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Profitable Fruit and Vegetable Production

Roger Hitchings

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Net Cash Income

- **Net cash income per acre: Expenses, especially labour costs, can quickly eat into gross sales on a vegetable farm of any size. Net income matters most in terms of financial sustainability. The term 'net cash income' is used here to describe a farm's gross sales minus all current year cash expenses. In the growers' own words, they wanted to know "how much cash they had at the end of the season to provide for themselves and their households—and perhaps take a vacation." Factors such as prescribed machinery use and land costs, depreciation and opportunity costs were not included. (CIAS report – see later for details)**

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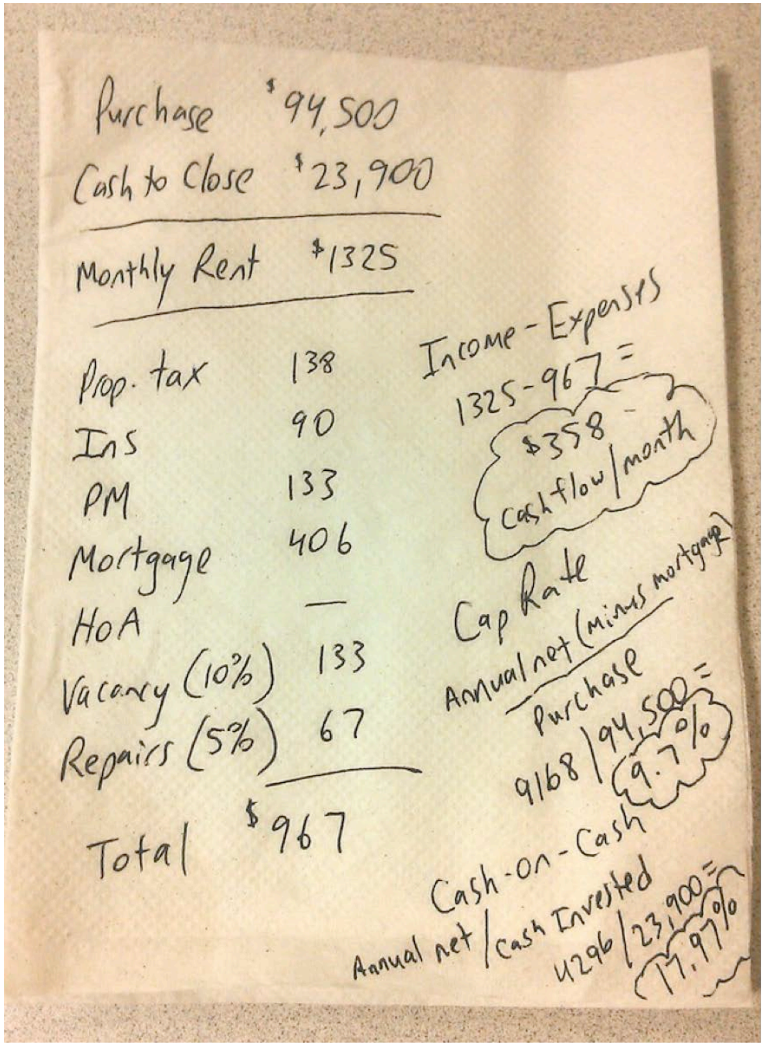
Does your system look like this?



Or this?

Veggie Compass - Whole Farm Profit Management		Sales Output									Sales Output								
Crop	Unit of Measure (lbs, bunch, head, etc.)	CSA									Farmer's Market								
		Sales ($)	# of Units	Unit Average Price	Unit Cost of Production	Crop Cost of Production	Crop Gross Profit (%)	Total Cost per Unit	Unit Net Profit	Crop Net Profit	Sales ($)	# of Units	Unit Average Price	Unit Cost of Production	Crop Cost of Production	Crop Gross Profit (%)	Total Cost per Unit	Unit Net Profit	Crop Net Profit
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Do you use crop planning tools like this

Weekly produce requirements - could be regarded as box scheme or market stall - for 50 customers

Crop	Unit size	Quantity for 50 customers	Frequency	Sales period	Average weekly requirement	No of weeks	Total requirement	Total area in ha	Areas allowing for field factors	Rotation blocks	Area of rotation block	Full rotation including fertility building breaks	Rotation block areas rounded
									(times 1.5)			Option A	
Potatoes	1.5kg	75kg	weekly	Jul-March	75kg	40	3 tonnes	0.1	0.15	Potatoes	0.15	Grass/clover	0.17
												Grass/clover	0.17
Broccoli	400g	20kg	fortnightly	Jul-Oct	10kg	9	180kg	0.036	0.054	Brassicas	0.162	Potatoes	0.17
Cabbage(various)	1 head	50 heads	weekly	Sep-Mar	50 heads	32	1600 heads	0.06	0.09	Brassicas		Brassicas	0.17
PSB	300g	15kg	fortnightly	Feb-Mar	7.5kg	4	60kg	0.012	0.018	Brassicas		Alliums/cucurbits	0.17
												Roots/legs/sal	0.17
Onions	500g	25kg	weekly	Sep-Mar	25kg	32	800kg	0.04	0.06	All/cuc	0.176		
Squash	1no	50no	monthly	Aug-Dec	12no	11	550no	0.01	0.015	All/cuc		Option B	
Leeks	600g	30kg	fortnightly	Sep-Mar	15kg	16	480kg	0.04	0.06	All/cuc		Grass/clover	0.17
Courgettes	500g	25kg	fortnightly	Jul-Oct	12.5kg	8	200kg	0.027	0.041	All/cuc		Potatoes	0.17
												Alliums/cucurbits	0.17
Carrots	450g	22.5kg	weekly	Jul-March	22.5kg	40	900.0kg	0.025	0.038	Rts/leg/sal	0.157	Grass/clover	0.17
Lettuce(Gem)	twin pack	100 heads	weekly	Jul-Oct	100 heads	17	1700 heads	0.022	0.033	Rts/leg/sal		Brassicas	0.17
Beans (various)	500g	25kg	weekly	Jul-Oct	25kg	16	200kg	0.01	0.015	Rts/leg/sal		Roots/legs/sal	0.17
Spinach	450g	22.5kg	fortnightly	Jul-Oct	11.25kg	8	180kg	0.02	0.03	Rts/leg/sal			
Beetroot	bunch	22.5kg	fortnightly	Jul-Oct	5.5kg	8	180kg	0.009	0.014	Rts/leg/sal			
Parsnip	450g	22.5kg	fortnightly	Oct-Mar	11.25kg	14	315kg	0.018	0.027	Rts/leg/sal			
							TOTALS	0.429	0.645		0.645	A or B	1.02
A typical range of crops though this can vary according to the market	These are fairly typical but could vary	Simply multiplying unit size by 50	Another factor that will vary according to demand	This will depend on variety choice, storage, etc.	Customer quantity times frequency as a fraction	Weeks in the supply period	This total requirement assumes harvest success	Area needed in ideal terms (Ofmh data)	Realistic increase to take account of problems	Potatoes & brassicas clearly need own blocks	Actal areas allowing for field factors	There are merits in both options; combination blocks could vary	Rounding block sizes to even things out = ~1ha

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Or this?

Soil Association

Cropping Tool for Community Agriculture Groups

No of people per year: 100 | Yield Prediction: high

Crop	Quantity per person per week	No of wks supply per year	Total Quantity per year	Price per unit	Total value	Rotation	Area (m²)	Area adjusted by yield	Standard Yields (kg per ha)	Standard Yields (kg per m²)
Onions (kg)	0.5	52	2600	£1.40	£3,640	Allium	1300.0	975		2
Red onions (kg)	0.5	20	1000	£1.50	£1,500	Allium	500.0	375		2
Leeks (kg)	0.3	25	750	£1.80	£1,350	Allium	625.0	469		1.2
						Total Allium	2425.0	1818.8		
Cauliflower (each)	1.0	10	1000	£1.50	£1,500	Brassica	724.6	543		1.38
Purple Sprouting Broccoli (kg)	1.0	5	500	£2.50	£1,250	Brassica	1000.0	750		0.5
Cabbage (kg)	1.0	10	1000	£1.20	£1,200	Brassica	500.0	375		2
Kale (kg)	0.0	10	0	£1.50	£0	Brassica	0.0	0		1
						Total Brassica	2224.6	1668.5		
Broad Beans (kg)	1.0	5	500	£2.00	£1,000	Legumes	333.3	250		1.5
Green Beans (kg)	1.0	5	500	£3.00	£1,500	Legumes	1666.7	1250		0.3
Peas (kg)	1.0	3	300	£5.00	£1,500	Legumes	500.0	375		0.6
						Total Legumes	2500.0	1875.0		
Sweetcorn (kg)	0.0	2	0	£1.50	£0	Other	0.0	0		3
Courgette (kg)	1.0	15	1500	£1.40	£2,100	Other	1500.0	1125		1
Lettuce (mixed / kg)	1.0	30	3000	£12.00	£36,000	Other	10000.0	7500		0.3
Chard (kg)	0.0	20	0	£2.00	£0	Other	0.0	0		1.2
						Total Other	11500.0	8625.0		
Potatoes (kg)	1.0	52	5200	£1.00	£5,200	Potatoes	2080.0	1560		2.5
						Total Potatoes	2080.0	1560.0		
Beetroot (kg)	1.0	20	2000	£2.00	£4,000	Roots	800.0	600		2.5
Celeriac (kg)	1.0	10	1000	£1.20	£1,200	Roots	500.0	375		2
Parsnip (kg)	1.0	15	1500	£0.90	£1,350	Roots	1000.0	750		1.5
Carrots (kg)	1.0	30	3000	£1.30	£3,900	Roots	1071.4	804		2.8
						Total Roots	3371.4	2528.6		
				Total Crop Value	£68,190	Total area of site	18075.8			
						Fertility building / Green manures	4518.9			
						Crop failure	3615.2			
						Total Area of Site	26209.9			

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Or this?

CHART A2 – TRANSPLANTED CROP REFERENCE CHART

CROP	FAMILY	DTM	PLANTING FREQUENCY	ROWS PER BED	INROW SPACING FT	INROW SPACING M	YIELD PER ROW FOOT	YIELD PER ROW METER
Basil	Labiatea	63	2 – 4 weeks	3	1	0.3	1 plant	3.3 plants
Broccoli	Brassica	49	2 – 4 weeks	2	1.5	0.45	0.67 heads	2.2 heads
Brussel Sprouts	Brassica	91	once	2	2	0.6	0.5 stalks	1.7 stalks
Cabbage, storage	Brassica	91	2 – 4 weeks	2	1.5	0.45	0.67 heads	2.2 heads
Cabbage, summer	Brassica	63	2 – 4 weeks	2	1.5	0.45	0.67 heads	2.2 heads
Cauliflower	Brassica	49	2 – 4 weeks	2	1.5	0.45	0.67 heads	2.2 heads
Celeriac	Umbel	98	once	3	1	0.3	1 roots	3.3 roots
Celery	Umbel	84	once	3	1	0.3	1 heads	3.3 heads
Chard	Chenopods	42	2 – 4 weeks	3	1	0.3	1.5 bunches	5 bunches
Chinese Cabbage	Brassica	49	2 – 4 weeks	3	1.5	0.45	0.67 fruit	2.2 fruit
Corn	Graminae	56	2 weeks	2	0.5	0.15	2 ears	6.6 ears
Cucumbers	Cucurbits	49	4 weeks	1	1.5	0.45	4 fruit	13 fruit
Eggplant	Solanacea	63	once	2	1.5	0.45	1.1 lbs	1.7 kg
Fennel	Umbel	63	2 – 4 weeks	3	1	0.3	1 heads	3.3 heads
Kale	Brassica	42	2 – 4 weeks	3	1	0.3	1.5 bunches	5 bunches
Kohlrabi	Brassica	28	2 – 4 weeks	3	1	0.3	1 heads	3.3 heads
Leeks	Alliums	77	once	3	*a	*a	1 bunch	3.3 bunches
Lettuce	Aster	35	1 – 3 weeks	3	1	0.3	1 heads	3.3 heads
Melons	Cucurbits	70	4 weeks	1	1.5	0.45	0.75 fruit	2.5 fruit
Onions	Alliums	91	once	3	*a	*a	1.5 lbs	2.2 kg
Parsley	Umbel	70	4 weeks	3	1	0.3	1.5 bunches	5 bunches
Pepper	Solanacea	70	once	2	1.5	0.45	2 fruit	7 fruit
Rutabaga	Brassica	77	4 weeks	3	1	0.3	1 roots	3.3 roots
Scallions	Alliums	63	2 – 4 weeks	3	*b	*b	2 bunches	6.6 bunches
Squash, summer	Cucurbits	42	4 weeks	1	1.5	0.45	6 fruit	20 fruit
Squash, winter	Cucurbits	84	4 weeks	1	2	0.6	1 fruit	3.3 fruit
Tomato	Solanacea	63	once	1	1.5	0.45	2.2 lbs	3.3 kg

a: planted every 10 cm (4 inches) or 3 plants every 30 cm (12")
b: planted every 5 cm (2 inches) or 6 plants every 30 cm (12")
c: plant 1 seed/cell or in open flat then pot up to larger size cell
d: tray size to pot up to

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What about financial monitoring?

Gross margin calculator

	Production costs (per ha)					Packing and distribution (per ha)							
CAULIFLOWER	Fertiliser	Spray programme	Seed and plants	Mechanical Operations	Harvest labour	Growing Cost Per Ha	Growing Cost Per Unit	Packaging	Distribution	Total Marketing Costs			
Gross margin	£450	£328	£722	£315	£1,764	£3,578	£1.99	£1,925.00	£560	£2,485			
Personal costs 1						£3,578	£1.99			£2,485			
Personal costs 2						£3,578	£1.99			£2,485			
	Yield		Prices										
	Ha	Yield crates	Direct farm sales price /crate	Wholesale/retail price /crate	Commission (8%)	Grower Return direct farm sales	Grower Return wholesale/retail	Break even price £/crate					
Gross margin	1	1,800	£5.00	£3.70	£533	£2,937	£64	£3.37					
Personal costs 1						£2,937	£597	£3.37					
Personal costs 2						£2,937	£597	£3.37					
		1800											
	Quick calculator												
	Area (ha):		Yield (crates):										
	Price (£/crate):		Gross margin £:	£2,937									

Notes: The calculated gross margin is detailed for field raised cauliflower, planted mechanically as module block, hand harvested into crates of 12 heads per crate. The margin does not include any infrastructure costs such as packing machinery or cold storage which may be required depending on market.

To use the tool and personalise the gross margin for your business change any number in the white boxes to align to your operation and costs. Alternatively use the quick calculator to calculate the gross margin for your enterprise based on the standard figures (Please note this calculation does not include commission)

GARDDWRIAETH CYMRU HORTICULTURE WALES
DEVELOPING SUPPLY CHAINS • DATBLYGU CADWYNAU CYFLENWI
PRIFYSGOL glyndŵr UNIVERSITY
ADAS CYMRU WALES
Llywodraeth Cymru Welsh Government
Cronfa Amaethyddol Ewrop ar gyfer Datblygu Gwledig: Ewrop yn Buddsoddi mewn Ardaloedd Gwledig
The European Agricultural Fund for Rural Development: Europe Investing in Rural Areas

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From 'Crop Planning for Organic Vegetable Growers', Thériault & Brisebois, Canadian Organic Growers

APPENDIX *E*

BRUCE AND HANNA'S DETAILED BUDGET

BRUCE AND HANNA'S BUDGET FOR THE FIRST YEAR

	$	%
INCOME	**22,000**	**100%**
Farmers Market	10,000	
CSA Baskets	12,000	
EXPENSES	**10,835**	**49%**
Fixed Costs		
ADMINISTRATION	1,490	7%
Bank Fees	240	
Computer material, Website	200	
Conferences	100	
Memberships (union, groups, etc.)	100	
Organic Certification	500	
Office supplies	150	
Professional fees (accountant, agronomist, etc.)	200	
INSURANCE	500	2%
Liability insurance	500	
LAND AND BUILDINGS	1,900	9%
Infrastructure maintenance	400	
Rent/business portion of mortgage	1,500	
FINANCIAL AND OTHER	1,270	6%
Depreciation	780	
Interest on loans	390	
Taxes	100	

	$	%
Operation Expenses		
SUPPLIES	1,650	8%
Fertilizers and amendments	250	
Irrigation	250	
Mulch	100	
Organic Pesticides	100	
Row Cover	250	
Seeds – Cover Crop	150	
Seeds – Crops	550	
GREENHOUSE	1,250	6%
Heating fuel or space rental	750	
Potting soil, containers, etc.	500	
FIELD OPERATIONS	725	3%
Contract work	300	
Fuel - Machinery	75	
Machinery Maintenance	100	
Small tools	250	
MARKETING	650	3%
Advertisement	100	
Market stall	300	
Packaging, harvest	250	
VEHICLE	800	4%
Mileage (fuel, repairs, registration, insurance)	800	
OTHER	600	3%
Farmer's Retained Earnings	**11,000**	**50%**
Profit	**165**	**1%**

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Carrots

						£/ha	*(£/ac)*
Marketable yield	36	t/ha	*(14.4 t/ac)*	@	290 £/t	10440	*(4176)*
Total output	75%	of gross yield. Gradeout:		10% farm	15% packer	**10440**	*(4176)*
Seed	2	M/ha	*(0.8 M/ac)*	@	730 £/M	1460	*(584)*
Fertilisers		Applied on rotational basis, see p.96				50	*(20)*
Flame weeding	1	pass, see notes		@	117 £/ha	117	*(47)*
Brush weeding	2	passes, see notes		@	84 £/ha	167	*(67)*
Casual labour - weeding	250	h/ha	*(100 h/ac)*	@	7.60 £/h	1900	*(760)*
- harvest & grade	48	t/ha	2 h/t	@	7.60 £/h	182	*(73)*
Transport/bulk	43	t/ha	*(17.2 t/ac)*	@	42 £/t	1806	*(722)*
Other		See notes				40	*(16)*
Total variable costs						**5723**	*(2289)*
Gross margin						**4717**	*(1887)*
Adjustment for wholesale sales							
Marketable yield/output	43	t/ha	*(17.2 t/ac)*	@	400 £/t	17200	*(6880)*
less commission @	15%					2580	*(1032)*
Additional casual labour	43	t/ha	1 h/t	@	7.60 £/h	327	*(131)*
Packaging	43	t/ha	80 bags/t	@	24 p/bag	826	*(330)*
Additional transport	43	t/ha		@	42 £/t	1806	*(722)*
Gross margin (wholesale)						5939	*(2376)*

Sensitivity analysis For explanation, see p. 97

	Change in value (+/-)		*Change in gross margin*	*Value range Low*	*High*	*Gross margin range Low*	*High*
Marketable yield	1	t/ha	219 *(88)*	15	50	111 *(45)*	7788 *(3115)*
Packer price	10	£/t	360 *(144)*	0	0	-5723 *-(2289)*	-5723 *-(2289)*
Casual labour	10	h/ha	76 *(30)*	150	750	1647 *(659)*	6207 *(2483)*

Parsnips

						£/ha	*(£/ac)*
Marketable yield	18	t/ha	*(7.2 t/ac)*	@	430 £/t	7740	*(3096)*
Total output	75%	of gross yield. Gradeout:		10% farm	15% packer	**7740**	*(3096)*
Seed	5	kg/ha	*(2 000/ac)*	@	100 £/kg	500	*(200)*
Fertilisers		Applied on rotational basis, see p.96				50	*(20)*
Flame weeding	1	pass, see notes		@	117 £/ha	117	*(47)*
Brush weeding	1	passes, see notes		@	84 £/ha	84	*(33)*
Casual labour -weeding	150	h/ha	*(60 h/ac)*	@	7.60 £/h	1140	*(456)*
- harvest/grade	24	t/ha	2 h/t	@	7.60 £/h	365	*(146)*
Transport	20	t/ha		@	42 £/t	840	*(336)*
Other		See notes				40	*(16)*
Total variable costs						**3135**	*(1254)*
Gross margin						**4605**	*(1842)*
Adjustment for wholesale sales							
Marketable yield/output	20	t/ha	*(8.0 t/ac)*	@	540 £/t	10800	*(4320)*
Less commission @	15	%				1620	*(648)*
Additional casual labour	20	t/ha	1 h/t	@	7.60 £/h	152	*(61)*
Packaging	20	t/ha	80 bags/t	@	24 p/bag	384	*(154)*
Additional transport	20	t/ha		@	42 £/t	840	*(336)*
Gross margin (wholesale)						4669	*(1868)*

Sensitivity analysis For explanation, see p. 97

	Change in value (+/-)		*Change in gross margin*	*Value range Low*	*High*	*Gross margin range Low*	*High*
Marketable yield	1	t/ha	359 *(144)*	10	30	1730 *(692)*	8917 *(3567)*
Packer price	10	£/t	180 *(72)*	0	0	-3135 *-(1254)*	-3135 *-(1254)*
Casual labour	10	h/ha	76 *(30)*	150	700	790 *(316)*	4970 *(1988)*

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Profitability

- How do you assess profitability
  - As ‘net cash income’ i.e. what’s left after all costs covered?
  - As whole enterprise, by market outlet, by crop?
- If by crop are there different ways of assessing profitability?
  - In time
  - Or in space?

RMH Consulting

From 'Crop Planning for Organic Vegetable Growers', Thériault & Brisebois, Canadian Organic Growers

CROP	POTENTIAL PROFITABILITY PER ACRE	GREENHOUSE DAYS	TRAY SIZE	SEEDS PER CELL	SEEDS PER GRAM
Basil	high	28 – 42	72	2	560
Broccoli	low	28 – 42	72	2	220
Brussel Sprouts	low	28 – 42	72	2	250
Cabbage, storage	low	28 – 42	72	2	250
Cabbage, summer	low	28 – 42	72	2	250
Cauliflower	low	28 – 42	72	2	285
Celeriac	medium	84	72*d	PU*c	2400
Celery	medium	84	72*d	PU*c	2400
Chard	high	35 – 42	72	1	65
Chinese Cabbage	low	28 – 42	72	2	330
Corn	low	14	50	2	5.5
Cucumbers	low	21	24	2	38
Eggplant	medium	56	50*d	PU*c	220
Fennel	medium	35 – 42	72	2	250
Kale	high	28 – 42	72	2	250
Kohlrabi	medium	28 – 42	72	2	230
Leeks	medium	56	72	3a	350
Lettuce	medium	28 – 42	72	3	800
Melons	low	21	24	2	40
Onions	medium	56	72	3a	230
Parsley	high	42	72	3	500
Pepper	medium	63	50*d	PU*c	140
Rutabaga	medium	28 – 42	72	2	330
Scallions	high	56	72	6*b	450
Squash, summer	medium	21	24	2	6 – 10
Squash, winter	low	21	24	2	6 – 15
Tomato	medium	42	50*d	PU*c	350

Information adapted from Johnny's Selected Seeds Catalog and la Ferme Coopérative Tourne-Sol farm records

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Profitability in space

- Which crops take a lot of space for little return and which are profitable for the space
- Useful for:
  - Comparing varieties
  - Identify crops where improvements are needed
  - Decide whether crops should be discontinued
- Can be expressed as profitability per unit area or profitability per unit bed length

RMH Consulting

Profitability in time

- Is the time put into a crop in all its stages of production worth it?
- Allows all stages to be critically assessed especially harvesting techniques
  - E.g. is it worth going in for every last head of lettuce, cauliflower, etc.
- Can be useful for calculating hourly rates of return or pay

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Increasing profitability

- **Reduce costs – often easier said than done but still worth a look – see next slide re cost of sundries**
- **Increase efficiency – closer spacing of crops, reduce labour inputs**
- **Cut some crops out of the ‘offer’ – very difficult if a box scheme or CSA**
- **Increase prices – can the market stand it?**

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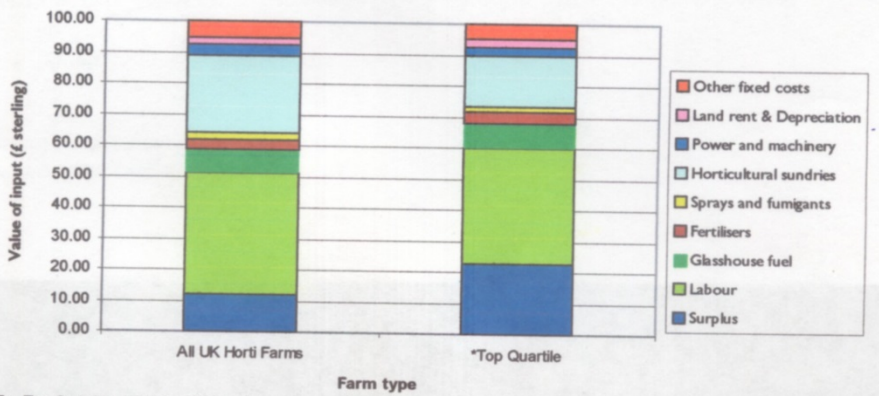
From ‘A Case Study Analysis and Overview of the UK Horticultural Production Industry and its Future over the Next 10-20 Years’ Promar for the National Horticultural Forum

Figure 4
Overview Horticultural Input Costs per £100 Net Output
UK Growers, Average Grower vs Top Quartile 2003



*The Top Quartile of FBS horticultural farms are estimated on the basis of returns to tenant-type capital.

Source:Farm Business survey 2003

It is of interest that of all the cost categories, horticultural sundries[4] appear to show the most significant difference between the average grower and the top quartile, accounting for 26% of the input costs for the “All” UK grower profile compared to 15% for the top quartile. Variation in labour costs, which remains a key input cost, represented just 2% difference between the two groups.

[4] Horticultural sundries as far as the FBS data are concerned consist of: the Horticultural Sundries code from the FBS farm return (these are specific to horticultural holdings only - they are not marketing costs or packing – they include propagation pots, HDC levy, grading, peat, fleece etc., plus seeds and young plants.

promar International

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Resources

- **Seems to be much better provision in the US and Canada**
- **Veggie-Compass is a very detailed whole farm management approach for diversified fresh vegetable growers.**
- **Veggie-Compass-April-2014-Version1.xls**
- **Veggie-Compass-April-2014-Version1.xls**

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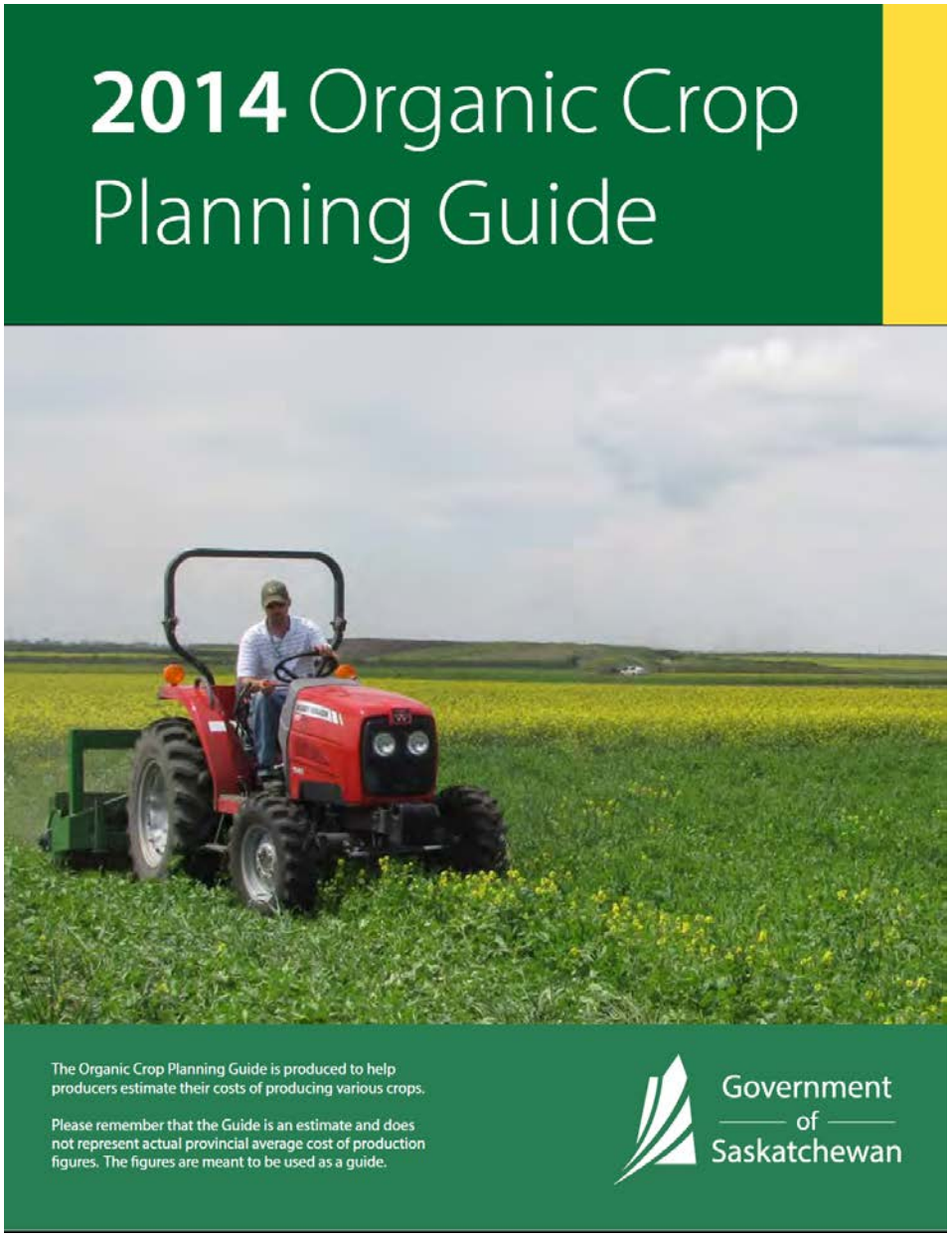

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Grower to grower: Creating a livelihood on a fresh market vegetable farm

John Hendrickson, CIAS Outreach Specialist
University of Wisconsin-Madison College of Agricultural and Life Sciences

October, 2005

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BOBL
Better Organic Business Links
ORGANIC RESEARCH CENTRE
ELM FARM

For organic producer conference 26/27 November 2014

As part of the BOBL project, OCW and ORC are doing a small project on developing a "fit-for-purpose" horticultural costings system, mainly aimed at small growers and market gardens. This quick survey will give us some information on what systems are used at present.

How are you recording the following in your business? General questions					
What system do you use for accounts/tax returns?	Cash book or paper based ☐	Spreadsheet ☐	Accounts package ☐ Which?		
Do you find your records useful for forward planning?	Yes ☐	No ☐	Sometimes ☐		
What unit do you use **most**, when planning your business? *Tick the most relevant*	hectare ☐	acres ☐	m^2 ☐	Any other ☐	
If other, please list					
Crop planning					
What categories do you use for forward planning?	Individual crops ☐	Place in rotation ☐	Plot ☐	Other ☐	
If other categories, please list					
How is income from sales recorded?					
What recording system do you use?	Cash book or paper based ☐	Spreadsheet ☐	Accounts package ☐		
At what frequency	Daily ☐	Weekly ☐	Monthly ☐	Yearly ☐	Don't know ☐
According to sales channels?	Yes ☐	No ☐			
If yes, please list which sales channels you record					
Are you recording according to some crops or crop categories? If so, which?	No ☐	Individual crops ☐	Place in rotation ☐	Where grown ☐	Other ☐
If other categories used, please list					
Costs					
What recording system do you use?	Cash book or paper based	Spreadsheet	Accounts package		
At what frequency	daily	weekly	monthly	yearly	Don't know
Do you attribute costs to crop categories?	yes	no			
If yes, please describe how					

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The questions for discussion

- **Do you use any specific tools for assessing profitability?**
- **What level of detail do you record?**
- **If you recorded absolute detail would you use something like Veggie-Compass?**
- **What do you think of the concepts of profitability in space and profitability in time? Helpful?**
- **Or see the BOBL questionnaire or raise your own questions.**