

OPTIONS FOR KENTUCKY FARMERS

CHRISTMAS TREES

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INTRODUCTION

The use of Christmas trees in American homes is one of the most common customs during the holiday season. Although the popularity of artificial trees has grown in recent years, many people still prefer the beauty and aroma provided by natural trees. A recent survey of Kentucky Christmas tree retailers indicates that most natural trees sold by retailers are imported from other states, primarily Michigan and North Carolina. The wholesale price averaged \$16 in 1983 and the retail price averaged \$26 or \$5.66/ft. A significant portion of this cost was transportation.

Additionally, the imported trees were cut and bundled over a month before Christmas to allow for shipping time, and had thus lost much of their freshness by the time of sale. Kentucky-grown trees should appeal to consumers over imported trees through potentially lower costs (transportation) and increased freshness (less time spent in transport). Of the retailers surveyed, all said they would be interested in buying trees grown in Kentucky.

Background

Currently, there are about 100 Christmas tree growers in Kentucky and half of these plantations were started in the last 2 years. Most are small-scale

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operations (less than 10 acres) and most are near urban areas. The primary marketing method is "choose and cut," where customers select a tree, cut it (or have it cut by the owner), and haul it themselves. While this method does not reach customers who prefer to buy their trees from dealers in town, it does reduce transportation costs and guarantees maximum freshness.

THE FARM LEVEL PICTURE

Christmas tree growing requires some investment in land, equipment, and labor by the landowner, and requires a wait of 5 to 8 years before the crop matures and cash flow begins. Capital investments for farmers, however, may not be excessive since they already have land, and much of the equipment needed. Investments in time include weed control, mowing, and, after the third year, shearing the trees to give them the proper shape.

CHRISTMAS TREE BUDGET

The budget included here (Table 1) is based on a Kentucky grower's operation and assumes an 8-year period between tree planting and cutting. Trees are planted on a 6 ft x 6 ft spacing (although other spacing can be used) with 1,000 trees grown per acre. Since about 20% of the trees become unmarketable over the 8 years, about 800 trees will be harvested from each acre planted. Costs reported as future values indicate the payoff if the money spent on growing Christmas trees were invested at 10% interest instead.

Table 1. Per Acre Christmas Tree Budget.

Item	Unit	Price	Quantity	Amount
Income:				
Wholesale	tree	\$ 8	800	\$6,400
Retail	tree	11	800	8,800
Establishment and Maintenance Costs (future values):				
Trees	1000	175	1000	175
Site preparation	acre	146	1	146
Planting	acre	78	1	78
Mowing	acre	945	1	945
Shearing	acre	366	1	366
Harvesting and Transportation Costs (present values):				
Coloring (optional)	tree	.35	800	280
Cutting and Trucking	tree	.20	800	160
Total Expenses	acre		1	2,150
Returns Above Expenses				
Wholesale	acre		1	4,250
Retail	acre		1	6,650

PROSPECTS FOR CHRISTMAS TREES

Predictions about the Christmas tree market are inexact. While there is certainly room for increased local production of trees, future prices will depend on the number of growers who enter the market, the rate of market expansion, and action by out-of-state growers. Increased local production may force out-of-state dealers to lower their prices and could conceivably trigger a short-term price war. However, since these producers face higher transportation costs, there is a limit to how much they can lower their prices, and local producers of quality Christmas trees should remain competitive for the foreseeable future.