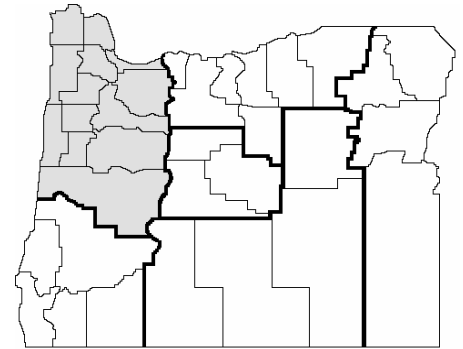


Enterprise Budget

Leaf Lettuce, Organic, Fresh Market, Willamette Valley Region

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This enterprise budget estimates the typical per-acre costs associated with growing organic, fresh market leaf lettuce as a two-crop annual rotation in the Willamette Valley. It should be used as a guide to estimate your actual costs and not representative of any particular farm.

The major assumptions used in constructing this budget are discussed below. An attempt has been made to report typical cultural practices used in growing organic, fresh market leaf lettuce; however, this does not represent the only production method. Assistance provided by area producers is greatly appreciated.

Typical Farm

The typical farm growing organic, leafy fresh market vegetables in the Willamette Valley consists of 100 total tillable acres. It has four tractors pulling various pieces of equipment, a shop, machine shed, and packing shed with equipment.

Other leafy vegetables grown on this farm, on a rotational basis, include spinach, green onions, cilantro, table beets, radishes, Napa cabbage and bokchoy.

The farm is managed by the owner and another family member; therefore this operation must generate two family incomes annually.

Land, Buildings and Irrigation

This budget is based on producing one acre of organic, fresh market leaf lettuce grown in a two-crop annual rotation. Average production is 650 cartons per acre at a gross price to the grower of \$14 per carton. Each carton contains 24 heads of lettuce.

The land is owned and valued at \$20,000 per acre, with \$35 per acre property taxes; however, a \$400 per acre rental rate is used as a return on investment to the owner for their investment in the land.

This farm is irrigated with a hand-line irrigation system that is rented at a rate of \$110 per acre per year.

Labor

General hand and harvest labor is hired at a rate of \$10 per hour, and tractor drivers are paid \$12 per hour, both of which include workers compensation, unemployment insurance, and other labor overhead expenses.

Capital

Interest on operating capital (8 percent) is treated as a cash expense. One-half of the cash expenses are borrowed for a 6 month period. Interest on intermediate and long term capital (8 percent) is treated as a non-cash opportunity cost to the owner.

Machinery and Equipment

The machinery and equipment used in the budget reflect the typical machinery complement of a 100-acre organic, fresh market leafy vegetable farm in the Willamette Valley.

A detailed breakdown of machinery values is shown in Table 2. Estimated machinery costs are shown in Table 3, assuming straight line depreciation. The machinery costs are estimated based on the total farm use of the machinery. Table 4 shows the per acre labor, variable, and fixed costs for certain machinery operations in the field.

Gasoline costs \$2.50 per gallon, and diesel costs \$2.60 per gallon.

Operations

The cultural operations are listed approximately in the order in which they are performed. An 80-hp tractor is used to pull the disk, rotary tiller, deep chisel, and mold board plow. A 20-hp tractor is used to pull the weed cultivator. A 60-hp tractor is used to pull the fertilizer spreader, transplanter or direct seed drill, depending on crop, and a weed sprayer. The 50-hp tractor is used at harvest to pull a 4-wheel trailer that hauls cartons of vegetables out of the field.

Break even Analysis

Tables 5 and 6 show the returns per acre for cash and total costs at various yields and prices. These returns do reflect the changes in harvesting costs with changes in yield.

Table 1. Leaf Lettuce, Organic, Fresh Market, 2007, \$/acre economic costs and returns

GROSS INCOME		Quantity	Unit	\$/Unit	Total	Price/Carton	Your Income		
Leaf Lettuce		650	cartons	\$14.00	\$9,100.00	\$14.00			
Total gross income					9,100.00	14.00			
VARIABLE CASH COSTS		Description	Units	Labor	Machinery	Materials	Total	Cost/Carton	Your Cost
<i>Field Preparations & Planting</i>									
	Lime application, custom	0.25	x/acre	\$0.00	\$0.00	\$75.00	\$75.00	\$0.1154	
	Seed Cover Crop	0.50	x/acre	1.77	3.80	20.00	25.57	0.0393	
	Disk down cover crop	1.00	x/acre	3.44	7.55	0.00	10.98	0.0169	
	Deep chisel	0.50	x/acre	3.64	7.87	0.00	11.51	0.0177	
	Disk before plowing	2.00	x/acre	6.87	15.09	0.00	21.96	0.0338	
	Moldboard plow	1.00	x/acre	9.70	22.23	0.00	31.93	0.0491	
	Disk	2.00	x/acre	6.87	15.09	0.00	21.96	0.0338	
	Fertilize	1.00	x/acre	1.77	2.78	90.00	94.54	0.1455	
	Disk	2.00	x/acre	6.87	15.09	0.00	21.96	0.0338	
	Transplanting	1.00	x/acre	205.38	63.04	576.00	844.42	1.2991	
	Planting labor	18.00	hours						
	Lettuce transplants	0.024	\$ each						
	Lettuce transplants	24,000	transp.						
	Topdress fertilizer	1.00	x/acre	3.05	4.89	100.00	107.94	0.1661	
	Cultivating weeds	3.00	x/acre	24.74	32.75	0.00	57.49	0.0884	
	Weed control			300.00	0.00	0.00	300.00	0.4615	
	Hand labor	30.00	hours						
	Irrigation			22.50	0.00	85.00	107.50	0.1654	
	Labor, \$7.50/set	3.00	sets						
	Electricity, \$10.00/set	3.00	sets						
	Pipe rental, \$110.00/acre	0.50	acre						
	Spray insecticides	2.00	x/acre	6.09	9.78	300.00	315.87	0.4860	
	Organic Certification			0.00	0.00	45.50	45.50	0.0700	
	Fee per gross income	0.005	per \$						
<i>Harvesting</i>									
	Harvesting labor	5.00	carton/hr	1,300.00	0.00	0.00	1,300.00	2.0000	
	Tractor & trailer	6.50	hours	78.00	125.74	0.00	203.74	0.3135	
<i>Packing & Materials</i>									
	Cartons	650	carton	0.00	0.00	845.00	845.00	1.3000	
	Hydro-cooling	650	carton	0.00	0.00	65.00	65.00	0.1000	
	Refrigeration	650	carton	0.00	0.00	65.00	65.00	0.1000	
	Delivery to market	650	carton	52.00	0.00	0.00	52.00	0.0800	
<i>Other Costs</i>									
	Pickups, truck & ATV	0.50	x/acre	0.00	103.38	0.00	103.38	0.1590	
	Shop & machine shed	0.50	x/acre	0.00	0.00	4.00	4.00	0.0062	
	Miscellaneous and overhead	0.50	x/acre	0.00	0.00	37.50	37.50	0.0577	
	Interest: operating capital	6.0	months	0.00	0.00	95.40	95.40	0.1468	
Total variable costs				2,032.68	429.08	2,403.40	4,865.16	7.4849	
FIXED CASH COSTS					Unit	Total	Cost/Carton		
	Property insurance	0.50	x/acre		acre	17.50	0.0269		
	Property taxes	0.50	x/acre		acre	17.50	0.0269		
	Field sanitation equipment	0.50	x/acre		acre	15.00	0.0231		
	Land rent	0.50	x/acre		acre	200.00	0.3077		
Total cash costs						250.00	0.3846		
FIXED NON-CASH COSTS					Unit	Total	Cost/Carton		
	Machinery and equip - depreciation, interest & insurance				acre	115.19	0.1772		
	Pickups, truck & ATV - depreciation, interest & insurance				acre	47.77	0.0735		
	Shop & machine shed - depreciation, interest & insurance				acre	10.88	0.0167		
Total non-cash costs						173.83	0.2674		
Total fixed costs						423.83	0.6521		
Total of all costs per acre						\$5,288.99	\$8.1369		
Net projected returns						\$3,811.01	\$5.8631		

Table 2. Machinery Cost Assumptions.

Machine	Size or description	Market value	Hours or miles of annual use	Expected life (years)	Salvage Value
Tractor # 1	4 wheel dr 80hp, new	\$ 60,000	400	20	\$ 7,699
Tractor # 2	2 wheel dr 20hp, used	7,000	206	20	898
Tractor # 3	4 wheel dr 60hp, used	20,000	400	20	2,566
Tractor # 4	4 wheel dr 50hp, used	15,000	650	20	1,925
Disk	12 ft light duty	5,000	229	5	1,629
Deep Chisel	8 ft	2,000	61	20	104
Mold Board Plow	6 ft	5,000	81	20	261
Grain Drill	8 ft	2,500	29	20	130
Weed Cultivator	6 ft	4,000	206	20	208
Fertilizer Spreader	20 ft spinner broadcast	1,000	15	20	52
Transplanter	6 ft	10,000	211	15	960
Direct Seed Drill	6 ft	10,000	98	15	960
Tank Sprayer	6 ft	2,000	76	15	192
Pickup # 1	3/4 ton 4x4, new	30,000	20,000	10	11,345
Pickup # 2	3/4 ton 4x4, used	5,000	10,000	20	753
Truck	2 ton, used	25,000	20,000	20	3,763
ATV	4 wheeler, new	5,500	200	10	1,625
Trailer	4-wheel pull	2,000	650	20	104
Shop	20' x 40'	20,000	N/A	40	-
Machine Shed	20' x 100'	12,000	N/A	40	-

Table 3. Machinery Cost Calculations.

Machine	Size or description	--- Variable costs ---		---- Fixed costs ----		Total Cost
		Fuel & Lube	Repairs & Maint.	Depr. & Interest	Insurance	
----- Costs per hour -----						
Tractor # 1	4 wheel dr 80hp, new	\$23.92	\$1.44	\$13.31	\$0.76	\$39.43
Tractor # 2	2 wheel dr 20hp, used	11.96	0.20	3.01	0.17	15.35
Tractor # 3	4 wheel dr 60hp, used	17.94	0.48	4.43	0.25	23.10
Tractor # 4	4 wheel dr 50hp, used	17.94	0.59	2.05	0.12	20.69
Disk	12 ft light duty	0.00	0.99	4.10	0.09	5.18
Deep Chisel	8 ft	0.00	0.60	2.95	0.10	3.66
Mold Board Plow	6 ft	0.00	2.13	5.53	0.20	7.86
Grain Drill	8 ft	0.00	0.45	7.59	0.27	8.31
Weed Cultivator	6 ft	0.00	3.72	1.74	0.06	5.52
Fertilizer Spreader	20 ft spinner broadcast	0.00	0.44	6.08	0.21	6.73
Transplanter	6 ft	0.00	11.39	4.92	0.16	16.47
Direct Seed Drill	6 ft	0.00	4.90	10.60	0.33	15.84
Tank Sprayer	6 ft	0.00	0.85	2.74	0.09	3.67
----- Costs per mile -----						
Pickup # 1	3/4 ton 4x4, new	\$0.24	\$0.03	\$0.18	\$0.06	\$0.51
Pickup # 2	3/4 ton 4x4, used	0.24	0.06	0.04	0.02	0.36
Truck	2 ton, used	0.48	0.10	0.11	0.07	0.76
----- Costs per acre -----						
ATV	4 wheeler, new	\$6.90	\$0.15	\$6.73	\$0.32	\$14.10
Trailer	4-wheel pull	0.00	5.33	1.79	0.06	7.18
Shop	20' x 40'	0.00	5.00	13.00	0.60	18.60
Machine Shed	20' x 100'	0.00	3.00	7.80	0.36	11.16

Table 4. Estimated Cost of Each Operation with Power Unit.

Operation	Tractor	Miles per hour	Acres per hour	-- Machine costs --			Total costs per acre
				Labor costs per acre	Variable costs per acre	Fixed costs per acre	
Disk	Tractor # 1	3.00	3.49	\$3.44	\$7.55	\$5.23	\$16.21
Deep Chisel	Tractor # 1	2.00	1.65	7.28	15.75	10.38	33.41
Mold Board Plow	Tractor # 1	2.00	1.24	9.70	22.23	16.01	47.94
Grain Drill	Tractor # 1	5.00	3.40	3.53	7.60	6.46	17.59
Weed Cultivator	Tractor # 2	2.50	1.46	8.25	10.92	3.42	22.59
Fertilizer Spreader	Tractor # 3	4.00	6.79	1.77	2.78	1.62	6.16
Transplanter	Tractor # 3	1.00	0.47	25.38	63.04	20.64	109.06
Direct Seed Drill	Tractor # 3	2.00	1.02	11.78	22.89	15.34	50.01
Tank Sprayer	Tractor # 3	2.50	3.94	3.05	4.89	1.90	9.84

Table 5. Estimated Per Acre Returns Over CASH Costs at Varying Yields & Prices.

Price/Carton	----- Cartons per Acre -----						
	350	450	550	650	750	850	950
\$ 10.00	\$ (541)	\$ 101	\$ 743	\$ 1,385	\$ 2,027	\$ 2,669	\$ 3,311
\$ 11.00	(191)	551	1,293	2,035	2,777	3,519	4,261
\$ 12.00	159	1,001	1,843	2,685	3,527	4,369	5,211
\$ 13.00	509	1,451	2,393	3,335	4,277	5,219	6,161
\$ 14.00	859	1,901	2,943	3,985	5,027	6,069	7,111
\$ 15.00	1,209	2,351	3,493	4,635	5,777	6,919	8,061
\$ 16.00	1,559	2,801	4,043	5,285	6,527	7,769	9,011

Table 6. Estimated Per Acre Returns Over TOTAL ECONOMIC Costs at Varying Yields & Prices.

Price/Carton	----- Cartons per Acre -----						
	350	450	550	650	750	850	950
\$ 10.00	\$ (715)	\$ (73)	\$ 569	\$ 1,211	\$ 1,853	\$ 2,495	\$ 3,137
\$ 11.00	(365)	377	1,119	1,861	2,603	3,345	4,087
\$ 12.00	(15)	827	1,669	2,511	3,353	4,195	5,037
\$ 13.00	335	1,277	2,219	3,161	4,103	5,045	5,987
\$ 14.00	685	1,727	2,769	3,811	4,853	5,895	6,937
\$ 15.00	1,035	2,177	3,319	4,461	5,603	6,745	7,887
\$ 16.00	1,385	2,627	3,869	5,111	6,353	7,595	8,837

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