



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture and Food

Pears - Full Production Central Axe - 389 Trees/Acre Okanagan Valley Spring 1999

Agdex 215 - 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	Year 9
Full Production Quantity	32,000 lbs/acre	
Price		\$0.20/lb

Cultural and management practices including varietal selection affect grade and yields. Fruit quality also affects grade and returns.

A pest management program is particularly important on pears to control insect pests such as pear psylla.

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

Marketing Alternatives

Approximately 75% of the pear crop is marketed through B.C. Tree Fruits Ltd. The remaining 25% 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	25				25			25	25			
%Exp	5	10	20		5	10	5	20	20	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 indirect expenses, capital sales and purchases, loans and personal expenses

Rules of Thumb

Establishment Costs	\$7,500/acre
Direct Expense % of Income	40% - 50%

The above indicators are provided for comparison purposes only.

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PEARS - FULL PRODUCTION

Central Axe - 389 Trees/Acre

Spring 1999

Contribution Margin 1 Acre of Pears Okanagan Valley

Total Income

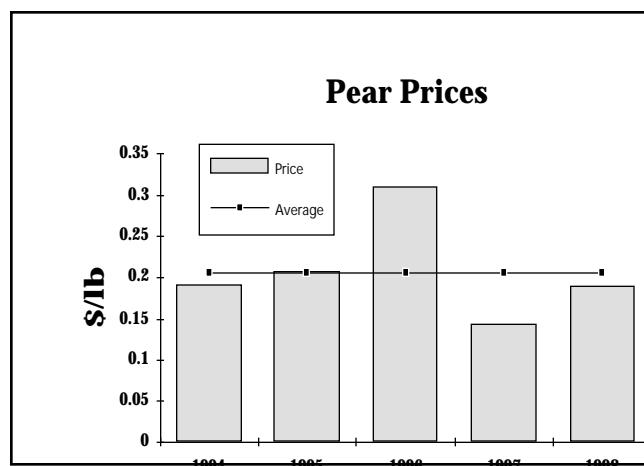
	Yield	Price	Unit	Income
Pears (85% Marketable Fruit)	32,000	\$0.20	lb	\$5,440

Direct Expenses

	Quantity	Price	Unit	Expense
<u>Fertilizers</u>				
34 - 0 - 0	177	\$0.38	kg	\$65
MgSO ₄	18	0.61	kg	11
ZnSO ₄	16.2	1.34	kg	22
<u>Crop Protection</u>				
Roundup (2X)	2	10.08	L	40
Imidan	1.3	19.70	kg	26
Insecticidal Soap	9	7.60	L	68
Dormant Oil + S	18.2	2.58	L	47
Endosulphan	1.3	21.45	L	28
Rodent Control				22
IPM	1	60		60
Dipel	1.4	34.60	L	48
<u>Other</u>				
Hive Rental (2X)				120
Irrigation				60
Crop Insurance				14
Fuel, Oil & Lube				60
Machinery R & M				229
<u>Contract Labour</u>				
Pruning, Training	35	10.00	hour	350
Thinning	37	7.50	hour	277
Picking Labour	32	15.13	bin	484
Hauling	32	3.65	bin	117
Employment Exp				61
Total Direct Expenses				\$2,224
Contribution Margin				\$3,216

Buildings and Machinery Replacement Cost Total Farm Size - 23 Acres

Buildings	\$ 79,500
Machinery	93,100
Irrigation	45,000
Vehicle	20,000
Harvesting Equipment	26,700
Ladders & Pails	5,800
Tools & Other	<u>2,500</u>
Total	\$272,600



Contribution Margin - Sensitivity Analysis

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

Based on 85% Marketable Fruit

PRICE \$/lb	Yield (lb/acre)			
	25,000	30,000	32,000	35,000
0.10	39	366	496	692
0.15	1,594	2,225	1,856	2,856
0.20	2,626	3,463	3,216	4,301
0.25	3,668	4,714	4,576	5,760

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 B.C. Ministry of Agriculture and Food.