

Valuing Trellis Systems for Insurance Purposes

Establishing a Limit for Trellis Systems

A completed insurance application form is critical from an underwriting perspective and also as a risk management tool for winery owners because the annual application process provides the perfect opportunity to review the winery operation on paper and update all SOV's.

During this process we are often asked how to calculate a reasonable estimate for the replacement cost of the trellis system at a winery. This is a significant component of the overall values since the replacement cost can be a hundred thousand dollars or more depending upon the trellis system and vine spacing.

Virtually every single golf course insures its irrigation system and we feel very strongly that every winery should purchase insurance coverage for their trellis system.

Unless the winery is brand new it can be very difficult for the current owners to arrive at a reasonable estimate of what it would cost to replace the trellis system. In order to help you determine a reasonable replacement cost we have developed two tables that you can work through to help set a value.

Trellis System Worksheet

It must be noted that every winery is unique. The layout of the the vines, the topography, the trellis system, vine spacing and the mix of grape varieties all must be taken into account when assessing the value of the vineyard.

It would be impossible to cover every possible configuration so we have developed two worksheets based on a generic winery and assumed the following information:

9' by 7' spacing with posts located 28' apart for a total of approximately 650 vines per acre.

There are two major components that must be considered when working through this process:

- 1) The cost of all Trellis materials, and
- 2) Labour costs for installation

The following two tables should help you work through the valuation process and arrive at a reasonable number for insurance purposes.

Please review each component carefully and be sure to use input numbers that apply to your region and property.

Part 1: Cost of Trellis Materials

1) Estimate of the Trellis Material Costs for 1 acre of vineyard

Trellis Material	Labour		Machinery		Materials		Total Cost
	Hours	Cost	Hours	Cost	Units	Cost	
-							-
3" x 8' line posts @\$5.75	-	-	-	-	165	\$949	-
5" x 10' End Post @13.25	-	-	-	-	22	\$292	-
Earth Anchors @\$20	-	-	-	-	22	\$440	-
12.5 ga HT wire @\$60/roll	-	-	-	-	2.55 rolls	\$153	-
Wire Strainer @\$2.25	-	-	-	-	22	\$50	-
Crimping Sleeves @ \$0.25	-	-	-	-	88	\$22	-
Crimping Tool	-	-	-	-	1	\$54	-
2" Staples @ \$1.25/lb	-	-	-	-	15 lbs.	\$19	-
9 ga wire @ \$0.06/ft	-	-	-	-	310 feet	\$19	-
Total Material Cost	-	-	-	-	-	-	\$1,996

The above table provides you with a good working document to calculate the cost of the materials for each acre assuming our suggested planting layout and spacing.

These numbers will absolutely vary by region, grape varietal, landscape, etc. and the prices used for each component is provided as a reference point only. In order to properly value the vineyard we recommend that you speak with local suppliers to confirm all equipment prices.

The cost of the equipment and supplies is only one component of the true replacement cost. You must also consider labour and installation charges which will either be incurred internally by your vineyard staff or be contracted out to a third party. Again, these numbers are presented as a reference only and we strongly encourage you to do your own diligence on local labour rates in your area. A conversation with a third party installer is also a worthwhile exercise since they will have experience in many different situations and with different planting layouts.

Part 2: Labour Cost of Installation

2) Estimate of the Labour Cost to install Trellis on 1 acre of vineyard

Trellis Installation	Labour		Machinery		Materials		Total Cost
	Hours	Cost	Hours	Cost	Units	Cost	
-							-
Mark post locations with 10" pot stakes	1.0	\$15	-	-	187	\$9	\$24
Distribute posts (2 workers)	4.0	\$60	2.0	\$14	-	-	\$74
Drive line posts (2 workers)	16.5	\$248	8.25	\$125	-	-	\$373
Auger 12" x 4' end post holes	1.5	\$23	1	\$12	-	-	\$35
Set end posts (2 workers)	4.4	\$66	-	-	-	-	\$66
Instal earth anchors	3.6	\$54	1.8	\$27	-	-	\$81
String, attach and tighten training wire	15.0	\$225	-	-	-	-	\$225
Total Installation Cost	-	-	-	-	-	-	\$878

Labour costs vary widely by wine region and therefore we would expect your particular numbers to be different however this matrix should help you work through the major steps.

Conclusion

Based on the above tables a "typical" acre of trellis would cost approximately $(\$1,996 + \$878) = \mathbf{\$2,874}$ to construct and install. If your vineyard is of a similar layout and spacing design then you can apply this base number to the acreage size of your property and arrive at a good value for insurance purposes.

Please consult your insurance broker to confirm all values that you wish to use for your winery. This is a critical step that will help protect the winery in the event of a claim.

Disclosure Statement

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