

Elstar Apples - Full Production Slender Spindle - 808 Trees/Acre Fraser Valley Spring 1994 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 Budget.

Key Factors Affecting Profit

Target						
Full Production	Year 6					
Quantity	30,000 lbs./acre					
Price	\$.40 - \$.75 /lb.	į				

An operation may realize additional income through sales of cull fruit or fresh juice. This budget includes neither income from direct sales of culls and juice nor expenses from culls through the packinghouse.

The orchard should be monitored frequently to reduce costs and minimize pest damage, through proper timing of pest control measures.

A "Tree Fruit Production Guide for Commercial Growers" is available from district offices of the B.C. Ministry of Agriculture, Fisheries and Food.

Marketing Alternatives

Apple producers in the Fraser Valley may choose to ship to one of the Okanagan packinghouses, grade and pack at the farm and sell to Lower Mainland retailers, wholesalers, or direct market to Lower Mainland customers. Apples can be sold at farm-gate and at farmer's markets.

Cash Flow Timing

į	J	F	M	A	M	J	J	A	s	0	N	D
	%Inc								40		10	
	J %Inc %Ex		10	15	10	5	5		20	30	5	

The above information indicates the timing of the monthly flow of funds included in the contribution margin only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Planting Year Costs ≤ \$15,000/acre Direct Expense % of Income 70% - 80%

The above indicators are provided for comparison purposes only. They are set out as potential targets for Elstar apple production.

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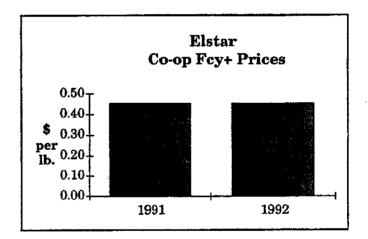
ELSTAR APPLES Target Yield - 30,000 lbs./Acre

Contribution Margin 1 Acre of Apples at Full Production Fraser Valley

Income	Yield	Price	Unit	Income				
Co-op (75%)	9,000	\$.45	lb.	\$4,068				
Direct (25%)	$4,500^{2}$	\$.75	lb.	3,375				
Total Income	•	T		\$7,443				
Direct Expenses								
Qu	antity	Price	Unit	Expense				
<u>Fertilizers</u> Foliar Sprays				\$80				
Crop Protectio	n							
Herbicide				4 8				
Insecticide				181				
Fungicide				197				
<u>Other</u>								
Hive Rental				40				
Tree/Crop Inst	urance			557				
Fuel Costs				196				
Machinery Re	pair & N	laintena	ince	205				
Labour 3								
Prune/Train	31.5	8.00	hour	252				
General	15.5	8.00	hour	124				
Picking	30,000	.10	lb.	3,000				
Hauling	22,500	.018	lb.	405				
Marketing ⁴	4,500	.048	lb.	217				
Total Direct				\$5,502				
61 041								
Contribution Margin \$1,941								
1. Co-op Packout is assumed to be 50% Fcy+								
2. Direct Packout is assumed to be 60% Fcy+ 3. Includes, UIC, CPP, etc.								
			allina a	st a farmar'a				
	4. Marketing cost is based on selling at a farmer's market.							
market.								

Buildings and Machinery Replacement Cost Total Orchard - 10 Acres

Buildings	\$8,000
Power Machinery	43,000
Orchard Equipment	15,400
Irrigation	12,000
Vehicle	25,000
Small Tools & Other	<u>4,600</u>
Total	\$108,000



Contribution Margin – Sensitivity Analysis

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

PRICE	Č 7	Yield lbs. per Acre						
\$/Ib.	20,000	25,000	30,000	35,000				
.30	(1,667)	(1,559)	(1,452)	(1,344)				
.40	(767)	(434)	(102)	231				
.55	595	1,268	1,941	2,614				
.60	1,033	1,816	2,598	3,381				

This information is provided as a guideline only. Target yield indicates above 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, Fisheries and Food.