

Normal Production Costs

M. B. Rounds

Farm Advisor

H. H. Gardner: We will now hear from Mr. Rounds, who needs no introduction.

M. B. Rounds: Mr. Chairman, Ladies, and Gentlemen: I shall try to sandwich my talk in between "Windy Wahlberg" and the "Question-Box." We do not want to shorten the time for the Question-Box as, in my opinion, it is one of the best and most important parts of our program. I hope that we have people here who will be able to answer the questions that may be brought to our attention.

I am not here to analyze production, but we are completing in our county at the present time a summary of a three-year cost of bringing- an avocado orchard into bearing. Mr. Wahlberg has just completed a six-year summary in Orange County, and in looking it over as I have had occasion to do, I believe it is a very worthwhile piece of work. There is a table on page 10 that is particularly valuable. It gives the yield, income, and cost of earning per acre from 1930 to 1935 on a larger proportion of the orchards. This table gives a lot of interesting figures.

Considering the future of an avocado enterprise, I think that it is necessary to consider not only our present cost but whether or not we have a proper site, satisfactory soil, and satisfactory water conditions, and that we try to take care of the land and care for the trees in a profitable manner. I might add, too, that a sizeable unit is absolutely necessary. Considering the cost of the various operations, I believe it is necessary to cut the corners. Traveling on the boulevards in the county, I find the Highway Department has been cutting another corner which I did not know about. All this is being done for efficiency in traveling. When we want to go some place, we hurry along and wonder why we get there so early. Perhaps that applies to our case in trying to answer some questions on the production of avocados.

MUST PRODUCE FRUIT EFFICIENTLY

In the commercial production of avocados if a profit is to be made by the grower, the outlook of the industry would indicate that it will be necessary to produce fruit efficiently. Both volume production per unit and costs must be considered. The Extension Service has been accused of being responsible for making two blades of grass grow where one grew before, and I am thinking that, after all, that is the very thing we should do. We are not interested in increasing total production because with most of our commodities there is a surplus, but we are interested in producing fruit at a low cost—and you can only do that by increasing production of good quality fruit per unit. Those in the manufacturing business or in lines of business other than agriculture would analyze their business and compare cost of production with income. This would be done in each department. If one

division or department were not profitable, a change would be made or the department eliminated. We cannot do that in the growing of fruit, but we can analyze the various items making up costs of production rather than consider only the total costs. I went to a woman the other day who had purchased an orchard which had been in our Cost of Production Study, and this woman, who is also a business woman, said that she was not interested in anything but the total cost. It is very difficult to analyze a business by only considering the total cost. How does one know whether he compares favorably with his neighbor; whether he is using too much fertilizer or putting on too much water; or perhaps spending too much money for some other one operation? We find that, where we carry on a Cost of Production Study and ask for reports on segregated costs of the various operations, we are in a better position to analyze the enterprise, and it is only after a period of several years that we make certain changes in the cultural operations. If we have the wrong kind of trees or do not have good trees, the change may be costly. The only thing possible with a situation of that kind is to top-work or take them out and replant.

I should like to bring out a few statements using our 1934 citrus cost figures which will emphasize what I want to say. In the Citrus Cost Study, considering navel orchards for 1934, we find that in nineteen orchards the average profit per acre,—the difference between the total income and cash costs,— averages \$140.00 per acre. Now one-half the navel growers have a profit of \$100.00 per acre for 1934, and one-quarter have a profit of \$200.00 per acre. In analyzing one's own figures, the grower can determine whether the several operations have been carried on economically and efficiently by comparing them with others. He can also, by having such figures as these, find out whether or not he has good trees and perhaps do something about it. In considering the Los Angeles Citrus Cost Study again, on Valencias we find a profit on the average orchard of \$210.00 per acre. One-half have a profit of \$285.00, but the best five have a profit of \$325.00 per acre per year. These were in so-called depression times. If we take these figures and analyze them, we find there are some growers making a satisfactory profit. If some are making a good profit, why cannot all growers make a profit? Each grower must answer the question for himself. Perhaps it is too late to change if it is the quality of trees, and yet there may be some change in practices that could be made to approximate the higher figures.

MUST COOPERATE AS CROPS ARE INCREASING

Analyzing our avocado studies for the last three years, we do not find anything very significant except that I should like to call your attention to the fact that most of the orchards are on hillsides and not in the valleys. They have a cash cost varying from \$126.00 per acre up to around \$180.00. In speaking of our "Avocado Outlook" as given to us by certain members of the University this year, we find the statement that in the coming years we may expect an average price that will approximate something close to our 1935 price. We do not anticipate that for 1936, but that is the statement—future prices in the next several years will probably approximate and even be a little lower than the 1935 prices. Trend of production is upward, and I am inclined to believe at the present time that statement to be, unfortunately, fairly correct. However, there will always be certain individuals, selling to special trade, who will be able to perhaps

command a better price. In handling future crops of avocados, it will be necessary to recognize the fact that there is no surplus. The problem of the future is to expand the sales so as to get as many people as possible including avocados in their diet. But it is going to be necessary in the future for those connected with the industry to work more as a unit in the distribution of avocados. The trend of production is upward; the present acreage is 12,975 acres as reported in the present "Outlook." Only approximately 34% of these trees are non-bearing.

I should like to tell you at this point what I think is a fair picture of the future commercial avocado orchard. The successful grower, assuming he has ten acres, should receive an average profit of \$360.00 per acre. What, then, will be the expected cost of production per acre and the return in order to realize this return of \$360.00 to the grower.

14,000 POUNDS PER ACRE GOAL

Let us turn to the Orange County study of the cost of production. Last year the average cash cost of production in Orange County was \$153.00 per acre. Let us assume that this figure is lower than the future costs per acre will be, that probably the cash costs will amount to \$200.00 per acre. On this assumption it will be necessary to produce fruit which will return \$560.00 per acre to the grower. It will be necessary, then, to produce approximately 14,000 pounds on the average per acre, providing the return to the grower on the average will be no more than four cents per pound. This production of 14,000 pounds per acre will require a production of a little less than two hundred pounds per tree if the planting is seventy-five to the acre and two hundred eight pounds if the planting is only fifty trees per acre. By referring again to the Orange County study, we find that the high six producing orchards in the county average 13,288 pounds. We may see, then, that 14,000 is not such a high figure but that it may be possible, when trees are fully mature, to produce 14,000 pounds or more. None of the trees in the study during 1935 mentioned in the average of the high six producing orchards are over twelve years of age.

It is true that one of the principal requirements for this orchard of the future is for trees to be consistent producers, which is something we hope to have. When avocados can be sold to return the grower four cents per pound, it will then be possible to sell the fruit in the markets of the United States at a reasonable price per pound so that the average family may always include the item in its diet. The industry will not expand to the extent that avocados will be universally consumed until the price is at a reasonable figure.

I believe that it will be a profitable occupation for each and every avocado grower to study his production carefully and compare costs and production with other growers. If he is cooperating in a cost of production study, he can easily compare his figures with others because the various items are kept on the same comparable basis. By making this comparison and analyzing the results, one may work out a change in practice which will either produce more heavily or enable one to reduce costs of production.

One comparison in the Orange County Study might be called to your attention, and that is Table 8 where a summary of production on the various orchards is made. Orchard No. 10 produced 11,500 pounds in 1930 and in 1935 produced one-third that amount—

the year when all others produced much more than in previous years. I do not know the answer to this situation, but perhaps Mr. Wahlberg could answer it.