



# PLANNING FOR PROFIT

BRITISH COLUMBIA Ministry of Agriculture and Food

**Pear Establishment  
Central Axe - 389 Trees/Acre  
Okanagan Valley  
Spring 1999**

**Agdex 215 - 810**

## Introduction

This budget estimates the direct income and expenses to establish one acre of pears planted at a density of 389 trees/acre (approximately 8' x 14' 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 BC Ministry of Agriculture and Food.

## Price Sensitivity

The following table shows the impact on **Contribution Margin** resulting from a change in projected market returns. (bold denotes target values)

Price/lb	\$0.15	<b>\$0.20</b>	\$0.25
Year			
3	(\$1,259)	<b>(\$1,238)</b>	(1,216)
4	(1,139)	<b>(969)</b>	(799)
5	(380)	<b>45</b>	470
6	218	<b>898</b>	1,578
7	1,023	<b>2,043</b>	3,063
8	1,441	<b>2,631</b>	3,821
9	1,856	<b>3,216</b>	4,576

Market return is the most significant variable in assessing profit in establishing and producing pears. Price alters the budget's **Projected Contribution Margins**. It is important to obtain as much information on potential market returns when developing a budget for your own situation. Quality and variety are just some factors to consider.

## Production Sensitivity

**Level** - The table below shows the results of a 10% and 20% reduction in target production levels on per acre contribution margins.

Prod'n Year	-20%	-10%	<b>Target</b>
3	(\$1,155)	(\$1,250)	<b>(\$1,238)</b>
4	(1,105)	(1,071)	<b>(969)</b>
5	(295)	(210)	<b>45</b>
6	354	2,312	<b>898</b>
7	1,227	1,431	<b>2,043</b>
8	1,679	1,917	<b>2,631</b>
9	2,128	2,400	<b>3,216</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	<b>Target</b>
3	(\$7,451)	(\$1,020)	<b>(\$1,238)</b>
4	(1,020)	(1,238)	<b>(969)</b>
5	(1,238)	(969)	<b>45</b>
6	(969)	45	<b>898</b>
7	45	898	<b>2,043</b>
8	898	2,043	<b>2,631</b>
9	2,043	2,631	<b>3,216</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: HELMUT ARNDT, P.Ag.  
Horticultural Agrologist  
Kelowna  
GEORGE GELDART, P.Ag.  
Business Management Specialist  
Vernon  
Prepared by: MARGARET MURPHY  
Contractor

# PEAR ESTABLISHMENT BUDGET

## Central Axe - 389 Trees/Acre

Spring 1999

Income (\$/acre)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Yield (lb/acre)	0	0	500	4,000	10,000	16,000	24,000	28,000	32,000
Price (\$/lb)	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
<b>Total Income (85% Marketable Fruit)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$85</b>	<b>\$680</b>	<b>\$1,700</b>	<b>\$2,720</b>	<b>\$4,080</b>	<b>\$4,760</b>	<b>\$5,440</b>
<b>Costs (\$/acre)</b>									
Plants	\$2,774	\$7	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fescue (Crop cover)	10	0	0	0	0	0	0	0	0
34 - 0 - 0	16	32	48	48	48	65	65	65	65
MgSO <sub>4</sub>	11	11	11	11	11	11	11	11	11
ZnSO <sub>4</sub>	0	0	22	22	22	22	22	22	22
Granubor	0	11	0	11	0	0	11	0	0
Peat	198	0	0	0	0	0	0	0	0
11 - 52 - 0	59	0	0	0	0	0	0	0	0
Heal N Seal	57	0	0	0	0	0	0	0	0
Gramoxone (3X)	137	0	0	0	0	0	0	0	0
Roundup (2X)	0	40	40	40	40	40	40	40	40
Pest Monitoring	0	0	60	60	60	60	60	60	60
Imidan	26	26	26	26	26	26	26	26	26
Insecticidal Soap	22	45	45	68	68	68	68	68	68
Dormant Oil Plus S	47	47	47	47	47	47	47	47	47
Endosulphan	9	9	18	29	29	29	29	29	29
Dipel	0	0	48	48	48	48	48	48	48
Rodent Control	25	25	25	25	25	25	25	25	25
Fuel, Oil, Lube	109	60	60	60	60	60	60	60	60
Machinery R & M	229	229	229	229	229	229	229	229	229
Building R & M	0	104	0	104	0	0	0	0	0
Land Preparation	1,000	0	0	0	0	0	0	0	0
Survey Stake & Plant	233	0	0	0	0	0	0	0	0
Painting Trunks, Pruning /Training	350	300	400	400	350	350	350	350	350
Thinning	0	0	0	112	165	195	240	262	277
Picking/Hauling	0	0	19	75	188	300	451	526	601
Employment Expenses	79	15	21	29	35	42	52	57	61
Hive Rental 2X)	0	0	120	120	120	120	120	120	120
Support system/Irrigation	2,060	60	60	60	60	60	60	60	60
Crop Insurance	0	0	23	23	23	23	23	23	23
<b>Total Costs</b>	<b>(\$7,451)</b>	<b>(1,020)</b>	<b>\$1,323</b>	<b>\$1,649</b>	<b>\$1,655</b>	<b>\$1,822</b>	<b>\$2,037</b>	<b>\$2,129</b>	<b>\$2,224</b>
<b>Contribution Margin</b>	<b>(\$7,451)</b>	<b>(1,020)</b>	<b>(\$1,238)</b>	<b>(\$969)</b>	<b>(\$45)</b>	<b>\$898</b>	<b>\$2,043</b>	<b>\$2,631</b>	<b>\$3,216</b>

This information is provided as a guideline only. Projected yields indicate 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.