



# PLANNING FOR PROFIT



BRITISH  
COLUMBIA

Ministry of Agriculture,  
Fisheries and Food

**Broiler Breeders  
Fraser Valley  
Summer 96**

**Agdex 450 - 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 and risk.

The **Contribution Margin** must provide funds for interest, overhead and other fixed 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	
Total Yield/Hen Housed	144
Eggs Saleable to Hatchery	94%
Hatchability	82%
Pullet Mortality	less than 4%
Lay House Mortality	less than 9%

The quality of pullets reared is fundamental to profit during the laying cycle. Broiler hatching egg production requires excellent management of feed, water, light, environment, and flock health to achieve best results. Bird weights and flock uniformity should be closely monitored through the pullet stage and until peak egg production has passed so that timely adjustments can be made to correct body development and egg production. Care of hatching eggs through proper management of the nests, egg collection and storage will ensure the highest hatchability.

## Marketing Alternatives

Hatching egg production in B.C. is controlled by the B.C. Broiler Hatching Egg Commission (BCBHEC). Producers must adhere to set standards which include minimum floor, feed, and water space requirements for both pullet raising and laying facilities. Quota regulates the number of birds which may be started as chicks over a two year quota cycle. Producers may contract with local hatcheries to supply their requirements.

## Cash Flow Timing

Individual flocks require a 24 week growing period which is normally followed by a 38 week laying period. Depending on facilities and hatchery arrangements, producers will schedule one to four flocks per year and therefore flow of funds related to contribution margin will vary depending on the situation. A completed **Projected Cash Flow** should include fixed expenses, capital sales and purchases, loans, and personal expenses.

## Rules of Thumb

Direct Expenses as % of Income	65%
Labour Estimate	60 hrs/week
Investment/quota bird	\$45-\$50

\*Note: quota birds based on 2 year cycle

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

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# BROILER BREEDERS

## Target Yield - 136 Hatching Eggs/Hen Housed

### Contribution Margin 1 Breeder/Year Fraser Valley

#### Income

	Yield	Price	Unit	Income
Egg Sales	11.33	\$3.44	doz	\$38.98
Off Farm Sales	0.67	0.60	doz	0.40
Spent Fowl				.76
<b>Total Income</b>				<b>\$40.14</b>

#### Direct Expenses

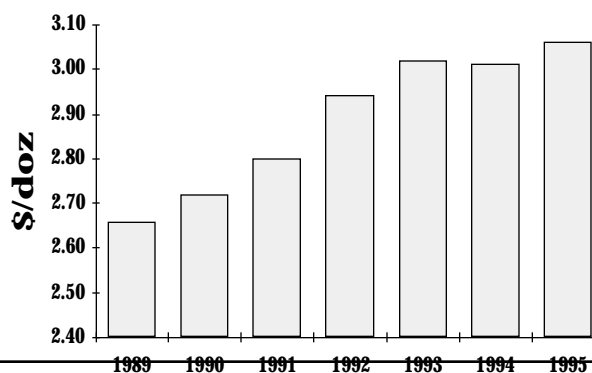
	Quantity	Price	Unit	Expense
Lay Feed		\$340	MT	\$15.98
Pullet			bird	\$8.05
Board Levy			bird	1.07
Bedding			bird	0.10
Hauling			bird	0.20
Debeaking			bird	0.05
Utilities			bird	0.50
Repair & Maintenance			bird	0.40
Veterinary Supplies			bird	0.15
<b>Total Direct Expenses</b>				<b>\$26.50</b>
<b>Contribution Margin</b>				<b>\$13.64</b>

This margin is estimated to be reduced by about \$2.50 per bird due to hired labour over and above owner-manager.

### New Buildings & Equipment Costs 28,000 Bird Quota

Buildings	\$420,000
Barn Equipment	280,000
Miscellaneous Equipment	<u>40,000</u>
<b>Total Buildings &amp; Equip.</b>	<b>\$740,000</b>
Quota (approx.)	\$22/quota bird

### Hatching Egg Prices



### Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as the average cost of feed and market price vary.

Feed \$/tonne	Price/dozen				
	2.75	3.00	3.25	3.50	3.75
<b>300</b>	7.70	10.53	13.36	16.20	19.03
<b>325</b>	6.52	9.36	12.19	15.02	17.85
<b>350</b>	5.35	8.18	11.01	13.85	16.68
<b>400</b>	3.00	5.83	8.66	11.50	14.33

This information is provided as a guideline only. Target yield indicates above average production. An individual livestock plan should be developed by each producer.