

# PLANNING FOR PROFIT

Agdex 211 - 810



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

Apple Establishment  
Central Axe - 518 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 518 trees/acre (approximately 7' x 12' 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			
2	(\$530)	<b>(\$455)</b>	\$160
3	25	<b>305</b>	1,425
4	610	<b>1,010</b>	2,610
5	925	<b>1,405</b>	3,325
6	1,260	<b>1,860</b>	4,260
7	1,845	<b>2,645</b>	5,845

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
2	(\$525)	(\$490)	<b>(\$455)</b>
3	35	170	<b>305</b>
4	620	815	<b>1,010</b>
5	935	1,170	<b>1,405</b>
6	1,275	1,570	<b>1,860</b>
7	1,865	2,255	<b>2,645</b>

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
2	(\$815)	(\$815)	<b>(\$455)</b>
3	(1,055)	(695)	<b>305</b>
4	(580)	420	<b>1,010</b>
5	45	1,015	<b>1,405</b>
6	890	1,280	<b>1,860</b>
7	1,085	1,665	<b>2,645</b>

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.

Contact:

MIKE SANDERS, P.Ag.  
Tree Fruit Specialist  
Kelowna

GEORGE GELDART, P.Ag.  
Farm Management Specialist  
Vernon

Prepared By: ANDREA GUNNER, A.I.T.

# APPLE ESTABLISHMENT BUDGET

## Central Axe - 518 Trees/Acre

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Income (\$/acre)</b>							
Yield (lb./tree)	0	7	27	39	46	58	77
Yield (lb./acre)	0	3,700	14,000	20,000	24,000	30,000	40,000
Price (\$/lb.)	\$12	\$12	\$12	\$12	\$12	\$12	\$12
<b>Total Income</b>	<b>\$0</b>	<b>\$445</b>	<b>\$1,680</b>	<b>\$2,400</b>	<b>\$2,880</b>	<b>\$3,600</b>	<b>\$4,800</b>
<b>Costs (\$/acre)</b>							
<b>Crop Supplies &amp; Services</b>							
Feathered Trees*	\$2,995	\$0	\$0	\$0	\$0	\$0	\$0
Pollenizers*, Cover Crop	380	0	0	0	0	0	0
Support System*	1,385	0	0	0	0	0	0
Irrigation System & Installation*	1,200	0	0	0	0	0	0
Nitrogen	15	20	20	20	20	20	20
Foliar Sprays	15	15	30	30	30	30	30
Pest Monitoring	0	60	60	60	60	60	60
Pest Control	235	90	100	110	110	120	125
Chemical Thinning	0	10	35	10	35	10	15
Hive Rental	0	40	40	40	40	40	40
Irrigation Water	50	50	50	50	50	50	50
Crop Insurance	0	30	120	175	205	260	345
Fuel, Oil & Lube	350	200	240	190	145	210	285
Machinery R & M	115	65	80	65	50	70	95
<b>Contract Labour</b>							
Ground Prep, Replant Test & Treat	500	0	0	0	0	0	0
Survey & Stake, Plant, Install Support	800	0	0	0	0	0	0
Pruning, Training	140	235	280	190	190	190	190
Pricking	0	70	265	375	450	565	750
Hauling	0	15	55	75	90	115	150
<b>Total Costs</b>	<b>\$8,190</b>	<b>\$900</b>	<b>\$1,375</b>	<b>\$1,390</b>	<b>\$1,475</b>	<b>\$1,740</b>	<b>\$2,155</b>
<b>Gross Margin</b>	<b>(\$8,190)</b>	<b>(\$455)</b>	<b>\$305</b>	<b>\$1,010</b>	<b>\$1,405</b>	<b>\$1,860</b>	<b>\$2,645</b>

\*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.