

COST TO ESTABLISH AN AVOCADO ORCHARD IN VENTURA COUNTY

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New potential avocado growers often ask, "How much does it cost to establish an avocado orchard in Ventura County." A logical question because the answer may determine whether or not the enterprise should be undertaken. It is more prudent, to investigate before investing rather than running into financial problems before completing the development or before production is able to offset some of the expenses.

Growers who purchase established orchards often ask the same question in order to set up depreciation schedules, bookkeeping methods, or tax accounting procedures.

A recent study showed a total investment at the end of the first year of \$5.112 per acre. At the end of five years it cost -\$7,281 after fruit credits were applied for the fourth and fifth years.

In developing the study certain basic assumptions were made. These included a new 10-acre planting of Hass avocados, planted 15x23 feet or 126 trees per acre on cleared- relatively frost-free land, with a permanent plastic irrigation system. It is owner-operated with an hourly wage rate of \$2 per hour.

Water for irrigation is purchased from water companies or from wells on the property. Water costs range from \$5 to \$32 per acre-foot. For this study \$18 per acre-foot is used.

Taxes on land will vary with location. The range is from \$60 to \$120 per acre. Trees are not taxed until after the fifth year.

Capital outlay is estimated to be -\$4,075 per acre based on an assumed agricultural land value of \$3,000 per acre and \$1,075 per acre for the irrigation system, building, and equipment. The initial cost of the permanent plastic irrigation system with spitter sprinklers is estimated at \$550 per acre, installed. Spitters are converted to full circle, revolving sprinklers as needed at an additional cost of \$100 per acre.

Interest on investment for the first year equals 6 percent of the first year total cash cost per acre (item 5) plus 6 percent of land value and undepreciated balance of irrigation system, equipment, and one building. Interest for remaining years equals 6 percent of the prior year total investment value (10).

Fruit credits vary depending on orchard yield and market prices.

Investment in trees at the end of the year equals the accumulated net costs (9) of prior years.

The accompanying chart lists sample costs for establishing an avocado orchard in Ventura County. The costs are categorized into (1) labor and field power; (2) and materials; (3) for all necessary cultural operations for planting and maintenance, total cash cultural cost; (4) total cash overhead; (5) total cash costs; (6) total non-cash costs which includes depreciation and interest on investment; (7) total pre-harvest costs; (8) net total cost after fruit credits are applied; (9) accumulated total costs, the investment value which includes land, tree, equipment; and (10) total investment value.

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SAMPLE COST OF ESTABLISHING AN AVOCADO ORCHARD IN VENTURA COUNTY					
<i>Labor and Field Power</i>					
Land preparation	\$ 15	-	-	-	-
Orchard layout	15	-	-	-	-
Plant (dig, plant, mulch & wrap)	63	6	3	-	-
Irrigation	32	28	24	24	24
Fertilization	2	3	4	4	4
Weed control (hoe, oil & herbicide)	22	15	12	10	10
Pest control	6	6	6	6	6
Tree care & pruning	12	10	8	8	6
Miscellaneous (propping, erosion control)	10	10	10	10	10
(1) Total Labor and Power	\$ 177	\$ 78	\$ 67	\$ 62	\$ 60
<i>Materials</i>					
Trees (126 trees/ acre @ \$2.65)	334	16	8	-	-
Mulch	16	1	1	-	-
Tree protectors	6	1	1	-	-
Water	15	15	30	45	45
Fertilizer	4	8	12	16	19
Weed oil & herbicides	13	27	27	23	21
Pest Control	6	6	6	6	6
Miscellaneous (supplies)	10	10	10	10	10
(2) Total Materials	\$ 404	\$ 84	\$ 95	\$ 100	\$ 101
(3) Total Cash Cultural	581	162	162	162	161
<i>Cash Overhead</i>					
General expense	58	16	16	16	16
Management charge	36	36	36	36	36
Taxes	60	60	60	60	60
Maintenance & repairs	20	20	20	20	20
(4) Total Cash Overhead	\$ 174	\$ 132	\$ 132	\$ 132	\$ 132
(5) Total Cash Costs	755	294	294	294	293
Depreciation	124	124	124	124	124
Interest on investment	282	307	343	381	413
(6) Total Non-cash Costs	406	431	467	505	537
(7) Total Cost Per Acre (preharvest)	\$1,161	\$ 725	\$ 761	\$ 799	\$ 830
Less Fruit Credit	-	-	-	150	300
(8) Net Total Cost	1,161	725	761	649	530
(9) Accumulated Total Cost	\$1,161	\$1,886	\$2,647	\$3,296	\$3,826
INVESTMENT VALUE AT END OF YEAR					
Land @ \$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Trees	1,161	1,886	2,647	3,296	3,826
Irrigation system, equip. and bldgs. Total—\$1,075	951	827	703	579	455
(10) Total Investment Value — End of Year	\$5,112	\$5,713	\$6,350	\$6,875	\$7,281