EXECUTIVE SUMMARY: NCPC maintains 22 U.S. representative peanut farms that stretch from Virginia to New Mexico covering the entire peanut belt. Using 2012 macroeconomic data in tandem with the representative farms’ cost structure, the economic viability of these representative farms can be evaluated. Overall, 36% of the 22 representative peanut farms are in the red (poor economic viability) when simulated over the time period of 2012-2017 while 59% of the representative farms were in good economic viability. The Southwest peanut region representative farms’ are still in the worse economic conditions when compared to the other peanut regions.

The NCPC peanut representative farms are also used to analyze the potential cash flow price for peanuts relative to cotton and corn for the upcoming crop year. The prices for peanuts relative to cotton and corn for 2013 for the Southeastern region were examined. If a farmer was able to contract his cotton at $0.80 per pound, then the farmer would need to receive at least $505 per ton FSP for his peanuts based on expected yields for irrigated land. For that same land, if the farmer contracted corn for $6.00 per bushel, he would need to receive at least $568 per ton FSP for his peanuts. This is also based on the irrigated expected yields of 4432 lbs/acre for peanuts, 1151 lbs/acre for cotton and 199 bu/acre. The relative cash flow between peanuts, cotton and corn as determined by the representative farm’s cost of production supported the decisions by peanut farmers in their planting decisions for 2013. 2013 peanut contract offers were significantly below the cash flow analysis relative to cotton and corn. Thus, 2013 peanut acreage was one of the lowest levels every planted. In fact, one would have to go back to the 1920s to see such low acreage.

To compare the 2012 per acre cost to 2002’s per acre cost when the peanut program changed, one would need to look at the Southeast cost of production numbers since those farms were developed in 2002. For Southeast irrigated peanut production, the variable cost of production has increased 75% from 2002 to 2012. For Southeast non-irrigated peanut production, the variable cost of production has increased 70% from 2002 to 2012.
FINAL REPORT: The main focus of the project has been the utilization of the Peanut Center’s 22 U.S. representative peanut farms that stretch from Virginia to New Mexico. FAPRI provided a midyear update to their baseline which is used as the main input into the Texas A&M baseline. The FAPRI baseline for peanut prices did not change much with prices being in the $470-$490 range. These updated peanut prices and other commodity prices were inputted into NCPC representative farm model for further analysis.

The August 2012 ag baseline from Texas A&M which incorporates FAPRI mid-year update to their baseline as discussed previously was inputted into NCPC representative farm model. This updated baseline data allow us to determine the potential cash flow equivalent between irrigate corn, irrigated cotton and irrigated peanuts for alternative prices. This was also prepared for the dryland cotton versus dryland peanuts. This information was used for the fall/winter in preparing materials for peanut farmers to aid them in their decision process when comparing commodity contract offers.

The overall economic viability of the representative farms changed some with the new baseline. Overall, 36% of the 22 representative peanut farms are in the red (poor economic viability) when simulated over the time period of 2012-2017 while 59% of the representative farms were in good economic viability. The Southwest peanut region representative farms’ are still in the worse economic conditions when compared to the other peanut regions. Presentation was made on the 2012 Georgia Peanut Tour on the economic viability of the peanut industry. Trips were made to the APRES annual meeting, the SPGC annual meeting, and the APC winter meeting. Informal presentations were made in regards to the economic viability of the NCPC peanut representative farms and the potential cash flow price for peanuts relative to cotton and corn. A poster presentation was made at the 2012 Sunbelt Ag Expo on the economic viability of the peanut industry and the prices for peanuts relative to cotton and corn for 2013 for the Southeastern region. If a farmer is able to contract his cotton at $0.80 per pound, then the farmer would need to receive at least $505 per ton FSP for his peanuts based on expected yields for irrigated land. For that same land, if the farmer contracted corn for $6.00 per bushel, he would need to receive at least
$568 per ton FSP for his peanuts. This is also based on the irrigated expected yields of 4432 lbs/acre for peanuts, 1151 lbs/acre for cotton and 199 bu/acre.

The first three months of 2013 was spent updating the 21 NCPC U.S. representative peanut farms plus building a new representative peanut farm in Georgia located in the Quitman, Georgia area. Traditionally the representative farms are updated every three years. But with the potential passage of a Farm Bill in 2012, the update was postpone till 2013. The updating involved personal meetings with each of the farmer panelists for each respective representative peanut farm in the U.S. Thus 22 meetings were conducted from Virginia to New Mexico. Whole farm information was updated. Crop mix and the cost of producing each crop in 2012 was collected.

The rest of the year was spent inputting the updated data into the FLIPSIM computer program. The updated representative farm data was also compiled into spreadsheets to aid in analyzing historical shifts in peanut production costs. Whole farm information was also inputted into the Center’s computer system. The inputted data will allow an analysis of the crop mix and the cost of producing each crop in 2012. This will allow the simulation of future costs and the overall economic sustainability of the peanut farming sector.

One interesting piece of information derived from the updates was in regard to the farmer price received for runner peanuts for the 2012 crop year. Prior to planting the 2012 peanut crop, there were contracts in the $650/ton FSP range. However, those contract prices were only for a portion of the crop, not for the entire crop that a farmer would produce. The Center examined what the effective price would be for a farmer’s entire crop prior to planting. A price range of $500-550/ton FSP was determined. This price range instead of the $650 plus was not very competitive relative to the corn and cotton prices. Every representative peanut farm that had runner peanuts reported the average 2012 runner peanut price being in the $500-550 price range during the updates in 2013.

To compare the 2012 per acre cost to 2002’s per acre cost when the peanut program changed, one will need to look at the Southeast cost of production numbers since those farms were developed in 2002. For Southeast irrigated peanut production, the variable cost of production has increased 75% from 2002 to 2012. For Southeast non-irrigated peanut production, the variable cost of production has increased 70% from 2002 to 2012.

The overall economic viability of the NCPC’s 22 U.S. representative peanut farms over the time period of 2013-2017 based on the August 2013 baseline data was examined. The August 2013 baseline run incorporated the new cost data from the 22 representative farms obtained this spring during the updates. There was improvement in the overall economic viability. Now there was 14 of the 22 representative peanut farms were in the good category for the overall economic viability. Only four of the representative farms were in the moderate economic viability category. Unfortunately, there is still four of the 22 representative farms in the poor economic viability category. A major factor for this improvement in the overall economic viability is peanut yield. The new runner peanut varieties planted have a significant yield advantage over the older varieties. Thus, during
the 2013 representative farms updating, the farmers significantly increased their runner peanut expected yields for their representative farm.