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Peanut-Butter Makers Face Crunch

Hot, Dry Summer Roasts This Year's Crop, Propelling Prices and Forcing Smucker and Major Producers to React

By PAUL ZIOBRO



Bloomberg News

Wholesale prices for Jif, on display at a Costco in Arlington, Va., are to climb 30% starting in November.

increases.

Wholesale prices for big-selling Jif are going up 30% starting in November, while Peter Pan will raise prices as

Choosy moms will have little choice but to pay more for peanut butter.

Another hot, dry summer has devastated this year's peanut crop, sending prices for the legume skyrocketing and forcing peanut-butter brands including [J.M. Smucker Co.'s Jif](#), [Unilever NV's Skippy](#) and [ConAgra Foods Inc.'s Peter Pan](#) into startling price

much as 24% in a couple weeks. Unilever wouldn't comment on its pricing plans, but a spokesman for Wegmans Food Markets, the closely held supermarket chain in the Northeast U.S., said wholesale prices for all brands it carries, including Skippy, are 30% to 35% higher than a year ago.

[Kraft Foods](#) Inc., which launched Planters peanut butter in June, is raising prices 40% on Oct. 31, a spokeswoman said.

Smaller peanut butter producers may be feeling the crunch more.

Lee Zalben founded the New York peanut-butter sandwich shop Peanut Butter & Co. in 1998, and now sells jarred peanut butter in more than 15,000 stores, include [Whole Foods Market](#) Inc. and [Wal-Mart Stores](#) Inc. He's had to raise prices, too, though not as much as the larger brands. The company sells is peanut butter in flavors like Dark Chocolate Dreams through distributors, which adds additional costs to each jar. So Mr. Zalben is cutting costs in other areas, including shipping and warehousing, to try to keep the retail price below \$5.



St. Petersburg Times/Zuma Press

Peanut harvesting in Georgia.

"We don't have the same luxury of passing on cost increases in the same way as some of the larger brands," said Mr. Zalben, who said he has secured enough peanut supply through 2012.

The U.S. Department of Agriculture estimates the current spot price for a ton of unprocessed Runner peanuts, commonly used in peanut butter, at about \$1,150 a ton, which is up from about \$450 a year ago. A pound of shelled peanuts, meanwhile, would fetch \$1.20 currently, one broker said, up from 52 cents a year ago.

The tight peanut supply means peanut-butter costs will eventually make their way to consumers, who are facing higher prices on just about everything they buy in the supermarkets. While prices for food consumed at home are broadly up 6% versus a year ago, the increase in peanut butter should be immediately noticeable and take a bite out of disposable income. A 30% increase on an 18-ounce jar of Jif would add 94 cents to the \$3.14 price at a [Target](#) Corp. store in Jersey City.

As with any crop, the challenges facing peanut farmers begin and end with the weather. In Georgia, the leading U.S. peanut producing state, the planting season was the driest in memory for John Harrell, a sixth-generation peanut farmer in Whigham, Ga. Peanuts, typically planted between mid-April and the beginning of June, had to wait until several weeks after

that for any rains, he said.

"I don't remember a year that you didn't catch a shower or had so little moisture in the ground to get the seed up," said Mr. Harrell, age 56. "It was dry about as deep as you can dig down."

Compounding the problems was that some farmers devoted more of their fields to crops like cotton, which was fetching a high price. The USDA Agriculture estimates a 17% drop in the peanut crop this year, to 3.46 billion pounds.

Of added concern is the quality of the crop. Scorching heat, especially in Texas, singed many peanut plants as they developed, leaving more peanuts destined to be processed into oil, rather than the edible-quality that's shelled and turned into peanut butter. Only 38% of the U.S. peanut crop was rated good or excellent last month, down from about 60% a year ago.

Smucker, the world's largest peanut buyer, is taking action to make sure it has enough peanut butter to stock shelves. It temporarily stopped making eight varieties in certain sizes, like 40-ounce jars or reduced-fat creamy spread, which won't be available again until January.

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