



PLANNING FOR PROFIT



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

Sour Cherries - Full Production
202 Trees/Acre
Okanagan Valley
Spring 1991

Agdex 213 - 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	14,000 lbs./acre
Price	\$.30 - \$.50 /lb.

This budget represents a full production year after eight years of gradual increases in yields from planting. Both quantity and quality are sensitive to weather conditions during bloom and harvest. Prices can be very volatile, depending not only on volume and quality, but also on competition from other areas.

Post harvest fruit cooling with cold water maintains higher processing quality. However, market returns and volumes do not always justify this added expense.

Marketing Alternatives

Sour cherries are sold mainly to processors, but opportunities may exist through direct market sales.

Competition from other cherry producing areas greatly affects sales. Prices fluctuate according to other areas of production and have been low in the last few years.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc				55				45				
%Exp	10	10	10	5	10	25	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	\$3,300/acre
Direct Expense % of Income	50% - 60%

The above indicators are provided for comparison purposes only.

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SOUR CHERRIES

Target Yield - 14,000 lbs./acre

Gross Margin 1 Acre of Sour Cherries at Full Production

Total Income

	Yield	Price	Unit	Income
Sour Cherries	14,000	\$.27	lb.	\$3,735

Direct Expenses

	Quantity	Price	Unit	Expense
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Fertilizers

Nitrogen	205	\$.27	kg	\$55
Dolomite Lime	305	.15	kg	45
Foliar Sprays - B, MgSO ₄ , ZnSO ₄ , Zn Chelate				30

Crop Protection

Gramoxone	2	17.66	litre	40
Diazinon	1.8	10.50	kg	20
Dimethoate	1.1	10.40	litre	10
Benlate	1.4	46.75	kg	65
Kumulus S (2X)	2.8	2.07	kg	10
Rodent Control				5

Other

Hive Rental				80
Irrigation				40
Bin Rental	7	5.00	ton	35
Crop Insurance				200
Fuel Costs				160
Machinery Repair & Maintenance				120

Contract Labour

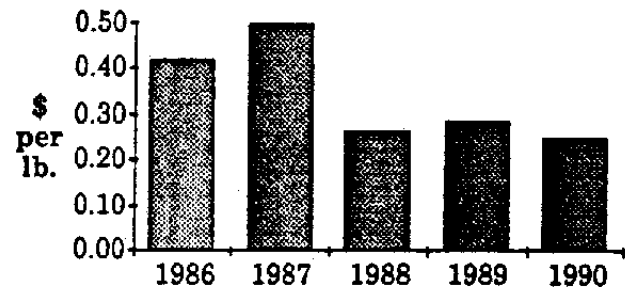
Pruning	25	7.50	hour	185
Picking - hand	3,500	.15	lb.	525
Picking - mech.	10,500	.035	lb.	370
Hauling	26	5.40	bin	40
Total Direct Expenses				\$2,135

Gross Margin **\$1,600**

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	4,900
Total	\$200,000

Sour Cherry 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			
	6,000	10,000	14,000	18,000
.25	(45)	665	1,205	2,075
.27	55	830	1,600	2,375
.35	555	1,665	2,105	3,875
.45	1,155	2,665	4,005	5,675

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.