



The Lake Erie Regional Grape Program



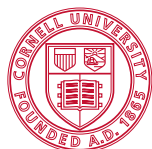
Crop Update for November 06, 2014

The LERGP Crop Update now has a biweekly distribution.

Look for your next Crop Update in 2 weeks on November 20, 2014.



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Cornell University

Business Management

Kevin Martin
Penn State University, LERGP,
Business Management Educator

Benchmarking remains an important tool for planning and operating increasingly complicated vineyard operations. As a grower recently observed, “My income is a bit higher than it was ten years ago. Though, I’ve added a zero to my revenue and expenses to get here.” Benchmarking and business analysis is more critical when you have not “gotten here”. Growers that have done the analysis and are not planning significant changes can monitor their whole farm income and key indicators of enterprise performance and call it a day. Growers in a tough financial spot, or growers significantly changing enterprises within their farm, need to look beyond indicators and measure actual and expected performance.

A simple change in enterprise might be harvester replacement. Self-propelled, modern harvesters may be nearing the end of their useful life. One option as Mecca owners can attest, is to extend machines well beyond their useful life. Of course, the \$300,000 savings comes at the expense of reliability, performance and repair costs. Given the considerable changes in harvester prices over the last 15 years, one needs to take a critical look at the enterprise and compare all options before making an investment like this. For growers harvesting less than two hundred acres, the best option might be to extend the harvester’s life. Given the current cost of custom harvesting, the venture can be a profitable one but one needs to maximize the use of the harvester. Given the short window of time to use the valuable asset, 16 hour days covering 250 - 350 acres can be a necessity in justifying its presence. Some growers seeking a less hurried pace may see an unreliable harvester as a frustration and the work of making a new harvester justify itself as onerous. For growers with less than 100 acres, hiring custom harvesters offers the potential to save money. For growers between 100 - 200 acres, it offers a known price and less work. Benchmarking your costs in this example is straightforward. The goal is to operate the enterprise for 15% less than custom harvest would cost. This provides a nice return on investment over a reasonable period of time.

For more information regarding benchmarking take a look at the attached slides and feel free to contact me with any questions. Let the already pervasive Christmas music serve as a reminder that it is business planning season.



Benchmarking for Commercial Grape Production:

Leading Indicators and Planning for Success



Kevin Martin

**Lake
Erie
Regional
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Program**

Fixed Expenses

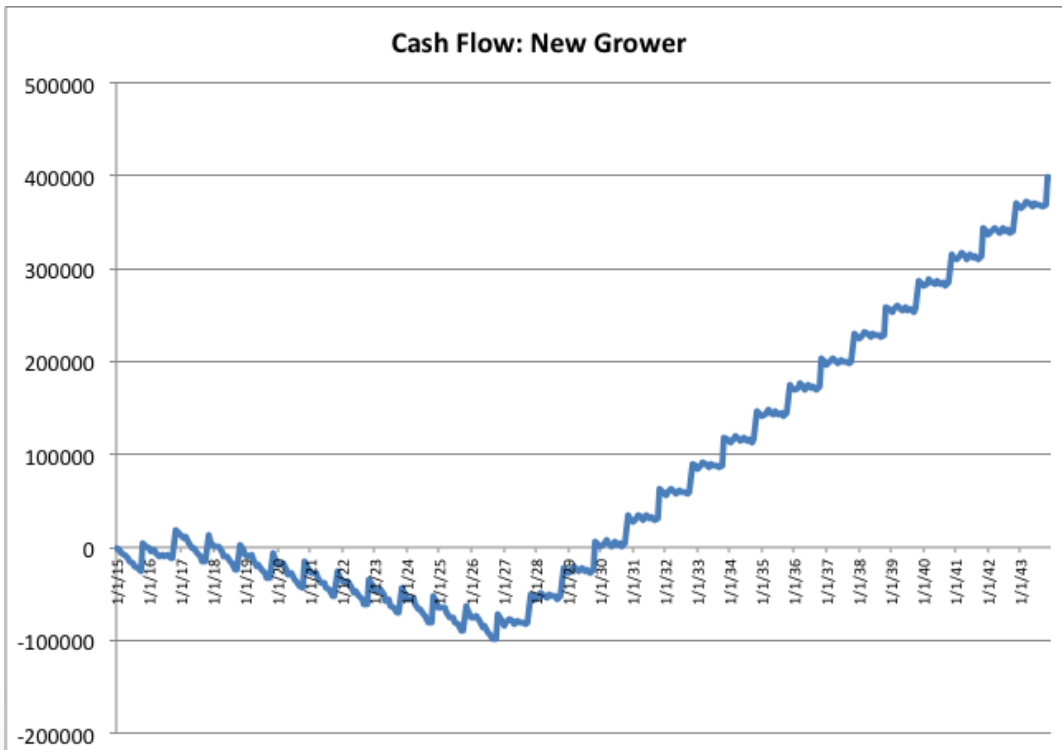
- Large variance amongst farms \$400 - \$800 per acre
- Capital investment per acre
 - Harvester
 - 2001: \$170,000
 - 2014: \$390,000
 - Average new Vineyard Tractor
 - Tier 1: \$38,000
 - Tier 4 Final: \$47,000
- Insurance costs
 - Financial Crisis and credit ratings increased underwriting costs relative to risk
 - Liability insurance costs continue to increase
- Debt

Fixed Expenses: Penny wise, pound smart

- Beat the average and target the benchmark: \$350 - \$450
- Right size capital investment
 - One harvester per 300 – 400 acres
 - One useful life tractor per 35 – 50 acres
 - 0 – 10,000 hours
 - 0 – 10 years
 - Maximum of two tractors beyond useful life per farm
- Insurance costs
 - Crop Insurance: Minimize expense by avoiding revenue insurance and 85% levels of coverage
 - Limit liability costs by reconsidering operations that increase the likelihood of claims.
- Debt

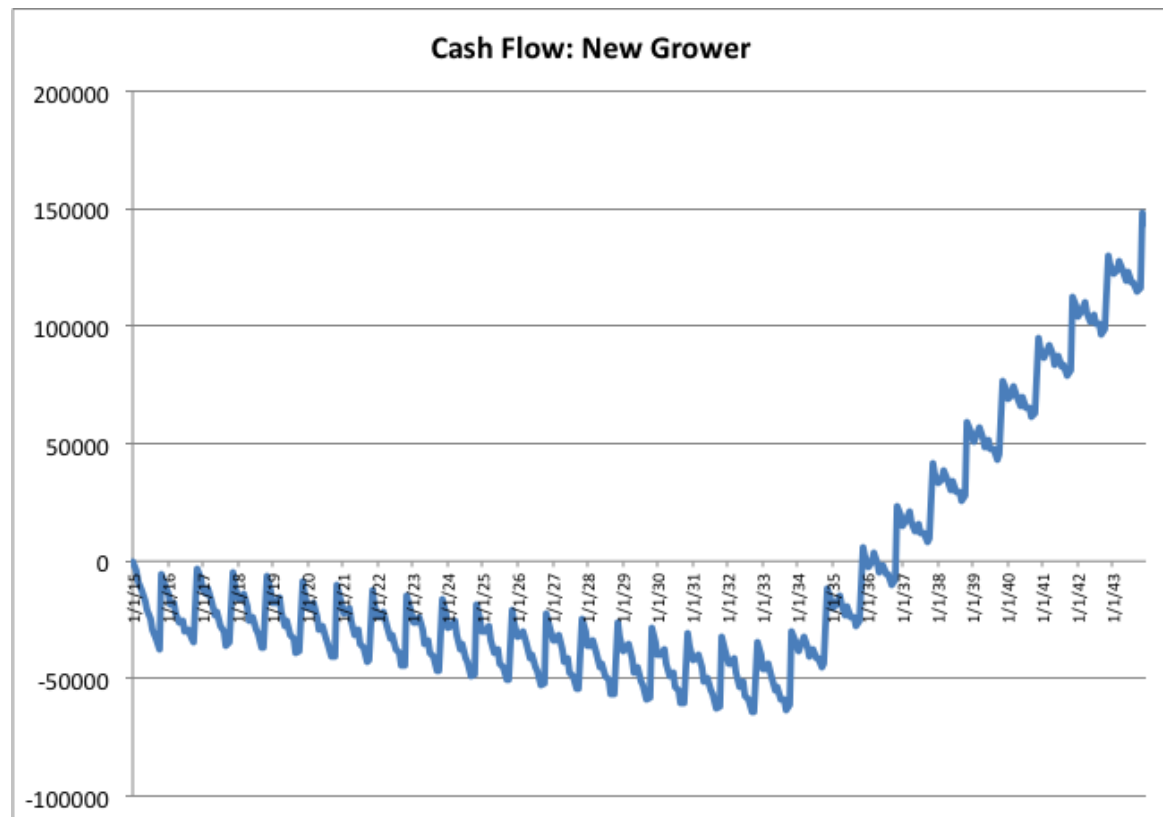
Benchmarking for a new enterprise

- Debt Service w/ Start up assistance
 - 0% rate for 10 years
 - Use of machinery



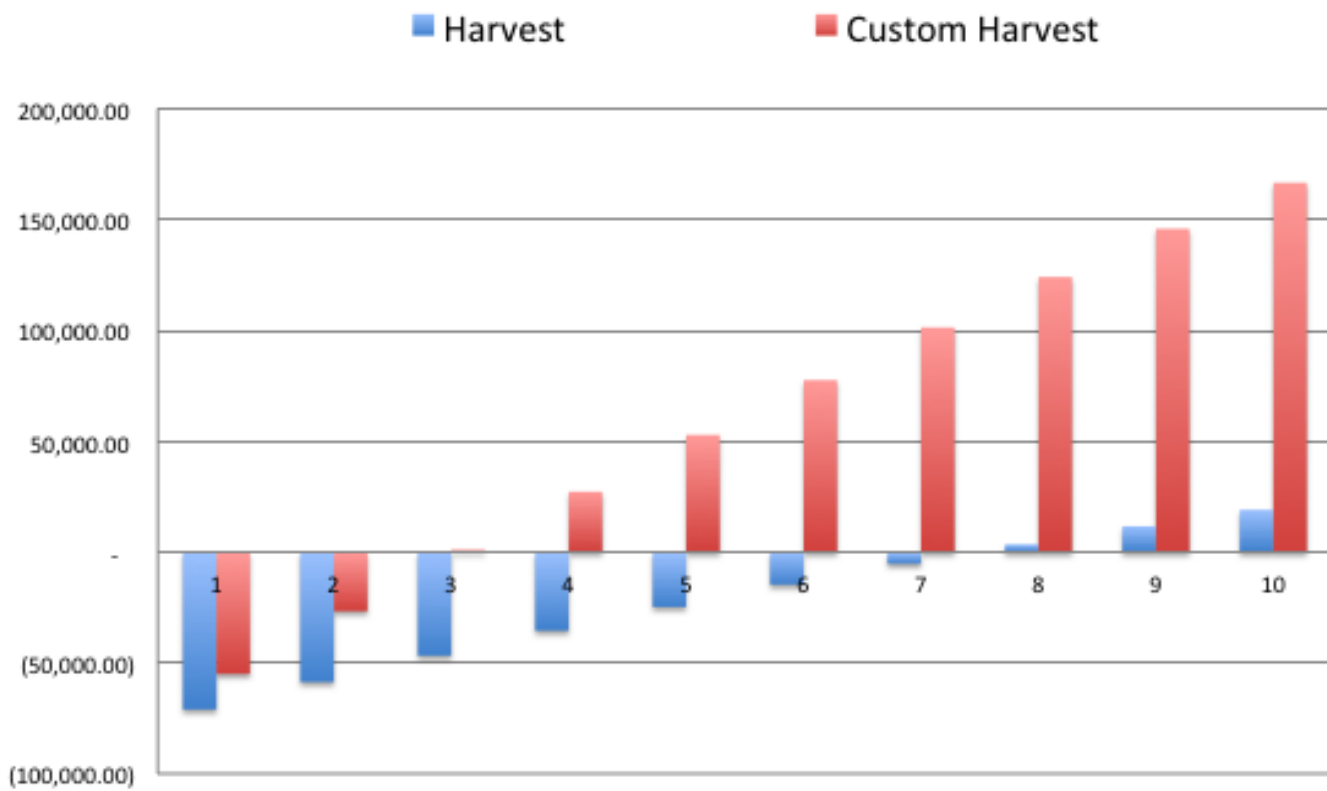
Benchmarking for a new enterprise

- Debt Service w/o Start up assistance
 - 5% rate for 30 years
 - 40 Acres
 - \$0 Down



Benchmarking for a new enterprise: Saving (or not) by investing

200 Acre Grower: Borrowing to Harvest w/ and w/o a Custom Operation



Variable Costs: \$600 - \$800

- Labor \$192 - \$450
 - Mechanized pruning shifts labor costs to fixed costs (equipment)
 - Custom harvest also lowers labor costs
- Chemical and fertilizer: \$355 per acre
 - Soil & Vine health first, benchmark second
 - Catching up/Maintenance \$790/390
 - Nutrients: \$500/225
 - Chemicals: \$290/165
- Fuel \$75 - \$90
- Trellis \$90
- Yield Dependent Categories
 - Chemicals, Crop Load Management, Fertilizer & Custom Harvest
- Acreage Dependent Categories
 - Trellis, Fuel, Depreciation, Repairs and maintenance

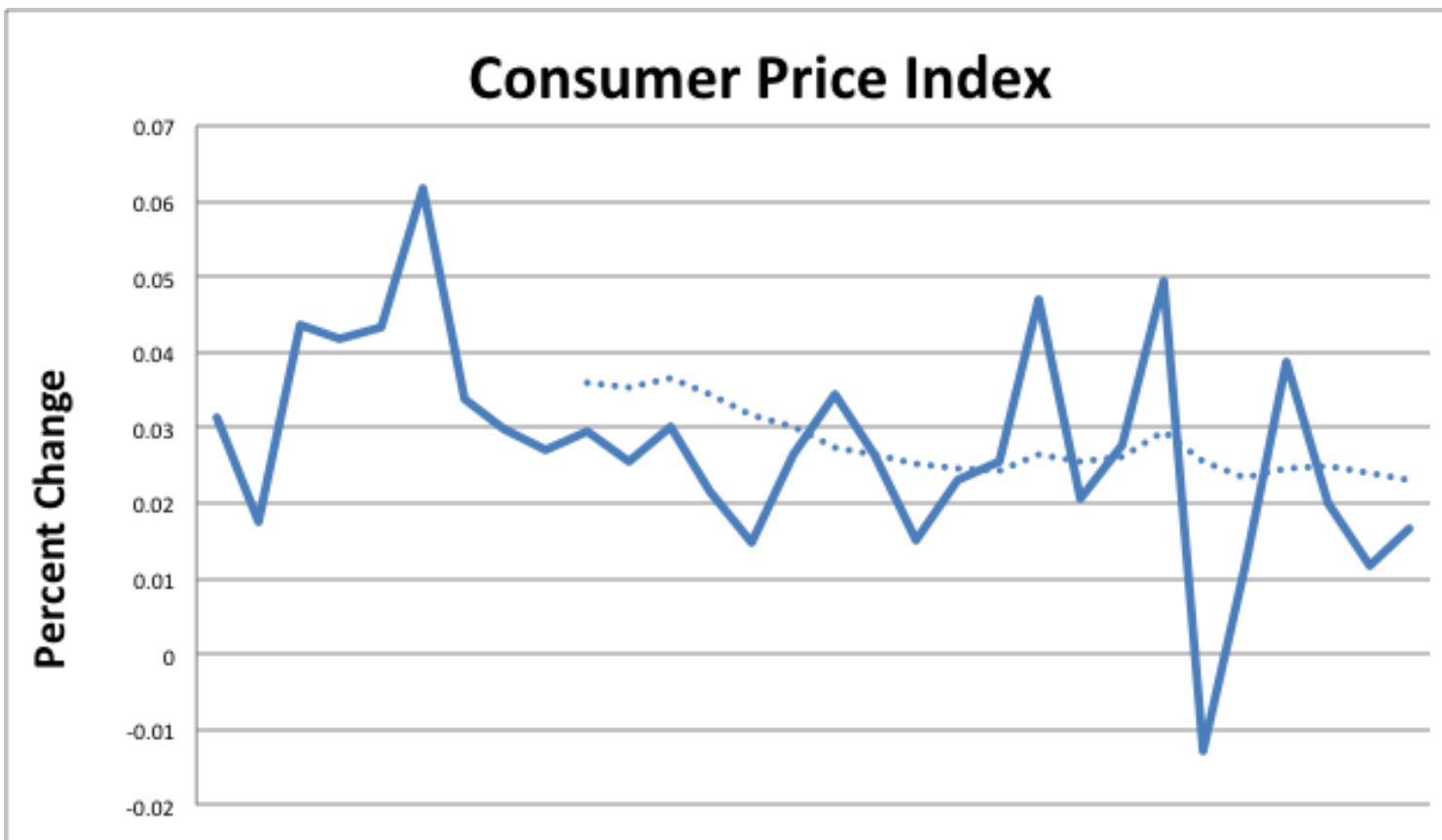
Depreciation

- Average Schedule F depreciation exceeds \$1,200 per acre
- Accelerated depreciation separates growers and farmers from business reality.
- Numerous studies indicate accelerated depreciation increases capital investment without justification but shifting back toward standard depreciation methods is inefficient from a tax perspective.

Cyclical Grape Market

- Planning for the bottom
 - Lowering debt
 - Increasing cash reserves
- Diversified amongst processors
 - Creates exposure to cancellation, depending on structure
 - Exposed to different businesses
 - Exposed to different consumer markets

Macro-economy, inflation, and employment



Cultural Practices

Luke Haggerty
Viticulture Extension Associate
Lake Erie Regional Grape Program

Time to Replenish your Soil

With back-to-back years of heavy crops, your soils are in need of replenishment. Now that harvest is complete it's time to take a break and go over the year's soil and petiole tests. Fall application of potash (potassium) and lime (calcium and magnesium) help give these immobile nutrients time to settle into the soil. Most of the soil tests that come across my desk have a pH below 5.0 and are in need of a lime application. Research has shown that Concord prefer a soil pH of 5.5 and is what you should shoot for. Adjusting your pH helps other

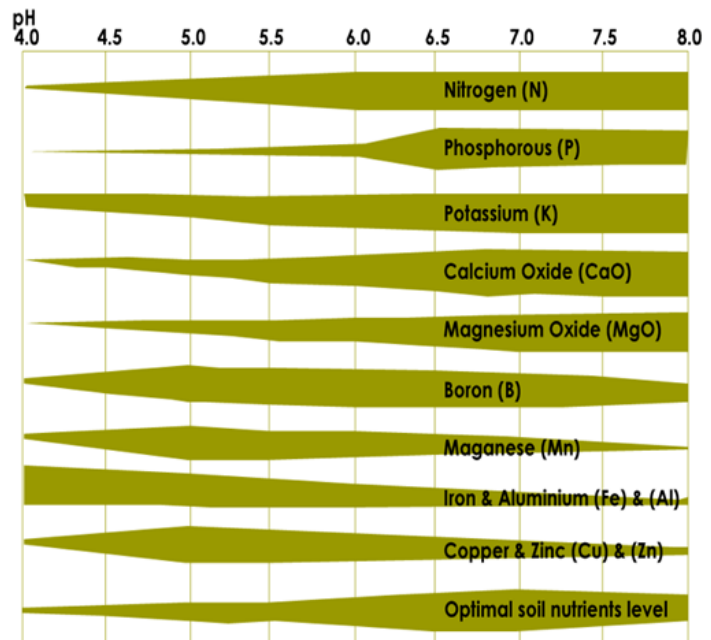
nutrients become more available (see chart below) and being that lime is relatively cheap, it will give the biggest bang for your buck. However, if you are applying lime you should also apply potassium or vice versa in order to keep your soil balanced. Application of one could lead to a vine deficiency in the other. Bottom line is get your soil tested and take action to bring up your soil health. If you haven't taken soil tests yet look at the October 23 Crop Update

<http://lergp.cce.cornell.edu/newsletter.php> .

If you have soil tests and want nutrient recommendations, bring the results into my office and we will go over them.

If you have questions about your soil or petiole test, make an appointment with me and we will create a plan of action. Call me at (716) 792-2800 Ext. 204 or email me at llh85@cornell.edu

Lbs/Acre used by 3-year-old Concord		
Nitrogen	(N)	36.7
Phosphorus	(P)	31.2
Potassium	(K)	18.6
Calcium	(Ca)	7.2
Magnesium	(Mg)	5.7
Boron	(B)	0.1
Iron	(Fe)	0.7
Manganese	(Mn)	0.7
Copper	(Cu)	0.7
Zinc	(Zn)	0.2



LERGP Website Links of Interest:

Table for: Insecticides for use in NY and PA:

<http://lergp.cce.cornell.edu/submission.php?id=69&crumb=ipm|ipm>

Crop Estimation and Thinning Table:

http://nygpadmin.cce.cornell.edu/pdf/submission/pdf65_pdf.pdf

Appellation Cornell Newsletter Index:

<http://grapesandwine.cals.cornell.edu/cals/grapesandwine/appellation-cornell/>

Veraison to Harvest newsletters:

<http://grapesandwine.cals.cornell.edu/cals/grapesandwine/veraison-to-harvest/index.cfm>

Go to <http://lergp.cce.cornell.edu/> for a detailed calendar of events.

Please remember to RSVP for those events that require one!





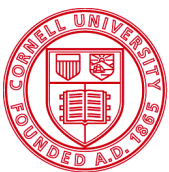
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