

An Economic Analysis and Grower Education Program for Georgia Peanut Producers

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This research addresses two primary objectives: 1) an evaluation of the economic contribution of peanut production to the Georgia economy and 2) an analysis of peanut prices leading to the development of a model for forecasting peanut prices.

An economic contribution analysis provides evidence of the importance of a particular sector to the overall economy of interest. Using an input-output model, we are able to quantify the backward linkages between firms, industries, and institutions within the economy. Thus, an economic contribution of peanut production in Georgia focuses on the State economy and the economic activity generated from all input supplies and labor income entering farm level peanut production. The 2015 farm gate value of Georgia peanut production was about \$685 million. Using IMPLAN economic analysis software, preliminary estimates are that peanut production in Georgia contributes about \$2.0 billion and over 11,000 jobs to the Georgia state economy. This includes the output of farm level production, the secondary activity generated from necessary inputs to production, and the economic activity generated from employment and the associated household spending. This does not include any forward linkages, such as shelling activity, manufacturing of peanut-based food products, and retail activity. We have requested additional input data and are currently refining preliminary estimates.

Commodity exchanges provide a futures price for many agricultural products providing expectations of prices in the near and longer term. At present, there is no peanut futures market to provide such information. As a first stage in the development of a peanut price-forecasting model, we have examined a variety of pricing relationships. Initial findings indicate that peanut prices do not follow the same supply and demand framework that economic theory expects and is present in other commodities such as corn, soybeans, wheat, and cotton. Potential reasons include the limited available market information, the limited number of first buyers for peanuts, the overall market structure of the industry, and the perishability of the crop. Modeling is ongoing to forecast prices so that peanut producers and other stakeholders can make improved marketing decision.

In addition to the research objectives outlined above we have provided education to growers and county extension agents through 40 web-based and in-person presentations on peanut marketing, input costs, and other farm management activities.