

Six Year Avocado Analysis and Outlook Presented

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Heavy yields, low prices, but better returns per acre, are the highlights of the 1935 avocado season which marks the sixth year in the Orange County avocado cost study. In the 23 orchards reporting their orchard costs during the year, the highest yield recorded was 17,156 pounds per acre. The average yield of the 18 commercially bearing orchards was 6,110 pounds per acre, which compared with an average of 1899 pounds in 1934, and 2790 pounds for the six year average yield from 1930 to 1935 inclusive.

Cash costs in 1935 for labor, material and overhead were the same as for 1934 and 1933 except for the extra expense of harvesting the larger crop. Labor costs, not including harvesting, averaged \$33.31 per acre, harvesting \$31.38, materials \$47.82 and cash overhead \$27.07, making a total cash cost of \$139.58 per acre. This compares with a six year average of \$153.72 per acre. If depreciation on trees and equipment is added to the cost, this amounted to \$47.24 per acre. Interest on the average investment of \$3015 per acre at 5 per cent added another \$150.74, making a grand total cost of \$338.26. We leave it optional with the grower to include or exclude the depreciation and interest charges. However, if he wishes to operate his enterprise on a business or factory basis, he will take into account these so-called hidden costs. The high investments which are wrapped up in most of these properties have not been depreciated on the grower's books as have most of his other financial securities or city investments. If he is willing to write off, say 50 per cent of these boom valuations, avocado trees would have a better opportunity to pay a reasonable rate of earning for the grower.

GOOD ORCHARDS PAY

But even on the old basis of investment, last year's earnings averaged 3.9 per cent—the range being from 13.7 per cent for the profitable orchards to minus 1.6 per cent for the unprofitable bearing orchards. The average rate of earning for the six year period was 2.6 per cent on an average investment of \$3227 per acre.

Cultural costs have declined during the six year period, but a further decline is not to be expected. Most growers have reduced their costs to a minimum. The problem of improving profit seems to be one of improving prices and maintaining good yields. With high yields approaching last year's record, even the low average return of 5 cents a pound last year would provide a fair margin for the grower. But with low yields as in 1933 and 1934, even 10 cents, or in some cases 15 cents, per pound return to the grower would not meet all expenses. For the six year period, bearing orchards in this

study show an average capital and management income of \$85.61 per acre, equal to an earning of 6 per cent on \$1427.

OPERATION COSTS

Some of the principal orchard operation costs reported by the growers for the year per acre averaged as follows: Preparing ground for irrigation, \$2.79; applying water, \$5.88; cost of water, \$25.23; fertilizer labor, \$3.29; fertilizer materials, \$26.56; pruning and bracing, \$6.58; cultivation, \$11.63, and miscellaneous, \$6.29 per acre. The average amount of water used last year was 11 acre inches, the low was 4 acre inches and the high use was 25 acre inches.

In terms of total cost per hundredweight of fruit, the analysis shows that the profitable orchards with an average yield of 13,288 pounds per acre had an average total cost of \$2.86 per hundredweight, the unprofitable orchards last year with 2733 pounds per acre reported an average cost of \$11.61 per hundredweight. The average for all orchards was \$5.52 per hundredweight. The lowest yield in the profitable group was 9947 pounds per acre, while the highest yield in the unprofitable group was 2761 pounds. Growers' returns varied from 3.77 cents to 6.47 cents per pound for all fruit during the season.

YOUNG ORCHARDS

A section of the cost analysis is devoted to the young orchards not yet five years old. Their average costs in 1935 ran—irrigation labor, \$7.69 per acre; water, \$8.67; pruning, \$3.16; cultivation, \$8.63; miscellaneous labor, \$3.53; harvesting, \$3.90; fertilizer material, \$11.80; taxes, \$2.96; depreciation, \$18.67; interest, \$98.20. Total all costs per acre amounted to \$167.04.

Two added features of the six year cost study are the outlook statement prepared by Dallas Smythe, Extension Economist, University of California, and the production and earning efficiency analysis of twelve orchards reporting over the entire period, the latter prepared by Arthur Shultis, Farm Management Specialist of the Agricultural Extension Service.

OUTLOOK FOR AVOCADOS

The outlook indicates that higher prices are likely to prevail for the 1935-36 crop of avocados than those received during the past season. Unless there is considerable improvement in the general price level, however, the average returns per pound over the next several years are likely to be as low as the 1934-35 prices.

Preliminary estimates for California indicate a crop in this state for 1935-36 of nine million pounds. The crop during the 1934-35 season amounted to 18,720,000 pounds, or approximately twice the estimated production for 1935-36. The 1935-36 avocado crop was late, and heavy shipments did not begin until after the middle of November. This meant a slack period between the clean-up of the old crop and new crop shipments, which resulted in higher price levels this year than at the beginning of the

shipping season in 1934. Damage to the avocado crop in Florida is estimated at 50 to 75 per cent. These factors, combined with a continuation of aggressive sales activity, should give prices for the current crop above those of last year.

From a longer time point of view the situation is quite different. The trend of production will probably be sharply upward for the next four years. In 1935, total acreage of avocados in California was about 12,900. Of this amount, possibly 4,400 acres, or about 34 per cent of the total, were non-bearing. At the present rate of increase, the bearing acreage will reach 12,000 within the next four years. In 1927, California had only 690 bearing acres. Each succeeding year shows a substantial increase, and in 1935 there were about 8,500 bearing acres. New plantings have declined during the past two years, and the rate of increase in bearing acreage after 1940 will probably be retarded.

5 YEAR AVERAGE—1,465 POUNDS

California avocado production for the past five years has been as follows: 1930-31, 4,220,000 pounds; 1931-32, 5,050,000 pounds; 1932-33, 3,294,000 pounds; 1933-34, 4,900,000 pounds; 1934-35, 18,720,000 pounds. The average yearly production per acre during that five year period has been 1,465 pounds. Since many of the trees are approaching an age of higher production, it is reasonable to expect a higher yield in coming years. The combination of increasing bearing acreage and increasing age of trees already in bearing will, under normal growing conditions, bring crops approaching or even exceeding 20 million pounds.

Florida production has also shown a rapid increase during the past five years. In 1929-30, the Florida production was 840,000 pounds; in 1934-35 it had reached 4,000,000 pounds.

Imports of avocados have fluctuated widely from year to year. In 1931-32 total imports amounted to 10,194,000 pounds, while in 1933-34 the imports were 5,263,000 pounds, practically all of which came from Cuba. Preliminary 1934-35 figures indicate an increase in imports over the preceding year. Imports from Cuba come in during the months of June, July, August and September, duty free. During the normal years, considerable competition for domestic production can be expected from that source.

California farm prices of avocados have declined sharply. In 1929-30, the average price per pound was 33 cents; the following year, 13 cents; and 3 cents in 1934-35, as given in the 1935 Yearbook of Agriculture, published by the United States Department of Agriculture. Some reliable trade sources believe this preliminary figure for 1934-35 is low. The decline in the price of avocados is attributable to the drop in the general price level of all commodities and to increased avocado production. It is apparent that the avocado industry is faced with a definite problem of widening its distribution and encouraging consumption.