



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

**Late Potatoes
Southern Interior
Spring 1994**

Agdex 161-810

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	17 tons/acre
Grade	100 % # 1
Price	\$200-300/ton

Margins improve with higher yields and better grades. Yield and quality of the product are affected by cultural practices, planting and harvest timing, harvest practices and storage conditions. Certified seed should be used to improve both yield and grade. An integrated pest management program can minimize pesticide use and costs.

A "Vegetable Production Guide for Commercial Growers" is available from the B.C. Ministry of Agriculture, Fisheries and Food.

Marketing Alternatives

Potatoes are produced in southern B.C. under a delivery quota system which is controlled by the B.C. Vegetable Marketing Commission. Most of the production in the Southern Interior is marketed through the Interior Vegetable Marketing Co-operative Agency. Properly stored potatoes can be marketed through to the next early crop season.

Cashflow Timing

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

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

Rules of Thumb

Investment	\$5,000/acre
Labor	30 hrs/acre
Direct Expense as % of Income	55% - 65%

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

Contact: JOHN PRICE, P.Ag.
Interior Vegetable Specialist
Vernon
LORNE OWEN, P.Ag.
Farm Management Specialist
Abbotsford

LATE POTATOES

Target Yield - 17 Tons/acre

Contribution Margin 1 Acre of Late Potatoes

Total Income

	Yield	Price	Unit	Income
Late Potatoes	17	\$251	ton	\$4,267

Direct Expenses

	Quantity	Price	Unit	Expense
--	----------	-------	------	---------

Crop Supplies and Service

Seed	.9	\$220	ton	\$198
Cover crop	.05	90	MT	5

Fertilizer

5 - 17 - 23	.45	410	MT	186
-------------	-----	-----	----	-----

Crop Protection

Fixed Copper (2x)	1.5	12.95	kg	39
Manzate (2x)	.65	9.30	kg	12
Pirimor	.2	84.00	kg	17
Topkill	3.4	24.90	litre	85
Dithane (2x)	.65	8.65	kg	11
Bravo	.75	14.20	litre	11

Fuel, Oil & Lube				170
Repairs & Maintenance				134

Wash & Grade	17	46.00	ton	782
Packaging	17	21.00	ton	357
Marketing Fees	17	18.00	ton	306

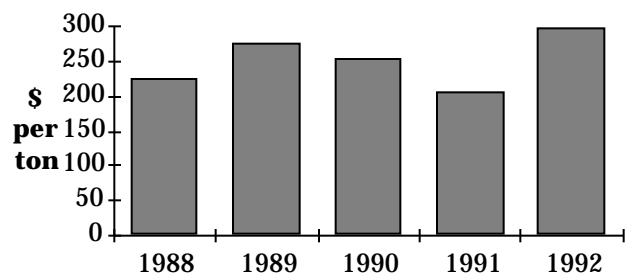
Irrigation				45
Crop Insurance				54
Total Direct Expenses				\$2,412

Contribution Margin \$1,855

Buildings and Machinery Replacement Costs Total Farm Size - 50 acre

Buildings	\$26,000
Power Machinery	50,000
Field Machinery	81,500
Handling Equipment	14,000
Irrigation	24,000
Vehicles	50,000
Small Tools, Fuel Tanks & Other	4,500
Total	\$250,000

Late Potat Prices



Contribution Margin - Sensitivity Analysis

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

PRICE \$/Ton	Yield Tons per Acre			
	13	15	17	19
200	529	759	9489	1,219
325	854	1,134	1,414	1,694
251	1,192	1,524	1,855	2,188
300	1,829	2,259	2,689	3,119

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.