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THE COST OF PICKING, HAULING, PACKING, MARKETING AND ADVERTISING CALIFORNIA-ARIZONA LEMONS FOR THE 1983-84 SEASON

COOPERATIVE EXTENSION SERVICE
UNIVERSITY OF CALIFORNIA
RIVERSIDE, CA 92521

DEPT. OF AGRICULTURAL ECONOMICS
UNIVERSITY OF ARIZONA
TUCSON, AZ 85721

For additional copies of this report please write Gary Benoit, Staff Research Associate, Cooperative Extension, University of California, Riverside, California 92521

UC Cooperative Extension

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Gary Benoit, Staff Research Associate
Cooperative Extension, University of California
Riverside, California 92521

The basic units of measurement for the study were cartons and carton equivalents. The standard citrus carton is defined by law in California and Arizona and is the most uniform and stable industry measure. The average net weight of fruit in pounds per carton and carton equivalent for lemons is 38.

METHODOLOGY

In this citrus cost study, there was concern about maintaining the same accepted statistical procedures used in the previous collection, analysis, and interpretation of data, in order to provide an objective basis for evaluating certain costs regarding the California-Arizona citrus industry. Because we were dealing with such an extensive population, time and financial restraints necessitated the use of sampling in order to obtain costs which were representative of the entire citrus industry. Sampling allowed us to learn the facts associated with a small portion of an aggregate, and then make inferences regarding the total population.

The Administrative Committee supplied volume data in field boxes for each individual packinghouse by district for the 1982-83 fiscal year. A stratified random sampling technique was used which proportioned the handlers in terms of district, location, and volume. This allowed the sample to be spread more uniformly throughout the three geographical areas and to increase precision. The three packinghouse size categories were as follows: 1) houses with 100,000 to 500,000 field boxes; 2) houses with 500,000 to 1,000,000 field boxes; 3) houses with more than 1,000,000 field boxes. Houses with a volume of less than 100,000 field boxes were eliminated from the sample because cost figures were usually too difficult to obtain. The allocation of houses by volume is revealed in Table 1.

Table 1.
Number, size, and location of California-Arizona lemon packinghouses used in the 1983-84 study

Size of House	District 1	District 2	District 3	Total
Millions of field boxes		Number of Houses		
.1 - .5	5	1	4	10
.5 - 1.0	3	4	3	10
> 1.0	0	8	4	12
	8	13	11	32

Source: Orange Administrative Committee, Los Angeles.

The previous year's study was used in order to obtain picking, hauling, and packing costs which gave an historical sample of houses with both the fresh volume and the packing cost of fresh fruit. Accepted statistical methods were used in selecting an allowable deviation of plus or minus $.08 in the estimated packing cost at the 95 percent confidence level. This indicates that 95 times out of 100 the cost figure will fall within a range of plus or minus $.08 of the true industry average. To estimate the number of packinghouses in the sample, a formula[1/] was used where (s) is the standard deviation and (D) equals $.08. The finite population correction [2/] was also used where (N) equals the total number of packinghouses for a particular variety, and (n') equals the corrected sample size. On the basis of this analysis, a sample of 18 houses was selected and distributed to insure adequate representation of each district (Table 2.).

Table 2.
Sample size and distribution of California-Arizona lemon packinghouses used in the 1983-84 study

Size of House	District 1	District 2	District 3	Total
Millions of field boxes		Number of Houses		
.1 - .5	2	1	2	5
.5 - 1.0	2	2	2	6
> 1.0	0	3	2	5
	4	6	6	16

Source: Orange Administrative Committee, Los Angeles

The specific packinghouses selected for the study were chosen by use of a table of random numbers. Because of unforeseen problem areas such as houses which declined to cooperate and houses which were no longer in business, three alternates were chosen for each stratum. Alternates were used when necessary.

All cost figures in the study have been weighed to compensate for differences in sample size and volume handled.

1/ $n = \frac{4s^2}{D^2}$

2/ $n' = \frac{n}{1 + \frac{n}{N}}$

PICKING COSTS

Picking costs include all operations which involve getting the fruit from the tree to the holding bin. Some houses grouped all of these costs together, while others had them segregated into two categories -- picking expense and field expense. Breakdown by citrus variety was readily obtained in most cases.

The greatest portion of the picking cost is the actual direct labor. Included in this figure are wages, payroll taxes, workmen's compensation insurance, and unemployment insurance for both picking and delivery to roadside. These same cost categories would be true for all supervision required. Housing and transportation costs were also included along with equipment rental, and maintenance and repairs involved in the field operation. Bin and ladder repair was allocated differently from one packinghouse to another, but for this study it is included in picking costs.

HAULING COSTS

The hauling operation includes the roadsiding and movement of fruit to the packinghouse. Many factors such as distance and mode of travel greatly affect the cost per unit. The cost should include wages, taxes, workmen's compensation insurance, unemployment insurance, equipment usage, maintenance and repairs, fuel, depreciation, and administration. There appeared to be more houses that charged the same rate for all varieties than those that differentiated between varieties.

In some cases it was impossible to obtain separate pick and haul cost data as there are some packinghouses that give this as one combined figure. The research team did not divide and allocate this cost to the proper category; therefore, the cost figure was included only in the total cost. In Table 3, separate pick and haul cost figures were used when they could be obtained. The combined total of pick and haul includes houses that gave the costs separately and those that combined them.

PACKING COSTS

Packing costs include all operations that move the fruit through the house. This involves the receiving, washing, treating, grading, sizing, packing, storing, and loading of the fruit. Costs are broken down into four categories: materials and supplies; labor; direct operating overhead; and indirect operating overhead. Labor costs include salaries of house, floor, and administrative personnel, as well as payroll taxes and compensation insurance. Direct operating overhead is composed of power, water, repairs and maintenance, and machine leasing. Costs which make up indirect operating overhead are insurance, taxes, licenses, fees, depreciation, rent, interest, retirement benefits, travel, and legal. This study is based on the premise that all of the above-mentioned costs should be allocated to the packed cartons of fresh fruit.

Table 3.
Estimated costs of picking, hauling, packing, products handling, marketing and advertising
California-Arizona lemons
for the 1983-84 season

Variety	Picking all fruit[1/]	Hauling all fruit[1/]	Total all fruit[2/]	Packing fresh fruit[3/]	Handling Products Products fruit[3/]	Marketing & Advertising fresh fruit[3/]
			Dollars per carton			
Lemons	1.184	.182	1.372	3.212	.310	.485

1/ Includes only houses which kept separate pick and haul cost records.

2/ Cost figure includes all houses.

3/ Proportion of industry 1983-84 production to fresh and products is as follows: Lemons, 54% fresh, 46% products.

PRODUCTS HANDLING COSTS

The products handling charge is placed on fruit which is utilized in the processing outlet. This tonnage is sent to processing plants in bulk. Because this fruit usually has to be separated in the packinghouse process, it must bear some of the direct operating costs such as unloading, washing, and grading. Because of this, a charge is levied on the products either by tonnage or carton equivalent. In this report there has been a conversion of all cost figures to carton equivalents using 37.5 pounds.

MARKETING AND ADVERTISING COSTS

Marketing and advertising costs for the year 1983-84 were received from corporate headquarters when dealing with cooperative houses, and the amounts shown are net costs for that function. In the case of independent houses, the cost of these functions to growers was obtained from the individual house itself.

Included in marketing and advertising costs are trade promotion, advertising, selling, brokerage fees, district exchanges, overhead of sales and administrative personnel, and overhead of office or headquarters.

Table 4.

Comparisons of costs of picking, hauling, packing, products handling, marketing and advertising California-Arizona lemons 1974-75 through 1983-84 seasons

	DOLLARS PER CARTON			
Year	Picking & Hauling	Packing	Products Handling	Marketing & Advertising
1974-75	.829	1.587	.239	.293
1975-76	.923	1.699	.227	.312
1976-77	.998	1.767	.219	.345
1977-78	1.161	2.040	.217	.317
1978-79	1.218	2.227	.234	.271
1979-80	1.249	2.277	.230	.370
1980-81	1.376	2.620	.262	.422
1981-82	1.357	3.068	.305	.458
1982-83	1.484	3.280	.276	.481
1983-84	1.372	3.212	.310	.485