



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture and Food

Sweet Cherries Full Production - 574 Trees/Acre Okanagan Valley Spring 1999

Agdex 213 - 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 **Contribution Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Contribution 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 the overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Statement**.

Key Factors Affecting Profit

	Target
Full Production	Year 7
Quantity	18,500 lb/acre
Price	\$0.90 - \$1.30/lb

Following Year 7 (or earlier) of the planting, tree growth / size may require removal of up to every 2nd tree. Total production may decline temporarily but will recover as remaining trees fill in spaces.

Varieties of interest as of 1999 are 'Sweetheart', 'Lapin', and 'Sylvia'. These varieties have large fruit and firm texture, good shelf life and dark red colour preferred by the market place.

Proceed with Caution! Cherry prices are volatile and depend on many factors largely out of the farmer's control such as total acres planted, weather conditions and overseas markets.

Prices are based on industry information and BCMAF data, and reflect wholesale packing house price. Some growers pack their own product. Competition from other cherry producing areas greatly affect sales.

Marketing Alternatives

Sweet cherries are sold through BC Tree Fruits Ltd., independent packing houses, direct farm sales and by peddlers. Depending on crop volume, quality and demand, individual producers may elect to pack and sell their crops.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc							10	40	40	10		
%Ex	5	5	5		5	20	55	5				

The above information indicates the timing of monthly flow of funds included in the **Contribution Margin** only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Establishment Costs	\$9,000 - \$10,000/acre
Direct Expense % of Income	33%

The above indicators are provided for comparison purposes. They are set out as potential targets for sweet cherry production.

Contact: HELMUT ARNDT, P.Ag.
Horticultural Agrologist
Kelowna
GEORGE GELDART, P. Ag.
Business Management Specialist
Vernon

Prepared by: MARGARET MURPHY
Contractor

SWEET CHERRIES

Target Yield - 18,500 lb/acre

Spring 1999

Contribution Margin 1 Acre of Sweet Cherries Full Production Okanagan Valley

Income	Yield	Price	Unit	Income
Cherries (85% Marketable Fruit)	18,500	\$1.20	lb	\$18,870

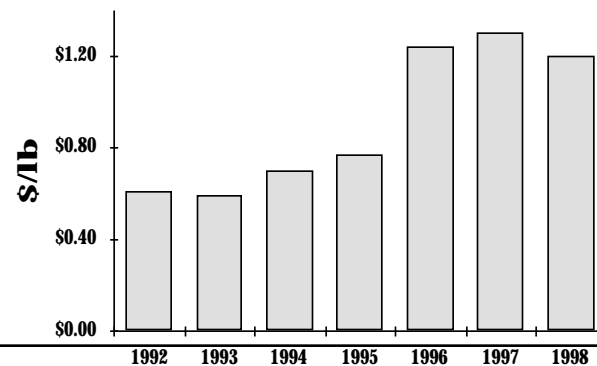
Direct Expenses

	Quantity	Price	Unit	Expense
<u>Nutrients</u>				
Zinc Sulphate	16.2	1.34	kg	22
34 - 0 - 0 (2X)	51	0.37	kg	19
Magnesium sulphate	20	0.61	kg	12
Fertilizer borate	3.3	2.44	kg	8
<u>Herbicide</u>				
Roundup (2X)	4	10.08	L	40
<u>Pesticides</u>				
Dipel	1.4	34.60	kg	48
Captan (2X)	2.2	15.04	kg	33
Benlate	0.45	61.55	kg	28
Malathion	3.5	10.59	L	37
Diazinon	1.8	15.03	kg	27
Lagon	0.91	21.85	L	20
Rovral (2X)	1.22	93.85	kg	115
Kumulus (2X)	5.6	3.63	kg	20
<u>Other Sprays</u>				
CaCl (3X)	24.6	0.88	kg	22
Activol	180	1.10	gr	198
Agrol	0.225	9.33	L	2
Rodent Bait Meal	9	2.48	kg	22
Water				60
Pollination				60
Crop Insurance				23
Pruning/training				580
Picking/yarding/hauling				4,773
Payroll Expense				268
Fuel, oil, lube				116
Machinery R & M				229
Total Direct Expenses				\$6,792
Contribution Margin				\$12,078

Buildings and Machinery Replacement Cost Total Mixed Orchard - 23 Acres

Buildings	\$ 79,500
Machinery	95,500
Irrigation	45,000
Vehicle	20,000
Harvesting Equipment	8,800
Small Tools & Other	<u>6,100</u>
Total	\$254,900

Cherry Prices



Contribution Margin - Sensitivity Analysis (85% Marketable Fruit)

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

PRICE \$/lb	Yield (lb/acre)			
	15,000	17,000	18,500	21,000
0.90	5,558	6,588	7,361	8,648
1.00	6,833	8,033	8,933	10,433
1.20	9,383	10,923	12,078	14,003
1.30	10,658	12,368	13,651	15,778

This information is provided as a guideline only. Target yield indicates average production. An individual crop plan should be developed by each producer. Planning forms may be obtained from your local office of the BC Ministry of Agriculture and Food.