

1965

SAMPLE COSTS TO PRODUCE VALENCIA ORANGES
 San Diego County

Cost assumptions based on: A 20-acre orchard, 100 trees per acre, 20 years old, frost free, portable irrigation system, gentle slope. Conditions will vary considerably from one grove to another. Orchards on steep slopes cost considerably more to operate than those on gentle slopes. Inadequate drives and roadways increase costs. Frost hazard will require costly protection. Permanent irrigation systems may reduce labor costs somewhat and will require a higher initial investment.

CULTURAL OPERATIONS

	<u>Sample Costs Per Acre</u>		
	<u>Mat'l & Equip.</u>	<u>Labor</u>	<u>Total</u>

Fertilize - - - - -	\$ 30.00	4.00	34.00
Irrigate- - - - -	130.00	20.00	150.00
Pest control, minor elements- - - - -	35.00		35.00
Other Pests, snails, gophers, ants- - - - -	16.00	11.00	27.00
Weed Control- - - - -	17.00	9.00	26.00
Pruning, brush removal- - - - -		12.00	12.00
Remove and plant trees- - - - -	1.00	4.00	5.00
Misc., disease control, etc.- - - - -	3.00	14.00	17.00
Sub-Total - - - - -	\$232.00	74.00	306.00

CASH OVERHEAD

Taxes - - - - -	60.00
Maintenance & Repair, Irrigation System & Equipment - - - - -	35.00
General Expense and Management- - - - -	67.00
Sub-Total - - - - -	162.00

TOTAL PRE-HARVEST CASH COSTS- - - - - \$468.00

INVESTMENT OVERHEAD

Depreciation- - - - -	120.00
Interest on Investment- - - - -	250.00
Sub-Total - - - - -	370.00

TOTAL PRE-HARVEST COSTS - - - - - \$838.00

TOTAL PRE-HARVEST CASH COSTS, PLUS DEPRECIATION- - - - - \$588.00

INVESTMENT OVERHEAD PER ACRE

Depreciation and interest on investment are included as overhead costs of investment. Depreciation is calculated from the following investment schedule.

	<u>Investment</u>	<u>Depreciation</u>
Trees	\$1500.00	\$ 60.00
Sprinkler System	265.00	13.00
Equipment	300.00	30.00
Pickup	100.00	12.00
Buildings	160.00	5.00
TOTALS	\$2325.00	\$120.00

An annual charge for interest on investment is calculated at 6% on the money invested in land, buildings, and equipment.

The total economic cost of producing oranges includes a charge for interest since the value of your capital should not be ignored in measuring orchard income, and for comparison with alternate use of resources. For management analysis non-cash costs including interest and owner's labor should be included, even though they are not considered as business expenses in accounting practice.

YIELD PER ACRE

Yield varies considerably among orchards, and from year to year. Commercial yields may range from 200 to 600 field boxes per acre. Excellent orchards under favorable conditions may produce more.

RETURNS

The average industry field box return pre-harvest (after picking and hauling deducted) for the seven years 1958-1964 was as follows: Fresh Use \$2.61, Processed \$1.22, and All Sales \$2.15. The all sales price for the preceding seven years was \$1.28. It has varied from \$.97 to \$2.83. It is apparent that returns depend greatly on the quality of the fruit (proportion shipped fresh) and on the yield, or quantity produced. Higher prices are associated with short crops due to major freezes and hurricanes. Increases in acreage in the U. S. will tend to reduce expected prices.

BREAK-EVEN POINT

Break-even charts illustrate the interrelations of cost, price, and volume. Yield is on the horizontal axis and cost and returns are on the vertical axis. The total pre-harvest cost of \$838.00 will require a yield of 390 field boxes to break even at an average return of \$2.15. The chart shows the spread between total income and total cost per acre at any yield level above or below the break-even point.

