

Gross margin analysis for one acre of banana

Item	Unit	Quantity	per unit	Yr1	Yr2	Yr3	Yr4	Yr5	Yr 7(Peak)
Variable costs									
Soil & Water Analysis	No	1	3000	3000					
Ploughing		1	3500	3500					
Seedlings (TC)	No	440	150	66000					
Digging of holes	No	440	50	22000					
Manure @10kgs per hole	Kgs	4400	8	35200	35200	44000	44000	52800	61600
DAP Fertilizer 50kg bags	bags	2	3500	7000	0	0	0	0	0
Top dressing fertilizer(Murate Potash)	bags	2	3000	6000	3750	6000	6000	6600	6600
Lime	bags	6	800	4800	0	0	0	0	5280
Fungicide (Triatum) 1kg/acre	Kgs	1	2800	2800	1000	2800	2800	3080	30800
Nematicide	Litres	2	3000	6000	0	0	0	0	66000
Propping poles	No.	440	50	22000	22000	41000	25200	25200	57400
Sub-total				178300	39950	93800	78000	87680	170280
Labour costs									
Manure application	Mandays	4	400	1600	1600	1600	2000	2000	2000
Spraying	Mandays	2	400	800	800	800	800	880	880
Weeding	Mandays	10	400	4000	4000	4000	4000	4400	4400
Top dressing	Mandays	3	400	1200	800	1200	800	1320	1320
Propping	Mandays	5	400	2000	2000	2000	2000	2200	2200
Harvesting	per bunch	440	30	13200	26400	52800	32800	32800	14520
Sub-total				21200	34000	60800	40400	41600	48000
Total Cost of Production				199500	73950	154600	118400	129280	218280
Yield per acre (Kgs/bunch)	Kgs	400	45	18000	36000	32800	32800	31160	42000
Price per Kg	Kgs			18	18	20	22	23	24
Total Revenue				324000	648000	656000	721600	716680	1008000
Gross Margin				124500	574050	501400	603200	587400	789720
Earnings per month				10375	47837.5	41783.33	50267	48950	65810

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Gross Margin Analysis for a Banana Enterprise





Introduction

Gross Margin Analysis is a simple, reliable tool to assess the financial performance of an enterprise. The gross profit for a banana farm is calculated by subtracting the expenses (cost of goods sold) from the sale revenue received. It represents the margin of money left over after selling the product and paying for the direct expenses. It is calculated as follows:

$$\text{Gross Profit} = \text{Sales} - \text{Cost of Goods sold} / \text{cost of production}$$

$$\text{Sales} = \text{Equivalent to revenue, or the total amount of money generated from sales for the period.}$$

$$\text{Cost of Goods Sold (COGS)} = \text{The direct costs associated with producing goods.}$$

What Is the Difference Between Gross Margin and Gross Profit?

Gross margin and gross profit are often used interchangeably, yet they are two different metrics that companies or farms use to measure and express their profitability. While both factors consider a company's revenue and the cost of goods sold, they have distinct characteristics. Gross profit is the revenue minus the cost of goods sold, expressed as a figure. On the other hand, a company's gross margin is the gross profit compared to its sales and is expressed as a percentage.

Gross Margin Formula

The formula to calculate the gross profit margin is as follows:

$$\text{Gross Margin (\%)} = \text{Gross Profit} \div \text{Revenue}$$

Where:

- $\text{Gross Profit} = \text{Revenue} - \text{Cost of Goods Sold (COGS)}$
- $\text{Revenue} = \text{Total sales}$

To express the metric in percentage form, the resulting decimal value figure must be multiplied by 100.

Major Costs Related to Production and Marketing

Fixed costs, commonly known as overhead costs, include expenses that must be paid regardless of any activity or sales generated. These costs are incurred even if the business remains inactive over time. Examples include paying full-time staff, covering office space rent, housing, equipment maintenance, and interest expenses on loans.

Variable costs are those that fluctuate based on output or the level of production. For instance, in a banana farm, variable costs comprise land preparation, hole digging, seedlings, planting, fertilizer application, agrochemicals, pruning, harvesting, and transportation.