



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food
Hon. Larry Chalmers, Minister

Peaches - Full Production
Modified Central Leader
311 Trees/Acre
Okanagan Valley
Spring 1991

Agdex 212 - 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 an overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Statement**.

Key Factors Affecting Profit

	Target
Full Production	Year 8
Quantity	30,000 lbs./acre
Price	\$.20 - \$.30 /lb.

Grade and yield are affected by variety, cultural and management practices and fruit quality.

Frequent pest monitoring and proper timing of pest control measures will reduce costs and minimize pest damage.

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

Approximately 55% of the peach crop is marketed through B.C. Tree Fruits Ltd. The remaining 45% is direct marketed through a number of alternate channels including roadside stands and in a variety of processed fruit products.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc							10	20	10		30	30
%Ex	10	10	10	5	20	5	20	20				

The above information is an estimate of the monthly flow of funds from this projected **Gross Margin**. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Establishment Costs	\$3,400 /acre
Direct Expense % of Income	45% - 55%

The above indicators are provided for comparison purposes only.

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PEACHES - 311 Trees/Acre

Modified Central Leader

Gross Margin 1 Acre of Peaches at Full Production

Total Income

	Yield	Price	Unit	Income
Peaches	25,000	\$.22	lb.	\$5,500

Direct Expenses

	Quantity	Price	Unit	Expense
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Fertilizers

Nitrogen	212	\$.27	kg	\$55
MgSO ₄	18	.54	kg	10
Zn SO ₄	38.5	.95	litre	35
Borate 40	9.7	.78	kg	5

Pest Control

Gramoxone	2.19	17.66	litre	40
Dormant Oil	36.4	1.17	litre	45
Guthion	1.1	18.20	kg	20
Thiodan	1.3	16.50	kg	20
Thiodan(2x)136/200Gal	.02		g	5
Ziram	3.2	9.50	kg	30
Fixed Copper	3.6	5.75	kg	20
Rodent Control				5

Other

Irrigation				80
Crop Insurance				245
Fuel Costs				160
Machinery Repair & Maintenance				120

Contract Labour

Pruning, Training	48	7.50	hour	360
Thinning	60	7.50	hour	450
Picking	25,000	.03	lb.	750
Hauling	71	2.70	bin	195

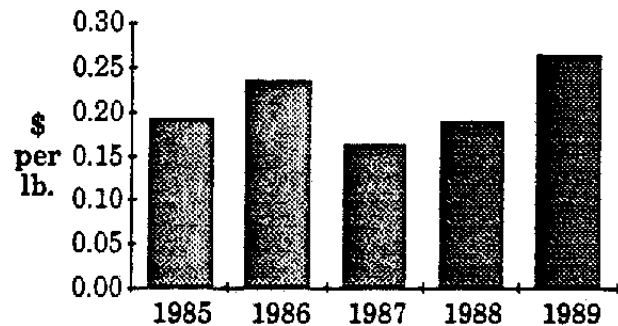
Total Direct Expenses **\$2,650**

Gross Margin **\$2,850**

Buildings and Machinery Replacement Cost Total Mixed Orchard - 23 Acres

Buildings	\$53,000
Machinery	85,600
Irrigation	35,000
Vehicle	15,000
Harvesting Equipment	6,500
Small Tools & Other	<u>4,900</u>
Total	\$200,000

Peach 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			
	15,000	20,000	25,000	30,000
.10	(775)	(465)	(150)	110
.15	(25)	535	1,100	1,610
.22	1,025	1,935	<u>2,850</u>	3,710
.35	2,975	4,535	6,100	7,610

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.