

L. Apricoto

ORCHARD RENTS
IN
SAN BENITO COUNTY

AN ANALYSIS OF PROPORTIONAL INVESTMENTS
AND COSTS TO OWNERS AND TENANTS OF
APRICOT AND PRUNE ORCHARDS

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County Court House
Hollister, California

Ag. Extension Serv.

January, 1960

UC Cooperative Extension

ORCHARD RENTS

by

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A considerable proportion of San Benito County orchards are now operated for the owners by tenants under various arrangements. With continuing high costs, it is necessary to examine the rents or other operating arrangements as to fairness to both parties. Some tenants who pay current high labor and material costs have lost money under the traditional one-third and one-fourth shares.

It is generally accepted that a fair rent should divide the gross income between both parties in proportion to the values contributed to the business by each party. No two cases are the same, and a sample calculation of the costs met by each party should help them arrive at a rent satisfactory to both parties. The Agricultural Extension Service has developed and will furnish to interested parties a "Work Sheet for Estimating Rent or Shares." It may also be used for the division of gross or net income in partnerships, or between an owner and son or profit-sharing employee.

In order to illustrate this process, we have prepared two examples -- one on apricots, and one on prunes. These are not presented as applicable to any particular orchard, although costs have been carefully estimated as observed under 1959 conditions. Some orchards might not have all the costs shown in these illustrations, or the different items might be divided differently between landlord and tenant. These calculations do show how the per cent of inputs can be changed by shifting an expense from one to the other party. For example, if the landlord furnished the tractor, his percentage of total costs would be increased.

The facilities furnished by the landlord, such as land, trees, and equipment are brought into current annual costs as interest on the invested capital and depreciation on trees and equipment. In the following examples, items are shown in some detail and are based on about a 30-acre orchard unit. Those items which depreciate over the years are shown at half of the original cost for purposes of determining annual charges for interest on the investment, since their value would decline from cost to zero over their useful life.

SAMPLE INPUTS AND COSTS FOR APRICOTS IN SAN BENITO COUNTY
With a Yield of 6 Tons per Acre

	Hours per acre			Cost per acre	Cost per ton
	Man labor	30 hp. tractor	1½ ton truck		
Pruning 75 trees at 90¢	60			\$ 67.50	\$
Brush disposal	2		1.0	4.25	
Spraying 2 times, 600 gal. contract @ 2¢				12.00	
Cultivation and furrowing	5	4.5		12.10	
Irrigation, twice	12			12.00	
Place, fire and remove heaters	6		1.5	10.50	
Miscel. other, covercrop, fertilizing etc.	4	1.0	1.0	7.80	
Total cultural labor and field power	88	5.5	3.5	126.15	21.03
Thinning	50			50.00	8.33
Picking, 15¢ per 22 lb. bucket	75			81.75	13.62
Sup'n 5 hr. @ \$1.25 sorting 15 hr. @ \$1	20			21.25	3.55
Hauling boxes and fruit	6		4.0	15.50	2.58
Total harvesting and thinning	151		4.0	168.50	28.08
Total labor and field power	239	5.5	7.5	294.65	49.11
Irrigation water, power to pump 1 acre foot; 100 ft. lift				7.03	
Fertilizer, 30 lb. of nitrogen av. annual				5.00	
Spray material, 60 lb. Bordeaux, 6 lb. DDT, 12 gal. oil em.				17.25	
Five lbs. Dithiocarbamate plus spreader				3.40	
Orchard heating oil, 100 gal. at 14.5¢				14.50	
Miscellaneous other materials, cover crop seed				5.00	
Total material cost				52.18	8.70
Total labor and material cost				346.83	57.81
General expense, office, phone, car etc., at 5% of above				17.34	
County taxes, land, trees, equipment \$350 at \$4 rate				14.00	
Repairs to equipment except tractor and truck				3.00	
Insurance - comp. 7.50 liability .50 Soc. Sec. 2.00				10.00	
Total cash overhead				44.34	7.39
Total cash costs				391.17	65.20
Investment based on a 30-acre orchard unit	Original cost 30 acres	Av. invest.	Int. at 5%	Depreciation	
		Dollars per acre			
Trees, cost \$4.00, an acre	\$12,000	\$ 200.00	\$10.00	\$10.00	
Building for equipment	600	10.00	.50	.75	
Irrigation system	6150	102.50	5.12	11.92	
Tillage equipment	600	10.00	.50	2.00	
Tractor and truck	9000	150.00	7.50	20.00	
Heating equipment	1800	30.00	1.50	3.50	
Harvesting, props and miscel.	1200	20.00	1.00	3.00	
Drying equipment and land	6000	113.00	5.65	14.00	
Land	30,000	1000.00	50.00	--	
Total invest. & deprec.	67,350	1635.50		65.17	10.86
Total cash and depreciation costs				456.34	76.06
Total interest on investment			81.77	81.77	13.63
Total all costs fresh fruit				538.11	89.69

The above labor costs are computed at the following hourly rates: Tractor and truck driver and heating \$1.25, other \$1.00, 30 horsepower track layer tractor, cash costs including repairs \$1.30, 1½ ton truck, cash costs including repairs, license and insurance \$2.00. Average investment per acre is figured at half the original cost on everything but land. Drying equipment is included above as a fresh fruit cost to insure an outlet -- whether used or not.

APRICOTS

Sample Division of Costs Between Landlord and Tenant With a 6-ton Yield, 1959 Conditions

Investment and Depreciation per Acre

	Tenant		Landlord	
	Investment	Depreciation	Investment	Depreciation
Land	\$	\$	\$1000.00	\$
Trees *			200.00	10.00
Building for equipment *			10.00	.75
Irrigation system *			102.50	11.92
Tillage equipment *	10.00	2.00		
Heating equipment *			30.00	3.50
Ladders, lugs, props, and miscel. *	4.00	.50	16.00	2.50
Drying equipment			113.00	14.00
Tractor and truck *	150.00	20.00		
Total investment and depreciation	164.00	22.50	1471.50	42.67

*Items having depreciation are figured here at half original cost.

Cash Costs per Acre

	Tenant	Landlord	Total
All man labor except picking	178.75		178.75
Picking at 15¢ per 22 lb. bucket	81.75		81.75
Contract spraying 2 times 600 gallons @ 2¢	12.00		12.00
Tractor expense 5.5 hours and truck 7.5	22.15		22.15
Power to pump irrigation water	7.03		7.03
Fertilizers, spray materials and miscel.	30.65		30.65
Orchard heater fuel	14.50		14.50
Repairs to facilities and equipment	1.50	1.50	3.00
County taxes	.50	13.50	14.00
Insurance, liability, comp., soc. sec. & fire	9.00	1.00	10.00
General expense, office exp., operating capital	15.00	2.34	17.34
Total costs fresh fruit	372.83	18.34	391.17
Cutting	105.00		105.00
Dry yard work	72.00		72.00
Materials, sulfur, etc.	12.60		12.60
Total drying costs	189.60		189.60

Summary of all Costs and Percentages

	Tenant		Landlord		Total
	Value	%	Value	%	
Allowance for management	35.00	87	5.00	13	40.00
Depreciation	22.50	34	42.67	66	65.17
Interest on investment	8.20	10	73.57	90	81.77
Cash costs, fresh fruit above	372.83	95	18.34	5	391.17
Total costs fresh fruit	438.53	76	139.58	24	578.11
Drying costs	189.60	100			189.60
Total costs if fruit dried	628.13	82	139.58	18	767.71

Where total costs of production are distributed as shown above for fresh fruit, the tenant would have met 76% of the costs and the landlord 24%. With the landlord furnishing no drying facilities his share of fresh fruit costs would be reduced to 21%. If all fruit is dried with the tenant paying all the drying costs and furnishing drying equipment shown above for the landlord and the landlord's share of total cost through drying would be only 16%.

SAMPLE INPUTS AND COSTS FOR PRUNES IN SAN BENITO COUNTY
With a Yield of 2 Dried Tons per Acre

	Hours per acre			Cost per acre	Cost per ton	
	Man labor	30 hp. tractor	1½ ton truck			
Pruning	25			\$ 25.00	\$	
Brush disposal	2		1	4.25		
Spraying 3 times, 750 gal. @ 2¢ contract				15.00		
Cultivate and check or furrow	5	5		12.75		
Irrigate twice	12			12.00		
Miscellaneous other - cover crop etc.	3	1	1	6.80		
Total cultural labor and field power	47	6	2	75.80	37.90	
Propping, bracing, etc.	2		1	4.25		
Picking and shaking @ \$10 a fresh ton	50			50.00		
Supervision, hauling and miscel. harvest	8		3	15.00		
Dehydrating, contract at \$12 a fresh ton				60.00		
Hauling to market	2		1	4.50		
Total harvesting and fruit handling	62		5	133.75	66.88	
Total labor and field power	109	6	7	209.55	104.78	
Irrigation water, power to pump 1 acre foot, 100 ft. lift				6.93		
Spray materials				11.88		
Miscel. materials, cover crop seed, etc.				4.50		
Total material cost				23.31	11.65	
Total labor and material cost				232.86	116.43	
General expense, office, car, etc. estimated at 5% of above				11.64		
County taxes, land, trees, eqt. \$350 value at 4%				14.00		
Repairs other than truck and tractor				3.00		
Insurance, compensation \$3.00 liability .50, Soc. Sec. 2.00				5.50		
Total cash overhead costs				34.14	17.07	
Total cash costs				267.00	133.50	
Investment based on a 30-acre orchard unit	Original cost 30 acres	Dollars per acre				
		Av. value	5% int.	Depreciation		
Trees - cost \$360 A.	\$10,800	\$ 180.00	\$ 9.00	\$12.00		
Building for equipment	600	10.00	.50	.75		
Irrigation system	6150	102.50	5.12	11.92		
Tillage equipment	600	10.00	.50	1.80		
Tractor and truck	9000	150.00	7.50	20.00		
Miscel. ladders, lug boxes etc.	900	15.00	.75	2.50		
Land	24,000	800.00	40.00	--		
Total invest. & deprec.	52,050	1267.50		48.97	48.97	24.49
Total cash costs and depreciation					315.97	157.99
Total interest on investment			63.37		63.37	31.68
Total all costs					379.34	189.67

The above labor costs are figured at the following hourly rates: Tractor driver \$1.25, other labor \$1.00, 30 drawbar horsepower tracklayer tractor \$1.30, cash costs including repairs, 1½ ton truck \$2.00 cash costs including repairs, license and insurance.

Average value of investment items is estimated at half the original cost for items that depreciate. Trees are assumed to cost about \$360 an acre by the time they pay their way. With a 30 year bearing life depreciation would be \$12 an acre. An orchard developed now under current costs would probably cost considerably more.

Yields in such an orchard vary considerably from year to year. Costs at above rates per acre and per ton would vary as follows: With a 1 ton yield \$309.13 per acre and per ton, with a 3 ton yield \$449.34 per A, \$149.77 per ton.

PRUNES

Sample Division of Costs Between Landlord and Tenant With a 2-ton Yield, 1959 Conditions

Investment and Depreciation per Acre

	Tenant		Landlord	
	Investment	Depreciation	Investment	Depreciation
Land	\$	\$	\$800.00	\$
Trees *			180.00	12.00
Building for equipment *			10.00	.75
Irrigation system *			102.50	11.92
Tillage equipment *	10.00	1.80		
Miscel. ladders, ldg. boxes, etc. *	5.00	.50	10.00	2.00
Tractor and truck *	150.00	20.00		
Total investment and depreciation	165.00	22.30	1102.50	26.67

* Investment in facilities having depreciation is shown at half cost.

Cash Costs per Acre

	Tenant	Landlord	Total
All man labor except picking	62.75		62.75
Picking at \$10 per fresh ton, shake and pick	50.00		50.00
Contract spraying 3 times, 750 gal. @ 2¢ contract	15.00		15.00
Dehydrating	60.00		60.00
Tractor expense 6 hours and truck 7	21.80		21.80
Power to pump irrigation water	6.93		6.93
Spraying and miscellaneous materials	16.38		16.38
Repairs to facilities and equipment	1.50	1.50	3.00
County taxes	.50	13.50	14.00
Insurance, liability, comp., soc. sec., & fire	4.50	1.00	5.50
General expense, office exp., operating capital	10.00	1.64	11.64
Total cash costs	249.36	17.64	267.00

Summary of all Costs and Percentages

	Tenant		Landlord		Total
	Value	%	Value	%	
Allowance for management	25.00	83	5.00	17	30.00
Depreciation	22.30	46	26.67	54	48.97
Interest on investment @ 5%	8.25	13	55.13	87	63.38
Cash costs	249.36	93	17.64	7	267.00
Total all costs	304.91	74	104.44	26	409.35

With cost distribution as shown above the landlord meets only 26% of the total costs of production. A fair share rent would be somewhere around this figure if the tenant furnishes the tractor and truck and tillage and spraying equipment and pays the bills as shown. If it were desirable, however, to maintain a third rent, the landlord could increase his share of cost by paying more of the expenses. Paying one-third of the harvesting and dehydrating cost would raise his share of total costs to \$140.94 or about one-third of the \$409.35 total.