



**2000 PEACH PRODUCTION BUDGET**  
**Fruit Bearing Trees (Years 4+) <sup>1</sup>**  
**1 Acre**

ITEM	EXPLANATION	PRICE PER UNIT	YOUR BUDGET
<b>REVENUE</b>			
Peaches	6500 lb	\$0.42 /lb	\$2,730 _____
<b>VARIABLE COSTS</b>			
Fertilizer <sup>2</sup>			
N	25 lb	0.23 /lb	6 _____
P <sub>2</sub> O <sub>5</sub>	50 lb	0.28 /lb	14 _____
K <sub>2</sub> O	50 lb	0.13 /lb	7 _____
Herbicides <sup>3</sup>			10 _____
Insecticides <sup>3</sup>			100 _____
Fungicides <sup>3</sup>			85 _____
Fuel, Oil, Grease			25 _____
Repairs			15 _____
Miscellaneous <sup>4</sup>			20 _____
Hired Labor <sup>5</sup>			
Mowing, harvesting, and other	90 hours	7.50 /hr	675 _____
Pruning		1.50 /tree	180 _____
Marketing Costs			
Picking Boxes	135 boxes	1.50 /box	203 _____
Cool Storage	135 bu	0.30 /bu	41 _____
Bee Rental and Maintenance			50 _____
Int. on Oper. Cap. <sup>6</sup>	12 mo.	9.0%	86 _____
<b>TOTAL VARIABLE COSTS</b>	<b>- Per Acre</b>		1516 _____
	<b>- Per Pound</b>		0.23 _____
<b>FIXED COSTS</b>			
Operator Labor Charge <sup>5</sup>	10 hours	7.50 /hr	75 _____
Mach. And Equip. Charge			38 _____
Land Charge	Rent		85 _____
Facilities and Equipment <sup>7</sup>	\$ 30,000	15%	225 _____
Management Charge	5% of gross receipts		137 _____
<b>TOTAL FIXED COSTS</b>			560 _____
<b>TOTAL COSTS</b>	<b>- Per Acre</b>		2076 _____
	<b>- Per Pound</b>		0.32 _____
<b>RETURN ABOVE VARIABLE COSTS</b>			1214 _____
<b>RETURN ABOVE TOTAL COSTS</b>			654 _____

- <sup>1</sup> Price and yield based on historical yield and price received in Ohio. Yield will vary with age of trees. Yield and/or price may vary depending on variety and quality of fruit. Peach trees should reach a maximum production by 5-7 years but will decline after 10.
- <sup>2</sup> Consult OSU Bulletin 458 "Fertilizing Fruit Crops" for specific recommendations
- <sup>3</sup> Consult OSU Bulletin 506A2 "Commercial Tree Fruit Spray Guide" for specific recommendations
- <sup>4</sup> Includes soil tests, small tools, utilities, etc...
- <sup>5</sup> Hired and seasonal labor is considered a variable costs, salaried and operator/unpaid family labor is considered a fixed cost.
- <sup>6</sup> Interest on all variable costs for 12 months at 9% interest rate
- <sup>7</sup> Facilities and equipment valued at \$30,000 expensed at 15% annually for 20 acres.  
Example:  $\$30,000 \times 15\% / 20 \text{ acres} = \$225$   
Includes depreciation, interest, insurance, and repairs.
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## Expenses and Returns Over Life of Trees

Peach trees assumed to last 12 years.

Since a peach orchard lasts as many as 12 years, it is important to examine the time value of money associated with the enterprise. Time value of money is based on the premise that \$1 today is worth more than \$1 in the future. This is basically because the \$1 today can be invested and appreciate in value until some time in the future. Therefore in regards to the peach enterprise, \$1 of return in year one would be worth more than \$1 of return in year ten. Returns in future years need to be discounted to reflect the time value of money. The following table lists the future value and present value of returns from the enterprise.

		Returns Over Total Costs	Present Value
Year	0	-\$934	-\$934
Year	1	-\$1,678	-\$1,525
Year	2	-\$919	-\$760
Year	3	-\$919	-\$690
Year	4	\$654	\$447
Year	5	\$654	\$406
Year	6	\$654	\$369
Year	7	\$654	\$336
Year	8	\$654	\$305
Year	9	\$654	\$278
Year	10	\$654	\$252
Year	11	\$654	\$229
Year	12	\$654	\$209
<b>Total</b>		<b>\$1,440</b>	<b>-\$1,078</b>

**Discount Rate = 10%**

*The discount rate is the degree to which the future values are discounted to reflect current values. It is generally assumed to be equivalent to the amount you could earn in alternative investment opportunities.*

Over the life of the planting, the enterprise will generate \$1,440 in returns. However, since much of the return comes in future years, it is not the same as having \$1,440 in the operator's pocket today. The present value column indicates that if the operator was given the equivalent return in one lump sum today, it would be worth -\$1,078. The difference of the total returns and the present value returns is a result of the time value of money.