

**Wine Grape
Production Costs
2009**

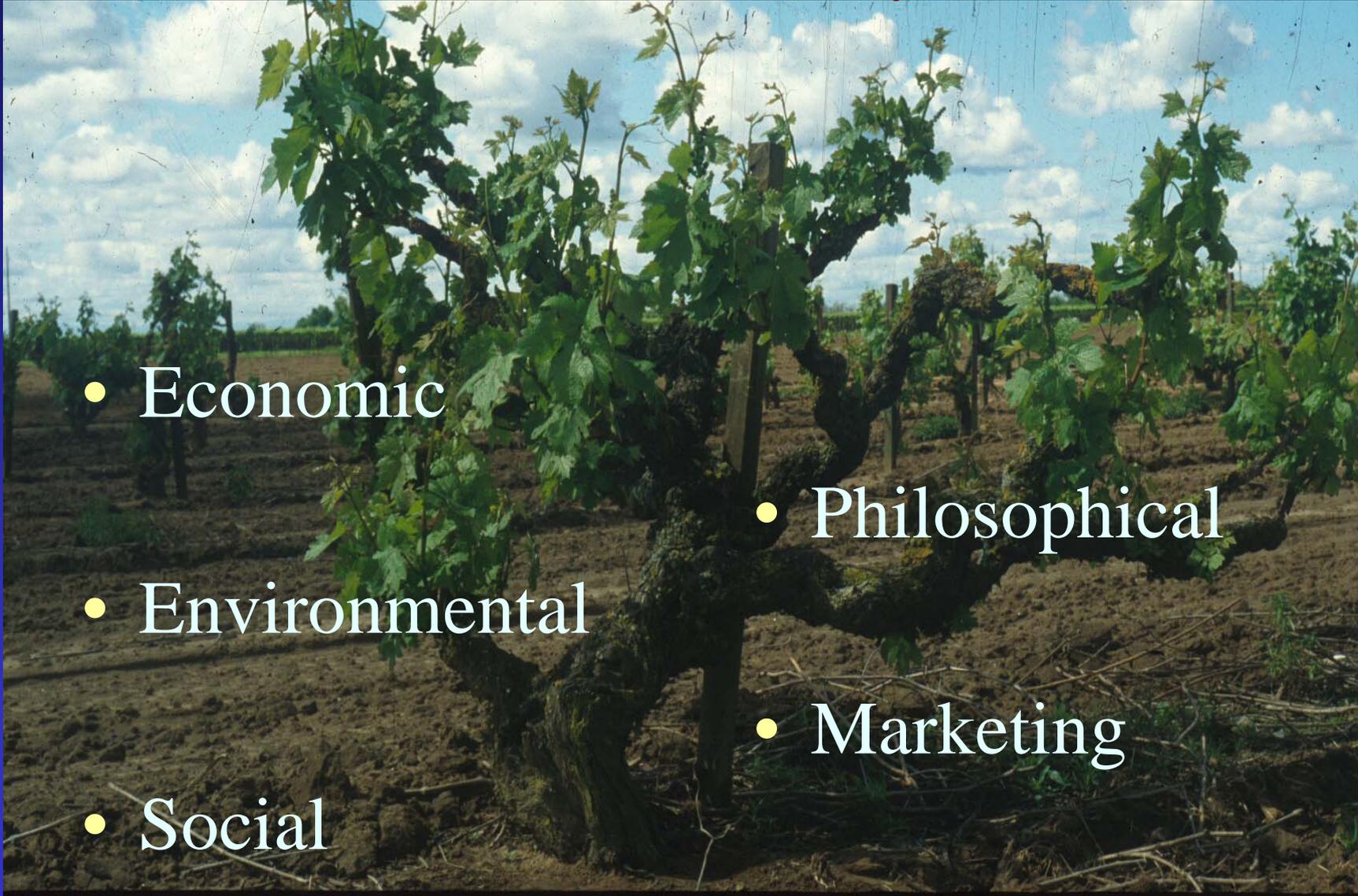
**LDGGA 56th Annual
Meeting**

5 February 2009

“ There are three kinds of men. The ones that learn by reading. The few who learn by observation. The rest of them have to pee on the electric fence for themselves.”

Will Rogers

Sustainability

- 
- Economic
 - Environmental
 - Social
 - Philosophical
 - Marketing

Wine Grapes and Cutting Costs

- Adaptable
- Less Inputs - *Water*
Nutrients
- New Technology
- Better Information
- Major pests - *often controlled naturally*

“Less can mean More”

- Irrigation
- Nitrogen
- Crop
- Growth

“More means More”

- Vineyard Design
- Canopy Management
- Crop Control

Labor and Materials

Farm Calls on a Tight Budget



History Repeats

“Why don’t somebody print the truth about our present condition? We spent years of wild buying on credit, everything under the sun, whether we needed it or not and now we are having to pay for it, howling like a pet coon. This would be great world to dance in if we didn’t have to pay the fiddler.”

Will Rogers 1879-1935

Costs 2008 vs 2005

- Fuel ↑
- Fertilizer ↑
- Labor ↑
- Interest ↑
- Electricity ↑

Estimated avg 150 to 300 %

Price Received ↓→



Economic “Background”

- Supply and Demand

- California Population +15%
- Inflation CPI + 8%
+23%
- California State Budget +33%

\$98.9 (2001)

\$117.3(2005)

\$131.4(2007)

2000 to 2008

	<u>2000</u>	<u>2001</u>	<u>2005</u>	<u>2007</u>	<u>2008</u>
Fuel	\$1.74	\$1.68	\$2.52	\$3.12	\$4.25
CP Index	172	177	191	207	-
Population	33.9	34.5	36.0	36.6	-

Dollars and Sense

HERMAN[®]

by Jim Unger



“Mother, I thought we agreed –
‘no luxuries.’”

Selected Items 2001 vs 2008

• Fuel	\$2.52	\$4.25
• Labor	\$6.25	\$8.00
• Sulfur Dust	\$0.18	\$0.44

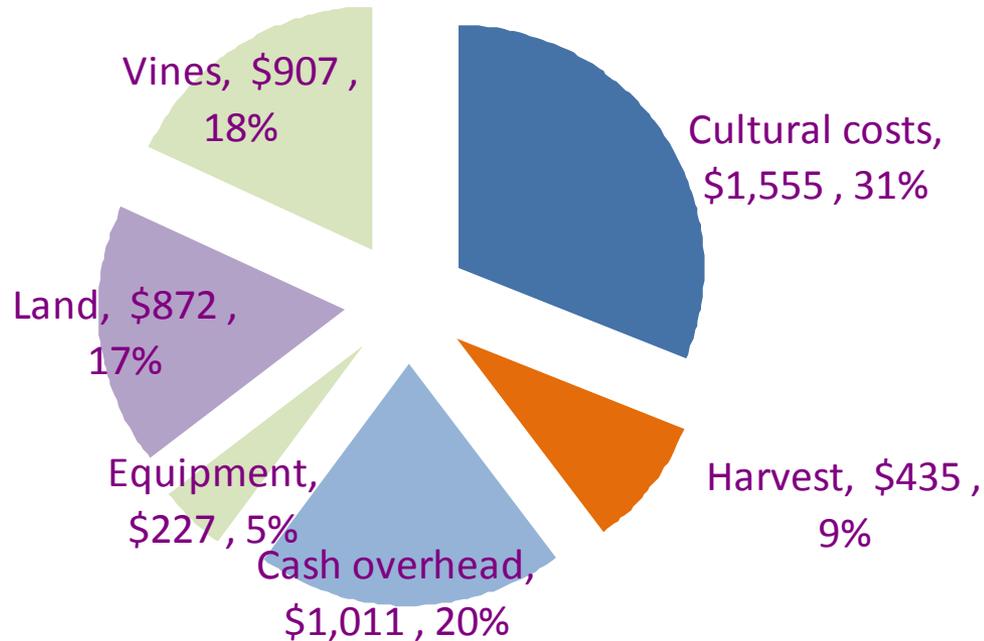
Input Costs 2005 versus 2008

	2005	2008	% increase
Labor – field (\$/hr.)	\$9.25	\$10.64	15%
Labor – tractor (\$/hr.)	\$14.38	\$14.63	2%
Diesel (\$/gallon)	\$1.95	\$3.57	83%
Fertilizer 5-0-12 (\$/lb)	\$.06	\$.12	100%
Interest on operating loan	7.65%	6.75%	

K. Klonsky, U.C. Davis

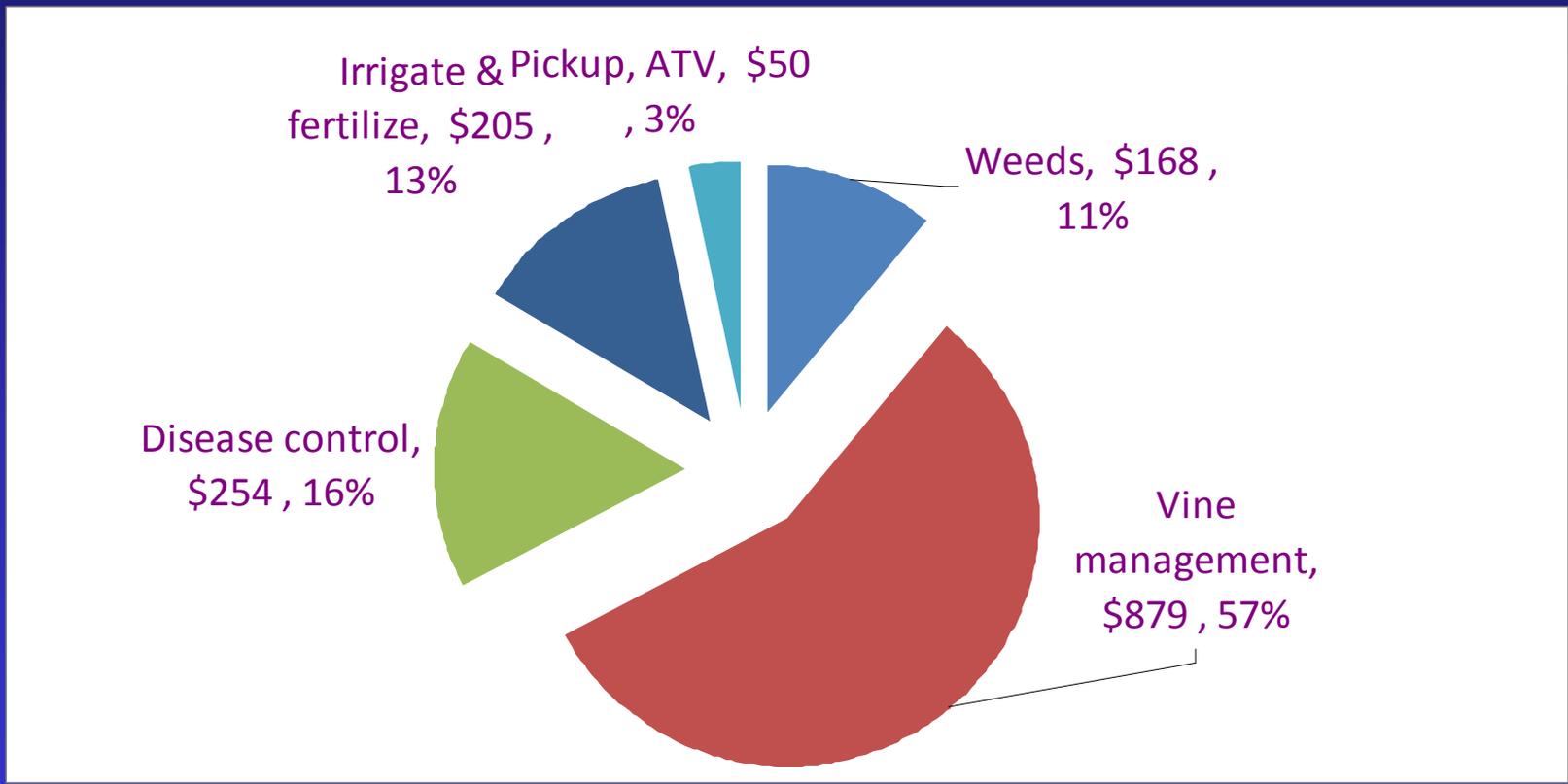
Cabernet Sauvignon, Crush District 11

Total cost of production, \$ 5,007 per acre



Cabernet Sauvignon, Crush District 11

Cultural costs, \$ 1,555 per acre



Cabernet Sauvignon

Profitability at various yields and prices

	4.5 tons	6.5 tons	8.5 tons
Operating costs / ton	\$443	\$313	\$245
Total cash costs / ton	657	461	358
Total costs / ton	1,103	770	594
Breakeven price equals the production cost per ton.			

Costs vs Returns

	2001	2005	2008
Costs per Acre			
– Cultural	1247	1411	1555
– Harvest	365	373	417
– Total Operating	1612	1854	2038
– Cash Overhead	634	1054	963
Total Cash	2339	2899	3002
– Non-Cash Cost	1967	2129	2006
Total Cost	4306	5028	5007
Return per Ton	424	410	387

Economics and Government

- Socialism: You have two cows. The State takes one and gives it to someone else.
- Communism: You have two cows. The State takes both of them and gives you some of the milk.
- Fascism: You have two cows. The State takes both of them and sells you the milk.
- Capitalism: You have two cows. You sell one and buy a bull.
- Bureaucracy: You have two cows. The state takes both of them, accidentally kills one and mistakenly spills the milk in the sewer.
- Pure Democracy: You have two cows. Your neighbors decide who gets the milk.
- Representative Democracy: You have two cows. Your neighbors elect someone to decide who gets the milk.
- American Democracy: Candidates for office promise to give you two cows if you vote for them. After the election several legislators are indicted for speculating in cow futures. The media dubs it “Cowgate”.
- Anarchy: You have two cows. Either you sell the milk for a fair price or your neighbors kill you and take the cows.

Information Sources

coststudies.ucdavis.edu

nass.usda.gov/ca

- www.mises.org
- www.heritage.org

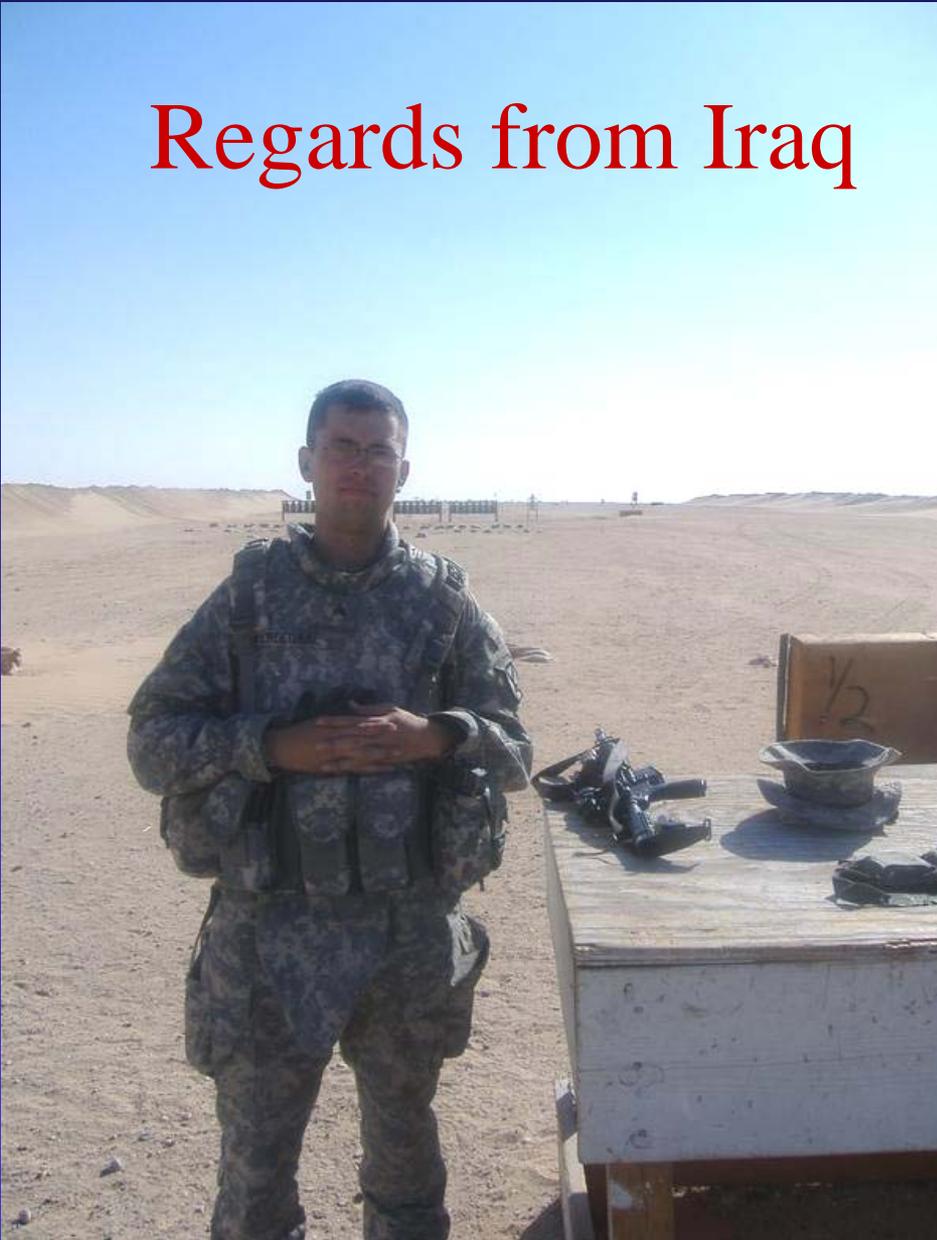
- www.recenter.tamu.edu
- www.inflationdata.com
- www.tonto.eia.doe.gov/dnav/pet/

“The cultivation of the earth is the most important labor of man. Unstable is the future of the country which has lost its taste for agriculture. If there is one lesson of history that is unmistakable, it is that national strength lies very near the soil.”

Daniel Webster



Regards from Iraq



SGT Bryan Verdegaal

2/10th AHB - 10th Mountain Division

Camp Speicher Tikrit, Iraq