ANALYSIS OF GEORGIA'S PEANUT BUYING POINTS' ECONOMIC VIABILITY UNDER THE 2002 FARM SECURITY AND RURAL INVESTMENT ACT

By

LEWIS DEWITT WEBB

Under the Direction of Stanley M. Fletcher

ABSTRACT

A representative peanut buying point for the State of Georgia was built using survey data from Georgia peanut buying points regarding their handling capacity, storage capacity, and their costs associated with the handling and storing. The survey was also used to determine the revenue received for their services for commercial and loan farmer stock peanuts. The average profit per ton and return on investment for the representative peanut buying point was determined under twenty-four different scenarios. The scenarios dealt with various fee structures and ratio of loan to commercial peanuts handled and stored. Within the scenarios, alternative handling capacities were imposed to determine the capability of peanut buying points to lower their average costs by spreading the costs of their fixed assets over a larger number of tons handled. Further analysis reveals the sensitivity of the representative Georgia peanut buying point to changes in the percentage of peanuts handled for the CCC loan under the fee structure utilized for the 2002 peanut crop year. This study also alludes to the incorporation of new technology and the ability of the new technology to lower average costs associated with handling, cleaning, and drying.

INDEX WORDS: Commodity Credit Corporation, Commercial Peanuts, Handling, Storage, Drying, Cleaning, Batch Drier, Continual Flow Drying, Peanut Buying Point, Semi-trailer

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CHAPTER 1

INTRODUCTION

Agriculture is an intricate part of the Georgian economy. "Georgia's agribusiness sector contributes over $57 billion dollars, or about 16 percent, to the state's $350 billion dollar annual economic output" (Farm Bureau). However, agriculture's importance can only dictate that it will continue to be a highly debated and controversial issue for Georgia residents and all the taxpayers and political representatives of the United States involved in the agricultural programs. On May 13, 2002, President George W. Bush signed into law the Farm Security and Rural Investment Act of 2002. This new farm bill is designed for the duration of six years and will bring about changes to Georgia's role in U.S. agriculture. One highly debated issue of the new farm bill was the peanut program. The changes to the peanut program could have some of the major effects to those regions or areas currently producing peanuts. South Georgia relies heavily on peanuts as a base sector of its economy. A base sector refers to an economic good that can be produced in one region and sold outside of that region to bring in new money (money from other regions) unlike money that is circulated within one's own region. According to the National Agriculture Statistics Service, in 2001 the United States produced just less than 4.3 billion pounds of peanuts while Georgia accounted for more than 1.7 billion pounds or 40%. In 2002, the United States produced just over 3.3 billion pounds of peanuts with Georgia accounting for over 1.3 billion pounds or 39%. According to the Federal State Inspection Service, there are over 180 peanut buying points in operation in the state of

Georgia handling peanuts. However, as the peanut industry changes due to the passage of the 2002 Farm Security and Rural Investment Act, peanut buying points must now acclimate themselves to a relatively new marketing system that may be based more closely with the functioning of other commodity systems such as cotton or corn.

The main emphasis of this research deals with the sector of the peanut industry responsible for the transfer of the farmer stock peanuts from the producer to the sheller or the shelling agent. According to Butts et al, peanut buying points usually provide the services of curing, grading, and preparation for transport to either storage or the shelling plant. "Some buying points may also clean and store farmer stock peanuts. Buying points may also offer agronomic consulting services…" (Butts et al). The process by which these services are performed starts at harvest when the producer delivers peanuts to the first handler, who takes title to the peanuts for himself, another buyer, or the government. Before the peanuts can be bought or sold however they must be graded. Under current regulations governing the peanut program, peanuts are required to be dried to between a moisture content of 7.5-10.5% before they shall be graded. If after the peanuts are graded they contain a foreign material content of greater than 5% they must be cleaned to remove the unwanted material. Once the peanuts have met the requirements necessary for sale they have also met the requirements for storage. The peanuts will either be transported to the shelling plant or they will be transported to a storage facility. Some peanut buying points in Georgia offer on site storage of farmer stock peanuts while other peanut buying points must transport the peanuts to off-site storage areas.

The process of transferring farmer stock peanuts from the producer to the shelling plant has essentially remained unchanged since the 1930's. However, under the new 2002 Farm Security and Rural Investment Act changes may be necessary to the role of peanut buying points in order for them to maintain a necessary and profitable component of the flow of farmer stock peanuts from the producer to the shelling agent. This study is based on the structure of the current peanut buying points in Georgia that have operated under the previous Farm Bills and peanut programs. These current peanut buying points are then used to develop a representative Georgia peanut buying point model to incorporate new technology systems within the framework of the new Farm Security and Rural Investment Act of 2002 to determine what steps may be taken to lower the marginal cost of handling, cleaning, drying, storing and transporting farmer stock peanuts. Transportation alternatives will include a shift from the current 4 to 7.5 ton wagons to semi-trailers with a capacity of 18 to 20 tons in order to lessen the number of trips to and from the field as well as an increase in load size to minimize the resources necessary to cure the farmer stock peanuts (i.e. electricity and natural gas). An alternative for curing farmer stock peanuts will include the increased load sizes made possible through the use of semi-trailers as well as newly designed drying techniques in the form of continuous flow drying systems and larger batch drying systems. The advancements in cleaning capabilities of farmer stock peanuts are minimal and will only be briefly discussed due to the constraints of current available equipment. The storage of farmer stock peanuts is also limited in the alternatives available for the implementation of such a service but will be analyzed to determine if on site storage can be a profitable segment of the peanut buying point.

In order to analyze the changes that could be made to the structure of existing buying points it is necessary to have a general understanding of the operations of these businesses. Under the 1996 Farm Bill the process by which the peanut buying points would handle farmer stock peanuts essentially began after the producer delivered the farmer stock peanuts to the peanut buying point.

> "Deliveries from the farms arrived at the buying point in farm trailers or truck loads. A sample is drawn by a USDA grader from each trailer or truckload as a representation of the entire load. The sample is cleaned of foreign matter, separated, and weighed… and graded by quality and size… The loads of peanuts are then stored in warehouses until they are shelled for use, usually before June of the following year (Dubman).

The following text indicates the importance of the delivery process of the farmer stock peanuts to the peanut buying points. Traditionally, peanut buying points have provided the wagons for farmer stock peanut transportation in Georgia but do not provide for the cost of hauling from the producer to the peanut buying point aside from repair costs to wagons. The peanut buying points require the producer to be responsible for the cost of delivery of their farmer stock peanuts to the buying point.

The process by which the farmer stock peanuts were handled under the previous peanut program relied upon the shellers to bear the cost of handling farmer stock peanuts. However, with the advent of the new farm policy instituted under the Farm Security and Rural Investment Act of 2002, handling fees will be paid for by the Commodity Credit Corporation (CCC) if the farmer stock peanut are placed into the loan upon request of the producer. Conversely, the fees will be paid by producer and/or sheller when the farmer stock peanut are not placed in the loan. In order for shelling agents to be willing to pay

for the handling of farmer stock peanuts the contracted price of farmer stock peanuts must be high enough to offset the loan repayment rate in addition to the handling fees otherwise it would be advantageous for the shelling plant to only pay the loan repayment rate to redeem the farmer stock peanuts out of the loan while the CCC incurs the cost of handling the farmer stock peanuts. This is only effective during the first five years of the new peanut program. In the sixth year, all handling and storage fees will be paid by the producer, sheller or some combination. This later approach is how the grains and cotton are presently handled.

Previous Research

Minimal research has been done to examine the viability of the structure of existing peanut buying points and how the proposed legislation may effect these organizations and potential improvements that can be made to the peanut buying point structure in order for them to become more efficient. The limited research has focused on both sides of the peanut buying point sector. Research addressing the peanut buying point industry on both sides has been done by Carley (1994), Smith (1984), Miller (1963), and Dubman (1986). Carley investigated the impacts of minimizing government outlays to the peanut program through a no-net cost provision indicative of the previous Farm Bill under which the previous CCC loan handling fees were $20/ton for peanut buying points. Dubman analyzed the price risk and input supply of peanuts for marketing firms. Dubman's research showed that there can be a tremendous fluctuation of the domestic peanut supplies due to yield variability. Varying yields can increase the price of commercial peanuts by lowering the available supply but at the same time decrease the profitability of peanut buying points. The peanut buying points would have a decrease in total revenue

due to the decrease in the total tonnage they handled and an increase in their average costs because they are forced to spread their fixed costs over a smaller amount of tonnage. Smith analyzed the possibility of a sustainable and acceptable futures market for peanuts. Futures markets would allow for the most efficient means of price discovery for peanut and less risk in the peanut buying point supply chain. The less risk from the peanut supply chain comes from less speculation by producers and lenders. The producers know before planting the price they can expect to receive for their commodity and in turn will also be able to secure more of their loan obligations reducing their financing cost and incurring more profitable production. Miller conducted the most closely related research to Georgia peanut buying points by determining the optimum number, size, and location of bulk drying facilities in the North Carolina-Virginia area. However, Miller conducted his research in 1964 and the structure of the renovations capable of being made to current peanut buying points has changed. The general finding of his research was based on additivity which means more plants are simply added to the current set of efficient plants.

The previous works that have been done that actually contribute to the possible structure of future peanut buying points are studies which have focused on specific tasks that buying points usually provide. Blankenship et al studied the feasibility of high moisture grading of farmer stock peanuts. The ability of grading farmer stock peanuts at high moisture levels rather than first curing the peanuts to the acceptable moisture level for storage would alleviate some of the processes necessary in the handling of farmer stock peanuts. Peanuts graded at high moisture could be marketed as soon as they are received by the buying point and could be commingled with other lots of similar moisture

in order to conduct more efficient means of curing farmer stock peanuts. Ertas conducted research examining the design and development of new peanut curing processes for West Texas. His studies showed the possibility of curing three times the volume of farmer stock peanuts as compared to conventional dryer through the use of semi-trailers.

Problem Statement

The lack of research on the peanut buying point industry is due mostly in part to the previous peanut programs structure. Under the previous peanut programs, commercial peanut handling, grading and storage costs for buying points were incurred by the sheller while the handling, grading and storage costs for CCC loan peanuts were paid for by the CCC. The 2002 Farm Security and Rural Investment Act eliminated the previous marketing system and introduced a new market oriented pricing system. Specific rules and regulations of the new peanut program were being determined during the 2002 harvest. For example, although the marketing loan rate is available for all peanuts produced if the market price fell below the loan rate, there was still some question as to who will incur the costs associated with the peanut buying points for grading, handling, storage, along with very limited knowledge about the rates.

The introduction of questions concerning peanut buying point costs is what has prompted this particular study. This study is designed to shed light on the different aspects of the buying point operation and the costs associated with them. It will provide information on the costs incurred by the peanut buying point to handle or process the farmer stock peanuts from the producer to the sheller or into approved warehouse storage. This study will also provide an analysis of the current peanut buying points' efficiency,

size, and possible changes aimed at lowering the marginal costs of handling and storing farmer stock peanuts (FSP).

Objectives

The purpose of this study is to build a representative Georgia peanut buying point from survey information to evaluate the position of Georgia peanut buying points under the 1996 Fair Act and the 2002 Farm Security and Rural Investment Act along with the representative peanut buying point's sensitivity to changes in the percent of peanuts handled and stored for the CCC loan. In addition, the structure of the representative Georgia peanut buying point will be analyzed to determine if there are any feasible measures that existing buying points can employ to maintain their viability under the 2002 Farm Security and Rural Investment Act. The objectives are to analyze: (1) the profit per ton and return on investment of the representative Georgia peanut buying point (2) the profit per ton and return on investment for the representative Georgia peanut buying point when the ratio of the percentage of peanuts handled and stored for the CCC to commercial varies, (3) analyze the changes that could be made to the structure and functioning of the representative Georgia peanut buying point to decrease the average cost of handling, cleaning, drying, and storage of farmer stock peanuts.

Procedures

To meet the three objectives described above, the following procedures were employed:

(1) A survey was developed to gather information regarding the income and cost structure of existing peanut buying points located in Georgia along with their current operating and storage capacity,

(2) Representative peanut buying point was developed from the survey results and then analyzed under 24 different scenarios to determine the profit and return on investment the representative Georgia peanut buying point would have under each,

(3) Analyze and discuss possible changes that could occur to the restructuring of peanut buying points to lower the average cost of handling, storing, cleaning, and drying of farmer stock peanuts given available technology and regulations in order to stay competitive.

Organization of the Study

The remainder of the thesis will be structured as follows. Chapter 2 presents the methodology of this research including how the survey was formed, distributed, compiled, and explain the results of the survey in order to determine a representation of a existing peanut buying point structure. Chapter 3 will reveal the profits of the representative Georgia peanut buying point under each alternative and scenario. Chapter 4 will consist of assessing the capabilities of new technology advancements for a peanut buying point including its associated fixed and variable costs. Chapter 5 will summarize the research and present conclusions and suggestions for future research.

CHAPTER 2

METHODOLOGY AND SURVEY RESULTS

A survey questionnaire was developed in order to solicit the information necessary to determine the structure of the peanut buying points in operation along with their costs associated with the peanut buying points operations. The survey was mailed to all Georgia peanut buying points that were listed with the Federal State Inspection Service. After two successive mailings, additional personal interviews were conducted to ensure an accurate representation of the Georgia peanut buying point industry. The personal interviews were necessary because of the low response rate from the mailed surveys. The low response rate to the mailed survey could be attributed to the fact that peanut buying points are rarely asked to divulge their records for research although peanut producers are commonly asked similar questions pertaining to their operations through the Agricultural Statistics Services and other farm surveys. The marginal response could also be attributed to the fact that the majority of the peanut buying points are either owned by or leased from shellers. Ninety three percent of those peanut buying points responding to the survey were privately owned or cooperative firms not controlled by a sheller. The new technology that will be incorporated into a buying point structure will be assessed on the basis of personal interviews of persons involved in the development of such practices and the previous research done on the available new technology.

In this chapter the results of the survey are aggregated in a manner that does not divulge any specific data that can be traced back to any individual peanut buying point due to the confidentiality of the responses. The information gained are compiled to form a representative peanut buying point in order to quantify their cost per ton to handle, clean, dry, and store farmer stock peanuts. The cleaning and drying of farmer stock peanuts were services considered to be vital to the operation of peanut buying points. Under the current grading system farmer stock peanuts must be between 7.5% and 10.5% moisture before they can be graded for commercial sale or placed in the loan.

Survey Procedure

To obtain a more precise account of the handling capacity, storage capacity, fixed cost, and direct cost associated with existing buying points, a survey was developed. The survey questionnaire can be viewed in Appendix 1. The survey responses were voluntary and held confidential in order to protect individual buying points. The survey was sent to 186 existing Georgia peanut buying points contained in the mailing list of the Federal State Inspection Service. Before the first survey was sent, Tyron Spearman, executive director of the National Peanut Buying Point Association was notified and agreed to post a message to the buying points in his newsletter. A meeting of the National Peanut Buying Point Association was also attended, in order to spread the knowledge of the survey and the need for responses. The first round of the survey was mailed in May of 2002. Tyron Spearman was again contacted and again agreed to encourage buying points to respond to the survey in his newsletter. The second round of the survey was sent to the peanut buying points three weeks later. Of the 186 peanut buying points listed with the Federal State Inspection Service, 14 were undeliverable due to either being sold, closed,

or the discontinuation of the practice of buying peanuts leaving a possible 172 functioning buying points. Only 10 surveys were received that were useful in determining the current structure of peanut buying points in Georgia. Personal interviews were also conducted to increase the sample data in order to obtain a more accurate representation of the peanut buying point structure. The interview process utilized the survey questionnaire. The interview process yielded responses for 5 additional peanut buying points that were used in the building of the representative peanut buying point model for a grand total of 15 usable responses. Not all surveys were completely filled out but this can be attributed to the different structures of individual buying points. The surveys received reveal the costs associated with current peanut buying points along with their handling and storage capacities.

Original Structure

This information was obtained to determine the current state of the existing buying point's physical structure. The status of the buying point structure refers to the age of equipment and buildings used in the operation of the business. The history of renovations was also taken into consideration to determine the possible need for future renovations when comparing the updating of new versions of equipment.

The first question in the survey was concerned with the original year of construction of the peanut buying points. The resulting mean of construction dates for the peanut buying points was 1967 with a median and mode of 1968. The next aspect of this study was to examine the design capacity of the firms. The design capacity will also be used to show the gradual evolution of peanut buying point operational size and structure. Seventy percent of the peanut buying points were originally designed to handle

less than 4000 tons, while only ten percent were designed to handle over 6000 tons. Table 2.1 shows the number of responding peanut buying points that were designed within a given tonnage range at intervals of 2000 tons.

Table 2.1 Number of Surveyed Peanut Buying Points' Handling Capacities in Given Ranges of Tonnage

	Original Design Capacity (Tons)		
	0-2000 Tons	2001-4000 Tons	4001+ Tons
Number of Peanut Buying Points	4	5	3

The next question solely used in exposing the trend indicative of Georgia peanut buying points was the question of renovations. The renovations were asked in order to get an accurate representation of the continual investment necessary for peanut buying points to continue their operations. Table 2.2 shows that of those responding there was a fairly uniform trend of improvements or renovations in the operations over the past 27 years.

Table 2.2 Number of Surveyed Peanut Buying Points Responding as to Their Latest Renovations in the Given Range of Years

	Last Major Renovation (Year)		
	1976-1985	1986-1995	1996-2003
Number Of Buying Points Renovating	3	4	2

The varying design capacities and dates would indicate that although the main goal of each peanut buying point is essentially the same their structures could differ greatly due to the technology available at the time of construction for each. The steady trend of renovations would indicate that the majority of peanut buying points are continually upgrading and updating equipment and these upgrades would be indicative of each individual buying points needs. Furthermore, the trend exposing a decline in the number

of buying points being constructed from the mid-1970s could indicate insufficient returns on investment to warrant construction of new facilities or inadequate advancements in new technology or the inception of new technology into the peanut handling process.

Existing Structure

A view of the existing structure of peanut buying points is necessary to establish a basis for operations in developing a representative peanut buying point model. The structure consists of the handling capacity of a buying point along with the actual tonnage of peanuts handled. In order to determine a normal economic handling capacity, the survey incorporated questions pertaining to the handling capacity of each peanut buying point along with the total tonnage of farmer stock peanuts actually handled in the years 2000 and 2001. Current storage capacity for each buying point was also included in order to incorporate the cost and revenue associated with the transfer of farmer stock peanuts to their final shelling destination.

The survey respondents were also asked for their maximum handling capacity. The resulting mean of handling capacity was 8432 tons with a median of 7500 tons and a mode of 7000. All buying points were able to handle at least 4000 tons of farmer stock peanuts. The majority or 71 % of the responding buying points were capable of handling between 4001 and 8000 tons of farmer stock peanuts. The remainder of 29% has the capacity to handle over 8000 tons apiece. The responding tonnage of capacity was used as a measurement for the efficiency of these operations by dividing the number of tons actually handled by the number of tons they believed themselves to be capable of handling. Figure 2.1 shows the results from the survey regarding the number of tons

actually handled for 2000 and 2001 in comparison to the capacity of the responding peanut buying points.

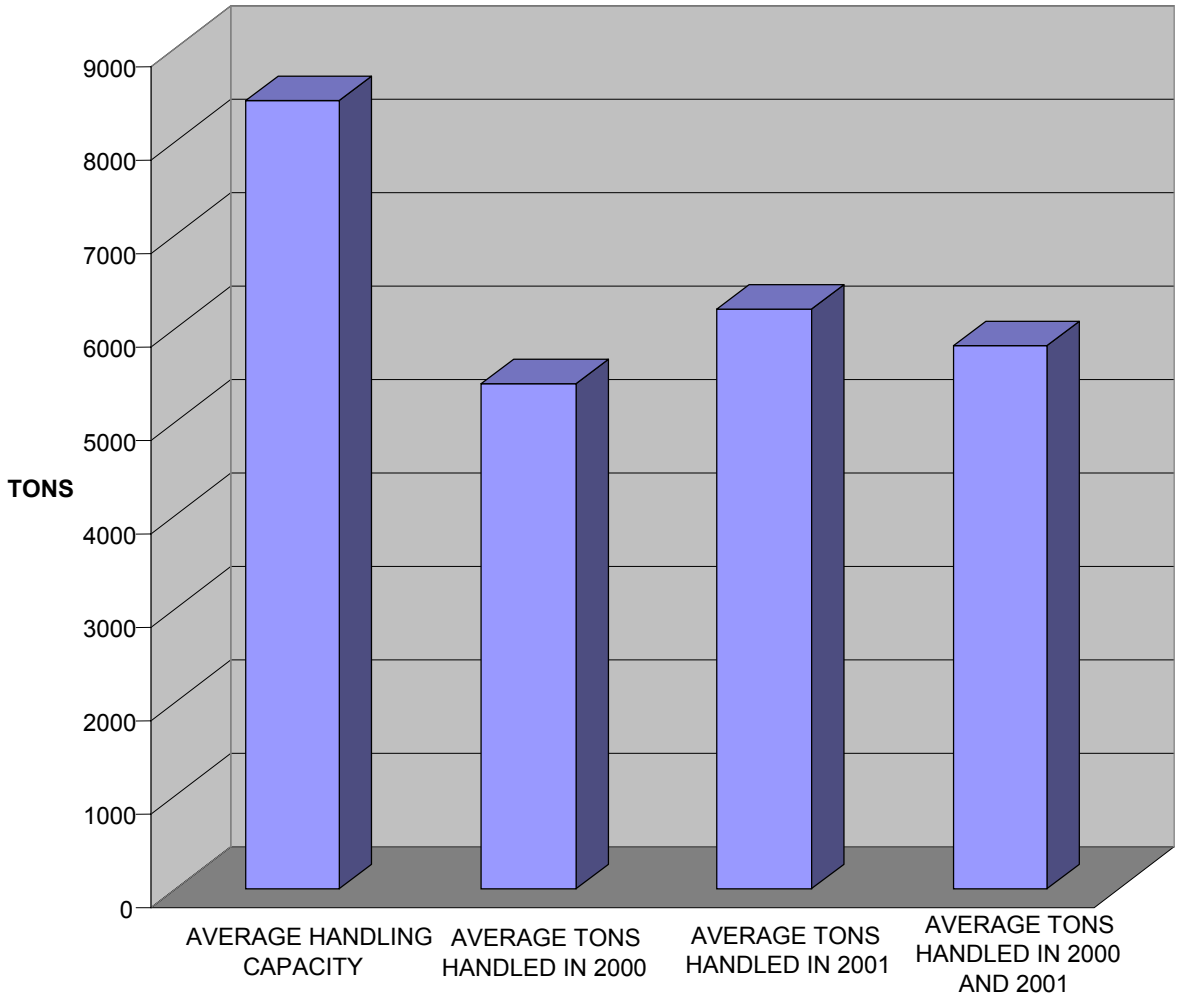

Figure 2.1 Surveyed Georgia Peanut Buying Points' Total Average Tonnage of Handling Capacity and the Number of Tons Handled in 2000 and 2001 along with the Average of Those Two Years

The maximum handling capacity was established to compare to the actual tons of farmer stock peanuts being handled by the peanut buying points in order to establish a measure of efficiency. The actual number of farmer stock peanuts being handled by the

buying points was taken for the years 2000 and 2001 in order to lessen any effect of abnormal production in any given year. The average maximum handling capacity of the peanut buying points was 8,432 tons. The average tonnage of farmer stock handled by the buying points in 2000 was 5,418 tons which is an efficiency of 64%. The average tonnage of farmer stock peanuts handled by the buying points in 2001 was 6,218 tons which is an efficiency rating of 74%. In order to account for the yearly fluctuations which occur in the agricultural production of peanuts an average of the two years was used providing an average efficiency of 69% for the model.

The next key factor in determining the structure of the peanut buying point model is its capacity for storage of farmer stock peanuts. Of the respondents exactly half report a storage capacity between 4001 and 6000 tons of farmer stock peanuts. Twenty five percent report a storage capacity between 6001 and 8000 tons while only 17% reported a storage capability of over 8000 farmer stock tons. "The majority of warehouses built for peanut storage have a capacity of 5000 tons" (Allen). While, the average storage capacity of the surveyed buying points was 5,956 tons, the constructed representative peanut buying point model utilized the current standard size warehouse of 5,000 tons for storage of farmer stock peanuts. Figure 2.2 represents the number of peanut buying points and their respective range of storage capacity.

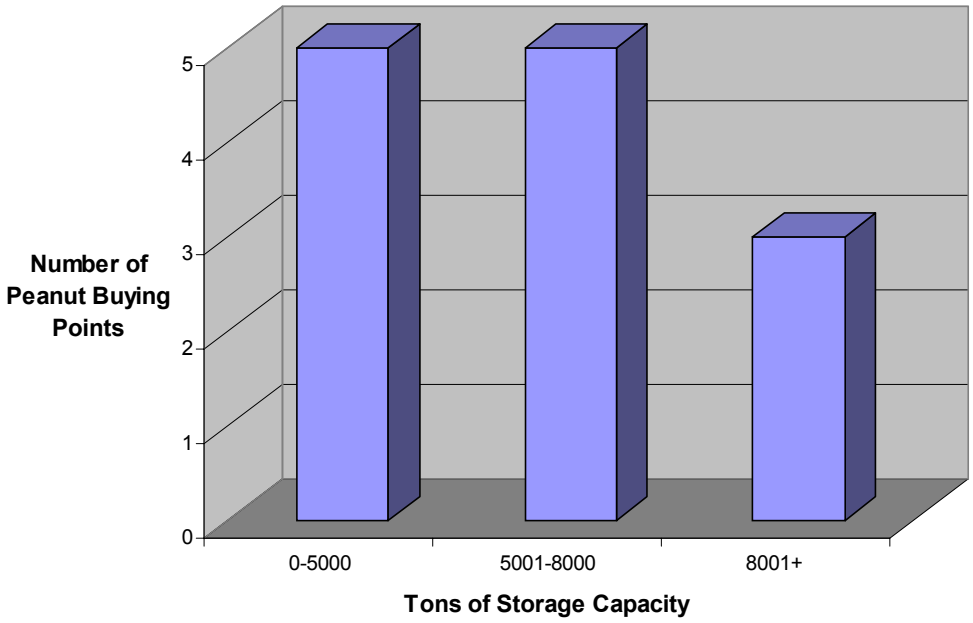

Figure 2.2 The Surveyed Peanut Buying Points and Their Respective Storage Capacity in Tons of Farmer Stock Peanuts.

Characteristics of Operation under 1996 Fair Act

The basic guidelines for the payment of fees for grading, handling and storage costs for buying points are consistent between the 1996 Fair Act and the current 2002 Farm Security and Rural Investment Act. Under the 1996 Fair Act, the fees for handling, grading, and storage of farmer stock peanuts for commercial use were paid for by the sheller purchasing the peanuts. This practice is currently being followed under the new peanut program. The fees for handling, grading, and storage of farmer stock peanuts that were placed in the loan were paid for by the Commodity Credit Corporation (CCC). The main difference in the years separating the programs was the amount of farmer stock peanut that would be placed in the loan and the amount the CCC would pay for these fees. The percentage of peanuts handled by each peanut buying point for the loan in the

years 2000 and 2001 was collected in the survey along with the fees received for handling and storage and average time held in storage of the commercial and loan peanuts. The average of those responding for the year 2000 was 16% loan and 84% commercial. There was a more than doubling effect from the year 2000 to 2001 in the percentage of loan peanuts handled to 37% loan and 63% commercial. A major contributing factor to this increase in loan peanuts was the above average production and the potential change in the peanut program that would lead to a decrease in the commercial price. Table 2.3 shows the average percentage of loan peanuts to commercial peanuts handled for the year 2000 and 2001.

Table 2.3 The Percentage of Peanuts Handled for the CCC Loan by The Representative Georgia Peanut Buying Point in 2000, 2001 from The Survey, and 2002 from Industry Records and FSIS.

	Year			
	2000[1]	2001[1]	2002[2]	2002[3]
Percent of Peanuts Handled for CCC Loan	16%	37%	70%	61%

[1]Based on Survey Information for Percent of Peanuts Handled and Stored for CCC Loan
[2]Based on Industry Records of Percentage of Peanuts Handled and Stored for the CCC Loan
[3]Based on Federal State Inspection Service Records of Percentage of Peanuts Handled and Stored for the CCC Loan

The importance of the ratio of loan to commercial farmer stock peanuts handled under the previous farm bill was critical to the financial well being of the peanut buying point due to the differing handling and storage rates received by the peanut buying points. The percentage of loan and commercial farmer stock peanuts were averaged for the years 2000 and 2001 to obtain a number of each that might be a closer representation of an average year. Loan versus commercial peanuts were important under the 1996 Fair Act because the commissions received by the peanut buying points are different for loan and commercial peanuts (Table 2.4). The survey revealed the average handling fee received

by the peanut buying point for handling a ton of farmer stock peanuts placed in the loan was $20.64 as opposed to an average handling fee of $38.65/ton paid for by the sheller for commercially purchased farmer stock peanuts.

Table 2.4 CCC Loan and Commercial Handling Fees Received by Georgia Peanut Buying Points

	CCC Handling ($/ton)	Commercial Handling ($/ton)
Mean	$20.64	$38.65
Median	$20.00	$40.00

The handling fees for CCC loan farmer stock peanuts average approximately $18/ton less than handling fees for commercial farmer stock peanuts. The median value for handling fees received by the peanut buying point for their services was $20/ton for CCC loan farmer stock peanuts and $40/ton for commercial farmer stock peanuts. Aside from monitoring the income from the handling fees charged for loan and commercial farmer stock peanuts there also needed to be a quantification of the income associated with storage of farmer stock peanuts. Calculating the storage income to peanut buying points required separating the amount of farmer stock peanuts stored for loan and commercial use as well as to quantify the length of time CCC loan and commercial peanut were stored. The survey revealed that 19% of peanuts in storage were loan peanuts in 2001.

The next step was to quantify the length of time the farmer stock peanuts were in storage and the storage fees that corresponded to the storage. Table 2.5 represents the mean and median storage time in days for farmer stock peanuts in the loan and for commercial use.

Table 2.5 Mean and Median Length of Storage Time for Loan and Commercial Farmer Stock Peanuts from the Surveyed Peanut Buying Points

	Loan Storage (Days)	Commercial Storage (Days)
Mean	186	151
Median	180	170

The fees associated with the storage of CCC loan and commercial farmer stock peanuts were all converted to a monthly charge. The CCC loan storage fee was set at a level of $2.73/ton/month. Under the new peanut program the marketing loan storage rate is set at $2.71/ton/month or a daily rate of $.089/ton. Survey responses indicated most commercial storage fees are based on a yearly rate. In order to convert yearly charges into monthly charges each individual peanut buying point's number of days stored was divided by a 30 day month resulting in the months stored and then divided by the yearly storage fee. The resulting monthly storage fees for commercial storage were then averaged together to attain an average monthly storage fee for commercial storage. Table 2.6 gives the average monthly storage charges for CCC loan peanuts for the year 2001 and 2002 as well as the average monthly commercial storage fee for 2001 and 2002.

Table 2.6 Monthly Storage Fees for CCC Loan Farmer Stock Peanuts in 2001 and 2002 and 2001 and 2002 Monthly Commercial Farmer Stock Peanut Storage Fees

	Commercial Storage 2001[1]	Commercial Storage 2002[2]	CCC Loan Storage 2001[3]	CCC Loan Storage 2002[3]
Loan Storage Fee $/Month	$2.27	$2.27	$2.73	$2.71

[1]Survey Information on Commercial Storage Fee
[2]Industry Records for Commercial Storage Fee
[3]United States Department of Agriculture Commodity Credit Corporation CCC Loan Storage Fee

The resulting storage fees will be used along with the length of storage time, and the percentages of loan and commercial farmer stock peanuts to determine the storage income for the representative peanut buying point. It was necessary to separate the loan and commercial farmer stock peanuts due to the varying length of time in storage and the fees received for storing each. One remaining issue concerning storage is the segregation

of loan and commercial farmer stock peanuts. Of those responding to the survey 70% reported to have not segregated between loan and commercial farmer stock peanuts. Thus, for the purpose of this study there will be no segregation of loan and commercial farmer stock peanuts.

Fixed Costs

The depreciation of each firm was included in the questionnaire but some of the respondent did not report and all were at a different point in their depreciation schedule. In order to build the representative peanut buying point in a consistent manner the purchase price of each fixed asset was averaged between all responding peanut buying points. The assets were divided by their own economic depreciation schedule and then added together to obtain the total amount of depreciation cost per year. Table 2.7 shows a listing of each asset that comprised the fixed cost of depreciation for the representative Georgia peanut buying point. The assets depreciation was based on the mean purchase price divided by the economic depreciation in years to give the yearly depreciation cost to the representative peanut buying point. The depreciation cost of each peanut buying point was asked in the survey but due to the low response to that question it was felt a more accurate representation of the depreciation cost of the representative peanut buying point could be gathered through a straight line depreciation schedule of the fixed assets.

Table 2.7 Surveyed Peanut Buying Points' Median Purchase Price, Mean Purchase Price, Depreciable Life, and Yearly Depreciation Cost of Fixed Assets for the Peanut Buying Point with Cleaning and Drying Services

	Number of Units	Median Purchase Price**	Mean Purchase Price**	Economic Depreciation Years	Yearly Depreciation Cost
Warehouse	1	$275,000.00	$288,000.00	40	$7,200.00
Main Office	1	$18,750.00	$31,820.00	40	$795.50
Grading Facility	1	$13,945.50	$12,500.00	40	$312.50
Grading Equipment	1	$13,500.00	$15,800.00	25	$632.00
Cleaning Facility	1	$30,000.00	$31,815.00	40	$795.38
Transfer Station	1	$50,000.00	$56,250.00	40	$1,406.25
Drying Sheds	NA	$32,000.00	$38,000.00	40	$950.00
Pneumatic Sampler	1	$18,000.00	$18,700.00	20	$935.00
14' Wagons	92	$22,500.00	$75,000.00	25	$3,000.00
21' Wagons	38	$40,000.00	$32,000.00	25	$1,280.00
5-7.5HP Dryers	17	$2,150/dryer*	$36,550.00	25	$1,462.00
10HP Dryers	24	$3,150/dryer*	$75,600.00	25	$3,024.00
Scales	1	$15,000.00	$12,435.00	25	$497.40
Land	20 (Acres)	$3000/acre	$60,000.00	40	$1,500.00
Total Depreciation/Year	NA	NA	NA	NA	$23,790.03

* 2002 market price from Peerless Manufacturing.

** Based on the percentage of use for peanut handling, storing, cleaning, and drying only.

The fixed assets were based on the survey responses. All cost were calculated on the percentage allocated to the peanut buying point practices in regards to the handling, cleaning, drying and storing of farmer stock peanuts. For example the peanut buying points usually perform other services such as fertilizer sales for which they require the use of the scales, the use of the scales in this capacity would somewhat decrease the usable life of the scales and transfer some of the burden of returns on investment through other uses therefore it was necessary to value the scales based on their use in peanut handling. Likewise the peanut buying points usually perform a number of services including fertilizer and chemical sales, consulting, grain cleaning and bagging, crop loans, custom applications, etc.

The other fixed cost associated with the representative peanut buying point were payroll and property taxes and interest on the initial investment. The interest on the initial investment was calculated to be the market value of each asset multiplied by 10% which totaled $80,972.00 based on the total capital cost of $809,720.00(Table 2.8). The market value was used because it is also an opportunity cost that could be captured by liquidating the assets and would also be the interest paid by a new firm if it were to purchase the operation with an average market loan. The average market value of the fixed assets can be seen in Table 2.8.

Table 2.8 Market Value of Fixed Assets for Georgia Peanut Buying Point Based on Survey Results

Asset	Market Value
Warehouse	$488,168.60
Main Office	$34,428.57
Grading Facility	$17,000.00
Grading Equipment	$5,000.00
Cleaning Facility	$65,166.67
Transfer Station	$20,253.33
Drying Sheds	$35,285.71
Pneumatic Sampler	$13,928.57
Scales	$10,816.67
14’ Wagons	$67,921.88
21’ Wagons	$51,750.00
Total Assets	$809,720.00

The total market value of the Georgia peanut buying point was used as the initial capital investment to calculate the interest payment for the fixed cost. Other fixed costs include payroll and property taxes which were answered through the survey and personal interviews. Table 2.9 shows the mean and median cost per year of payroll and property taxes including their mean cost per ton.

Table 2.9 Surveyed Peanut Buying Points' Mean, Median, and Mean/Ton cost of Payroll and Property Taxes for the Peanut Buying Point with Cleaning and Drying

	Mean	Median
Payroll Taxes	$10,219.95	$7,500.00
Property Taxes	$9,860.71	$5,675.00
Total Taxes/Ton	$3.45	$2.26

The mean total tax per ton in Table 2.9 was based on the total payroll and property tax cost to each peanut buying point divided by the respective individual peanut buying points tonnage handled. The mean per ton for payroll and property taxes were combined to equal the total taxes per ton handled. In order to maintain continuity through out this study all figures seen in the pro forma income statements do not include income tax due to the variations in business tax structure.

Direct Costs

The direct cost for the representative peanut buying point were calculated based on tonnage of throughput for each individual peanut buying point. The direct cost per ton of each peanut buying point were then averaged to obtain a representative average cost for each ton of farmer stock peanuts handled, cleaned, dried, and stored. The amount of farmer stock peanuts that require cleaning and drying vary depending upon the weather at the time of harvest as well as the region in which they are harvested and the agricultural practices used to produce the individual crop. For the purpose of this study an industry average was developed. The standard amount of farmer stock peanuts requiring drying was 90% and the standard amount of farmer stock peanuts requiring cleaning was 50% (West). Also included in the direct cost are the tractors and vehicles. The survey did not reveal enough information to base the calculations solely on its results. The costs of tractors were based on the leased tractors of a peanut buying point that was comparable to

the size and operation of the representative buying point. The vehicles were based on the average number of vehicles from the responding surveys but were calculated using current lease standards. Table 2.10 shows the results of the average direct cost per ton of farmer stock peanuts.

Table 2.10 Surveyed Peanut Buying Points' Average Yearly per Ton Direct Cost for 2001

	Average Cost/Ton Handled
Total Labor	$14.24
Insurance	$1.58
Tractor Leases	$1.22
Vehicle Leases	$0.75
Office Supplies	$0.32
Hauling Expenses	$2.76
Diesel Fuel	$0.38
Gas	$0.32
Grading In Fee	$5.25[1]
Grading Out Fee	$5.25[1]
Repair Budget	$3.13
Miscellaneous	$0.97
Warehouse Fumigation*	$3.00[2]
Phone Bill	$0.27
Electricity	$1.61
Natural Gas	$3.78
Water	$0.08
Total Direct Cost per Ton	$43.74

[1] Federal State Inspection Service Grading Fee

[2] Standard $3/ton Fumigation for 5000 ton Warehouse (West).

CHAPTER 3

REPRESENTATIVE PEANUT BUYING POINT

The bottom line for any business is its profitability. In order to analyze the profits to the Georgia peanut buying points for rendering the services of handling, grading, storing, cleaning and drying, a representative Georgia peanut buying point was constructed based on survey results in Chapter 2. By utilizing the representative Georgia peanut buying point a number of different alternatives and scenarios were analyzed to determine the profitability and return on investment (ROI) of each case. This research is crucial because even though peanut buying points can set what fees will be charged to the producer for the services of cleaning and drying, the handling and storage fees for CCC loan and commercial peanuts are predetermined and are not equal. As stated in Chapter 2 the CCC loan fees for handling in 2001 and 2002 are lower than the average commercial handling fee paid to the peanut buying point. The possibility of a peanut buying point handling only CCC loan peanuts would indicate the need for CCC loan handling rates to be adequate for that particular peanut buying point to continue operating or evaluate alternatives to lower their average cost of handling a ton of farmer stock peanuts in order to stay competitive. The CCC fees will need to be sufficient to pay handling, grading, and storage to ensure proper storage of 2002 through 2006 crop year peanuts pledged as security for a CCC marketing assistance loan. These charges do not include hauling to the peanut buying point as well as cleaning and drying services.

Representative Peanut Buying Point Key Parameters

The representative Georgia peanut buying point's key parameters consist of the services it renders, the fees associated with those services, the handling capacity of the operation, the efficiency in which it fulfills its handling capacity, the on-site storage capacity, the percentage of peanuts handled and stored for CCC loan purposes, and the length of storage time for commercial and loan peanuts. The representative Georgia peanut buying point in addition to providing handling and storage also provides cleaning for 50 percent and drying for 90 percent of the peanut crop received. The survey results have been compiled to determine the structure of the representative peanut buying point that offers the services of cleaning and drying.

The efficiency (i.e., percent of operating capacity) at which the representative Georgia peanut buying point operates is 69 percent based on the handling capacity of 8,432 tons while the actual volume handled was 5,818 tons. The storage capacity of the representative peanut buying point was 5,000 tons. The average commercial handling fee of $38.65/ton was based on the survey results for the crop year 2001 and was again $38.65/ton in 2002. The percentage of loan farmer stock peanuts handled was 27 percent at the predetermined CCC loan handling fee of $20/ton for 2001. The representative Georgia peanut buying point's on-site storage contained 81 percent commercially purchased peanuts with the average commercial storage fee of $2.27/ton/month for an average of 5 months storage. The other 19 percent of peanuts stored was CCC loan peanuts with a storage fee of $2.73/ton/month for an average of 6 months. The additional services rendered by the representative peanut buying point were for cleaning and drying farmer stock peanuts. The cleaning fee charged by the representative peanut buying point

was $10.00 per ton cleaned and the drying fee was $15.00 per ton dried. The basic parameters of the 2001 representative Georgia peanut buying point can be seen in Table 3.1. This structure of the representative Georgia peanut buying point is the first scenario that will be analyzed.

Table 3.1 Key Parameters of the 2001 Representative Georgia Peanut Buying Point

2001 REPRESENTATIVE PEANUT BUYING POINT			
HANDLING CAPACITY	8,432 TONS	VOLUME HANDLED	5,818 TONS
OPERATING CAPACITY	69%	ON-SITE STORAGE	5,000 TONS
CCC IN-FEE	$12.00/TON	PEANUTS HANDLED FOR CCC	27%
CCC OUT-FEE	$8.00/TON	COMMERCIAL HANDLING FEE	$38.65/TON
CCC STORAGE FEE	$2.73/TON/MONTH	COMMERCIAL STORAGE FEE	$2.27/TON/MONTH
AVG CCC STORAGE TIME	6 MONTHS	AVG COMMERCIAL STORAGE TIME	5 MONTHS
STORED PEANUTS IN CCC LOAN	19%	CLEANING FEE DRYING FEE	$10.00/TON $15.00/TON

The second scenario to be analyzed is the 2002 scenario with the industry forecasting the percentage of peanuts handled and stored for the CCC loan. The key parameters of this 2002 operation are the same as the 2001 scenario except for the CCC handling and storage fees as well as the percent of peanuts handled and stored for the CCC loan. The CCC handling fees increased from a $12.00/ton in fee to a $28.25/ton in fee while the out fee of $8.00/ton remained the same although under the 2002 scenario CCC did not cover Federal State Inspection Service fees of $5.25/ton for grading like they did in 2001. The representative peanut buying point under the 2002 scenario does not receive the $8.00/ton out fee from the CCC if the peanuts are purchased back out of

the loan. The storage charge for CCC loan peanuts decreased from $2.73/ton/month to $2.71/ton/month. In the 2002 scenario the percentage of peanuts handled and stored for the CCC loan was constant at 70 percent for each. The key parameters of the 2002 representative Georgia peanut buying point can be viewed in Table 3.2.

Table 3.2 Key Parameters of the 2002 Representative Georgia Peanut Buying Point[1]

2002 REPRESENTATIVE PEANUT BUYING POINT			
HANDLING CAPACITY	8,432 TONS	VOLUME HANDLED	5,818 TONS
OPERATING CAPACITY	69%	ON-SITE STORAGE	5,000 TONS
CCC IN-FEE	$28.25/TON	PEANUTS HANDLED FOR CCC	70%
CCC OUT-FEE	$8.00/TON	COMMERCIAL HANDLING FEE	$38.65/TON
CCC STORAGE FEE	$2.71/TON/MONTH	COMMERCIAL STORAGE FEE	$2.27/TON/MONTH
AVG CCC STORAGE TIME	6 MONTHS	AVG COMMERCIAL STORAGE TIME	5 MONTHS
STORED PEANUTS IN CCC LOAN	70%	CLEANING FEE DRYING FEE	$10.00/TON $15.00/TON

[1]Based on Industry Records of Percentage of Peanuts Handled and Stored for the CCC Loan

The third scenario has the same parameters as the second scenario except this 2002b scenario is based on the percent of peanuts handled and stored for the CCC loan based on the Federal State Inspection Service records. The Federal State Inspection Service reported 61 percent of the peanuts handled in Georgia for the CCC loan. The changes to the 2002b representative peanut buying point model can be seen in Table 3.3.

Table 3.3 Key Parameters of the 2002b Representative Georgia Peanut Buying Point[2]

2002b REPRESENTATIVE PEANUT BUYING POINT			
HANDLING CAPACITY	8,432 TONS	VOLUME HANDLED	5,818 TONS
OPERATING CAPACITY	69%	ON-SITE STORAGE	5,000 TONS
CCC IN-FEE	$28.25/TON	PEANUTS HANDLED FOR CCC	61%
CCC OUT-FEE	$8.00/TON	COMMERCIAL HANDLING FEE	$38.65/TON
CCC STORAGE FEE	$2.71/TON/MONTH	COMMERCIAL STORAGE FEE	$2.27/TON/MONTH
AVG CCC STORAGE TIME	6 MONTHS	AVG COMMERCIAL STORAGE TIME	5 MONTHS
STORED PEANUTS IN CCC LOAN	61%	CLEANING FEE DRYING FEE	$10.00/TON $15.00/TON

[2]Based on Federal State Inspection Service Records of Percentage of Peanuts Handled and Stored in Georgia by the CCC Loan

The next aspect of the analysis that needed to be addressed was the ability of these operations to increase their profitability by increasing their efficiency (i.e., increasing their percent of operating capacity). In order to address this aspect, each scenario was duplicated in alternatives by increasing their efficiency rating. The efficiency ratings that were input into the representative peanut buying point besides the original 69 percent capacity was 80 percent and 95 percent.

Representative Peanut Buying Point Cost

What are the cost associated with owning and operating a peanut buying point? The two main areas of cost are fixed and direct. Direct costs are also known as variable costs and can be altered in the short-run while fixed costs tend to only vary in the long-run. It is important to remember the difference between fixed and direct costs because each cost must be altered on a different schedule. Direct costs tend to be the most

commonly used means of lowering the average cost of processing an item because the time it takes to implement the change is less than in fixed costs. Many times changes in direct costs can come from advancements in technology that would lower the marginal and average costs of handling peanuts causing the old technology currently employed by peanut buying points to be rendered obsolete or no longer cost effective. Table 3.4 shows the direct and fixed cost incurred by the constructed representative peanut buying point established in this study by the survey with a 69% handling efficiency (Appendix 2). These costs per ton would be the same for each of the three alternative peanut buying points except for the warehouse fumigation and the grading-out fees. These costs would remain the same under the various alternative percentages for economic capacity because the warehouse size is fixed and must be fumigated for the applicable tonnage (5,000 tons) at $3.00/ton regardless and the grading-out fees only pertain to peanuts which must be graded coming out of storage (i.e., 5,000 tons) at $5.25/ton. The total direct cost for the representative Georgia peanut buying was $254,465.86 or about 67 percent of the total direct and fixed cost with the biggest direct cost contributor coming from labor at $82,849.46 or 21.84 percent of the total direct and fixed cost. The total fixed cost was $124,839.69 or about 33 percent of the total direct and fixed cost. The total direct and fixed cost combined was $379,305.13.

Table 3.4 Direct and Fixed Costs for the Representative Georgia Peanut Buying Point at 69% Efficiency with Cleaning and Drying Services

DIRECT COST	AVG. TOTAL COST	AVG. COST/TON	PERCENT OF TOTAL DIRECT AND FIXED COST
LABOR	$82,849.46	$14.24	21.84%
INSURANCE	$9,192.57	$1.58	2.42%
TRACTOR LEASES	$7,098.06	$1.22	1.87%
VEHICLE LEASES	$4,370.06	$0.75	1.15%
OFFICE SUPPLIES	$1,861.79	$0.32	0.49%
HAULING EXPENSES	$16,057.90	$2.76	4.23%
DIESEL FUEL	$2,210.87	$0.38	0.58%
GASOLINE	$1,855.97	$0.32	0.49%
GRADING FEE IN	$30,544.50	$5.25	8.05%
GRADING FEE OUT	$26,250.00	$5.25	6.92%
REPAIR BUDGET	$18,210.59	$3.13	4.80%
MISCELLANEOUS	$5,643.54	$0.97	1.49%
WAREHOUSE FUMIGATION	$15,000.00	$3.00	3.95%
PHONE BILL	$1,541.79	$0.27	0.41%
ELECTRICITY	$9,338.02	$1.61	2.46%
NATURAL GAS	$21,963.25	$3.78	5.79%
WATER	$477.08	$0.08	0.13%
TOTAL DIRECT COST	$254,465.86	$43.74	67.09%
DEPRECIATION	$23,790.03	$4.09	6.27%
TAXES (PAYROLL AND PROPERTY)	$20.077.66	$3.45	5.29%
INTEREST	$80,972.00	$13.92	21.35%
TOTAL FIXED COSTS	$124,839.69	$21.46	32.91%
TOTAL DIRECT AND FIXED COSTS	$379,305.13	$65.19	100.00%

The average costs per ton were used in comprising the representative peanut buying point. The average per ton was used because the direct cost can change with amount of peanuts actually handled (i.e., fuel, labor, grading fees). By using the average per ton one is able to account for the changes in costs when increasing the operating efficiency.

Representative Peanut Buying Point Income

The income for the representative peanut buying point was based solely on the activities that directly pertained to the handling, cleaning, drying, and storing of peanuts. All other facets that peanut buying points might offer such as fertilizer sales or seed sales were not included. The managers filling out the surveys were asked to provide the fee structure they used for the services of handling and storage. A fee schedule for cleaning and drying services as well as the percent of peanuts requiring these services were collected in personal interviews with peanut buying point managers. Table 3.5 shows the services rendered by the representative Georgia peanut buying point and the fee structure as well as the percentage of volume handled requiring each service.

Table 3.5 Services Rendered by the Representative Georgia Peanut Buying Point and the Fee Structure as well as the Percentage of Volume Handled Requiring Each Service

SERVICE	FEE RATE	PERCENT OF VOLUME REQUIRING SERVICE
CLEANING	$10.00/TON	50%
DRYING	$15.00/TON	90%
2001 COMMERCIAL HANDLING	$38.65/TON	73%
2002 COMMERCIAL HANDLING	$38.65/TON	30%[1] 39%[2]
2001 CCC HANDLING	$20.00/TON	27%
2002 CCC HANDLING	$28.25/TON IN-FEE $8.00/TON OUT-FEE	70%[1] 61%[2]
2001 COMMERCIAL STORAGE	$2.27/TON/MONTH	81%
2002 COMMERCIAL STORAGE	$2.27/TON/MONTH	30%
2001 CCC STORAGE	$2.73/TON/MONTH	19%
2002 CCC STORAGE	$2.71/TON/MONTH	70%

[1]Based on Industry Records of Percentage of Peanuts Handled and Stored for the CCC Loan
[2]Based on Federal State Inspection Service Records of Percentage of Peanuts Handled and Stored for the CCC Loan

The average handling fee for commercial purposes remained the same for the 2001 and 2002 crop years while the CCC loan handling fee increased from $20.00/ton (include $8.00/ton out-fee) to $28.25/ton in-fee and $8.00/ton out-fee. The commercial storage rate stayed the same for 2001 and 2002 while the CCC loan storage rate decreased from $2.73/ton/month to $2.71/ton/month. The service of cleaning was used on 50 percent of the peanuts handled by the operation at a fee of $10.00/ton. The service of drying was used on 90 percent of the peanuts handled by the operation at a cost of $15.00/ton.

Given the fee structure of the representative peanut buying point, income was calculated on the basis of volume handled. The calculation was done for the representative peanut buying point for each of the three scenarios under each of the three alternative levels of percent of economic capacity (appendices 3-11). The resulting income can be seen in Table 3.6.

Table 3.6 Income per Ton Given 69, 80, and 95 Percent of Economic Capacity for the Three Scenarios of the Representative Georgia Peanut Buying Point

	SCENARIOS		
PERCENTAGE OF ECONOMIC CAPACITY	2001	2002[1]	2002b[2]
69%	$62.69/TON	$67.39/TON	$67.33/TON
80%	$61.24/TON	$64.98/TON	$65.06/TON
95%	$59.80/TON	$62.60/TON	$62.81/TON

[1]Based on Industry Records of Percentage of Peanuts Handled and Stored for the CCC Loan
[2]Based on Federal State Inspection Service Records of Percentage of Peanuts Handled and Stored for the CCC Loan

In Table 3.6 the income per ton handled under each alternative economic capacity varies for each scenario. The reason is that the percent capacity pertains only to the handling ability of the peanut buying point while the 5,000 ton warehouse storage space is always being utilized regardless of the scenario or percent of economic capacity level. Thus, with the storage fixed the average income per ton will decrease as the percent of

capacity that is handled increases because the income from storage is being spread out over more tons being handled.

The most noticeable change occurs in the average income for the different alternatives under each 2002 scenario. The only difference in the two 2002 scenarios is the percent of peanuts handled and stored for the CCC loan. Examining the alternative with 69 percent of economic capacity, the average income for the 2002 scenario (i.e., with 70 percent of peanuts handled and stored for the loan) was greater than the average income for the 2002b scenario (i.e., with 61 percent of peanuts being handled and stored for the loan). This is due to the higher fee paid for the loan storage which is large enough to offset the losses in handling due to lower CCC loan handling fee relative to the commercial fee, and the amount of storage capacity was just slightly less than the number of tons handled.

In contrast for the 80 and 95 percent of handling capacity, a different situation arises. By holding the storage amount of 5,000 tons constant, the higher loan storage fees are no longer great enough to compensate for the losses due to lower handling fees for CCC loan peanuts. Therefore, when the percent of peanuts handled and stored for the loan decreases the average income per ton increases.

Representative Peanut Buying Point Profitability

The profitability of the representative peanut buying point was calculated before income tax. Income tax does not include taxes in the form of personal and property as well as interest. The detailed income statements for all alternatives and scenarios can be viewed in Appendices 3-11. Table 3.7 summarizes the representative Georgia peanut

buying point's profit in dollars per ton of peanuts handled under each percent of economic capacity alternative and scenario.

Table 3.7 Profits in Dollars per Ton under 2001 and 2002 Operations for the Representative Peanut Buying Point with Respect to Economic Capacity Level

	SCENARIOS		
PERCENTAGE OF ECONOMIC CAPACITY	2001[1]	2002[2]	2002b
69%	-$0.23/TON	$2.20/TON	$2.13/TON
80%	$2.12/TON	$3.71/TON	$3.79/TON
95%	$4.45/TON	$5.21/TON	$5.42/TON

[1]Based on Survey Data for 2001 Records of Percentage of Peanuts Handled and Stored for the CCC Loan
[2]Based on Industry Records of Percentage of Peanuts Handled and Stored for the CCC Loan
[3] Based on Federal State Inspection Service Records of Percentage of Peanuts Handled and Stored for the CCC Loan

The income statement for the 2001 scenario with a 69 percent economic capacity revealed a negative profit of -$0.23/ton. In contrast, the 2001 scenario revealed a profit of a positive $2.12/ton under the 80 percent capacity alternative and a positive profit of $4.45 under the 95% capacity alternative. The profit per ton for the representative peanut buying point operating at 69% economic capacity under the 2002 scenario using the industry records was a positive $2.20/ton. For the corresponding 80 percent and 95 percent economic capacity alternatives, the profit was $3.71/ton and $5.21/ton, respectively. The final scenario 2002b yielded a positive profit of $2.13/ton under 69 percent economic capacity, $3.79/ton under 80 percent economic capacity and $5.42/ton under 95 percent economic capacity.

A measuring tool for investment is the ROI or return on investment. The initial capital investment of $809,720.00 was based on the market value of the fixed assets (Table 2.8). In order to calculate the ROI for this representative Georgia peanut buying point, the calculation was made as follows:

ROI= Initial Capital Investment ÷ EBT (Earnings before Taxes)

The ROI was measured for each alternative under each scenario (Appendices 3-11). The earnings before taxes consist of all income minus expenses (does not include income tax). Table 3.8 shows the ROI from each alternative and scenario.

Table 3.8 Return on Initial Capital Investment for the Representative Peanut Buying Point

	SCENARIOS		
PERCENTAGE OF ECONOMIC CAPACITY	2001	2002[1]	2002b[2]
69%	-0.17%	1.58%	1.53%
80%	1.77%	3.09%	3.15%
95%	4.41%	5.16%	5.37%

[1]Based on Industry Records of Percentage of Peanuts Handled and Stored for the CCC Loan
[2]Based on Federal State Inspection Service Records of Percentage of Peanuts Handled and Stored for the CCC Loan

The implications from the resulting ROIs indicate a negative return on investment for the 2001 scenario at 69 percent of the economic capacity. Even under the 2002 scenarios at the 69 percent economic capacity, the return on investment for the representative Georgia peanut buying point was only around 1.5 percent. These returns on investment do not indicate a profitable business venture relative to other investment opportunities. Furthermore, these levels of return may explain why no new peanut buying points were reported in the survey to have been built in the last 15 years.

Impact of Variations in Percentage of Peanuts Handled for CCC Loan

This section deals with the sensitivity of the representative peanut buying point to a change in the percent of peanuts handled and stored for the CCC loan. This information will be a helpful tool in determining what the representative Georgia peanut buying point will face with varying ratio of commercial to loan handling and storage. The CCC loan

and commercial handling and storage fees during the 2002 peanut crop year were used in this analysis. The parameters of the representative Georgia buying point's situation will include the three levels of capacity (i.e., 69%, 80%, and 95%). In order to gauge the sensitivity of the representative Georgia peanut buying point, the percent of peanuts handled and stored for the CCC loan will change in increments of 25 percentage points from 0 percent to 100 percent (i.e., 100% meaning all peanuts handled and stored for CCC loan). The percent of peanuts stored for the CCC loan will be assumed to equal the percent handled for the CCC loan.

The average cost of handling and storing peanuts will decrease as the representative Georgia peanut buying point increases the tonnage it handles by spreading its fixed costs over a larger number of tons handled. The average cost is constant across the varying percentages of peanuts handled and stored for the CCC loan because the only difference between CCC loan and commercial peanuts are the fees paid to the peanut buying point for handling and storage. Table 3.9 shows how the average costs decrease as the efficiency increases (i.e., percent of economic capacity) from 69 percent to 95 percent as well as staying constant as the percentage of CCC loan peanuts handled increases.

Table 3.9 Average Costs per Ton for the Representative Georgia Peanut Buying Point

	PERCENT OF PEANUTS HANDLED AND STORED FOR CCC LOAN				
PERCENTAGE OF ECONOMIC CAPACITY	0%	25%	50%	75%	100%
69%	$65.19	$65.19	$65.19	$65.19	$65.19
80%	$61.27	$61.27	$61.27	$61.27	$61.27
95%	$57.38	$57.38	$57.38	$57.38	$57.38

Although the average costs per ton does not vary upon changing the percent of peanuts handled and stored for the CCC loan, the average income for the services of handling and storage received by the peanut buying point does vary. Table 3.10 shows the average income per ton the representative Georgia peanut buying point would receive under the various combinations of economic capacity and the varying percentages of peanuts handled and stored for the CCC loan. Unlike the costs per ton, the income per ton does vary as the percentage of peanuts handled and stored for the CCC loan change as well as for different efficiency levels.

Table 3.10 Income per Ton for the Representative Georgia Peanut Buying Point

	PERCENT OF PEANUTS HANDLED AND STORED FOR CCC LOAN				
PERCENT OF ECONOMIC CAPACITY	0%	25%	50%	75%	100%
69%	$66.90	$67.08	$67.25	$67.43	$67.60
80%	$65.56	$65.36	$65.15	$64.94	$64.73
95%	$64.23	$63.65	$63.06	$62.48	$61.89

One would note from Table 3.10 that at any given level of the percentage of peanuts handled and stored for the CCC (scenario) as the percent of economic capacity (alternative) increases the average income per ton decreases. The same does not hold true for every increase in percentage handled and stored for the CCC loan for a given alternative of percentage of economic capacity. The change in income per ton due to the change in percentage of peanuts handled and stored for the CCC loan can be attributed to the different fee schedule for handling and storing commercial and CCC loan peanuts as well as the fixed amount of storage available. The percentage of economic capacity pertains only to the handling ability of the representative peanut buying point while the

5,000 ton warehouse storage space is being fully utilized. With the storage level fixed, the income per ton will decrease as the percentage of economic capacity increases.

In Table 3.10 for the 69 percent economic capacity alternative, the average income per ton increases as the percentage of peanuts handled and stored for the CCC loan increases. Yet, for the 80 and 95 percent level of economic capacity, the average income per ton decreases as the percentage of peanuts handled and stored for the CCC loan increases. The reason this occurs is while the commercial handling fee paid to the peanut buying point is greater than the CCC loan handling fee, the difference between the two handling fees is less than the difference between the higher CCC loan storage fee and the commercial storage fee paid to the buying point.

In the 69 percent alternative the amount of tons stored is much closer to the amount of tons handled and the higher CCC loan storage fees are more than enough to offset the losses from the lower CCC loan handling fees. However, as the percent of economic capacity that is handled increases to 80 percent and 95 percent there is proportionally not enough higher CCC loan storage income to offset the greater losses from handling peanuts for CCC loan instead of peanuts for commercial use which as of 2002 still have a higher handling fee associated with them.

The reason the income per ton varies considerably for the different alternatives and scenarios is because the calculations are based on the tonnage handled which dilutes the effect storage income can have as the amount of peanuts handled increases. Table 3.11 shows how the actual income per ton stored does not vary as the percent of economic capacity handled increases but that the income per ton does increase as the percentage of peanuts handled for the CCC loan increases. However, as Table 3.12

shows when averaging the income based on the tonnage actually handled the income per ton decreases as the percent of economic handling capacity increases. Furthermore, Table 3.12 shows how the average storage income per ton handled does increase in every alternative as the percentage of peanuts handled for the CCC loan increases.

Table 3.11 Average Storage Incomes per Ton Stored for the Representative Georgia Peanut Buying Point

	PERCENT OF PEANUTS STORED FOR CCC LOAN				
PERCENT OF ECONOMIC CAPACITY	0%	25%	50%	75%	100%
69%	$11.35	$12.58	$13.81	$15.03	$16.26
80%	$11.35	$12.58	$13.81	$15.03	$16.26
95%	$11.35	$12.58	$13.81	$15.03	$16.26

Table 3.12 Average Storage Incomes per Ton Handled for the Representative Georgia Peanut Buying Point

	PERCENT OF PEANUTS HANDLED AND STORED FOR CCC LOAN				
PERCENT OF ECONOMIC CAPACITY	0%	25%	50%	75%	100%
69%	$9.75	$10.81	$11.86	$12.92	$13.97
80%	$8.41	$9.32	$10.23	$11.14	$12.05
95%	$7.08	$7.85	$8.62	$9.38	$10.15

The results from these scenarios yielded the profit per ton that could be expected under similar conditions. The profit is based on the income minus all fixed and direct costs. The profit under each alternative and scenario can be seen in Table 3.13.

Table 3.13 Profit in Dollars per Ton Handled for the Representative Georgia Peanut Buying Point

	PERCENT OF PEANUTS HANDLED AND STORED FOR CCC LOAN				
PERCENT OF ECONOMIC CAPACITY	0%	25%	50%	75%	100%
69%	$1.71	$1.88	$2.06	$2.23	$2.40
80%	$4.29	$4.09	$3.88	$3.67	$3.46
95%	$6.85	$6.27	$5.68	$5.10	$4.51

Table 3.13 shows a profit under each scenario and alternative under the 2002 Farm Security and Rural Investment Act. However, what does that really mean in terms of business? One measuring tool for investment is the ROI or return on investment. In order to calculate the ROI for this representative peanut buying point, the calculation was made as follows:

ROI= Initial Capital Investment ÷ EBT (Earnings before Taxes)

The initial capital investment was calculated at $809,720.00 in Table 2.8. The ROI was measured under the same scenarios as the previous illustrations with three levels of percentage of handling capacity ranging from 69 percent to 80 and 90 percent. Table 3.14 shows the ROI that could be expected in each scenario and alternative.

Table 3.14 Return on Investment for the Representative Georgia Peanut Buying Point

	PERCENT OF PEANUTS HANDLED AND STORED FOR CCC LOAN				
PERCENT OF ECONOMIC CAPACITY	0%	25%	50%	75%	100%
69%	1.23%	1.35%	1.48%	1.60%	1.73%
80%	3.58%	3.40%	3.23%	3.06%	2.88%
95%	6.78%	6.20%	5.62%	5.04%	4.46%

The Return on Investment indicates even though the profits are positive there is very low return on the initial capital investment in the peanut buying point business. The low ROI could be the reason the survey indicated no new construction of peanut buying points in Georgia for the past 15 years nor should one expect any new ones to be built.

CHAPTER 4

CHARACTERISTICS OF POTENTIAL PEANUT BUYING POINTS

STRUCTURE

Currently, Georgia peanut buying points most commonly use conventional peanut wagons for transportation of farmer stock peanuts from the producer to the peanut buying point and drying of the farmer stock peanuts. Although the peanut buying points usually provide the peanut wagons the producers are responsible for delivering the peanuts to the peanut buying points. The peanut wagons are designed in three main sizes. The smallest and most common is a 14' wagon capable of transporting 4 tons of farmer stock peanuts. The next size up is a 21' wagon capable of transporting 7.5 tons of farmer stock peanuts. The largest is a 28' wagon capable of transporting 10 tons of farmer stock peanuts. The main problems with wagons are their range and capacity. "The range for a 14' wagon is 5 to 7 miles" (Parker). A peanut buying point's range determines how far it can reach out to bring farmer stock peanuts to its operation to be handled and possibly stored.

One option that is available to peanut buying points is the use of semi-trailers for transportation and drying. "The range for semi-trailers could be 50 to 70 miles" (Parker). "Using the semi-trailer system, the curing facility was able to save on the cost of time and the cost of mechanical losses due to handling peanuts being transferred. This new system also allows the curing facility to have a faster turn around on peanuts from the field to warehouse which means fewer peanuts are forced to sit in windrows to long" (Ertas). This use of semi-trailers is currently the primary means of transporting farmer stock peanuts from the field to the peanut buying points in Texas. "The main reason semi-

trailers are used in Texas is because there is no other option that would allow producers and peanut buying points to move such a large quantity of farmer stock peanuts in such a short period of time" (Henning). Much the same as Georgia, Texas peanut buying points rely on the producer to incur the cost of delivery of their peanuts to the buying point so the costs of transportation should not be born by the peanut buying point.

> "Prior to 1947, buyers and shellers developed a practice of paying truckers an agreed amount per ton for all peanuts hauled to them. Buyers should not resume this practice for the following reasons: When one competitor begins the practice, others follow and soon all the buyers and shellers of an area are compelled to follow. It is a powerful force for increasing the volume of an individual buyer or sheller. There are two reasonable conclusions to draw from a situation in which the practice exists. First, the buyer has a sufficient margin in the peanuts to allow him to pay the fee and still make a profit. He may reason that the increased volume, even with a smaller margin, will return a greater profit. If all buyers should reason the same and follow the practice, the net margins of all buyers and shellers would be reduced by the amount of the fee. Second, if the peanut industry can afford the added expense, or cost of the product, it should go directly to the farmer. The grower does not receive the benefit in the above practice, since the picker-trucker has an opportunity to bargain with the buyers to "pull" peanuts their way. The picker-trucker collects the hauling fee which is usually included in the custom-picking price. Thus the added cost of the product to the buyer is added to the profit of picking the peanuts and transporting them to market" (Penny).
>
> "In Texas a large number of producers hire custom harvesters and these harvesters provide the actual harvesting of the crop and the delivery of the crop to the peanut buying point" (Henning).

The major issues arising from the use of semi-trailers that would concern the peanut buying points of Georgia would be the investment in the actual semi-trailers and the equipment necessary to load the semi-trailers. The cost of the semi-trailers capable of transporting and drying loads of 20-25 tons of farmer stock peanuts is $10,500.00 per trailer. The $10,500.00 includes a used semi-trailer and conversion costs. The trailers can be shipped to Georgia for $1200.00 per each (Hill).

The semi-trailers require additional equipment so that peanuts can be loaded because of their additional height. There are several options available for loading the semi-trailers. One available option is the 4800 series hydraulic dump cart from KMC (Kelley Manufacturing Company) that can provide for loading of semi-trailers or conventional dryer wagons which can be purchased for $19,600.00 (Cavanaugh). Another option available is a mechanism developed in Texas that is a portable bin that can hold approximately 60 tons of farmer stock peanuts dumped directly from the peanut combines in the field that transports the peanuts up a conveyer which sifts out the dirt and small unwanted material. The peanuts then pass through a path of projected air from a fan blowing unwanted light foreign material such as leaves out before the peanuts enter the semi-trailers (Henning). The Texas mechanism for transferring the peanuts from the peanut combines into the semi-trailers can be built for approximately $30,000.00 (Henning). The custom pickers of Texas usually provide the transfer equipment as part of their services and charge the producer accordingly. The costs of the transferring equipment would essentially be the responsibility of the producer; however the inception of such practices in the state of Georgia could be difficult given the current structure and practices of the industry.

Several potential reasons as to why a complete transfer to a transportation system based on semi-trailers for hauling and drying farmer stock peanuts might not work in the State of Georgia are the conversion cost and the area's landscape. The current peanut industry practices for peanut buying points in the state of Georgia have the peanut buying points providing the conventional drying wagons to area producers for transportation of their farmer stock peanuts to the peanut buying point. The conventional wagons require no additional equipment from producers to load. The current drying wagons are also assets to the peanut buying points which have a low liquidity since they can not be easily sold for cash due to their relatively fixed use capabilities as part of their design restraints. Another aspect that does not support the use of semi-trailers for transportation and hauling is the highly diversified landscape of Georgia. Although the semi-trailer transportation system may be ideal for Texas and its larger more uniformed farm structure, Georgia's agricultural structure can vary drastically in terms of farm structure (i.e. farm size, field size, field accessibility, irrigation availability, and proximity to existing peanut buying points and shelling plants). There are several possible solutions to the dilemma that peanut buying points face in transferring to a system that relies on semi-trailers for transportation rather than the conventional drying wagons.

An alternative for peanut buying points would be a partial conversion to semi-trailers. Some peanut buying points in Georgia are already exploring this route and are finding it to be very effective (Brown). In the case of a partial conversion, peanut buying points would still be able to capture some of the farmer stock peanuts produced in the close vicinity, smaller fields, and less accessible fields through the use of conventional wagons. In addition to the structure of the Georgia farms another determining factor that

could be used to the advantage of the Georgia peanut industry is the operators of peanut buying points. "The buying stations, operated largely by shellers, are sometimes located at the shelling plant" (Dubman). The ability of the shellers to operate the peanut buying point would indicate that the sheller could be in a position to incur the expenses of the necessary equipment to handle farmer stock peanuts with semi-trailers through the contracting of the farmer stock peanuts with the producer. If the sheller could transport the farmer stock peanuts in a more cost effective manner, theoretically the sheller would be able to offer the producer a contract for his farmer stock peanuts that would be more profitable to the producer if the fees for transportation were deducted from the resulting contract than the original contract which would require the producer to be responsible for delivery.

Under current regulations "farmers in the U.S. are required to market peanuts as identity preserved lots with less than or equal to 10.49% moisture content (MC) wet basis" (Blankenship). The lot identity would mean the peanuts would need to either stay on their trailers they came in on or be transferred to a batch drying system and dried before they could be graded, marketed and commingled. Due to the nature of the harvesting time frame custom trucking would be the first realistic option for transporting the farmer stock peanuts from the producer to the peanut buying point due to the fact that the majority of peanuts are harvested in a three to four week time frame and the bulk of the transportation would need to be done in this time frame. The remainder of the transportation depends on the destination of the farmer stock peanuts. After grading the peanuts can either be transported to approved warehousing or directly to a sheller. The handling in-fee received by peanut buying points for loan peanuts includes transportation

to approved storage but does not include the transportation from storage. The loading out of farmer stock peanuts from storage is paid by the producer or sheller for peanuts redeemed out of the loan or by the CCC if the farmer stock peanuts are forfeited to the loan. The transportation to the shelling plant will then be paid for by the shelling plant. The number of semi-trailers would be directly proportional to the number of farmer stock tons the peanut buying point would be expected to handle and the distance the farmer stock peanuts would be coming from in the given time.

Structure with High Moisture Grading

The subject of drying technology plays a crucial role in the operations of a peanut buying point. Currently peanut buying points must preserve lot identity until drying (<10.5 MC) which limits use of continuous flow dryers and alternative methods of inventory control requiring lot mixing prior to marketing (Blankenship). The curing process of continual flow drying could be used if farmer stock peanuts were not required to have the moisture content below 10.5%. "Grading peanut lots and allowing farmer marketing at MC>10.49% would remove this barrier and possibly provide more efficient curing and handling procedures" (Blankenship). Studies indicate that high moisture grading is a viable option that could be used in place of current grading practices. "Significant changes in the mean grade factors, LW (lot weight), and LV (lot value) would not result from grading at MC>10.49%. Farmer Stock grading at MC>10.49% as an option to current grading practices would increase harvest management capabilities but have no effect on current grading practices" (Blankenship).

Fixed Costs

Fixed cost account for 33% of the total costs of handling, drying, cleaning, and storing of farmer stock peanuts (Table 3.4). By restructuring the current peanut buying points some of these fixed costs may be reduced in order to lower the peanut buying points average cost of processing peanuts. The peanut buying points' need for semi-trailers for transportation and drying of farmer stock peanuts would only be for the harvest season. The fixed costs associated with owning semi-trailers can essentially be spread over the uses of transportation, drying and possible storage of farmer stock peanuts (Ertas). The storage would allow some returns on the investment through out most of the year. The initial cost of $10,500.00/trailer (Hill) would actually be less costly in terms of furnishing a new peanut buying point with the necessary number of semi-trailers as opposed to the corresponding number of new 14' and 21' wagons that would be necessary to handle the same amount of farmer stock peanuts. Table 4.1 was developed based on the survey responses which divulged the maximum handling capacity of those peanut buying points responding to the number of 14' and 21' wagons. The average maximum handling capacity of those responding was 9143 tons of farmer stock peanuts with an average of 92 14' wagons and 38 21'wagons. The capacity of 4 tons per 14' wagon and 7.5 tons per 21' wagon were used to determine the maximum amount of farmer stock peanuts that could be handled at one time (652 tons). By dividing the total maximum handling capacity by the number of tons that could be handled at one given time the number of trips each wagon would have to make to fulfill the handling capacity was determined to be 14. Fourteen trips would indicate that the wagons would average about one trip every two days for the approximately four week harvest season which

would allow for drying cleaning and grading of the necessary loads. The same two day turn around was used for the semi-trailers as well to determine the amount of semi-trailers at 20 tons/load the peanut buying point would require to handle the 9143 tons of farmer stock peanuts in the same time frame. The resulting number of semi-trailers needed would be thirty-three. In comparison if a new buying point were built using only semi-trailers as opposed to structuring its facility based on the current transportation structure the buying point could possibly save up to $5000.00/year on its depreciation costs and $12,380.00/year in interest.

Table 4.1 Number, Capacity, and Cost of the 14' and 21' Wagons Compared to Semi-Trailers Necessary to Handle 9143 Tons of Farmer Stock Peanuts

	14' Wagon	21' Wagon	Total	Semi-Trailer
Average Number Owned	92	38	130	33
Single Unit Capacity (Tons)	4	7.5	NA	20
Total Capacity (Tons)	367	285	652	660
Cost Per Wagon/Trailer	$3,150.00	$4,750.00	NA	$10,500.00
Total Cost	$289,800.00	$180,500.00	$470,300.00	$346,500.00
Depreciation (25 year schedule)	$11,592.00	$7,220.00	$18,812.00	$13,860.00
Interest (10%)	$28,980.00	$18,050.00	$47,030.00	$34,650.00

"With the new system (semi-trailers) approximately 3 times as much volume of peanuts can be cured in the same amount of time allowing a faster turnover without installing more units (drying units) (Ertas 2000). The values in Table 4.1 could be viewed as conservative estimates for savings due to the fact that the drying or curing turnover is much less using the semi-trailers resulting in fewer semi-trailers to actually handle the job. The need for these semi trailers capable of drying might be exclusive to the peanut industry and for that reason the peanut buying point would be required to own

the semi trailers. If the semi trailers were owned by the peanut buying point the normal industry practice is for the custom truckers to forfeit 10% of their gross revenue from the trucking freight (Parker). Depending upon the contract or arrangement with the peanut buying point or sheller the producer will be essential paying the cost of transportation unless the costs are absorbed in the contract price. The freight rates for independent truckers can be seen in Table 4.2 (Parker). Table 4.2 does not include the 10% deduction for peanut buying points maintaining the ownership of the semi-trailers.

Table 4.2 Distances in Miles and the Associated Freight Rate for Trucking

Distance (Miles)	Freight Rate ($/Ton)
0-10	$6.00
11-20	$6.60
21-30	$7.10
31-40	$7.70
41-50	$8.20

The freight rates would be the responsibility of the producer. The responsibility of the producer to cover the costs of transportation would alleviate the need for peanut buying points to own the semi-trucks. Although the depreciation costs could decrease with the introduction of the semi-trailers, some peanut buying points are not currently capable of handling semi-trailers. Some semi-trailers required transfer into new trailers for farmer stock peanuts which need to be transported over the road to warehouses out of the area (Ertas 1999). If the semi-trailer must be unloaded at the peanut buying point a lift would be required at additional costs.

The next option to lower the average cost of processing a ton of farmer stock peanuts through the peanut buying points is the revamping of current Federal State Inspection Service grading practices. Currently Georgia peanut buying points are required to purchase and maintain the grading equipment as the Federal State Inspection

Service sees fit (Ingram). The Federal State Inspection Service charges the peanut buying point $5.25/ton for every ton of peanuts that come into the peanut buying point and an additional $5.25/ton for every ton that comes out of any warehouse (Ingram). Although the peanut buying point pays a nominal fee of $5.25/ton for grading fees to the Federal State Inspection Service the peanut buying point is also responsible for any overtime worked by the Federal State Inspection staff (West). By paying the nominal fees and the overtime the peanut buying point is essentially being charged double for the tons of farmer stock peanuts graded after the staff has satisfied its forty hour work week.

The last option is the availability of new drying technology under current grading and marketing practices is batch drying in which lot identity is maintained. On average in Georgia 90% of farmer stock peanuts brought into a peanut buying point require drying to meet the moisture content below 10.5(West). Although drying is charged separate from the handling fees and directly to the producer it is one of the determining factors in the depreciation expenses tied to the number of drying wagons or semi-trailers and the number of drying units required by peanut buying points to maintain a steady flow of wagon or semi-trailer availability.

As previously discussed in this section semi-trailers can use the same drying units while holding a much larger amount of tonnage and resulting in a faster turnover. While the current market system requires the <10.5% MC for grading and marketing of farmer stock peanuts, there are other alternative that have been researched. The feasibility of a two-stage batch dryer for curing farmer stock peanuts was tested. The batch dryer was constructed from a 7.3-m diameter grain bin and contained two sections capable of drying approximately 20-22 tons of in-shell farmer stock peanuts a piece (Keller). The two-

stage batch dryer could hold in essence 2 semi-trailers at one time for a total of 40-44 tons of farmer stock peanuts. The results from the test conducted showed a lowering of the natural gas consumption at a throughput rate equivalent to three conventional drying units; however, due to the oversized fans, the two-staged batch dryer used more electrical energy than the conventional dryers (Butts). The cost of building the prototype two-stage batch dryer was around $90,000.00 but the cost could be reduced significantly if the two-stage batch dryer were mass produced (Keller). In order to compare the possible savings from the two-stage batch dryer a model would need to be developed that could account for the number of these two-stage batch drying systems a peanut buying point would require to match its capacity using its wagons or semi-trailers along with the energy consumed under both scenarios as well as the comparison of labor and other fixed assets required to operate under each system and their respective costs.

Direct Costs

Direct cost account for 67% or approximately two-thirds of the current representative peanut buying points cost to process a farmer stock ton of peanuts through the first buyer including the storage of 5,000 tons of farmer stock peanuts. It must be noted that every peanut buying point operates slightly different but most peanut buying points offer the services of cleaning and drying because the farmer stock peanuts are not currently allowed to be graded above 10.49% moisture content and farmer stock peanuts with the foreign material content above 10% must be cleaned. Both conditions of proper moisture and foreign material must be met before the farmer stock peanuts can be graded and marketed. Therefore, peanut buying points provide these service although they are charged to the producer separate from any handling and storage fees.

While direct cost of the 69% efficient operation accounts for about 67% of the total cost, labor accounts for about 22% itself. Natural gas accounts for 6% of the cost with the drying services. Electricity and tractor leases account for about 2% of the total cost. Those responding to the survey also indicated they had an average hauling expense that account for 4% of their cost per ton. This could be attributed mostly in part to the hauling of farmer stock peanuts to approved storage facilities.

The results from this study indicate that the cost of labor, natural gas, tractor leases, electricity, and hauling expenses could be reduced through several different forms of new technology. By incorporating semi-trailers into the process for hauling, drying and even storing farmer stock peanuts, the peanut buying point could reduce its labor costs by requiring less seasonal labor to handle fewer but bigger loads and likewise require less management to oversee fewer loads requiring curing and transferring. By reducing the number of loads handled it would be possible to decrease the number of tractors necessary to manage loads hence reducing tractor lease payments. "Using the semi-trailer system, the curing facility was also able to save on the cost of time and the cost of mechanical losses due to handling peanut being transferred" (Ertas). In order to save money on the hauling cost loads being stored in local warehouses could be transferred in the drying trailers (Ertas).

There has been no research that would indicate the two-stage batch dryer is in a position in its development to be cost effective in curing peanuts although it does show some promise. The two-stage batch dryer might also be more applicable if high moisture grading were implement to allow more flexibility to the curing facility for managing and commingling different farmer stock peanut lots.

CHAPTER 5

SUMMARY AND CONCLUSIONS

Agriculture in the State of Georgia has been and continues to be a critical component in its economic development with one of its key contributions coming from peanuts. Georgia produces about 1.3 billion pounds of peanuts per year which ranks 1st in the nation among states. However, even with the continued success of the peanut industry it has not come without extensive and continual debate. The latest debate in the peanut industry entailed the abolishment of the quota system in efforts to reach a more market oriented program that would increase domestic producer's ability to compete in the global economy. With the inception of the Farm Security and Rural Investment Act of 2002 many questions were left unanswered as to how the new peanut program would operate including how the peanuts would be handled after leaving the farm gate. One of the areas in the peanut industry that found itself in a new position was the peanut buying points. The peanut buying points had been reliant upon shellers to pay higher handling fees which helped to offset the lower handling fees paid by the CCC for peanuts handled for the CCC loan. The storage fees paid for storage of the CCC loan peanuts were actually higher than the storage fees paid by the commercial sector over the life of the storage. The fees that were paid by the CCC for loan handling and storage was one of the most debated issues of the new peanut program because the payment levels were not believed to be adequate to sustain current operations of peanut buying points in Georgia.

Due to limited research, a reference point needed to be established to quantify the position Georgia peanut buying points faced. A survey was sent to all existing Georgia

peanut buying points listed with the Federal State Inspection Service in order to collect information on their operations in order to build a representative model of Georgia peanut buying points. The representative peanut buying point model was used as a reference point to examine the position the buying points were in under the 1996 Fair Act and the 2002 Farm Security and Rural Investment Act. This representative peanut buying point was also utilized to examine the potential impact from changing the percentages of peanuts handled and stored for the CCC loan. Other options such as the incorporation of available technology in increasing the viability of Georgia peanut buying points was examined to determine if there could be more efficient means of handling, cleaning, drying and storing of farmer stock peanuts.

The methodology was presented as to how the survey was developed and how it was distributed. The survey was developed in a manner to determine aspects of the peanut buying point operations including structure, fixed costs, and direct costs.

The structure section of the survey determined the number of peanut buying points being built has steadily declined from 1975 with zero peanut buying points built in the last 15 years. This indicates a saturated sector were there is no more room for additional peanut buying points, or a sector in which profits from peanut buying points are so low that there is no incentive for entry into the peanut buying point sector. The results on renovations made to existing peanut buying points indicate a gradual updating of equipment and resources. Furthermore, these results indicate that the current buying points are unique in their structure with every peanut buying point having a different schedule for updating needed equipment.

The representative peanut buying point was built equipped to offer cleaning and drying services. The resulting representative peanut buying points had the capacity to handle 8,432 tons of farmer stock peanuts but only handled 5,818 tons which implies operating at 69% of economic capacity. Handling fees were $20/ton for loan and $38.65/ton for commercial use peanuts in 2001. The percentage of loan peanuts handled was 27%. The percentage of loan peanuts stored was 19%. The storage fees were $2.73/ton/mo. for an average of 6 months for loan peanuts and $2.27/ton/mo. for an average of 5 months for commercial peanuts. Drying charges were $15/ton with an average of 90 percent of the peanuts handled requiring drying. Cleaning charges were $10/ton with an average of 50 percent of the peanuts requiring cleaning. Direct costs account for about 67 percent of the total cost of the representative Georgia peanut buying point, while fixed costs account for the other 33 percent of cost.

Peanut buying points have the potential capability to increase their profits if they increase the efficiency of their economic handling capacity. To address this potential the representative Georgia peanut buying point was analyzed at two higher levels of economic efficiency (i.e., 80% and 95%) as well as the original level of 69 percent. Overall, profits did increase when the level of economic capacity increased. Each economic capacity level alternative for the representative Georgia peanut buying point was analyzed under three different handling and loan fee scenarios. The first scenario was the commercial and loan handling and storage fees from the 1996 Fair Act and was used during the 2001 crop year. The profits from this scenario range from -$.23/ton at the 69 percent economic capacity levels to $4.45/ton at the 95 percent levels. The second scenario assumed the loan handling and storage fees to be the CCC announced 2002 crop

year fees. The 2002 commercial handling and storage fees are equivalent to the 2001 commercial fees. The percentage of peanuts handled for commercial and loan purposes will be different from the 2001 and prior crop years. The new peanut program allows shellers to position themselves with substantially more flexibility in respect to ownership of the farmer stock peanuts. Shellers can still forward contract with growers just like under the 1996 Fair Act. However, the redemption cost of purchasing peanuts out of the CCC loan was changed significantly. Now, shellers can concentrate on the delivery of the farmer stock peanuts needed to satisfy their current demand necessary for their current operations while avoiding any unnecessary up front cost associated with the handling and storage of commercial use peanuts by purchasing farmer stock peanuts out of the loan as they are needed. The results from the second scenario were based on industry records for the percentage of peanuts handled and stored for the CCC loan (i.e., 70%) versus commercial (i.e., 30%). The profits for this scenario ranged from $2.20/ton under the 69 percent economic capacity alternative to $5.21/ton under the 95 percent alternative. The final scenario included the 2002 fee structure as used in the prior scenario but the 2002 Federal State Inspection Service records were used to determine the percentage of peanuts handled and stored for the CCC loan (i.e., 61%) versus the commercial (i.e., 39%). Profits from this last scenario ranged from $2.13/ton under the 69 percent economic capacity alternative to $5.42/ton under the 95 percent alternative. The peanut buying points are in a more profitable position under the 2002 Farm Security and Rural Investment Act until the year 2006 when the CCC will no longer pay handling and storage fees. The profitability increased because the CCC increase their loan handling fees while commercial shellers did not lower their fees for handling and storage.

The resulting profits can be put into perspective by determining the actual return on investment this representative peanut buying point is making.

The Return on Investment (ROI) for the representative Georgia peanut buying point in 2001 ranged from a -0.17 percent at the 69 percent economic capacity alternative to 4.41 percent at the 95 percent economic handling capacity alternative. The two 2002 scenarios were slightly higher for the return on investment ranging from 1.53 percent to 5.37 percent. However, none of these ROI's offered a truly enticing business opportunity given the level of returns was below what one could obtain in a 30 year U.S. treasury bond of about 4.9 percent.

Georgia peanut buying points need to know what they can look forward to in the future. The position of Georgia peanut buying points in the future depends largely in part on the percentage of peanuts handled and stored for the CCC loan. The same levels of economic capacity alternatives were used to analyze the sensitivity of the representative Georgia peanut buying point under varying percentages of peanuts handled and stored for the CCC loan. The average cost per ton was constant across each percentage of peanuts handled and stored for the CCC loan but decreased as the economic capacity alternatives increased because the fixed costs were being spread over a larger number of tons.

The profit for the representative Georgia peanut buying point was positive for all alternative economic capacity levels and percent of peanuts handled and stored for the CCC loan. The profits range from $1.71/ton under the 0 percent CCC loan scenario with a 69 percent economic handling capacity to $6.85/ton under the 0 percent CCC loan scenario with a 95 percent economic handling capacity. The profits range from $2.40/ton under the 100 percent CCC loan scenario with a 69 percent economic handling capacity

to $4.51/ton under the 100 percent CCC loan scenario with a 95 percent economic handling capacity. Although all of these profits are positive, most businesses require a certain level of return on their investment. The return on the market value of the initial capital investment was used to determine what the representative Georgia peanut buying point's ROI would be under each alternative and scenario. The 69 percent economic capacity alternative started with a 1.23 percent ROI but never exceeded 1.73 percent ROI. The highest ROI came from the 95 percent economic handling capacity alternative. The ROI started at 4.46 percent but never exceeded 6.78 percent. Even the optimum operating conditions yield a rate comparable to a 30 year U.S. treasury bond.

The purpose of analyzing the characteristics and returns of a potential peanut buying point is to explore the possible alternative of making peanut buying points more efficient instead of increasing fees paid for inefficient uses of resources. The main contributor to the total cost is labor accounting for 22% of the total cost. This research shows some of the alternatives available to lower these direct costs as well as reducing some of the fixed cost in the long run. Structural changes that can lead to these reduced costs include the conversion or partial conversion to semi-trailers for hauling and drying of farmer stock peanuts. Semi-trailers have proven to be more efficient by requiring less labor due to the increase in load size, requiring fewer drying units, and requiring less transferring of peanuts to other transportation methods. Semi-trailers can also increase the range of service by peanut buying points up to 40 miles.

Technology is also available in drying systems in the form of batch dryers as well as continual flow dryers. Batch dryers use a method of heating and then steeping (cooling). The higher temperatures and shorter exposures allow the external portion of

the peanut to dry without placing internal stress on the product in effect lessening the drying time without damaging the quality. The steeping process is required after the heat exposure to allow time for the moisture to migrate from the inside out. Although at this stage the two-stage batch dryer does not seem to be a viable option for reducing costs, it could be in the future if the cost of the drying equipment was drastically lowered and high moisture grading were implemented allowing for more management options of peanut lots that could be commingled to be dried. The final option is the continual flow dryer but in order for this to be an option high moisture grading would have to be implemented to allow proper management of the multiple moisture levels of farmer stock peanuts. The continual flow and batch drying systems can also allow for more control of the air velocity, resident time, product depth, air temperature, and product temperature essentially limiting the inefficient uses of valuable resources.

Limitations of Research

The research that was conducted does have some limiting factors. Factors that limited the research were due to the inability to attain information from all Georgia peanut buying points, the structure of the survey questions to determine the individual cost of handling, storage, cleaning and drying, limited information available for the effectiveness and efficiency of alternative structures and practices that might lower the average cost of handling, storing, drying and cleaning peanuts.

The limitation on information about current peanut buying points in operation at the time of the survey was due mostly in part to the lack of cooperation from Georgia peanut buying points in filling out the survey. The 172 Georgia peanut buying points that were given the opportunity to respond to the survey only resulted in a usable response

rate of 9 percent (i.e., 15 usable surveys). If more Georgia peanut buying points were convinced to respond in an accurate fashion then the representative Georgia peanut buying point that was built may have had a slightly different structure. However, the responding surveys were felt to give a fairly accurate depiction of the average Georgia peanut buying point structure.

The information that was obtained through the survey could have also been more accurate as to the costs and income associated with each individual service rendered by the peanut buying point. Questions in the survey should have focused on the amount of peanuts that required the services of cleaning and drying as well as the cost to the peanut buying point for rendering these services and the fee structure charged to the producer for each. By separating the costs and income from the services of cleaning and drying a more accurate account of the actual costs of handling and storage could have been assessed. The ability to separate these costs would still be difficult for peanut buying point managers to assign to the service that was rendered. Peanut buying point managers would also need to be asked to assign direct costs separately to handling and storage services. By determining a more accurate accountability of the costs associated with each separate service, modifications to the commercial and CCC loan fees would be more easily able to determine the impact on a peanut buying point regardless of the commercial or CCC loan status.

There are also limiting factors in the availability of alternative technology for lowering the average cost of handling, storing, cleaning, and drying of peanuts. There are some alternatives that have the ability to lower the average cost of processing the farmer stock peanuts from the producer through the peanut buying point to the sheller but

cooperation between researchers, peanut buying points, producers, shellers, equipment manufacturers and government policy have made these options almost non-existent. The communication between these six groups is in need of a severe restructuring. Researchers have made efforts to prove that different practices such as the use of semi-trailers for hauling and drying can be used to lower some of the average costs associated with handling and drying peanuts. Producers in Texas have shown ways to decrease foreign material in their transfer methods from the field to the semi-trailers, but in Georgia many producers are reluctant to convert to the equipment necessary to load semi-trailers because they still have the option to dump directly on to wagons for which they need no other equipment. Georgia peanut buying points are reluctant to convert to semi-trailers because of the capital they have invested in peanut wagons.

Another option to lowering the average cost of drying is to convert to continual flow or batch dryers. Again a lack of communication and willingness to work together has stunted the growth in this area. In order to make continual flow or batch driers a viable option that would allow peanut buying points more options to manage their loads, a new grading system would need to be enacted which requires governmental approval. Currently, lot identity must be preserved until they can be dried before grading. If high moisture grading were implemented the lots could be graded which would correct the weight and quality based on the moisture content and weighed as they come into the peanut buying point and then sent to the necessary drier for curing. However, researchers have been unable to convey the validity and need for such a system. Due to the unwillingness of those involved to push for a high moisture grading system, equipment manufacturers are forced to invest minimal capital into the development of drying

systems that would be capable of helping to achieve a more efficient infrastructure for Georgia peanuts.

Future Direction

The future direction should include a more comprehensive look into the actual cost of each separate service rendered by the peanut buying points and the income received for each service. There is a great need to try and observe and quantify these services in order to determine the future structure of peanut buying points and the role they will be required to play in processing peanuts from the producer level to the sheller.

An increasing number of peanut buying points have direct ties to shelling plants, whether the peanut buying points are owned by the shelling plant or have some binding contract with them. The question then becomes what true purpose do peanut buying points serve. In the past, more peanut buying points were required because they had a limited radius they could serve due to their limited transportation ability. Now, as technology advances and transportation capabilities increase the radius is continually expanding. Will these peanut buying points be needed in the future? Cooperation among producers and peanut buying points could eventually lead to more efficient delivery of peanuts through systems similar to that of the current dairy system. Semi-trailers could be sent to multiple producer fields to gather what peanuts were available at the time if some form of lot identity were maintained through grading at the field or separation of lots with an internal bladder system inside the semi-trailers.

The fact of the matter is that the peanuts have to fall within a certain level of moisture before they can be stored or shelled and this will cost money but how can it be accomplished in the most cost effective manner. A study should be done to determine if

producers could profit from onsite cleaning and drying before sending their peanuts to a shelling plant or storage and alleviate the need for a peanut buying point. Another area that could be examined would be the number of peanut buying points it would take to service the state of Georgia given the available technology (i.e., what is the diameter a peanut buying point could service before the costs exceed the income).

The last area that could be altered would be a restructuring of the grading system by the Federal State Inspection Service. The grading system currently in place calls for the grading of farmer stock peanuts by Federal State Inspection Service employees at the peanut buying point which is charged to the peanut buying point. The peanut buying point is also required to maintain the grading facility and equipment for the Federal State Inspection Service as well as paying any over time for employees which grade peanuts over the standard forty hour work week. By being required to pay for the over time of FSIS employees the peanut buying points are essentially paying to have the peanuts graded twice because they are still charged the mandatory $5.25/ton in addition to the over time.

Grading systems could also be improved to the point they could be implemented in the field. By grading in the field approved lots for moisture and chemical content could be sent directly to shelling plants or approved storage. This would eliminate any unnecessary handling of the peanuts and reduce the direct cost associated with the process. Even if lots were shown to have excess moisture they could be sent to the necessary stage in continual flow or batch driers to be commingled for the minimal drying time.

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APPENDIX 1

PEANUT BUYING POINT EFFICIENCY MODEL SURVEY

This survey is an intricate piece of a research study titled "An Analysis of the Structure and Efficiency of Peanut Buying Points in Georgia." This study is being conducted by Lewis Webb, graduate student with the University of Georgia in the Department of Ag. And Applied Economics, under the direction of Dr. Stanley Fletcher, professor in the Department of Agriculture and Applied Economics of the University of Georgia. The following survey will be asking questions pertaining to your individual buying point operation and we ask that you answer them as truthfully as possible. The purpose of this research is to determine if any new technological advances in hauling, drying, grading, or any other practices might be incorporated in the buying point operation to lower the marginal cost of handling peanuts.

Please take 10 to 20 minutes to fill out the corresponding survey and return it in the enclosed metered envelope. Response is confidential and voluntary. Follow-up personal interviews may be necessary and are again voluntary. Response timing is crucial in order to ensure the proper measures are taken to preserve the future of Peanut Buying Points in the Southeast under new Federal mandates.

All responses are voluntary and confidential. If at anytime respondents wish to retract their information from the study, they may do so by contacting one of the persons listed on the following contact page. Information will be destroyed or returned upon request. In addition, all survey response information gathered will be destroyed in 2005. Any questions or comments concerning this survey may be directed to the contacts on the following page. Results will be made available to all participants prior to publication. If you do not wish to respond, please return the blank survey. This survey cover is yours to keep for future references the principal investigators and their contact information are listed on the following side.

For questions or problems about your rights please call or write: Chris A. Joseph, Ph.D., Human Subjects Office, University of Georgia, 606A Boyd Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706) 542-6514; E-Mail Address IRB@uga.edu.

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PEANUT BUYING POINT EFFICIENCY MODEL SURVEY
2002

1. What year was this buying point originally constructed? ____

2. What was its original design capacity? ____

3. When was the latest major renovation done? ____

4. What is the maximum on-site storage capacity? Warehouses ____
   Bins ____

5. What is the maximum handling capacity today? ____

6. What was the tonnage of throughput for 2000? ____

7. What was the tonnage of throughput for 2001? ____

8. What percent of the total peanuts received are irrigated? ____

9. What are your handling commission fees (in and out)? GFA? ____
   Commercial? ____

10. What is the commercial rate for peanut storage? ____

11. What is the rate for storage of GFA loan peanuts? ____

12. How many dryers does this buying point have? 5hp ____
    Avg. age? ____
    10hp ____
    Avg. age? ____

13. Please list with a brief explanation any other drying techniques.

1.)_____

_____

2.)_____

_____

14. Please list the tractors owned and leased by the operation.

TRACTOR (MODEL) INCLUDE YEAR	OWNED ☑	LEASE TERM	HP RATING	PERCENT ALLOCATED TO BUYING POINT OPERATION

15. List all other vehicles owned or leased by the operation.

MODEL INCLUDE YEAR	OWNED ☑	LEASE TERM	PERCENT ALLOCATED TO BUYING POINT OPERATION ONLY

16. Do you segregate between loan and commercial storage? ☐

(If no skip to question 19)

17. What percent of your storage are loan peanuts? ☐

18. What is your avg. storage time (in days)? Loan peanuts ☐

Commercial peanuts ☐

19. What additional services beyond taking producer peanuts does this buying point take part in (i.e. cleaning peanuts for seed, selling of chemicals etc.)?

1.)_____

2.)_____

3.)_____

4.)_____

5.)_____

20. Who is the main owner of this operation (circle one)?

a.) Private ownership b.) Cooperative c.) Sheller

d.) Other (please specify) _____

21. Is the buying point leased from a sheller? ☐

22. Variable costs.

EXPENSE	NUMBER	RATE	ANNUAL COST	% USED FOR BUYING POINT ONLY
ELECTRICITY				
NATURAL GAS				
WATER				
DESIEL FUEL				
GAS FUEL				
MANAGEMENT				
CLERICAL				
SEASONAL LABOR				
OTHER FULLTIME EMPLOYEES				
OFFICE SUPPLIES				
PHONE BILL				
HAULING EXPENSE				
REPAIR BUDGET				
MISCELLANEOUS				

20. Lists Fixed Costs.

ITEM		YEAR CONSTRUCTED OR PURCHASED	PURCHASE PRICE	MARKET VALUE	CONDITION (POOR, FAIR, GOOD, EXCELLENT)	% FOR BP ONLY
WARE-HOUSES	1					
	2					
	3					
MAIN OFFICE						
GRADING FACILITIES						
GRADING EQUIPE-MENT						
CLEANING FACILITY						
TRANSFER STATION						
DRYING SHEDS						
PNUEMATIC SAMPLER	1					
	2					
SCALES						
14' TRAILERS						
21' TRAILERS						
28' TRAILERS						
SEMI-TRAILERS						

21. Fixed costs (cont.)

ITEM	ANNUAL COST	% ALLOCATED TO BUYING POINT ONLY
PAYROLL TAXES		
PROPERTY TAXES		
HEALTH INSURANCE		
GENERAL INSURANCE		
DEPRECIATION		
MISCELLANEOUS		

Contact Information

Contact name(s) _____

_____

Buying Point Name _____

Address _____

_____

Phone Number _____

APPENDIX 2

FIXED AND DIRECT COST FOR THE EXISTING REPRESENTATIVE GEORGIA PEANUT BUYING POINT AND THE PERCENTAGE OF TOTAL COST

Direct Costs:			
Total Direct Labor	$ 82,849.46	$ 14.24	21.84%
Insurance	$ 9,192.57	$ 1.58	2.42%
Tractor Leases	$ 7,098.06	$ 1.22	1.87%
Vehicle Leases	$ 4,370.06	$ 0.75	1.15%
Office Supplies	$ 1,861.79	$ 0.32	0.49%
Hauling Expenses	$ 16,057.90	$ 2.76	4.23%
Diesel Fuel	$ 2,210.87	$ 0.38	0.58%
Gasoline	$ 1,855.97	$ 0.32	0.49%
Grading Fee In	$ 30,544.50	$ 5.25	8.05%
Grading Fee Out	$ 26,250.00	$ 5.25	6.92%
Repair Budget	$ 18,210.59	$ 3.13	4.80%
Miscellaneous	$ 5,643.54	$ 0.97	1.49%
Warehouse Fumigation	$ 15,000.00	$ 3.00	3.95%
Utilities:			
Phone Bill	$ 1,541.79	$ 0.27	0.41%
Electricity	$ 9,338.02	$ 1.61	2.46%
Natural Gas	$ 21,963.25	$ 3.78	5.79%
Water	$ 477.08	$ 0.08	0.13%
Total Other Direct Costs:	$ 254,465.44	$ 43.74	67.09%
Fixed Costs			
(Depreciation)	$ 23,790.03	$ 4.09	6.27%
(Taxes)Payroll&Property	$ 20,077.66	$ 3.45	5.29%
(Interest)	$ 80,972.00	$ 13.92	21.35%
Total Fixed and Direct Costs	$ 379,305.13	$ 65.19	100.00%

APPENDIX 3

REPRESENTATIVE GEORGIA PEANUT BUYING POINT
69% ECONOMIC CAPACITY ALTERNATIVE
2001 SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	5,818	tons
On-Site Storage Capacity	5,000	tons	Efficiency	69%	%of Economic Capacity
Loan Handling Fee In	$ 12.00	$/ton	Peanuts Handled	5,818	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	27%	Percent
CCC Storage Fee	$ 2.73	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	19%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 29,090.40	$ 5.00
Drying	$ 78,544.08	$ 13.50
Handling	$ 195,571.85	$ 33.61
Storage	$ 61,528.50	$ 12.31
Total Income	$ 364,734.83	$ 62.69
Direct Costs:		
Total Direct Labor	$ 82,849.46	$ 14.24
Insurance	$ 9,192.57	$ 1.58
Tractor Leases	$ 7,098.06	$ 1.22
Vehicle Leases	$ 4,370.06	$ 0.75
Office Supplies	$ 1,861.79	$ 0.32
Hauling Expenses	$ 16,057.90	$ 2.76
Diesel Fuel	$ 2,210.87	$ 0.38
Gasoline	$ 1,855.97	$ 0.32
Grading Fee In	$ 22,297.49	$ 5.25
Grading Fee Out	$ 21,262.50	$ 5.25
Repair Budget	$ 18,210.59	$ 3.13
Miscellaneous	$ 5,643.54	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.58
Utilities:		
Phone Bill	$ 1,541.79	$ 0.27
Electricity	$ 9,338.02	$ 1.61
Natural Gas	$ 21,963.25	$ 3.78
Water	$ 477.08	$ 0.08
Total Other Direct Costs:	$ 241,230.92	$ 41.46
Gross Profit/(Loss)	$ 123,503.91	$ 21.23
(Depreciation)	$ 23,790.03	$ 4.09
(Taxes)Payroll&Property	$ 20,077.66	$ 3.45
(Interest)	$ 80,972.00	$ 13.92
Net Profit/(Loss) Before Income Tax	$ (1,335.78)	$ (0.23)
Total Direct and Fixed Cost per Ton		$ 62.92
TOTAL CAPITAL COSTS	$ 809,720.00	$ 139.17
Returns To Investments	-0.16%	

APPENDIX 4

REPRESENTATIVE GEORGIA PEANUT BUYING POINT
69 % ECONOMIC CAPACITY ALTERNATIVE
2002 SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	5,818	tons
On-Site Storage Capacity	5,000	tons	Efficiency	69%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	5,818	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	70%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	70%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 29,090.40	$ 5.00
Drying	$ 78,544.08	$ 13.50
Handling	$ 210,513.17	$ 36.18
Storage	$ 73,935.00	$ 14.79
Total Income	$ 392,082.65	$ 67.39
Direct Costs:		
Total Direct Labor	$ 82,849.46	$ 14.24
Insurance	$ 9,192.57	$ 1.58
Tractor Leases	$ 7,098.06	$ 1.22
Vehicle Leases	$ 4,370.06	$ 0.75
Office Supplies	$ 1,861.79	$ 0.32
Hauling Expenses	$ 16,057.90	$ 2.76
Diesel Fuel	$ 2,210.87	$ 0.38
Gasoline	$ 1,855.97	$ 0.32
Grading Fee In	$ 30,544.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 18,210.59	$ 3.13
Miscellaneous	$ 5,643.54	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.58
Utilities:		
Phone Bill	$ 1,541.79	$ 0.27
Electricity	$ 9,338.02	$ 1.61
Natural Gas	$ 21,963.25	$ 3.78
Water	$ 477.08	$ 0.08
Total Other Direct Costs:	$ 254,465.44	$ 43.74
Gross Profit/(Loss)	$ 137,617.21	$ 23.65
(Depreciation)	$ 23,790.03	$ 4.09
(Taxes)Payroll&Property	$ 20,077.66	$ 3.45
(Interest)	$ 80,972.00	$ 13.92
Net Profit/(Loss) Before Income Tax	$ 12,777.52	$ 2.20
Total Direct and Fixed Cost per Ton		$ 65.19
TOTAL CAPITAL COSTS	$ 809,720.00	$ 139.17
Returns To Investments	1.58%	

APPENDIX 5

REPRESENTATIVE GEORGIA PEANUT BUYING POINT
69% ECONOMIC CAPACITY ALTERNATIVE
2002b SCEANARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	5,818	tons
On-Site Storage Capacity	5,000	tons	Efficiency	69%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	5,818	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	61%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	61%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 29,090.40	$ 5.00
Drying	$ 78,544.08	$ 13.50
Handling	$ 212,358.89	$ 36.50
Storage	$ 71,725.50	$ 14.35
Total Income	$ 391,718.87	$ 67.33
Direct Costs:		
Total Direct Labor	$ 82,849.46	$ 14.24
Insurance	$ 9,192.57	$ 1.58
Tractor Leases	$ 7,098.06	$ 1.22
Vehicle Leases	$ 4,370.06	$ 0.75
Office Supplies	$ 1,861.79	$ 0.32
Hauling Expenses	$ 16,057.90	$ 2.76
Diesel Fuel	$ 2,210.87	$ 0.38
Gasoline	$ 1,855.97	$ 0.32
Grading Fee In	$ 30,544.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 18,210.59	$ 3.13
Miscellaneous	$ 5,643.54	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.58
Utilities:		
Phone Bill	$ 1,541.79	$ 0.27
Electricity	$ 9,338.02	$ 1.61
Natural Gas	$ 21,963.25	$ 3.78
Water	$ 477.08	$ 0.08
Total Other Direct Costs:	$ 254,465.44	$ 43.74
Gross Profit/(Loss)	$ 137,253.43	$ 23.59
(Depreciation)	$ 23,790.03	$ 4.09
(Taxes)Payroll&Property	$ 20,077.66	$ 3.45
(Interest)	$ 80,972.00	$ 13.92
Net Profit/(Loss) Before Income Tax	$ 12,413.74	$ 2.13
Total Direct and Fixed Cost per Ton		$ 65.19
TOTAL CAPITAL COSTS	$ 809,720.00	$ 139.17
Returns To Investments	1.53%	

APPENDIX 6

REPRESENTATIVE GEORGIA PEANUT BUYING POINT
80% ECONOMIC CAPACITY ALTERNATIVE
2001 SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	6,746	tons
On-Site Storage Capacity	5,000	tons	Efficiency	80%	%of Economic Capacity
Loan Handling Fee In	$ 12.00	$/ton	Peanuts Handled	6,746	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	27%	Percent
CCC Storage Fee	$ 2.73	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	19%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 33,728.00	$ 5.00
Drying	$ 91,065.60	$ 13.50
Handling	$ 226,749.97	$ 33.61
Storage	$ 61,528.50	$ 12.31
Total Income	$ 413,072.07	$ 61.24
Direct Costs:		
Total Direct Labor	$ 96,057.34	$ 14.24
Insurance	$ 10,658.05	$ 1.58
Tractor Leases	$ 8,229.63	$ 1.22
Vehicle Leases	$ 5,066.74	$ 0.75
Office Supplies	$ 2,158.59	$ 0.32
Hauling Expenses	$ 18,617.86	$ 2.76
Diesel Fuel	$ 2,563.33	$ 0.38
Gasoline	$ 2,151.85	$ 0.32
Grading Fee In	$ 35,416.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 21,113.73	$ 3.13
Miscellaneous	$ 6,543.23	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.22
Utilities:		
Phone Bill	$ 1,787.58	$ 0.27
Electricity	$ 10,826.69	$ 1.61
Natural Gas	$ 25,464.64	$ 3.78
Water	$ 553.14	$ 0.08
Total Other Direct Costs:	$ 288,458.89	$ 42.76
Gross Profit/(Loss)	$ 124,613.18	$ 18.47
(Depreciation)	$ 23,790.03	$ 3.53
(Taxes)Payroll&Property	$ 20,077.66	$ 2.98
(Interest)	$ 80,972.00	$ 12.00
Net Profit/(Loss) Before Income Tax	$ (226.51)	$ (0.03)
Total Fixed and Direct Cost per Ton		$ 61.27
TOTAL CAPITAL COSTS	$ 809,720.00	$ 120.04
Returns To Investments	-0.03%	

APPENDIX 7

REPRESENTATIVE GEORGIA PEANUT BUYING POINT
80% ECONOMIC CAPACITY ALTERNATIVE
2002 SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	6,746	tons
On-Site Storage Capacity	5,000	tons	Efficiency	80%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	6,746	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	70%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	70%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 33,728.00	$ 5.00
Drying	$ 91,065.60	$ 13.50
Handling	$ 239,609.47	$ 35.52
Storage	$ 73,935.00	$ 14.79
Total Income	$ 438,338.07	$ 64.98
Direct Costs:		
Total Direct Labor	$ 96,057.34	$ 14.24
Insurance	$ 10,658.05	$ 1.58
Tractor Leases	$ 8,229.63	$ 1.22
Vehicle Leases	$ 5,066.74	$ 0.75
Office Supplies	$ 2,158.59	$ 0.32
Hauling Expenses	$ 18,617.86	$ 2.76
Diesel Fuel	$ 2,563.33	$ 0.38
Gasoline	$ 2,151.85	$ 0.32
Grading Fee In	$ 35,416.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 21,113.73	$ 3.13
Miscellaneous	$ 6,543.23	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.22
Utilities:		
Phone Bill	$ 1,787.58	$ 0.27
Electricity	$ 10,826.69	$ 1.61
Natural Gas	$ 25,464.64	$ 3.78
Water	$ 553.14	$ 0.08
Total Other Direct Costs:	$ 288,458.89	$ 42.76
Gross Profit/(Loss)	$ 149,879.18	$ 22.22
(Depreciation)	$ 23,790.03	$ 3.53
(Taxes)Payroll&Property	$ 20,077.66	$ 2.98
(Interest)	$ 80,972.00	$ 12.00
Net Profit/(Loss) Before Income Tax	$ 25,039.49	$ 3.71
Total Fixed and Direct Cost per Ton		$ 61.27
TOTAL CAPITAL COSTS	$ 809,720.00	$ 120.04
Returns To Investments	3.09%	

APPENDIX 8

REPRESENTATIVE GEORGIA PEANUT BUYING POINT
80% ECONOMIC CAPACITY ALTERNATIVE
2002b SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	6,746	tons
On-Site Storage Capacity	5,000	tons	Efficiency	80%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	6,746	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	61%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	61%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 33,728.00	$ 5.00
Drying	$ 91,065.60	$ 13.50
Handling	$ 242,323.35	$ 35.92
Storage	$ 71,725.50	$ 14.35
Total Income	$ 438,842.45	$ 65.06
Direct Costs:		
Total Direct Labor	$ 96,057.34	$ 14.24
Insurance	$ 10,658.05	$ 1.58
Tractor Leases	$ 8,229.63	$ 1.22
Vehicle Leases	$ 5,066.74	$ 0.75
Office Supplies	$ 2,158.59	$ 0.32
Hauling Expenses	$ 18,617.86	$ 2.76
Diesel Fuel	$ 2,563.33	$ 0.38
Gasoline	$ 2,151.85	$ 0.32
Grading Fee In	$ 35,416.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 21,113.73	$ 3.13
Miscellaneous	$ 6,543.23	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.22
Utilities:		
Phone Bill	$ 1,787.58	$ 0.27
Electricity	$ 10,826.69	$ 1.61
Natural Gas	$ 25,464.64	$ 3.78
Water	$ 553.14	$ 0.08
Total Other Direct Costs:	$ 288,458.89	$ 42.76
Gross Profit/(Loss)	$ 150,383.56	$ 22.29
(Depreciation)	$ 23,790.03	$ 3.53
(Taxes)Payroll&Property	$ 20,077.66	$ 2.98
(Interest)	$ 80,972.00	$ 12.00
Net Profit/(Loss) Before Income Tax	$ 25,543.87	$ 3.79
Total Fixed and Direct Cost per Ton		$ 61.27
TOTAL CAPITAL COSTS	$ 809,720.00	$ 120.04
Returns To Investments	3.15%	

APPENDIX 9

REPRESENTATIVE GEORGIA PEANUT BUYING POINT
95% ECONOMIC CAPACITY ALTERNATIVE
2001 SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	8,010	tons
On-Site Storage Capacity	5,000	tons	Efficiency	95%	%of Economic Capacity
Loan Handling Fee In	$ 12.00	$/ton	Peanuts Handled	8,010	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	27%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	19%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 40,052.00	$ 5.00
Drying	$ 108,140.40	$ 13.50
Handling	$ 269,265.59	$ 33.61
Storage	$ 61,414.50	$ 12.28
Total Income	$ 478,872.49	$ 59.78
Direct Costs:		
Total Direct Labor	$ 114,068.10	$ 14.24
Insurance	$ 12,656.43	$ 1.58
Tractor Leases	$ 9,772.69	$ 1.22
Vehicle Leases	$ 6,016.75	$ 0.75
Office Supplies	$ 2,563.33	$ 0.32
Hauling Expenses	$ 22,108.70	$ 2.76
Diesel Fuel	$ 3,043.95	$ 0.38
Gasoline	$ 2,555.32	$ 0.32
Grading Fee In	$ 30,698.33	$ 5.25
Grading Fee Out	$ 21,262.50	$ 5.25
Repair Budget	$ 25,072.55	$ 3.13
Miscellaneous	$ 7,770.09	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 1.87
Utilities:		
Phone Bill	$ 2,122.76	$ 0.27
Electricity	$ 12,856.69	$ 1.61
Natural Gas	$ 30,239.26	$ 3.78
Water	$ 656.85	$ 0.08
Total Other Direct Costs:	$ 318,464.29	$ 39.76
Gross Profit/(Loss)	$ 160,408.20	$ 20.02
(Depreciation)	$ 23,790.03	$ 2.97
(Taxes)Payroll&Property	$ 20,077.66	$ 2.51
(Interest)	$ 80,972.00	$ 10.11
Net Profit/(Loss) Before Income Tax	$ 35,568.51	$ 4.44
Total Direct And Fixed Cost per Ton		$ 55.34
TOTAL CAPITAL COSTS	$ 809,720.00	$ 101.08
Returns To Investment	4.39%	

APPENDIX 10

REPRESENTATIVE GEORGIA PEANUT BUYING POINT
95% ECONOMIC CAPACITY ALTERNATIVE
2002 SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	8,010	tons
On-Site Storage Capacity	5,000	tons	Efficiency	95%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	8,010	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	70%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	70%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 40,052.00	$ 5.00
Drying	$ 108,140.40	$ 13.50
Handling	$ 279,286.25	$ 34.87
Storage	$ 73,935.00	$ 14.79
Total Income	$ 501,413.65	$ 62.60
Direct Costs:		
Total Direct Labor	$ 114,068.10	$ 14.24
Insurance	$ 12,656.43	$ 1.58
Tractor Leases	$ 9,772.69	$ 1.22
Vehicle Leases	$ 6,016.75	$ 0.75
Office Supplies	$ 2,563.33	$ 0.32
Hauling Expenses	$ 22,108.70	$ 2.76
Diesel Fuel	$ 3,043.95	$ 0.38
Gasoline	$ 2,555.32	$ 0.32
Grading Fee In	$ 42,052.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 25,072.55	$ 3.13
Miscellaneous	$ 7,770.09	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 1.87
Utilities:		
Phone Bill	$ 2,122.76	$ 0.27
Electricity	$ 12,856.69	$ 1.61
Natural Gas	$ 30,239.26	$ 3.78
Water	$ 656.85	$ 0.08
Total Other Direct Costs:	$ 334,805.97	$ 41.80
Gross Profit/(Loss)	$ 166,607.68	$ 20.80
(Depreciation)	$ 23,790.03	$ 2.97
(Taxes)Payroll&Property	$ 20,077.66	$ 2.51
(Interest)	$ 80,972.00	$ 10.11
Net Profit/(Loss) Before Income Tax	$ 41,767.99	$ 5.21
Total Direct And Fixed Cost per Ton		$ 57.38
TOTAL CAPITAL COSTS	$ 809,720.00	$ 101.08
Returns To Investment	5.16%	

APPENDIX 11

REPRESENTATIVE GEORGIA PEANUT BUYING POINT
95% ECONOMIC CAPACITY ALTERNATIVE
2002b SCEANARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	8,010	tons
On-Site Storage Capacity	5,000	tons	Efficiency	95%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	8,010	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	61%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	61%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 40,052.00	$ 5.00
Drying	$ 108,140.40	$ 13.50
Handling	$ 283,183.98	$ 35.35
Storage	$ 71,725.50	$ 14.35
Total Income	$ 503,101.88	$ 62.81
Direct Costs:		
Total Direct Labor	$ 114,068.10	$ 14.24
Insurance	$ 12,656.43	$ 1.58
Tractor Leases	$ 9,772.69	$ 1.22
Vehicle Leases	$ 6,016.75	$ 0.75
Office Supplies	$ 2,563.33	$ 0.32
Hauling Expenses	$ 22,108.70	$ 2.76
Diesel Fuel	$ 3,043.95	$ 0.38
Gasoline	$ 2,555.32	$ 0.32
Grading Fee In	$ 42,052.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 25,072.55	$ 3.13
Miscellaneous	$ 7,770.09	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 1.87
Utilities:		
Phone Bill	$ 2,122.76	$ 0.27
Electricity	$ 12,856.69	$ 1.61
Natural Gas	$ 30,239.26	$ 3.78
Water	$ 656.85	$ 0.08
Total Other Direct Costs:	$ 334,805.97	$ 41.80
Gross Profit/(Loss)	$ 168,295.91	$ 21.01
(Depreciation)	$ 23,790.03	$ 2.97
(Taxes)Payroll&Property	$ 20,077.66	$ 2.51
(Interest)	$ 80,972.00	$ 10.11
Net Profit/(Loss) Before Income Tax	$ 43,456.22	$ 5.42
Total Direct And Fixed Cost per Ton		$ 57.38
TOTAL CAPITAL COSTS	$ 809,720.00	$ 101.08
Returns To Investment	5.37%	

APPENDIX 12
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
69% ECONOMIC CAPACITY ALTERNATIVE
0% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	5,818	tons
On-Site Storage Capacity	5,000	tons	Efficiency	69%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	5,818	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	0%	Percent
CCC Storage Fee	$ 2.73	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	0%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 29,090.40	$ 5.00
Drying	$ 78,544.08	$ 13.50
Handling	$ 224,868.79	$ 38.65
Storage	$ 56,750.00	$ 11.35
Total Income	$ 389,253.27	$ 66.90
Direct Costs:		
Total Direct Labor	$ 82,849.46	$ 14.24
Insurance	$ 9,192.57	$ 1.58
Tractor Leases	$ 7,098.06	$ 1.22
Vehicle Leases	$ 4,370.06	$ 0.75
Office Supplies	$ 1,861.79	$ 0.32
Hauling Expenses	$ 16,057.90	$ 2.76
Diesel Fuel	$ 2,210.87	$ 0.38
Gasoline	$ 1,855.97	$ 0.32
Grading Fee In	$ 30,544.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 18,210.59	$ 3.13
Miscellaneous	$ 5,643.54	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.58
Utilities:		
Phone Bill	$ 1,541.79	$ 0.27
Electricity	$ 9,338.02	$ 1.61
Natural Gas	$ 21,963.25	$ 3.78
Water	$ 477.08	$ 0.08
Total Other Direct Costs:	$ 254,465.44	$ 43.74
Gross Profit/(Loss)	$ 134,787.83	$ 23.17
(Depreciation)	$ 23,790.03	$ 4.09
(Taxes)Payroll&Property	$ 20,077.66	$ 3.45
(Interest)	$ 80,972.00	$ 13.92
Net Profit/(Loss) Before Income Tax	$ 9,948.14	$ 1.71
Total Direct and Fixed Cost per Ton		$ 65.19
TOTAL CAPITAL COSTS	$ 809,720.00	$ 139.17
Returns To Investments	1.23%	

APPENDIX 13
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
69% ALTERNATIVE
25% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	5,818	tons
On-Site Storage Capacity	5,000	tons	Efficiency	69%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	5,818	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	25%	Percent
CCC Storage Fee	$ 2.73	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	25%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 29,090.40	$ 5.00
Drying	$ 78,544.08	$ 13.50
Handling	$ 219,741.78	$ 37.77
Storage	$ 63,037.50	$ 12.61
Total Income	$ 390,413.76	$ 67.10
Direct Costs:		
Total Direct Labor	$ 82,849.46	$ 14.24
Insurance	$ 9,192.57	$ 1.58
Tractor Leases	$ 7,098.06	$ 1.22
Vehicle Leases	$ 4,370.06	$ 0.75
Office Supplies	$ 1,861.79	$ 0.32
Hauling Expenses	$ 16,057.90	$ 2.76
Diesel Fuel	$ 2,210.87	$ 0.38
Gasoline	$ 1,855.97	$ 0.32
Grading Fee In	$ 30,544.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 18,210.59	$ 3.13
Miscellaneous	$ 5,643.54	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.58
Utilities:		
Phone Bill	$ 1,541.79	$ 0.27
Electricity	$ 9,338.02	$ 1.61
Natural Gas	$ 21,963.25	$ 3.78
Water	$ 477.08	$ 0.08
Total Other Direct Costs:	$ 254,465.44	$ 43.74
Gross Profit/(Loss)	$ 135,948.32	$ 23.37
(Depreciation)	$ 23,790.03	$ 4.09
(Taxes)Payroll&Property	$ 20,077.66	$ 3.45
(Interest)	$ 80,972.00	$ 13.92
Net Profit/(Loss) Before Income Tax	$ 11,108.63	$ 1.91
Total Direct and Fixed Cost per Ton		$ 65.19
TOTAL CAPITAL COSTS	$ 809,720.00	$ 139.17
Returns To Investments	1.37%	

APPENDIX 14
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
69% ALTERNATIVE
50% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	5,818	tons
On-Site Storage Capacity	5,000	tons	Efficiency	69%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	5,818	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	50%	Percent
CCC Storage Fee	$ 2.73	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	50%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 29,090.40	$ 5.00
Drying	$ 78,544.08	$ 13.50
Handling	$ 214,614.78	$ 36.89
Storage	$ 69,325.00	$ 13.87
Total Income	$ 391,574.26	$ 67.30
Direct Costs:		
Total Direct Labor	$ 82,849.46	$ 14.24
Insurance	$ 9,192.57	$ 1.58
Tractor Leases	$ 7,098.06	$ 1.22
Vehicle Leases	$ 4,370.06	$ 0.75
Office Supplies	$ 1,861.79	$ 0.32
Hauling Expenses	$ 16,057.90	$ 2.76
Diesel Fuel	$ 2,210.87	$ 0.38
Gasoline	$ 1,855.97	$ 0.32
Grading Fee In	$ 30,544.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 18,210.59	$ 3.13
Miscellaneous	$ 5,643.54	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.58
Utilities:		
Phone Bill	$ 1,541.79	$ 0.27
Electricity	$ 9,338.02	$ 1.61
Natural Gas	$ 21,963.25	$ 3.78
Water	$ 477.08	$ 0.08
Total Other Direct Costs:	$ 254,465.44	$ 43.74
Gross Profit/(Loss)	$ 137,108.82	$ 23.57
(Depreciation)	$ 23,790.03	$ 4.09
(Taxes)Payroll&Property	$ 20,077.66	$ 3.45
(Interest)	$ 80,972.00	$ 13.92
Net Profit/(Loss) Before Income Tax	$ 12,269.13	$ 2.11
Total Direct and Fixed Cost per Ton		$ 65.19
TOTAL CAPITAL COSTS	$ 809,720.00	$ 139.17
Returns To Investments	1.52%	

APPENDIX 15
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
69% ALTERNATIVE
75% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	5,818	tons
On-Site Storage Capacity	5,000	tons	Efficiency	69%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	5,818	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	75%	Percent
CCC Storage Fee	$ 2.73	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	75%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 29,090.40	$ 5.00
Drying	$ 78,544.08	$ 13.50
Handling	$ 209,487.77	$ 36.01
Storage	$ 75,612.50	$ 15.12
Total Income	$ 392,734.75	$ 67.50
Direct Costs:		
Total Direct Labor	$ 82,849.46	$ 14.24
Insurance	$ 9,192.57	$ 1.58
Tractor Leases	$ 7,098.06	$ 1.22
Vehicle Leases	$ 4,370.06	$ 0.75
Office Supplies	$ 1,861.79	$ 0.32
Hauling Expenses	$ 16,057.90	$ 2.76
Diesel Fuel	$ 2,210.87	$ 0.38
Gasoline	$ 1,855.97	$ 0.32
Grading Fee In	$ 30,544.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 18,210.59	$ 3.13
Miscellaneous	$ 5,643.54	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.58
Utilities:		
Phone Bill	$ 1,541.79	$ 0.27
Electricity	$ 9,338.02	$ 1.61
Natural Gas	$ 21,963.25	$ 3.78
Water	$ 477.08	$ 0.08
Total Other Direct Costs:	$ 254,465.44	$ 43.74
Gross Profit/(Loss)	$ 138,269.31	$ 23.77
(Depreciation)	$ 23,790.03	$ 4.09
(Taxes)Payroll&Property	$ 20,077.66	$ 3.45
(Interest)	$ 80,972.00	$ 13.92
Net Profit/(Loss) Before Income Tax	$ 13,429.62	$ 2.31
Total Direct and Fixed Cost per Ton		$ 65.19
TOTAL CAPITAL COSTS	$ 809,720.00	$ 139.17
Returns To Investments	1.66%	

APPENDIX 16
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
69% ALTERNATIVE
100% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	5,818	tons
On-Site Storage Capacity	5,000	tons	Efficiency	69%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	5,818	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	100%	Percent
CCC Storage Fee	$ 2.73	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	100%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 29,090.40	$ 5.00
Drying	$ 78,544.08	$ 13.50
Handling	$ 204,360.76	$ 35.13
Storage	$ 81,900.00	$ 16.38
Total Income	$ 393,895.24	$ 67.70
Direct Costs:		
Total Direct Labor	$ 82,849.46	$ 14.24
Insurance	$ 9,192.57	$ 1.58
Tractor Leases	$ 7,098.06	$ 1.22
Vehicle Leases	$ 4,370.06	$ 0.75
Office Supplies	$ 1,861.79	$ 0.32
Hauling Expenses	$ 16,057.90	$ 2.76
Diesel Fuel	$ 2,210.87	$ 0.38
Gasoline	$ 1,855.97	$ 0.32
Grading Fee In	$ 30,544.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 18,210.59	$ 3.13
Miscellaneous	$ 5,643.54	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.58
Utilities:		
Phone Bill	$ 1,541.79	$ 0.27
Electricity	$ 9,338.02	$ 1.61
Natural Gas	$ 21,963.25	$ 3.78
Water	$ 477.08	$ 0.08
Total Other Direct Costs:	$ 254,465.44	$ 43.74
Gross Profit/(Loss)	$ 139,429.80	$ 23.96
(Depreciation)	$ 23,790.03	$ 4.09
(Taxes)Payroll&Property	$ 20,077.66	$ 3.45
(Interest)	$ 80,972.00	$ 13.92
Net Profit/(Loss) Before Income Tax	$ 14,590.11	$ 2.51
Total Direct and Fixed Cost per Ton		$ 65.19
TOTAL CAPITAL COSTS	$ 809,720.00	$ 139.17
Returns To Investments	1.80%	

APPENDIX 17
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
80% ALTERNATIVE
0% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	6,746	tons
On-Site Storage Capacity	5,000	tons	Efficiency	80%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	6,746	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	0%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	0%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 33,728.00	$ 5.00
Drying	$ 91,065.60	$ 13.50
Handling	$ 260,717.44	$ 38.65
Storage	$ 56,750.00	$ 11.35
Total Income	$ 442,261.04	$ 65.56
Direct Costs:		
Total Direct Labor	$ 96,057.34	$ 14.24
Insurance	$ 10,658.05	$ 1.58
Tractor Leases	$ 8,229.63	$ 1.22
Vehicle Leases	$ 5,066.74	$ 0.75
Office Supplies	$ 2,158.59	$ 0.32
Hauling Expenses	$ 18,617.86	$ 2.76
Diesel Fuel	$ 2,563.33	$ 0.38
Gasoline	$ 2,151.85	$ 0.32
Grading Fee In	$ 35,416.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 21,113.73	$ 3.13
Miscellaneous	$ 6,543.23	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.22
Utilities:		
Phone Bill	$ 1,787.58	$ 0.27
Electricity	$ 10,826.69	$ 1.61
Natural Gas	$ 25,464.64	$ 3.78
Water	$ 553.14	$ 0.08
Total Other Direct Costs:	$ 288,458.89	$ 42.76
Gross Profit/(Loss)	$ 153,802.15	$ 22.80
(Depreciation)	$ 23,790.03	$ 3.53
(Taxes)Payroll&Property	$ 20,077.66	$ 2.98
(Interest)	$ 80,972.00	$ 12.00
Net Profit/(Loss) Before Income Tax	$ 28,962.46	$ 4.29
Total Fixed and Direct Cost per Ton		$ 61.27
TOTAL CAPITAL COSTS	$ 809,720.00	$ 120.04
Returns To Investments	3.58%	

APPENDIX 18
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
80% ALTERNATIVE
25% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	6,746	tons
On-Site Storage Capacity	5,000	tons	Efficiency	80%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	6,746	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	25%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	25%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 33,728.00	$ 5.00
Drying	$ 91,065.60	$ 13.50
Handling	$ 253,178.88	$ 37.53
Storage	$ 62,887.50	$ 12.58
Total Income	$ 440,859.98	$ 65.36
Direct Costs:		
Total Direct Labor	$ 96,057.34	$ 14.24
Insurance	$ 10,658.05	$ 1.58
Tractor Leases	$ 8,229.63	$ 1.22
Vehicle Leases	$ 5,066.74	$ 0.75
Office Supplies	$ 2,158.59	$ 0.32
Hauling Expenses	$ 18,617.86	$ 2.76
Diesel Fuel	$ 2,563.33	$ 0.38
Gasoline	$ 2,151.85	$ 0.32
Grading Fee In	$ 35,416.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 21,113.73	$ 3.13
Miscellaneous	$ 6,543.23	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.22
Utilities:		
Phone Bill	$ 1,787.58	$ 0.27
Electricity	$ 10,826.69	$ 1.61
Natural Gas	$ 25,464.64	$ 3.78
Water	$ 553.14	$ 0.08
Total Other Direct Costs:	$ 288,458.89	$ 42.76
Gross Profit/(Loss)	$ 152,401.09	$ 22.59
(Depreciation)	$ 23,790.03	$ 3.53
(Taxes)Payroll&Property	$ 20,077.66	$ 2.98
(Interest)	$ 80,972.00	$ 12.00
Net Profit/(Loss) Before Income Tax	$ 27,561.40	$ 4.09
Total Fixed and Direct Cost per Ton		$ 61.27
TOTAL CAPITAL COSTS	$ 809,720.00	$ 120.04
Returns To Investments	3.40%	

APPENDIX 19
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
80% ALTERNATIVE
50% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	6,746	tons
On-Site Storage Capacity	5,000	tons	Efficiency	80%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	6,746	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	50%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	50%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 33,728.00	$ 5.00
Drying	$ 91,065.60	$ 13.50
Handling	$ 245,640.32	$ 36.41
Storage	$ 69,025.00	$ 13.81
Total Income	$ 439,458.92	$ 65.15
Direct Costs:		
Total Direct Labor	$ 96,057.34	$ 14.24
Insurance	$ 10,658.05	$ 1.58
Tractor Leases	$ 8,229.63	$ 1.22
Vehicle Leases	$ 5,066.74	$ 0.75
Office Supplies	$ 2,158.59	$ 0.32
Hauling Expenses	$ 18,617.86	$ 2.76
Diesel Fuel	$ 2,563.33	$ 0.38
Gasoline	$ 2,151.85	$ 0.32
Grading Fee In	$ 35,416.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 21,113.73	$ 3.13
Miscellaneous	$ 6,543.23	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.22
Utilities:		
Phone Bill	$ 1,787.58	$ 0.27
Electricity	$ 10,826.69	$ 1.61
Natural Gas	$ 25,464.64	$ 3.78
Water	$ 553.14	$ 0.08
Total Other Direct Costs:	$ 288,458.89	$ 42.76
Gross Profit/(Loss)	$ 151,000.03	$ 22.38
(Depreciation)	$ 23,790.03	$ 3.53
(Taxes)Payroll&Property	$ 20,077.66	$ 2.98
(Interest)	$ 80,972.00	$ 12.00
Net Profit/(Loss) Before Income Tax	$ 26,160.34	$ 3.88
Total Fixed and Direct Cost per Ton		$ 61.27
TOTAL CAPITAL COSTS	$ 809,720.00	$ 120.04
Returns To Investments	3.23%	

APPENDIX 20
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
80% ALTERNATIVE
75% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	6,746	tons
On-Site Storage Capacity	5,000	tons	Efficiency	80%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	6,746	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	75%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	75%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 33,728.00	$ 5.00
Drying	$ 91,065.60	$ 13.50
Handling	$ 238,101.76	$ 35.30
Storage	$ 75,162.50	$ 15.03
Total Income	$ 438,057.86	$ 64.94
Direct Costs:		
Total Direct Labor	$ 96,057.34	$ 14.24
Insurance	$ 10,658.05	$ 1.58
Tractor Leases	$ 8,229.63	$ 1.22
Vehicle Leases	$ 5,066.74	$ 0.75
Office Supplies	$ 2,158.59	$ 0.32
Hauling Expenses	$ 18,617.86	$ 2.76
Diesel Fuel	$ 2,563.33	$ 0.38
Gasoline	$ 2,151.85	$ 0.32
Grading Fee In	$ 35,416.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 21,113.73	$ 3.13
Miscellaneous	$ 6,543.23	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.22
Utilities:		
Phone Bill	$ 1,787.58	$ 0.27
Electricity	$ 10,826.69	$ 1.61
Natural Gas	$ 25,464.64	$ 3.78
Water	$ 553.14	$ 0.08
Total Other Direct Costs:	$ 288,458.89	$ 42.76
Gross Profit/(Loss)	$ 149,598.97	$ 22.18
(Depreciation)	$ 23,790.03	$ 3.53
(Taxes)Payroll&Property	$ 20,077.66	$ 2.98
(Interest)	$ 80,972.00	$ 12.00
Net Profit/(Loss) Before Income Tax	$ 24,759.28	$ 3.67
Total Fixed and Direct Cost per Ton		$ 61.27
TOTAL CAPITAL COSTS	$ 809,720.00	$ 120.04
Returns To Investments	3.06%	

APPENDIX 21
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
80% ALTERNATIVE
100% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	6,746	tons
On-Site Storage Capacity	5,000	tons	Efficiency	80%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	6,746	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	100%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	100%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 33,728.00	$ 5.00
Drying	$ 91,065.60	$ 13.50
Handling	$ 230,563.20	$ 34.18
Storage	$ 81,300.00	$ 16.26
Total Income	$ 436,656.80	$ 64.73
Direct Costs:		
Total Direct Labor	$ 96,057.34	$ 14.24
Insurance	$ 10,658.05	$ 1.58
Tractor Leases	$ 8,229.63	$ 1.22
Vehicle Leases	$ 5,066.74	$ 0.75
Office Supplies	$ 2,158.59	$ 0.32
Hauling Expenses	$ 18,617.86	$ 2.76
Diesel Fuel	$ 2,563.33	$ 0.38
Gasoline	$ 2,151.85	$ 0.32
Grading Fee In	$ 35,416.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 21,113.73	$ 3.13
Miscellaneous	$ 6,543.23	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 2.22
Utilities:		
Phone Bill	$ 1,787.58	$ 0.27
Electricity	$ 10,826.69	$ 1.61
Natural Gas	$ 25,464.64	$ 3.78
Water	$ 553.14	$ 0.08
Total Other Direct Costs:	$ 288,458.89	$ 42.76
Gross Profit/(Loss)	$ 148,197.91	$ 21.97
(Depreciation)	$ 23,790.03	$ 3.53
(Taxes)Payroll&Property	$ 20,077.66	$ 2.98
(Interest)	$ 80,972.00	$ 12.00
Net Profit/(Loss) Before Income Tax	$ 23,358.22	$ 3.46
Total Fixed and Direct Cost per Ton		$ 61.27
TOTAL CAPITAL COSTS	$ 809,720.00	$ 120.04
Returns To Investments	2.88%	

APPENDIX 22
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
95% ALTERNATIVE
0% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	8,010	tons
On-Site Storage Capacity	5,000	tons	Efficiency	95%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	8,010	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	0%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	0%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 40,052.00	$ 5.00
Drying	$ 108,140.40	$ 13.50
Handling	$ 309,601.96	$ 38.65
Storage	$ 56,750.00	$ 11.35
Total Income	$ 514,544.36	$ 64.23
Direct Costs:		
Total Direct Labor	$ 114,068.10	$ 14.24
Insurance	$ 12,656.43	$ 1.58
Tractor Leases	$ 9,772.69	$ 1.22
Vehicle Leases	$ 6,016.75	$ 0.75
Office Supplies	$ 2,563.33	$ 0.32
Hauling Expenses	$ 22,108.70	$ 2.76
Diesel Fuel	$ 3,043.95	$ 0.38
Gasoline	$ 2,555.32	$ 0.32
Grading Fee In	$ 42,052.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 25,072.55	$ 3.13
Miscellaneous	$ 7,770.09	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 1.87
Utilities:		
Phone Bill	$ 2,122.76	$ 0.27
Electricity	$ 12,856.69	$ 1.61
Natural Gas	$ 30,239.26	$ 3.78
Water	$ 656.85	$ 0.08
Total Other Direct Costs:	$ 334,805.97	$ 41.80
Gross Profit/(Loss)	$ 179,738.39	$ 22.44
(Depreciation)	$ 23,790.03	$ 2.97
(Taxes)Payroll&Property	$ 20,077.66	$ 2.51
(Interest)	$ 80,972.00	$ 10.11
Net Profit/(Loss) Before Income Tax	$ 54,898.70	$ 6.85
Total Direct And Fixed Cost per Ton		$ 57.38
TOTAL CAPITAL COSTS	$ 809,720.00	$ 101.08
Returns To Investment	6.78%	

APPENDIX 23
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
95% ALTERNATIVE
25% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	8,010	tons
On-Site Storage Capacity	5,000	tons	Efficiency	95%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	8,010	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	25%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	25%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 40,052.00	$ 5.00
Drying	$ 108,140.40	$ 13.50
Handling	$ 298,774.92	$ 37.30
Storage	$ 62,887.50	$ 12.58
Total Income	$ 509,854.82	$ 63.65
Direct Costs:		
Total Direct Labor	$ 114,068.10	$ 14.24
Insurance	$ 12,656.43	$ 1.58
Tractor Leases	$ 9,772.69	$ 1.22
Vehicle Leases	$ 6,016.75	$ 0.75
Office Supplies	$ 2,563.33	$ 0.32
Hauling Expenses	$ 22,108.70	$ 2.76
Diesel Fuel	$ 3,043.95	$ 0.38
Gasoline	$ 2,555.32	$ 0.32
Grading Fee In	$ 42,052.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 25,072.55	$ 3.13
Miscellaneous	$ 7,770.09	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 1.87
Utilities:		
Phone Bill	$ 2,122.76	$ 0.27
Electricity	$ 12,856.69	$ 1.61
Natural Gas	$ 30,239.26	$ 3.78
Water	$ 656.85	$ 0.08
Total Other Direct Costs:	$ 334,805.97	$ 41.80
Gross Profit/(Loss)	$ 175,048.85	$ 21.85
(Depreciation)	$ 23,790.03	$ 2.97
(Taxes)Payroll&Property	$ 20,077.66	$ 2.51
(Interest)	$ 80,972.00	$ 10.11
Net Profit/(Loss) Before Income Tax	$ 50,209.16	$ 6.27
Total Direct And Fixed Cost per Ton		$ 57.38
TOTAL CAPITAL COSTS	$ 809,720.00	$ 101.08
Returns To Investment	6.20%	

APPENDIX 24
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
95% ALTERNATIVE
50% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	8,010	tons
On-Site Storage Capacity	5,000	tons	Efficiency	95%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	8,010	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	50%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	50%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 40,052.00	$ 5.00
Drying	$ 108,140.40	$ 13.50
Handling	$ 287,947.88	$ 35.95
Storage	$ 69,025.00	$ 13.81
Total Income	$ 505,165.28	$ 63.06
Direct Costs:		
Total Direct Labor	$ 114,068.10	$ 14.24
Insurance	$ 12,656.43	$ 1.58
Tractor Leases	$ 9,772.69	$ 1.22
Vehicle Leases	$ 6,016.75	$ 0.75
Office Supplies	$ 2,563.33	$ 0.32
Hauling Expenses	$ 22,108.70	$ 2.76
Diesel Fuel	$ 3,043.95	$ 0.38
Gasoline	$ 2,555.32	$ 0.32
Grading Fee In	$ 42,052.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 25,072.55	$ 3.13
Miscellaneous	$ 7,770.09	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 1.87
Utilities:		
Phone Bill	$ 2,122.76	$ 0.27
Electricity	$ 12,856.69	$ 1.61
Natural Gas	$ 30,239.26	$ 3.78
Water	$ 656.85	$ 0.08
Total Other Direct Costs:	$ 334,805.97	$ 41.80
Gross Profit/(Loss)	$ 170,359.31	$ 21.27
(Depreciation)	$ 23,790.03	$ 2.97
(Taxes)Payroll&Property	$ 20,077.66	$ 2.51
(Interest)	$ 80,972.00	$ 10.11
Net Profit/(Loss) Before Income Tax	$ 45,519.62	$ 5.68
Total Direct And Fixed Cost per Ton		$ 57.38
TOTAL CAPITAL COSTS	$ 809,720.00	$ 101.08
Returns To Investment	5.62%	

APPENDIX 25
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
95% ALTERNATIVE
75% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	8,010	tons
On-Site Storage Capacity	5,000	tons	Efficiency	95%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	8,010	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	75%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	75%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 40,052.00	$ 5.00
Drying	$ 108,140.40	$ 13.50
Handling	$ 277,120.84	$ 34.60
Storage	$ 75,162.50	$ 15.03
Total Income	$ 500,475.74	$ 62.48
Direct Costs:		
Total Direct Labor	$ 114,068.10	$ 14.24
Insurance	$ 12,656.43	$ 1.58
Tractor Leases	$ 9,772.69	$ 1.22
Vehicle Leases	$ 6,016.75	$ 0.75
Office Supplies	$ 2,563.33	$ 0.32
Hauling Expenses	$ 22,108.70	$ 2.76
Diesel Fuel	$ 3,043.95	$ 0.38
Gasoline	$ 2,555.32	$ 0.32
Grading Fee In	$ 42,052.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 25,072.55	$ 3.13
Miscellaneous	$ 7,770.09	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 1.87
Utilities:		
Phone Bill	$ 2,122.76	$ 0.27
Electricity	$ 12,856.69	$ 1.61
Natural Gas	$ 30,239.26	$ 3.78
Water	$ 656.85	$ 0.08
Total Other Direct Costs:	$ 334,805.97	$ 41.80
Gross Profit/(Loss)	$ 165,669.77	$ 20.68
(Depreciation)	$ 23,790.03	$ 2.97
(Taxes)Payroll&Property	$ 20,077.66	$ 2.51
(Interest)	$ 80,972.00	$ 10.11
Net Profit/(Loss) Before Income Tax	$ 40,830.08	$ 5.10
Total Direct And Fixed Cost per Ton		$ 57.38
TOTAL CAPITAL COSTS	$ 809,720.00	$ 101.08
Returns To Investment	5.04%	

APPENDIX 26
REPRESENTATIVE GEORGIA PEANUT BUYING POINT
95% ALTERNATIVE
100% CCC LOAN PEANUTS SCENARIO

Handling Capacity	8,432	tons	Tonnage of Throughput	8,010	tons
On-Site Storage Capacity	5,000	tons	Efficiency	95%	%of Economic Capacity
Loan Handling Fee In	$ 28.25	$/ton	Peanuts Handled	8,010	tons
Loan Handling Out	$ 8.00	$/ton	Peanuts in Storage	5,000	tons
Commercial Handling Fee	$ 38.65	$/ton	Peanuts Handled for Loan	100%	Percent
CCC Storage Fee	$ 2.71	$/ton/mo.	AVG. Loan Storage	6.00	mo.
Commercial Storage Fee	$ 2.27	$/ton	AVG. Commercial Storage	5.00	mo.
Average Cleaning Fee	$10.00	$/ton	Stored Peanuts In Loan	100%	Percent
Average Drying Fee	$15.00	$/ton			

	$	$/TON
Income:		
Cleaning	$ 40,052.00	$ 5.00
Drying	$ 108,140.40	$ 13.50
Handling	$ 266,293.80	$ 33.24
Storage	$ 81,300.00	$ 16.26
Total Income	$ 495,786.20	$ 61.89
Direct Costs:		
Total Direct Labor	$ 114,068.10	$ 14.24
Insurance	$ 12,656.43	$ 1.58
Tractor Leases	$ 9,772.69	$ 1.22
Vehicle Leases	$ 6,016.75	$ 0.75
Office Supplies	$ 2,563.33	$ 0.32
Hauling Expenses	$ 22,108.70	$ 2.76
Diesel Fuel	$ 3,043.95	$ 0.38
Gasoline	$ 2,555.32	$ 0.32
Grading Fee In	$ 42,052.50	$ 5.25
Grading Fee Out	$ 26,250.00	$ 5.25
Repair Budget	$ 25,072.55	$ 3.13
Miscellaneous	$ 7,770.09	$ 0.97
Warehouse Fumigation	$ 15,000.00	$ 1.87
Utilities:		
Phone Bill	$ 2,122.76	$ 0.27
Electricity	$ 12,856.69	$ 1.61
Natural Gas	$ 30,239.26	$ 3.78
Water	$ 656.85	$ 0.08
Total Other Direct Costs:	$ 334,805.97	$ 41.80
Gross Profit/(Loss)	$ 160,980.23	$ 20.10
(Depreciation)	$ 23,790.03	$ 2.97
(Taxes)Payroll&Property	$ 20,077.66	$ 2.51
(Interest)	$ 80,972.00	$ 10.11
Net Profit/(Loss) Before Income Tax	$ 36,140.54	$ 4.51
Total Direct And Fixed Cost per Ton		$ 57.38
TOTAL CAPITAL COSTS	$ 809,720.00	$ 101.08
Returns To Investment	4.46%	