



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Jonagold 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	40,000 lbs./acre
Price	\$.40 - \$.75 /lb.

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

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc									40	10		
%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	55% - 65%

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

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JONAGOLD APPLES

Target Yield - 40,000 lbs./Acre

Contribution Margin 1 Acre of Apples at Full Production Fraser Valley

Income	Yield	Price	Unit	Income
Co-op (75%)	15,000 ¹	\$.44	lb.	\$6,637
Direct (25%)	6,000 ²	\$.75	lb.	4,500
Total Income				\$11,137

Direct Expenses

Quantity	Price	Unit	Expense
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Fertilizers

Foliar Sprays \$80

Crop Protection

Herbicide 48

Insecticide 181

Fungicide 197

Other

Hive Rental 40

Tree/Crop Insurance 720

Fuel Costs 205

Machinery Repair & Maintenance 216

Labour³

Prune/Train 31.5 8.00 hour 252

General 15.5 8.00 hour 124

Picking 40,000 .10 lb. 4,000

Hauling 30,000 .018 lb. 540

Marketing⁴ 6,000 .048 lb. 290

Total Direct Expenses \$6,893

Contribution Margin \$4,244

1. Co-op Packout is assumed to be 50% Fcy+

2. Direct Packout is assumed to be 60% Fcy+

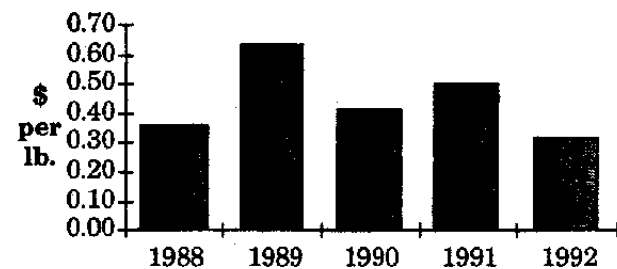
3. Includes UIC, CPP, etc.

4. Marketing cost is based on selling at a farmer's market.

Buildings and Machinery Replacement Cost Total Orchard - 10 Acres

Buildings	\$8,000
Power Machinery	43,000
Orchard Equipment	15,400
Irrigation	24,000
Vehicle	25,000
Small Tools & Other	<u>4,600</u>
Total	\$108,000

Jonagold Co-op Fcy+ Prices



Contribution Margin - Sensitivity Analysis

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

PRICE \$/lb.	Yield lb. per Acre			
	30,000	35,000	40,000	45,000
.30	(1,033)	(813)	(593)	(373)
.40	542	1,024	1,507	1,989
.53	2,595	3,419	<u>4,244</u>	5,068
.60	3,692	4,699	5,707	6,714

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.