



# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture, Fisheries and Food

## Thoroughbred Yearlings Breeding Farm with Pasture Fraser Valley Summer 1995

Agdex 455 - 810

### Introduction

This planning outline provides thoroughbred breeders with a general guide to the direct expenses and a **Contribution Margin** for raising a thoroughbred yearling for market sale. All breeders are encouraged to undertake a more detailed business plan that considers the specific characteristics of their farm. This business plan should also include a **Projected Income Statement** and **Projected Cash Flow Statement**.

The income in the **Contribution Margin** is based on the average price of yearlings at the summer select and fall mixed sales from 1990-1995.

### Key Factors Affecting Contribution Margin

The key factors which affect profitability of the **Contribution Margin** are the quality of the dam and the sire.

Selecting brood mares of good pedigree and with good production record is important to the feasibility of the operation to ensure that they produce highly saleable foals each year. Selecting a stallion of good pedigree and good production record will increase the saleability of the yearling produced and the associated revenue from that sale.

Good pasture maintenance through site selection, fertilizer application, proper weed control, regular pasture re-establishment and suitable grazing practices will reduce feed and bedding costs.

Years in which a live foal is not produced still incur carrying costs for the maintenance of the mare.

### Horse Race Improvement Fund

The British Columbia Horse Race Improvement Fund (H.R.I.F.) provides incentive awards to breeders of horses that finish first through third in most races in B.C. Breeders of horses foaled in the first 6 years of the program received \$1,000 per foal **on average** from the fund. Proceeds from the H.R.I.F. have not been included in this budget.

Breeders should familiarize themselves with the details of the H.R.I.F. program and any changes to it.

### Cash Flow Timing

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
%Inc			100	
%Exp	15	60	10	15

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

### Target Production

Target	3 Live Foals/Mare/4 Years
Pasture Investment	\$155/acre/year

The above indicators are provided for comparison purposes. They are set out as potential targets for thoroughbred breeding.

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# THOROUGHBRED YEARLING

## Contribution Margin 1 Brood Mare, Foal & Yearling 150 Days of Pasture Feeding

### Total Income

	Yield	Price	Unit	Income
Yearling Foal	1	\$8,000	each	\$8,000

### Direct Expenses

	Quantity	Price	Unit	Expense
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#### Farm Grown Feed

##### Pasture:

18 - 18 - 18	135	\$.25	kg	\$34
34 - 0 - 0 - 11	35	.235	kg	8
Lime	.8	45	MT	36
Fuel Costs				10
Machinery R & M				15
Pasture Re-establishment				50

#### Purchased Feed

##### Grain:

Mare & Foal	.9	302.5	ton	272
Yearling	.4	302.5	ton	121

##### Hay:

Mare & Foal	2.3	190	ton	437
Yearling	1.2	190	ton	228

Minerals & Salt				10
Bedding				115
Farrier				200

#### Vet & Medicine

2 Vet Visits				400
Medicine				100
Breeding Fee				2,500
Marketing & Sales Prep				500
Registration Fees				250

**Total Direct Expenses** **\$5,286**

### Contribution Margin @

**100% Live Foal** **\$2,714**

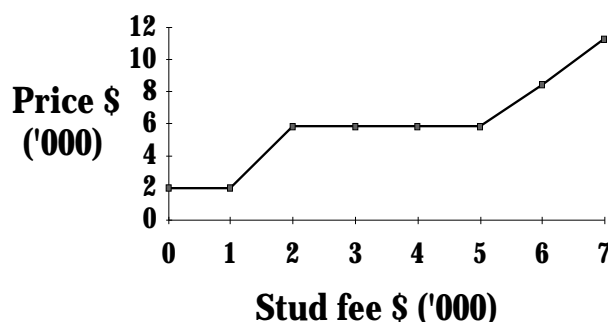
### Contribution Margin @

**75% Live Foal** **\$2,035**

## Buildings and Machinery Replacement Cost Total Farm Size - 5 Acres Number of Mares - 3

Buildings	\$15,000
Farm Equipment	27,000
Fencing	6,000
Breeding Stock	15,000
Vehicle & Horse Trailer	<u>20,000</u>
<b>Total</b>	<b>\$74,000</b>

## Yearling Price vs Stud Fee ( '86-'89)



## Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as quality of pasture changes and weighted feed cost varies.

PRICE \$/ton	Days on Pasture			
	50	100	150	200
<b>350</b>	2754	2703	2652	2601
<b>302</b>	2816	2765	2714	2663
<b>250</b>	2884	2833	2782	2731
<b>200</b>	2949	2898	2847	2796

This information is provided as a guideline only. Target yield indicates above average production. An individual livestock 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.