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NATIONAL PEANUT BOARD/SOUTHEAST PEANUT
RESEARCH INITIATIVE
EXECUTIVE SUMMARY FOR WORK
DONE UNDER RESEARCH AGREEMENT

Executive Summary

September 30, 2009

INSTITUTION: University of Georgia

PROJECT TITLE: Economic Analysis of the Competitive Position of United States
Peanut Producers in the Domestic and International Markets

RES. AGR. NO.: 25-21-RD314-156 PROJECT LEADER: Dr. Stanley Fletcher
GACCP Budget No.: 4-900-653-5

EXPIRATION DATE: June 30, 2009 NPB CONTACT: Maria Mehok
NPB Budget No.: 243

EXECUTIVE SUMMARY: The NCPC continues to work diligently to maintain the goal of assembling an updated representative peanut farm database that represents all peanut growing regions of the United States as well as all types of peanuts grown in the United States. With the expansion of the Representative Peanut Farm Database outside the original Southeastern Representative Peanut Farms (SERPF), established and updated in 2002 and 2003 respectively, the database included additional production areas of Texas, New Mexico, Virginia, North Carolina, and South Carolina which created 19 representative farms during the early part of 2008. During the early part of 2009, 3 additional representative farms were added for Oklahoma, Mississippi and one more for Southeastern Georgia. With these expansion, the NCPC has 22 representative peanut farms, spanning from Virginia to New Mexico. The database represents farms that produce runner type cultivars, Virginia type cultivars, Valencia type cultivars, and Spanish type cultivars. The NCPC feels it has a better understanding of the many diversified issues facing not only U.S peanut farms but southern agriculture as a whole.

Under the August 2008 Baseline, 1 of the 19 farms are forecast to have good economic viability for 2008 through 2013. Two farms are forecast to have marginal economic viability, and 16 farms are forecast to have poor economic viability for 2008 through 2013. These results illustrate the decline in economic viability of the representative farms since the rise in energy cost in recent years. When the August 2004 baseline was released, 64% of the database at the time was categorized to have good economic viability as compared to the current August 2008 forecast of only 5% categorized to have good economic viability. The decrease in the probability of economically viable peanut farms is largely due, but not limited to the increases in fuel and fertilizer costs. Other line item crop inputs have risen significantly also, most directly or indirectly permeated by increases in energy costs. It should be stressed that this decline in viability is due to diminished returns in all crops across a whole farm basis. The peanut enterprises alone are not the sole reason for declines in economic viability. Analyses of current baseline projections are not promising for the United States peanut farming industry. Unless overall profitability of all crops produced on a peanut farm in the Southern United States increases, the economic viability is in jeopardy for this sector of the country.

The fall's analysis indicated the tough economic conditions facing peanut farmers. However, due to the significant size of the 2008 peanut crop, manufacturers did not feel that they needed to offer good prices to encourage production of the crop for 2009. Without any good contract prices with most contracts offering loan rate plus approximately \$20 option, peanut producers

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**NATIONAL PEANUT BOARD/SOUTHEAST PEANUT
RESEARCH INITIATIVE
FINAL REPORT FOR WORK
DONE UNDER RESEARCH AGREEMENT**

Final Report

June 30, 2009

INSTITUTION: University of Georgia

PROJECT TITLE: Economic Analysis of the Competitive Position of United States
Peanut Producers in the Domestic and International Markets

RES. AGR. NO.: 25-21-RD314-156 **PROJECT LEADER:** Dr. Stanley Fletcher

GACCP Budget No.: 4-900-653-5

EXPIRATION DATE: June 30, 2009

NPB CONTACT: Maria Mehok

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REPORT OF PROGRESS: The NCPC continues to work diligently to maintain the goal of assembling an updated representative peanut farm database that represents all peanut growing regions of the United States as well as all types of peanuts grown in the United States. With the expansion of the Representative Peanut Farm Database outside the original Southeastern Representative Peanut Farms (SERPF), established and updated in 2002 and 2003 respectively, the database now includes additional production areas of Texas, New Mexico, Virginia, North Carolina, and South Carolina. With this expansion, the NCPC has 19 representative peanut farms, spanning from Virginia to New Mexico. The database represents farms that produce runner type cultivars, Virginia type cultivars, Valencia type cultivars, and Spanish type cultivars. The NCPC feels it has a better understanding of the many diversified issues facing not only U.S. peanut farms but southern agriculture as a whole.

During the previous quarter, all 19 representative farms were updated based on the 2008 crop season in terms of practices, land allocation, input costs and crop prices. This involved traveling to the 19 locations to meet with the 4-6 farmers. Three additional peanut representative farms were built to expand the data base and to more fully reflect the peanut production areas in the United States. A representative farm was built in Mississippi and in Oklahoma. The third representative farm was built in the new Southeast Georgia peanut production area.

Since the fall of 2008, additional analysis was not performed since updates on all of the 19 farms were being planned and coordinated. Prior quarterly reports provide results of prior analysis completed. The fall's analysis indicated the tough economic conditions facing peanut farmers. However, due to the significant size of the 2008 peanut crop, manufacturers did not feel that they needed to offer good prices to encourage production of the crop for 2009. Without any good contract prices with most contracts offering loan rate plus approximately \$20 option, peanut producers responded as the model indicated they would. The U.S. will have the lowest acreage planted to peanuts in 2009 since 1915.

Data for the 2008 crops have been compiled into spreadsheets and will be analyzed soon.