




# PLANNING FOR PROFIT

 BRITISH COLUMBIA Ministry of Agriculture and Food

## Apricots - Full Production Central Leader - 150 Trees/Acre Okanagan Valley Spring 1999

Agdex 214 - 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 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	15,000 lbs/acre	
Price		\$0.47/lb

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

Frequent pest monitoring and proper timing of pest control measures will reduce costs and minimize pest damage.

A "Tree Fruit Production Guide for Commercial Growers" is available from BC Fruit Growers Association, phone 250-762-5226.

### Marketing Alternatives

Approximately 40% of the apricot crop is marketed through BC Tree Fruits Ltd. The larger portion of the crop is direct marketed through a number of alternate channels including roadside stands and in a variety of processed fruit products.

### Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc							10	20	10		30	30
%Ex10	10	10	5		20	5	20	20				

The above information is an estimate of the monthly flow of funds from this projected **Contribution Margin**. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

### Rules of Thumb

Establishment Costs	\$4,500- \$5,500 /acre
Direct Expense % of Income	35% - 45%

The above indicators are provided for comparison purposes only.

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# APRICOTS - 150 Trees/Acre

## Central Leader

Spring 1999

### Contribution Margin 1 Acre of Apricots Okanagan Valley

#### Total Income

	Yield	Price	Unit	Income
Apricots	15,000	\$0.47	lb	<b>\$6,345</b>
90% Marketable Fruit				

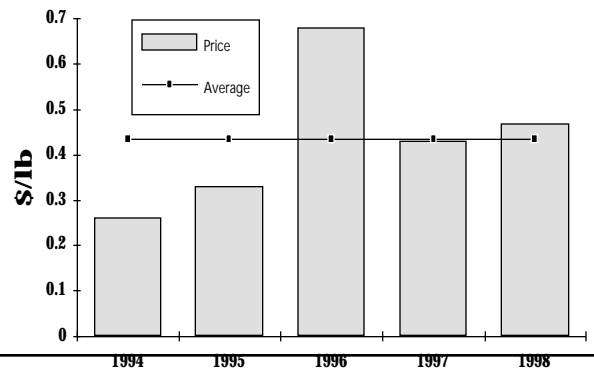
#### Direct Expenses

	Quantity	Price	Unit	Expense
<u>Fertilizers</u>				
34 - 0 - 0	96	\$0.37	kg	\$35
MgSO <sub>4</sub>	18	0.64	kg	11
ZnSO <sub>4</sub>	16.2	1.39	litre	22
<u>Pest Control</u>				
Roundup (2X)	4	10.08	litre	40
Captan	1.3	15.24	litre	20
APM	1.1	27.87	kg	30
Endosulphan	1.3	21.45	kg	28
Endosulphan (2X)	136	0.022	g	6
Ziram	3.2	12.58	kg	40
Fixed Copper	3.6	10.05	kg	36
Rodent Control				25
Dormant Oil	30	2.34	L	70
<u>Other</u>				
Irrigation				60
Crop Insurance				23
Fuel, Oil & Lube				73
Machinery R & M				229
<u>Contract Labour</u>				
Pruning, Training	37.5	10.00	hour	375
Thinning	72	7.50	hour	540
Picking	15,000	0.03	lb	450
Hauling	50	2.70	bin	135
Employment Exp	5%			75
<b>Total Direct Expenses</b>				<b>\$2,386</b>
<b>Contribution Margin</b>				<b>\$3,959</b>

### Buildings and Machinery Replacement Cost Total Mixed Orchard - 23 Acres

Buildings	\$79,000
Machinery	82,900
Irrigation	45,000
Vehicle	20,000
Harvesting Equipment	26,000
Small Tools & Other	2,500
<b>Total</b>	<b>\$255,400</b>

### Apricot Prices



### Contribution Margin - Sensitivity Analysis

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

Based on 90% Marketable Fruit

PRICE \$/lb	Yield (lb/acre)			
	10,000	12,000	15,000	20,000
<b>0.30</b>	509	971	1,664	2,819
<b>0.40</b>	1,409	2,051	3,014	4,619
<b>0.47</b>	2,039	2,807	<b>3,959</b>	5,879
<b>0.60</b>	3,209	4,211	5,714	8,219

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.