

PLANNING FOR PROFIT



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

Pears - Full Production
Okanagan Valley
Spring 1991

Agdex 215 - 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
Quantity	22,000 lbs/acre
Price	\$.16 - \$.25 /lb.

Cultural and management practices including varietal selection affect grade and yields. Fruit quality also affects grade and returns.

A pest management program is particularly important on pears to control insect pests such as pear psylla.

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 75% of the pear crop is marketed through B.C. Tree Fruits Ltd. The remaining 25% 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	25				25			25	25			
%Exp	5	10	20	20	5	10	5	20	20	5		

The above information indicates the timing of monthly flow of funds included in the **Gross Margin** only. A completed **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Investment	\$8,700 /acre
Picking Costs	\$.013 /lb.
Direct Expense % of Income	50% - 60%

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

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PEARS

Target Yield - 22,000 Lbs/acre

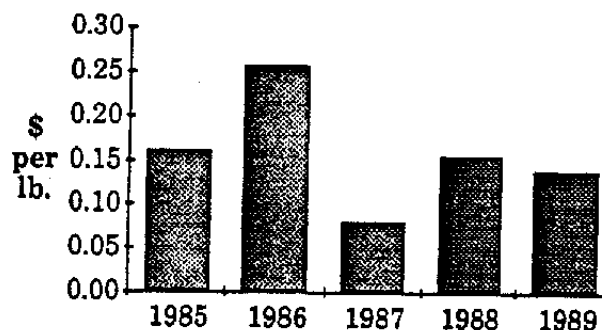
Gross Margin 1 Acre of Pears

Total Income				
	Yield	Price	Unit	Income
Pears	22,000	\$.16	lb.	\$3,520
Direct Expenses				
	Quantity	Price	Unit	Expense
<u>Fertilizers</u>				
Nitrogen				\$35
Foliar Sprays				15
Borate 40	5.3	.78	kg	5
<u>Herbicide</u>				
Gramoxone	2	17.66	litre	35
Roundup	2	13.97	litre	30
<u>Insecticide & Miticide</u>				
Dormant Oil	28	1.17	litre	35
Dormant Oil	14	1.17	litre	15
Guthion	1.1	18.20	kg	20
Insecticidal Soap	9	5.39	litre	50
Thiodan	1.3	16.50	kg	20
<u>Fungicide</u>				
Morestan	1.8	31.25	kg	55
Rodent Control & Misc.				15
Pest Monitoring				60
Hive Rental				80
Irrigation				50
Crop Insurance				155
Fuel, Oil & Lube				160
Machinery Repair & Maintenance				120
Pruning & Training				300
Thinning				240
Picking Labour	22	13.00	bin	285
Yarding & Hauling	22	3.65	bin	80
Total Direct Expenses				\$1,860
Gross Margin				\$1,660

Buildings and Machinery Replacement Cost Total Farm Size - 23 Acres

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

Pear 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	22,000	30,000
.08	(545)	(230)	(100)	405
.12	55	570	780	1,605
.16	655	1,370	<u>1,660</u>	2,805
.25	2,005	3,170	3,640	5,505

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.