

Managerial Economics for Blueberries

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Blueberry enterprise budgets
Adapt your own

<http://www.uky.edu/Ag/NewCrops/budgets.html>

- Know your cost of production before you pursue a market
 - Does wholesaling make sense?
 - Retail prices may be better but involve unique costs
 - Knowing your full cost helps you recognize a good price in the market



Managing cash flow for a perennial crop

Year	Return to Land, Capital & Management (\$/acre)
Soil build-up/land prep	\$(736)
Planting year	\$(4,170)
Second growing year	\$(1,572)
First production year	\$(1,605)
Second production year	\$1,252
Third production year	\$5,084
Full production year	\$8,272



Managing cash flow

- Manage costs and payments for land, buildings, equipment
- Other sources of revenue from farm, off-farm
- Complementary enterprises – linking to your market focus



Blueberry plant propagation venture

Plenty to manage for small and large producers alike

- If you can't measure it you can't manage it
- Some of my favorite financial ratios:
 - Sales/assets (should be increasing)
 - Sales/labor (should be increasing)
- Always need to monitor liquidity, solvency (debt), efficiency, and profitability

- **Scale economies** – spreading fixed costs out over more and more production
- Cost advantages to large volume producers
- Specialized equipment
 - Mechanical harvesters
 - IQF on-farm
- Storage, distribution
- Bulk buying
- Advertising

$$\text{Average cost} = \frac{\text{Total cost}}{\text{Total Production}}$$

Is there a shipping cost advantage for local farmers?

- Watsonville, CA to Cincinnati, OH
 - 2,455 miles @\$6,000 total for 40,000 pints (lbs)
 - Refrigerated trailer
 - Back haul provided
- Springfield, KY to Cincy
 - 157 miles, no back haul (so x2)
 - Refrigerated truck (VERY cheap at \$0.85/mile)
 - 6 hours driving labor @\$15/hour
 - 2,160 pints (lbs)

Is there a shipping cost advantage for local farmers?

- Watsonville, CA to Cincinnati, OH **\$0.15/pint**
 - 2,455 miles @\$6,000 total for 40,000 pints (lbs)
 - Refrigerated trailer
 - Back haul provided
- Springfield, KY to Cincy **\$0.165/pint**
 - 157 miles, no back haul (so x2)
 - Refrigerated truck (VERY cheap at \$0.85/mile)
 - 6 hours driving labor @\$15/hour
 - 2,160 pints (lbs)

Example of Coffee Brands

- Kroger Brand
- Nescafe instant
- Maxwell House, Folgers
- Millstone
- Dunkin Donuts
- Starbucks
- Kona
-many other products with variable prices and quality – wine, beer, cheese, meat, dining menus, blueberries?

The Value Map

Strategic Market Analysis

Benefits leadership -
 Build business around distinctiveness of products
 'local', various quality measures, emphasis on 'experience' in the purchase
 Fits in the 'direct marketing' world

Cost leadership -
 Get big – pursue scale economies and extended products
 Widen distribution, adopt latest cost-saving tools and inputs
 Fits in the commodity/commercial world

....what does your market call for? What are the opportunities?

What's so special about my product?

Customer purchase decision.....



$$\text{Customer Purchase} = \frac{\text{Features \& Benefits (Value)}}{\text{Price}}$$



Customer Purchase Decision

Color/bloom	Unique varieties
Quality	Taste
Know person	Location/demand
Local	Presentation
Package	Merchandising
Knowledgeable Service	Referral
Recipes
Friendly

$$\text{Customer Purchase} = \frac{\text{Features \& Benefits (Value)}}{\text{Price}}$$

Contact Me

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