COMPARATIVE ECONOMIC PERFORMANCE OF ARGOS KIWIFRUIT ORCHARDS 2003/04 – 2007/08

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Presentation Structure

- Discuss the economic differences amongst panels – returns, costs and measures of the "bottom-line"
- A more detailed look at "conventional" vs "organic" costs
- Compare with sheep and beef sector results
- Look at an alternate approach to examining economic differences amongst orchards

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Orchard Financial Analysis Rationale

- Looking at the orchard entity as a single entity
- Capturing un-priced resources used in production
- Analysis as a single dataset with all variables in 07-08 dollars

Orchard Numbers

- 9 (8 in 02/03) Green orchards
- 7 (11 in 02/03) Organic orchards
- 6 (8 in 02/03) Gold orchards
  - 3 “gold only” (3)
  - 3 “combined” (5)

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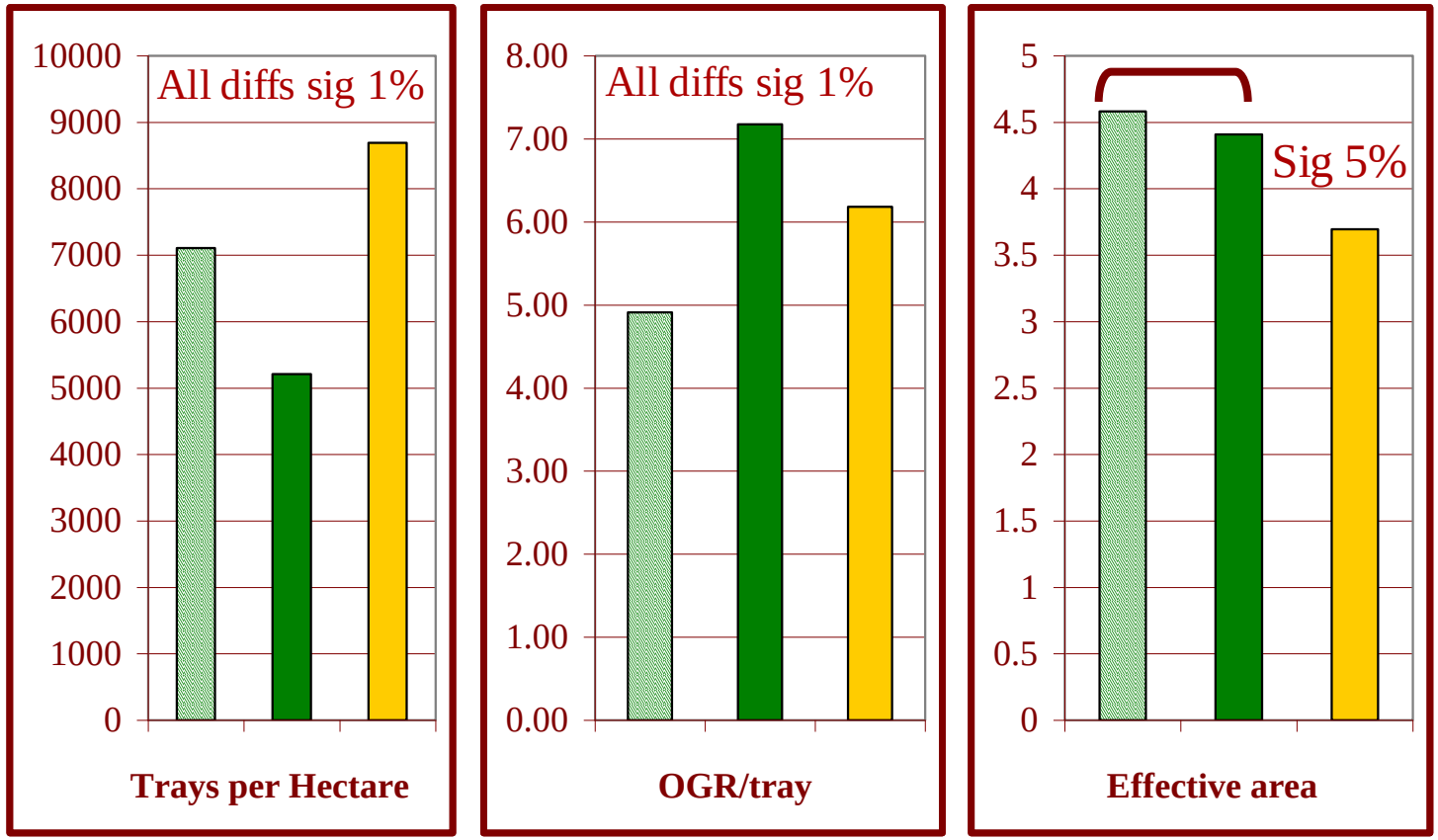
Description of ARGOS Kiwifruit Panels



Green Organic Gold

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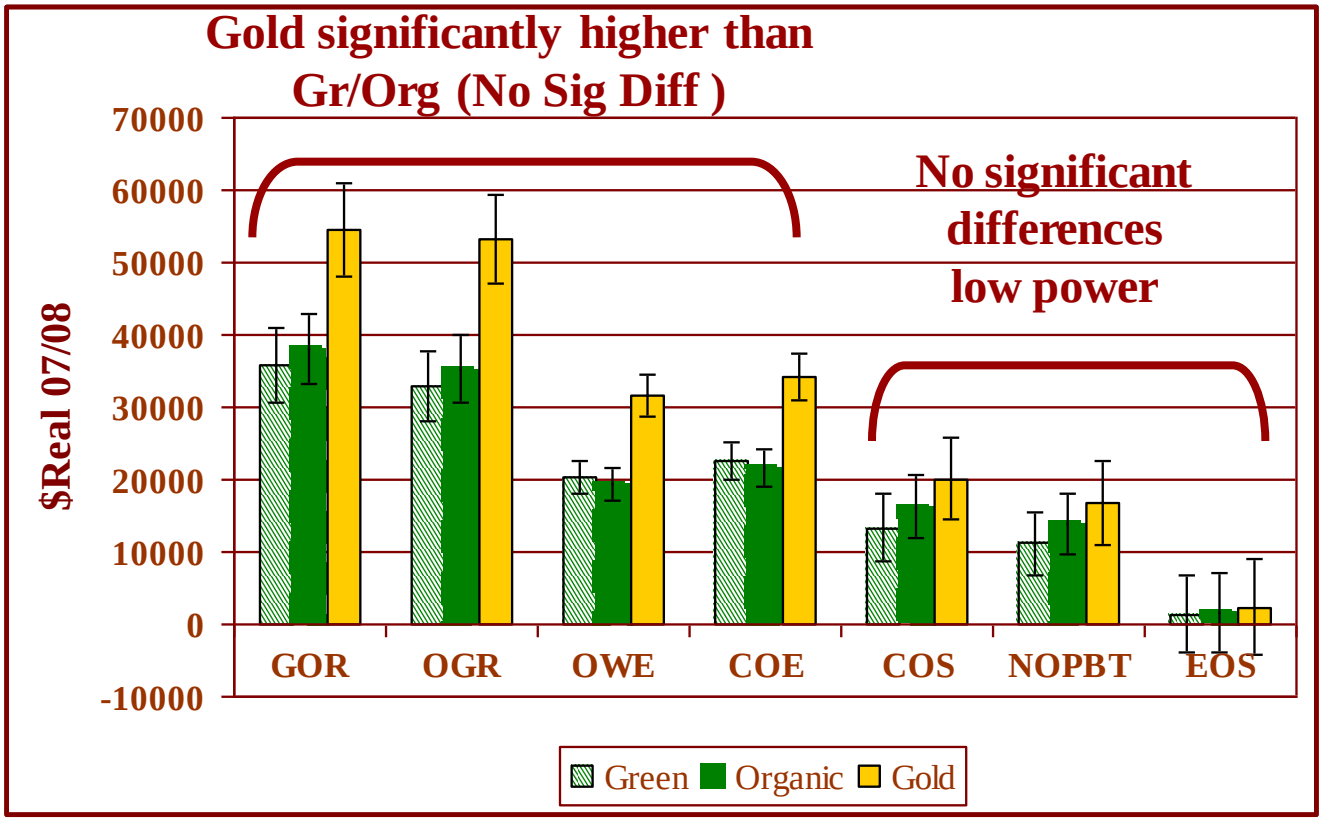
Kiwifruit Mean Financial Parameters 02/03-07/08



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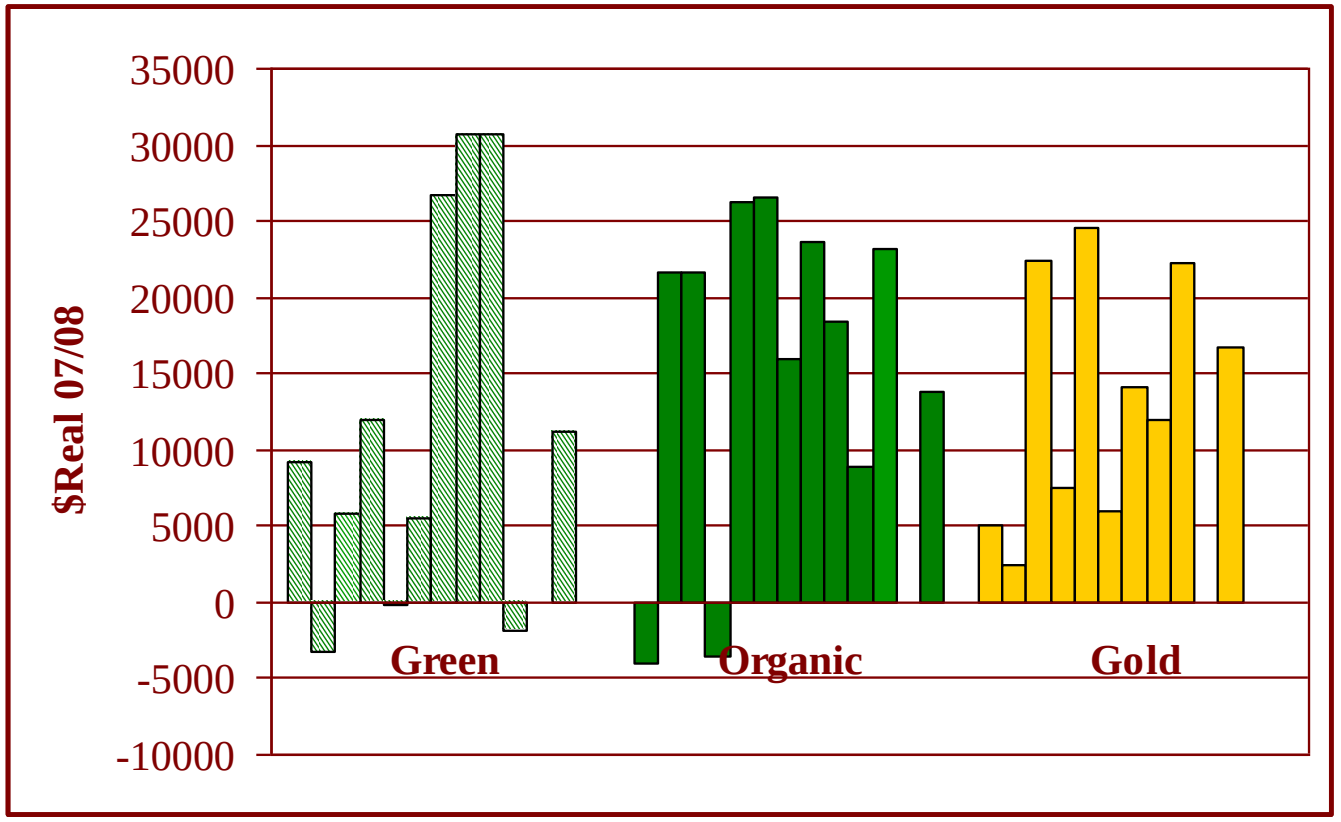
Variability of Kiwifruit Mean NOPBT 02/03-07/08



Green Organic Gold

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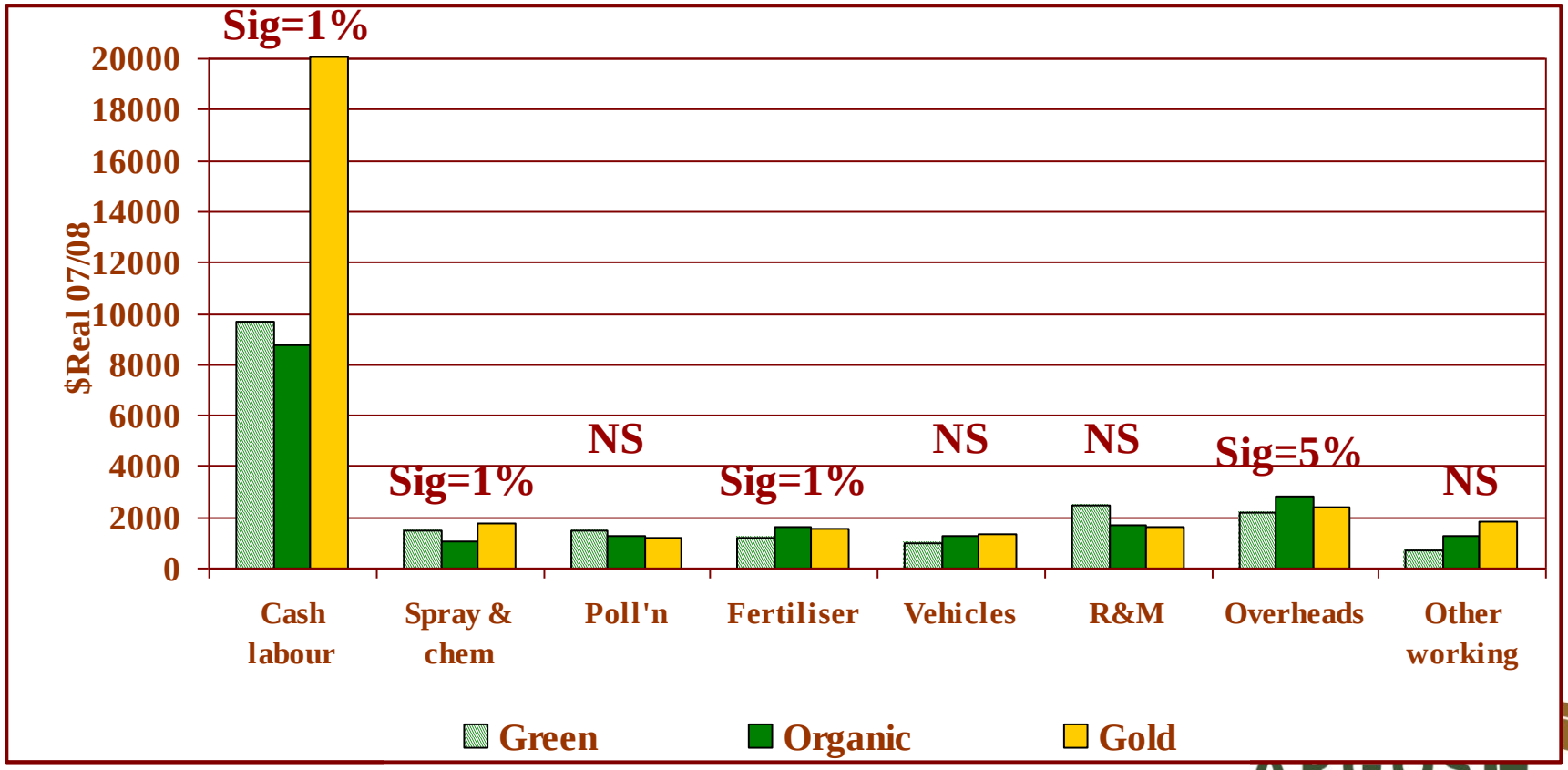
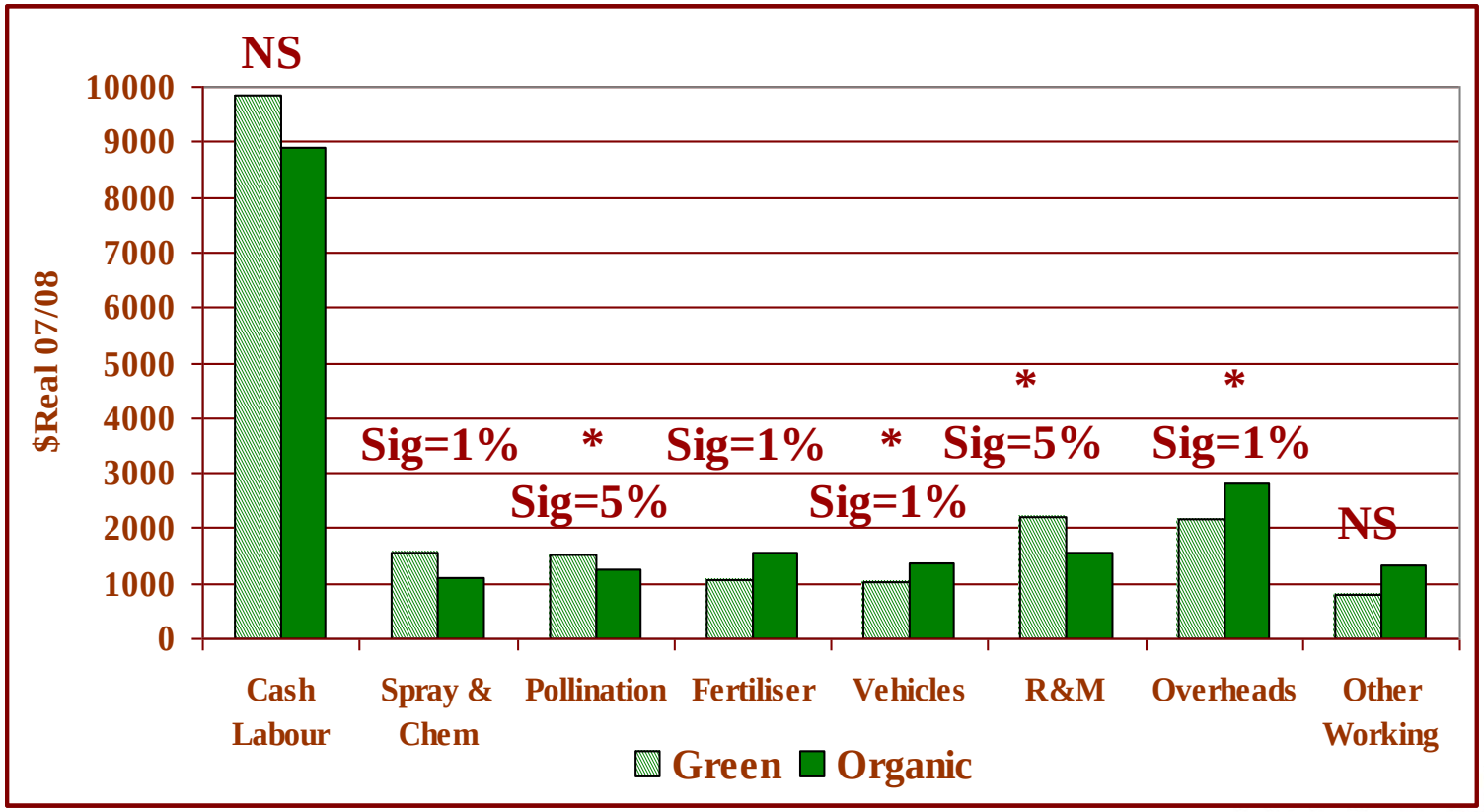
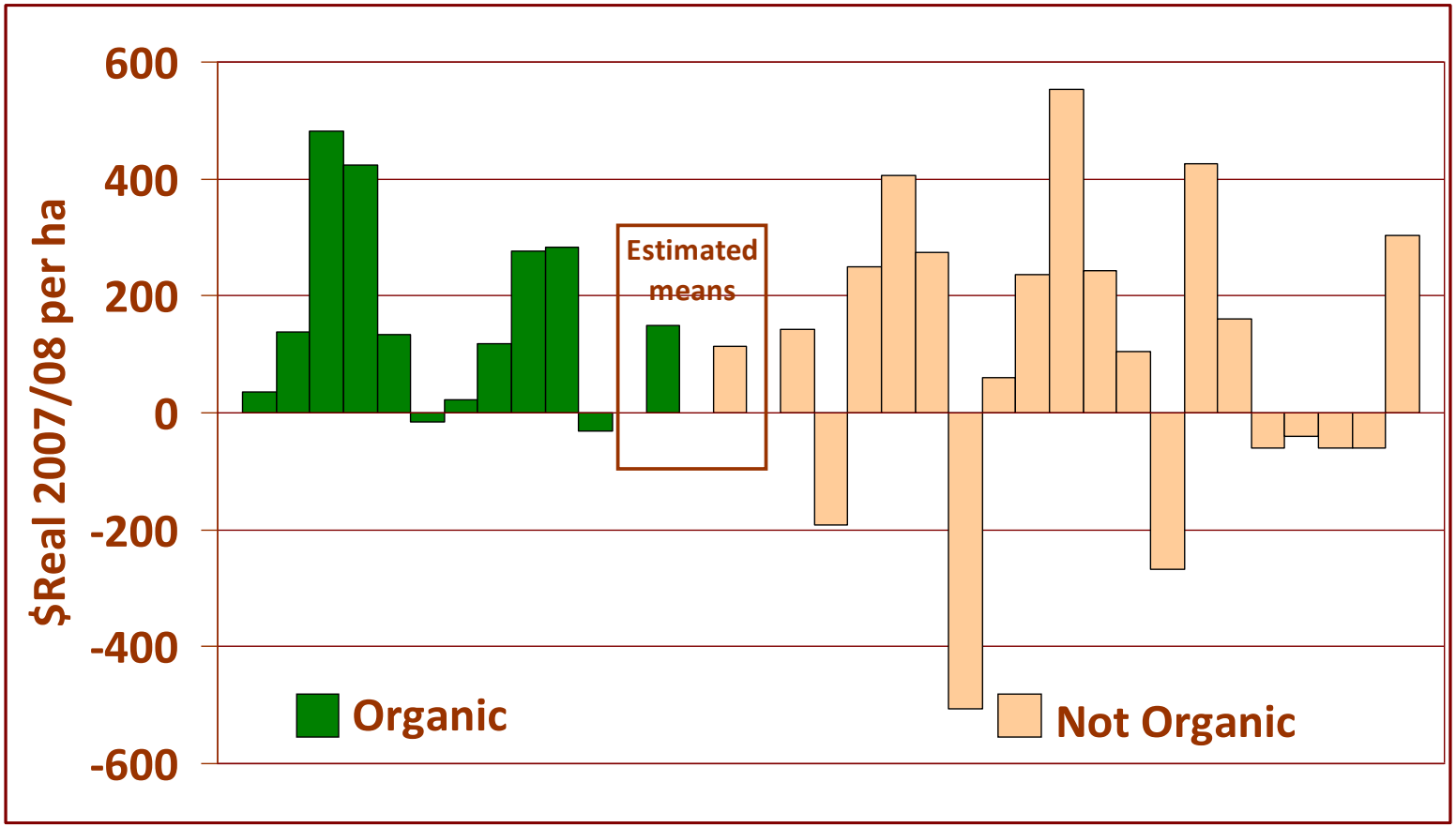
Kiwifruit Mean Orchard Working Costs 02/03-07/08



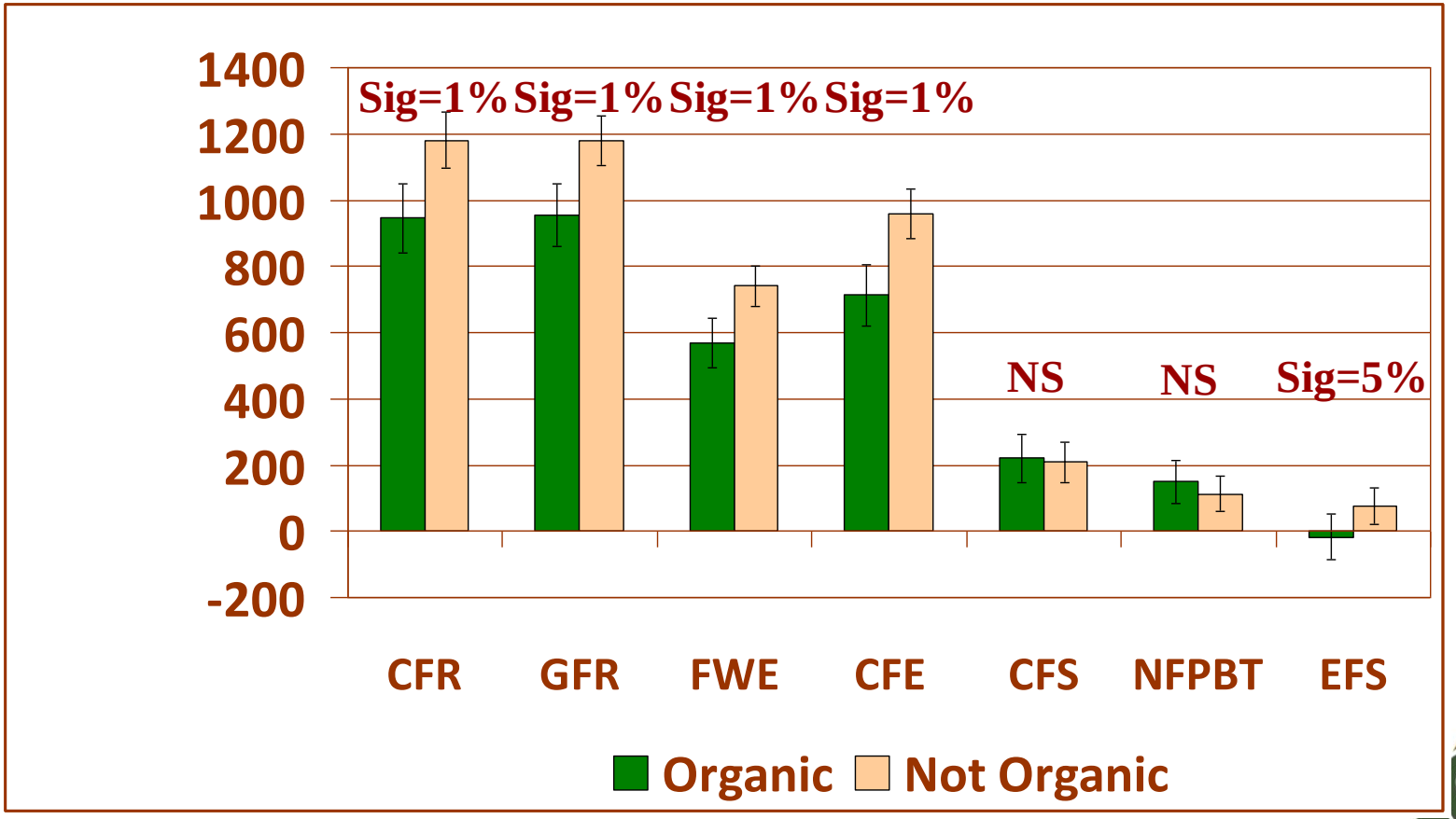
Kiwifruit Mean Orchard Working Costs 02/03-07/08
Green and Organic only



Variability of Sheep /Beef Mean NFPBT 02/03-07/08



Sheep/Beef Mean Financial Parameters 02/03-07/08



Kiwifruit Summary of Panel Analysis

- Organic - lowest yields but highest per tray returns
- Gold - highest yields and intermediate per tray returns
- Gold - highest gross returns & higher costs than others
- No differences found in the financial bottom lines -
- IT APPEARS THAT VARIABILITY HAS MORE TO DO WITH THE OPERATOR THAN THE MANAGEMENT SYSTEM since within panels variation greater than differences between panel means
- Cost differences mostly expected consequences of Organic certification/management systems and higher yields of gold kiwifruit

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Alternative Explanations of Differences

- Qsort analysis to sort farmers into groups based on the important factors in decision-making process
- Kiwifruit
  - Type 1 = "business group"- mostly post harvest
  - Type 2 = "lifestyle group" – More emphasis on environment and social factors
- Sheep/Beef
  - Type A = fewer connections, less emphasis on social/environmental factors
  - Type B = more connections, emphasise satisfaction, external factors, family and environment

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Management System by Farmer Type

Kiwifruit	Type 1	Type 2	Unclassified
Organic	5	4	1
Green	6	2	3
Gold	5	2	3
	16	8	7
Sheep/Beef	**Type A**	**Type B**	**Unclassified**
Organic	2	10	0
Nor Organic	7	9	4
	9	19	4

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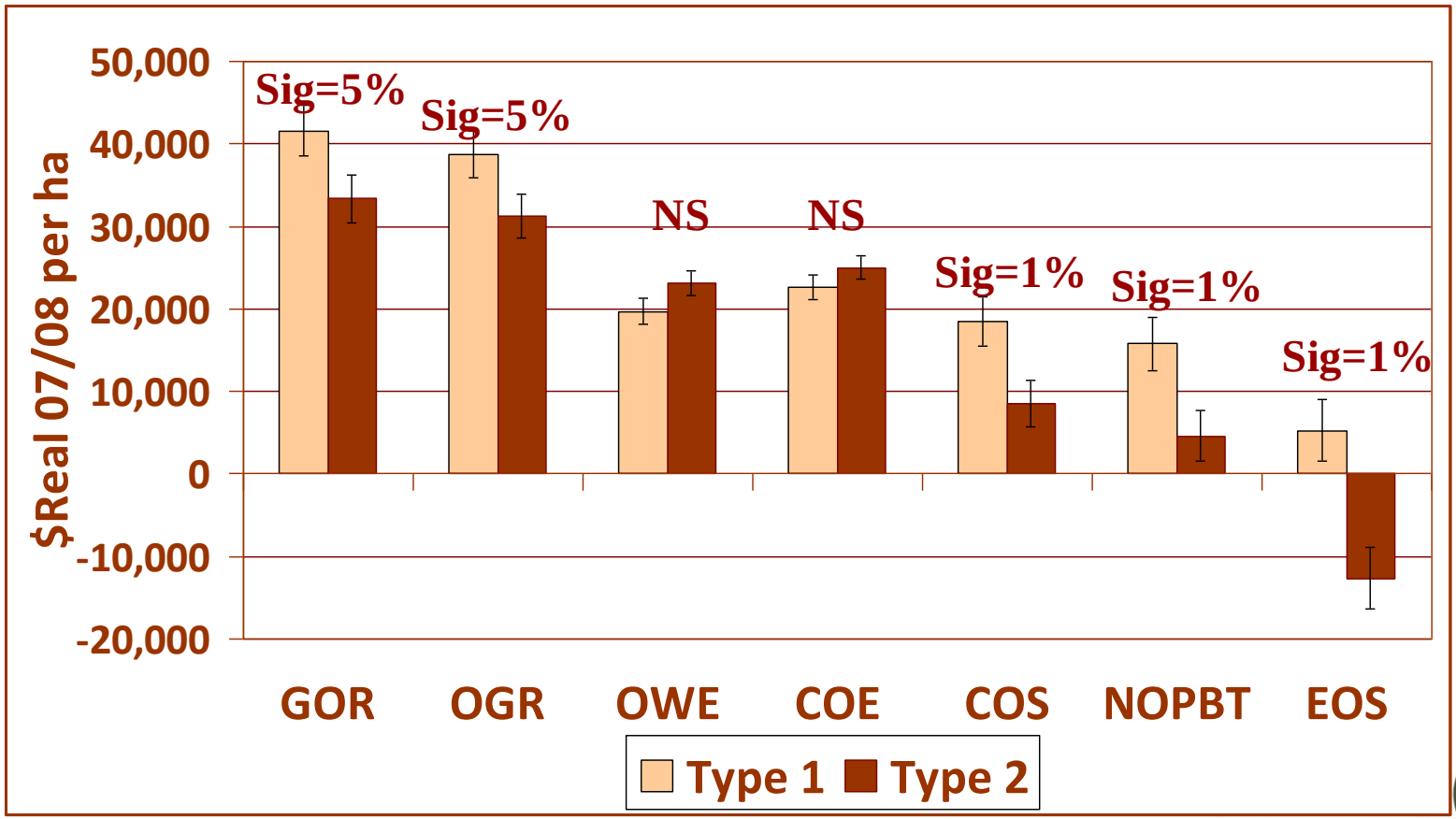
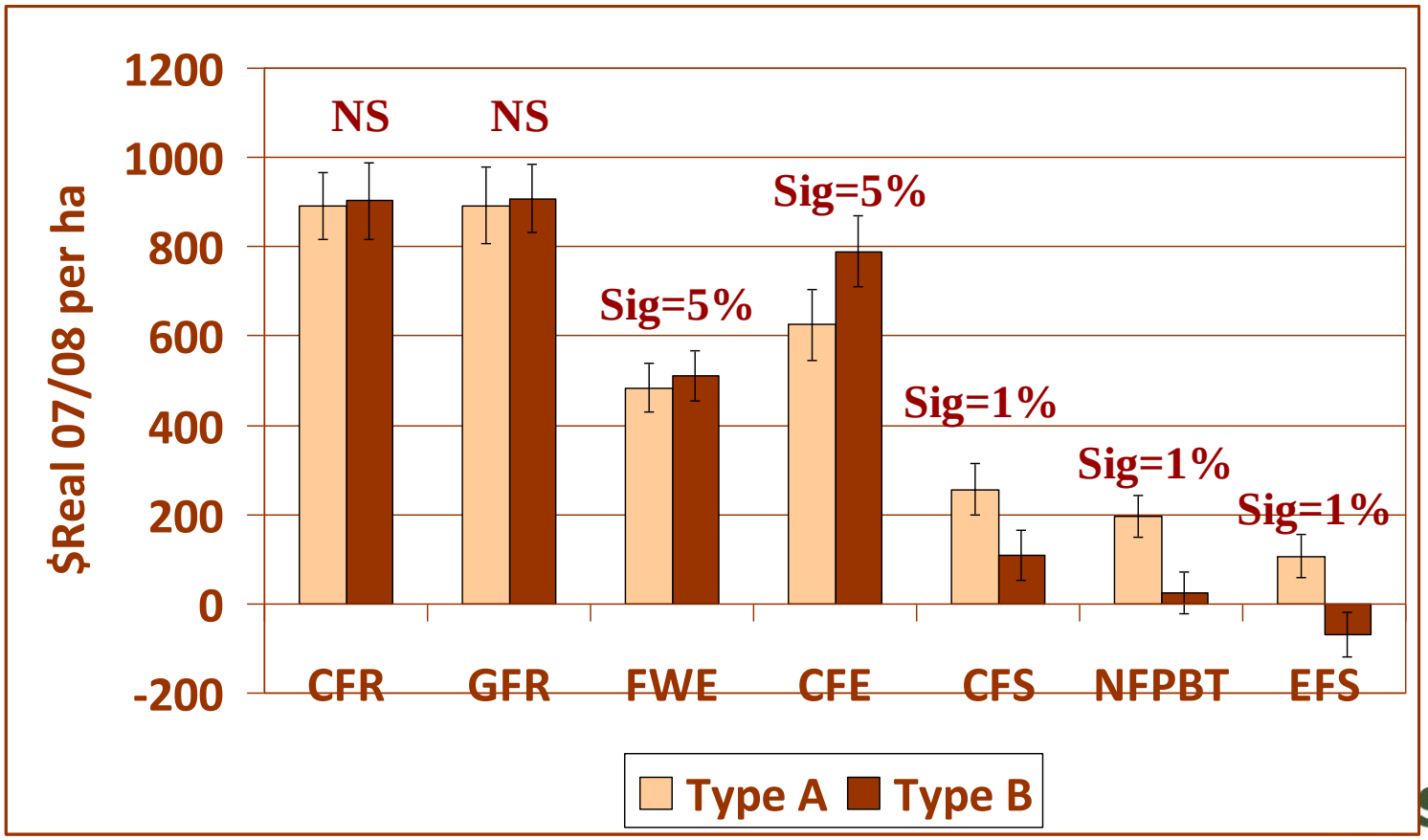
Kiwifruit Financial Outcomes by Farmer Typology



Sheep/Beef Financial Outcomes by Farmer Typology



Summary of Farmer Type Analysis

- **"Sticking to the knitting" appears to be the path to profitability**
- **On Organic and Green Kiwifruit orchards the higher revenues of Type 1 orchardists appear to contribute more to higher profitability than lower costs**
- **In the Sheep/Beef sectors it appears that higher profitability is achieved by tighter cost control rather than higher revenues**

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