

TABLE OLIVE PRODUCTION COSTS

SAN JOAQUIN VALLEY

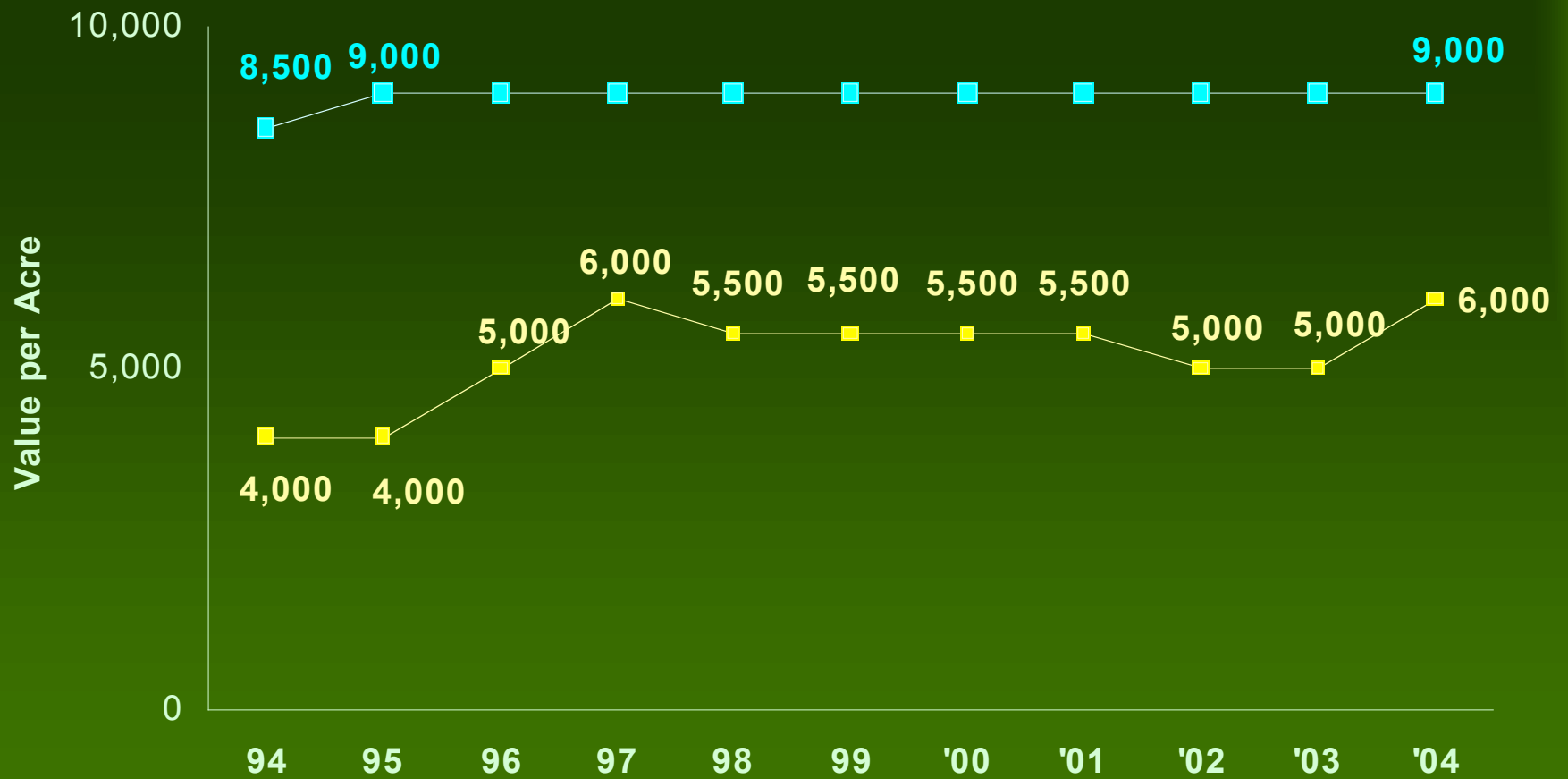
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**CA OLIVES
HISTORIC PERSPECTIVE**

CA OLIVE BEARING ACRES 1994 - 2004



TREE FRUIT HIGH & LOW VALUES Fresno County



Source: CA Society of Farm Managers and Rural Appraisers. "Trends in Ag. Land & Lease Values"

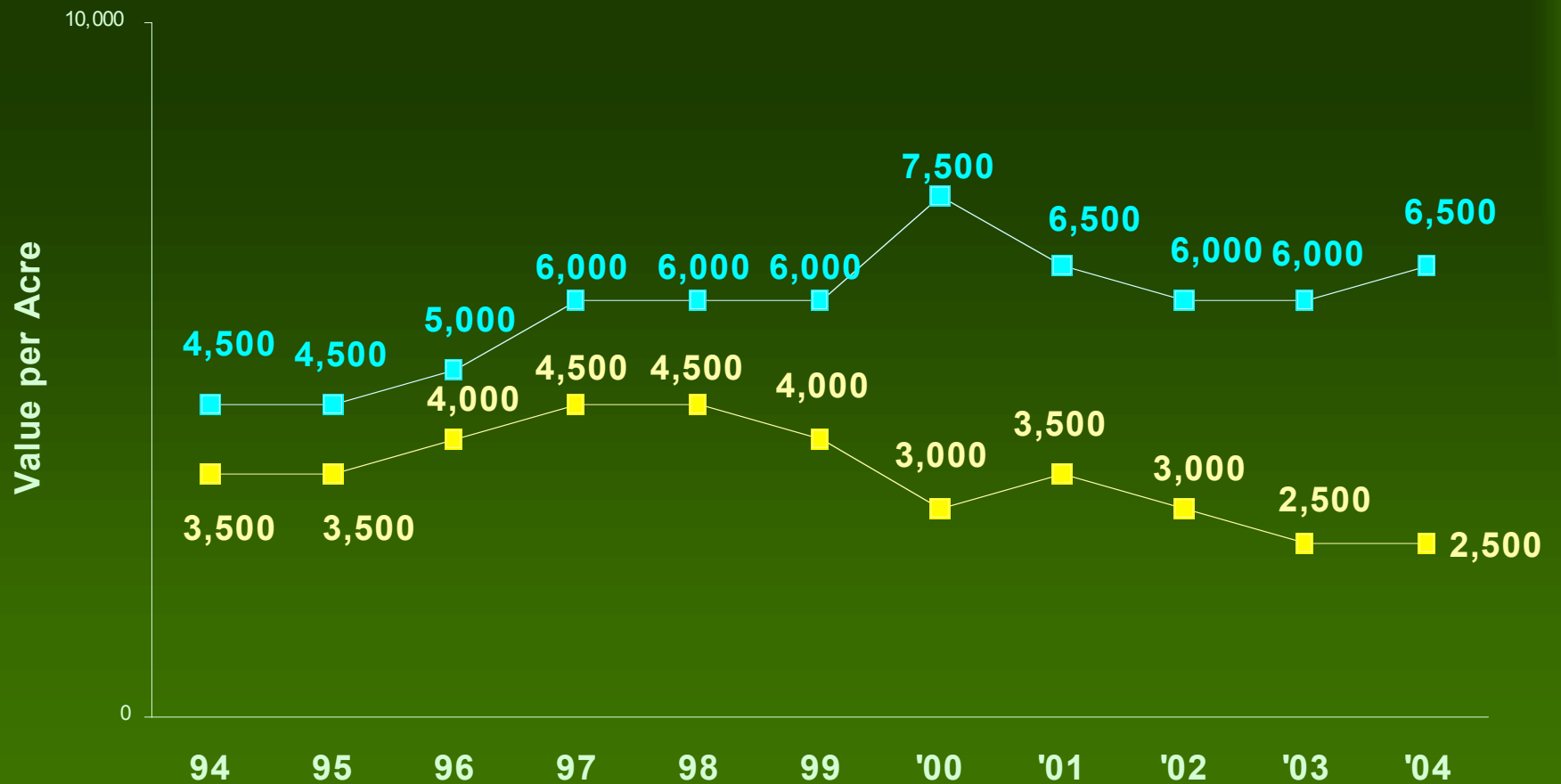
OLIVE ORCHARD HIGH & LOW VALUES Tulare County



Source: CA Society of Farm Managers and Rural Appraisers. "Trends in Ag. Land & Lease Values"

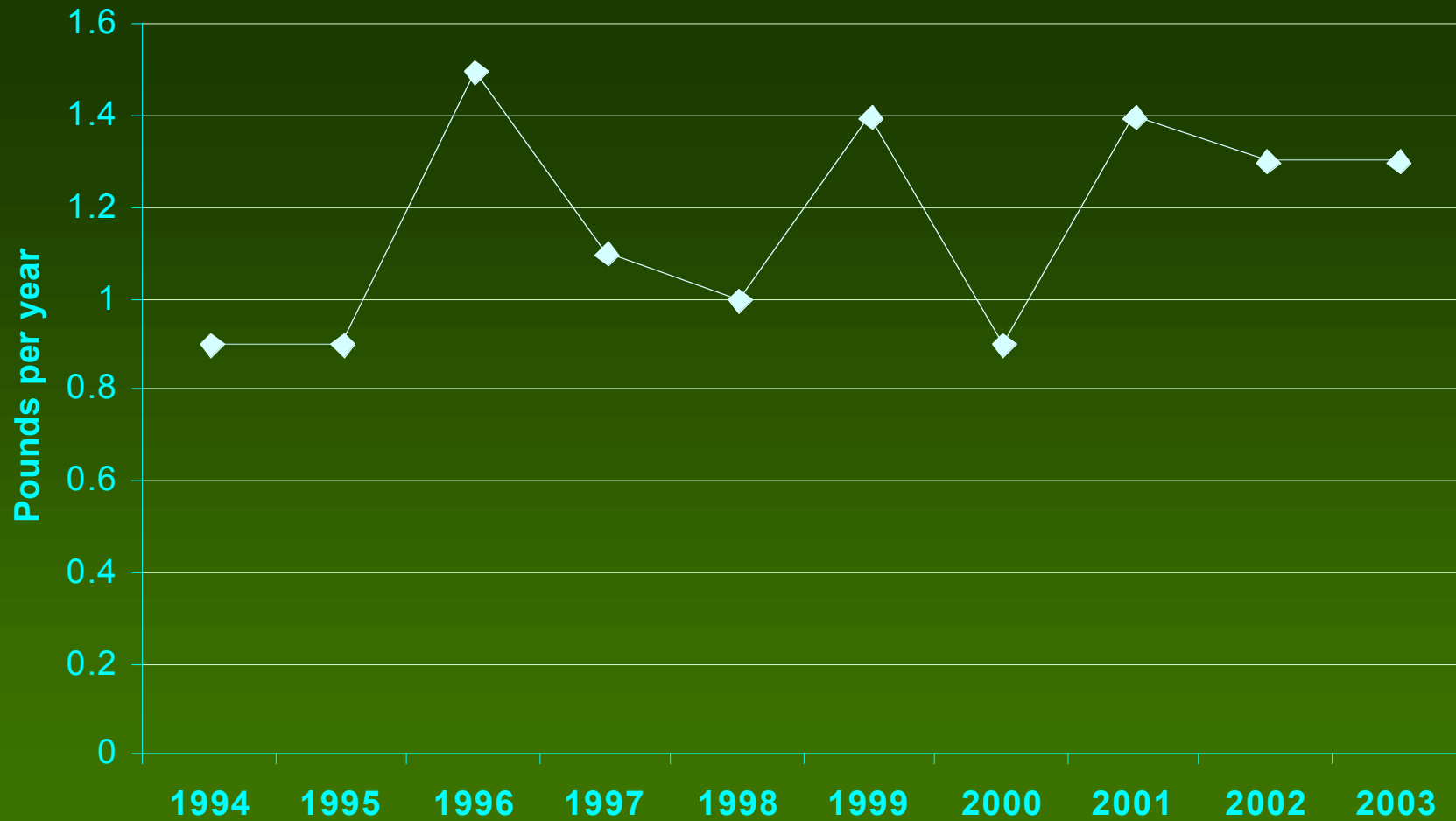
OLIVE ORCHARD HIGH & LOW VALUES

Colusa, Butte, Glenn, Tehama

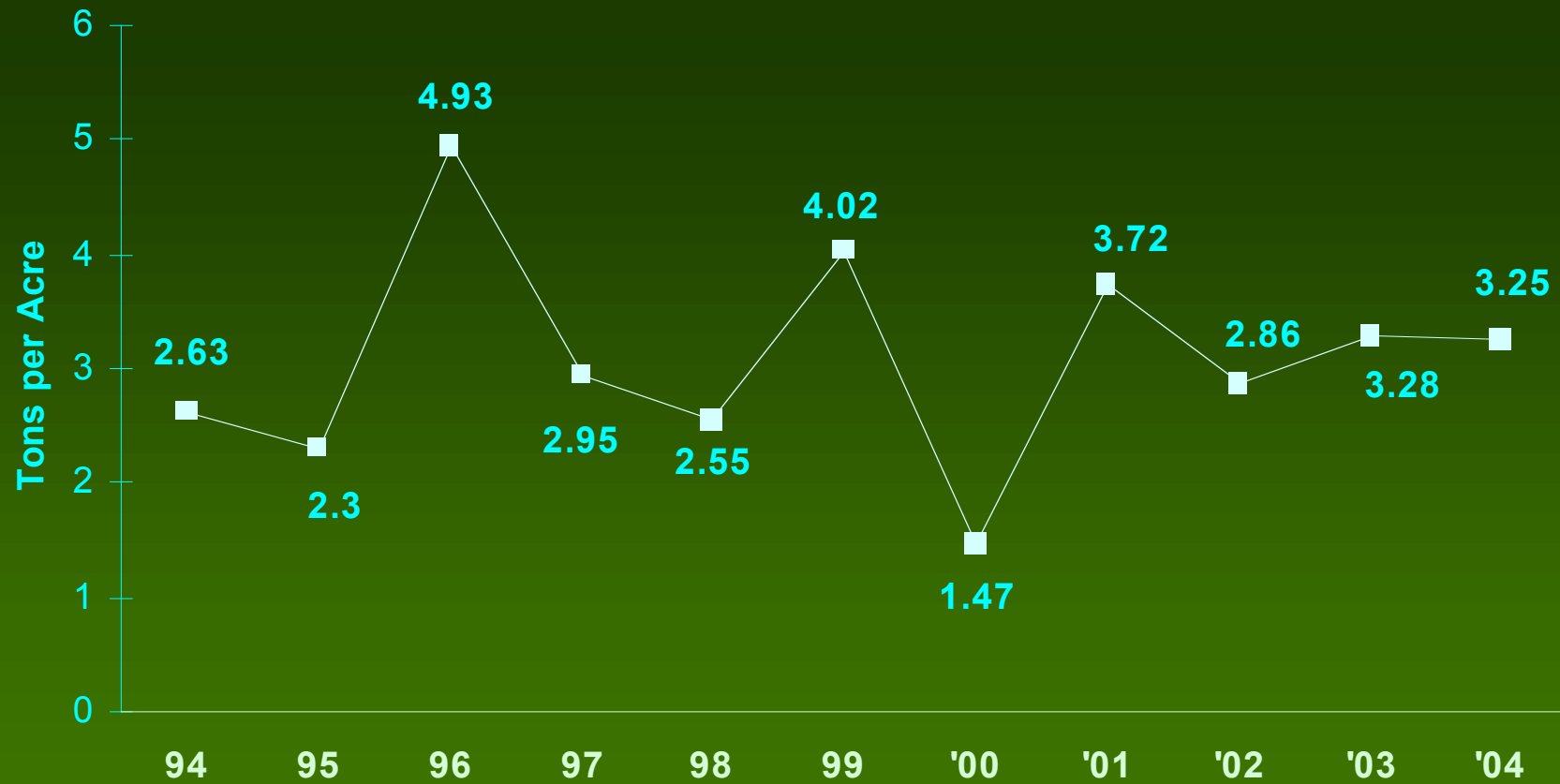


Source: CA Society of Farm Managers and Rural Appraisers. "Trends in Ag. Land & Lease Values"

US PER CAPITA CONSUMPTION *of* PROCESSED OLIVES



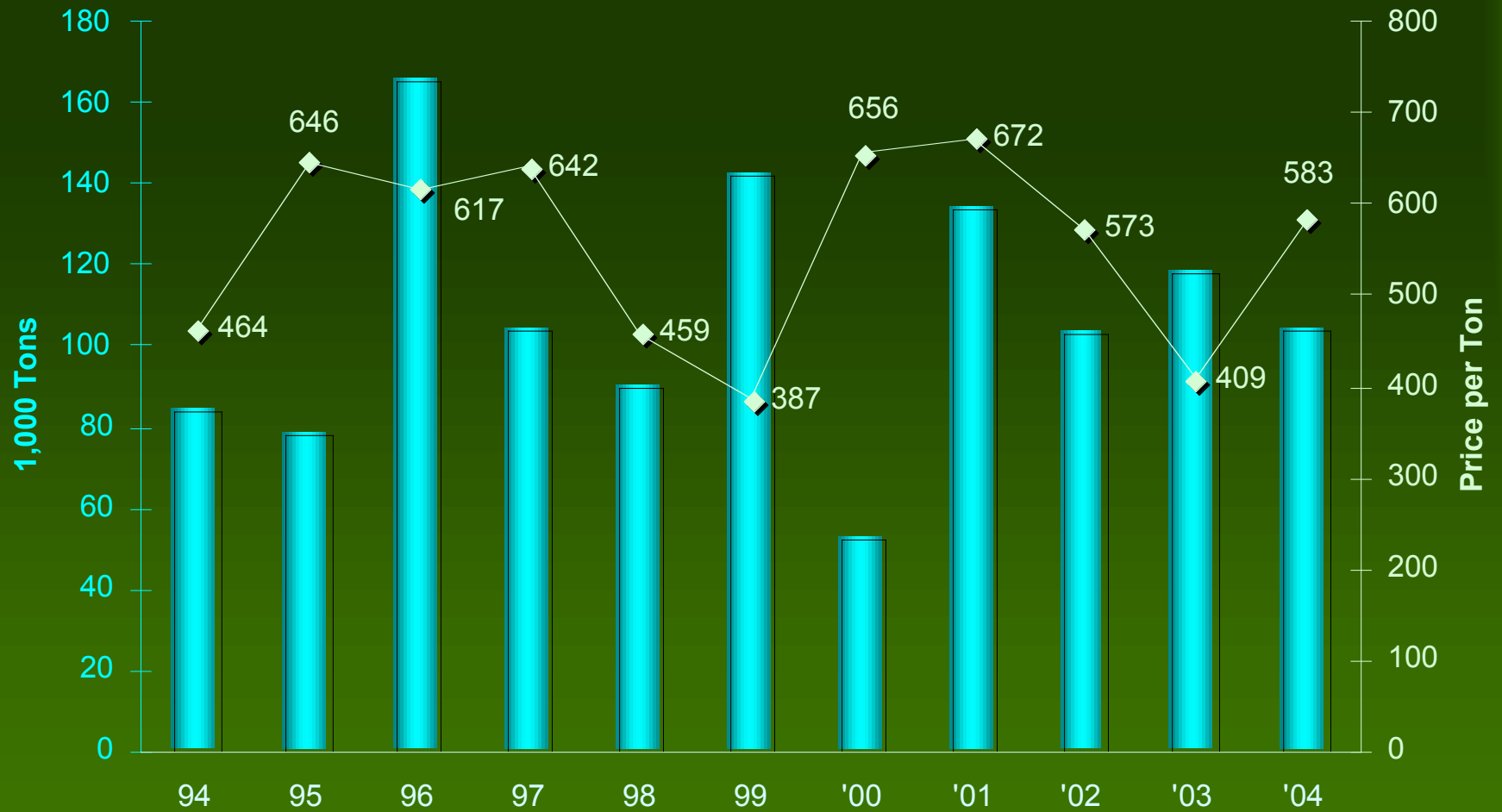
CA OLIVES - YIELD PER ACRE 1994 - 2004



CA OLIVE PRICE PER TON 1994 - 2004



CA OLIVE PRODUCTION AND PRICE 1994 - 2004



CA OLIVE PRODUCTION AND VALUE 1994 - 2004



COSTS *of* PRODUCTION

- Cultural costs
- Harvest costs
- Cash overhead costs
- Noncash overhead costs

COSTS *of* PRODUCTION

- Cultural costs
 - Pruning, suckering, and brush removal
 - Pest control (disease, insects)
 - Weed control (mowing, strip and spot sprays)
 - Fertilization
 - Irrigation
 - Chemical thinning
 - Pollination

COSTS *of* PRODUCTION

- Harvest costs
 - Hand harvest

COST *of* PRODUCTION

- Cash overhead
 - Office expense
 - Sanitation fees
 - Liability and property insurance
 - Property taxes
 - Repairs on buildings and irrigation system

COST *of* PRODUCTION

- Noncash overhead
 - Buildings
 - Shop and pruning tools
 - Irrigation system (including pump, well, filtration system, pipes, and sprinklers)
 - Fuel tank
 - Equipment
 - Orchard establishment
 - Land

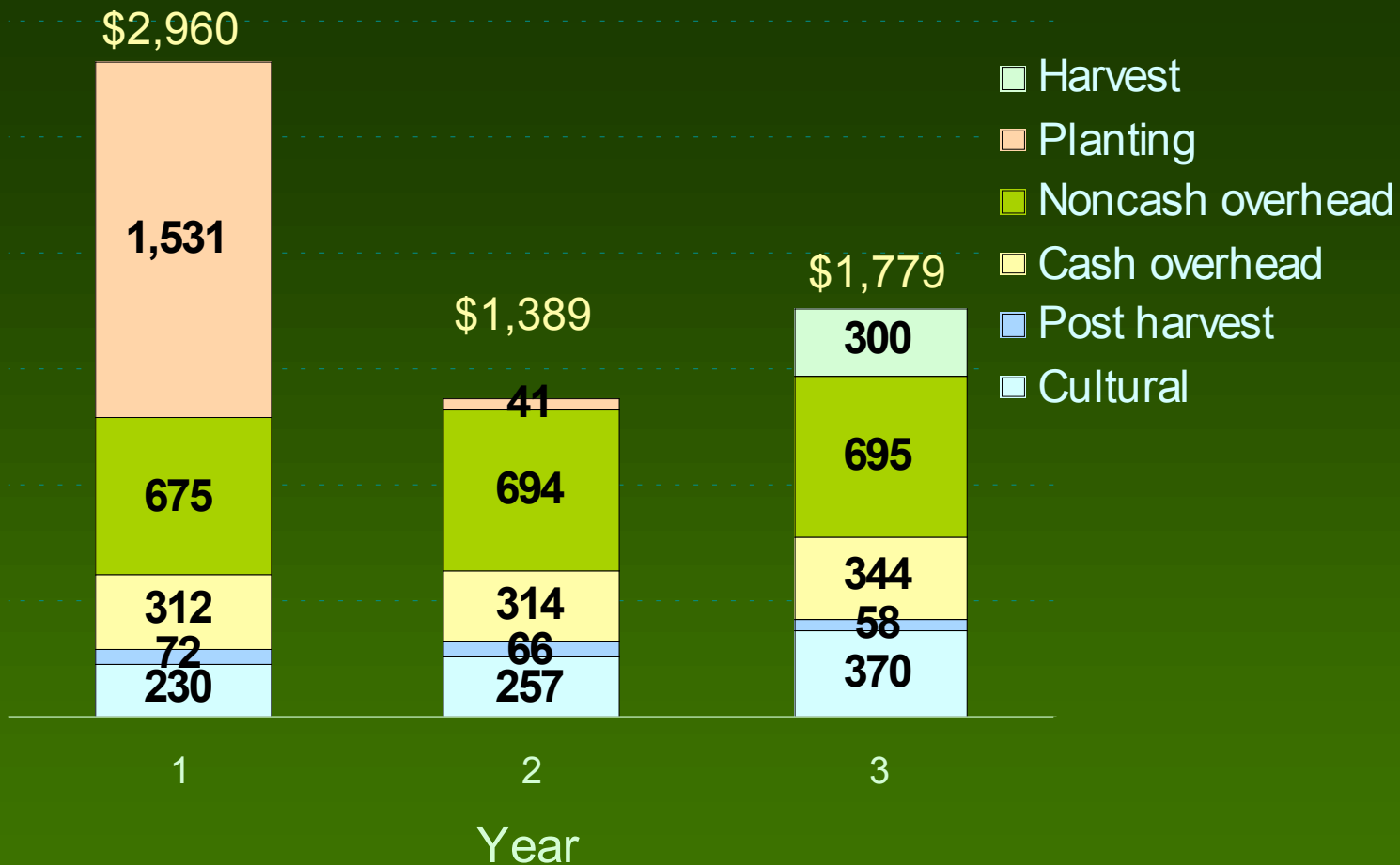
ASSUMPTIONS

- Manzanillo variety, 151 trees per acre reduced to 75 trees in year eight.
- 60 year orchard life
- Land, \$5,000 per acre
- Water \$50 per acre foot
- \$16.59/hr. machine labor
- \$13.99/hr. irrigator labor and pruning
- Micro – sprinkler irrigation

YIELD *and* HARVEST

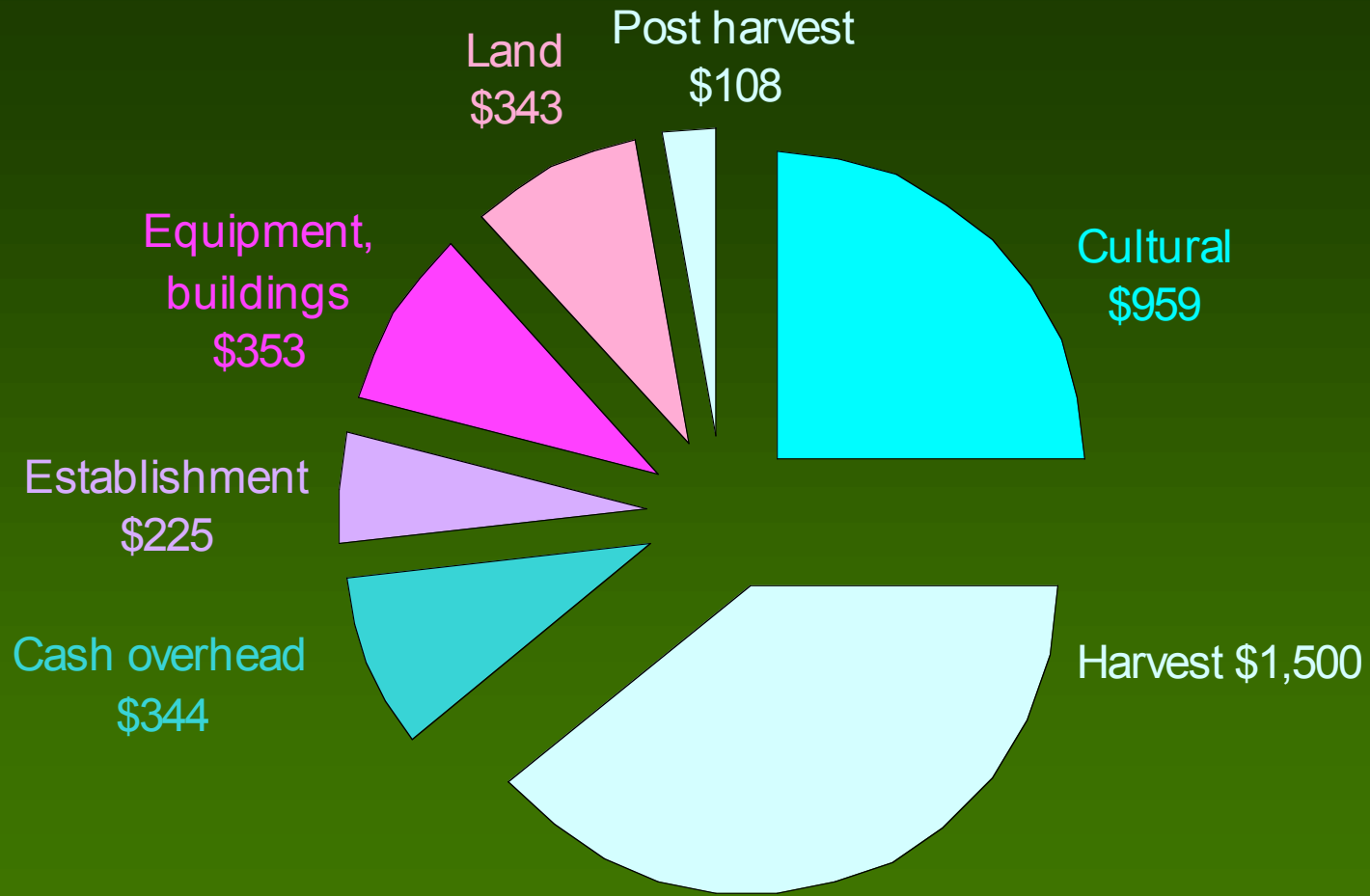
- 5 tons per acre
- \$300 per ton, hand pick

TOTAL COSTS *per* ACRE to ESTABLISH OLIVES



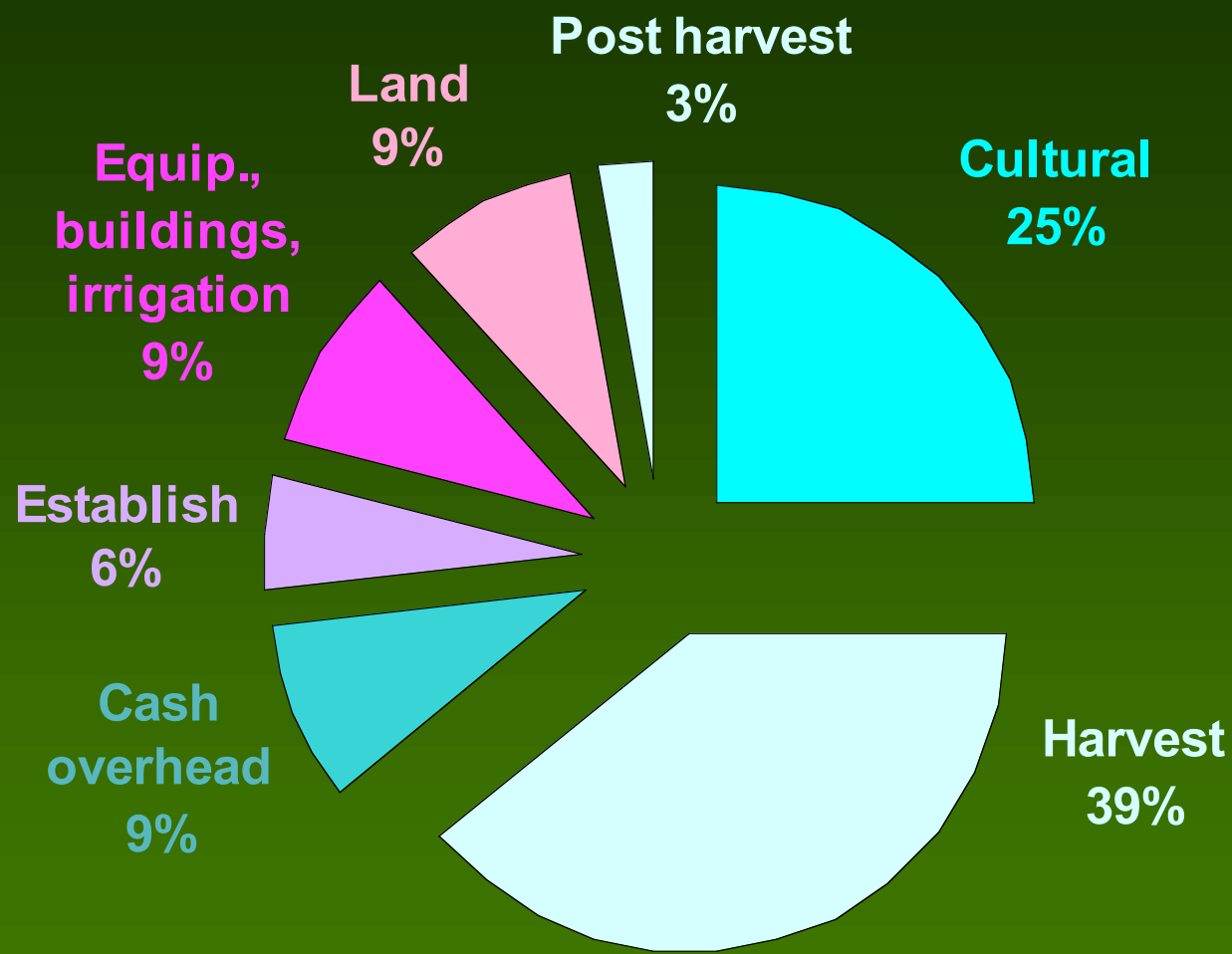
COSTS *to* PRODUCE TABLE OLIVES

\$ 3,880 per Acre



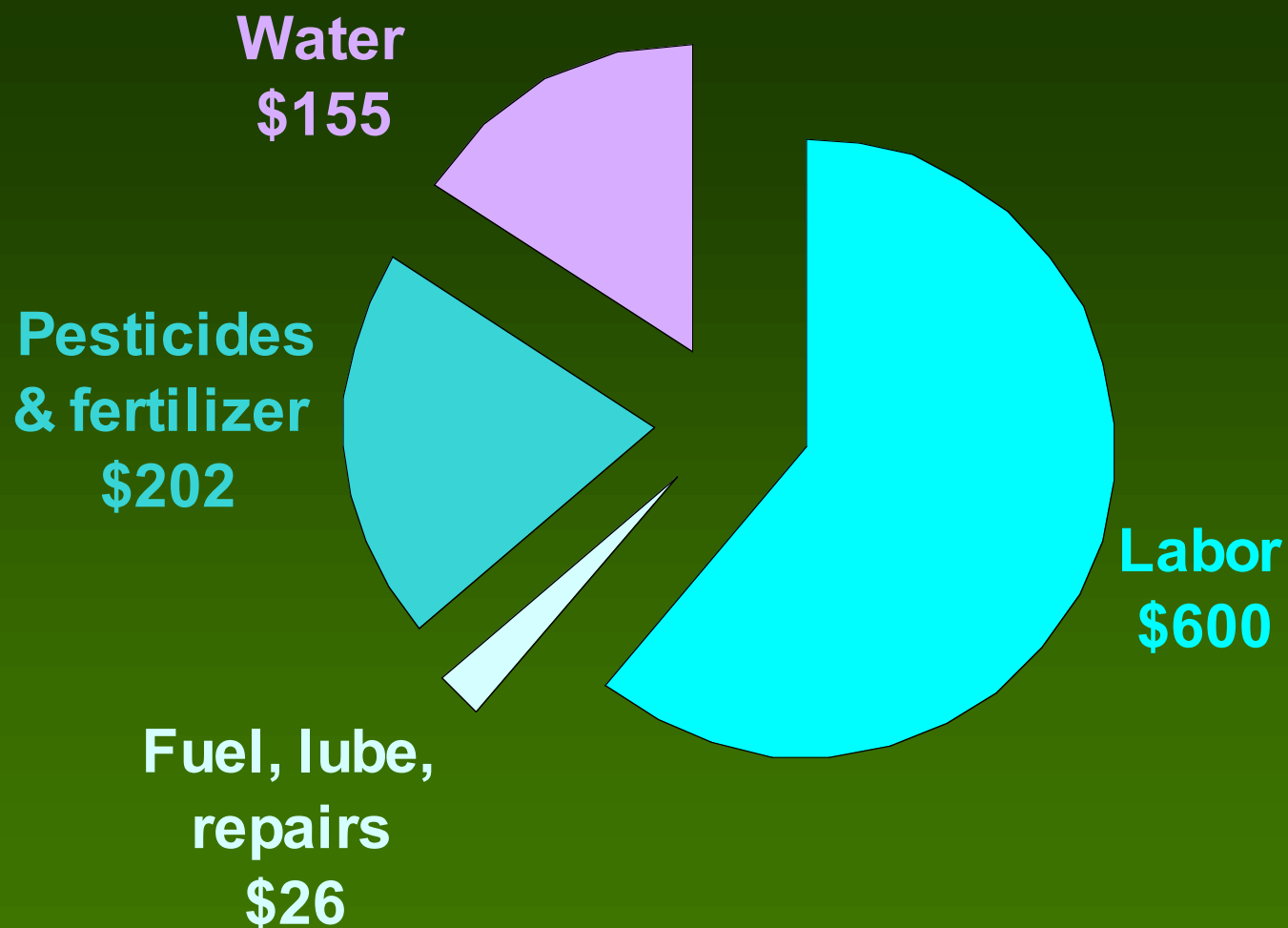
COSTS *to* PRODUCE TABLE OLIVES

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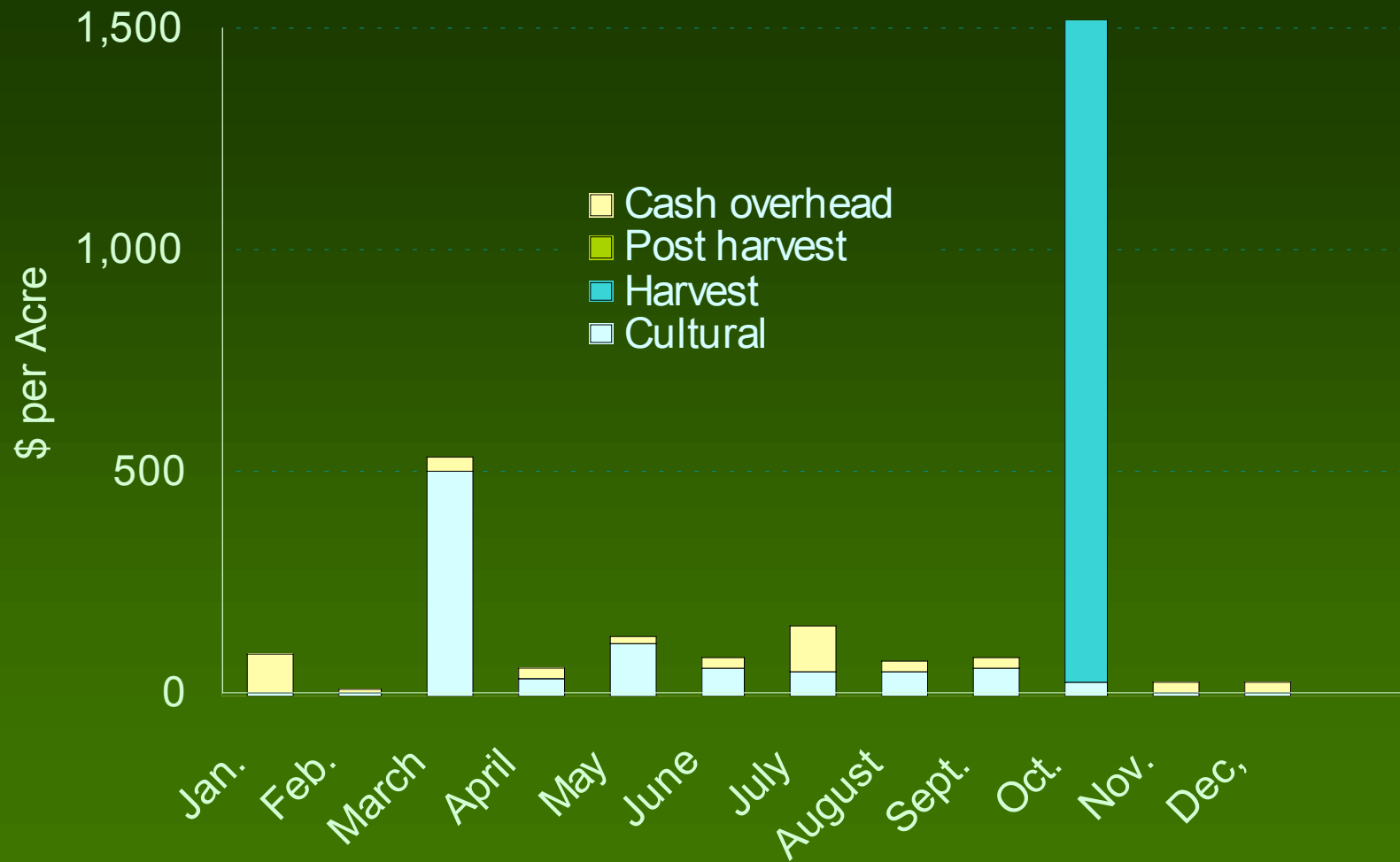


OPERATING COSTS *to* PRODUCE OLIVES

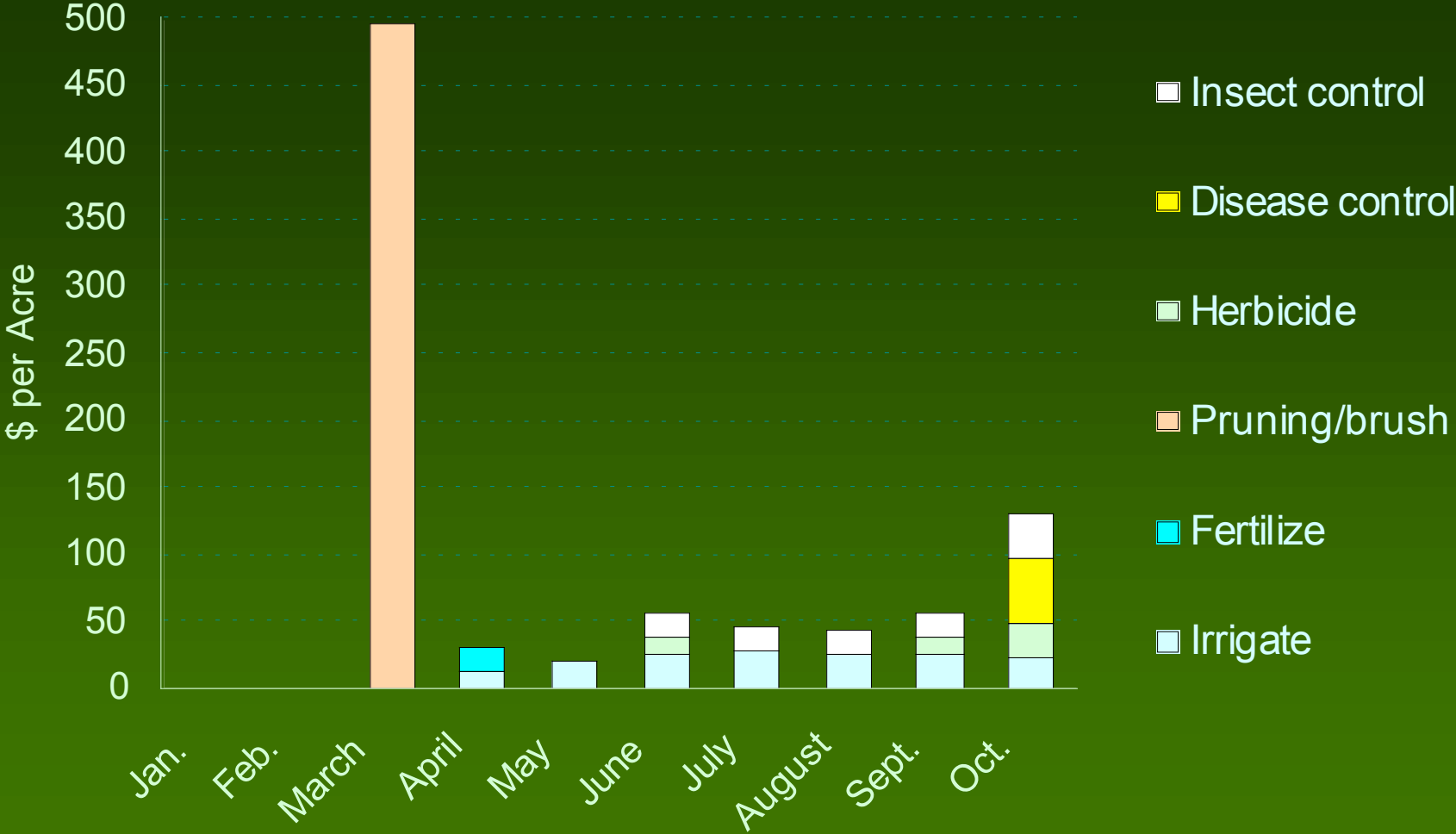
\$ 1,067 per Acre (Excluding Harvest)



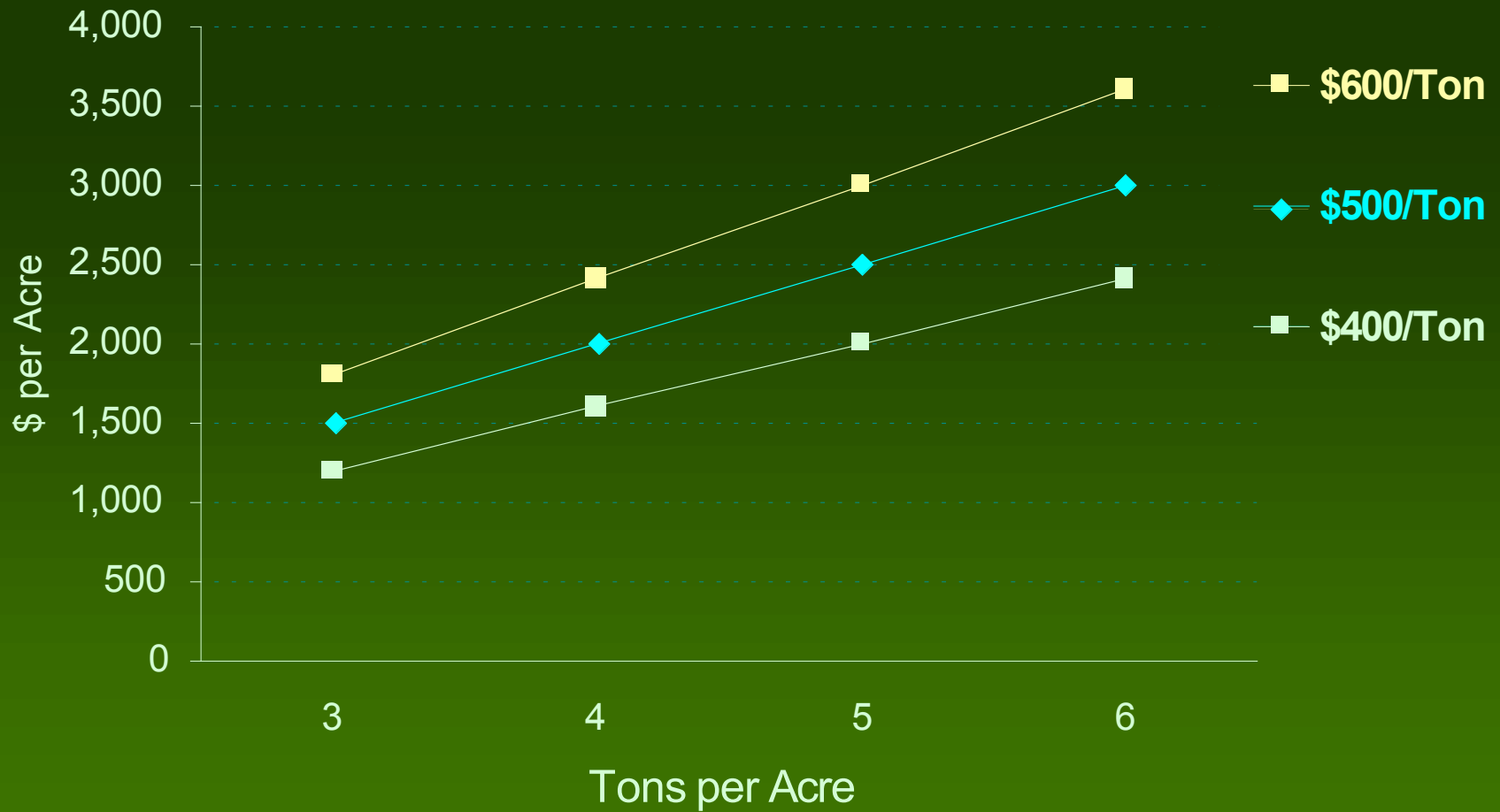
MONTHLY CASH COSTS *per* ACRE



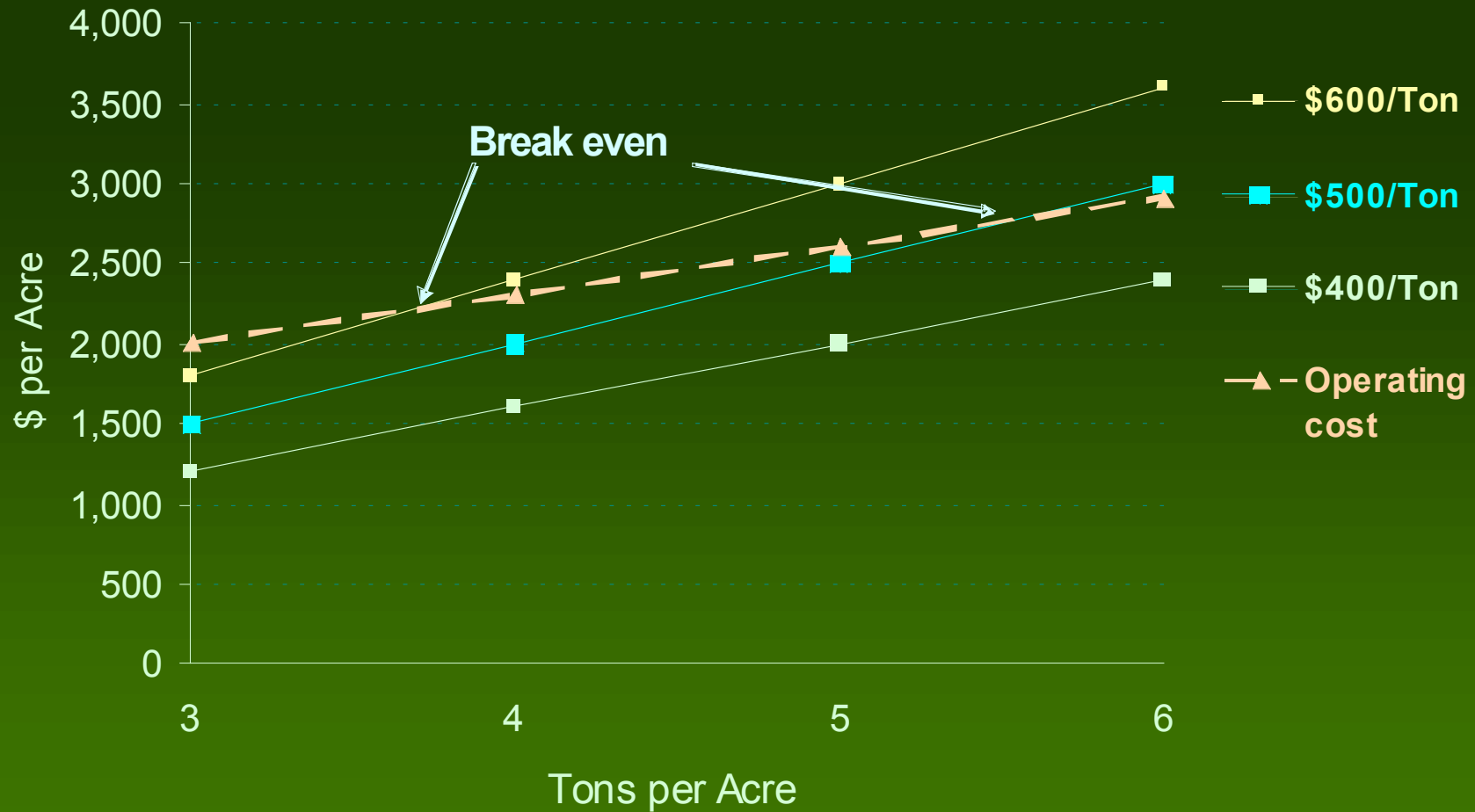
MONTHLY CULTURAL COSTS *per ACRE*



REVENUE *per* ACRE at VARYING PRICES



REVENUE and OPERATING COST



PRODUCTION EFFICIENCY

Rule 1: A dollar saved is a dollar earned.

Reduce costs where possible.

Profit = Revenue – Cost

\$100 = \$2,000 - \$1,900 starting point

\$200 = \$2,000 - \$1,800 reduce costs

\$200 = \$2,200 - \$2,000 increase revenue

PRODUCTION EFFICIENCY

Rule 2: Don't be dollar wise and pound foolish.

Choose inputs so that the increase in revenue generated from that input is more than the money spent (increase in cost).

The Revenue increase can be either from quantity or quality improvements.

OR At \$400 per ton a \$10 per acre expenditure must equal a 50 lb. per acre increase in yield.

OR at 5 tons at least a \$2 per ton increase in price for improved quality.

ALTERNATE BEARING

- Heavy crop means small fruit, low oil content, late maturing, and lack of new shoot growth for the next year.
- Light crop expensive to pick.
 - Pruning
 - Chemical Fruit Thinning
 - Pollination

REDUCING WATER COSTS

- Deficit irrigation from early June through mid August
- Switch from flood irrigation to low – volume systems (e.g. drip, mini – sprinkler).

REDUCING PRUNING COSTS

- Wait until bloom (April, May) to assess crop load.
- Prune heavy crop heavily and light-bloom lightly.
- Well pruned, open trees reduce black scale and fungi.

RETURNS *from* PROPER PRUNING

- Well pruned, open trees reduce black scale and fungi - reduce pesticide costs.
- Reduce alternate bearing.
- Stimulates new growth for next year's crop.
- Minimizes winter freeze damage when done in spring.
- Reduces tree size for ease of harvest.

FERTILIZATION

- Excessive nitrogen results in excessive vegetation, fruit quality problems, and is an unneeded expense.
- Potassium and boron are only needed where deficiencies occur.
- Fertilizer mixes often contain costly elements unneeded by olive trees.
- ON THE OTHER HAND nutrition levels must be maintained for tree growth good fruit development.
- Annual leaf – tissue samples should be used.

HARVEST TIMING

- At least 1/3 of the olive's weight is obtained during the last 6 weeks of the season.
- Plan harvest timing to obtain the maximum tonnage and value **EVEN IF** it includes additional cost to maximize income.

BOTTOM LINE

- It's all about reducing costs while using inputs that generate the best return.
- Reducing alternate bearing is key.
- Olive oil? New cures?

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