



# PLANNING FOR PROFIT



Ministry of Agriculture,  
Fisheries and Food

**Layers**  
**Vancouver Island**  
**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

	<b>Target</b>
Production	295 eggs/hen
Quality	94-96% Grade A
Feed Conversion	1.65 kg/dozen

The quality of pullets reared is fundamental to profit during the laying cycle. High quality feed and a good feeding program throughout the cycle are required to maximize production. Nutrient requirements vary with the age of the bird and are directly related to the rate of production, body weight, ambient temperature, disease, stress, feed quality, age and feather cover. Layers obtain the best levels of feed efficiency when the temperature within the laying house is maintained between 21 - 24 degrees Celsius.

## Marketing Alternatives

Egg production in B.C. is controlled by the B.C. Egg Marketing Board. All producers must have sufficient quota for all laying hens housed in their facilities. Producers can grade and market their own eggs or sell them to a local grading station. Hen productivity is increasing while demand for table eggs is not. Production quotas can be reduced accordingly.

## Cash Flow Timing

	<b>J</b>	<b>F</b>	<b>M</b>	<b>A</b>	<b>M</b>	<b>J</b>	<b>J</b>	<b>A</b>	<b>S</b>	<b>O</b>	<b>N</b>	<b>D</b>
%Inc	8	8	8	8	8	8	8	8	8	8	8	8
%Exp	8	8	8	8	8	8	8	8	8	8	8	8

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

## Rules of Thumb

Direct Expenses as % of Income	70%
Estimate of Labour	40 hrs/week

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

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# LAYERS

## Target Yield - 295 Eggs/Hen

### Contribution Margin 1 Hen Vancouver Island

#### Income

	Yield	Price	Unit	Income
Grade A XL	7.38	\$1.50	doz	\$11.07
Grade A L	12.29	1.50	doz	18.44
Grade A M	3.69	1.43	doz	5.28
Other Eggs	1.23	0.40	doz	0.49
Spent Hen				0.14

**Total Income** **\$35.42**

#### Direct Expenses

	Quantity	Price	Unit	Expense
Layer Feed	40.563	\$0.330	kg	\$13.39
Pullets		4.75	bird	4.75
Levies		0.22	doz	5.41
Utilities		0.23	bird	0.23
Vet & Medicine & Pesticide		0.10	bird	0.10
Catching & Moving		0.07	bird	0.07
Barn Cleaning & Sawdust		0.18	bird	0.18
Bldg & Equipment R&M		0.25	bird	0.25

**Total Direct Expenses** **\$24.38**

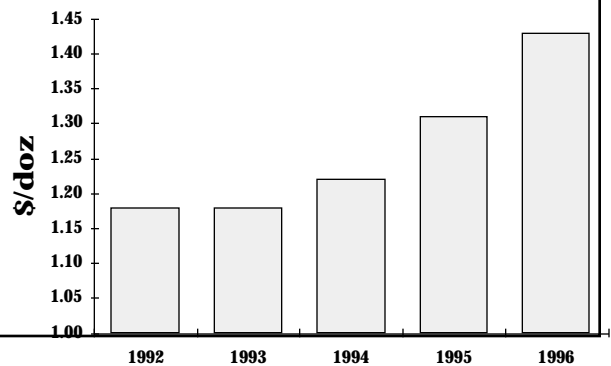
**Contribution Margin/Hen** **\$11.04**

**Contribution Margin/Dozen** **\$0.45**

### Buildings, Equipment, & Quota Replacement Costs 15,000 Bird Capacity

Buildings	\$150,000
Barn Equipment	150,000
Miscellaneous Equipment	<u>30,000</u>
<b>Total Buildings &amp; Equip.</b>	<b>\$330,000</b>
Quota per Layer (off farm)	\$45/bird

### Egg Prices Grade A Large



### Contribution Margin - Sensitivity Analysis

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

Feed \$/Tonne	Eggs per Hen			
	290	295	300	305
<b>300</b>	11.64	12.24	12.84	13.44
<b>325</b>	10.63	11.23	11.82	12.42
<b>350</b>	9.62	10.21	10.81	11.41
<b>375</b>	8.60	9.20	9.80	10.39

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