

# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture and Fisheries  
Hon. John Savage, Minister

## Apple Establishment Budget Central Leader 202 Fall 1989

Agdex- 210-810

### Introduction

This budget estimates the direct income and expenses to establish one acre of apples on the Central Leader production system planted at a density of 382 trees/acre (2.3m x 4.5 m spacing). Tree spacing depends on soil type, rootstock, variety vigor, and training system.

These numbers are intended to assist producers in evaluating the financial requirements of the establishment period. A total farm financial analysis should be completed in order to determine the impact of a new planting on the total orchard business. A complete set of planning forms are available from any BCMAF district office.

### Price Sensitivity

The following table shows the impact on gross margin resulting from a change in projected market returns. (bold denotes target values)

Price/lb.	0.08	0.12	0.19
Year			
1	(\$3,842)	<b>(\$3,842)</b>	(\$3,842)
2	(725)	<b>(725)</b>	(725)
3	(770)	<b>(730)</b>	(660)
4	(781)	<b>(661)</b>	(451)
5	(345)	<b>55</b>	755
6	(195)	<b>405</b>	1,455
7	164	<b>1,124</b>	2,804
8	549	<b>1,829</b>	4,069

Market return is the most significant variable in assessing profit in establishing and producing apples. Price alters the budget's projected gross margins. It is important to obtain as much information on potential market returns when developing a budget for your own situation. Quality, size, strain, and variety are just some factors to consider.

### Production Sensitivity

Level- The table below shows the results of a 10% and 20% reduction in target production levels on per acre gross margins (@ \$0.12/lb).

Prod'n.	-20%	-10%	Target
Year			
1	(\$3,842)	(\$3,842)	(\$3,842)
2	(725)	(725)	(725)
3	(749)	(739)	(730)
4	(716)	(689)	(661)
5	(126)	(35)	55
6	132	268	405
7	688	906	1,124
8	1,248	1,538	1,829

Timing- Projected margins are also affected by how soon young trees come into production. The table below summarizes the impacts of delaying target production by 1 and 2 years.

Delay	2 Yr.	1 Yr.	Target
Year			
1	(\$3,842)	(\$3,842)	(\$3,842)
2	(725)	(725)	(725)
3	(827)	(827)	(730)
4	(934)	(837)	(661)
5	(755)	(579)	55
6	(685)	(51)	405
7	(149)	307	1,124
8	285	1,102	1,829

These margins demonstrate the importance of obtaining early production on intensive plantings. Projected yields and timing are affected by tree quality, management, location, and weather.

Prepared by: H. George Geldart, P. Ag  
Farm Management Specialist  
Tree Fruits/Grapes/Special Crops  
Farm Management Branch  
Vernon

# APPLE ESTABLISHMENT BUDGET

## Central Leader 202 Trees/Acre

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>Income (\$/acre)</b>								
Yield (lb/acre)	0	0	1,000	3,000	10,000	15,000	24,000	32,000
Price (\$/lb.)	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
<b>Total Income</b>	<b>\$0</b>	<b>\$0</b>	<b>\$120</b>	<b>\$360</b>	<b>\$1,200</b>	<b>\$1,800</b>	<b>\$2,880</b>	<b>\$3,840</b>
<b>Costs (\$/acre)</b>								
<b>Crop Supplies and Services</b>								
Ground Preparation	300							
Replant Problem Trt.	200							
Trees (180 @ \$6.00)/5% Replacement *	1,080	54						
Pollinizers (22 @ \$6.00) *	132	7						
Irrigation System *	1,200							
Fertilizer/Nutrients	19	19	29	29	29	34	34	34
Pesticides	42	71	119	132	132	132	132	132
Mouse Guards	71							
Fuel Costs	267	198	166	175	128	197	270	287
Machine R&M	89	66	143	58	43	95	90	95
<b>Contract Labour</b>								
Planting/General	150	80	100	40	50	60	60	60
Pruning/Training	140	100	130	220	190	190	190	190
Thinning				140	140	140	140	140
<b>Harvesting</b>								
Picking (\$15/Bin)			19	56	188	281	450	600
Bin Hauling (\$3/Bin)			4	11	38	56	90	120
<b>Other</b>								
Fescue (5.4kg)	30							
Hive Rent	40	40	40	40	40	40	40	40
Tree/Crop Insurance	22	30	40	60	107	140	200	253
Irrigation Water	60	60	60	60	60	60	60	60
<b>Total Costs</b>	<b>\$3,842</b>	<b>\$725</b>	<b>\$850</b>	<b>\$1,021</b>	<b>\$1,145</b>	<b>\$1,395</b>	<b>\$1,756</b>	<b>\$2,011</b>
<b>Gross Margin</b>	<b>(\$3,842)</b>	<b>(\$725)</b>	<b>(\$730)</b>	<b>(\$661)</b>	<b>\$55</b>	<b>\$405</b>	<b>\$1,124</b>	<b>\$1,829</b>

\* May be a capital item. This information is provided as a guideline only. Target yield indicates above average production. An individual crop plan should be developed by each producer. Planning forms may be obtained from your local office of the B.C. Ministry of Agriculture and Fisheries.