



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Elstar Apple Establishment
Slender Spindle - 808 Trees/Acre
Fraser Valley
Spring 1994

Agdex 211 - 810

Introduction

This budget estimates the direct income and expenses to establish one acre of apples planted at a density of 808 trees/acre (approximately 4'6" x 12' 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 B.C. Ministry of Agriculture, Fisheries 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.	\$.45	\$.55	\$.65
Year			
1	(\$14,848)	(\$14,848)	(\$14,848)
2	(1,031)	(806)	(580)
3	(404)	182	768
4	45	902	1,759
5	317	1,445	2,573
6	588	1,941	3,294

Market return is the most significant variable affecting profit in establishing and producing apples. 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, strain, variety and market channel are just some factors to consider.

Production Sensitivity

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

Prod'n.	-20%	-10%	Target
Year			
1	(\$14,848)	(\$14,848)	(\$14,848)
2	(940)	(873)	(806)
3	(168)	7	182
4	390	646	902
5	771	1,109	1,445
6	1,133	1,537	1,941

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	2 Yr.	1 Yr.	Target
Year			
1	(\$14,848)	(\$14,848)	(\$14,848)
2	(1,443)	(1,443)	(806)
3	(1,473)	(836)	182
4	(881)	137	902
5	(85)	680	1,445
6	350	1,305	1,941

These margins demonstrate the importance of obtaining early production on intensive plantings.

Projected yields and timing are affected by tree quality, horticultural practices, location and weather.

Contact:
BRENT WARNER, P.Ag. GEORGE GELDART, P.Ag.
District Horticulturist Farm Management Specialist
Saanich Vernon
Prepared By: ANDREA GUNNER, P. Ag.

ELSTAR APPLE ESTABLISHMENT BUDGET

Slender Spindle - 808 Trees/Acre

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Income (\$/acre)						
Elstar Apples - Co-op (\$.45/lb.)	0	\$678	\$1,763	\$2,576	\$3,390	\$4,068
Elstar Apples - Direct (\$.75/lb.)	0	563	1,462	2,138	2,813	3,375
Total Income	\$0	\$1,241	\$3,225	\$4,714	\$6,203	\$7,443
Costs (\$/acre)						
Crop Supplies & Services						
Feathered Trees*	\$6,464	\$323	\$0	\$0	\$0	\$0
Cover Crop, Mouse Guards	327	0	0	0	0	0
Support System*	3,070	0	0	0	0	0
Irrigation System* & Installation	2,400	0	0	0	0	0
Nitrogen	80	40	0	0	0	0
Foliar Sprays	44	44	54	80	80	80
Pest Control	48	142	237	331	426	426
Hive Rental	0	40	40	40	40	40
Tree/Crop Insurance	38	133	280	378	476	557
Fuel, Oil & Lube	558	169	225	184	190	196
Machinery R & M	167	68	113	129	152	205
Contract Labour						
Ground Preparation	320	0	0	0	0	0
Survey & Stake, Plant, Install Support	1,064	16	0	0	0	0
Pruning, Training	184	320	376	252	252	252
General	84	148	148	124	124	124
Picking	0	500	1,300	1,900	2,500	3,000
Hauling	0	68	176	256	337	405
Marketing	0	36	94	138	181	217
Total Costs	\$14,848	\$2,047	\$3,043	\$3,812	\$4,758	\$5,502
Contribution Margin	(\$14,848)	(\$806)	\$182	\$902	\$1,445	\$1,941

*May be a capital item. This information is provided as a guideline only. Projected yields indicate 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.