

BRIEFING PAPER

GALA APPLE COST OF PRODUCTION 2023

ANDERSONS *Midlands*



PRODUCED BY ANDERSONS MIDLANDS ON BEHALF OF BRITISH APPLES & PEARS LTD

Instruction

British Apples and Pears Ltd (BAPL) instructed Andersons Midlands to prepare an indicative calculation of the cost of production ("COP") of UK-grown Gala apples in 2023. Andersons Midlands works extensively with UK top fruit growers and has access to a considerable volume of data on the economics of UK apple production.

Approach

Experience indicates that there can be a wide range in the COP of Gala, not only between growers and growing seasons, but also within individual businesses (and even orchards).

To account for this variation, the following indicative COP calculation identifies a range of costs for each of the key categories of expenditure in Gala production, from which a median figure is derived.

An initial draft version of the calculation was prepared by Andersons Midlands for presentation to a meeting of a panel of Gala apple growers (whose combined output would represent over 50% of all UK production). Feedback from that meeting, and subsequently, has been taken into account in preparing the following calculation.

Method

The COP calculation has been prepared using the following four main categories of expenditure:

1. Establishment and end of life
2. Growing and harvest
3. Storage and marketing
4. Overhead costs

The costs included in these four main categories are as follows:

MAIN CATEGORY	COSTS INCLUDED
Establishment and end of life	Planting, establishment years 1-4, orchard removal
Growing and harvest	Pruning, tree management, thinning, harvesting, fertilisers, crop protection / crop sundries (e.g. ties, guards, bees, irrigation) / bin depreciation, hire
Storage and marketing	Storage / grading, packing and handling / packaging / haulage / marketing and commission
Overhead costs	Labour (full time, management) / machinery (e.g. depreciation, fuel, repairs) / administration (e.g. office, insurance, telephone, fees) / property (e.g. repairs and maintenance, water rates, waste) / rent and finance (including funding of capital employed)

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Key assumptions:

Average 16-year orchard life with 12 years at full production.

- Yield range at full production of 35–65 tonnes per hectare, with 50 tonne per hectare median.
- 10% reduction applied to annual yield to reflect yield shortfalls – e.g. frost, hail risk.
- Grade-out at an average of 87% Class 1 over 12 years of full production. Balance of crop (13%) either processing or waste and of low/no value.
- Calculations undertaken based on Class 1 yield only.
- Median Class 1 average annual yield adjusted for risk / grade-out = 39.15 tonnes per hectare.

The results are as follows:

CATEGORY	MEDIAN £ PER TONNE	MEDIAN PENCE PER KILO
Establishment/end of life	£94	9p
Growing and harvest	£293	29p
Storage and marketing	£638	64p
Overhead costs	£241	24p
TOTAL	£1,265	126p

Weighted average sale price

The indicative median Gala 2023 COP is £1,265 per tonne, or £1.26 per kilogramme.

This COP represents the weighted average sale price required from all Class 1 sales.

The weighted average sale price is calculated as the % of the crop in each price category x price.

To achieve the weighted average sale price of £1.26 per kilogramme across all pack types, it is clear that some packs will need to achieve a sale price above this average in order to compensate for those whose sale price is below the average.