



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Raspberries Vancouver Island Summer 1995

Agdex 237 - 810

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	9,000 lbs./acre
Price	\$2.00 - \$2.50/Lb.

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

Yields are affected by soil type, variety grown, cultural management including fertilization, insect, disease and weed control and primocane management. Prices are affected by quality and quantity of fruit available on the market.

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						20	60	20				
%Exp	5	10	5	5	15	40	20					

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 raspberry production.

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RASPBERRIES

Target Yield - 9,000 Lbs./Acre

Contribution Margin 1 Acre of Raspberries

Income

	Yield	Price	Unit	Income
U-Pick	4,500	\$2.00	lb.	\$9,000
Hand-Picked	4,500	2.50	lb.	11,250
Total Income				\$20,250

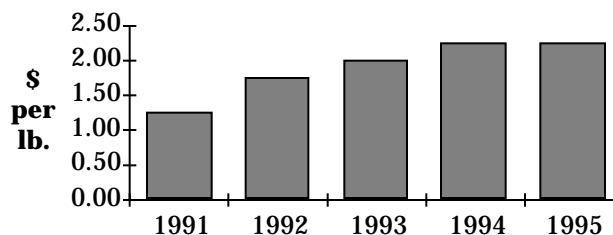
Direct Expenses

	Quantity	Price	Unit	Expense
<u>Crop Supplies and Service</u>				
<u>Fertilizers</u>				
10 - 16 - 18	275	\$.46	kg	\$126
<u>Herbicide</u>				
Gramoxone	3	20.95	litre	63
Princep 9T	1	13.39	kg	13
Goal	1	47.95	litre	48
<u>Insecticide</u>				
Diazinon	.4	14.38	litre	6
<u>Fungicide</u>				
Captan	1.5	9.67	kg	15
Ridomil	2.2	69.93	litre	154
Fuel Costs				74
Machine Repair & Maintenance				122
Picking Labour	4,500	.50	lb.	2,250
Rentals (Beehives & Outhouses)				150
Irrigation & Water				100
Marketing	3% of sales			608
Marketing Association Membership				30
Cartons	450	.75	each	337
Total Direct Expenses				\$4,096
Contribution Margin				\$16,154

Buildings and Machinery Replacement Cost Total Farm Size - 5 Acres

Buildings	\$6,000
Posts & Wires	5,500
Electric Fence	2,000
Power Machinery	20,000
Field Machinery	22,100
Vehicle	18,000
Trickle Irrigation	<u>7,000</u>
Total	\$80,600

Saanich Raspberry 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	7,272	8,439	9,607	10,774
2.00	10,667	12,319	13,972	15,624
2.25	12,364	14,259	<u>16,154</u>	18,049
2.50	14,062	16,199	18,337	20,474

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.