



# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture, Fisheries and Food

**Oat Hay (Irrigated)  
North Cariboo  
Summer 1993**

**Agdex 113-810**

## 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

	<b>Target</b>
Quantity	2.5 - 3.5 tons/acre
Price	\$80/ton

It is essential to have a fertilizer program incorporating at least 75 pounds of actual nitrogen per acre, and having all nutrients balanced to minimize lodging. Weed control is a must to ensure a weed free product and to minimize harvest difficulty and losses. There must be adequate storage available with the ability to aerate and control pests.

## Marketing Alternatives

Oat hay produced in the Cariboo can be marketed directly to area beef and horse producers. Value is generally 20% less than regular forage hay. Oats generally out yield other cereal varieties grown for forage, but are also lower in both energy and protein than the other cereals at similar stages of maturity.

## Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc										20	20	20
%Exp		35	20	10	4	4	27					

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

Direct Expense % of Income	45 - 50%
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The above indicators are provided for comparison purposes. They are set out as potential targets for oat hay production.

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