



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Apples - Full Production Slender Spindle 726 Trees/Acre Okanagan Valley Spring 1996

Agdex 211 - 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 **Contribution Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Contribution 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 6
Quality	85% Fancy +
Quantity (Fcy+)	29,750 lbs./acre
Price	\$.15 - \$.25 /lb.

Grade and yield are affected by variety, cultural and management practices and fruit quality.

The orchard should be monitored frequently to reduce costs and minimize pest damage, through proper timing of pest control measures.

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

The majority of apples 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												55
%Ex			10	15	10	5	5		20	30	5	

The above information is an estimate of the monthly flow of funds from this projected **Contribution Margin**. The income reflects a C-2 advance for apples, with the balance received between January and August of the following crop year. A complete **Projected Cash Flow** should include the balance of last year's crop receipts, indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Establishment Costs	\$12,000-13,000/acre
Direct Expense % of Income	35% - 45%

The above indicators are provided for comparison purposes only.

Contact: MIKE SANDERS, P. Ag.
Tree Fruit Specialist
Kelowna
GEORGE GELDART, P. Ag.
Farm Management Specialist
Vernon
Prepared By: ANDREA GUNNER, P. Ag.

APPLES - 726 Trees/Acre

Slender Spindle

Contribution Margin 1 Acre of Apples at Full Production

Income

	Yield	Price	Unit	Income
Target Yield	35,000		lb.	
Fcy+ Grade	29,750	\$.20	lb.	\$5,882
Comm. & Culls	5,250	.00	lb.	0

Total Income **\$5,882**

Direct Expenses

	Quantity	Price	Unit	Expense
<u>Nutrients</u>				
Nitrogen	70	\$.47	kg	\$33
Foliar Sprays				56
<u>Crop Protection</u>				
Herbicide				43
Insecticide				166
Fungicide				112
Pest Monitoring				75
<u>Other</u>				
Chemical Thinning				8
Hive Rental				46
Irrigation				80
Tree & Crop Insurance				384
Fuel Costs				88
Machinery Repair & Maintenance				136
<u>Contract Labour</u>				
Pruning, Training	20	8.55	hour	171
Picking	44	15.00	bin	658
Hauling	44	4.00	bin	175

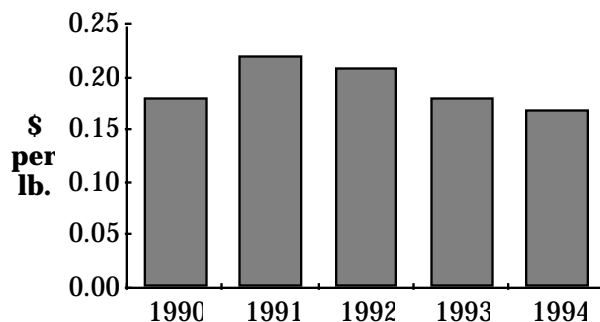
Total Direct Expenses **\$2,231**

Contribution Margin **\$3,651**

Buildings and Machinery Replacement Cost Total Mixed Orchard - 23 Acres

Buildings	\$53,000
Machinery	87,400
Irrigation	35,000
Vehicle	18,000
Harvesting Equipment	6,500
Small Tools & Other	<u>6,100</u>
Total	\$206,000

Apple Price



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as quantity of yield changes and price received varies.

PRICE \$/lb.	85% Fcy+ lb. per Acre			
	20,000	25,000	29,750	35,000
.10	43	402	744	1,024
.15	1,043	2,262	2,232	2,874
.20	2,043	3,694	3,651	4,624
.30	4,043	6,762	6,694	8,124

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.