

# BRIEFING PAPER

## GALA APPLE COST OF PRODUCTION 2024

ANDERSONS *Midlands*



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

### Instruction

In 2023 British Apples and Pears Ltd (BAPL) commissioned Andersons Midlands to prepare an indicative calculation of the cost of production ("COP") of UK grown Gala apples. That paper was published in March 2023.

This paper follows on from that work, updating the Gala cost of production figures for 2024, taking into account the changes in the last year. Most important of these is the 9.8% increase in the National Living Wage that comes into effect on 1st April 2024.

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.

This calculation has, as in 2023, been prepared by Andersons Midlands working with a panel of Gala apple growers (whose combined output would represent over 75% of all production).

### 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
<b>Establishment and end of life</b>	Planting, establishment years 1-4, orchard removal
<b>Growing and harvest</b>	Pruning, tree management, thinning, harvesting, fertilisers, crop protection / crop sundries (e.g. ties, guards, bees, irrigation) / bin depreciation, hire
<b>Storage and marketing</b>	Storage / grading, packing and handling/ packaging / haulage / marketing and commission
<b>Overhead costs</b>	Labour (full time, management) / machinery (e.g. depreciation, fuel, repairs) / administration (e.g. office, insurance, telephone, fees) / property (e.g. repairs & maintenance, water rates, waste) / rent & 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 for 2024 cost of production are as follows:

CATEGORY	MEDIAN £ PER TONNE	MEDIAN PENCE PER KILO
Establishment/end of life	£94	9p
Growing and harvest	£317	32p
Storage and marketing	£663	66p
Overhead costs	£257	26p
<b>TOTAL</b>	<b>£1,330</b>	<b>133p</b>

### Weighted average sale price

The indicative median Gala 2024 COP is £1,330 per tonne, or £1.33 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 £1.33 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.