



PLANNING FOR PROFIT



BRITISH
COLUMBIA

Ministry of Agriculture,
Fisheries and Food

**Strawberries
Full Production
North Okanagan
Fall 1996**

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	8,000 lbs/acre
Price	\$1.50 - \$2.00/lb

This budget profiles the second cropping year which is the heaviest yielding 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 in the North Okanagan include U-pick, roadside stands, farmers' markets and contracts with retail outlets. The market area and market potential for each alternative should be identified. The size of operation and supply of labour 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	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	\$4,500 - \$5,500/acre
Picking Labour	\$0.40/lb
Direct Expenses % of Income	30% - 40%

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

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STRAWBERRIES

Target Yield - 8,000 Lb/Acre

Contribution Margin 1 Acre of Strawberries Second Crop North Okanagan

Income

	Yield	Price	Unit	Income
Ready Picked	8,000	\$1.80	lb.	\$14,400
Total Income				\$14,400

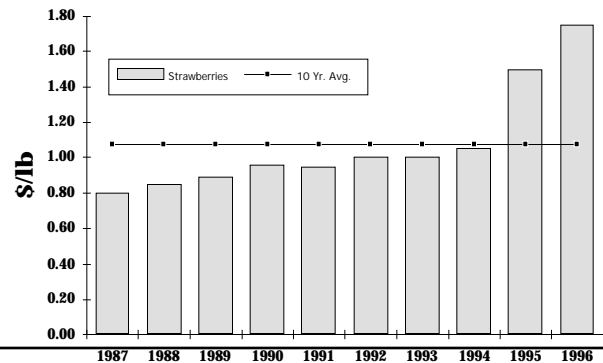
Direct Expenses

	Quantity	Price	Unit	Expense
<u>Plant Nutrients</u>				
34 - 0 - 0	45.00	\$0.36	kg	\$16
<u>Pest Control</u>				
Roundup	0.63	9.95	litre	6
Thiodan (2X)	1.00	14.85	litre	30
Benlate	0.44	53.95	kg	24
Fuel, Oil, Lubrication				88
Machine R & M				85
Marketing				200
Cartons	8,000	0.16	lb	1,312
Picking	8,000	0.40	lb	3,200
Supervisors	56.0	8.50	hour	476
Hand Weeding	40.0	8.50	hour	340
Irrigation & Water				60
Shavings	80	2.18	yard	175
Total Direct Expenses				\$6,012
Contribution Margin				\$8,388

Buildings and Machinery Replacement Cost Total Operation - 2 Acres Total Farm Size - 20 Acres

Buildings	\$ 18,000
Power Machinery	20,000
Field Machinery	17,500
Irrigation	20,000
Hand Tools & Misc.	6,500
Vehicle	<u>18,000</u>
Total	\$100,000

Strawberry Prices



Contribution Margin - Sensitivity Analysis

The table below lists the changes to the contribution margin as quantity of yield changes and price received varies.

PRICE \$/lb	Yield lbs per Acre			
	4,000	6,000	8,000	10,000
1.00	244	1,116	1,988	2,860
1.50	2,244	4,116	5,988	7,860
1.80	3,444	5,916	8,388	10,860
2.00	4,244	7,116	9,988	12,860

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 BC Ministry of Agriculture, Fisheries and Food.