



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Late 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	17 tons/acre
Grade	100% # 1

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 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. 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	5				5	15	10	10
%Exp	5	5	5	5	15	10	10	10	15	10	5	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	\$2,500 - \$3,000/acre
Labor	48 hrs/acre
Direct Expense as % of Income	70% - 80%

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

Contact: WAYNE ODERMATT, P. Ag.
Provincial Fresh Vegetable Specialist
Cloverdale
LORNE OWEN, P. Ag.
Farm Management Specialist
Abbotsford

Prepared By: ANDREA GUNNER, P. Ag.

LATE SEASON POTATOES

Target Yield - 17 Tons / Acre

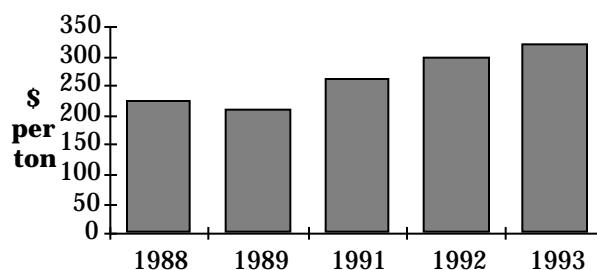
Contribution Margin 1 Acre of Late Season Potatoes Fraser Valley

Total Income				
	Yield	Price	Unit	Income
	17	\$263	ton	\$4,471
Direct Expenses				
	Quantity	Price	Unit	Expense
<u>Crop Supplies and Service</u>				
Seed	.90	\$220	ton	\$198
Cover crop	.05	90	tonne	5
<u>Fertilizer</u>				
5 - 17 - 23	.45	410	tonne	186
<u>Crop Protection</u>				
<u>IPM</u>				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	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	17	19.40	ton	330
Wash & Grade	17	22.00	ton	374
Packaging	17	62.40	ton	1,060
Marketing Fees	17	20.40	ton	347
Marketing Commission Fee				43
Labour	48	7.50	hours	360
Fuel, Oil & Lube				146
Repairs & Maintenance				123
Irrigation				45
Crop Insurance				92
Total Direct Expenses				\$3,641
Contribution Margin				\$830

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

Late 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			
	13	15	17	19
200	(534)	(387)	(241)	(94)
230	(144)	63	269	476
263	285	558	830	1,103
300	766	1,113	1,459	1,806

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.