



PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

Gala Apples - Full Production Slender Spindle - 1,210 Trees/Acre Okanagan Valley Spring 1999

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 **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 7
Quality	85% Fancy +
Quantity (Fcy+)	27,600 lbs/acre

The price of Gala apples has declined over the past three years as more plantings come into production. There is also some question as to the ability of this density of planting to sustain high production levels over time.

Size and colour are key to quality in the Gala price structure. A large, bright red apple is the goal.

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

Marketing Alternatives

The majority of apples produced in the Okanagan are marketed through B.C. Tree Fruits Ltd. Marketing also occurs through a number of alternate channels; Direct Farm, Independent Packers/Brokers.

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 **Contribution Margin**. 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	\$19,000/acre
Direct Expense % of Income	32%

The above indicators are provided for comparison purposes only.

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GALA APPLES

Target Yield - 32,000 lb/acre

Spring 1999

Contribution Margin 1 Acre of Apples at Full Production Okanagan Valley

Total Income

	Yield	Price	Unit	Income
Apples				
Total Production	32,000			
Total Shipped	30,400	\$0.293	lb	\$8,105
(pack out 91% FCY+)				

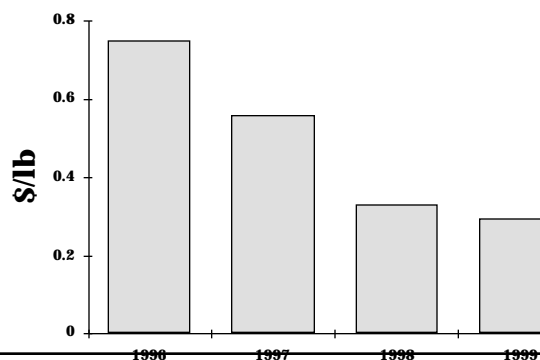
Direct Expenses

	Quantity	Price	Unit	Expense
<u>Nutrients</u>				
Foliar Sprays/Fertilizer				86
<u>Crop Protection</u>				
Herbicide				91
Insecticide				138
Fungicide				178
<u>Other</u>				
Rodent Bait Meal				22
Hive Rental				60
Irrigation				60
Crop Insurance				12
Fuel Costs				94
Machinery R & M				170
<u>Contract Labour</u>				
Pruning, Training	80	10.00	hr	800
Picking	40	18.00	bin	720
Hauling	40	4.00	bin	160
Payroll Expense				84
Total Direct Expenses				\$2,637
Contribution Margin				\$5,468

Buildings and Machinery Replacement Cost Total Mixed Orchard - 23 Acres

Buildings	\$79,500
Machinery	52,000
Irrigation	45,000
Vehicle	20,000
Harvesting Equipment	6,500
Small Tools & Other	<u>6,900</u>
Total	\$209,900

Gala Apple Prices



Contribution Margin - Sensitivity Analysis

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

PRICE \$/lb	85% Fcy+ (lb/acre)			
	25,000	30,000	32,000	36,000
0.21	3,062	3,674	3,919	4,409
0.25	3,645	4,374	4,666	5,249
0.29	4,272	5,127	5,468	6,152
0.33	4,812	5,774	6,159	6,929

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.