



# PLANNING FOR PROFIT



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

Sour Cherry Establishment  
202 Trees/Acre  
Okanagan Valley  
Spring 1991

Agdex 213 - 810

## Introduction

This budget estimates the direct income and expenses to establish one acre of sour cherries planted at a density of 202 trees/acre (approximately 12' x 18' spacing). It is intended to assist producers in evaluating the financial requirements of the establishment period.

A total farm financial analysis should be completed in order to determine the impact of a new planting on the total business. A complete set of planning forms is available from any district office of the B.C. Ministry of Agriculture, Fisheries and Food.

## Price Sensitivity

The following table shows the impact on gross margin resulting from a change in projected market returns. (bold denotes target values)

Price/lb.	\$ .25	\$ .27	\$ .40
Year			
3	(\$705)	<b>(\$690)</b>	\$45
4	(310)	<b>(260)</b>	140
5	155	<b>255</b>	1,055
6	625	<b>795</b>	2,125
7	1,165	<b>1,290</b>	2,890
8	1,410	<b>1,645</b>	3,510

Market return is the most significant variable in assessing profit in establishing and producing sour cherries. Price alters the budget's projected gross margins. It is important to obtain as much information on potential market returns when developing a budget for your own situation. Quality and variety are just some factors to consider.

## Production Sensitivity

Level - The table below shows the results of a 10 and 20 percent reduction in target production levels on per acre gross margins.

Prod'n. Year	-20%	-10%	Target
3	(\$730)	(\$710)	<b>(\$690)</b>
4	(375)	(320)	<b>(260)</b>
5	25	140	<b>255</b>
6	410	600	<b>795</b>
7	825	1,055	<b>1,290</b>
8	1,105	1,375	<b>1,645</b>

Timing - Projected margins are also affected by how soon trees come into production. The table below summarizes the impacts of delaying target production by 1 and 2 years.

Delay Year	2 Yr.	1 Yr.	Target
3	(\$885)	(\$885)	<b>(\$690)</b>
4	(835)	(640)	<b>(260)</b>
5	(710)	(330)	<b>255</b>
6	(560)	25	<b>795</b>
7	135	905	<b>1,290</b>
8	875	1,260	<b>1,645</b>

These margins demonstrate the importance of obtaining early production on intensive plantings.

Projected yields and timing are affected by fruit quality, horticultural practices, location and weather.

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