



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture, Fisheries and Food

Canola on Stubble
Peace River
Fall 1996

Agdex 149 - 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 | 25 bu/acre |
| Price | \$9.00/bu |

Yields are affected by cultural practices including adequate and balanced fertilizer application and proper and timely weed control.

Timeliness of cultivation and seeding operations helps to conserve soil structure and moisture while good quality seed, variety selection for early maturity and high yield potential combine to maximize yields.

Profitability is improved by utilizing good storage facilities to prevent spoilage.

Marketing Alternatives

The marketing of canola does not come under the auspices of the Canadian Wheat Board. The crop can be sold to local crushing plants, local elevators or grain dealers using a forward contract or on the cash market. This year's anticipated market price for #1 canola is \$9.00/bu. Hedging opportunities are also available for this crop.

Cash Flow Timing

| | J | F | M | A | M | J | J | A | S | O | N | D |
|------|----|---|----|----|----|----|---|---|----|----|----|----|
| %Inc | 25 | * | 20 | * | 10 | * | 5 | * | | | 25 | 15 |
| %Exp | | | 10 | 20 | 20 | 20 | | | 20 | 10 | | |

The above information indicates the timing of monthly flow of funds included in the **Contributory Margin** only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

*Denotes payment made for last year's crop.

Rules of Thumb

| | |
|----------------------------|----------------|
| Bldg. & Equip. Investment | \$150-200/acre |
| Direct Expense % of Income | 45% - 55% |

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

Contact: HARVEY GLASIER, P. Ag., MBA
Farm Management Specialist
Dawson Creek
or your District Office

CANOLA (STUBBLE)

Target Yield - 25 bu/acre

Gross Margin 1 Acre of #1 Canola Canola

Total Income

| | Yield | Price | Unit | Income |
|--------|-------|--------|------|----------|
| Canola | 25 | \$9.00 | bu | \$225.00 |

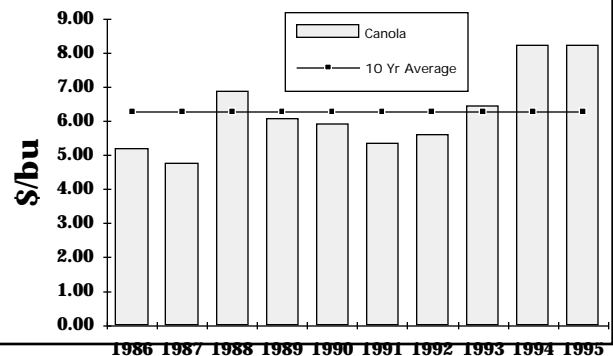
Direct Expenses

| | Quantity | Price | Unit | Expense |
|-------------------------------|----------|--------|-------|-----------------|
| <u>Seed</u> | | | | |
| Certified | 7 | \$1.09 | lb. | \$7.63 |
| <u>Fertilizers</u> | | | | |
| 46 - 0 - 0 | 170 | .17 | lb. | 28.90 |
| 12 - 51 - 0 | 60 | .22 | lb. | 13.20 |
| 0 - 0 - 62 | 10 | .08 | lb. | .80 |
| 20 - 0 - 0 - 24 | 50 | .12 | lb. | 6.00 |
| <u>Herbicide</u> | | | | |
| Poast | .445 | 31.00 | litre | 13.80 |
| Fuel Costs | | | | 11.00 |
| Machine Repair & Maintenance | | | | 9.00 |
| Trucking | | | | 1.70 |
| Crop Insurance | | | | 10.68 |
| Building Repair & Maintenance | | | | 1.25 |
| Total Direct Expenses | | | | \$103.96 |
| Contribution Margin | | | | \$121.04 |

Buildings and Machinery Replacement Cost 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 |

Average Yearly Prices



Contribution Margin - Sensitivity Analysis

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

| PRICE \$/bu | Yield Bushels Per Acre | | | |
|----------------|------------------------|---------------|--------|--------|
| | 21 | 25 | 28 | 32 |
| 5.00 | 1.04 | 21.04 | 36.04 | 56.04 |
| 6.00 | 22.04 | 46.04 | 64.05 | 88.05 |
| 7.00 | 43.04 | 71.05 | 92.05 | 120.05 |
| 8.00 | 64.05 | 96.05 | 120.05 | 152.05 |
| 9.00 | 85.05 | 121.04 | 148.05 | 184.05 |

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.