



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture,
Fisheries and Food

Organic Whole Beans for Processing Fraser Valley Fall 1996

Agdex 252 - 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 Statement**.

Key Factors Affecting Profit

	Target
Quantity	2.5 tons/acre
Price	\$650 - \$700/ton

The land must be prepared thoroughly to minimize weed problems. Beans should be rotated with other crops to reduce the incidence of pest and disease problems. Beans are susceptible to mold infestations during wet conditions later in the season. There are no control methods at this time.

Yields are enhanced by an irrigation when the pods are 1" - 2" in diameter.

A "Vegetable Production Guide for Commercial Growers" is available from the BC Ministry of Agriculture, Fisheries and Food.

Marketing Alternatives

Organic beans for processing are a new crop for BC. Processors negotiate contracts with organic growers prior to planting. The ideal harvest window for this crop is during the month of August.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc									33	33	34	
%Ex				20	40		10	50				

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.

Labour Time

Land Preparation	4 hrs/acre
Fertilizing	0.5 hrs/acre
Planting	0.5 hrs/acre
Weed Control	3.5 hrs/acre

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

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ORGANIC WHOLE BEANS

Target Yield - 2.5 tons/acre

Contribution Margin 1 acre of Organic Whole Beans for Processing Fraser Valley

Total Income

	Yield	Price	Unit	Income
Organic Beans	2.5	\$675	ton	\$1,688

Direct Expenses

	Quantity	Price	Unit	Expense
<u>Crop Supplies</u>				
Seed	60	\$2.00	lb	\$120
Innoculant	1	4.00	pkg	4
<u>Nutrients & Crop Protection</u>				
Poultry Manure	8	6.00	yard	48
Lime				47
<u>Machinery Costs</u>				
Land Preparation				100
Fertilizing				35
Planting				15
Weed Control				34
Irrigation (2X)				16
<u>Marketing</u>				
Packaging	700	1.35	case	945
Transport	700	1.50	case	1,050
Cooling	700	1.00	case	700
<u>Contracts & Custom Work</u>				
Hand Weeding	12	8.55	hour	103
Certification				10
Total Direct Expenses				\$532
Contribution Margin				\$1,156

Buildings and Machinery Replacement Cost Total Farm Size - 60 acres

Office, Workshop & Storage	\$ 50,000
Power Equipment	57,000
Field Equipment	76,400
Irrigation	27,000
Drainage	27,000
Harvest Equipment	8,000
Vehicle	18,000
Small Tools & Other	6,600
Total	\$270,000

Organic processing beans are a new crop in BC. The current buyer for this crop is a US company which pays in US funds. Prices indicated are based on a Canadian dollar conversion of 1.35.

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			
	2.0	2.25	2.5	3.0
500	468	593	718	968
600	668	818	968	1,268
675	818	987	1,156	1,493
800	1,068	1,268	1,468	1,868

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 BC Ministry of Agriculture, Fisheries and Food.