

# IMPACT

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*IMPACT is a series of publications highlighting how UC Davis' College of Agricultural and Environmental Sciences makes a difference in the lives of Californians. Through research, teaching, and outreach programs, UC Davis research touches almost all aspects of Californian life. Today, millions of people eat safer foods, breathe cleaner air, and drink healthier water with the help of our researchers. We're making discovery work – for California and the world.*

## KEEPING THE FAMILY FARM IN BUSINESS

### THE ISSUE

California's family farms are pressured by many forces – urban development, lack of successors, steep overhead, and unpredictable markets. In 1997, according to the U.S. Department of Agriculture, California had nearly 88,000 farms, large and small. Today, that number has declined to about 76,500 farms and ranches. The vast majority of these operations are family businesses that need sound production and marketing decisions to remain financially viable.

The University of California provides agricultural producers with essential information on pest management, irrigation systems, soil fertility, and other technical know-how. The university also creates hands-on economic resources to assist in making smart decisions that will keep these family farms in business.

### WHAT WE'RE DOING

“Cost and Return” studies are valuable decision-making tools the university has been providing to California's farmers and ranchers for more than 70 years. These studies compare the value of a specific commodity's output against what it costs to create that value – seeds, fertilizer, labor, insurance, book-keeping, land leases, farm machinery, legal fees, and the many other items that go into producing a crop.

The Department of Agricultural and Resource



USDA / ARS

Economics at UC Davis has produced more than 125 profitability studies in the past five years (many older ones are also available) to help growers decide what crops and production methods make the most financial sense for their region. The studies are available for a wide range of tree fruit and nut crops including walnuts, pistachios, cherries, and peaches; field crops like alfalfa, cotton, and dry beans; vegetables like asparagus, broccoli, peppers, and tomatoes; and more than a dozen different wine and table grape scenarios for different growing areas.

Studies are also available for niche specialty crops like blueberries, Chinese long beans, Christmas trees, olive oil, dairy goats, grass-fed beef, and wild rice. Visit the department's Web site at <http://coststudies.ucdavis.edu/> and click on “Current Studies” for the full catalog of these free, downloadable documents or click on “Archived Studies” for a list of available

See additional IMPACT sheets on the Web at <http://caes.ucdavis.edu/publications/impact/default.htm>

older studies. Pull-down menus can sort by commodity, county, or region within California.

“The cost and return studies began in 1937 as a tool for farmers to provide basic information to justify production loans to bankers,” says Karen Klonsky, the UC Cooperative Extension farm management specialist who has overseen the studies for more than 20 years. “They were originally intended to provide financial institutions a basis for determining whether a grower’s profitability estimates were reasonable.”

The studies have been adapted for other uses, as well. Growers use them to justify whether they should switch to a different crop. New farmers use them to see what makes sense to grow on newly acquired property. Rural appraisers use them to determine land values. They’re also used in lease negotiations, by financial lenders, and to substantiate insurance claims. Although they weren’t intended as a marketing device, cost and return studies can be helpful in price negotiations for contract sales.

These profitability studies are developed with a great deal of input from local growers and UC Cooperative Extension farm advisors. Together they determine all the factors that go into a farm typical for the commodity and location under consideration – acreage, irrigation, calendar of operations, pest control, farm equipment, and other production and labor needs. The information is collected by UC Davis staff research associates and analyzed in the Budget Planner computer model that generates a range of cost and income tables, including a ranging analysis for yields and prices and the impact on net income.

“These studies are a handy reference tool to help guide production decisions, determine possible returns, prepare budgets, and evaluate production loans,” Klonsky says. “Growers, bankers, government agencies, researchers, and others use them to compare the performance of actual operations with costs and revenues from our hypothetical farms.”

UC Davis has other resources available for family farmers, as well. For instance, the Small Farm Center has a “Family Farm” series of publications on farm management topics like enterprise selection, farm leases and rents, and financing a small farm. The Small Farm Center also co-sponsors an annual farm conference, with practical discussions and hands-on demonstrations for small-scale, specialty crop and organic producers. For more information about the Small Farm Center and its programs, check its Web site at [www.sfc.ucdavis.edu](http://www.sfc.ucdavis.edu).

## **A SHARED VISION**

California has been the top agricultural state for more than 50 years, leading the country in farm-gate sales. More than 400 different types of crops and livestock contributed nearly \$32 billion and more than one million jobs to California’s economy in 2005. UC Davis is committed to creating scientifically based educational tools that California farmers and ranchers can use to create and sustain profitable operations.

That’s impact – creating sound decision-making tools to keep California agriculture strong.

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