

The Economics of Growing Truffles vs. Grapes

On a per acre basis, growing truffles can be 7-10 times as profitable as growing grapes, on average. Truffle yield, however, depends crucially on cultivation methodology. In order to produce high yield levels (and very often, any yield at all), truffles need to be grown according to a set of rigorous scientific methodology, which ATC provides.

Below is a representative analysis of typical returns from truffle cultivation and growing chardonnay grapes. What is shown in the graph is cumulative cash, per acre.

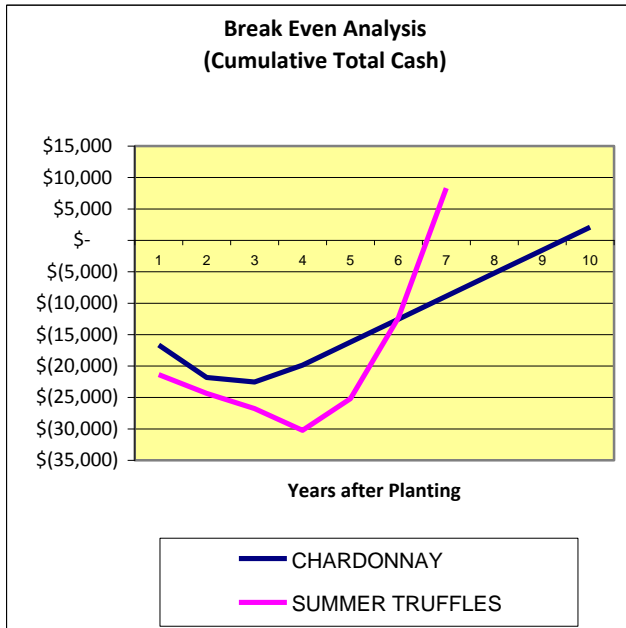


Figure 1

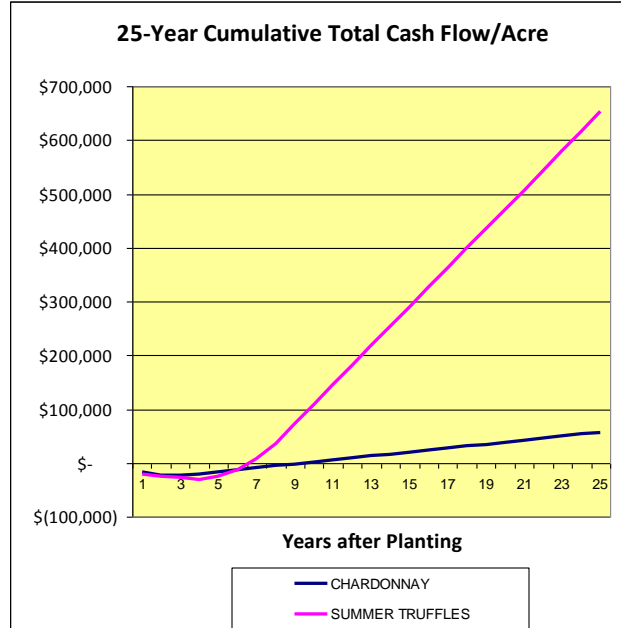


Figure 2

Figure 1 shows that it takes about 9-10 years to recover all investment when growing chardonnay grapes, with a total investment level of about \$23,000/acre. This takes into consideration all costs and all revenues over the years associated with growing 1 acre of grapes. For truffle cultivation, Figure 1 shows that the maximum investment level for truffles is about \$30,000/acre, spread over 4 years, but all investments are recovered more quickly, in 6-7 years.

When both grapes and truffles are in full production, the profit from truffles is roughly \$36,000/acre compared to about \$3,600-\$5,000/acre on average for chardonnay. This difference is due to 1) the much higher revenue from truffles and 2) much less labor and maintenance costs for truffles compared to grapes. Figure 2 illustrates this difference in profit – over the course of 25 years, chardonnay would yield about \$57,000/acre while truffles would yield just over \$650,000/acre, a difference of more than 10 times. Considering that truffles continue to produce for 60-90 years, the economic difference is even greater than what is illustrated above for 25 years, while grape vines often decline in productivity and must be replaced every few decades.

This dramatic difference in economics between planting grapes and truffles explains why in France it is common for vineyards to rip out low producing vines and replace them with truffle-inoculated trees.