



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

**Feed Peas
Peace River
Spring 1995**

Agdex 142-810

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
Yield	40 bu/acre
Price	\$3.75 - \$4.75/bu

Yield and quality are dependent on selecting the variety to fit the growing environment, soil moisture and structure, proper seedbed preparation, proper seeding depth, and using inoculated, good quality seed. The intended market will also influence the choice of variety. Fields should be clean of weeds, insects and disease populations to ensure high yields and good quality.

Harvest techniques differ from traditional crops and require sufficient management time to ensure a quality product and optimum yields

Marketing Alternatives

Feed peas are normally marketed through elevators and may be sold by a cash bid, production contracts (which may have a food pea option) or by a deferred delivery contract. Producers who load dealer cars may realize substantial savings on elevation charges but to avoid dockage charges, they must ensure that their peas are free of foreign matter.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc										30	40	30
%Exp				15	40	15			20		10	

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	\$150 - 200/acre
Direct Expense % of Income	50% - 60%

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

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FEED PEAS

Target Yield - 40 bu/Acre

Contribution Margin 1 acre of Food Peas

Income

	Yield	Price	Unit	Income
Peas	40	4.25	bu	\$170.00

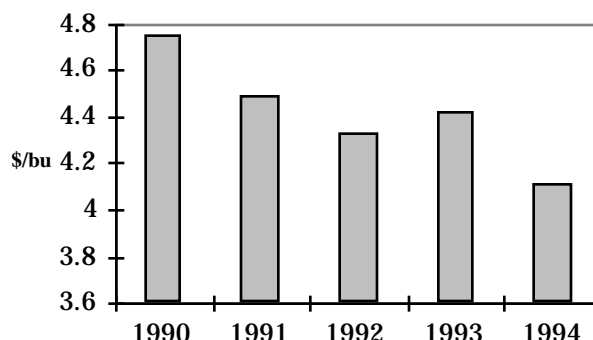
Direct Expenses

	Quantity	Price	Unit	Expense
<u>Seed</u>	3	8.44	bu	\$25.32
Inoculant	3	1.000	bu	3.00
Fungicide	3	1.000	bu	3.00
<u>Fertilizers</u>				
46-0-0	45	0.136	lbs	6.12
12-51-0	100	0.199	lbs	19.90
20-0-0-24	20	0.120	lbs	2.40
<u>Herbicide</u>				
Pursuit	0.085	194.29	l	16.51
Fuel Costs				9.78
Machine Repair & Maintenance				8.37
Trucking				2.21
Total Direct Expense				\$96.61
Contribution Margin				\$73.39

Buildings and Machinery Current Market Value Total Farm Size - 2,500 Acres

Buildings	\$ 59,000
Power Machinery	222,000
Field Machinery	84,000
Tools	<u>15,000</u>
Total	\$380,000

Field Pea Prices



Contribution Margin - Sensitivity Analysis

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

PRICE \$/bu	Yield Bushels Per Acre			
	35	40	45	50
3.25	34.64	53.39	72.14	90.89
4.25	52.14	73.39	94.64	115.89
4.50	60.89	83.39	105.89	128.39
4.75	69.64	93.39	117.14	140.89

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.