



PLANNING FOR PROFIT

Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Alfalfa Hay - 2 Cut - Round Bale Kamloops District Spring 1993

Agdex 120-810

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
Quality	17% Protein 60% TDN
Quantity	4-5 tons/acre
Price	\$90.00/ton

It is assumed most round bales are used on-farm to feed livestock. To get the best returns from your forage production, balance rations for each class of livestock, feed the amount required for the performance desired, minimize feed waste by using bunks or feeding on clean ground each day. Pasture yields from late fall grazing are included.

Minimize storage losses by stacking properly on a well drained base.

If surplus hay is sold, tightly wrapped, uniform bales are required for trucking.

Marketing Alternatives

Marketing alternatives for hay baled in round bales is limited to local ranchers who may prefer to purchase hay requirements rather than produce their own winter feed supply. There may be an additional requirement for extra feed during drought or bad weather conditions. Hay in round bales is not used by dairy farmers due to the inability to handle the large round bale.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc							10	10	20	30	20	
%Exp				15	5	15	15	15	30	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

Irrigation Equip. Investment	\$415/acre
Equipment Investment	\$720/acre
Building Investment	\$200/acre

The above indicators are provided for comparison purposes. They are set out as potential targets for alfalfa hay production using the round bale system

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