

Agricultural Extension Service
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COST ANALYSIS OF VALENCIA ORANGE PRODUCTION IN SAN DIEGO COUNTY

DESCRIPTION

The cost figures given in this sample are based on assumed conditions. The typical practices are listed, with sample costs given for the labor, materials, and equipment required. These are not presented as "standard" costs, but are intended as guidelines based upon growers' experience. Individual orchards often vary considerably from these figures in their cost and return experience. Particular items may vary from a grower's experience due to difference in conditions. Warm locations, for example, require no frost protection. Availability of adequate well water reduces the cost of irrigation water.

Orchards on steep slopes, with inadequate roadways and drives for fruit hauling and grove work, will cost considerably more to operate. Portable or drag-line irrigation systems may have lower initial costs, but higher labor requirements. Poor or untimely farming and management practices commonly cause costs to be higher than necessary and returns to be low.

Weed control is one operation that can be very costly if treatments are delayed or poorly done. If weed control has been neglected or weed control adjacent to the planted area is included, costs will be much higher. Elimination of an existing weed problem is more costly than maintenance of a normal weed control program. Delayed weed control is probably the most frequent cause of costs being higher than expected.

This study is based on expected costs for a 40-acre, 10-year-old orange planting in the northern inland part of the county, utilizing hillside land. Tree spacing of 20 by 20 feet results in approximately 100 trees per acre.

Sandy loam soil over decomposed granite is typical. Water obtained through the local water district is applied with a permanent sprinkler system, using one revolving sprinkler per tree. A wind machine and heaters sufficient to protect 20 acres of low ground is included. Other equipment includes a fuel tank, tools, wheel tractor, weed sprayer, and mower.

INVESTMENT OVERHEAD PER ACRE

Depreciation and interest on investment are included as overhead costs of investment. An annual charge for interest on investment is calculated 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 included as business expenses in accounting practice.

Depreciation and interest are calculated from the following investment schedule:

	<u>Investment</u>	<u>Depreciation</u>	<u>Interest</u>
Trees	\$3,500	\$140	\$122
Irrigation System	750	75	26
Frost Protection	233	23	8
Equipment & Buildings	250	22	9
Land	<u>3,000</u>	-	<u>210</u>
	\$7,733	\$260	\$375

YIELD AND RETURNS

Yield varies considerably among orchards, and from year to year. Commercial production may range from 200 to 700 field boxes per acre. Excellent orchards under favorable conditions in on-crop years may produce more. The following chart illustrates variability in gross on-tree returns due to yield and price changes.

<u>On-tree price</u>	<u>Yield per acre, field boxes</u>				
	<u>300</u>	<u>400</u>	<u>500</u>	<u>600</u>	<u>700</u>
\$.75	\$225	\$300	\$ 375	\$ 450	\$ 525
1.25	375	500	625	750	875
1.75	525	700	875	1,050	1,225
2.25	675	900	1,125	1,350	1,575

COST ANALYSIS

Cash Cultural Costs

Irrigation Labor	\$ 25
Irrigation Water	180
Pest and Disease Control	95
Fertilization	38
Weed Control	39
Pruning and Brush Disposal	20
Frost Protection	35
Misc. Tree Care, Replacement, etc.	14
Subtotal	<u>\$ 446</u>

Cash Overhead

Taxes	100
Maintenance and Repair	45
General Expense (office, phone, production credit, etc.)	34
Management	60
Subtotal	<u>\$ 239</u>

TOTAL CASH COSTS \$ 685

Investment Overhead

Depreciation	260
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TOTAL CASH COSTS PLUS DEPRECIATION \$ 945

Interest on Investment 375

TOTAL ON-TREE COST \$1,320