



The University of Georgia

Center for Agribusiness and Economic Development

College of Agricultural and Environmental Sciences

**An Economic Impact Analysis of a New Peanut-Shelling
Facility in The Donalsonville Georgia Area**

John McKissick and Davis Waters

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An Economic Impact Analysis of a New Peanut-Shelling Facility in The Donalsonville Georgia Area

Prepared for the American Peanut Growers Group, LLC
By the Center for Agribusiness and Economic Development
The University of Georgia.

John C. McKissick, Phd, Professor and Coordinator
and Davis Waters, Research Assistant

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American Peanut Growers Group LLC (APGG) requested the University of Georgia Center for Agribusiness and Economic Development (CAED) explore the economic impact of building and operating a new peanut shelling operation in the Donalsonville, Georgia area. An impact analysis shows the effect of a new venture on the economy. For this peanut shelling study, economic impacts will be analyzed and measured on two levels --- a five-county area, consisting of Baker, Decatur, Early, Mitchell and Seminole Counties and, then the state of Georgia as a whole.

Building and implementing a peanut shelling facility will impact the local and state economy on two levels. The new plant will generate output as it begins selling processed peanuts. These sales will, in turn, generate additional sales as the plant purchases inputs. The suppliers to the plant will increase the purchase of their inputs, thus increasing demand for those items. These increased sales will ripple through the economy. An economic input-output model can capture and quantify these effects.

The input-output model, IMPLAN (IMpact Analysis for PLANning) was utilized for this project. IMPLAN has been validated and tested throughout the U.S. and represents the most widely used input-output model available. IMPLAN is a complete model of a local economy down to the county level, and thus IMPLAN can be used to predict the effects of a new venture on output (sales), employment and tax revenue for a state, a region or a county. Input-output models work by separating the economy into its various sectors, such as agriculture, construction, manufacturing and so on. An IMPLAN model will capture precisely how each sector and industry in the specific region's economy is affected by a given economic stimulus. The model can capture how a change in one industry (for example, peanut shelling) will change output and employment in other industries. The changes in the initial industry (peanut shelling) are labeled direct effects and the changes in the other industries are called indirect effects. Annual projected sales and employment for the new plant were provided by APPG and represent the direct impact of the plant itself. Once the indirect economic effect are determined, the direct and indirect effects are summed to give the total economic impacts.

In the first two scenarios, the impact of the new peanut shelling facility is analyzed; first in the five-county area and then in Georgia. It is important to note, that the total direct impact includes the impact of the peanut production required to supply the plant as well

as the shelling process itself. Since the peanuts required of the plant, plus many more, are currently grown in the area, some may not view peanut production as an impact of the plant itself. However, many studies suggest that peanut production may not be retained in the area unless producer markets are assured locally. To the extent that a new, producer-owned peanut shelling plant will secure the future peanut production of the area, the peanuts produced for the plant can be thought of as extending the economic impact of the operation even if the production is not new to the area. Thus, the economic, employment and tax impacts can be viewed as being retained through development of an integrated peanut shelling operation. Later in the paper, the economic impact of the peanuts produced to supply the plant will be analyzed separately from the plant to give the reader some idea of the magnitude of the shelling operation’s impact apart from the peanuts produced for the plant .

As shown in Table 1, the direct effect of new peanut shelling facility is to produce approximately \$33 million in sales of processed peanuts. Again this projection was obtained from APGG and represents a typical year once the facility is in full production. The \$33 million of initial production promotes another \$8.2 million of goods and services to be produced inside the five-county area, resulting in a combined impact of more than \$41 million. The plant itself will employ 61 people. The additional economic activity in the area will provide another 709 jobs. Thus, total employment in the five-county area directly or indirectly attributable to the new plant will be 770. Tax revenues, state and local non-education, are supplemented by more than \$2.6 million because of the additional economic activity generated by the shelling operation.

Table 1: Annual Five-County Area Peanut Shelling Impacts			
	Direct	Indirect	Total
Output	\$33,003,643	\$8,261,669	\$41,265,312
Employment	61	709	770
Tax Revenue	NA	NA	\$2,623,412

Table 2 highlights the economic impact of the new peanut shelling facility on Georgia’s economy as a whole. The facility will again have a direct effect of \$33 million, rippling through the economy to create an additional \$17.6 million in the state. This combines to a total of more than \$50 million. Indirectly, 768 additional jobs will exist in Georgia because of the facility. State and local tax revenue levels would be \$3.2 million higher because of the new facility.

	Direct	Indirect	Total
Output	\$33,003,643	\$17,693,016	\$50,696,659
Employment	61	768	829
Tax Revenue	NA	NA	\$3,274,200

In the next scenarios, the economic impact of the peanuts produced for the operation are analyzed separately for the five-county area and then for the State. Direct peanut production associated with this plant is roughly \$27 million, as shown in Table 3. This is the value of the peanuts paid producers for peanuts to be shelled. Because of this production, another \$5.4 million of economic output is created in the five-county area. Thus, the total impact is more than \$32 million. Employment directly in peanut production is 592 people. Peanut production would create another 88 jobs in this area, bringing the total employment due to peanut production to 680. State and local non-education tax revenues are also increased in the five-county area due to peanut production. This level of peanut production was found to generate \$2.4 million of tax revenues.

	Direct	Indirect	Total
Output	\$27,112,823	\$5,476,103	\$32,588,926
Employment	592	88	680
Tax Revenue	NA	NA	\$2,448,134

In Table 4, the state wide economic impact results for the peanut production used to supply the proposed shelling operation are shown. The economic effect of the raw peanut production needed by a new peanut shelling facility on the state economy is again roughly \$27 million. Another \$12.9 million in goods and services are created in the state due to this peanut production, bringing the total value attributable to production to \$40 million. Peanut production was found to create 145 jobs in other sectors in Georgia. Therefore, total employment associated with the level of peanut production required to supply the shelling operation is 720. State and local non-education tax revenues attributable to the peanuts produced and used in the shelling operation are found to be \$2.9 million annually.

Table 4: Annual Impact of APGG Peanut Production on Georgia's Economy			
	Direct	Indirect	Total
Output	\$27,112,823	\$12,926,617	\$40,039,440
Employment	575	145	720
Tax Revenue	NA	NA	\$2,974,733

In conclusion, a peanut shelling facility of the magnitude considered by APPG will have a substantial impact on the economy of Georgia in either retained or new economic activity. An important assumption underlying this conclusion is that a new plant, and the production needed to supply the operation, will not reduce the output of other peanut shellers or peanut producers in either the five-county area or the state. If either existing shellers or peanut producers do exit as a result of APGG operations, then the net economic activity attributable to the operation will be the difference in the activity gained because of the new plant less the activity lost due to those leaving the industry.

The Center for Agribusiness & Economic Development



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To provide agricultural, natural resource, and demographic data for private and public decision makers.

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Or contact:

John McKissick, Director
Center for Agribusiness and Economic Development
Lumpkin House
The University of Georgia
Athens, Georgia 30602-7509
Phone (706)542-0760
caed@agecon.uga.edu

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