The Monthly “Beat”
Commercial Horticulture Newsletter for Southeast North Carolina

Future Cooperative Extension Programs, Business Planning and Crop Production Issues & Alternative Crops

This newsletter is intended for people interested in commercial fruit and vegetable production, business planning and North Carolina Cooperative Extension Service meetings throughout North Carolina. For back issues of this newsletter please go to the Jones County Extension website and click on the Commercial Horticulture, Nursery & Turf menu option on the left side of the website. The website address is: http://jones.ces.ncsu.edu

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Upcoming Workshops, Tours & Meetings

February 6, 2009. 9th Annual NC Cooperative Extension’s SE District Agritourism Conference. Wayne County Extension Center, 208 W. Chestnut St., Goldsboro, NC. 8:30 AM – 2:30 PM. Topics: Keeping Business Strong in Today’s Economy, AgriCultural Tourism Leadership, Management & Team Building, Local Food Networks – Challenges & Opportunities. Call (252) 448-9621 for more information. CANCELLED DUE TO LOW REGISTRATION NUMBERS!

February 11, 2009. New Bern Train Depot Community Garden Information Meeting. 12 PM. New Bern City Hall, New Bern, NC. If you are interested or know someone who might be interested in gardening in downtown New Bern please attend this meeting. Plot assignments and fees will be discussed at this time. Call Mark Seitz at the Jones County Extension office at (252) 448-9621 for more information.

February 12, 2009. Private Pesticide Applicator Safety Training (V credits). Jones County Extension office. This 2.0 hour training covers the pesticide safety training that most people struggle to get. If you need credit in this area, call the Jones County Extension office at (252) 448-9621 to register.


February 19, 2009. Muscadine Grape Pruning Demonstration. Warren Farm Vineyard, Trenton, NC. 10 AM – 12 PM or until you are tired of asking questions or pruning grapes…

North Carolina State University and North Carolina A&T State University commit themselves to positive action to secure equal opportunity regardless of race, color, creed, national origin, religion, sex, age, veteran status or disability. In addition, the two Universities welcome all persons without regard to sexual orientation.
BUSINESS PLANNING

Do I have to calculate my break even cost this year?

CALCULATING YOUR BREAK EVEN COST

Top 5 Reasons for Not Calculating Your Break Even Cost

#5: I just want to plant crops and sell them.
#4: It sounds too complicated so I don’t think about it.
#3: My bookkeeper needs to that.
#2: I don’t care.
#1: It won’t make a difference in how much I charge for my produce!

Calculating your break even cost, is a powerful business tool that in these tough economic times you should all take time to do. Why? Because taking time to calculate your break even cost forces you to look at your business step by step and identify where you are spending your money and how that spending affects your bottom line. It also forces you to study your operating costs and ultimately shows you where you are spending a lot of money and helps you determine how much to charge to stay profitable.

In this day and age, a simple calculation like this might be the difference between staying afloat and throwing in the towel. Break even analysis can help you decide if what a customer is willing to pay keeps you profitable or if you are losing money. If you’re losing money, it’s time to renegotiate or look for another buyer.

So what is Break Even Cost Analysis and how is it calculated?

Break even cost analysis is a simple accounting method that is derived by the following calculation:

\[
\text{Break Even Cost} = \text{Total Revenue (TR)} - \text{Total Cost (TC)}
\]

Total Revenue = this is the total of all the income generating products you sell

Total Cost = Fixed Cost + Variable Costs

Where…

Fixed Costs = costs that are one time costs or are big purchases that you will make that will be used year after year in your operation

Variable Costs = costs that are seasonal like seed, fuel, fertilizer, packaging materials

Putting this together in a table is the best way to evaluate where you stand based on how much you produce and how much you plan to charge. The key to it all is knowing how much you spend, i.e., your cost of production.

Do I have to calculate my break even cost this year?
For example: If your cost of production for an acre of tomatoes equates to $1,000, let’s look at what you would need to charge to break even. Remember the formula for calculating your break even cost is:

\[
\text{Break even price} = \text{TR} - \text{TC}. 
\]

<table>
<thead>
<tr>
<th>Quantity Sold</th>
<th>Price / Lb.</th>
<th>$3.00</th>
<th>$3.50</th>
<th>$4.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>200 lbs</td>
<td>(-$400)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>300 lbs</td>
<td>(-$100)</td>
<td>$ 50</td>
<td>$ 200</td>
<td></td>
</tr>
<tr>
<td>400 lbs</td>
<td>$ 200</td>
<td>$ 400</td>
<td>$ 600</td>
<td></td>
</tr>
<tr>
<td>500 lbs</td>
<td>$ 500</td>
<td>$ 750</td>
<td>$1,000</td>
<td></td>
</tr>
</tbody>
</table>

This simple table shows that when you charge a price of $3 per pound and only produce 200 lbs of product and spend $1,000 to produce it per acre, that you are going to lose $400.

In contrast when you produce 500 pounds and sell at $3 per pound your net return is $500. The same variations occur when you increase your price to $3.50 per pound and $4.00 per pound. The key to this type of analysis working is knowing what your costs are. If you forget to include your labor or allocate your fertilizer costs accurately, these analyses can vary greatly.

Using a simple spreadsheet you can determine what these costs are, decide how much profit margin you want to earn and have a much better idea of whether you are making or losing money on a particular crop.

If the quantities in this type of table do not match your operation, they are easy to change and recalculate with a simple spreadsheet. Knowing where that dividing line between red numbers and black, is the key to keeping your business afloat.

If you want to set up a simple break even analysis spreadsheet for your farm or a particular crop, do not hesitate to call me or your local Cooperative Extension agent for assistance.

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**Muscadine Grape Production and Pruning Workshop**

The program will start at Warren Vineyards (rain/shine). Bring pruners, loppers and gloves for some hands on pruning practice. We will do an educational component inside a small garage on the farm and then will go out and do some hands on pruning practice. I hope to see you on February 19th.

**High Tunnel Greenhouse Production Workshop**

**Save the date! – February 17, 2009 – Save the date!**

The agenda for this program is still being finalized and the final details worked out. However, the location for the program is the Center for Environmental Farming Systems (CEFS) in Goldsboro, NC. I moved this meeting to Goldsboro for two reasons. One CEFS has a number of working high tunnels that we can tour and use for teaching purposes and two because there is interest for this type of production from a wider area than Jones, Craven, Onslow & Lenoir County. Detailed information about this program can be found on the CEFS website at: [http://www.cefs.ncsu.edu/calendar2009.htm#hightunnel](http://www.cefs.ncsu.edu/calendar2009.htm#hightunnel)

**Crop Production:**

**Soil Fertilizer Additives**

Many of you have heard about a variety of soil fertilizer additives, modifiers and supplements – whatever name they are given, for many years. Whatever name they are given, very few of these products work exactly as advertised all the time. Weather, soil type, crop, soil moisture, soil chemistry all play a role in how these products impact nutrient uptake.
Here is an example of why test results vary so much with these products. Consider that one acre of topsoil equals 2.0 million pounds – that is a lot of soil and a lot of natural chemistry to affect. If you are looking at a soil additive that is supposed to improve the cation exchange capacity of the soil for a given crop, depending on the chemical nature of the soil additive and the recommended amount, a large amount of product may be needed to significantly change the chemical nature of the soil.

In other words, the effectiveness of the product may be offset by the sheer volume of soil it is trying to interact with. Add in dry/wet weather, soils with low/high organic matter content, cold/hot temperatures and the type of crop being grown and you can see that no single research study can say with any certainty that a product will or will not work.

The point of this article is not to say products like this cannot work. There are cases and studies that show in certain circumstances that they do show economically beneficial results. In the right year, under the right environmental circumstances and with the right crop, they may help you boost crop yield.

The point is, that there is always a question of the cost of the material based on the recommended application rate versus the benefit received. With so much economic uncertainty facing all of us this year remember:

- to be cautious and do your homework before buying large amounts of fertilizer additives or similar products
- that Mother Nature plays a big role in how effective they may or may not be in a given year
- that plants do not care what form the nutrient comes in, as long as it is available in the right concentrations, with proper soil pH, moisture content and soil type.

Additional field tests are being conducted on some of these products in the field crops arena by NCSU and NCDA&CS faculty and staff on some of these newer products. This will be the third year of studies on them across NC and final recommendations and comments will be made on some of these new soil chemistry products by this time next year.

Bottom line… buy any product like this in small quantities and test them on your farm, under your conditions before spending money on any product you have not tried before. I am available to help design and test any products on your farm if you are interested but remember, betting the entire farm on any ‘instant cure’ you might hear about may be just that… betting the farm.

If you have questions about any of the information, upcoming meetings, business strategies, or crop production management issues, please call me at the Jones County Extension Center at (252) 448-9621. I can also be reached by email at: Mark_Seitz@ncsu.edu.