



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

**Jonagold 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. | \$.40 | \$.53 | \$.60 |
|-----------|------------|-------------------|------------|
| Year | | | |
| 1 | (\$14,848) | (\$14,848) | (\$14,848) |
| 2 | (853) | (375) | (118) |
| 3 | 46 | 1,207 | 1,832 |
| 4 | 644 | 2,386 | 3,323 |
| 5 | 1,136 | 3,458 | 4,708 |
| 6 | 1,512 | 4,244 | 5,715 |

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. Year | -20% | -10% | Target |
|--------------|------------|------------|--------------|
| 1 | (\$14,848) | (\$14,848) | (\$14,848) |
| 2 | (606) | (491) | (375) |
| 3 | 646 | 927 | 1,207 |
| 4 | 1,545 | 1,965 | 2,386 |
| 5 | 2,337 | 2,897 | 3,458 |
| 6 | 2,925 | 3,584 | 4,244 |

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 |
|------------|------------|------------|--------------|
| 1 | (\$14,848) | (\$14,848) | (\$14,848) |
| 2 | (1,479) | (1,479) | (375) |
| 3 | (1,473) | (369) | 1,207 |
| 4 | (531) | 1,045 | 2,386 |
| 5 | 777 | 2,118 | 3,458 |
| 6 | 1,958 | 3,298 | 4,244 |

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.

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JONAGOLD APPLE ESTABLISHMENT BUDGET

Slender Spindle - 808 Trees/Acre

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
|--|-------------------|----------------|----------------|----------------|----------------|-----------------|
| Income (\$/acre) | | | | | | |
| Jonagold Apples - Co-op (\$.44/lb.) | 0 | \$1,161 | \$2,821 | \$4,231 | \$5,641 | \$6,637 |
| Jonagold Apples - Direct (\$.75/lb.) | 0 | 788 | 1,913 | 2,869 | 3,825 | 4,500 |
| Total Income | \$0 | \$1,949 | \$4,733 | \$7,100 | \$9,466 | \$11,137 |
| 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 | 166 | 345 | 484 | 622 | 720 |
| Fuel, Oil & Lube | 558 | 171 | 182 | 191 | 199 | 205 |
| Machinery R & M | 167 | 69 | 91 | 133 | 160 | 216 |
| 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 | 700 | 1,700 | 2,550 | 3,400 | 4,000 |
| Hauling | 0 | 94 | 230 | 344 | 459 | 540 |
| Marketing | 0 | 51 | 123 | 185 | 246 | 290 |
| Total Costs | \$14,848 | \$2,324 | \$3,526 | \$4,714 | \$6,008 | \$6,893 |
| Contribution Margin | (\$14,848) | (\$375) | \$1,207 | \$2,386 | \$3,458 | \$4,244 |

*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.