as loans begin to come due next summer, farmers are expected to fork over more peanuts to the USDA.

The legume has a special place in American history, diet and popular culture — the peanut butter and jelly sandwich is as iconic as an apple pie and former President Jimmy Carter is the world’s most famous peanut farmer — but there is just not enough appetite for the troves filling the warehouses.

The abundance of cheap peanuts is a boon for the handful of companies that shell peanuts bought from growers, including Archer Daniels Midland Co.’s Golden Peanut Co. and peanut-butter makers such as J.M. Smucker Co., the maker of Jif, and Hormel Foods, which makes Skippy.

# Pfizer to buy Allergan in \$160 billion deal

BY RANSDALL PIERSON  
AND BILL BERKROT  
REUTERS

NEW YORK — Pfizer Inc. said Monday it would buy Botox maker Allergan Plc. in a record-breaking deal worth \$160 billion to cut its U.S. tax bill by moving its headquarters to Ireland.

The acquisition will create the world’s largest drugmaker, with combined annual revenue of about \$64 billion. It is also the biggest-ever tax inversion deal, an increasingly popular and controversial maneuver aimed at helping U.S. companies lower their taxes by reincorporating overseas.

President Barack Obama has called inversions unpatriotic and has tried to crack down on the practice. To avoid potential restrictions, the transaction was technically structured as smaller Dublin-based Allergan buying Pfizer, although the combined company will be known as Pfizer Plc. and continue to be led by Chief Executive Officer Ian Read.

The merger will delay by two years the Lipitor and Viagra maker’s decision on whether to split itself into two. That decision, which could sell off Pfizer’s lower margin unit of products facing generic competition, was expected by late 2016.

The deal enhances offerings from both Pfizer’s faster-growing branded products business, with additions like Botox, and its established products unit. Still, investors had been hoping Pfizer would sell off the lower-margin business in 2017, a move now put off by the time required to integrate Allergan, Pfizer said. Allergan CEO Brent Saun-

ders will become president and chief operating officer of the combined company with oversight of all commercial businesses.

Read, who has long sought to slash Pfizer’s U.S. tax rate, said in a statement that the deal would help put the company on “on a more competitive footing.”

The company was expected to pay about 25 percent in corporate taxes this year, compared with about 15 percent for Allergan. Pfizer Chief Financial Officer Frank D’Amelio said he expected a combined tax rate of 17 percent to 18 percent by 2017.

The deal comes some 18 months after the failure of Read’s initial attempt at an inversion, a \$118 billion bid to acquire Britain-based AstraZeneca Plc. that ran into staunch opposition from that company’s management and U.K. politicians.

On a conference call with analysts, Pfizer said the merger would give it enhanced access to its tens of billions of dollars parked overseas over time and allow for more share buybacks and dividend payments.

Saunders said the combination would provide access to about 70 additional worldwide markets for Allergan products.

The merger, scheduled for completion in the second half of 2016, will deliver more than \$2 billion in cost savings in the first three years, the companies said. It was not immediately clear how many jobs would be lost as a result.

The companies estimated the merger would increase earnings per share by 10 percent, excluding special items, in 2019 and add by a high-teens percentage rate in 2020.

## Market Review

Consolidated Stocks

	Close	Chg	Div		Close	Chg	Div
3M Co	158.65	-0.30	4.1	InttBcsh	30.08	+0.08	0.6
ABB Ltd	18.47	-0.31		JPMorgCh	66.88	-0.66	1.8
AbbVie	61.15	+0.04	2.3	Kohls	47.64	+0.60	1.8
AbtLab	45.44	-0.57	1.0	LillyEli	84.74	+0.27	2.0
AEP	55.99	-0.55	2.2	Loews	37.76	-0.15	0.3
Aeropostl	0.80	-0.05		Lowes	76.67	+0.90	1.1
Aetna	105.71	+1.28	1.0	McDnlds	114.47	+0.56	3.6
ALFAC	65.40	-0.26	1.6	Merck	54.01	-0.09	1.8
AK Steel	2.30	-0.06	0.0	MetLife	50.69	-0.33	1.5
ALCATEL LUCENT	3.98	-0.03		Microsoft	54.19	...	1.4
Allergan	301.72	-10.74		Mondelez	44.08	+0.13	0.7
Allstate	63.11	-0.23	1.2	Monsanto	95.27	-0.82	2.2
Altria	57.62	+0.49	2.3	MorgStan	33.64	-0.27	0.6
AMovill	16.96	-0.07	0.5	NewellRub	44.75	+0.34	0.8
Anadarko	60.35	+1.61	1.1	NextEraE	100.49	-0.53	3.1
Apache	48.85	-0.25	1.0	NipponTT	38.29	-0.27	
ApldMatl	18.13	-0.05	0.4	NokiaCp	7.32	-0.07	0.2
Apple	117.75	-1.55	2.1	NorthropG	187.83	-1.65	3.2
AT&T Inc	33.46	-0.20	1.9	OneokPtrs	30.22	-0.65	3.2
Autodesk	62.71	+2.16	0.0	Oracle	39.14	-0.20	0.6
AvidTch	5.48	-0.01	0.3	Orange	17.30	-0.25	0.7
BcoSantSA	5.42	-0.02	0.3	Penn Gmng	15.94	-0.14	
BestBuy	30.78	-0.27	0.9	Penney	8.11	+0.32	0.0
BKNYMeli	43.67	-0.07	0.7	PepcoHold	25.89	-0.06	1.1
BkoAFam	17.47	-0.18	0.2	PepsiCo	100.85	+0.75	2.8
Boling	148.34	-1.06	3.6	Pfizer	31.33	-0.85	1.1
BP PLC	34.42	-0.01	2.4	PhilipMor	86.59	+0.60	4.1
BrlkIdAs	34.08	-0.26	0.5	PPL	33.97	-0.53	1.5
BrMySq	67.99	+0.17	1.5	Praxair	114.58	-0.47	2.9
Caterpillar	71.02	-0.12	3.1	ProctGam	75.97	+0.15	2.7
CBS B	50.98	-0.71	0.6	Prudentl	45.62	-0.88	1.2
CenterPnt	17.00	-0.09	1.0	QstDiag	68.58	+0.63	1.5
Chevron	90.01	+1.00	4.3	Rayonier	24.09	-0.07	1.0
Citigroup	54.28	-0.47	0.2	Raytheon	126.77	-0.27	2.7
CocaCola	42.96	+0.53	1.3	ReynAmer	47.03	+0.54	1.4
Corning	19.06	+0.08	0.5	RyCarb	94.93	+0.91	1.5
Deere	74.61	-0.87	2.4	Schwab	33.29	-0.05	0.2
Disney	119.42	-0.65	1.3	SearsHldgs	20.37	+0.41	0.0
DowChem	53.00	-0.32	1.8	Sherwin	275.44	+1.16	2.7
DukeEng	68.01	-1.09	3.3	SiderurNac	1.46	-0.05	0.1
DuPont	32.77	+0.03	1.7	Siemens	102.07	...	3.7
ExxonMbl	80.28	+0.49	2.9	SonyCp	26.79	-0.10	
Facebook	106.95	-0.37		Starbucks	62.64	+0.65	0.8
FedExCp	163.44	-0.70	1.0	SvstAirl	47.47	+0.15	0.3
FidInFin	35.72	+0.11	0.8	Symantec	19.98	-0.05	0.6
FidNatInfo	6.55	-0.86	1.0	Target	72.28	+1.45	2.2
FrontierCr	49.96	-0.04	0.4	Textron	43.41	-0.21	0.1
GenElec	30.59	-0.07	0.9	TimeWarn	184.42	-0.08	3.0
GlaxoSKIn	40.41	-0.71	2.4	Toyota	123.12	-0.55	
GoldmanS	189.19	-2.28	2.6	Travelers	115.63	-0.20	2.4
Google	755.98	-0.62		UPS B	103.59	-0.51	2.9
Hershey	85.65	+1.06	2.3	ValoroE	72.68	+0.70	2.0
HewlettP	14.23	+0.17	0.5	Vodafone	33.35	-0.47	1.7
Hitachi	59.50	...		WalterEn	0.04	...	0.0
HomeDep	132.50	+2.29	2.4	Waste Mngt	54.14	+0.02	1.5
Honda	32.65	-0.13	0.7	WellsFargo	55.60	-0.22	1.5
IBM	138.46	-0.04	5.2	Yahoo	33.36	+0.25	
Intel	34.48	-0.18	1.0	Zimmer	102.85	-0.89	0.9

Indexes

	52-Wk High	52-Wk Low	Close	Chg	Chg%	Yr	Mo	Qtr	1 Yr. Chg%
Dow Jones indus.	18351	15370	17792.68	-31.13	-0.17	▲	▲	▲	-0.10
Dow Jones Transport	9310	7453	8226.87	-74.93	-0.90	▲	▼	▲	-9.54
Dow Jones Utility	657	540	565.82	-5.27	-0.92	▼	▼	▼	-5.09
Nasdaq composite	5232	4292	5102.48	-2.44	-0.05	▲	▲	▲	+8.26
NYSE AMEX composite	2632	2114	2245.88	-1.20	-0.05	▲	▲	▲	-14.33
NYSE composite	11255	9510	10421.42	-22.78	-0.22	▲	▼	▲	-5.48
S&P 500	2135	1867	2086.59	-2.58	-0.12	▲	▲	▲	+1.12
S&P Mid cap 400	1551	1345	1451.21	+4.16	+0.29	▲	▲	▲	+0.47
Wilshire 5000	22537	19619	21673.95	-7.36	-0.03	▲	▲	▲	-0.10
Russell 2000	1296	1079	1180.36	+5.21	+0.44	▲	▲	▲	+0.68

Local Stocks

	52Wk Hi	52Wk Lo	Close	Chg	Chg%	Yr	Mo	Qtr	YTD%	P/E	Div
Bank of America (BAC)	18.48	14.60	17.47	-0.18	-1.02	▲	▲	▲	-2.35	13.1	0.2
Bar Harbor (BHB)	37.98	28.97	34.99	-0.01	-0.03	▲	▲	▲	...	14.3	1.0
Camden Nat'l (CAC)	47.49	35.67	44.90	-0.14	-0.31	▲	▲	▲	+12.70	13.3	1.2
Cisco (CSCO)	30.31	23.03	27.43	-0.14	-0.51	▲	▲	▲	-1.38	14.8	0.8
Delhaize (DEG)	25.00	17.15	24.20	-0.34	-1.39	▲	▲	▲	+33.55	31.9	0.4
Domtar (DFT)	48.30	35.20	41.05	+0.03	+0.07	▲	▲	▲	+2.06	16.9	1.6
Dover (DOV)	83.55	55.50	65.25	-0.16	-0.24	▲	▲	▲	-9.02	16.7	1.7
Fairchild SC (FCS)	20.84	12.22	19.47	-0.18	-0.92	▲	▲	▲	+15.34	0.0	
General Dynamics (GD)	153.76	130.91	144.59	-0.91	-0.63	▲	▲	▲	+5.06	16.4	2.8
General Electric (GE)	30.99	19.37	30.59	-0.07	-0.23	▲	▲	▲	+21.05	99.5	0.9
HCA Holdings (HCA)	95.49	43.91	67.36	-0.06	-0.09	▲	▼	▼	-8.22	14.1	
Idexx Labs (IDXX)	168.51	61.58	69.08	-0.15	-0.22	▲	▼	▼	-6.82	37.7	
Immucell (ICCC)	11.40	4.63	7.42	-0.08	-1.07	▼	▼	▼	+52.67	22.4	
International Paper (IP)	57.90	37.11	41.19	-0.03	-0.07	▲	▲	▼	-23.12	19.2	1.8
KeyCorp (KEY)	15.70	12.04	13.09	+0.01	+0.08	▲	▲	▲	-5.83	12.2	0.3
Kimberly-Clark (KMB)	122.97	103.04	121.59	+1.36	+1.13	▲	▲	▲	+5.24	80.8	3.5
Lake Sunapee Bank (LSBG)	16.35	13.76	14.19	+0.08	+0.53	▼	▼	▼	-9.19	12.2	0.6
Northeast Bancorp (NBNI)	11.02	8.86	10.65	-0.10	-0.93	▼	▲	▲	+10.48	14.2	0.0
People's United Fin (PBCT)	16.95	13.97	16.58	-0.02	-0.12	▲	▲	▲	+9.22	19.7	0.7
Plum Creek Timber (PCL)	50.64	36.95	50.09	-0.32	-0.63	▲	▲	▲	+17.06	38.3	1.8
PNC (PNC)	100.52	81.84	94.90	-0.48	-0.50	▲	▲	▲	+4.02	12.9	2.0
RR Donnelley (RRD)	20.22	14.19	16.17	+0.16	+1.00	▲	▲	▲	-3.78	32.8	1.0
Sappi Limited (SPPJY)	4.53	2.67	4.37	...	...	▲	▲	▲	...	...	0.0
State Street (STT)	81.26	63.97	72.62	-0.16	-0.22	▲	▲	▲	-7.49	17.0	1.4
Sysco (SYS)	42.03	35.45	41.40	+0.48	+1.17	▲	▲	▲	+4.31	37.6	1.2
The First Bancorp (FNLC)	22.03	16.20	21.74	+0.44	+2.07	▲	▲	▲	+20.18	14.4	0.9
United Technologies (UTX)	124.45	85.50	98.09	-0.13	-0.13	▲	▲	▲	-14.70	15.0	2.6
Unum Group (UNM)	38.15	29.81	36.78	-0.34	-0.92	▲	▲	▲	+5.45	25.3	0.7
Verizon Comm (VZ)	50.86	38.06	44.98	-0.40	-0.88	▼	▲	▲	-3.83	18.8	2.3
WalMart (WMT)	90.97	56.30	60.26	+0.19	+0.32	▲	▼	▼	-29.83	12.9	2.0

Currencies

	Last	Chg	Qtr	Year
Euro	0.940	+0.001	+0.080	+0.133
British Pound	0.661	+0.003	+0.027	+0.022
Canadian Dollar	1.337	+0.003	+0.008	+0.214
Japanese Yen	122.84	-0.070	+4.450	+5.040
Mexican Peso	16.549	+0.015	-0.652	+2.934
Swiss Franc	1.018	-0.001	+0.087	+0.049
Israeli Shekel	3.877	-0.014	+0.045	+0.023
Norwegian Krone	8.655	+0.022	+0.446	+1.850
South African Rand	14.091	+0.138	+0.866	+3.132

Commodities

Energy	Units	Date	Close	Chg
Crude oil NYM	\$/Barrel	Jan	41.75	-0.15
Natural gas NYM	Mil. BTU	Dec	2.21	+0.07
Heating oil NYM	Gallon	Dec	1.37	unch.
Gasoline NYM	Gallon	Dec	1.31	+0.02

Metals

Gold CMCX	\$/1oz.	Nov	1066.80	-9.60
Silver CMCX	\$/1oz.	Dec	14.03	-0.06
HE Copper CMCX	\$/Lb.	Nov	2.02	-0.03
Platinum NYM	\$/1oz.	Dec	847.70	-8.50

Agricultural

Soybean CBT	c/5000 BSL	Jan	864.25	+6.75
Corn CBT	c/5000 BSL	Dec	367.25	+4.00
Wheat CBT	c/5000 BSL	Dec	495.00	+6.50
Live cattle CMEc/40000 Lbs		Dec	132.18	+2.48

Treasuries

	Yield	Chg.	Yr.Chg	Wk	Mo	Qtr
3-month T-bill	0.11	0.02	0.00	▲	▲	▲
6-month T-bill	0.11	0.02	0.06	▲	▲	▲
52-wk T-bill	0.47	0.00	0.12	▲	▲	▲
2-year T-note	0.92	0.00	0.50	▲	▲	▲
5-year T-note	1.67	-0.02	1.61	▲	▲	▲
10-year T-note	2.24	-0.03	2.31	▼	▲	▲
30-year T-bond	2.99	-0.03	3.02	▼	▲	▲

Global Markets

	Close	Chg	%Chg	%Yr
FTSE 100	6305.49	-29.14	-0.46	-6.60
CAC 40	4889.12	-21.85	-0.44	+12.47
Nikkei 225	19879.81	unch.	unch.	+14.53
Hang Seng	22665.90	-88.82	-0.39	-3.29
SET	1394.22	+0.38	+0.03	-11.71
All Ord	5326.47	+21.02	+0.40	+0.65
DAX	11092.31	-27.52	-0.25	+13.97

Most Active

	Close	Chg	YTD%	Volume
GE (GE)	30.59	-0.07	-0.2	1323904
Pfizer (PFZ)	31.33	-0.85	-2.6	1246157

falls after strong week

BY SINEAD CAREW REUTERS

U.S. stock indexes closed slightly lower in a quiet trading day on Wall Street after last week's strong gains, while a big health care deal failed to impress investors on Monday.

Pfizer's announcement of what is expected to be the biggest-ever health care deal pushed its shares down 2.6 percent making it one of the biggest drags on the S&P. Target company Allergan closed 3.4-percent lower after the \$160 billion deal announcement.

"Today was a dull day unless you're involved in Pfizer or Allergan. Away from that, it's kind of aimless," said Brian Fenske, head of sales trading at ITG in New York. "Nobody was panicking when the market was going lower. It wasn't really on heavy volume."

The Dow Jones industrial average fell 31.13 points, or 0.17 percent, to 17,792.68, the S&P 500 lost 2.58 points, or 0.12 percent, to 2,086.59 and the Nasdaq Composite dropped 2.44 points, or 0.05 percent, to 5,102.48.

Disappointment in the Pfizer-Allergan deal was driven by weaker-than-hoped-for projected savings from the complex deal, anti-trust issues, along with a possible delay in Pfizer's plan to split into two companies, according to analysts.

A few days ahead of the Thanksgiving holiday, when markets are