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## Living on Peanuts: How the Drought in the South May Affect Lexington's Economy (/full-blog/2011/12/living-on-peanuts-how-drought-in-south.html)



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By: Christopher Henderson, Senior Staff Member

The Jif factory in Lexington, Kentucky has been a source of employment for many lexitonians for a long while. However, should factory workers brace themselves for a pink slip? With Jif's prices expected to rise more than 30 percent, peanut butter customers might skip their afternoon snacks, which should be expected to lower Jif's profits.[1] "The U.S. Department of Agriculture estimates the current spot price for a ton of unprocessed Runner peanuts, commonly used in peanut butter, at about \$1,150 a ton, which is up from about \$450 a year ago." [2] In New Jersey, this would increase the price of peanut butter by 94 cents at Target.[3]

What's the cause of the increased cost? No, not labor contracts. No, not increased taxes. The weather is to blame. In Georgia, the leading U.S. peanut producing state, the planting season was the driest in memory for John Harrell, a sixth-generation peanut farmer in Whigham, Ga.”[4] In Texas, the record long drought destroyed many of the states peanuts that would have been turned into edible-quality crops during the season.[5] In fact, only 38% of the U.S. crop was rated good to excellent last month, down from 60% a year ago.[6]

If Jif runs into financial difficulty because of the decrease in peanut consumption, this may have a dramatic effect on Lexington's already high unemployment rate, which is currently at 7.4%.[7] In Mayor Jim Gray's economic address, he stated that the city was bracing for another year where the General Fund receipts would have either declined or remained flat.[8] Can the city afford more layoffs?

[1] Paul Ziobro, Peanut- Butter Makers Face Crunch. Wall Street Journal, Oct. 10, 2011, at B3.

[2] *Id.*

[3] *Id.*

[4] *Id.*

[5] *Id.*

[6] *Id.*

[7] Department of numbers.com, Lexington-Fayette, Kentucky Unemployment, <http://www.deptofnumbers.com/unemployment/kentucky/lexington/> (<http://www.deptofnumbers.com/unemployment/kentucky/lexington/>) (last visited Oct. 16, 2011)

[8] Mayor's 2012 Budget Address, <http://www.lexingtonky.gov/index.aspx?page=2806> (<http://www.lexingtonky.gov/index.aspx?page=2806>) (last visited Oct. 16, 2011)

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