



PLANNING FOR PROFIT



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

McIntosh Apples
Creston
Spring 1990

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 **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 overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Statement**.

Key Factors Affecting Profit

	Target
Grade	70% Fancy & Better
Size	Med Lg - Lg. (88 - 125's)
Yield	28,000 lbs/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.

Cash Flow 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

Investment	\$8,600 /acre
Direct Expense % of Income	50% - 60%

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

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McINTOSH APPLES

Target Yield - 28,000 Lbs/acre

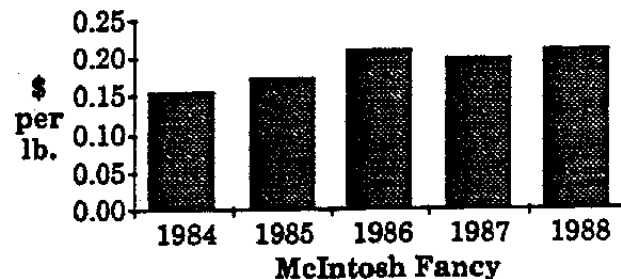
Gross Margin 1 Acre of Mature Standard McIntosh Apples in Creston

Total Income				
	Yield	Price	Unit	Income
Apples	28,000	\$.12	lb.	\$3,360
Direct Expenses				
	Quantity	Price	Unit	Expense
Fertilizers				
46 - 0 - 0	75	\$.12	lb.	10
Zn Sulphate	36	.40	lb.	15
Mg Sulphate	40	.23	lb.	10
Ca Chloride	50	.28	lb.	15
Pest Control				
Dormant Oil	18.2	.89	litre	15
Cyprex	2.6	20.38	kg	55
Polyram	4.8	6.85	kg	35
Phygon	.71	23.63	kg	15
Elgetol	6	12.56	litre	75
NAA	80	.08	gram	5
Sevin	1.7	7.75	kg	15
Guthion	1.14	15.75	kg	15
Diazinon	1.8	11.69	kg	20
Stik	56	.08	gram	5
Fuel Costs				210
Machine Repair & Maintenance				160
Contract Labour				
Pruning	25	7.00	hrs.	175
Thinning	22	7.00	hrs.	155
Picking	35	14.00	bin	490
Pollination				40
Crop Insurance				200
Irrigation/Water				15
Total Direct Expenses				\$1,750
Gross Margin				\$1,610

Buildings, Machinery and Production System Costs Total Farm Size - 20 Acres

Buildings	\$12,000
Irrigation	30,000
Machinery	36,000
Tractor (45 hp)	22,000
Vehicle	12,000
Orchard Establishment Cost	<u>60,000</u>
Total	\$172,000

B.C.T.F. Ltd. Apple Prices



Gross Margin - Sensitivity Analysis

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

PRICE \$/Lb.	Yield Lb. Per Acre			
	20,000	25,000	28,000	30,000
.08	(10)	305	490	615
.10	390	805	1050	1215
.12	790	1305	<u>1610</u>	1815
.20	2390	3305	3850	4215

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.