

## Research Proposal

Submitted to  
Georgia Agricultural Commodity Commission for Peanuts

**Title:** A Multi-Economic Analysis Program to Enhance the Sustainability of Georgia Peanut Producers

**PRINCIPAL INVESTIGATOR:** Stanley M. Fletcher, Ph.D., Professor of Policy, Center for Rural Prosperity and Innovation, Abraham Baldwin Agricultural College; Telephone (404) 277-2319. Email: [smf@abac.edu](mailto:smf@abac.edu).

**LAYMAN'S SUMMARY:** Understanding the competitiveness and the overall economics of the peanut farming sector and the peanut industry is critical to the survival of the peanut industry in Georgia and the U.S. This project addresses those components. The economic research derived from this project enables peanut producers and the leadership to make informed decisions. Research looks at commodity prices and analyzes the cash flow between commodities that a farmer may be considering to plant. Changes in technology and weather are analyzed as to the impact on the economic viability of peanut farms. Research from this project enables peanut grower leadership to determine appropriate educational programs for their respective peanut producers with an emphasis placed on understanding enterprise analyses to aid in farm management decision-making.

### OBJECTIVES:

1. Maintain the 22 peanut representative farms in the Virginia-Carolina, Southwest and the Southeast peanut producing regions.
2. Analyze the impacts of the current and potential production practices, current and potential energy costs as well as other input costs, changes in the overall U.S. economy utilizing the 22 Peanut Representative Farms panels on the economic viability of peanut producers.
3. Maintain databases and analysis on certified acreage, yield, production, use, disposition, prices and crop conditions.
4. Build case-studies from the databases to provide a better understanding of not only the production of peanuts but also the financial implications of production decisions on net cash farm income and economic viability of operations.

**RATIONAL AND ECONOMIC SIGNIFICANCE:** While peanuts are a cornerstone to much of the Southern rural economy, three key events are occurring or have occurred that will completely erode this base unless a broad-based research program is maintained. The first event is the trade agreements (i.e., NAFTA, GATT-WTO, potential TTIP, potential TTP, DR-CAFTA, Australian FTA and the potential Doha Round of WTO) and current trade wars. The general design of these agreements is to achieve greater trade liberalization. The potential impacts on the Southern rural economy are 1) decrease in land values and possible negative impacts on the real estate tax base, 2) loss in employment, and 3) reduction in level of economic activity in the agribusiness sector relating to peanuts. The second event was the passage of the 2002 FSRI Act (Farm Security and Rural Investment Act of 2002) which was continued with the passage of the 2008 Farm Bill and modified some in the 2014 Farm Bill and continued in the 2018 Farm Bill. The 2002 Farm Bill completely changed the peanut program from a supply management program to an open competitive program with some government support. The 2008 Farm Bill continued the peanut provisions without any enhancements. The 2014 Farm Bill eliminated the direct payments and eliminated the safety net for many commodities during a period of low commodity prices, as is being

experienced today. The third event is the global economy. Thus, the U.S. peanut industry has entered an era characterized as less government support and shifting to an increasing global competitive arena. The interaction of these effects will have a multiplier impact on the total local economy. This was very evident during the 2016 crop season. USDA due to error in reporting had overstated the 2015 crop ending stock significantly. This had a very depressing effect on farmer peanut prices. Peanut farmers had potential losses in the millions of dollars from the market due to the error in reporting.

**PROCEDURES:** The goal of the peanut economics program is to continue the development of a broad-based research program that is directed toward assuring and enhancing the competitiveness of U.S. peanuts. This research will be a broad based effort involving all disciplines and institutions as well as all segments of the peanut industry. The success of the peanut industry and all industries that use peanuts is dependent upon such a research program. Specific research areas will involve intensive fundamental economics and analysis of the industry. Each research endeavor will have an economic feasibility component with a bottom line of improving competitiveness. With the trade agreements, new Farm Bill and the current economic crisis, whole farm management systems need to be updated and refined. This will enable producers to decide which new technologies will enable them to be economically viable.

In this regard, the program has established 22 representative peanut farms with 9 of them in Georgia. Representative farms have been developed in each of the three peanut producing regions. The information gathered from these farms is used to analyze the financial viability impacts of potential adoption of alternative production technologies, environmental regulations, water usage and other potential changes in peanut production due to impacts from potential trade agreements and domestic policy. The program is currently working with approximately 100+ farmer cooperators.

Due to a past USDA error on reporting peanut ending stocks, the program will explore the alternatives to improve the knowledge of peanut supply and demand. The goal is to eliminate such gross estimates and improve on the price discovery process for peanut farmers.

The subsequent deployment and adoption of the research results will be facilitated through a public-private partnership. The partners in this endeavor will be the Center for Rural Prosperity and Innovation, Abraham Baldwin Agricultural College (public) and peanut producers and supporting agribusinesses (private). Basing this research and technology transfer program on such a partnership will assure that the research is focused properly, and the results are rapidly put into use by peanut producers, agribusinesses and policymakers.

**BUDGET SUMMARY:**

| Item                  | Georgia Peanut<br>Commission |
|-----------------------|------------------------------|
|                       | ---- dollars ----            |
| Partial funding of PI | 21,500                       |
| Operating             | 500                          |
| Travel                | 3,000                        |
| Total                 | 25,000                       |

References will be supplied upon request.