



PLANNING FOR PROFIT



BRITISH
COLUMBIA

Ministry of Agriculture,
Fisheries and Food

Agdex 231 - 810

Vinifera Wine Grape Establishment 1,210 Vines/Acre Okanagan Valley- Summer 1996

Introduction

This budget estimates the direct income and expenses to establish one acre of Vinifera wine grapes planted at a density of 1,210 vines/acre (approximately 4.5' x 8' 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 contribution margin resulting from a change in projected market returns. (bold denotes target values)

Price/ton	\$1,000	\$1,200	\$1,400
Year			
3	\$150	\$650	\$1,150
4	1,513	2,313	3,113
5	2,238	3,238	4,238

Market return is the most significant variable in assessing profit in establishing and producing Vinifera wine grapes. Price alters the budget's projected contribution 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. Producers should have a market established prior to planting.

Production Sensitivity

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

Prod'n. Year	-20%	-10%	Target
3	\$119	\$385	\$650
4	1,464	1,888	2,313
5	2,177	2,707	3,238

Timing - Projected margins are also affected by how soon vines come into production. The table below summarizes the impacts of target production timing for each establishment year.

Time Year	1 Yr.Delay	Target	1 Yr.Early
3	(\$2,002)	\$650	\$1,180
4	721	2,313	3,374
5	2,177	3,238	3,238

These margins illustrate the outcome of production variations in Vinifera wine grape plantings. Production risks for yields and timing are determined by variety, training system, management, horticultural practices, location and weather.

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VINIFERA WINE GRAPE ESTABLISHMENT BUDGET

Years to Full Production - 5

	Year 1	Year 2	Year 3	Year 4	Year 5
Income (\$/acre)					
Yield (lb./vine)	0	0	4.13	6.61	8.26
Yield (Tons/acre)	0	0	2.5	4.0	5.0
Price (\$/Ton)	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Total Income	\$0	\$0	\$3,000	\$4,800	\$6,000
Direct Expenses (\$/acre)					
<u>Crop Supplies & Services</u>					
Grafted Vines (1,210/acre)*	\$3,025	\$90	\$0	\$0	\$0
Support System (Pendelbogen)*	2,954	0	0	0	0
Irrigation System*	1,500	0	0	0	0
Plant Nutrients	0	60	60	60	60
Pesticides	24	24	24	24	24
Machinery- Fuel & Oil	321	199	209	169	183
- R & M	134	23	110	96	94
<u>Hired Labour</u>					
Ground Prep./Planting/Support Syst.	1,568	41	0	0	0
Pruning/Tying/Training	467	633	819	923	881
Horticultural Operations	238	279	378	292	407
General Labour	361	196	148	148	148
<u>Harvest & Marketing</u>					
Contract Harvesting (\$15/bin)	0	0	188	300	375
Custom Hauling/Yarding (\$20 & \$1.50/bin)	0	0	68	110	138
Marketing Board./Wine Institute Levies	0	0	81	130	162
Water Taxes/Crop Insurance/Other	698	297	265	235	290
Total Direct Expenses	\$11,290	\$1,842	\$2,350	\$2,487	\$2,762
Contribution Margin	(\$11,290)	(\$1,842)	\$650	\$2,313	\$3,238

*May be a capital item. This information is provided as a guideline only. Target yields and prices indicate above average production and quality. 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.