

# **RAMP 2008-2010 Economic Analysis**

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# Quadrants of Business Success



# Budgets

- If it isn't broke...you probably haven't looked hard enough!
  - Tom Peters
- In business, the only truly sustainable competitive advantage is the ability to learn and adapt faster than your competition.
  - Danny Klinefelter

# My Goal

## The Johari Window



# Outline

- Purpose & Process
- Findings & Conclusions
- Budgets
- Questions

# **PURPOSE & PROCESS**

# Purpose

- Illustrate production and financial impacts of pesticide programs utilized by tart cherry producers for both High Pest Pressure (**RAMP**) and Lower Pest Pressure (**TRANSITION**)
- Provide a decision-making tool for producers

# History and “Today’s” Focus Group

- Michigan Production Costs for Tart Cherries by Production Region, Michigan State University Ag Economics Report #639, Sept 2010
- Focus Group and Cooperators

# Process

- Modified
  - Pesticide programs
  - Machinery
  - Labor
  - Management time
  - Pest management services

# Thanks

- Jim Laubach
- Erin Lizotte
- Nikki Rothwell
- Jim Bardenhagen, Francis Otto
- Roy Black

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# Assumptions

- 10,000 lb yield per acre
  - 2010 publication used 9,000 lb per ac
- Includes cash and non-cash costs
- Includes Yr 1-5 establishment and operating costs, amortized over 22 years
- Includes Yr 6-22 land control cost, annualized

# Philosophy



- Decision making aid
- Transparency of assumptions

***If you agree with these budgets, you haven't looked hard enough.***

# **FINDINGS & CONCLUSIONS**

# Key Differences

	RAMP	TRANSITION
Definition	High Pest Pressure	Lower Pest Pressure
Times over Field	7.5	5.5
Spray Frequency	10 days	10 days
Sprayer Life	12.5 yrs	4.1 yrs
Machinery & Labor Hours	1.36x	1x
Scouting Hours	3.2x	1x
Management Hours	1.1x	1x

# Results Compared

	RAMP	TRANS	Difference	RAMP as
CROP PROTECTION	Cost per Acre		RAMP-TRANS	% TRANS
Pest Program	\$274	\$234	\$40	
Machinery	\$103	\$62	\$41	
Labor	\$52	\$38	\$14	
Pest Management Service	\$88	\$28	\$61	
Management and Labor Supervision	\$195	\$173	\$23	
Interest	\$48	\$42	\$7	
Total Expenses Adjusted for RAMP/TRANS	\$760	\$576	\$184	131.9%
Total per Acre Expenses	\$2,803	\$2,619	\$184	107.0%
RAMP/TRANS Adjusted Exp % Total per Acre Expenses	27.3%	22.0%		

# Cost of Production

	RAMP	TRANSITION
Yield	10,000 lb	10,000 lb
Total Production Cost per Acre	\$1,772	\$1,587
Total Establishment & Land Cost per Acre	\$1,031	\$1,031
TOTAL Cost per AC	\$2,803	\$2,619
Total Cost per Lb	\$0.30	\$0.28

# Unrealistically High COP?

- Yield may not represent your actual yield
- Costs included here are very comprehensive
  - Orchard maintenance
  - Vehicle cost
  - Full management cost
  - Ownership costs
- Assumptions about total acres and other enterprises that "share" the cost of machinery

# **BUDGETS**

# Navigation

- Light blue cells – modify without disrupting formulas
- Dynamic
  - Yield
  - Labor cost
  - Pesticide costs
  - Fuel cost
  - Fertilizer cost
  - Full cover sprays and rate
  - Purchase price, years of life, hours used, operating costs

# Modifications

- Modifying machinery
  - Update purchase price, years of use, acreage assigned an operating costs
  - See Machinery Cost Estimates, William F. Lazarus and Andrew Smale, University of Minnesota, Jun 2010 (update May '11)
- Modify spray programs
- Adding line items in budgets – need moderation Excel knowledge