



PLANNING FOR PROFIT



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

Apples - Full Production
Trellis - 518 Trees/Acre
Okanagan Valley
Spring 1991

Agdex 211 - 810

Introduction

The planning process provides producers with the opportunity to look at their operation as a group of distinct enterprises. Alternative enterprises should be evaluated on the basis of **Gross Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Gross Margin** must provide funds for interest, overhead and other indirect expenses as well as a return for living expenses, loan repayment and investment. These items should be included in an overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Statement**.

Key Factors Affecting Profit

	Target
Full Production	Year 8
Quantity	40,000 lbs./acre
Price	\$.10 - \$.15 /lb.

Grade and yield are affected by variety, cultural and management practices and fruit quality.

The orchard should be monitored frequently to reduce costs and minimize pest damage, through proper timing of pest control measures.

A "Tree Fruit Production Guide for Commercial Growers" is available from district offices of the B.C. Ministry of Agriculture, Fisheries and Food.

Marketing Alternatives

The majority of apples produced in the Okanagan are marketed through B.C. Tree Fruits Ltd. Direct marketing also occurs through a number of alternate channels.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc												55
%Ex		10	15	10	5	5		20	30	5		

The above information is an estimate of the monthly flow of funds from this projected **Gross Margin**. The income reflects a C-2 advance for apples, with the balance received in the following crop year. A complete **Projected Cash Flow** should include the balance of last year's crop receipts, indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Establishment Costs	\$9,200 /acre
Direct Expense % of Income	40% - 50%

The above indicators are provided for comparison purposes only.

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APPLES - 518 Trees/Acre Trellis

Gross Margin 1 Acre of Apples at Full Production

Total Income

	Projected Yield	Price	Unit	Income
Apples	40,000	\$.12	lb.	\$4,800

Direct Expenses

	Quantity	Price	Unit	Expense
Fertilizers				
Nitrogen	68	\$.27	kg	\$20
Foliar Sprays				30
Crop Protection				
Herbicide				40
Insecticide				45
Fungicide				30
Rodent Control				5
Pest Monitoring				60
Other				
Chemical Thinning				15
Hive Rental				40
Irrigation				50
Crop Insurance				345
Fuel Costs				290
Machinery Repair & Maintenance				95
Contract Labour				
Pruning, Training	25	7.50	hour	195
Picking	50	15.00	bin	750
Hauling	50	3.00	bin	150

Total Direct Expenses \$2,160

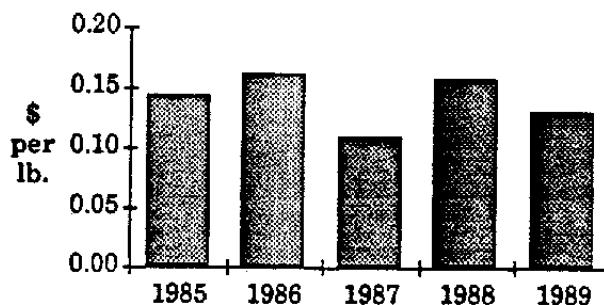
Gross Margin \$2,640

Buildings and Machinery Replacement Cost Total Mixed Orchard - 23 Acres

Buildings	\$53,000
Machinery	85,600
Irrigation	35,000
Vehicle	15,000
Harvesting Equipment	6,500
Small Tools & Other	<u>4,900</u>

Total \$200,000

Apple Prices



Gross Margin - Sensitivity Analysis

The table below lists the changes to gross margin as quantity of yield changes and price received varies.

PRICE \$/lb.	Yield lb. per Acre			
	30,000	35,000	40,000	45,000
.10	1,065	1,455	1,840	2,230
.12	1,665	2,155	<u>2,640</u>	3,130
.20	4,065	4,955	5,840	6,730
.40	10,065	11,955	13,840	15,730

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, Fisheries and Food.