


# **Estimated Costs & Returns for Organic Leaf Lettuce & Broccoli Central Coast**



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**Central Coast Growers, Suppliers, Consultants**



**“Value-added, packaged produce,  
and *organic produce* are growing  
and remain profitable” ...**

From: Ken McCorkle, Senior VP & Manager,  
Agricultural Industries Group, Wells Fargo Bank  
Presentation at 2005 Spring Outlook Forum



## ***Growth & Profitability Driven By...***

- Consumer demand for organic, specialty & locally grown produce
- Market expansion / accessibility in variety of retail food outlets
- National organic standards
- Price premiums



See: Price Premiums Hold on as U.S. Organic Produce Market Expands. May 2005 [www.ers.usda.gov](http://www.ers.usda.gov)

# *Organic Price Premiums?*

## *OFRF Survey Results*



- 41% received premium on 100% of products.
- 45% (additional) received premium on a portion of products.
- 8% received no premium on products.

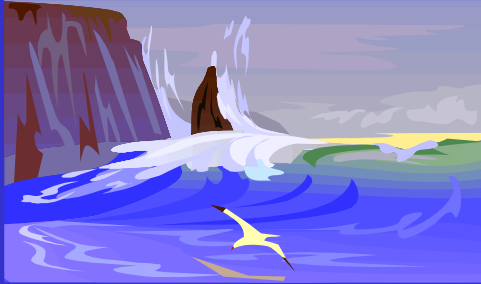
**Source: OFRF Fourth National Organic Farmers Survey. 2004.  
(Survey Data for 2001)**

# *Top Organic Fresh Product Purchases\**

- Tomatoes – 25%
- Lettuce – 9%
- Bananas – 6%
- Apples – 6%
- Broccoli – 5%
- Potatoes – 5%
- Grapes – 3%



\*Source: Fresh Trends. 2005. The Packer




# Central Coast Organic Production

- **Monterey**
  - 100 farms
  - 14,073 acres
  - \$134.1 million
  - ~ 4% of total value of county production
- **Santa Cruz**
  - 70 growers
  - 2,700 acres
  - \$18.0 million
  - ~ 4% of total value of county production

**\*Source: Estimates from Agricultural Commissioner's 2004 Crop Reports**



# **Cost & Return Study Methodology**

- **Crops ID'd as important to counties**
  - **Growers ID'd, contacted, interviewed**
  - **Local suppliers, consultants - prices/info.**
  - **Budget planner to calculate costs**
  - **Growers, consultants review (3 drafts)**
  - **Completed studies December 2004; Update February 2005 (narrative & analysis)**
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## ***Organic Vegetable Studies - Assumptions***

	<i>Leaf Lettuce</i>	Broccoli
Prod. Acres	5	5
Yield/Acre	<i>750 25 lb boxes</i>	650 22 lb boxes
Harvest Cost/Box	<i>\$4.95</i>	\$5.80
Price/Box	<i>\$9 (6.00-12.00)</i>	\$10 (6.50-13.50)
Land Rent/Crop	<i>\$1,000</i>	\$900
Water-Ac. In./Crop	<i>18 (Drip)</i>	30 (Sprinkler)

Labor/Hour: \$13.84 (machine); \$11.81 (field)

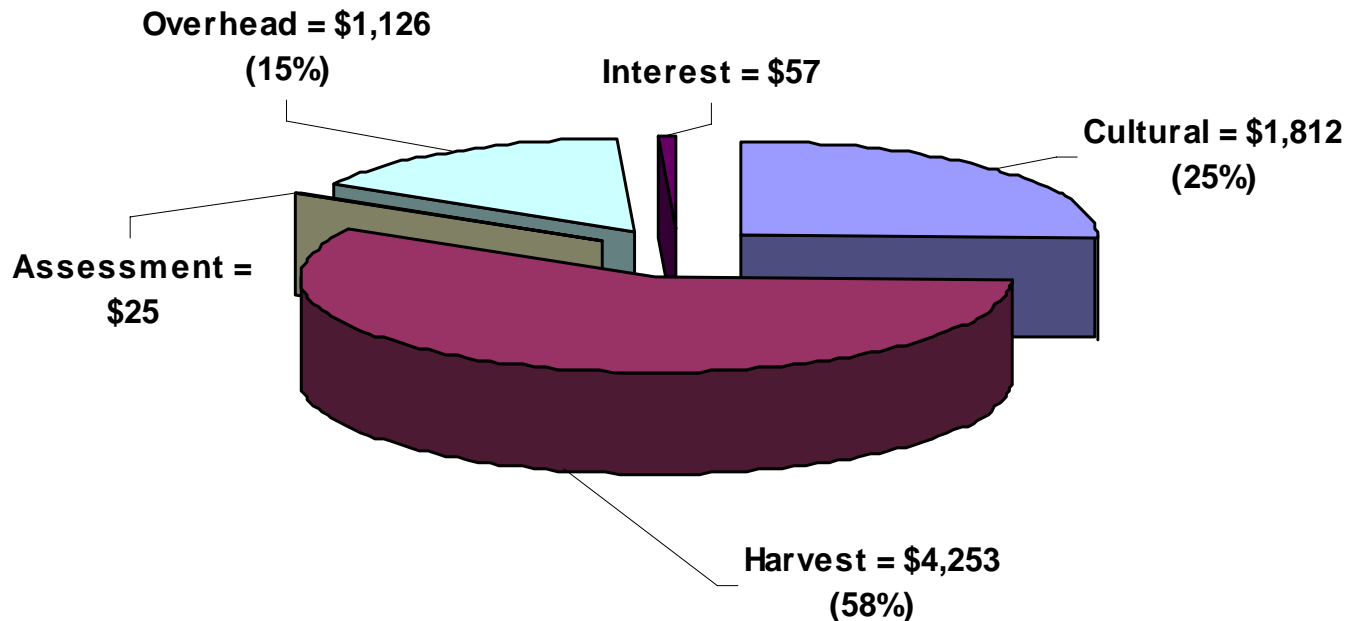
Fuel Cost: \$1.88 (gasoline); \$1.45 (diesel)

Interest on Operating Capital: 6.89%



# Central Coast Organic Leaf Lettuce

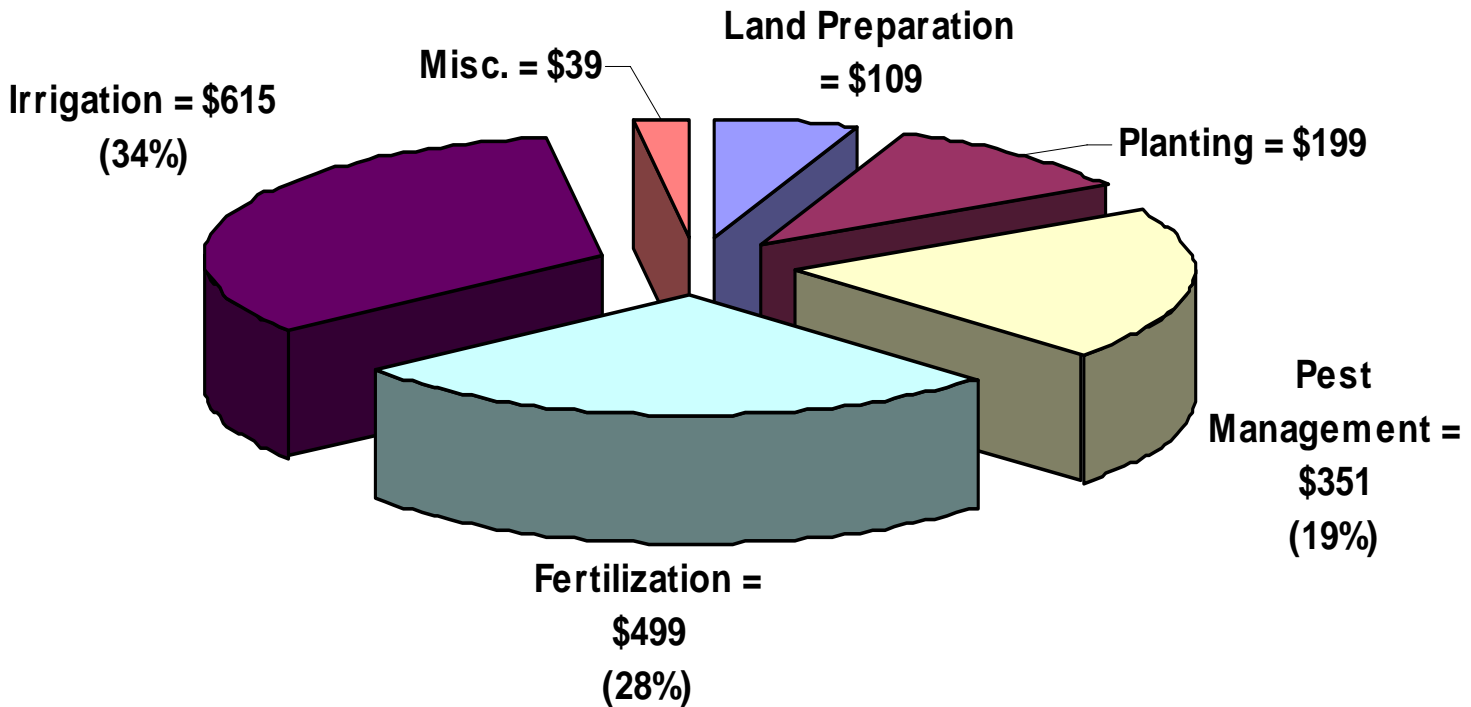
**Organic Leaf Lettuce Total Cash Costs Per Acre  
= \$7,273**



**Growing Costs: \$3,020 (Total Cash Costs – Harvest Costs)**

# Central Coast Organic Leaf Lettuce

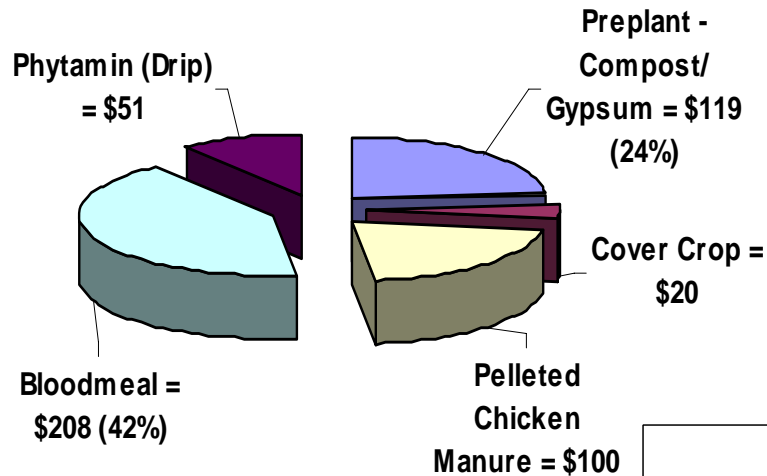
Organic Leaf Lettuce Cultural Costs Per Acre = \$1,812



# Central Coast Organic Leaf Lettuce

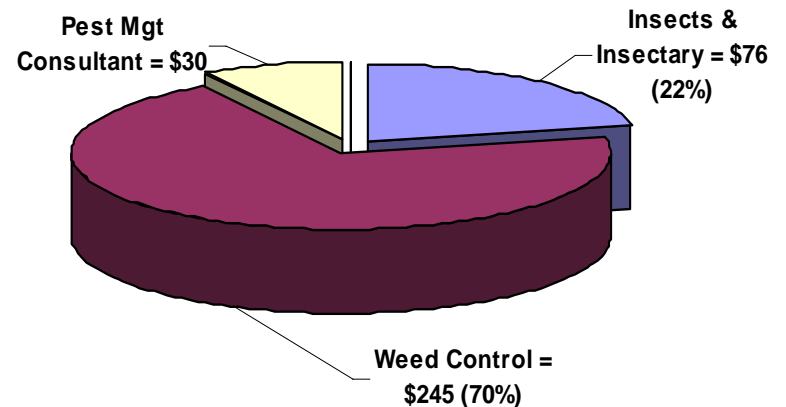
## Organic Leaf Lettuce Fertilization

Costs Per Acre = \$499



## Organic Leaf Lettuce Pest Management

Costs Per Acre = \$351





## Central Coast Organic Leaf Lettuce Net Returns Above Total Cash Costs

	<i>Yield (Boxes/Ac)</i>		
<i>Price (\$/Box)</i>	<i>600</i>	<i>750</i>	<i>900</i>
<i>8.00</i>	-1,619	-1,275	-930
<i>9.00</i>	-1,019	-525	-30
<i>10.00</i>	-419	225	870
<i>11.00</i>	181	975	1,770
<i>12.00</i>	781	1,725	2,670

USDA-AMS Shipping Point Prices: Salinas-Watsonville – Nov.  
2004 Leaf Lettuce: \$5-15/box  
2003, 2005 Leaf Lettuce: \$4-7/box



## ***Organic Vegetable Studies - Assumptions***

	<i>Broccoli</i>	Leaf Lettuce
Prod. Acres	5	5
Yield/Acre	<i>650 22 lb boxes</i>	750 25 lb boxes
Harvest Cost/Box	<i>\$5.80</i>	\$4.95
Price/Box	<i>\$10 (6.50-13.50)</i>	\$9 (6.00-12.00)
Land Rent/Crop	<i>\$900</i>	\$1,000
Water-Ac. In./Crop	<i>30 (Sprinkler)</i>	18 (Drip)

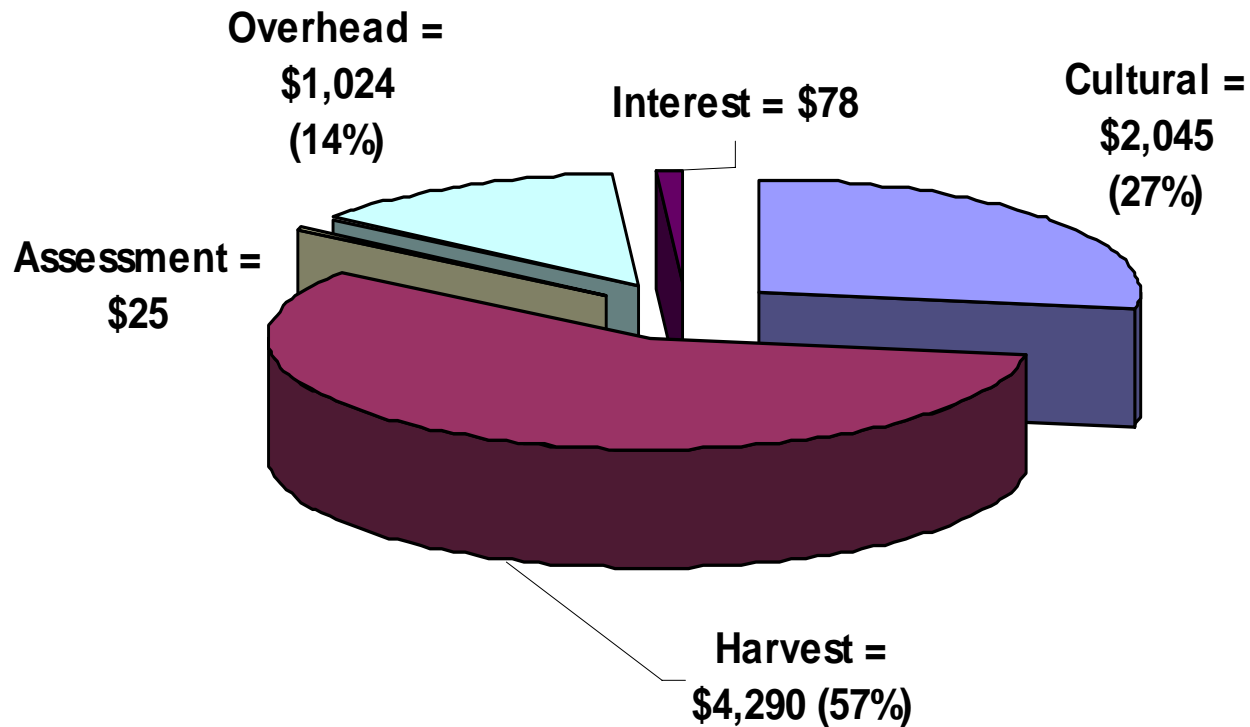
Labor/Hour: \$13.84 (machine); \$11.81 (field)

Fuel Cost: \$1.88 (gasoline); \$1.45 (diesel)

Interest on Operating Capital: 6.89%

# Central Coast Organic Broccoli

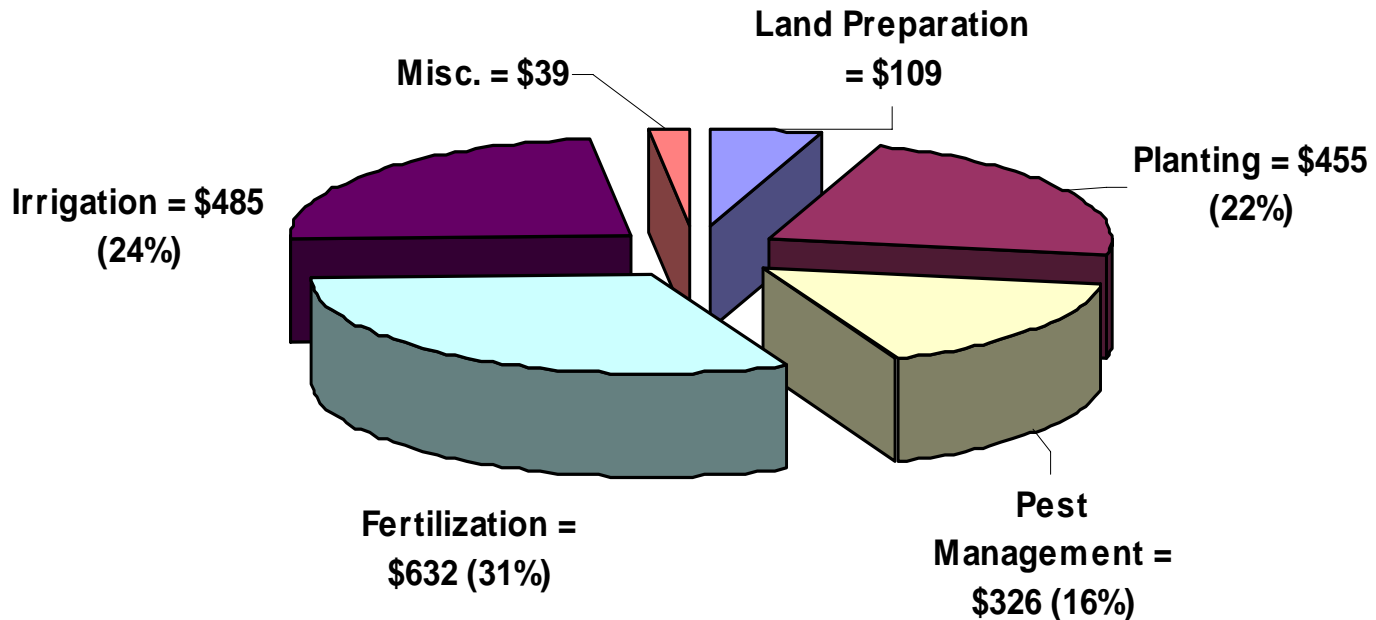
**Organic Broccoli Total Cash Costs Per Acre  
= \$7,462**



**Growing Costs: \$3,172 (Total Cash Costs – Harvest Costs)**

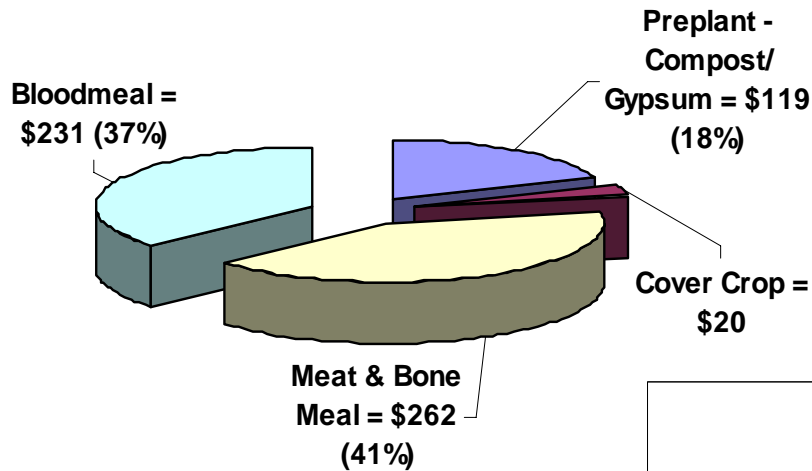
# Central Coast Organic Broccoli

**Organic Broccoli Cultural Costs Per Acre = \$2,045**

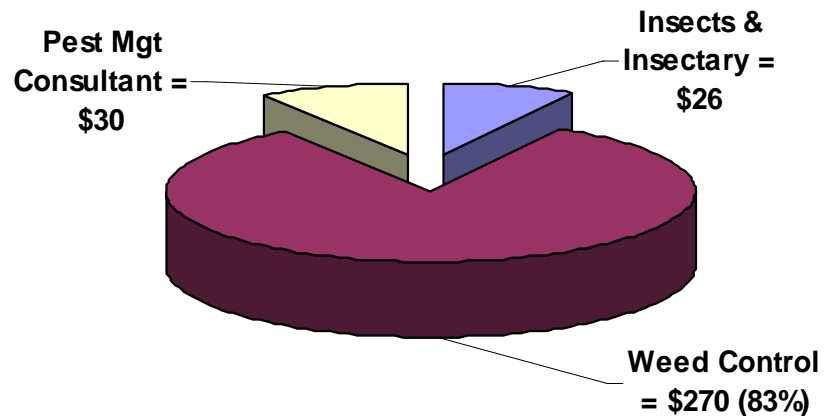


# Central Coast Organic Broccoli

**Organic Broccoli Fertilization**  
Costs Per Acre = \$632



**Organic Broccoli Pest Management**  
Costs Per Acre = \$326







## Central Coast Organic Broccoli Net Returns Above Total Cash Costs

	<i>Yield (Box/esAc)</i>		
<i>Price (\$/Box)</i>	<i>550</i>	<i>650</i>	<i>750</i>
<i>9.00</i>	-1,848	-1,612	-1,375
<i>10.00</i>	-1,298	-962	-625
<i>11.00</i>	-748	-312	125
<i>12.00</i>	-198	338	875
<i>13.00</i>	352	988	1,625

USDA-AMS Shipping Point Prices: Salinas-Watsonville – Aug.  
2004 Broccoli: \$5-10/box  
2003, 2005 Broccoli: \$4-11/box



# ***Cost Studies – 2004 vs. 2005***



- ***Land rents – higher in some areas, even within Central Coast***
- ***Water costs – higher for some, depends on district, agency fees***
- ***Fuel costs – increase***
- ***Interest rates – slight increase***
- ***Prices – organic premium vs. conventional***

# ***Study Availability***

- Current cost studies available at <http://coststudies.ucdavis.edu>
- Some now in excel format
- Ability to manipulate with area or farmer costs



***Questions?***