

Hot Topics on Peanuts

Economic Prospects

**2006 Georgia Peanut Tour
September 12, 2006**



Outline

- Peanut Supply
- Peanut Use
- Cost Estimates

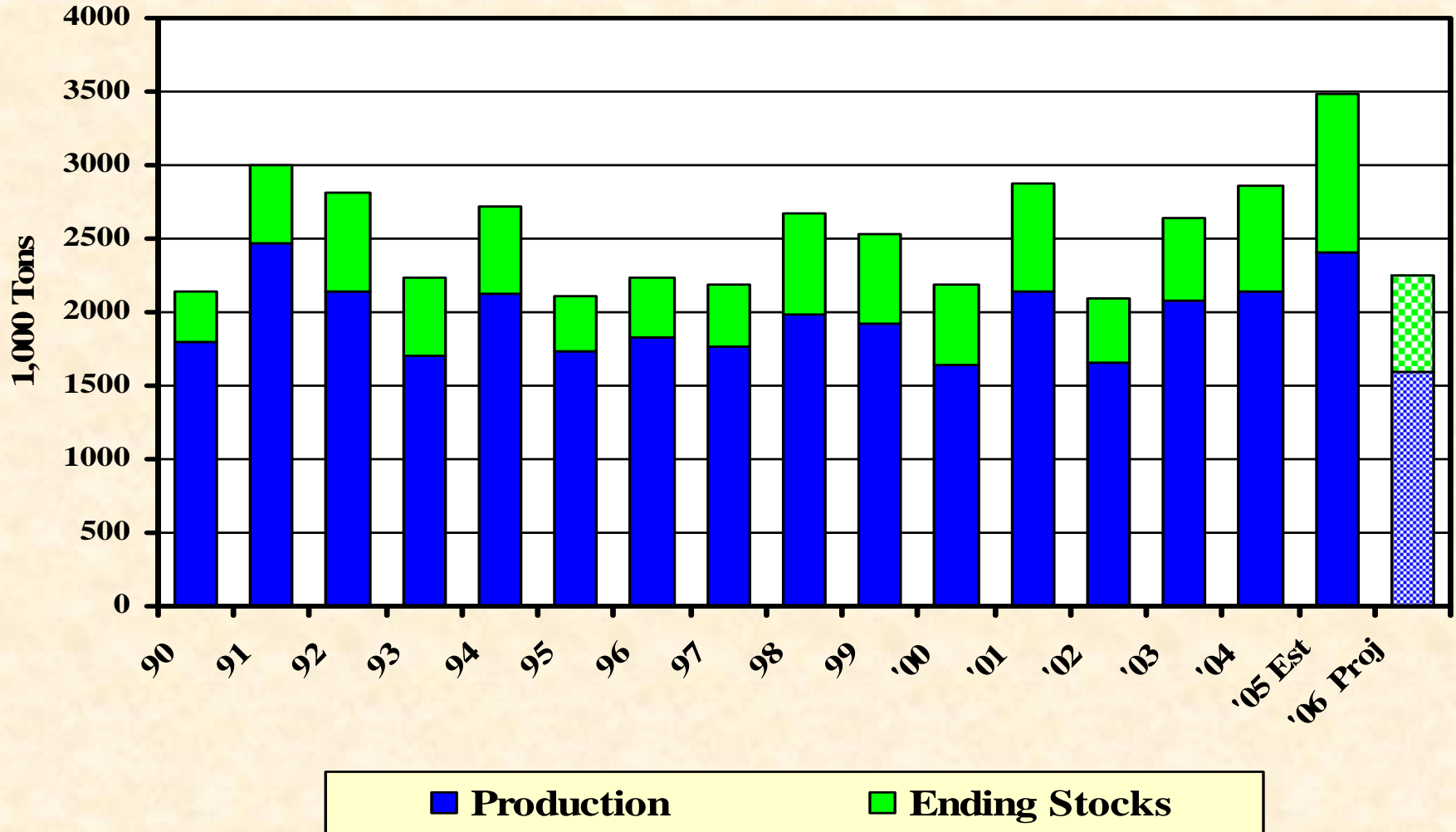


Current Situation

- Shelled prices declined since end of 2004 leading to lower farmer prices (\$365-355/ton) and limited contracts for farmers in 2006.
- Historically strong growth in food use until last year.
 - 2003/04 up 9.6%
 - 2004/05 up 5.8%
 - 2005/06 -.001% change
- Per capita consumption is up to 6.7 lbs in 2004, highest level since 1989.
- 106,000 tons of 2004 loan peanuts forfeited to CCC. Mostly purchased out from CCC to fill 2005 crop orders.
- 23,000 tons of loan peanuts forfeited to CCC so far for 2005 crop.
- Surplus could be cut 40-50%.



Total US Peanut Supply



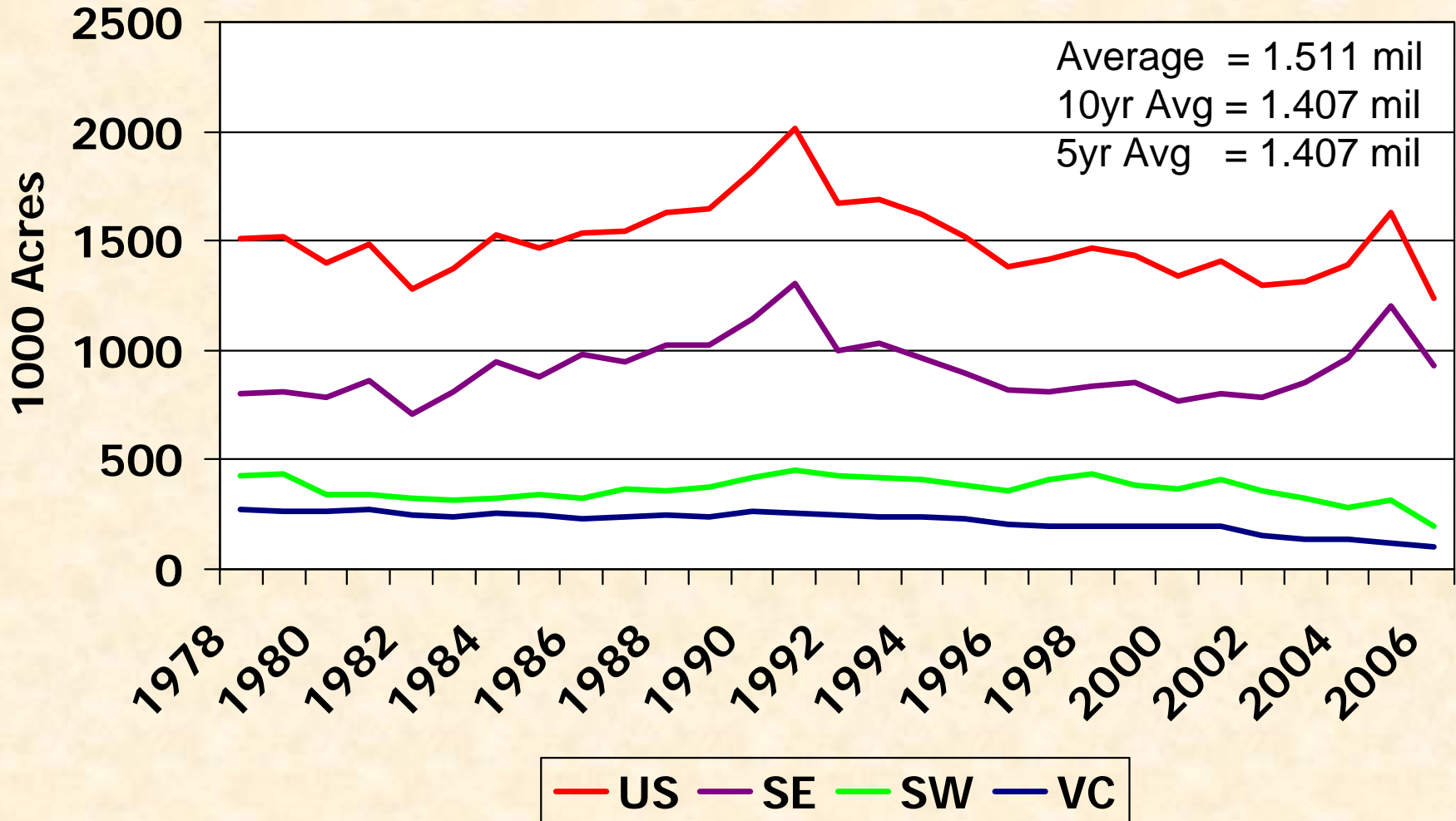


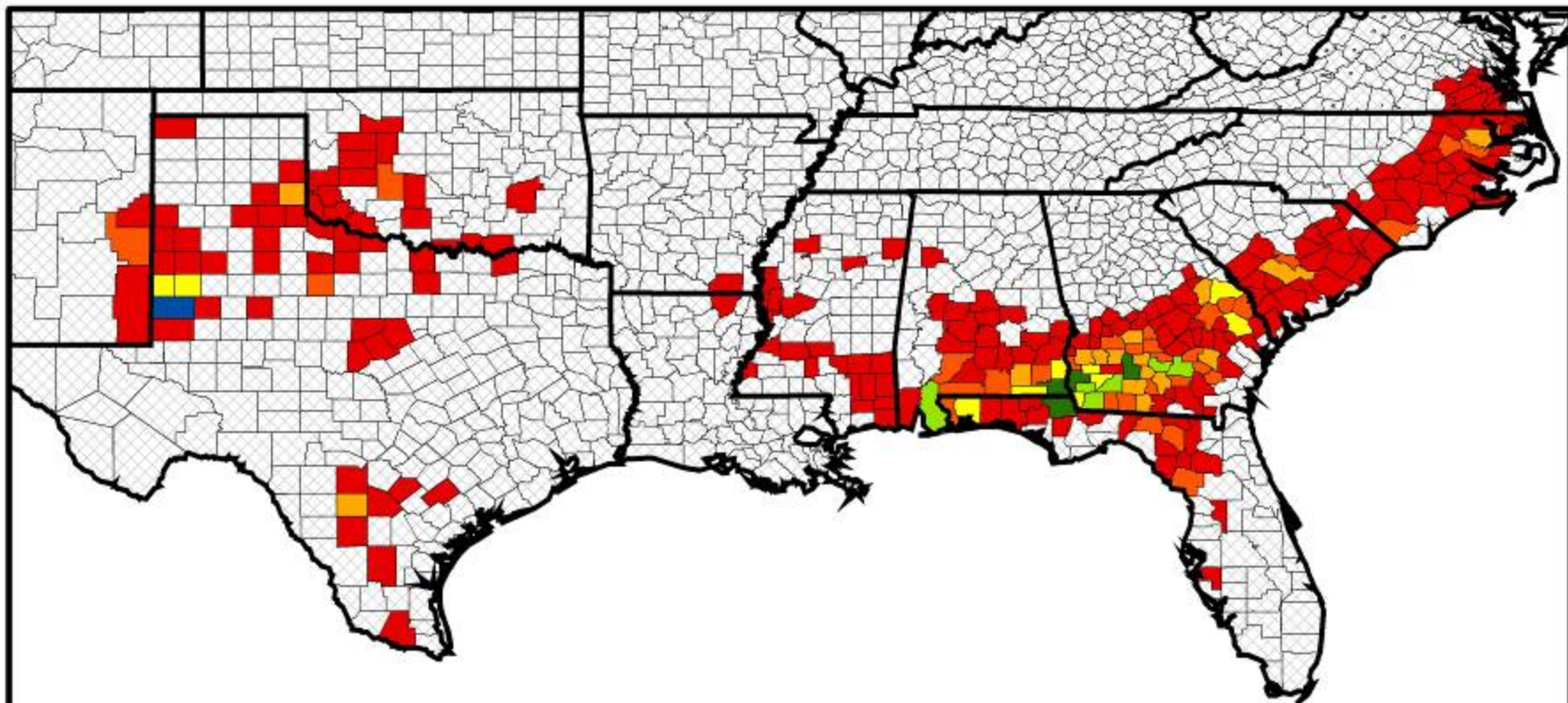
2006 U.S. Peanut Crop

	Planted Acres	Harvested Acres	Yield (lbs/acre)	Production (tons)	
AL	160,000	158,000	1900	150,100	
FL	130,000	120,000	2300	138,000	
GA	580,000	575,000	2500	718,750	45%
MS	16,000	15,000	3000	22,500	
SC	60,000	56,000	3100	86,800	
SE	946,000	924,000	2410	1,116,150	70%
NM	16,000	16,000	3500 ⁺	28,000	
OK	23,000	22,000	2800 ⁻	30,800	
TX	155,000	150,000	3500	262,500	
SW	194,000	188,000	3430	321,300	20%
NC	85,000	85,000	3300	140,250	
VA	17,000	16,000	2950 ⁻	23,600	
VC	102,000	101,000	3270	163,850	10%
US	1,242,000	1,213,000	2645	1,601,300	



US Harvested Acres (1978 - 2006)

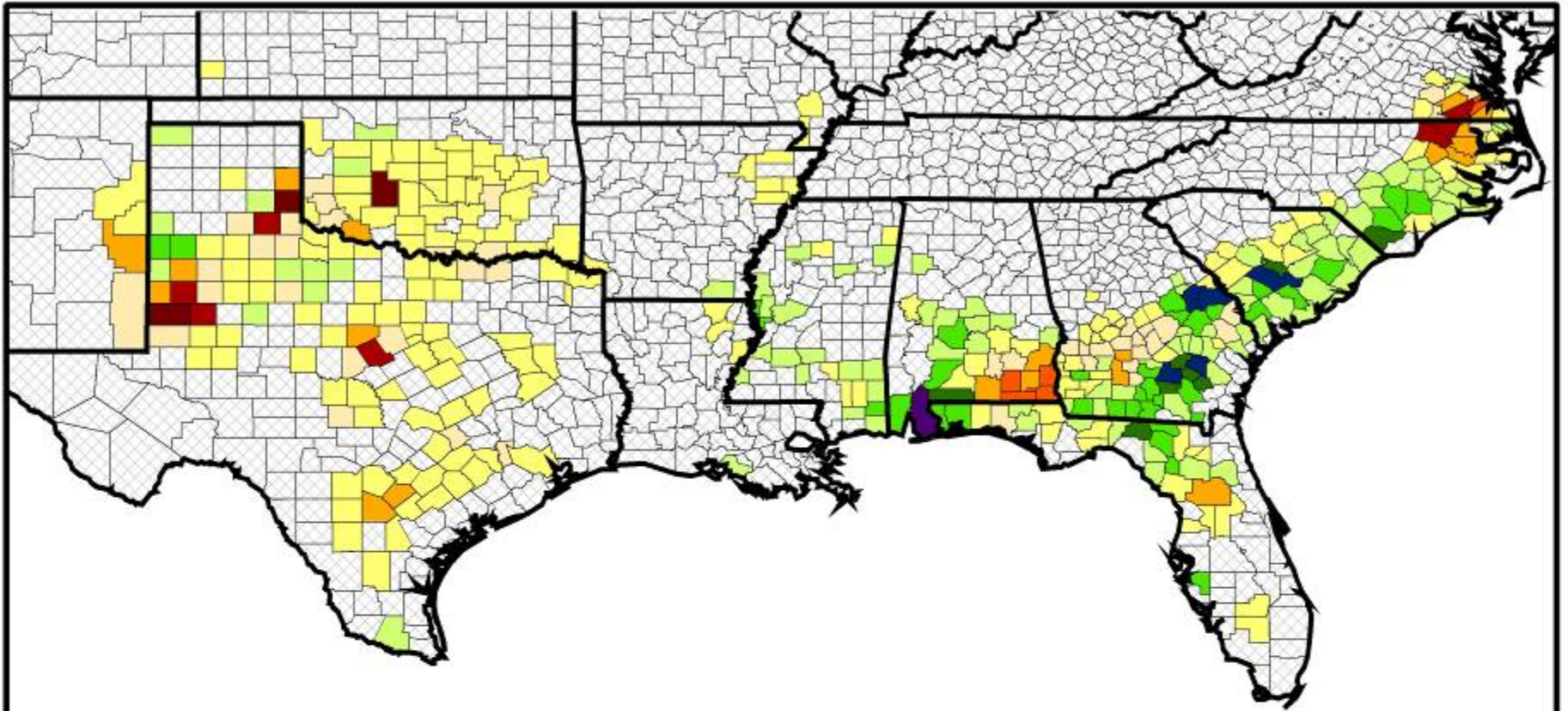




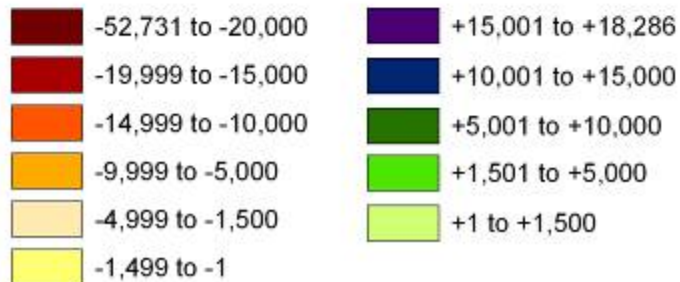
2006 Preliminary FSA Planted Peanut Acreage



Map Generated by the
University of Georgia
National Center for Peanut Competitiveness



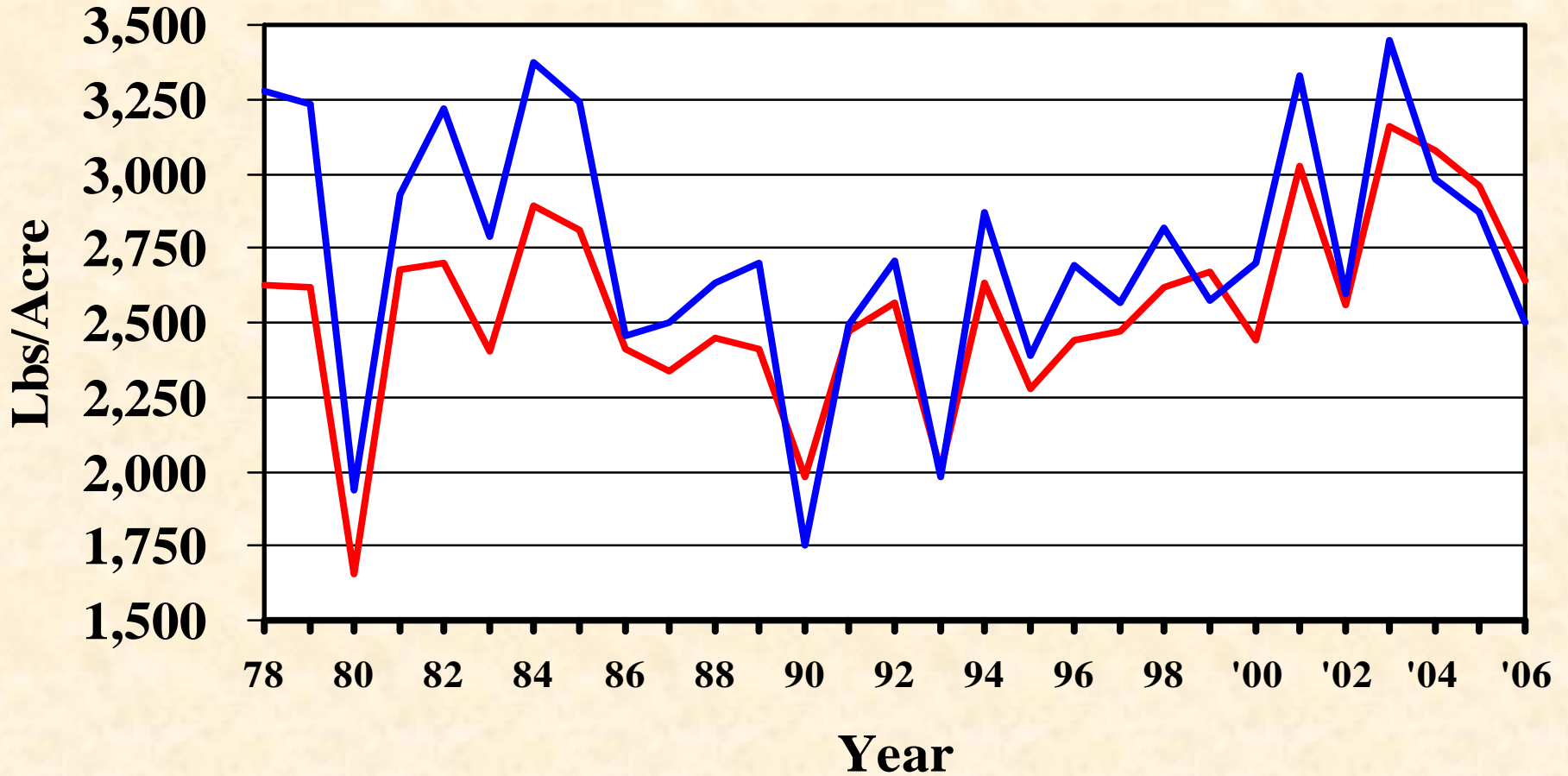
**Change in Planted Peanut Acreage
2006 vs Average of 1998-2001
Source: Preliminary FSA/USDA**



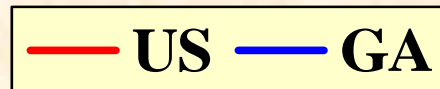
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US & GA Peanut Yield (1978 - 2006)

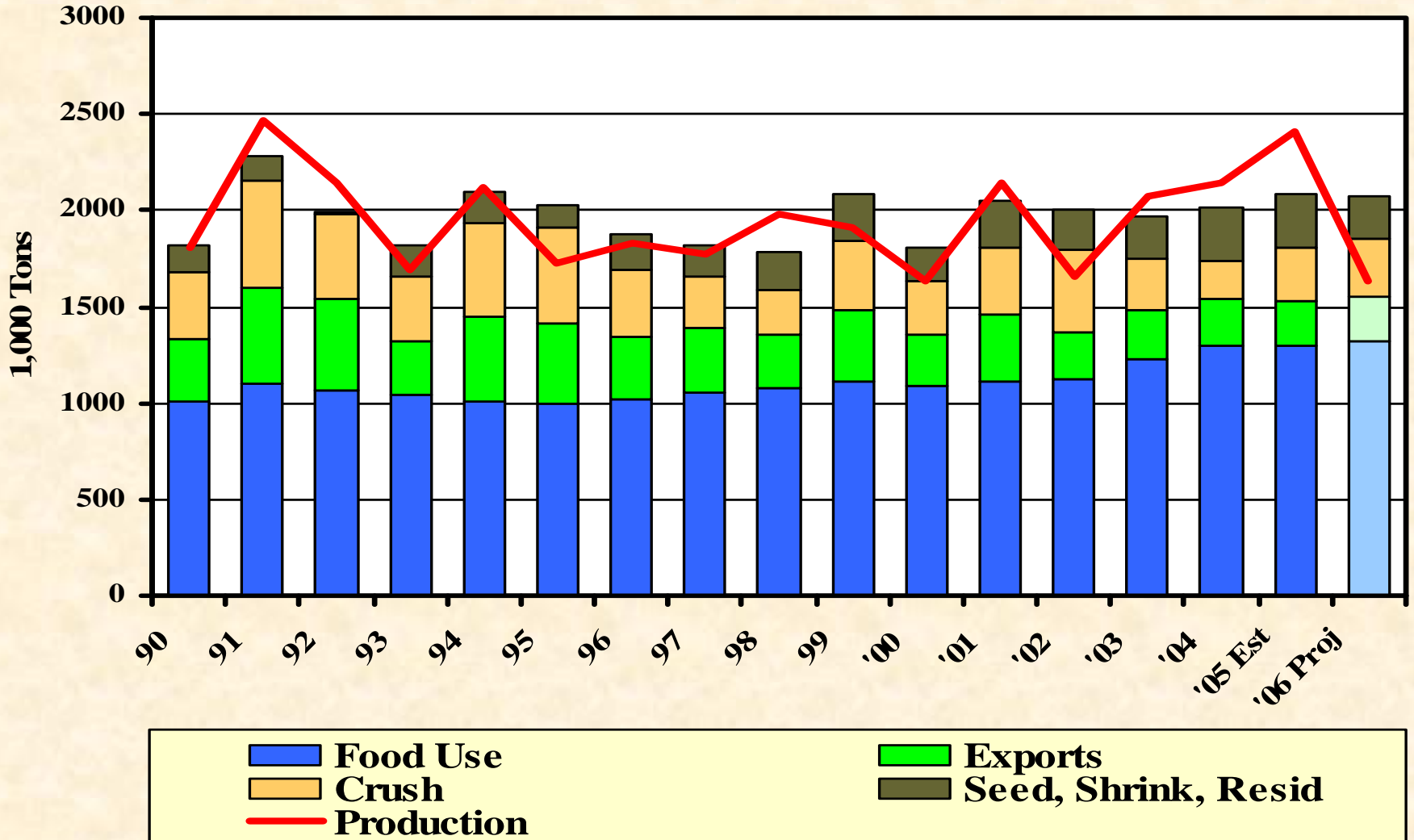


US 78-05 Average = 2,546 lbs/a
US 10 Yr Avg = 2,778 lbs/a
US 5 Yr Avg = 2,959 lbs/a





Peanut Disappearance by Use





Peanut US Balance Sheet

million pounds (August 13, 2006)

	2004/05	2005/06	2006/07	% of Last Yr
Beg Stocks	1,121	1,415	2,154	52
Production	4,288	4,821	3,203*	-32
Imports	37	35	35	0
TOTAL SUPPLY	5,447	6,271	5,392	-13
Domestic Food Use	2,600	2,597	2,633	1.4
Crush	393	547	609	11
Seed & Residual	548	508	439	13.6
Exports	491	468	475	1.5
TOTAL DISAPPEARANCE	4,032	4,117	4,156	1
Ending Stocks	1,415	2,154	1,236	-40

***Sept Crop Production Report**

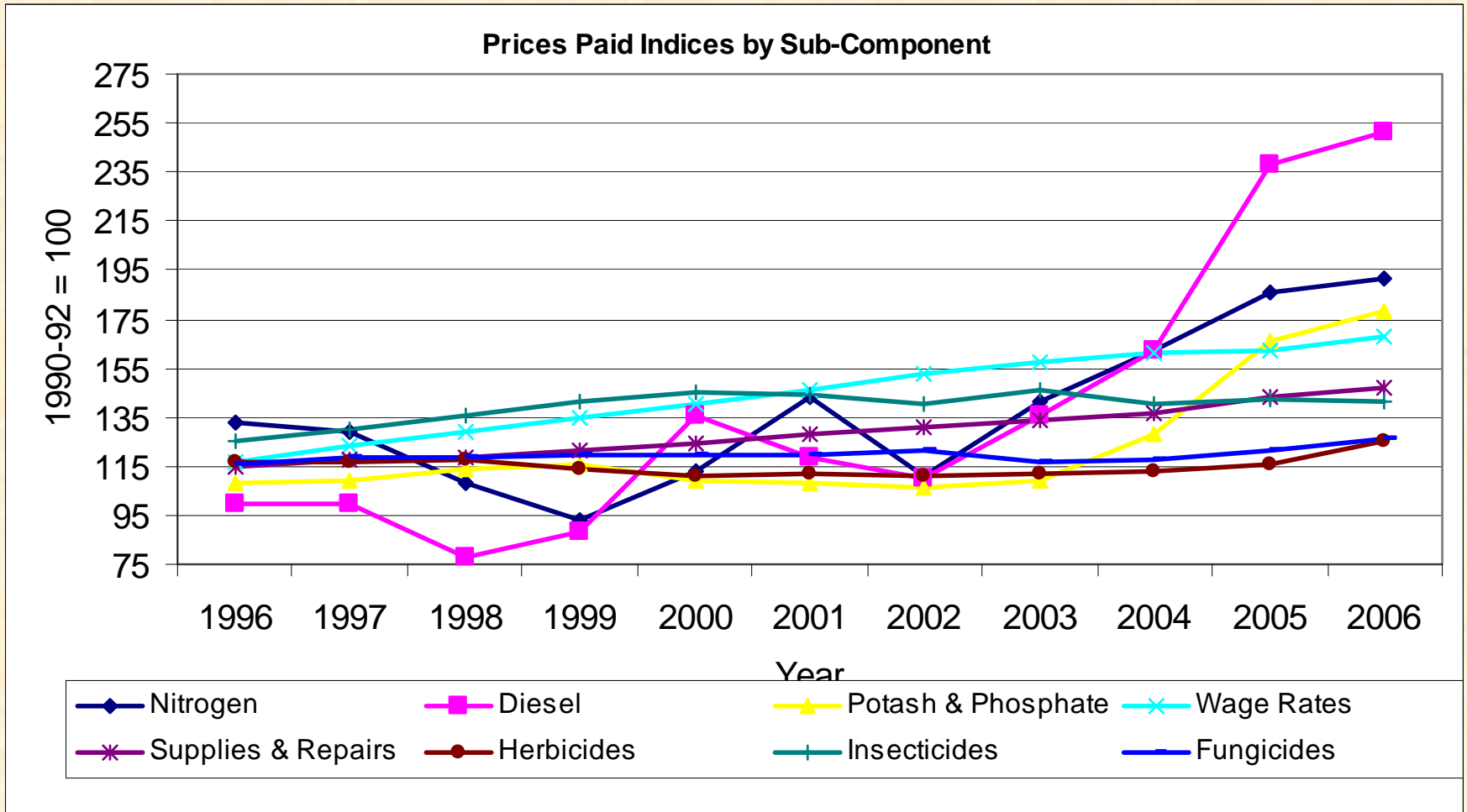


Economic Considerations for Producers

- Cost – Price Squeeze brought on by rising energy costs and surplus crop
 - Higher Fertilizer prices
 - Higher Fuel and Oil
- Fuel and energy-related prices have increased production cost 10-35% over last two years.
- Cost of technology (seed, chemicals)
- Pricing opportunities?



Energy Price Impact on the Cost of Production



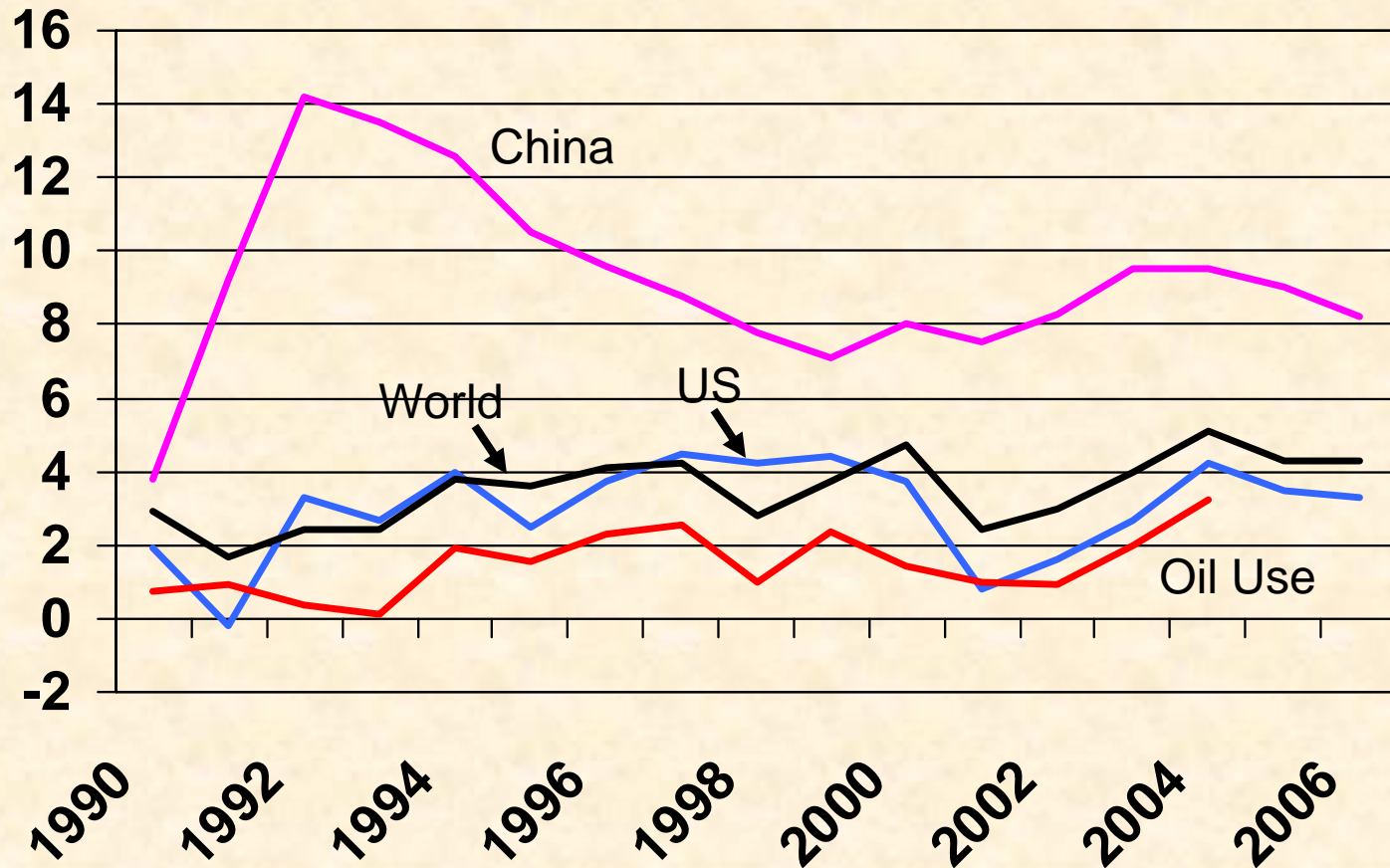


What's driving energy price increases?

- Crude oil demand spurred by world economic growth, particularly in China.
- Natural gas consumption out-pacing production in US.
- Hurricanes Katrina and Rita spiked prices.



Global Economic Growth, 1990-2005



Source: IMF



2006 Cost Estimates

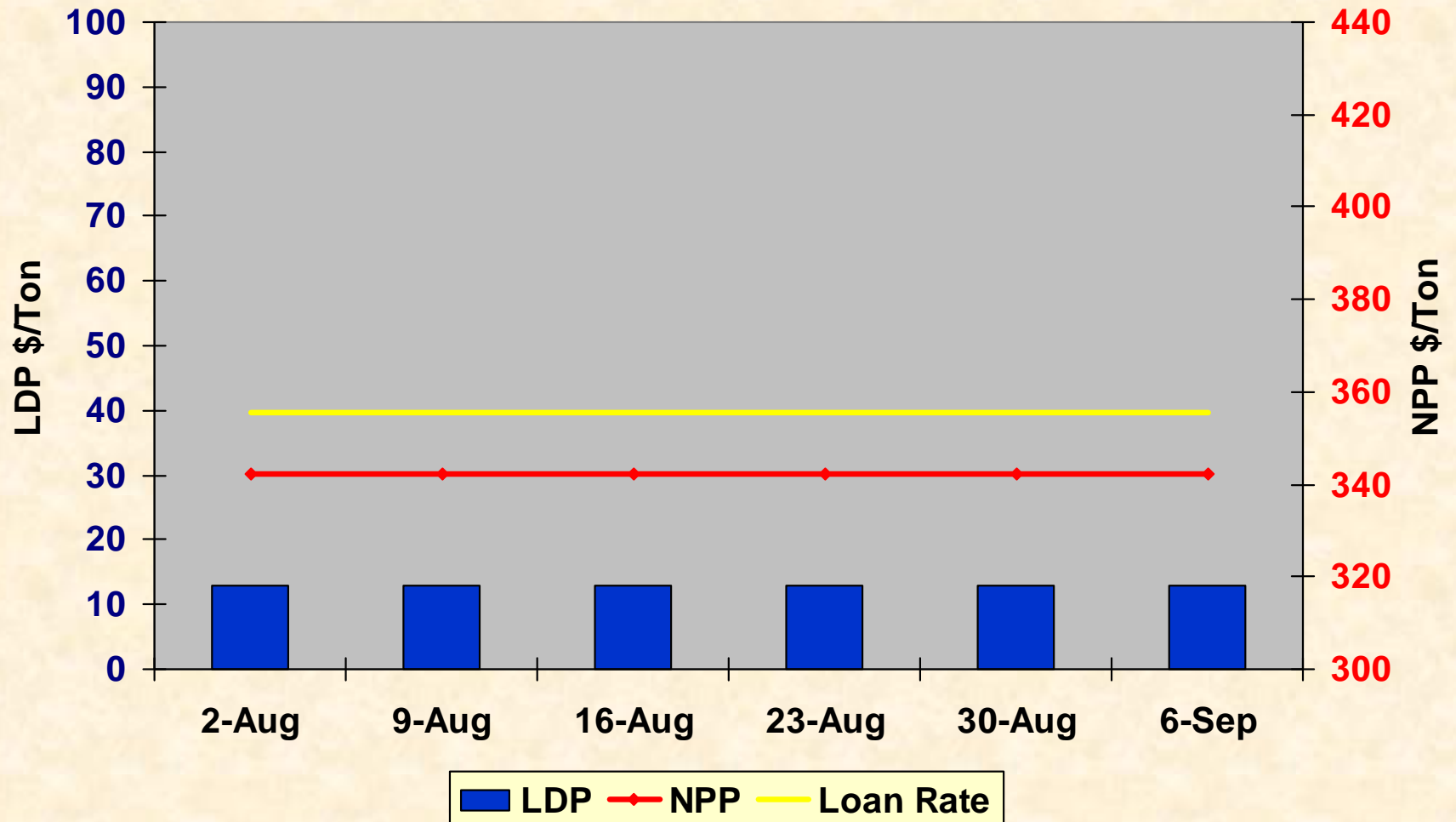
Item	Dryland Peanuts		Irrigated Peanuts	
	Spring	Fall	Spring	Fall
Yield (lbs.)	2500 lb	1800 lb	3700 lb	3200 lb
Var Cost	\$398/acre	\$375/acre*	\$509/acre	\$589/acre**
VC B/E	\$318/ton	\$400/ton	\$275/ton	\$368/ton
Fixed Cost	\$127/acre	\$127/acre	\$222/acre	\$222/acre
Total Cost	\$525/acre	\$502/acre	\$731/acre	\$811/acre
TC B/E	\$420/ton	\$558/ton	\$395/ton	\$507/ton

*Reduced fungicide/herbicide spray

**Additional 5 inches of water \$60 + additional insecticide \$20



National Posted Price - 2006 Crop Runner Price





Outlook

- Domestic market has slowed down but not going backwards.
- Basically consume 2 mil tons per year, have around 50% of this total in carryover. So have a buffer for year like this year, and still have enough peanuts.
- Seen some activity in shelled market of increasing prices but increases are likely limited.
- Cost - price squeeze experienced by producers leads to situation for 2007 where better prices will be needed to encourage peanut plantings. Cotton and corn market will have an impact on peanut acres in 2007.
- Then consider if handling and storage fees are covered by government in 2007.

Thank You

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www.ces.uga.edu/Agriculture/agecon/agecon.html

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The University of Georgia

College of Agricultural & Environmental Sciences



PEANUT ESTIMATED COSTS, DRYLAND

2,500 LB EXPECTED YIELD

VARIABLE COSTS	2004	2006	
Seed	\$ 63.25	\$ 59.80	
Lime/Gypsum	\$ 24.00	\$ 27.50	
Inoculant	\$ 5.00	\$ 5.00	
Fertilizer-Custom Appl.	\$ 13.45	\$ 17.25	
Herbicides	\$ 30.00	\$ 40.12	
Insecticides	\$ 30.00	\$ 24.75	
Fungicides	\$ 70.00	\$ 66.51	
Fuel	\$ 21.37	\$ 41.80	
Machinery Repairs	\$ 27.97	\$ 27.97	
Labor	\$ 24.47	\$ 25.93	
Crop Insurance	\$ 15.00	\$ 15.00	
Interest on Operating	\$ 9.74	\$ 13.19	
Cleaning	\$ 4.16	\$ 4.16	
Drying	\$ 12.51	\$ 20.84	
GPC & GPPA	\$ 3.75	\$ 3.75	
NPB	\$ 4.75	\$ 4.50	
Total Variable Costs	\$ 359.42	\$ 398.07	Equivalent Pounds
	\$ Difference	\$ 38.65	218 lbs
	% Difference	11%	



PEANUT ESTIMATED COSTS, IRRIGATED

3,500 LB EXPECTED YIELD

VARIABLE COSTS	2004	2006	
Seed	\$ 63.25	\$ 59.80	
Lime/Gypsum	\$ 24.00	\$ 27.50	
Inoculant	\$ 5.00	\$ 5.00	
Fertilizer-Custom Appl.	\$ 13.70	\$ 17.50	
Herbicides	\$ 40.00	\$ 40.11	
Insecticides	\$ 32.00	\$ 42.29	
Fungicides	\$ 85.00	\$ 89.87	
Fuel	\$ 21.37	\$ 41.81	
Machinery Repairs	\$ 27.82	\$ 27.82	
Labor	\$ 24.63	\$ 26.09	
Crop Insurance	\$ 15.00	\$ 15.00	
Irrigation	\$ 26.25	\$ 52.50	
Interest on Operating	\$ 11.34	\$ 16.70	
Cleaning	\$ 5.83	\$ 5.83	
Drying	\$ 17.51	\$ 29.18	
GPC & GPPA	\$ 5.25	\$ 5.25	
NPB	\$ 6.65	\$ 6.30	Equivalent
Total Variable Costs	\$ 424.60	\$ 508.55	Pounds
	\$ Difference	\$ 83.95	473 lbs
	% Difference	20%	