



## Southeastern Utah Small-Scale Mixed Vegetable Production Costs and Returns – 2 Acres, 2016

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Sample costs and returns to produce mixed vegetables under drip irrigation and sold through direct markets in Southeastern Utah (San Juan, Garfield, Wayne, and Grand counties) are presented in this publication. This publication is intended to be a guide used to make production decisions, determine potential returns and prepare business and marketing plans. The practices described are not the recommendations of Utah State University, but rather the production practices considered typical of a well-managed farm in the region. All practices, yields, and cost data were collected from regional markets and producers unless otherwise noted. Pricing was based upon an average of farmers' market prices across the 2015-2016 seasons. Practices, yields, costs, and pricing are not applicable to all situations as management, cultural practices, markets, and growing conditions vary across the region.

**Farm.** The representative farm consists of two acres of land planted in a variety of high value vegetable crops. Table 1 shows the acreage, yield, and pricing for each product. Agricultural land lease costs range from \$300 to \$1,000 annually. A lease rate of \$500 per acre is used here.

**Crop Pricing & Yields.** Vegetable pricing was calculated by taking the average of farmers' market prices collected at four farmers' markets in Western Colorado and Eastern Utah in 2015-2016 (See Table 1). Average prices and yields are used to calculate returns given in Table 2. A 5% loss rate is applied to all yields to account for spoilage, damage, and unsold product.

**Labor.** As mixed vegetable production on small acreage is labor intensive, the total farm labor (including owner labor) is 1800 hours across the season at a cost of \$10/hr. The annual cost is \$18,000 for the 2 acre farm, or \$9,000/acre (See Table 2).

**Irrigation System.** A drip irrigation system is used to irrigate both acres. The cost to install the system is \$1,000 per acre, or \$2,000 across all acres for the pump, filter, mainline, and setup. The annual fee for drip tape is \$1,000/acre. The system life averages 7 years (Harward Irrigation, 2016).

**Irrigation.** The irrigation water costs for agricultural water use are \$500/acre annually assuming a delivery system is in place.

**Marketing.** Marketing fees include market stand costs (\$800) and transportation to two markets weekly (\$1,000). Labor costs involved in marketing are included in the labor costs described above.

**Packaging.** Packaging required to bring products to market average \$400 annually across all items (Hubert.com, 2016; USU Extension, 2016a).

**Food Safety/Testing.** These annual costs include a \$500 water test, a \$30 scale calibration fee, a \$300 one-time workshop fee, and a \$1,000 Global GAP inspection fee (USU Extension, 2016b).

**Production Inputs.** All input pricing for seed, plants, fertilizer, herbicide, etc. is provided by item in Table 2 (Intermountain Farmers Association (IFA), 2016).

**Fuel and Lube.** The fuel and lube for machinery and vehicles is calculated at 8 percent of the average asset value (See Table 3).

**Investment Repairs.** Annual repairs on all farm investments or capital recovery items that require maintenance are calculated at 2 percent of the average asset value for buildings, improvements, and equipment and 7 percent of the average asset value for machinery and vehicles.

**Cash Overhead.** Cash overhead consists of various cash expenses paid out during the year. These costs include property taxes, interest, office expenses, liability, property insurance, and accounting/legal costs (See Table 3).

**Insurance.** Insurance on farm investments vary, depending on the assets included and the amount of coverage. Property insurance provides coverage for property loss at .666 percent of the average asset value. Liability and crop insurance covers accidents and crop loss on the 2 acre farm at an annual cost of \$400.

**Office & Travel.** Office and travel costs are estimated at \$1,000 for an average year for the 2 acre farm. These expenses include office supplies (\$200), telephone/internet service (\$600), and educational workshops (\$200).

**Accounting & Legal.** Annual accounting and legal costs are estimated at \$450 for an average year for the 2 acre farm (Cook Martin Poulson, P.C., 2016).

**Capital Recovery.** Capital recovery costs are the annual depreciation (opportunity cost) of all farm investments. Capital recovery costs are calculated using straight line

depreciation. All equipment listed is new unless otherwise noted. For used machinery the price is calculated as one-half of the new purchase price and useful life is two-thirds that of new machinery (Painter, 2011).

**Salvage Value.** Salvage value is 10 percent of the purchase price, which is an estimate of the remaining value of an investment at the end of its useful life. The salvage value for land is the purchase price, as land does not normally depreciate.

#### Average Asset Value Computation

$$\left(\frac{\text{Purchase Price} + \text{Salvage Value}}{2}\right)$$

#### Straight Line Depreciation Computation

$$\left(\frac{\text{Purchase Price} - \text{Salvage Value}}{\text{Useful Life}}\right)$$

#### References

- Cook Martin Poulson, P.C. (2016). *Personal communication*. 10 October 2016.
- IFA – Cortez, CO (2016). *Personal communication*. 2 November 2016.
- Harward Irrigation (2016). *Personal communication*. 4 November 2016.
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- Painter, K. (2011). The Costs of Owning and Operating Farm Machinery in the Pacific Northwest: 2011. A Pacific Northwest Publication #346. Online at: <http://www.cals.uidaho.edu/edComm/pdf/PNW/PNW0346/PNW0346.html>.
- USU Extension (2016a). *Personal communication*, Dr. Karin Allen. 4 November 2016.
- USU Extension (2016b). *Personal communication*, Dr. Brian Nummer. 4 November 2016.

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**Table 1: Southeastern Utah Mixed Vegetable Acreage, Yields, & Pricing, 2 acres**

<b>Product</b>	<b>Acres</b>	<b>Yield</b>	<b>Unit</b>	<b>Farmers' Market Price</b>
Tomatoes	0.25	3,500	Lbs	\$2.72
Peas	0.1	700	Lbs	\$3.50
Winter Squash	0.1	500	Lbs	\$0.75
Summer Squash	0.1	550	Each	\$1.11
Beans	0.1	850	Lbs	\$3.08
Okra	0.25	5,400	Lbs	\$1.75
Beets	0.25	3,700	Lbs	\$1.23
Potatoes	0.25	1,200	Lbs	\$1.64
Leeks	0.25	2,300	Lbs	\$1.88
Carrots	0.1	500	Lbs	\$1.86
Leafy Greens	0.25	750	Lbs	\$7.00

**Table 2: Southeastern Utah Small-Scale Mixed Vegetable Production Costs & Returns, 2 acres**

	<b>Total Units</b>	<b>Unit</b>	<b>Price/Cost Per Unit</b>	<b>Total Cost/Value</b>	<b>Total Cost/Value Per Acre</b>
<b>GROSS INCOME</b>					
Tomatoes	3,500	Lbs	\$2.72	\$ 9,044.00	\$ 4,522.00
Peas	700	Lbs	\$3.50	\$ 2,327.50	\$ 1,163.75
Winter Squash	500	Lbs	\$0.75	\$ 356.25	\$ 178.13
Summer Squash	550	Each	\$1.11	\$ 579.98	\$ 289.99
Beans	850	Lbs	\$3.08	\$ 2,487.10	\$ 1,243.55
Okra	5,400	Lbs	\$1.75	\$ 8,977.50	\$ 4,488.75
Beets	3,700	Lbs	\$1.23	\$ 4,323.45	\$ 2,161.73
Potatoes	1,200	Lbs	\$1.64	\$ 1,869.60	\$ 934.80
Leeks	2,300	Lbs	\$1.88	\$ 4,107.80	\$ 2,053.90
Carrots	500	Lbs	\$1.86	\$ 883.50	\$ 441.75
Leafy Greens	750	Lbs	\$7.00	\$ 4,987.50	\$ 2,493.75
<b>TOTAL GROSS INCOME</b>				<b>\$ 39,944.18</b>	<b>\$ 19,972.09</b>
<b>OPERATING COSTS</b>					
Land Rental	2	Acres	\$ 500.00	\$ 1,000.00	\$ 500.00
Irrigation Water	2	Acres	\$ 500.00	\$ 1,000.00	\$ 500.00
Utilities	1	Annual	\$ 1,500.00	\$ 1,500.00	\$ 750.00
Farm Labor	1800	Hours	\$ 10.00	\$ 18,000.00	\$ 9,000.00
Packaging	1	Annual	\$ 400.00	\$ 400.00	\$ 200.00
Food Safety/Testing	1	Annual	\$ 1,830.00	\$ 1,830.00	\$ 915.00
Marketing	1	Annual	\$ 1,800.00	\$ 1,800.00	\$ 900.00
Herbicide/Insecticide	2	Acres	\$ 45.00	\$ 90.00	\$ 45.00
Fertilizer	2	Acres	\$ 60.00	\$ 120.00	\$ 60.00
Seeds	1	Annual	\$ 700.00	\$ 700.00	\$ 350.00
Plants	1	Annual	\$ 200.00	\$ 200.00	\$ 100.00
Drip Tape	2	Acres	\$ 1,000.00	\$ 2,000.00	\$ 1,000.00
Fuel & Lube	1	Annual	\$ 660.00	\$ 660.00	\$ 330.00
Maintenance	1	Annual	\$ 693.00	\$ 693.00	\$ 346.50
Miscellaneous	2	Acres	\$ 100.00	\$ 200.00	\$ 100.00
<b>TOTAL OPERATING COSTS</b>				<b>\$ 30,193.00</b>	<b>\$ 15,096.50</b>
<b>INCOME ABOVE OPERATING COSTS</b>				<b>\$ 9,751.18</b>	<b>\$ 4,875.59</b>
<b>OWNERSHIP COSTS</b>					
<b>CASH OVERHEAD COSTS</b>					
Liability/Crop Insurance				\$ 400.00	\$ 200.00
Accounting & Legal				\$ 450.00	\$ 225.00
Office & Travel				\$ 1,000.00	\$ 500.00
Annual Investment Insurance				\$ 93.41	\$ 46.70
<b>NONCASH OVERHEAD COSTS (Capital Recovery)</b>					
Buildings, Improvements, & Equipment				\$ 1,430.71	\$ 715.36
Machinery & Vehicles				\$ 1,928.57	\$ 964.29
<b>TOTAL OWNERSHIP COSTS</b>				<b>\$ 5,302.69</b>	<b>\$ 2,651.35</b>
<b>TOTAL COSTS</b>				<b>\$ 35,495.69</b>	<b>\$ 17,747.85</b>
<b>NET PROJECTED RETURNS</b>				<b>\$ 4,448.48</b>	<b>\$ 2,224.24</b>

**Table 3: Southeastern Utah Small-Scale Mixed Vegetable Investment Summary, 2 acres**

<b>Description</b>	<b>Purchase Price</b>	<b>Percentage Use</b>	<b>Purchase Price</b>	<b>Useful Life (Yrs)</b>	<b>Salvage Value</b>	<b>Annual Capital Recovery</b>	<b>Annual Insurance</b>	<b>Annual Repairs</b>	<b>Annual Fuel &amp; Lube</b>
<b>Buildings, Improvements, and Equipment</b>									
Hand Tools	\$ 1,000.00	100%	\$ 1,000.00	5.00	\$ 100.00	\$ 180.00	\$ 3.66	\$ 11.00	\$ -
Implements	\$ 2,500.00	100%	\$ 2,500.00	10.00	\$ 250.00	\$ 225.00	\$ 9.16	\$ 27.50	\$ -
Packing Shed (8X10)	\$ 3,000.00	100%	\$ 3,000.00	15.00	\$ 300.00	\$ 180.00	\$ 10.99	\$ 33.00	\$ -
Coolers (6)	\$ 600.00	100%	\$ 600.00	3.00	\$ -	\$ 200.00	\$ 2.00	\$ 6.00	\$ -
Carts (6)	\$ 1,800.00	100%	\$ 1,800.00	5.00	\$ -	\$ 360.00	\$ 5.99	\$ 18.00	\$ -
Drip Irrigation System	\$ 2,000.00	100%	\$ 2,000.00	7.00	\$ -	\$ 285.71	\$ 6.66	\$ 20.00	\$ -
<b>Sub Total</b>	<b>\$ 10,900.00</b>		<b>\$ 10,900.00</b>	<b>NA</b>	<b>\$ 650.00</b>	<b>\$ 1,430.71</b>	<b>\$ 38.46</b>	<b>\$ 115.50</b>	<b>\$ -</b>
<b>Machinery and Vehicles</b>									
1-1/2 Ton Truck	\$ 30,000.00	50%	\$ 15,000.00	7.00	\$ 1,500.00	\$ 1,928.57	\$ 54.95	\$ 577.50	\$ 660.00
<b>Sub Total</b>	<b>\$ 30,000.00</b>		<b>\$ 15,000.00</b>	<b>NA</b>	<b>\$ 1,500.00</b>	<b>\$ 1,928.57</b>	<b>\$ 54.95</b>	<b>\$ 577.50</b>	<b>\$ 660.00</b>
<b>Total</b>	<b>\$ 40,900.00</b>		<b>\$ 25,900.00</b>	<b>NA</b>	<b>\$ 2,150.00</b>	<b>\$ 3,359.29</b>	<b>\$ 93.41</b>	<b>\$ 693.00</b>	<b>\$ 660.00</b>