

A Comparison of the Economic Outlook of Various Types of U.S. Representative Farms

Allen E. McCorvey and Stanley M. Fletcher
National Center for Peanut Competitiveness, University of Georgia

The question of how peanut farms compare in terms of economic viability with other types of farming operations across the United States has been presented in current farm bill discussions. To address this question the University of Georgia National Center for Peanut Competitiveness (NCPC) utilized its U.S. Representative Peanut Farms database and compared it to various other type representative farms across other regions of the country. The Agriculture and Food Policy Center (AFPC) at Texas A&M University and the NCPC, develop and maintain data to simulate a combined total 118 representative crop, dairy and livestock operations in major production areas across the United States. The NCPC is responsible for the 19 representative peanuts farms in the United States peanut production belt, spanning from Virginia to New Mexico, while the AFPC is responsible for 99 other crop, dairy, and livestock farms located across 28 states.

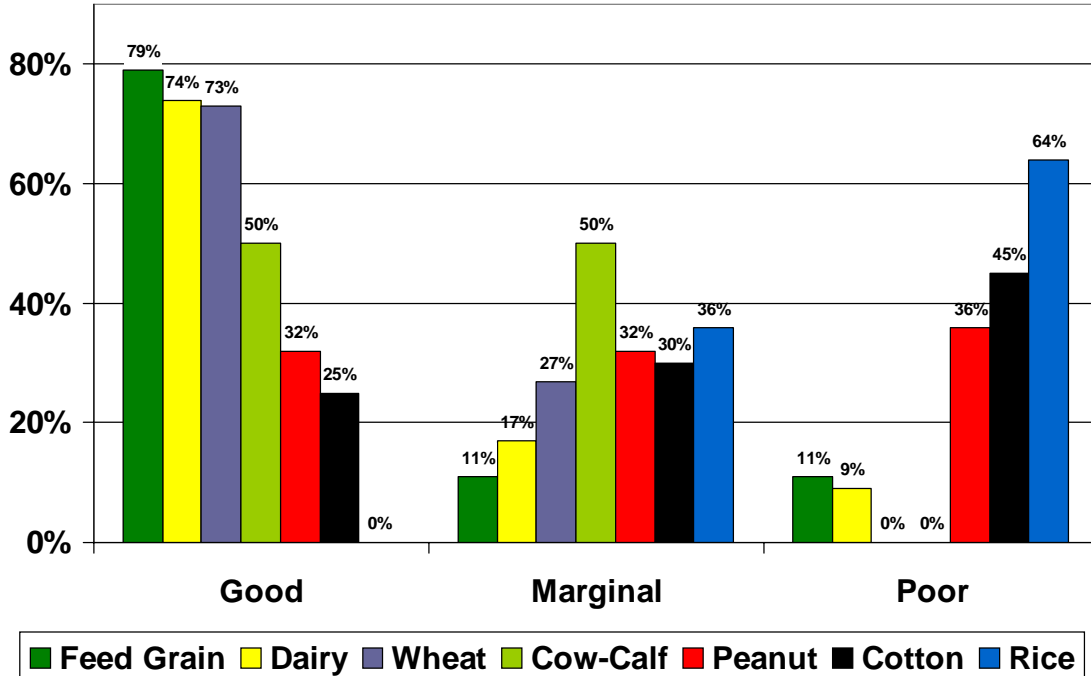
Given the model and methodology, the producer panel process for data collection and validation is identical. With all baseline assumptions being the same for all 118 representative farms, it is possible for the NCPC to illustrate a side by side comparison of how peanut farms compare to other various types of farming operations in the U.S. in terms of the outlook of the overall economic viability and financial position. Although the crop mix on many of these farms have varying degrees of diversification, this comparison illustrates how a farm categorized by a major commodity produced on that farm, compares relative to the other commodity type farms. The August 2007 baseline analysis is summarized utilizing stoplight charts that indicate how a farm or groups of farms rank in various financial definitions. These financial conditions are based on a risk context using probabilities and ranges for annual net cash farm income values. The probability of a farm experiencing negative ending cash reserves and the probability of a farm losing real net worth are included as indicators of the cash flow and equity risks facing farms through the year 2012. These rankings indicate a farm's economic viability, liquidity, and solvency position. The farms are then classified as being good, marginal or poor in terms of over all economic viability. This report presents the results of the AFPC August 2007 Baseline reports that can be found at <http://www.afpc.tamu.edu/> along with the August 2007 Baseline analysis of the U.S. Representative Peanut Farms, all through the year 2012. Results are summarized in Table 1 and Chart 1 on the following page.

Feed grain farms rank the best among the seven types of farms represented in this analysis with 79% of the representative farms being classified as having good overall economic viability through 2012. Feed grains are followed closely by dairy farms and wheat farms, with 74% and 73%, classified respectively as having good overall economic viability. The cow-calf farms rank fourth dropping to 50% of the representative farms being classified as good. Thirty-two percent of the 19 representative peanut farms rank good in term of economic viability, while only 25% of the cotton farms rank good. None of the representative rice farms are ranked as good.

Table 1. Percentage of Representative Farms by Type in Each Category over the Period 2007-2012

Representative Farms		OVERALL ECONOMIC VIABILITY			Probability of Negative Ending Cash			Probability of Net Worth Decline		
		Good	Marg.	Poor	<25%	25-50	>50%	<25%	25-50	>50%
# of Farms	Rep Farm Type									
19	Feed Grain Farms	79%	11%	11%	74%	5%	21%	89%	5%	5%
23	Dairy Farms	74%	17%	9%	74%	9%	17%	91%	0%	9%
11	Wheat Farms	73%	27%	0%	55%	18%	27%	100%	0%	0%
12	Cow-Calf Farms	50%	50%	0%	50%	0%	50%	100%	0%	0%
19	Peanut Farms	32%	32%	37%	32%	21%	47%	58%	16%	26%
20	Cotton Farms	25%	30%	45%	30%	25%	45%	30%	35%	35%
14	Rice Farms	0%	36%	64%	0%	0%	100%	36%	0%	64%

Chart 1. Overall Economic Viability of the Various U.S. Representative Farm Types Over the Period 2007-2012



Acknowledgement: We wish to gratefully acknowledge the Georgia Peanut Commission and the National Peanut Board through the Southeast Peanut Research Initiative for partial funding of the research effort.