



PLANNING FOR PROFIT



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

Agdex 216 - 810

Prunes - Full Production Central Leader - 290 Trees/Acre Okanagan Valley Spring 1991

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 7
Quantity	30,000 lbs./acre
Price	\$.10/lb. - \$.20/lb.

Market return is the most significant variable in assessing profit in establishing and producing prunes. Prunes must be harvested at the right stage of maturity, handled with care and marketed quickly. Early Italian prunes usually bring greater returns per pound than regular Italian prunes, but early Italian prunes are sensitive to sudden hot spells which decreases their yield.

Input costs are relatively low for prunes compared to other types of tree fruit, but traditionally, so are returns.

Marketing Alternatives

The majority of prunes produced in the Okanagan are marketed through B.C. Tree Fruits Ltd. 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								10	30	30	20	10
%Ex			20					10	10	30	30	

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	\$5,250 /acre
Direct Expense % of Income	60% - 70%

The above indicators are provided for comparison purposes only.

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PRUNES - 290 Trees/Acre

Central Leader

Gross Margin 1 Acre of Prunes at Full Production

Total Income

	Yield	Price	Unit	Income
Prunes	30,000	\$.08	lb.	\$2,400

Direct Expenses

	Quantity	Price	Unit	Expense
Fertilizers				
Nitrogen	138	\$.29	kg	\$40
Foliar Sprays				5
Pest Control				
Gramoxone	4.4	17.66	litre	80
Dormant Oil	36	1.17	litre	40
Thiodan	1.3	16.50	kg	20
Thiodan	150	.02	g	5
Captan	2.2	6.85	kg	15
Other				
Hive Rental				40
Irrigation				80
Fuel Costs				160
Machinery Repair & Maintenance				120
Contract Labour				
Pruning, Training	28	7.50	hour	210
Picking	60	9.67	bin	580
Hauling	60	2.55	bin	155

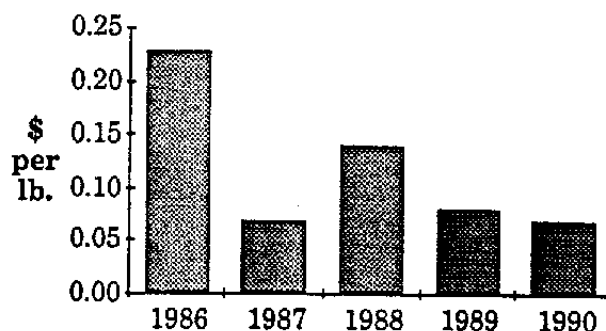
Total Direct Expenses **\$1,550**

Gross Margin **\$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

Prune 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	30,000	32,000
.07	100	330	550	645
.08	300	580	850	965
.15	1,700	2,330	2,950	3,205
.20	2,700	3,580	4,450	4,805

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.