



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture and Fisheries
Hon. John Savage, Minister

McIntosh Apples
Okanagan
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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 may be evaluated on the basis of Gross Margin, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The Gross 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 the **Projected Income Statement** and **Projected Cash Flow Statement** of the overall farm plan.

Key Factors Affecting Profit

	<i>Target</i>
Grade	70% FCY & Better
Size	Med. Lge. - Lge.(125's - 88's)
Yield	30,000 lb./acre

Grade, Size and Yield are affected by strain, cultural and management practices, and harvest timing.

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

A "Tree Fruit Production Guide for Commercial Growers" is available from District Offices of the B.C. Ministry of Agriculture and Fisheries.

Marketing Alternatives

The majority of apples produced in the Okanagan are marketed through B.C. Tree Fruits. Direct Marketing also occurs through a number of alternate channels.

Cashflow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc												55
%Exp	10	15	10	5	5			20	30	5		

The above information indicates the monthly flow of funds included in the gross margin only. The income reflects a C-2 advance for apples, with the balance received in the following crop year. A complete **Projected Cash Flow** should include the balance of last year's crop receipts, indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

<i>Capital Investment / Acre</i>	\$5,490
<i>Direct Expenses as % of Income</i>	50-60%

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

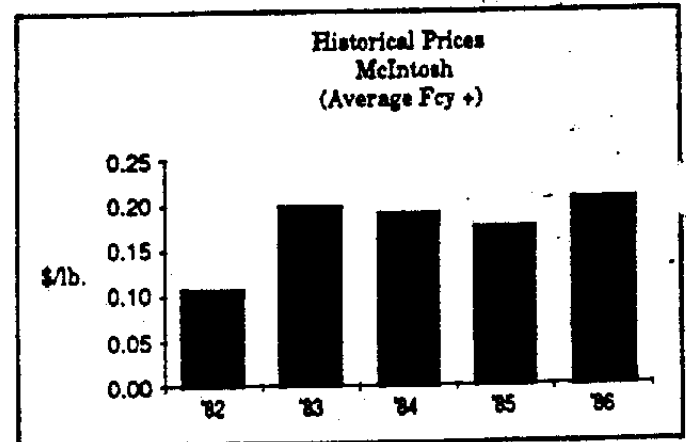
Prepared by: H. GEORGE GELDART, P. Ag.
Farm Management Specialist
Vernon
DISTRICT HORTICULTURISTS
Southern Interior Region

McINTOSH APPLES

Target Yield - 30,000 lb./Acre

Gross Margin For 1 Acre of Mature Std. McIntosh (Okanagan)				
Total Income				
	Yield	Price	Unit	Income
70% FCY	30,000	\$0.12	lb.	\$3,600
Direct Expenses				
	Quantity	Price	Unit	Expense
<i>Crop Supplies and Service</i>				
<i>Fertilizer / Nutrients</i>				
46-0-0	150	\$1.24	lb.	\$18.60
Zn Sulphate	36	.40	lb.	14.40
Mg Sulphate	40	.228	lb.	9.12
Borate 48	3.3	.29	lb.	.96
Ca Chloride	50	.28	lb.	14.00
<i>Pesticides</i>				
D. Oil	18.2	.89	litre	16.20
Supracide	2	11.76	litre	23.52
Polyram	7.2	6.85	kg	49.32
Kumulus S	2.8	1.97	kg	5.52
Elgetol	6	12.56	litre	75.36
NAA	80	.08	gram	6.40
Sevin	1.7	7.75	kg	13.18
Guthion	1.14	15.75	kg	17.96
Diazinon	0.91	12.86	kg	11.70
Stik	56	.08	gram	4.48
Fuel Costs				210
Machine Repair & Maintenance				140
<i>Contract Labour</i>				
Pruning	25	7.00	hrs.	175
Thinning	22	7.00	hrs.	154
Picking	37.5	14.00	bins	525
Bin Haul	37.5	3.00	bins	113
Hive Rent	1	40.00	hive	40
Crop Insurance				200
Irrigation/Water				60
Total Direct Expenses				\$1,898
Gross Margin				\$1,702

Buildings, Machinery, and Planting System Replacement Costs Total Farm Size - 20 Acres	
Buildings	\$12,000
Irrigation Equipment	24,000
Tractor (45hp)	22,000
1/2 Ton Truck	12,000
Orchard Equipment	36,000
Establishment Cost/Trees	3,000
Total	\$109,000



Gross Margin - Sensitivity Analysis				
The table below lists the changes to gross margin as quantity of yield changes and price received varies.				
Price Per lb.	Yield - '000 lb./Acre			
	20	25	30	40
\$0.08	(85)	209	502	1,090
0.12	715	1,209	1,702	2,690
0.16	1,515	2,209	2,902	4,290
0.20	2,315	3,209	4,102	5,890

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 and Fisheries.