



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

**Turfgrass
Fraser Valley
Spring 1993**

Agdex 273 - 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
Quantity	5,500 yards ² /acre/year
Price	\$1.00 - \$1.50/yard ²

Turfgrass should have good root development for efficient, early sod-cutting. With experience and good management, growing cycle length necessary to achieve this should be approximately 8-12 months. Turf with less than adequate root development will result in higher harvest losses.

Good weed control is important for production of a quality product.

A proper management program consisting of timely, fertilization, irrigation and mowing will result in optimum speed of turfgrass development and the ability to harvest a crop early.

Marketing

Research into markets is extremely important when deciding to enter the turfgrass industry. Supply, demand and therefore, price can fluctuate dramatically according to the number of farms producing sod and changes in the market, for example, housing construction. Marketing alternatives, depending on the type of turf grown, include selling to the landscaping market and to the recreation markets. Proper species selection for particular target markets is very important.

Cash Flow Timing

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

Investment	\$5,000/acre
Direct Expense % of Income	50% - 60%
Labour	75-85 hours/acre

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

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TURFGRASS

Target Yield - 5,500 yards²/acre/year

Contribution Margin 1 Acre of Turfgrass Fraser Valley

Total Income

	Yield	Price	Unit	Income
Turfgrass	5,500	\$1.15	yard ²	\$6,325

Direct Expenses

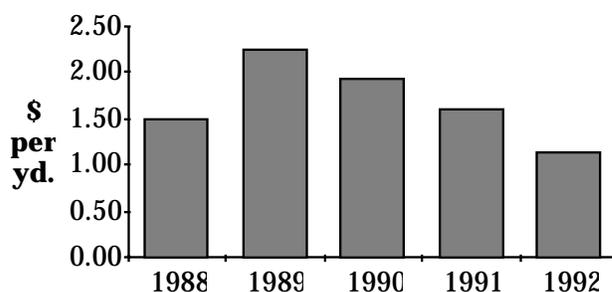
	Quantity	Price	Unit	Expense
Seed	156	\$1.80	lb.	\$281
<u>Fertilizers</u>				
N-P-K				426
Lime	1	43.00	tonne	43
Chicken Manure	35	2.00	yard ²	70
<u>Pesticides</u>				
2,4-D	1.56	4.30	litre	7
Mecoprop	4.25	5.20	litre	22
Fuel & Lube				550
Machinery Repair & Maintenance				289
<u>Labour</u>				
Field Preparation	2.5	12.50	hour	31
Irrigation	12.5	12.50	hour	156
Mowing	30	12.50	hour	375
Harvesting	20	12.50	hour	250
Delivery	17.6	17.00	hour	300
Marketing				500
Irrigation - Power				50
Pallets				50
Total Direct Expenses				\$3,400

Contribution Margin **\$2,525**

Buildings and Machinery Replacement Cost Total Farm Size - 100 Acres

Buildings	\$35,000
Power Machinery	184,500
Field Machinery	88,165
Irrigation System	48,700
Small Tools & Other	6,835
Vehicles	<u>136,800</u>
Total	\$500,000

Fraser Valle Turf Prices



Contribution Margin - Sensitivity Analysis

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

PRICE \$/yard ²	Yield Yards ² per Acre			
	4,000	5,000	5,500	6,000
1.00	200	1,200	1,700	2,200
1.15	800	1,950	<u>2,525</u>	3,100
1.50	2,200	3,700	4,450	5,200
1.90	3,800	5,700	6,650	7,600

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.