



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Dryland Grass Forage (Seeding) Bulkley Valley Spring 1994

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 Budget**.

Key Factors Affecting Profit

	Target
Quality	63% T.D.N. Target
Quantity	10% Crude Protein
Quantity of Product	4.0 tons/acre, 10,000 lb/ac
Price of Product	\$1.10 - 1.30/lb

In the establishment year, a cover crop of oats and barley would be sown and taken off as silage. A minimal amount of grass forage may be taken off if adequate rainfall is received for seed germination.

The year after establishment, a 75% forage crop would be expected with a full crop the following year. Generally, the ground would be worked in the fall and then reworked and seeded prior to May 15th. Adequate moisture is essential to ensure good seed germination and weed control. Timely harvest is critical to prevent the silage from excessive drying.

Marketing Alternatives

Limited opportunities exist to market grass hay and silage. The majority of the crop is produced for consumption on the farm. Live-stock operations would realize the cash income when forage is transferred to the live-stock enterprise. It is possible to sell excess hay in local markets to individuals with small livestock holdings on limited acreages.

Cash Flow Timing

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

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

Machinery Investment	\$900-1,000/acre
Direct Expenses % of Income	80 - 90%

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

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