

Risk Management Decisions from an Economic Perspective: The Case of Crop Insurance for U.S. Peanut Enterprises

A.S. LUKE-MORGAN*, School of Agriculture and Natural Resources, Abraham Baldwin Agricultural College, Tifton, GA 31793-2601; S.M. FLETCHER, Z.SHI, Center for Rural Prosperity and Innovation, Abraham Baldwin Agricultural College, Tifton, GA 31793-2601.

Economic viability is paramount to the future of the U.S. agricultural industry. The current state of the agricultural economy lends prudence to management decisions on U.S. agricultural operations to minimize not only costs of production but also risk and uncertainty. Crop insurance continues to be one risk management tool regarded as providing a safety net for agricultural producers. The effectiveness of crop insurance as a risk management tool, however, is impacted by a multitude of factors, including the commodity produced, the region of production, the enterprise size, farm management practices, and natural disasters. This study considers the economics of crop insurance for U.S. peanut enterprises from a multi-year and multi-region perspective. A whole-farm perspective is also examined as the economics of crop insurance for peanuts is compared to other commodities traditionally produced on a peanut operation. The study further investigates the potential relationship between crop insurance and the economic stability of peanut enterprises in the U.S.