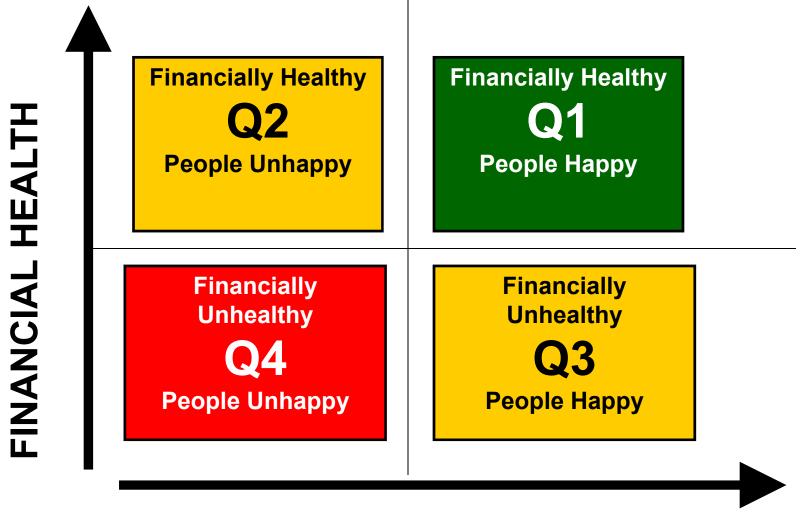


RAMP 2008-2010 Economic Analysis

Barbara Dartt, DVM, MS January 25 2012 Orchard & Vineyard Show, Traverse City

Quadrants of Business Success



ORGANIZATIONAL HEALTH



• 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





The Johari Window

	Caution	Certainty
	"I know what I don't know"	"I know what I know"
Awareness	Explore	Exploit
HWal	Ignorance	Amnesia
	"I don't know what I don't know"	"I don't know what I know"
	Experiment	Expose

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





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



Thanks

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

08.26.2011

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	$12.5 \mathrm{\ yrs}$	$4.1 \mathrm{yrs}$
Machinery & Labor Hours	1.36x	1x
Scouting Hours	$3.2 \mathrm{x}$	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

• <u>Light blue cells</u>-

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

