

LODI VINEYARD COST STUDY CUSTOMIZATION WORKSHOP

Burgundy Hall • November 2nd, 2017 • LODI WINEGRAPE COMMISSION

Speakers: Paul Verdegaal, UCCE Farm Advisor • psverdegaal@ucanr.edu
Mickie Nuss, F&M Bank • mnuss@fmbonline.com • 209.367.2444
Sara Meidinger, Bank of Stockton • SMeidinger@bankofstockton.com • 209.340.2310

Grower Panel: Kris Gutierrez, KG Vineyard Management • krisg@kgvm.net

AGENDAish

8:30 am	Coffee and donuts
8:45 am	Introduction & the importance of having a budget, Stephanie Bolton
9:00 am	Paul Verdegaal interprets the cost study, including how to separate out costs for specific practices, and gives simple budget examples
9:45 am	Kris G. describes his budget system and how it helps him be more successful
10:00 am	Bankers tell us how to use financial information to best prepare for a loan
10:30 am	Open workshop time – presenters walk around and answer individual questions
11:00 am	Program closes

Adapted from Sid Gorham: What are the 5 things successful farms are doing when it comes to budget?

1. **SET GOALS.** This gives you a *reason* to create a budget in the first place. Goals can range from preparing for the next generation, being in a position to pick up acres, build a shop, retire in 5 years, etc. Whatever your drivers, write them down and determine what it'll take to get there financially. This will give purpose to the process of budgeting, and help you to manage the farm accordingly throughout the year.
2. **MAKE TIME FOR BUDGETING.** It's easy to put off BUT the return on your time budgeting is likely to be much higher than spending it on something else. This may take time to internalize and believe. If you don't believe budgeting is worthwhile, take a couple minutes to list all the financial decisions at stake throughout the production season.
3. **DIAL BUDGETS IN.** The great thing about a budget is that once it's created, it can be improved! The most financially savvy farms constantly find ways to creatively lower costs and increase revenues. Maybe it's finding a new provider of inputs, maybe it's going back to your supplier to negotiate, maybe there's a way to knock 3% off your rents across the board. Whatever it is, you might not think about it unless the budget points out there's room for improvement. The best farms go through each line item and think through options for cutting costs and upping revenue!
4. **TURN THE BUDGET INTO A DAILY MANAGEMENT TOOL.** The best budgeters and financial managers don't let the budget sit on the shelf for 9-12 months; they're watching it regularly throughout the year. Farms who are not *making decisions* with their budget throughout the year are at a disadvantage to other farms in the neighborhood who are. Farms that don't budget won't be able to plan capital expenditures, plan for the next generation, decide when to lock in prices, etc. A budget enables farms to be on their toes rather than their heels.
5. **MARKET ACCORDINGLY.** Effective budgets include assumptions for both costs *and* revenues. Obviously, the difference between the two determines profitability. To keep an eye on profitability, the best farms make sales decisions based on their costs. This allows them to keep a tab on risk and, as often as possible, lock in a positive margin. You may not get rich selling for small margin profitability, but you won't go broke either.

EXPENSE CATEGORIES to CONSIDER in your VINEYARD OPERATION BUDGET

based on the 2016 Lodi Vineyard Cost Study by Paul Verdegaal, Daniel Sumner, and Jeremy Murdock PLUS grower input

For each category listed, think about the **LABOR, EQUIPMENT, & SUPPLIES** which go into completing that task.

• VITICULTURAL PRACTICES COSTS •

PRUNING

- hand & machine
- measure crop to pruning ratios
- test bud fruitfulness
- protect pruning wound
- chop prunings
- berm sweeping

IRRIGATION

- pumping
- maintenance & repairs
- well/pump efficiency test
- distribution uniformity test
- water analysis
- system aids - acid, etc.
- soil moisture probes/Tule towers

NUTRIENTS

- fertilizer
- petiole & blade analysis
- cover crops
- amendments - lime, gypsum, compost, etc.

CANOPY/CROP MANAGEMENT

- tying & training vines
- shoot removal & positioning
- hedging
- leafing/leaf pulling
- cluster thinning
- trellis maintenance
- replanting

PESTS

- herbicide applications
- weeds – discing
- weeds – hand weeding
- weeds – suckering
- fungicide applications
- insecticide & miticide applications
- nematicide applications
- vertebrate management

IPM & MONITORING

- scouting & insect/spore trapping
- identification/reporting – PCA
- counting & rogueing
- biocontrol
- soil analysis

VIRUS MANAGEMENT

- detection, sampling, testing
- soil fumigation
- mealybug/vector control

HARVEST

- labor
- equipment
- transportation
- maintenance

SAFETY

- drinking water
- shade trailers
- first aid kits
- safety training/meetings
- compliance
- PPE – gloves, helmets, respirators, etc.
- road dust control

TECHNOLOGY

- on-farm research trials
- consultant use
- mapping
- aerial imagery
- irrigation automation
- database MIS

EQUIPMENT USE (for all equipment listed in NON-CASH OVERHEAD)

- fuel
- mileage
- repairs
- maintenance

• **VINEYARD ESTABLISHMENT COSTS** •

- | | |
|---|---|
| <input type="checkbox"/> road construction | <input type="checkbox"/> irrigation system installation |
| <input type="checkbox"/> vineyard/previous crop removal | <input type="checkbox"/> pre-emergent herbicide |
| <input type="checkbox"/> burn/chip | <input type="checkbox"/> vineyard layout & marking |
| <input type="checkbox"/> rip/slip plow | <input type="checkbox"/> trellis installation |
| <input type="checkbox"/> grading & leveling | <input type="checkbox"/> nursery visit & virus testing |
| <input type="checkbox"/> soil analysis & amendments | <input type="checkbox"/> grapevines |
| <input type="checkbox"/> tile drains | <input type="checkbox"/> vine planting & cartons |
| <input type="checkbox"/> disc | |

• **NON-CASH OVERHEAD** •

- land
- equipment
 - tractors
 - truck/vehicle
 - ATV
 - mechanical harvester
 - weed sprayer
 - discer
 - mower
 - vine trimmer
 - duster
 - sprayer
 - weather station
- pumping station
- irrigation system
- tools
- fuel tanks
- buildings

• **CASH OVERHEAD** •

- office expenses
- sales & grape marketing
- crop insurance
- liability insurance
- trash & recycling
- portable toilet service
- salaries & wages
- property taxes
- property insurance
- investment repairs
- utilities
 - energy
 - internet
 - phone

• **ASSESSMENTS** •

- Lodi Winegrape Commission (0.45% on gross crop returns = \$4.50 per \$1000)
- Irrigated Lands Regulatory Program (\$5.00/acre)
- County Ag Commissioner Pesticide Storage (\$100 per site)
- 3rd Party Inspection Fee (\$0.415/ton)
- Glassy Winged Sharpshooter (\$1.25 per \$1000 of gross crop returns)
- CA Air Resources Board Mitigation Fee (\$100 per site if ≥ 100 acres)

• **INDUSTRY FEES** • (check with organizations for verification of fees)

- CAWG membership (\$4.75/acre, min. \$150)
- LDGGA membership (\$3.00/acre, min. \$150)
- PAPA membership for grower applicators (\$45)
- LODI RULES sustainability program (\$1105 plus \$2/acre, renewing grower)
- brokerage
- conferences
- journal & magazine subscriptions

INCOME SOURCES/COST SAVINGS to CONSIDER in your VINEYARD OPERATION BUDGET

MAIN INCOME SOURCE

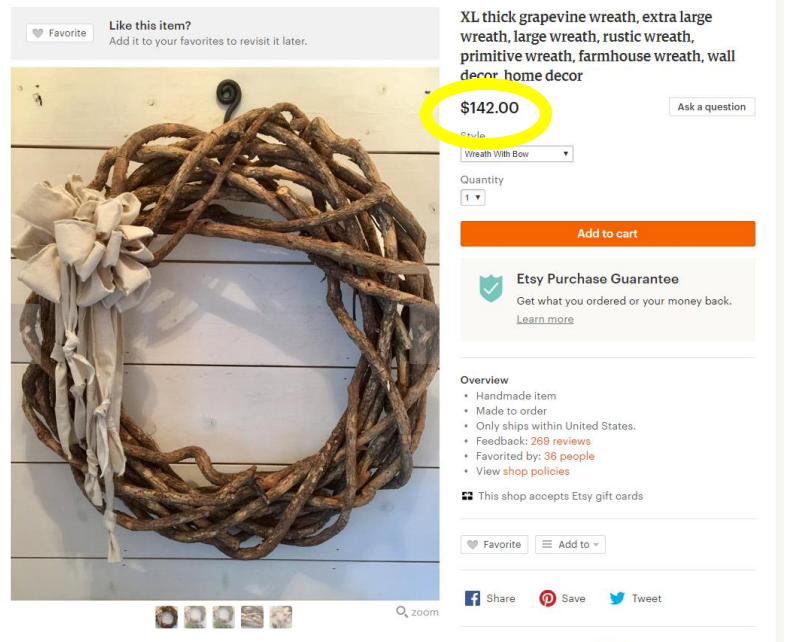
- winegrapes

LONG-TERM COST SAVINGS

- NRCS EQIP funding
- research & development tax credits
- energy & irrigation audits
- combining vineyard passes

THE SIDE HUSTLE

- bulk wine or a custom crush wine label
- vineyard agri-tourism (weddings, events)
- photography rental space
- home winemaker picking and sales
- contract work
- grapevine art (see photo to the right)
- secondary crops
- AirBnB or VRBO rentals



Get more **SIDE HUSTLE** ideas here: <https://modernfarmer.com/2013/06/the-side-hustle-farmer-edition/> or google search “modern farmer side hustle.”

Ag data programs to help you with your budget (computer experience needed):

Blue Skies Accounting

891 Hazel St, Gridley CA 95948
 Rob Witte | rob@agdata-usa.com
 530.846.6203 ext 2 | agdata-usa.com

Quickbooks Accounting Software for Small Businesses

877.683.3280 | quickbooks.intuit.com

Delta College offers Accounting courses in Excel, Bookkeeping, and QuickBooks:

San Joaquin Delta College

5151 Pacific Ave, Stockton CA 95207
 209.954.5151 | deltacollege.edu

Local Accounting resources with ag experience:

Croce, Sanguinetti, & Vander Veen, Inc.

3520 Brookside Road, #141, Stockton CA 95219
 Kevin F. Jones, CPA | kevinj@csvcpas.com
 209.938.1010 | csvcpas.com

Croce & Company Accountancy Corp

3247 W March Ln, Suite 200, Stockton CA 95219
 Stephanie Hudelson | shudelson@croceco.com
 Jennifer Marchini | jmarchini@croceco.com
 209.943.2222 | croceco.com

Bowman Certified Public Accountants

10100 Trinity Pkwy, #310, Stockton CA 95219
 admin@cpabowman.com
 209.473.1040 | cpabowman.com

Lisa Sheehan, CPA

4 W Pine St, Lodi CA 95240
 209.224.5566 | sheeran CPA.com

Intro. to Microsoft Excel: 4-class series. Nov. 7/8/14 & 15 (3pm) OR Nov. 20/21/28 & 29 (9am)

Venue: Computer Room, Lodi Public Library, 201 W Locust St, Lodi, CA 95240 **Cost:** FREE (no library card needed)

Description: You'll learn how to create and use Excel spreadsheets – which do math for you! – to more efficiently organize your budget and other information.

RSVP: Call (209) 333-5554, RSVP's are mandatory as space is limited to the first 14 RSVP's. Popular classes will be repeated if there is interest. Farmers and spouses/friends/neighbors are all welcome.