



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Strawberries Vancouver Island Summer 1995

Agdex 232 - 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	10,000 lbs. /acre
Price	\$1.50 - \$2.00 /lb.

This budget represents the heaviest yielding year after two years of increasing yields from the establishment year.

Yields are affected by spring weather, soil type, variety grown, cultural management including fertilization, insect, disease and weed control. Prices are affected by the 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						70	30					
%Exp			5	5	5	55	25	5				

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	\$14,000-16,000/acre
Picking 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 strawberry production.

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STRAWBERRIES

Target Yield - 10,000 Lbs./Acre

Contribution Margin 1 Acre of Strawberries

Income

	Yield	Price	Unit	Income
U-Pick	5,000	\$1.50	lb.	\$7,500
Hand-Picked	5,000	2.00	lb	10,000
Total Income				\$17,500

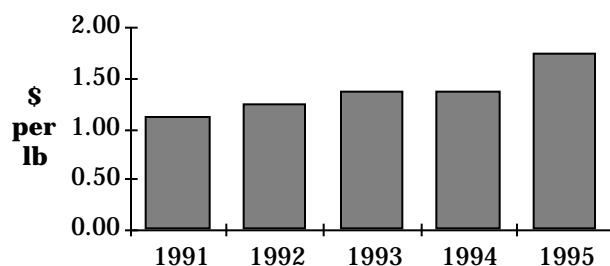
Direct Expenses

	Quantity	Price	Unit	Expense
<u>Fertilizers</u>				
4 - 21 - 25	175	\$.40	kg	\$70
34 - 0 - 0	45	.41	kg	18
<u>Herbicide</u>				
Devrinol	3.75	32.40	kg	122
Princep 9T	1.8	13.39	kg	24
<u>Insecticide</u>				
Diazinon	1.2	14.38	litre	17
<u>Fungicide</u>				
Captan	.8	9.67	kg	8
Ridomil	1.5	69.93	litre	105
Rovral	.8	89.98	kg	72
Fuel Costs				83
Machine Repair & Maintenance				158
Picking Labour	5,000	.50	lb.	2,500
Rentals (Outhouses & Hives)				150
Irrigation & Water				100
Marketing Association Membership				30
Cartons	500	.75	each	375
Total Direct Expenses				\$3,832
Contribution Margin				\$13,668

Buildings and Machinery Replacement Cost Total Farm Size - 5 Acres

Buildings	\$6,000
Electric Fence	2,000
Power Machinery	20,000
Field Machinery	22,000
Trickle Irrigation	7,000
Vehicle	18,000
Hand Tools & Misc.	<u>2,000</u>
Total	\$77,000

Strawberries Saanich 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			
	6,000	8,000	10,000	12,000
1.25	4,818	6,743	8,668	10,593
1.50	6,318	8,743	11,168	13,593
1.75	7,818	10,743	13,668	16,593
2.00	9,318	12,743	16,168	19,593

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.