



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

**Seed Potatoes (Elite III)
North Okanagan
Spring 1992**

Agdex 252.2 - 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 **Gross Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Gross 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
Price	\$120 - \$180/ton

Traditionally, our markets have used Foundation seed (which is now known as Elite IV). However, the demand for Elite III seed continues to increase. The market is more willing to buy Elite III and is willing to pay more per ton for it than for Elite IV seed.

In order to produce Elite III seed, a grower must plant Elite II seed. The cost of Elite II seed is slightly higher than for Elite III seed. Cultural operations for producing Elite IV or Elite III are the same, except that Elite III production requires more time spent inspecting and roguing seed fields so costs are slightly higher than for production of Elite IV seed.

Marketing Alternatives

Seed potatoes may be sold in hundred-weight sacks or in bulk truck loads to growers locally or out of province. The proportion of bulk sales has been increasing in recent years and now accounts for approximately 90 - 100% of total sales.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc				40	40				5	10	5	
%Exp				40	5	10	5	40				

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

Rules of Thumb

Investment	\$10,000/acre
Direct Expense % of Income	35% - 45%

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

Contact: JOHN PRICE, P.Ag.
Interior Vegetable Specialist
Vernon
LORNE OWEN, P.Ag.
Farm Management Specialist
Abbotsford
Prepared By: ANDREA GUNNER, A.I.T.

SEED POTATOES (ELITE III)

Target Yield - 17 Tons/Acre

Gross Margin 1 Acre of Seed Potatoes (Elite III)

Income

	Yield	Price	Unit	Income
Elite III	16	\$180	ton	\$2,880
	(3,200)	9.00	cwt)	
Over Size	1	120	ton	120
	(20)	6.00	cwt)	
Total Income				\$3,000

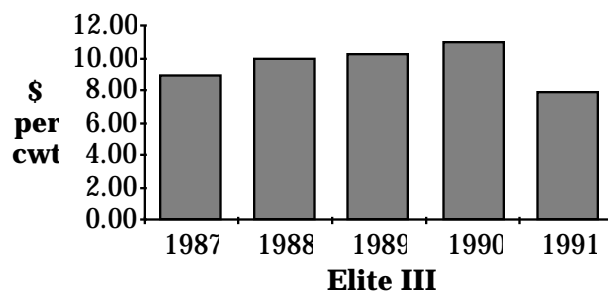
Direct Expenses

	Quantity	Price	Unit	Expense
Elite II Seed	18	\$12.00	cwt	\$216
Fertilizers				55
<u>Pest Control</u>				
Eptam	3	9.23	litre	28
Ambush (2X)	.07	179.60	litre	25
Cygon	.345	11.03	litre	4
Monitor (2X)	.8	21.85	litre	35
Thimet	8	5.04	kg	40
Reglone	1.5	18.40	litre	27
Fuel Costs				86
Machine Repair & Maintenance				150
<u>Contract Labour</u>				
Seeding, Rogueing & Harvest				275
Land Rental				125
Irrigation				35
Inspection Fees				5
Storage Costs				25
Marketing Costs				20
Total Direct Expenses				\$1,151
Gross Margin				\$1,849

Buildings and Machinery Replacement Cost Total Farm Size - 50 Acres

Buildings	\$160,000
Power Machinery	85,000
Field Machinery	75,500
Irrigation System	30,000
Grading, Packing & Other	74,500
Vehicle	<u>76,000</u>
Total	\$501,000

Seed Potat Prices



Gross Margin - Sensitivity Analysis

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

PRICE \$/Ton	Yield Tons per Acre			
	10	15	17	20
120.00	7	586	889	1,165
150.00	307	1,036	1,399	1,765
176.47	572	1,433	<u>1,849</u>	2,295
250.00	1,307	2,536	3,099	3,765

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.