



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

**Turfgrass
Southern Interior
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	4,400 yards ² /acre
Price	\$1.15 - \$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 twelve 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	20	20	20	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	\$7,500-\$8,000/acre
Direct Expense % of Income	30% - 40%
Labour	50-60 hours/acre

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

Contact: MICHAEL BETTS, P.Ag.
Field Crop and Turfgrass Specialist
Sidney
LORNE OWEN, P.Ag.
Farm Management Specialist
Abbotsford

Prepared By: ANDREA GUNNER, P.Ag.

TURFGRASS

Target Yield - 4,400 yards²/acre

Contribution Margin 1 Acre of Turfgrass Southern Interior

Total Income

	Yield	Price	Unit	Income
Turfgrass	4,400	\$1.40	yard ²	\$6,160

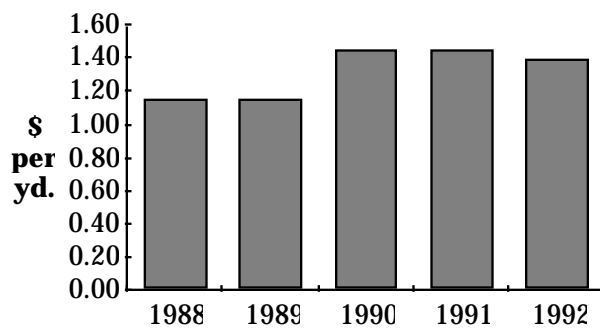
Direct Expenses

	Quantity	Price	Unit	Expense
Seed	125	\$2.00	lb.	\$250
<u>Fertilizers</u>				
N-P-K				125
<u>Pesticides</u>				
2,4-D	1.25	4.30	litre	5
Mecoprop	3.4	5.20	litre	18
Fuel, Oil & Lube				303
Machinery Repair & Maintenance				350
<u>Contract Work</u>				
Field Preparation	2.5	17.00	hour	43
<u>Labour</u>				
Irrigation	10	12.00	hour	120
Mowing	12	12.00	hour	144
Harvesting	16	12.00	hour	192
Marketing				100
Irrigation Water or Power				50
Pallets	10	5.00	each	50
Total Direct Expenses				\$1,750
Contribution Margin				\$4,410

Buildings and Machinery Replacement Cost Total Farm Size - 60 Acres

Buildings	\$35,000
Power Machinery	176,000
Field Machinery	71,365
Irrigation System	42,500
Small Tools & Other	6,835
Vehicles	<u>136,800</u>
Total	\$468,500

Turf Price



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	4,200	4,400	4,600
1.00	2,250	2,450	2,650	2,850
1.20	3,050	3,290	3,530	3,770
1.40	3,850	4,130	<u>4,410</u>	4,690
1.60	4,650	4,970	5,290	5,610

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.