

PEANUT PRODUCTION CAN BE PROFITABLE

James W. Pease, Associate Professor of Agricultural Economics

To determine whether the peanut enterprise is profitable for your farm, use the total cost of production that was obtained from your budget and consider all of the following information. Look at the accompanying graph which illustrates the yield per acre that a peanut producer must produce in order to break even. This graph plots varying peanut prices on the horizontal axis versus the producer's total cost of production per acre on the vertical axis. The break-even yield is calculated by dividing the total cost of production per acre by the peanut price and multiplying the result by 2000 lbs/ton. For example, a producer with total cost of production of \$500/acre and faced with the prospect of receiving only \$355/ton for peanut sales would need to average 2,817 pounds per acre over the whole farm in order to break even producing peanuts. Anything over that break-even yield is going to allow for profit. As can be seen from the graph, receipt of higher prices lowers the break-even yield and increases the potential for profit. Important factors to consider are:

- 1) Do you know your total costs of production, including both variable and fixed costs?
- 2) How certain can you be about the sales price that you will obtain for peanuts (including discounts and premiums)?
- 3) What is the likely average yield of peanuts across all acres planted (not just the best) on your farm?

Breakeven Yields at Varying Prices, Total Costs/acre

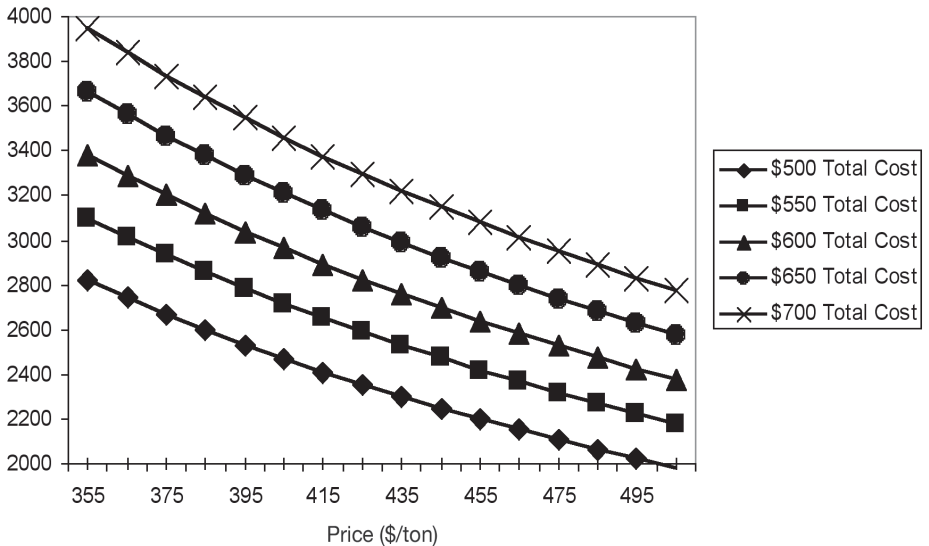


Table 34. Break-Even Yields for a Given Price per Ton

Total cost/A	Price (\$/ton)															
	355	365	375	385	395	405	415	425	435	445	455	465	475	485	495	505
\$500	2,817	2,740	2,667	2,597	2,532	2,469	2,410	2,353	2,299	2,247	2,198	2,151	2,105	2,062	2,020	1,980
\$550	3,099	3,014	2,933	2,857	2,785	2,716	2,651	2,588	2,529	2,472	2,418	2,366	2,316	2,268	2,222	2,178
\$600	3,380	3,288	3,200	3,117	3,038	2,963	2,892	2,824	2,759	2,697	2,637	2,581	2,526	2,474	2,424	2,376
\$650	3,662	3,562	3,467	3,377	3,291	3,210	3,133	3,059	2,989	2,921	2,857	2,796	2,737	2,680	2,626	2,574
\$700	3,944	3,836	3,733	3,636	3,544	3,457	3,373	3,294	3,218	3,146	3,077	3,011	2,947	2,887	2,828	2,772