



## Economics of Your Vineyard

Making Minnesota Grapes  
A Growing Opportunity

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### Introduction:

- ▶ Steve Zenk & Mike Mastey
- ▶ Farm Business Management Instructors,
- ▶ Ridgewater College, Willmar & Hutchinson
- ▶ Part of MnSCU
- ▶ State wide program for farm operators of all kinds
- ▶ Both are grape growers too.

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### Farm Business Management

- ▶ We assist farm families to learn more about the purpose and direction of farm business.
- ▶ We do this with development of farm records which can be used to analyze farm business and used cash flow projections.

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## Why Enterprise Analysis?

- ▶ Generally two types of farm analysis
  - Whole Farm
    - Look at the income and expense for the farm as a whole
    - Allows for cash accuracy checks
    - Determine overall operation profitability on both a cash and accrual basis
    - Develops 21 farm financial ratios that can be key to identifying areas of strengths and weaknesses in the financial side of the farm business.
    - Enterprise Analysis allows us to look at one crop or venture.

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## Vineyard Management

- ▶ Grapes are a crop like any other grown
- ▶ We grow grapes for a profit
- ▶ Proof for lenders and investors.
- ▶ How do we know if we are making money on our vineyard?
- ▶ For the industry to take it's place with other areas of production we need to have a standard system of measuring profit.
- ▶ That's where we come in.



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## Let's take a look at vineyard analysis.



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**Crop Enterprise Analysis**

	<b>Grapes Owned</b>
<b>Returns</b>	
Acres	3.00
Unit	8
Yield per acre	10000.00
Share of production (%)	100.00
Value per unit	0.65
Total product value	6500.00
Other crop income	-
Gross return per acre	6500.00
<b>Direct Expenses</b>	
Fertilizer	110.00
Crop chemicals	216.67
Crop insurance	33.33
Miscellaneous	66.67
Hired labor	110.00
Fuel & oil	250.00
Repairs	400.00
Total direct expenses	1186.67
Return over direct expenses	5313.33

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**Crop Enterprise Analysis**

<b>Overhead Expenses</b>	
Farm insurance	266.67
Utilities	400.00
Interest on interm. debt	533.33
Interest on long term debt	866.67
Machinery depreciation	770.00
Total overhead expenses	2836.67
Total dir. & o/hd expenses	4023.33
Net return per acre	2476.67
Government payments	
Net return with govt. prnts	2476.67
Labor & management charge	1666.67
Net return over lbr & mgt	810.00
<b>Cost of Production Per Unit</b>	
Total direct expenses	0.119
Total dir. & o/hd expenses	0.40
Less govt. & other income	0.40
With labor & management	0.57
Net value per unit	0.65
Machinery cost per acre	1953.33
Est. labor hours per acre	76.67

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## What does it take?

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**Enterprise Analysis**

▶ Questions / Comments

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