

# Economic Significance of Peanut Production and Income to Georgia Farms, Rural Communities

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***Abstract:** Peanuts accounted for 34 percent of Georgia's crop income and 13 percent of the State's total farm income in 1992. The total economic impact of peanut production to the Georgia economy is \$1.16 billion annually. Per acre, peanuts provide 2.8 times the debt servicing capacity of cotton, 6.1 times that of soybeans and 16.4 times that of corn. The peanut price support and quota program adds economic stability to local economies. The value of peanut quota adds an estimated \$48 million to Georgia farmland values, which provides collateral for agricultural lenders. A reduction in peanut prices would adversely reduce farm income and cash-flow, quota values, land values, and the real estate tax base of rural communities. Adverse changes may not alter the comparative advantage of peanuts in Georgia but would result in fewer but larger peanut-producing farms.*

***Key Words and Phrases:** Peanuts, Peanut programs, Production cost, Farm price supports, Production quotas, Georgia farm income.*

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Peanuts ranked tenth in acreage among principal row crops produced in the United States in 1992 (U.S. Department of Agriculture, 1993a). Peanuts rank eighth in value of farm production and account for 2 percent of the total U.S. value of field crops (U.S. Department of Agriculture, 1993b). Economically and politically, peanuts may be considered a relatively minor part of total U.S. agriculture.

For this reason, and 1) because production is concentrated regionally (Southeast—Georgia, Florida and Alabama; the Carolina's and Virginia; and the Southwest—Texas, Oklahoma and New Mexico); 2) because there are relatively few producers; and 3) because of their long history as a government supported and controlled commodity, peanuts were a political target during the 1985 and 1990 farm bill debates and more recently in international trade and federal budget negotiations.

In addition to political uncertainty (possible adverse changes in peanut program provisions), the peanut industry faces several other important issues that also challenge its future course and stability including trade negotia-

tions, recent declines in peanut demand, increasingly stringent standards on quality, and increased competition for exports in the world market.

These uncertainties are cause for concern and present challenges within all segments of the industry. A heightened awareness of the importance of peanuts to farmers and local and state economies, research on the impacts of peanut program changes, research-based analysis to debate misinformed media hype, and increased efforts to educate policy-makers and the lay public about peanuts and the peanut program may assist in steering the future course of the program and the economic well-being of farmers and communities.

Although peanuts are a minor part of total U.S. agriculture, peanuts—and agribusinesses supporting peanut production and marketing—are vital to the economy of Georgia and other peanut-producing states. The objective of this study is to illustrate the role and importance of peanut income and program provisions to the economic well-being of peanut producers and the economic base of peanut-producing counties and the state.

### *Peanuts: Role and Importance to Georgia Agriculture*

Peanuts were produced in seventy-eight of Georgia's one hundred fifty-nine counties in 1992. Peanut production is concentrated in the southwestern corner of the state. Production is also found on light-textured soils through the east central part of the state and to a lesser extent in southeast Georgia. Peanut acreage is largely controlled by allocation of the U.S. peanut quota. In 1992, Georgia farmers' peanut quota was 1.27 billion pounds—41 percent of the U.S. total (U.S. Department of Agriculture, 1992). Farm income from peanuts in Georgia in 1992 was \$551.6 million—43 percent of the U.S. total (Georgia Agricultural Statistics Service, 1993a). Using a conservative economic multiplier of 2.1 estimated by Kriesel and Kraybill, the total economic impact of peanut production to the Georgia economy is \$1.16 billion annually.

In the short run, or in absence of significant yield changes, Georgia peanut acreage can generally be expected to follow the increase or decrease in the quota poundage allotment. Georgia farmers also, however, produce a varying amount of "additional" or non-quota peanuts annually. These peanuts are the quantity produced over and above a farm's allotted quota and marketed primarily for export. Most will be produced under price contract. Those not contracted must enter Commodity Credit Corporation (CCC) storage at a support price much lower than the quota support level. Additional peanuts are grown primarily on farms with quota and as an alternative to other crops. Annual acreage and production of additional

depend on contract offers and the relative profitability of other crops. Additional production expanded in 1991 but then declined in 1992 and 1993. With the exception of 1991, Georgia peanut acreage has ranged between 600,000 and 700,000 acres planted for much of the past decade (Georgia Agricultural Statistics Service, 1992). Corn and soybean acreage has declined dramatically with much of this land idled or no longer in farming. Cotton acreage has increased markedly due to improved profitability and its rotational benefit to peanuts (Figure 1).

Georgia has a diverse agricultural economy. Peanuts are the state's leading crop and rank second (behind poultry) in all agricultural enterprises. In 1992, peanuts accounted for 34 percent of the state's crop income and 13 percent of total farm income (Georgia Agricultural Statistics Service, 1993a). Since 1984, peanuts have accounted for 12 to 16 percent of the state's total farm income and 29 to 36 percent of crop income (Figure 2).

Figure 1.

*Acreage Planted to Four Principal Crops, Georgia, 1980-1993*

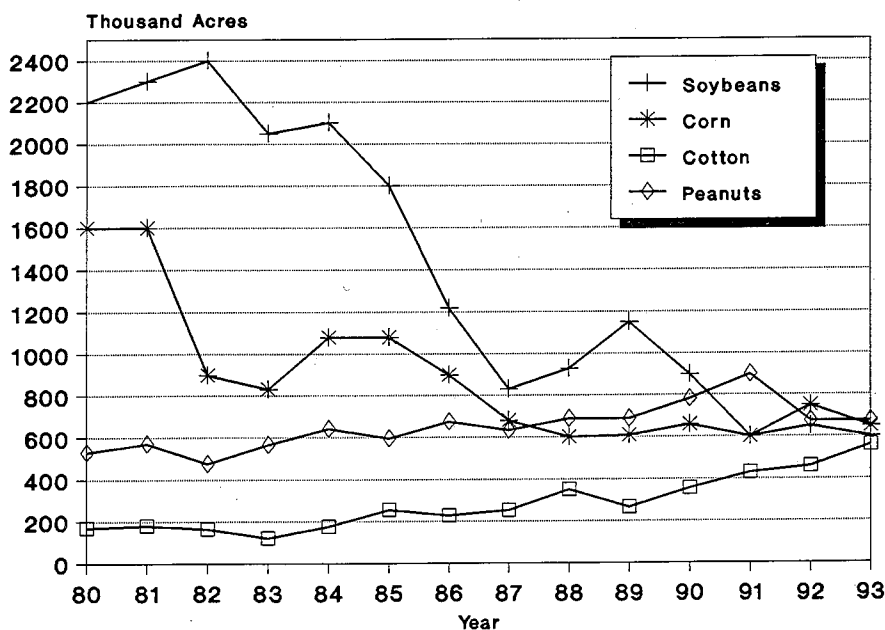
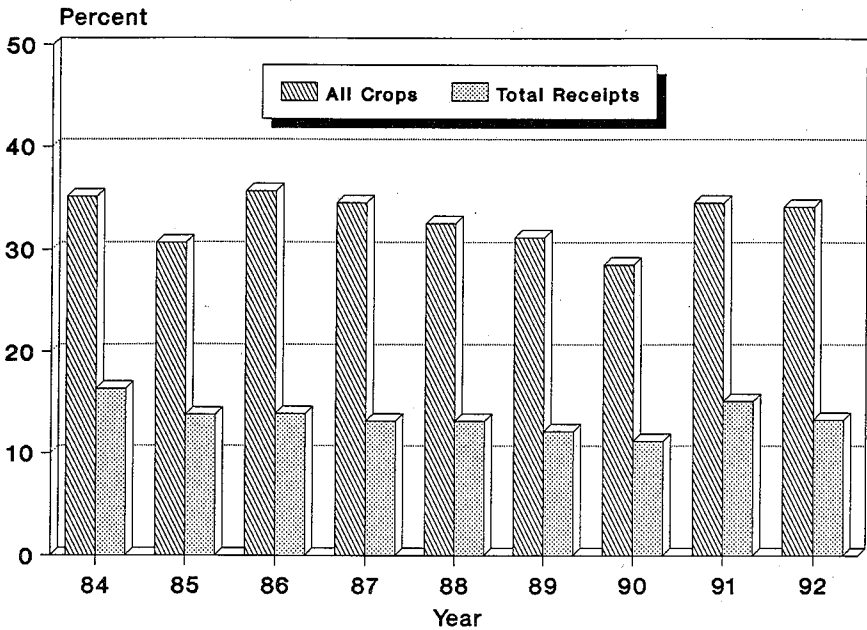


Figure 2.

*Peanuts as a Percent of All Crop Income and Total Farm Receipts, Georgia, 1984-1992*



### *Importance in Peanut-Producing Counties*

There are approximately 15,000 Agricultural Stabilization and Conservation Service (ASCS) farms (farm numbers) with peanut quota in Georgia (U.S. Department of Agriculture, 1992). Many growers, however, own several farms with quota assigned to each farm. Some growers also rent quota from another farm or farms in addition to the quota owned. It is estimated there are approximately 7,000 to 8,000 peanut-producing farmers in Georgia.<sup>1</sup> In addition, there are an estimated 11,000 hired laborers employed at least part-time in peanut production.<sup>2</sup> There are also thousands of people employed in peanut buying; shelling and warehousing; and processing and manufacturing. Others, including farm input supply dealers and sales personnel, are at least partially dependent on peanut production. Non-farm related retail businesses in local communities are also dependent on peanut income.

The twenty-five largest (the top one-third) peanut-producing counties in Georgia account for 78 percent of the state's total production. These counties produce the majority of the state's peanut crop and are heavily dependent on peanut production and income. Table 1 illustrates this point and summarizes peanut production and value in the top twenty-five counties. Peanuts contributed an average of 31 percent of all agricultural income in these counties in 1992. Peanuts accounted for one-third or more of all agricultural income in ten counties and 50 cents or more of every farm income dollar received in four of those counties.

The Georgia Agricultural Statistics Service (GASS) does not provide farm income or commodity value estimates for individual counties. County acreage and production estimates are provided (Georgia Agricultural Statistics Service, 1992 and 1993a) and the statewide average price received is reported (Georgia Agricultural Statistics Service, 1993b). The University of Georgia Cooperative Extension Service provides the only estimate of county level commodity values or income (Dunn *et al.*). The average price received by Georgia farmers for 1992 peanuts was 30.3 cents per pound. This was a weighted average for quota and additional excluding any CCC loan profits. Prices-received data for quota and additional is not published.

Peanut income was calculated for each county and is shown in Table 1. Two values are calculated. Using the state average price received, farm income from peanuts in the top one-third producing counties ranged from \$34.7 million in Worth County to \$8.2 million in Webster County. The average peanut income per county was \$17.2 million with an average total economic impact per county of \$36 million.

Applying the state average price received to individual county production data overestimates peanut income in counties with above-average production of additional and underestimates income in counties with little additional peanut production. Therefore, a second value of production or income was estimated for each county based solely on the loan rate for quota and additional.<sup>3</sup> This value is a conservative estimate because most additional will be contracted and sold at prices well above the loan rate. This approach, however, does provide a very useful "baseline," or minimum level of income and economic impact, given the current peanut program and price support levels. Using this approach, the loan value of the state's total peanut production was estimated at \$479 million in 1992. The average loan value in the top one-third peanut-producing counties was \$15 million with an economic impact per county of \$31.6 million. For all seventy-eight peanut-producing counties, the average loan value was \$6.1 million per county and per county total economic impact of \$12.9 million.

Table 1.

*Georgia Peanut Quota, Production and Value in Top 25 Counties and Total, 1992*

County	Acres Harvest	Basic Quota	Effect Quota	Production	Additional <sup>a</sup>	Loan Value <sup>b</sup>	Sale Value <sup>c</sup>	Value of Quota <sup>d</sup>	Peanuts % Farm Income <sup>e</sup>
			----- Thousand Pounds		----- Thousand Dollars				
WORTH	39,980	74,885	80,538	114,623	36,501	28,931	34,731	29,954	39.3
EARLY	32,330	76,397	81,618	98,431	19,262	28,150	29,825	30,559	41.9
MILLER	23,980	57,536	59,146	76,211	18,839	20,721	23,092	23,014	55.8
MITCHELL	22,170	51,095	52,464	72,662	21,772	18,714	22,017	20,438	17.7
TURNER	24,980	49,125	53,038	70,900	19,453	18,750	21,483	19,650	40.4
DECATUR	21,980	53,082	53,456	70,026	18,174	18,803	21,218	21,233	21.2
IRWIN	24,480	43,065	45,688	68,364	24,047	16,633	20,714	17,226	29.3
DOOLY	27,670	44,856	50,627	62,292	13,184	17,543	18,874	17,942	26.9
TERRELL	22,670	45,393	52,225	59,339	8,681	17,771	17,980	18,157	50.0
TIFT	22,290	38,431	39,994	58,291	19,497	14,456	17,662	15,372	26.6
CRISP	24,490	35,726	39,936	55,154	16,416	14,235	16,712	14,290	32.0
SUMTER	21,470	41,211	45,086	54,632	10,899	15,566	16,553	16,484	24.8
LEE	20,150	37,310	41,892	53,647	13,012	14,655	16,255	14,924	32.7
RANDOLPH	19,780	43,346	46,358	53,596	8,629	15,836	16,240	17,338	37.9
CALHOUN	18,190	42,915	45,885	52,501	7,993	15,638	15,908	17,166	39.0
BULLOCH	19,470	38,128	38,859	51,816	14,123	13,729	15,700	15,251	21.2

SEMINOLE	17,460	35,182	36,184	49,472	14,374	12,864	14,990	14,073	22.7
WILCOX	19,590	33,268	34,426	48,946	15,553	12,364	14,831	13,307	24.8
BAKER	15,290	36,270	37,150	48,374	12,339	13,048	14,657	14,508	33.6
COLQUITT	16,680	25,385	26,838	43,163	17,130	9,969	13,078	10,154	8.1
PULASKI	13,180	23,882	24,834	38,302	14,213	9,116	11,606	9,553	20.8
BERRIEN	14,180	9,229	8,949	31,670	22,989	4,464	9,596	3,692	13.1
GRADY	10,260	20,646	20,839	29,283	9,069	7,462	8,873	8,258	6.3
CLAY	9,680	21,161	24,189	27,656	4,193	8,242	8,380	8,464	51.5
WEBSTER	10,250	22,254	25,071	27,164	2,845	8,444	8,231	8,902	55.4
TOTAL	512,650	999,778	1,065,290	1,416,515	383,184	376,106	429,204	399,911	30.9
STATE	673,000	1,268,585	1,353,434	1,820,465	507,634	479,209	551,601	488,405	13.3 <sup>f</sup>

<sup>a</sup>Farmers were assumed to have delivered 97 percent of their effective quota. For the total United States, marketed quota is generally 92-95 percent of quota. Georgia is typically higher than the U.S. average. Additional peanuts are calculated as total production less 97 percent of the effective quota.

<sup>b</sup>Calculated at \$679 per ton for the marketed quota and \$132 per ton for additional.

<sup>c</sup>Total production times 30.3 cents per pound.

<sup>d</sup>Survey data shows that 365,221 acres of the 673,000 acres harvested in Georgia in 1992 were irrigated (Harrison and Tyson). The top twenty-five producing counties account for 512,650 acres harvested. Irrigated acreage is concentrated in southwest Georgia and in the top twenty-five counties. If all irrigated acres were located in the top twenty-five counties, a maximum of 71 percent of total acreage in the counties could be irrigated. We assumed that two-thirds of the acreage is irrigated. A period of five years was used and an interest rate of 9% (see Table 5). The estimated value of quota was 40 cents per pound.

<sup>e</sup>Calculated from Dunn *et al.*

<sup>f</sup>Including non-peanut-producing counties.

## Resources and Peanut Costs and Returns

Peanuts are a vital part of Georgia's agricultural economy and are important to the economic base of many rural communities because they are a profitable crop for Georgia farmers. Georgia and the Southeast (Georgia, Alabama and Florida) have a regional comparative advantage in peanut production (Miller and Poci; Lamb, *et al.*). To fully understand the microeconomic linkage between individual farm profitability and the economic benefit and well-being of local communities it is necessary to understand production costs and returns.

Costs are associated with resources or inputs used in production. Farmers producing peanuts incur variable expenses including seed, fertilizer, chemicals, fuel, repairs, hired labor, and interest on money borrowed to purchase these inputs. These variable expenses are also a cash outflow from the farm business.

Fixed expenses include property taxes and insurance; capital replacement on depreciable assets such as machinery, equipment and irrigation; general farm overhead; interest or rental opportunity cost on land; and the farmer's own labor and management. Property taxes, insurance and general overhead are cash obligations. Farmers producing quota peanuts also have an additional resource or asset—quota. If quota is rented, a cash expense is incurred. If quota is owned, a rental opportunity cost is incurred.

Using 1993 production cost estimates (Givan and Shurley), and based on an expected 3,500-pounds-per-acre yield on irrigated production, for each dollar the peanut farmer receives, 49 cents is returned directly to the local economy in the form of variable and fixed cash production expenditures (Table 2). The remaining 51 cents per dollar received on irrigated production and 38 cents for non-irrigated production is retained by the farm business but also multiplied through the community in the form of family spending; debt principle and interest payments to financial institutions; purchase of business capital items such as equipment; and savings and bank deposits.

Total economic cost of production includes cash expenses plus non-cash expenses (capital replacement, land, operator labor/management, and quota). Total cost, excluding quota, is estimated to be \$785 per acre or \$449 per ton for irrigated peanuts and \$674 per acre or \$518 per ton for non-irrigated peanuts (Table 2). Including a rent opportunity cost of 10 cents per pound on quota, total cost would be \$649 per ton for irrigated and \$718 per ton for non-irrigated.

Including all resources or factors of production except quota, the economic return to quota is estimated at \$403 per acre or 11.5 cents per



pound for irrigated production and \$209 per acre or 8 cents per pound for non-irrigated (Table 2). It will be illustrated later that the returns to quota have economic significance to both the farmer and local community.

Table 2.

*Summary of Peanut Enterprise, Cost & Returns, South Georgia, 1993<sup>a</sup>*

	Irrigated	Non-Irrigated
	-----Dollars Per Acre-----	
Total Receipts <sup>b</sup>	\$1,188.25	\$882.70
Cash Variable Expenses <sup>c</sup>	542.95	513.72
Cash Fixed Expenses <sup>d</sup>	39.15	37.69
Capital Replacement <sup>e</sup>	132.00	60.00
Land	25.00	25.00
Operator Labor and Management <sup>f</sup>	46.20	37.33
Return to Quota	\$402.95	\$208.96

<sup>a</sup>Adapted from Givan and Shurley.

<sup>b</sup>Peanut quota support price of \$679 per ton and 3,500 pounds per acre for irrigated and 2,600 pounds per acre non-irrigated.

<sup>c</sup>Assumes 15 percent treatment for white mold and nematodes. Includes crop insurance and assumes hired labor is two-thirds of total requirement.

<sup>d</sup>Property taxes, insurance and general overhead.

<sup>e</sup>Annual depreciation and interest on investment in machinery, equipment and irrigation at 1993 new prices.

<sup>f</sup>One-third of total requirement at \$14 per hour.

### *Financial Importance to the Farmer*

As important as peanuts are to the state's agricultural economy and local communities, they are even more important to the peanut farmer. Individual farm operations are not as diversified as the state's total agriculture. An analysis of U.S. Department of Agriculture (USDA) survey data by Miller and Poci reveals that peanuts comprise 50 percent or more of total farm income on seven out of ten peanut-producing farms in the Southeast.<sup>4</sup> Peanut-producing farms in the Georgia Farm Business Management Association average 45 percent of total income and 47 percent of total crop returns from peanuts (Kightlinger).

Compared to total returns or gross income, peanuts are even more significant to net returns and the financial performance (cash flow) of the farm operation. The net return above variable cost is estimated to be \$507

per acre for peanuts, \$202 per acre for cotton, \$101 per acre for soybeans and \$65 per acre for corn (Table 3, average of irrigated and non-irrigated). An acre of peanuts provides the net return equivalent to 2.5 acres of cotton, 5 acres of soybeans or 7.8 acres of corn.

Because of relatively higher net returns per acre (compared to corn, soybeans or cotton) peanuts contribute proportionately more to net returns than gross returns. If peanuts represented 47 percent of gross crop income, for example, and the balance of the farm acreage were equally divided in production of corn, soybeans and cotton with yields, prices and costs shown in Table 3, peanuts would account for 53 percent of net return.

Peanuts are also important to the debt servicing ability and cash flow management of the farm operation (Table 4). Because of relatively high net returns and funds available for debt service, peanuts probably pay more than their share of the cost of multi-crop assets such as tractors and implements. Particularly for highly leveraged operations, peanut income can be crucial to debt servicing ability. Per acre, peanuts provide 2.8 times the debt servicing capacity of cotton, 6.1 times that of soybeans and 16.4 times that of corn. Unlike corn, soybeans and cotton, which typically are stored and marketed several months after harvest to achieve better prices, peanuts also provide important cash flow to the farm operation during the fall and early winter months when operating loan and other debt payments are often due.

### *Considerations Concerning Peanut Quota*

The peanut price support program adds economic stability to agriculturally dependent local economies in south Georgia. The level of price support not only provides income protection to producers but also, because the poundage quota is attached to the farm, directly influences the value of farmland. This is easy to see because quota peanuts are the most profitable crop enterprise on Georgia farms and cannot be produced without government "right" or quota. Therefore, all other things being equal, a farm with quota is more valuable than a farm without quota and the value of quota is determined by selling price and profit.

While much-needed attention has been focused on the potential impact of trade negotiations and potential peanut program changes on peanut income (Carley and Fletcher) less attention has been given to the impact of lower peanut prices on farmland values. The value of peanut quota was estimated using the QUOTAVALE computer program (Mills and Dangerfield). Table 5 shows the estimated per pound value of quota over a three-, five- or ten-year horizon and at 8, 10 or 12 percent interest. At the 1993 average-grade support price of \$679 per ton for Runner peanuts, the return

Table 3.

*Peanut Price Needed to Equate Returns Above Variable Costs with Other Crop Enterprises, South Georgia<sup>a</sup>*

	Price	Yield/ Acre	Variable Cost Per Acre <sup>b</sup>	Return Above Variable Cost	Equivalent Peanut Price
-----Irrigated-----					
Corn	\$2.50	150	\$271.00	\$104.00	\$370.00
Soybeans	5.75	48	137.00	139.00	390.00
Cotton	.58	1,000	310.00	270.00	465.00
Peanuts	679.00	1.75	543.00	645.00	--
-----Non-Irrigated-----					
Corn	\$2.50	60	\$123.00	\$27.00	\$416.00
Soybeans	5.75	30	108.00	65.00	445.00
Cotton	.58	650	242.00	135.00	499.00
Peanuts	679.00	1.3	514.00	369.00	--

<sup>a</sup>Adapted from Givan and Shurley.<sup>b</sup>Includes two-thirds of total labor requirement as hired labor. Excludes operator labor and management.

*Debt Repayment Capacity of Peanuts Versus Other Crop Enterprises, South Georgia, 1993<sup>a</sup>*

<sup>a</sup>Simple average of irrigated and non-irrigated production using price, yield and cost assumptions of Table 3.  
<sup>b</sup>Total receipts minus variable costs, cash fixed costs and operator labor. Operator labor and management used as estimate for family living withdrawals from cash generated by the enterprise.  
<sup>c</sup>Amount of debt that funds available could service annually if borrowed at 9 percent for five years. Factor of 3.89 is present value of \$1 uniform amount for five years discounted 9 percent annually.

<sup>b</sup>Total receipts minus variable costs, cash fixed costs and operator labor. Operator labor and management used as estimate for family living withdrawals from cash generated by the enterprise.

<sup>c</sup>Amount of debt that funds available could service annually if borrowed at 9 percent for five years. Factor of 3.89 is present value of \$1 uniform amount for five years discounted 9 percent annually.

to quota was estimated to be \$403 per acre or 11.5 cents per pound for irrigated production (Table 2). The Present Value of this amount over a five-year period discounted at 9 percent (average between 8 and 10 percent shown in Table 5) would be approximately 45 cents per pound for irrigated quota and 31 cents per pound for non-irrigated. This is within the range of current selling prices for peanut quota in Georgia. Using these values as examples, farm value is increased \$41,400 for a farm with an irrigated 90,000-pound quota.

Table 5.

*Estimated Per Pound Value of Peanut Quota for Selected Discount Rates and Periods of Time<sup>a</sup>*

Periods	Irrigated			Non-Irrigated		
	8%	10%	12%	8%	10%	12%
-----Cents Per Pound -----						
3	29.5	28.5	27.5	20.6	19.9	19.2
5	45.8	43.5	41.3	31.9	30.3	28.8
10	76.9	70.4	64.8	53.6	49.1	45.1

<sup>a</sup>Calculated from the return to quota at the 1993 support price of \$679 per ton (Table 2). Assumes no increase or decrease in quota poundage or support price during the time period and zero residual value.

At lower peanut prices, the return to quota and value of quota are reduced (Figure 3). Any future changes in the peanut program or trade negotiations which would lower peanut prices (or even eliminate the quota system) would lower farmland values and thus the real estate tax base in peanut-dependent rural communities. Statewide, the value of peanut quota adds an estimated \$488 million to farmland values (Table 1). In the top one-third peanut-producing counties in Georgia, the value of peanut quota ranges from \$30.6 million in Early County to \$3.7 million in Berrien County. In most instances, the peanut program and quota system contribute to land values within the county an amount approximately equal to peanut income. Combined peanut income (1992 sales) and quota value just exceeds \$1 billion statewide.

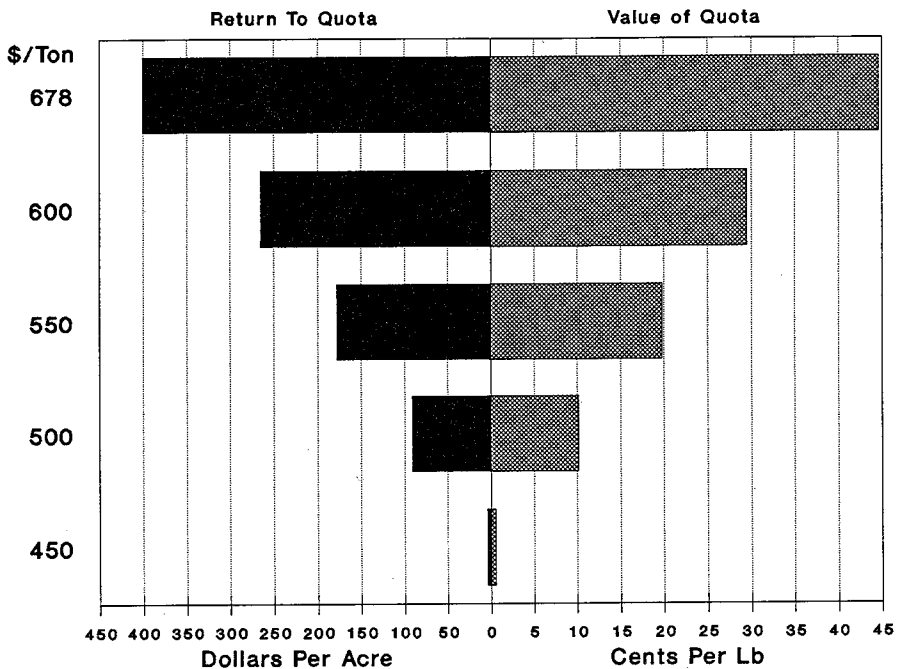
Peanut program regulations allow quota owners to rent or lease quota to other farmers within the county. Many older or retired farmers rely on

quota leasing as a source of income. Lower peanut prices and returns to quota would reduce rental rates and rent income.

Figure 3 demonstrates that the value of quota (and farmland with quota) is dependent on the level of peanut prices. Farmland values and net worth are important to agricultural lenders. Lenders often require a security lien on farmland for most loans. The present peanut program and level of price support provide collateral for lenders. Factors that lower the value of quota could seriously jeopardize the ability of some farmers to obtain financing.

Figure 3.

*Effect of Peanut Price on Returns and Value of Quota, Irrigated, 1993 Costs*



### *The Future*

The peanut quota and price support program has been under close scrutiny in recent years. Critics claim the program is outdated, inefficient and costly to the U.S. government and consumers. The objective of this study has been to demonstrate the importance of the peanut program to

farmers and rural communities dependent on peanut income. In so doing, such information can be used to demonstrate to policy-makers and consumers the possible impacts of changes in the program.

The present nature of the peanut program is challenged by political pressures as well as potential trade agreements such as the General Agreement of Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA). Such agreements, if enacted, could result in lower peanut prices for farmers and reductions in quota. The impact would be felt by farmers initially and in peanut-producing counties and the state secondarily.

The shape of the peanut program will be molded out of future farm legislation, federal budget negotiations, and trade agreements. Changes in (lower) price supports and quota restrictions could alter the comparative advantage of peanut production in Georgia and result in some regional shifts in U.S. peanut production. The scope and magnitude of such changes is unclear.

Lower peanut prices, if they should occur in the future, would have an initial income and financial impact on the peanut farmer. The reduction in income, cash flow and debt servicing ability would force highly leveraged operations out of business. The average quota produced per peanut farmer in Georgia is estimated to be approximately 168,000 pounds or 84 tons.<sup>5</sup> A decline in peanut prices of \$200 per ton would reduce gross farm income by an average of \$16,800 per farmer annually.

For those farmers able to withstand the initial income adjustment, the question becomes whether they will continue to grow peanuts. A break-even peanut price was calculated that would equate the return-above-variable cost of peanuts with that of corn, soybeans and cotton (Table 3). For example, at the current support price of \$679 per ton the return-above-variable cost for non-irrigated peanuts is \$369 per acre. If peanut prices dropped to \$499 per ton, net return would be \$135 per acre, the same as cotton.

This analysis suggest peanuts would likely continue to be the most profitable crop for south Georgia farms.<sup>6</sup> Lower prices, however, could result in fewer peanut growers. Given the high capital requirements of peanut production, lower net returns per acre may also result in larger acreage per farmer as farmers seek to reduce cost per acre and per ton. Optimistically, there are no specific plans as of this writing to dismantle the peanut program. Although the program has its political critics and does face economic challenges (declining peanut demand, increasingly stringent standards on quality, and increased world market competition), these issues can be successfully managed. Without drastic cuts in price supports (peanut

prices) and quota, the peanut grower and peanut industry could emerge in a more secure position if other supply and demand issues are addressed.

Georgia's dependence on peanut agriculture is little different from the importance of corn and soybean production to rural communities of the Midwest. The peanut program, however, does seem more politically vulnerable and controversial despite its rather minor importance within the total of U.S. agriculture and farm support programs.

This study has demonstrated the fragile nature of local economies dependent on peanut production and income. It has also shown the importance of peanut income and the peanut program to the economic well-being of peanut farmers.

### *Notes*

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1. According to the 1987 Census of Agriculture, 18,905 farms harvested peanuts in the United States. In 1992, Georgia accounted for 41 percent of total U.S. production. Assuming the number of farms is proportionate to production, the number of peanut-producing farms in Georgia would be estimated at 7,751.
2. University of Georgia Cooperative Extension Service estimates the labor required for peanut production at an average of nine hours per acre for irrigated and non-irrigated production. Georgia farmers planted 675,000 acres in 1992. Assuming the farmer owner/operator provided one-third of the total labor needed, the hired labor requirement would be 4,070,250 hours. Assuming a 6.5-month production period, and full-time employment in peanut production, the minimum labor requirement would be 3,612 hired people. In fact, however, hired laborers are employed in many enterprises. Assuming one-third time spent in peanuts, the labor requirement would be 10,836 people.
3. Georgia farmers, almost exclusively, produce the Runner peanut. The loan rate varies by peanut quality. For Runner peanuts, the 1992 average-grade loan price was \$679.31 per ton. For the 1993 crop, the average-grade loan price is \$678.57. The loan price for additional peanuts is 19.42 percent of the applicable quota price.



4. Miller and Poci report the percentage of farms by "production specialty" or enterprise(s) that comprise 50 percent or more of total farm receipts. Their study shows that 70 percent of the peanut-producing farms in the Southeast get 50 percent or more of total receipts from "other field crops." This would include peanuts but would exclude grains, tobacco, cotton, fruits, nuts, vegetables and livestock. Considering these exclusions, the most likely "other field crop" to be found would be soybeans. Given the relative values of the two crops, peanuts very likely contribute the majority of income from this category.
5. The 1992 basic quota for Georgia was 1.27 billion pounds or approximately 634,000 tons. Assuming approximately 7,500 Georgia peanut farmers (see Note 1), the average quota per farmer would be 84.5 tons.
6. It is beyond the scope of this study to determine the impact of peanut program changes on the potential exit of farm operations. The income impact would be severe for most farms. Even though peanuts may remain competitive with other crops at lower prices, reduced farm income and debt servicing ability would make it unlikely that highly leveraged and heavily dependent peanut farms could survive.

## References

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