



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Agdex 237 - 810

Blueberries Vancouver Island Summer 1995

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 the overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Statement**.

Key Factors Affecting Profit

	Target
Quantity	10,000 lbs./acre
Price	\$2.00 - \$2.50/Lb.

This budget represents a full production year after nine years of gradual increase in yields from establishment.

Important factors that will affect profitability of a blueberry planting are: site selection, soil preparation, variety selection and fertility and water management. Pest and weed control are also factors in determining overall profitability of the operation.

Marketing Alternatives

The marketing alternatives on Vancouver Island include U-pick, roadside stands and contracts with retail outlets. The market area and market potential for each alternative should be identified. The size of operation and supply of pickers are important factors to consider.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc						50	50					
%Ex	20	5	5	5	5	5	20	20	5		10	

The above information indicates the timing of monthly flow of funds included in the Contribution Margin only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Investment	\$15,000-\$17,000/acre
Contract Labour	\$.50/lb.
Direct Expense % of Income	20% - 30%

The above indicators are provided for comparison purposes. They are set out as potential targets for blueberry production.

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BLUEBERRIES

Target Yield - 10,000 Lbs./Acre

Contribution Margin 1 Acre of Blueberries Vancouver Island

Income

	Yield	Price	Unit	Income
U-Pick	5,000	\$2.00	lb.	\$10,000
Hand-Picked	5,000	2.50	lb.	12,500
Total Income				\$22,500

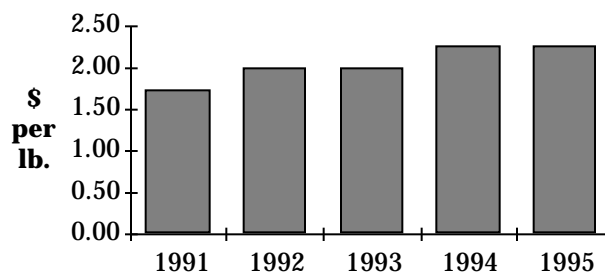
Direct Expenses

	Quantity	Price	Unit	Expense
Crop Supplies and Service				
<u>Fertilizers</u>				
4 - 18 - 25	565	\$.40	kg	\$226
<u>Herbicide</u>				
Gramoxone	2.2	20.95	litre	46
Casoron	22.5	5.92	kg	133
<u>Insecticide</u>				
Malathion (3X)	.4	9.29	litre	11
<u>Fungicide</u>				
Funginex (3X)	1.1	41.03	litre	135
Captan	1.5	9.67	kg	14
Fixed Copper	3	5.57	kg	17
Fuel Costs				163
Machine Repair & Maintenance				245
Picking Labour	5,000	.50	lb.	2,500
Pruning Labour	32	7.00	hour	224
Rentals (Beehives & Outhouses)				150
Irrigation & Water				100
Marketing	3% of sales			675
Marketing Association Membership				30
Cartons	500	.75	each	375
Total Direct Expenses				\$5,044
Contribution Margin				\$17,456

Buildings and Machinery Replacement Cost Total Farm Size - 5 Acres

Buildings	\$6,000
Electric Fence	2,000
Nets	12,500
Power Machinery	20,000
Field Machinery	13,000
Vehicle	18,000
Trickle Irrigation	<u>7,000</u>
Total	\$78,500

Saanich Blueberry 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.	Yield Lbs. per Acre			
	7,000	8,000	9,000	10,000
1.50	5,511	7,846	10,181	12,516
2.00	8,421	11,726	15,031	18,336
2.25	9,876	13,666	<u>17,456</u>	21,246
2.50	11,331	15,606	19,881	24,156

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.