

PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food
Hon. Larry Chalmers, Minister

Agdex 211 - 810

Apple Establishment Central Leader - 400 Trees/Acre Okanagan Valley Spring 1991

Introduction

This budget estimates the direct income and expenses to establish one acre of apples planted at a density of 400 trees/acre (approximately 7' 6" x 14' 6" spacing). It is 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 business. A complete set of planning forms is available from any district office of the B.C. Ministry of Agriculture, Fisheries and Food.

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.	\$.10	\$.12	\$.20
Year			
4	(\$355)	(\$240)	\$215
5	470	830	2,270
6	665	1,105	2,865
7	965	1,525	3,765
8	1,370	2,050	4,770
9	1,760	2,560	5,760

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, strain and variety are just some factors to consider.

Production Sensitivity

Level - The table below shows the results of a 10 and 20 percent reduction in target production levels on per acre gross margins.

Prod'n. Year	-20%	-10%	Target
4	(\$350)	(\$295)	(\$240)
5	480	655	830
6	675	890	1,105
7	980	1,250	1,525
8	1,385	1,705	2,050
9	1,780	2,625	2,170

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

Delay Year	2 Yr.	1 Yr.	Target
4	(\$765)	(\$410)	(\$240)
5	(530)	(360)	830
6	(475)	715	1,105
7	545	935	1,525
8	875	1,465	2,050
9	1,390	1,975	2,560

These margins demonstrate the importance of obtaining early production on intensive plantings.

Projected yields and timing are affected by fruit quality, horticultural practices, location and weather.

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APPLE ESTABLISHMENT BUDGET

Central Leader - 400 Trees/Acre

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Income (\$/acre)									
Yield (lb./tree)	0	0.9	10	15	47	58	73	89	105
Yield (lb./acre)	0	350	4,000	5,700	18,000	22,000	28,000	34,000	40,000
Price (\$/lb.)	\$1.12	\$1.12	\$1.12	\$1.12	\$1.12	\$1.12	\$1.12	\$1.12	\$1.12
Total Income	\$0	\$40	\$480	\$685	\$2,160	\$2,640	\$3,360	\$4,080	\$4,800
Costs (\$/acre)									
Crop Supplies & Services									
Feathered Trees*	\$2,315	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pollenizers*	285	0	0	0	0	0	0	0	0
Cover Crop	10	0	0	0	0	0	0	0	0
Irrigation System & Installation*	1,200	0	0	0	0	0	0	0	0
Nitrogen	10	10	15	20	20	20	20	20	20
Foliar Sprays	15	15	30	30	30	30	30	30	30
Pest Monitoring	0	0	60	60	60	60	60	60	60
Pest Control	185	55	90	100	110	115	125	135	145
Chemical Thinning	0	0	0	10	35	10	35	10	15
Hive Rental	0	40	40	40	40	40	40	40	40
Irrigation Water	50	50	50	50	50	50	50	50	50
Crop Insurance	0	5	35	50	155	190	240	295	345
Fuel, Oil & Lube	315	200	235	180	135	210	275	290	300
Machinery R & M	105	65	80	60	45	70	90	95	100
Contract Labour									
Ground Prep, Replant Test & Treat	500	0	0	0	0	0	0	0	0
Survey & Stake, Planting	250	0	0	0	0	0	0	0	0
Pruning, Training	140	150	195	200	240	240	240	240	240
Picking	0	5	75	105	340	415	525	640	750
Hauling	0	0	15	20	70	85	105	125	150
Total Costs	\$5,380	\$600	\$920	\$925	\$1,330	\$1,535	\$1,835	\$2,030	\$2,240
Gross Margin	(\$5,380)	(\$560)	(\$440)	(\$240)	\$830	\$1,105	\$1,525	\$2,050	\$2,560

*May be a capital item. This information is provided as a guideline only. Projected yields indicate 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, Fisheries and Food.