



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture and Food

**Peach - Establishment
Modified Central Leader
311 Trees/Acre
Okanagan Valley
Spring 1999**

Agdex 212 - 810

Introduction

This budget estimates the direct income and expenses to establish one acre of peaches planted at a density of 311 trees/acre (approximately 10' 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 gross margin resulting from a change in projected market returns. (bold denotes target values)

| Price/lb Year | 90% Marketable Fruit | | |
|------------------|----------------------|---------------|--------|
| | \$0.25 | \$0.35 | \$0.39 |
| 3 | (345) | 105 | 285 |
| 4 | 330 | 1,230 | 1,590 |
| 5 | 829 | 2,179 | 2,719 |
| 6 | 1,355 | 3,065 | 3,749 |
| 7 | 1,679 | 3,659 | 4,451 |
| 8 | 2,041 | 4,291 | 5,191 |

Market return is the most significant variable in assessing profit in establishing and producing peaches. 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% | Target |
|----------------|---------|-------|---------------|
| 3 | (2,310) | (53) | 105 |
| 4 | 600 | 915 | 1,230 |
| 5 | 1,234 | 1,706 | 2,179 |
| 6 | 1,868 | 2,467 | 3,065 |
| 7 | 2,273 | 2,966 | 3,659 |
| 8 | 2,716 | 3,503 | 4,291 |

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 | Target |
|---------------|---------|-------|---------------|
| 3 | (1,073) | (758) | 105 |
| 4 | (758) | 105 | 1,230 |
| 5 | 105 | 1,230 | 2,179 |
| 6 | 1,230 | 2,179 | 3,065 |
| 7 | 2,179 | 3,065 | 3,659 |
| 8 | 3,065 | 3,659 | 4,291 |

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.

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PEACH ESTABLISHMENT BUDGET

Modified Central Leader - 311 Trees/Acre

Spring 1999

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 |
|--------------------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Income (\$/acre) | | | | | | | | |
| Yield (lb/acre) | 0 | 1,000 | 5,000 | 10,000 | 15,000 | 19,000 | 22,000 | 25,000 |
| Price (\$/lb) | \$0.35 | \$0.35 | \$0.35 | \$0.35 | \$0.35 | \$0.35 | \$0.35 | \$0.35 |
| Total Income (90% Marketable Fruit) | \$0 | \$315 | \$1,575 | \$3,150 | \$4,725 | \$5,985 | \$6,930 | \$7,875 |
| Costs (\$/acre) | | | | | | | | |
| Plants and Seeds | \$2,217 | \$107 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Fescue | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 34 - 0 - 0 | 13 | 26 | 39 | 52 | 78 | 78 | 78 | 78 |
| MgSO ₄ | 0 | 6 | 11 | 11 | 11 | 11 | 11 | 12 |
| ZnSO ₄ | 0 | 22 | 22 | 22 | 21 | 22 | 22 | 22 |
| Granubor | 0 | 11 | 0 | 0 | 11 | 11 | 0 | 11 |
| 11 - 52 - 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Heal N Seal | 57 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Peat | 158 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Roundup (2X) | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Captan | 0 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| APM | 0 | 15 | 31 | 31 | 30 | 31 | 31 | 31 |
| Endosulphan | 0 | 14 | 29 | 29 | 29 | 29 | 29 | 29 |
| Endosulphan (2X) | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Ziram | 0 | 20 | 40 | 40 | 40 | 40 | 40 | 40 |
| Fixed Copper | 0 | 18 | 36 | 36 | 36 | 36 | 36 | 36 |
| Rodent Control | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Fuel, Oil & Lube | 109 | 109 | 109 | 109 | 109 | 109 | 109 | 109 |
| Machinery R & M | 228 | 229 | 229 | 229 | 228 | 229 | 229 | 229 |
| Ground Preparation | 1,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Survey & Stake, Planting | 187 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Painting trunks | 120 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pruning, Training | 100 | 200 | 300 | 300 | 350 | 400 | 480 | 480 |
| Thinning | 0 | 38 | 75 | 150 | 225 | 360 | 420 | 450 |
| Picking/Hauling | 0 | 68 | 338 | 678 | 1,106 | 1,286 | 1,490 | 1,692 |
| Employment Expenses | 70 | 15 | 36 | 56 | 80 | 102 | 120 | 131 |
| Irrigation | 2,060 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Crop Insurance | 0 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| Hive Rental | 0 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Total Costs | \$6,410 | \$1,073 | \$1,470 | \$1,920 | \$2,546 | \$2,920 | \$3,271 | \$3,584 |
| Contribution Margin | (\$6,410) | (\$758) | \$105 | \$1,230 | \$2,179 | \$3,065 | \$3,659 | \$4,291 |

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.