

Monitoring and Measuring Fruit Farm Businesses

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“If you can’t measure it – you can’t manage it” is a common refrain in farm business management circles. The exponential rate of change we face today makes measuring business performance critical in the financial management of those businesses. The primary objective of the fruit farm business summary is to help farm managers improve the financial management of their

“Fruit farm profitability has improved in the last two years even though expenses have risen rapidly. This has been due to improved fruit prices, increased production per acre and improved fruit quality.”

businesses. It provides a framework for use in identifying and evaluating the strengths and areas for improvement in a farm businesses.

Twenty two farms participat-

ed in the 2007 Lake Ontario Region Fruit Farm Business Summary producing a total of 3.41 million bushels, or about 10.9 percent of the state’s total production in that year. An average of 81 percent of the accrual receipts were from apples. Fresh market apples accounted for 45% of the apples harvested on those farms, with 62% of the apple acreage was intended for fresh production. Other crops, in order of importance were peaches, sweet cherries, tart cherries, pears and plums and prunes. The average farm had 243 acres of fruit with 210 acres bearing. Non-bearing acreage

was at 13.6% (150 bu. of apples / acre must be produced to be considered bearing).

Bearing acreage per farm increased through 2005. Since 2006 growers have been removing lower density orchards with low returning varieties (least profitable or unprofitable acreage) at a faster rate. Figure 1 shows bearing acreage only, generally growers maintain less profitable bearing acres for cash flow purposes until non-bearing orchards come into production or increase their production.

Farm Profitability = Accrual Receipts minus Accrual Expenses

Strong fresh apple prices have increased farm profitability in the past two years, even though farm expenses have been rising rapidly. The net farm income without appreciation in 2007 was \$258,209 which represents a significant return to the operators for their labor and management and a return on their equity capital. The labor and management income per operator (1.4 operators) was \$105,391.

Challenges Ahead?

Will farm expenses continue to climb? Will fresh and process apple supply continue to increase, thereby lowering prices received by growers? Or will improved apple quality and exciting new varieties increase the demand of apples, stabilizing recent apple price increases? Will Congress initiate immigration reform and improve the availability of labor? There will surely continue to be unexpected challenges ahead.

Growers can be better prepared for future challenges by being familiar with their accrued income and expenses per acre, cash flow and capital investment figures per bearing and fruit acre. Please consider participating in the 2008 Fruit Farm Business Summary!

Plans for the 2008 Summary

Individual farm analysis is now completed using an Excel spreadsheet, which allows instant feedback to participants on the strengths and areas for improvement for their farm business. The “average farm” is now constructed using an Access database. All individual farm data is kept strictly confidential and individual farms are not identified in construction of the summary.

We would like to increase the number of participating farms to 50 and take the summary statewide for the 2008 Fruit Farm Business Summary. Participating growers are asked to complete a six page form and then call for an appointment to have their farm analyzed. Growers receive an analysis of their farm, which

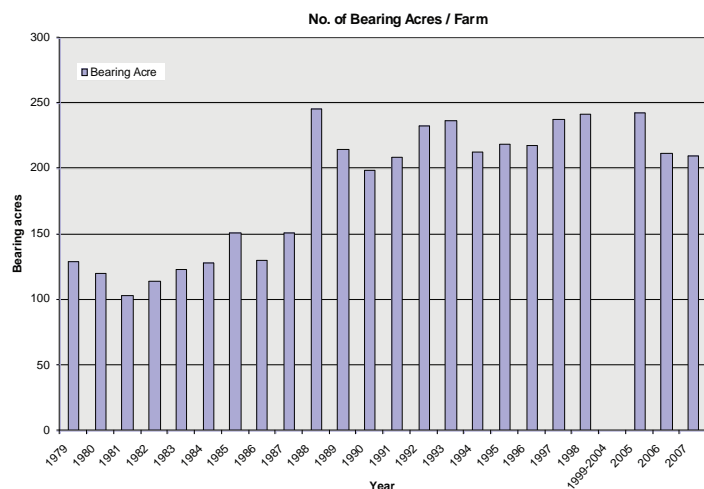


Figure 1. Trends in bearing acreage of fruit farms participating in the Lake Ontario Region Fruit Farm Business Summary from 1979 through 1998 and 2005 through 2007 (the years the summary has been published).

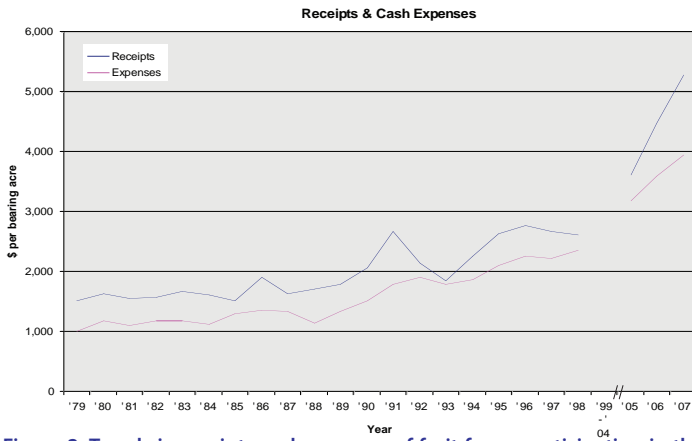


Figure 2. Trends in receipts and expenses of fruit farms participating in the Lake Ontario Region Fruit Farm Business Summary

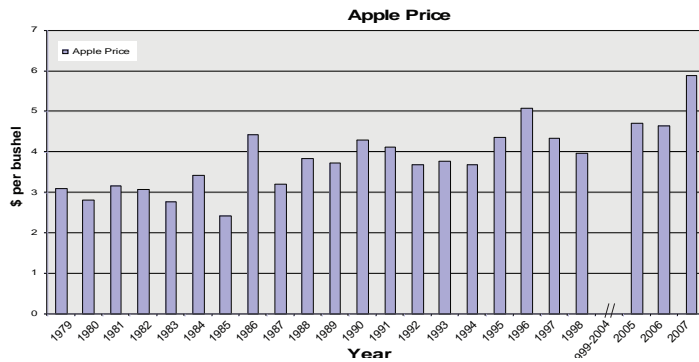


Figure 3. Trends in average price received per bushel of apples (fresh, process and juice) of fruit farms participating in the Lake Ontario Region Fruit Farm Business Summary

Table 1. 2007 Average production and size of fruit farms in the Lake Ontario Fruit Farm Business Summary.

Type of Fruit	Avg. Yield/Bearing Acre	No. of Farms
All apples	18.2 tons / acre (868 bu. / acre)	22
Fresh apples	13.8 tons / acre (658 bu. / acre)	22
Process apples	19.7 tons / acre (937 bu. / acre)	22
Sweet cherries	3.6 tons / acre	8
Tart cherries	4.2 tons / acre	6
Peaches	4.3 tons / acre	9
Plums & prunes	3.6 tons / acre	4
Pears	6.8 tons / acre	4

Table 2. 2007 Costs per bearing acre of fruit farms in the Lake Ontario Fruit Farm Business Summary.

Costs (accrual)	per bearing fruit acre	% of total
All labor	\$ 1,757	42 %
All equipment	\$ 814	20 %
Spray	\$ 465	11 %
Total Operating Exp (inc. interest & deprec.)	\$ 4,163	

Table 3. Relative impacts of increased costs of production and apple prices for fruit farms in Western NY, crop years 1980 – 2006.

Dollars per bearing acre	Annual % increase
Cash expenses	4.7
Spray expenses	4.7
Labor expenses	3.9
Capital Investment	4.2
Receipts	4.1
Apple prices (\$/bushel)	2.0

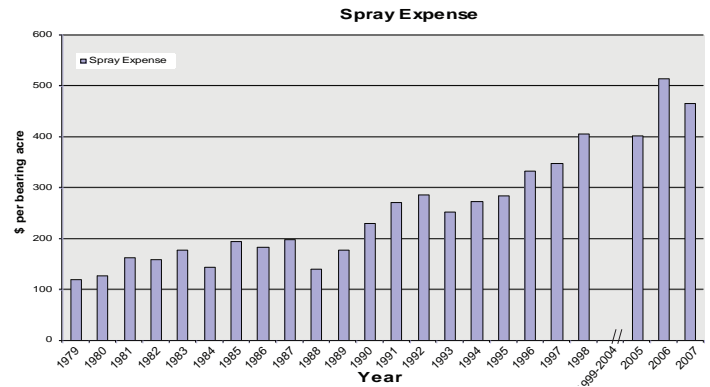


Figure 4. Trends in spray expenses per bearing acre (herbicides, fungicides, insecticides, miticides, growth regulators, adjuvants and foliar nutrients) of fruit farms participating in the Lake Ontario Region Fruit Farm Business Summary. Many participants are using sprayers equipped with flow meters and tree sensing systems. The amount of spray materials applied in any one season is also affected by weather conditions during that season.



Figure 5. Trends in labor expense per bearing acre of fruit farms participating in the Lake Ontario Region Fruit Farm Business Summary. Increases in labor costs likely reflect an increased use of offshore / H-2a labor (Mexican, Jamaican & other nationalities), increasing yields per acre and the labor required to install and attach trees to support systems in higher density plantings as well as the difficulty in finding people willing to work on farms.

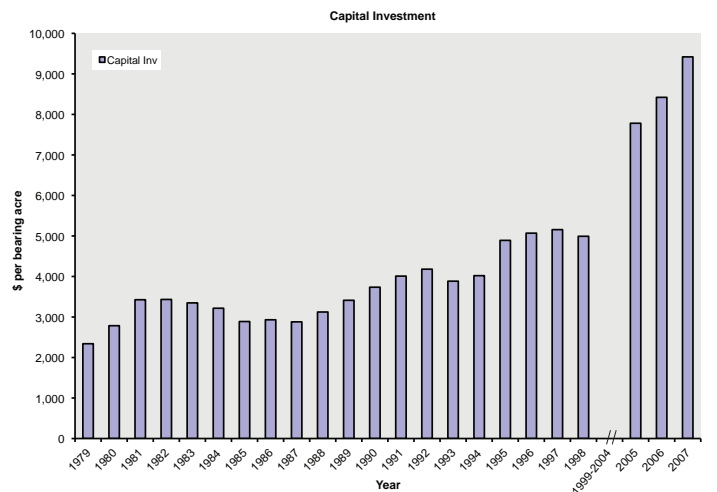


Figure 6. Trends in investment per bearing acre of fruit farms participating in the Lake Ontario Region Fruit Farm Business Summary. Increase in investments per bearing acre reflect higher land costs, higher density plantings, equipment replacement, irrigation, storage, labor housing and apple bins.

includes a balance sheet, accrual income statement, a cash flow statement, and summarized analysis as well as per acre or per bushel analysis of income and expenses.

The new Access database will allow us to sort the data on more parameters and may allow us to compare more types of fruit farms such as those with direct marketing, storage and packinghouses or specific types of fruit (small fruits, stone fruits, etc.) as well as by geographical region.

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