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 Waikmor Proprietors  
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 Property at Harwig Rd  
 WAIKERIE, 5330

## BACKGROUND INFORMATION - WAIKMOR PROPRIETORS

The orchard consists of 12ha of citrus of which 3 ha are old Valencias (planted in 1967). The remainder are mainly Navels with a few Tangelos and grapefruit in addition. A detailed description of the plantings is shown under the table profit and loss by enterprise. Most of the rootstock is citrange.

This orchard is run as a partnership of four. The eldest partner holds 90%, two others about 5% each with a fourth partner holding a very small amount of only 0.01%. The only reason the business has survived is because of interest free loans from the eldest partner. All of the partners' work is done on an unpaid voluntary basis. The work of the two 5% partners is mainly in propagation of new trees to be planted out. On the basis of our experiences it is hard to know how other citrus growers survive. They must, like us, discount the value of their labour. They must also do much of their own fruit picking also at discounted rates or for nothing. In our case much of the orchard work and all of the fruit picking is paid for by the partnership.

This orchard is being restructured. Most lemons have already been removed, the remaining lemons are no longer being watered or fertilised. 1.3 ha of Valencias have already been removed. There is another 3 ha of old Valencia trees which will be next. My feeling is that next time we hear of an over-production of Valencias, (there is usually plenty of warning) we should remove as large of portion of the Valencias as possible.

Replanting is being carried out as rapidly. The following varieties are being planted, Washington Navel, Navelina, Tahitian Lime, Tangelo and Blood Orange. However it will be another 8-10 years before these produce in commercial quantities. Another variety to be considered for future extended planting is Lanes Late.

The following is a profit and loss comparison for the last four years.

Profit & Loss Comparison				
Category Description	1/07/'00- 30/06/'01	1/07/99- 30/06/'00	1/07/98- 30/06/99	1/07/97- 30/06/98
INCOME				
GF Blush	324.00	608.00	142.40	217.10
GF White	459.00	1,412.20	870.40	324.97
Interest inc	0.00	373.58	0.00	0.00

1.Lanes Late	21,742.43	29,447.35	15,954.58	16,044.40
2.Lemons	97.90	2,951.41	11,128.56	5,698.24
3.Lengs	3,275.04	0.00	3,314.34	588.02
4.Navelina	69.10	0.00	0.00	0.00
Rent	1,570.00		0.001,950.00	
		2,600.00		
5.Tangelo	2,522.29	4,369.05	2,923.60	1,881.34
Waikerie Producers				
10.00				
6.Valencia	0.00	21,207.02	29,554.84	12,405.65
7.Washingtons	7,880.51	23,848.33	19,315.09	9,093.27
TOTAL INCOME	37,940.27	84,216.94	85,153.81	48,862.99

## EXPENSES

8.Admin	1,837.47	10.75	133.00	310.15
Bank charges	559.25	569.27	445.16	550.34
Consulting	1,920.00	1,910.00	1,715.00	2,544.00
9.Contract Picking	1,519.69	0.00	0.00	0.00
Depreciation Ac	9,241.40	10,319.50	6,658.37	7,749.51
Environmnt	751.25	934.20	469.20	0.00
10.Fuel and Oil	2,115.64	253.19	3,046.09	3,963.98
11.Hire Plant&Equi	412.50	0.00	890.00	0.00
12.Insurance	1,253.82	710.84	684.77	709.18
Interest	12.46	67.29	142.68	158.03
13.Light and Power	4,598.15	4,424.18	5,167.03	4,007.29
Motor Car	0.00	0.00	539.76	
		1079.00		
Postage & Stationery	0.00	520.00	520.00	520.00
Protctve clthg	20.48	2.20	96.51	15.80
Rates&Taxes	1,838.54	1,835.45	2,009.60	2,394.40
Registratn Fees	97.20	168.00	0.00	96.00
14.Rental house	3,053.47	0.00	0.00	0.00
Repair&Mnt Irrg	1,935.60	2,132.10	1,779.85	5,265.63
15.Repairs&Mnt gen	965.81	4,690.98	2,255.52	3,005.94
Software	0.00	251.50	0.00	0.00
16.Sprays&Fertiliz	3,246.23	6,556.50	8,849.40	8,946.90
17.Superannuation	1,886.00	1,373.58	4,061.59	2,703.73
Telephone	786.77	492.10	465.50	365.90
18. Trees			0.00	73.00
Training	80.00	0.00	0.00	0.00
19. Workcover (income)			(7,184.58)	(24,720.86)
20.Wages	30,238.42	25,803.88	56,677.55	52,795.00
WorkCover	963.73	1,035.89	1,715.78	1,834.12
TOTAL EXPENSES	69,333.88	63,541.40	91,210.78	75,299.74
TOTAL INCOME - EXPENSES (31,393.61)		20,675.54	(6056.97)	(26,436.75)

## NOTES

As can be seen losses were made in 3 years out of 4. In 1998-99 a profit would have been made but for the fact that the permanent workman (under workcover with a back problem) left the services and there were additional expenses such as retrospective holiday pay and 3 weeks notice that was required. The planting of ours of only 12 ha is too small to justify the services of a workman especially when that workman is not involved in fruit picking. The years 1997-99 may not be a fair comparison because of the excessive wages. In 2000-01 It is very difficult to see where expenses could have been reduced. If there is very little income, there is not much hope of profitability.

1. We have planted a considerable number of **Lanes Late Navels** over many years. Many of the new ones are producing commercially.
2. **Lemons** have rarely been profitable for us. The lemon trees are now mainly too old & fruit too small to be marketable. Most trees have now been removed. The remaining four rows soon will be removed.
3. There is only a small planting of **Leng Navels** 1/7 ha. They have been highly profitable. The income from two years is often reported in the one year depending on the time of harvest.
4. 1.3 ha of **Navelina** has been recently planted. It will be another 7-10 years before there is a commercially profitable crop.
5. Young trees of **Tangelo** are now coming into production. However these were planted about 6-7 years ago and the benefits are just becoming apparent.

6. Approximately \$15,000 is owed to us by the packing shed for **Valencias**. We are meant to be paid for these over a period of two years. It is doubtful though whether the packing shed will remain in business. It would be desirable if it did as there would then be two local options (Packing Sheds) for growers in Waikerie.
7. A disastrous export to America occurred last year for **Washington** and other Navels. Repercussions were so serious that our packing shed is unable to pay debts and will probably not continue in business.
8. **Administration.** Legal fees to reconstruct the business owing to the requirements of the GST. There were originally 8 partners in the partnership. Many of these would have been required to submit IAS statements to the ATO. It was decided that this would have increased the amount of paper work even more, so the number of partners has been reduced to 4.
9. Many fruit pickers have set up groups to **pick fruit by contract**. They have a business number and their companies take on the on costs eg superannuation, work cover and withholding tax. This is one reason why the amounts paid on workcover and superannuation is now less than before.
10. **Fuel & Oil.** In 99-00 diesel fuel tax rebate was claimed for 2 years greatly reducing costs for that year.
11. **Hire of Plant & Equipment.** Cost of bulldozing the lemons.
12. Cost of **insurance** has greatly increased partly owing to the need to insure a new \$12,000 pump.
13. **Power & Lighting.** Mainly for pumping water.
14. A one off cost for making the **rental house** inhabitable.
15. **Repairs & Maintenance General.** This varies from year to year depending on whether large repair jobs are needed. In the year with the big expense the Case Tractor needed a new clutch.
16. With the removal of the lemons the cost of **sprays and fertiliser** has been greatly reduced.
17. **Superannuation** has been reduced in recent years because (a.) orchard work has been done on contract rather than by a permanent workman and (b.) because fruit picking is now done by teams of contract pickers rather than individual pickers employed by the partnership. The contract picking teams pay their own workcover, superannuation, and withholding tax.
18. **Trees** This item includes removal of old trees as well as cost of buds obtained from the bud selection society. Two of the partners grow young trees from seed and then do the budding with buds coming from the bud selection society or from our own property depending on the advice of the Fruit Doctor.
19. **WorkCover Income.** Our permanent workman was partly paid by WorkCover. We paid his wages and we were remunerated by WorkCover.
20. **Wages.** There has been a transition from the employment of a permanent workman to paying for orchard work to be done by contract. Very large savings in cost of wages were made and this enabled a profit to be made in 99/00.

## **PROFIT AND LOSS BY ENTERPRISE.**

For 1997-01, the only profitable year of the four, a detailed table (separate from the submission) shows the method for calculating profit and loss for each variety/ crop/ enterprise. Costs were allocated on a pro rata on the basis of number of rows per variety. The assumption is made that inputs would be spread equally between varieties and old and young trees. For lemons the cost is probably underestimated since the cost of labour and

sprays is higher than for other varieties. So for lemons the loss is actually worse than that shown.

Young trees do not require as much spray material, but on the other hand more effort needs to be put into weed control eg herbicide sprays and hoeing. Some costs eg picking can be directly allocated to a particular variety.

The table **Profit and Loss for all four years** is a summary of net profit/ loss for each of the enterprises. Losses are shown in brackets and profits are in bold.

<b>Profit and Loss for all four years</b>				
YEAR	2000-2001	1999-2000	1998-1999	1997-1998
CROP				
Grapefruit White	(218)	<b>1,010</b>	(40)	(522)
Grapefruit Blush	(141)	<b>150</b>	(554)	(321)
Lanes Late Navel	<b>5,678</b>	<b>18,346</b>	(220)	<b>920</b>
Lemons	(2,126)	(6,548)	(9,947)	(11,357)
Tangelo (non bearing)			(2,363)	(2,012)
Tangelo (Mineola)	(1,643)	<b>1,328</b>	(297)	<b>31</b>
Valencia (non bearing)			(3,642)	(3,101)
Valencia	(19,736)	<b>1,539</b>	<b>6,149</b>	(8,404)
Washington (non bearing)	(4,823)	(3,775)	(3,642)	(3,101)
Washington (bearing)	(4,452)	<b>14,633</b>	<b>10,699</b>	<b>2,364</b>
Summer Navel		(2,157)	(3,642)	(3,116)
Leng	<b>2,572</b>	(989)	<b>2,223</b>	(427)
Navelina (non bearing)	(3,682)	(3,236)	(2,731)	
Blood Orange (non bearing)	(536)			
Tahitian Lime (non bearing)	(804)			
Rent	(1,483)	0	<b>1950</b>	<b>2,610</b>
TOTAL	(31,394)	<b>20,676</b>	(6,057)	(26,437)

Profitable varieties for us are Lanes Late Navel, Washington Navel, and Leng Navel. Barely breaking even are White Grapefruit and Tangelo (many Tangelos are still young trees). Unprofitable are Grapefruit Blush (though these are still young trees), and Valencia. Lemons are highly unprofitable. They should have been removed many years ago. The figures for Leng Navel are somewhat confusing. This is because we may receive payments for two seasons in the one financial year. In the next financial year there may be no payments. On balance it can be seen that the Leng Navels are profitable. In conclusion it could be said that all of the Navels are profitable. As there are a large number of young trees, there is a burden on expenses with no forthcoming revenue.

. The crop of Valencias generates some cash which is generally higher than the cost of picking. If Valencias are not picked the remaining fruit often does not drop and is a nuisance the next year. One option is to keep the Valencias going while other varieties come into production? If the Valencias were removed now, the burden of expenses would go to the other crops. By October and November, of all the oranges available, it is my opinion that the Valencia is the best tasting fruit. The late Navel summer Navels eg Barnfield and Powell lack the tang and taste of the Valencias particularly at this time of the year. There must be a future for Valencias as many trees are being removed and some people still prefer to squeeze their own oranges for juice. Even if the juice market is not a profitable option there must still be a niche fresh market for Valencias. Perhaps we could wait until so many Valencias have been pulled out that they would be in short supply? Just at the present time I understand there is

some shortage of Valencias, though not at a high price. I think that with 33 year old trees the length of time we can wait for the market to improve is very limited.

It is one thing to know which enterprises are profitable, but in the citrus industry it takes many years to adapt. The following table gives an indication of the time taken to get into production from planting of the seed from say the year 2000.

OPERATION	YEAR
Planting of seed in the seedbed	2000
Transplanting seedlings to the nursery	2001
Trees ready for budding	2003
Trees ready for planting in the orchard	2005
Some commercial production	2011
Production profitable?	2015

From planting of the seed 11 years must elapse before commercial production can occur. It could be another 4-5 years again before the crop is profitable. If trees are purchased from the a nursery there has been a three year wait before they can be supplied. It should be seen from the foregoing the difficulty in the citrus industry has in adapting to change.

We think that this time span can be reduced by planting unbudded trees at an earlier stage into the orchard and then budding when they are established. Early indications are that these small trees suffer almost no set back compared with the 12 - 18 months set back of the older budded trees. Young trees are easier to bud in the orchard than in the nursery. On the other hand weed control is more difficult in the orchard than in the nursery. I think that the growth of young trees can also be speeded up by careful attention to watering and to regular (at least monthly) fertilising.

### COST PER TONNE

CROP		1999-00			2000-01	
		Tonnes	Cost Cost/Tonne		Tonnes	Cost Cost/Tonne
Grapefruit White	6.5	402	62	6.7	677	101
Grapefruit Blush	2.2	458	208	2.3	465	202
Lanes Late Navel	45.74	11,101	243	99.2	16,064	162
Lemons	55.35	9,499	172			
Tangelo (Mineola)	5.88	3,041	517	13.6	4,165	306
Valencia	113	19,668	174	133.9	19,736	147
Washington	72.3	9,215	127	75.8	12,333	163
Leng	5.3	989	187	4.1	703	171

These costs of production are for bearing trees only. They take no account of the non bearing trees. In our case, to make a profit, up to 50% higher prices would need to be received than those shown here.

Where the crop is fairly large eg for Washington, Valencia and Lanes Late, the costs could be considered more reliable than for those where the crop is small eg Leng and Grapefruit.

The White Grapefruit trees are probably at their peak of production hence the low cost per tonne; Grapefruit (Ruby Blush) trees on the other hand are just coming into commercial production.

Lanes Late Navel have almost doubled in production in the last year, hence the big reduction in cost of production.

The Tangelo trees are also just beginning to increase their production and cost of production could be expected to become lower still. The cost of clipping rather than pulling adds to the cost.

## **CONCLUSIONS**

In concluding there are more questions than answers. How is it possible to run a business when gross returns vary between 38, 84, 85 and 49 thousand dollars? In the case of Lanes Late Navel, the cream of our varieties, production was almost doubled from 46 to 99 tonnes yet the price received in total was \$8,000 less. We were warned in July 2000 that there was to be a glut of Valencias. Perhaps this is the time when ours should have been removed? The packing shed that we have traded with offered about \$15,000 for our Valencias, which was well below cost. At 30/06/01 not one cent (for Valencias) had been received and the packing shed staff wonder why we no longer supply them with fruit of any kind. Some enquiries have indicated that we are not the only growers to take this view.

The survival of this particular packing shed depends on throughput in the future. Who will supply them under these circumstances?

Clearly the industry must adapt to change, but there is the problem of the 11 to 15 years time delay between planting of the seed and receiving some return, then a profitable return. A couple of suggestions have been made as to how this time delay can be reduced.

I.S. Rogers  
Partner, Waikmor Proprietors

		1/07/96 CROP		GRAPEF	GRAPEF	LANES L	PROFIT AND LOSS BY ENTERPRISE 1999-00 LEMONS	TANGEI
Category Description		-30/6/97	WHITE	G BLUSH				bearing
		ROWS	0.75	0.66	16.48	15.50		4
FARM INCOME								
EXPENDITURE		FARM INCOME	1412.20	608.00	29447.35	2951.41	4369	
Environment charges	934.20	EXPENDITURE						
Administration	10.75	Environment charges	7.65	6.73	169.22	159.16	47	
7 Bank charges	569.27	Administration	0.09	0.08	1.95	1.83	0	
Computer softwqre	251.5	Bank charges	4.66	4.10	103.12	96.98	28	
Consultancy fees	1910	Computer softwqre	2.06	1.81	45.56	42.85	12	
Depreciation	10319.5	Consultancy fees	15.64	13.75	345.97	325.40	96	
Fuel and Oil	253.19	Depreciation	84.50	74.29	1869.26	1758.10	521	
Hire of Plant & Equip	0.00	Fuel and Oil	2.07	1.82	45.86	43.14	12	
Insurance	710.84	Hire of Plant & Equip	0.00	0.00	0.00	0.00	0	
Interest Paid	67.29	Insurance	5.82	5.12	128.76	121.10	35	
Light and Power	4,424.18	Interest Paid	0.55	0.48	12.19	11.46	3	
Motor vehicle	0.00	Motor Vehicle	0.00	0.00	0.00	0.00	0	
Protective Clothing	2.20	Light and Power	36.23	31.85	801.39	753.73	223	
Rates & taxes	1835.45	Protective Clothing	0.02	0.02	0.40	0.37	0	
Registration Fees	168.00	Rates & taxes	15.03	13.21	332.47	312.70	92	
Repairs & Maint.Gen	4,690.98	Registration Fees	1.38	1.21	30.43	28.62	8	
Repairs & Maint -Irrig	2132.1	Repairs & Maint.Gen	38.41	33.77	849.72	799.19	237	
Sprays & Fertilizer	6556.5	Repairs & Maint -Irrig	17.46	15.35	386.21	363.24	107	
Subscriptions	0	Sprays & Fertilizer	53.69	47.20	1187.64	1117.01	331	
Superannuation Contr	1373.58	Subscriptions	0.00	0.00	0.00	0.00	0	
Telephone	492.1	Superannuation Contr	11.25	9.89	248.81	234.01	69	
Labour Undefined	12362.77	Telephone	4.03	3.54	89.14	83.84	24	
Training		Pruning						
Picking	14477.00	Labour Undefined	101.23	89.00	2239.38	2106.21	625	
Trees	0	Trees	0.00	0.00	0.00	0.00	0	
Wages		Picking	0.00	105.00	2214.00	1140.00	560	
TOTAL EXPENDITURE	63,541.40							
		TOTAL EXPENDITURE	401.77	458.23	11101.46	9498.96	3040	
		NET PROFIT/LOSS	1010.43	149.77	18345.89	-6547.55	1328	
	-790.87	VARIABLE COSTS	221.93	300.12	7123.28	5757.34	1930	
		INCOME - VAR COSTS	1190.27	307.88	22324.07	-2805.93	2438	

Variable costs = picking,  
sprays & fertilizer, repairs  
& maintenance irrig.,power,  
fuel & oil, pruning,labour &  
super