

Managing Risk

WHAT'S THE RISK IN *NOT* REPLANTING ORCHARDS AND VINEYARDS??

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One of the most important management decisions facing fruit growers is whether or not to replant an existing orchard or vineyard with a new planting system. A new system may mean a different variety, rootstock, or training system, or some combination of these changes. Many growers feel a sense of inertia about making such a major investment, which can cost from \$3,000 to \$10,000 per acre. Growers who are hesitant about renewing their stock of trees or vines often cite the following risks:

- The risk that the new variety will not be attractive in large volumes to buyers and/or consumers, and thus the market will be limited.
- The risk that the grower will not be able to effectively manage a new training system.
- The risk that, during the period after removal of the old planting and before the new planting reaches mature yields, the loss of cash income will jeopardize the farm's financial position.
- The risk that damaging weather events such as windstorms, drought, or a severe freeze, will destroy or severely set back the costly new planting.

But have you considered fact that *the decision not to renew your stock of trees or vines also carries with it a set of substantial risks?*

The Risks Of Not Renewing Orchards And Vineyards

Risk #1. As consumers' preferences change, growers face the risk that existing varieties will not have a market, or will be priced below direct costs of production. Examples of this abound -- consider Rome apples for fresh market, or Aurore grapes for wine.

Risk #2. The yields of old training systems are lower than that of the newer systems being adopted by other growers. As the new higher yielding systems come into bearing they will drive down the price. The early adopters make a profit at first, but growers with the old system cannot cover costs. An example here is the high-density plantings that are now nearly universally planted, resulting in higher yields and often in higher quality fruit.

Risk #3. Old systems are less efficient than newer systems, in that their production costs are higher, and they may not be adaptable to new technology. As an example, certain grape training systems can be more readily adapted to mechanized pruning technology. In the orchard, dwarf trees are more efficient to harvest and more attractive to harvest crews, who can pick faster and earn higher wages. Pickers may demand a higher piece rate to harvest the old system.

Risk #4. An old planting becomes more difficult and more costly to manage as the trees age. Either pruning costs become too high, or the quality of fruit too low for profitable production.

Risk #5. The combined effect of the first four risks is that many older growers, especially, fail to reinvest in replanting as they near retirement. The resulting risk is that the farm's key productive asset -- the orchard or vineyard -- becomes less profitable and thus of less value to the prospective buyer, or to the son, daughter, or partner who wants to transition into the operation. In any event, the loss of asset value on the balance sheet ultimately reduces the grower's retirement earnings. (Of course, if the site is really a poor one for fruit production, the grower will lose by sinking money into a poorly performing asset. That too can reduce the health of the balance sheet.)

My Advice About Replanting

Twenty-four years of experience with the New York fruit industry has convinced me of the folly of standing pat with old plantings. Growers need to constantly assess new varieties, rootstocks, planting densities, and training systems. Many apple growers are now considering other crops, especially peaches and sweet cherries, given the low apple prices of recent years. Besides the potential for greater profits, these other crops provide diversification that helps to reduce variability in income over time.

Replanting ought to be a continuous process. The speed at which orchards and vineyards can or should be renewed depends upon many factors, such as net worth of the grower, market conditions, and the availability of new technology. A good rule of thumb for apples, as well as for juice grapes or low-end American or hybrid wine grape varieties, is that growers can replant up to five percent per year. Total non-bearing orchards of more than 15% can cause cash flow difficulties. Growers with high debt to asset ratios need to be more conservative, as even 5% per year may cause serious cash flow problems.

In conclusion, there are significant risks involved in replanting. But the risk of not replanting is the risk of winding up with an uneconomical and undesirable orchard or vineyard.

For more information about replanting orchards and vineyards, [click here](#).