



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Main Season Potatoes Fraser Valley 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 Budget**.

Key Factors Affecting Profit

	Target
Quantity	13 tons/acre
Grade	100% # 1

Yield and quality of the product are affected by cultural and harvest practices. Certified seed should be used to improve 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. The majority of production in the Lower Mainland is marketed through the B.C. Coast Vegetable Co-op Association. Prices are usually highest in late July and decline through August and September.

Cashflow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc							10	30	30	20	10	
%Exp			20	20	20	20	10	10	10	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	\$2,500 - \$3,000/acre
Labor	48 hrs/acre
Direct Expense as % of Income	80% - 90%

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

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MAIN SEASON POTATOES

Target Yield - 13 Tons/ Acre

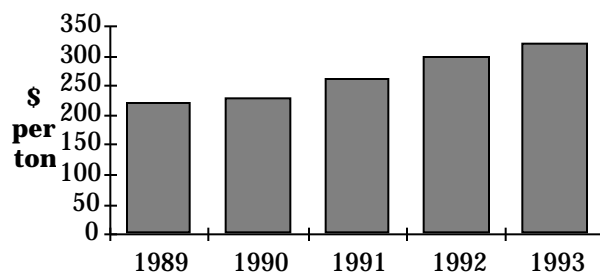
Contribution Margin 1 Acre of Main Season Potatoes Fraser Valley

Total Income				
	Yield	Price	Unit	Income
	13	\$266	ton	\$3,458
Direct Expenses				
	Quantity	Price	Unit	Expense
<u>Crop Supplies and Service</u>				
Seed	.75	\$250	ton	\$187
Cover crop	.05	90	tonne	4
<u>Fertilizer</u>				
8 - 18 - 22	.45	420	ton	190
<u>Crop Protection</u>				
IPM				43
Gramoxone	1	21.60	litre	22
Lorox	1.8	23.70	litre	43
Ambush	.068	146.00	litre	10
Cymbush	.056	91.00	litre	5
Pirimor	.2	84.00	kg	17
Fixed Copper (3X)	1.5	12.95	kg	58
Dithane M45 (3X)	.65	8.65	kg	17
Bravo (3X)	.75	14.20	litre	32
Topkill	3.4	24.90	litre	85
<u>Marketing</u>				
Receiving	13	19.40	ton	252
Wash & Grade	13	22.00	ton	286
Packaging	13	62.40	ton	811
Marketing Fees	13	20.40	ton	265
Marketing Commission Fees				33
Labour	48	7.50	hour	360
Fuel, Oil & Lube				144
Repairs & Maintenance				123
Irrigation				35
Crop Insurance				71
Total Direct Expenses				\$3,093
Contribution Margin				\$365

Buildings and Machinery Replacement Costs Total Farm Size - 160 acres

Buildings	\$65,000
Power Machinery	145,000
Field Machinery	59,700
Handling Equipment	14,000
Irrigation & Drainage	120,000
Vehicles	50,000
Small Tools, Fuel Tanks & Other	6,500
Total	\$460,200

Main Season Potato Price



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			
	11	12	13	14
200	(640)	(566)	(493)	(420)
230	(310)	(206)	(103)	0
266	86	226	365	504
300	460	634	807	980

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.