



# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture, Fisheries and Food

## Tomatoes Okanagan Valley Spring 1994

Agdex 257 - 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

	<b>Target</b>
Quantity	25,000 lbs.
Price	\$.25 - .40/lb.

A well-managed tomato crop has the potential to produce heavily over the season. The ability to market a major portion of the crop is a key factor affecting profitability. Prices can range from under \$.20/lb. for u-pick depending on supply and quality. Tomato hornworm and Colorado potato beetle can be significant pests.

Variety selection is critical to the production of a good quality, marketable product. The B.C. Vegetable Production Guide provides variety and other production recommendations.

### Marketing Alternatives

Tomatoes can be sold through roadside stands, farmers' markets or to selected grocery stores. There is no longer a processor in the interior so investigate and develop marketing options prior to planting. Direct markets take time to develop and both promotion and location are important.

### 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								70	30			
%Exp			15	20	5	15	35	10				

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.

### Rules of Thumb

Investment	\$7,000/acre
Direct Expense % of Income	45 - 55%

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

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

# TOMATOES

## Yield - 25,000 lbs./acre

### Contribution Margin 1 Acre of Tomatoes

#### Total Income

	Yield	Price	Unit	Income
Tomatoes	25,000	\$.30	lb.	\$7,500

#### Direct Expenses

	Quantity	Price	Unit	Expense
Plants	76	\$8.00	flat	\$608

#### Fertilizers

11 - 52 - 0	200	.50	kg	100
21 - 0 - 0 - 24	22.7	.37	kg	8
20 - 20 - 20	18	.40	kg	7

#### Pest Control

Ambush (2X)	.056	146.00	litre	16
Thiodan	.6	9.30	litre	6
Dithane	.8	8.65	kg	7
Fixed Copper	1.1	12.95	kg	14

#### Labour

Planting	8	7.50*	hour	60
Weeding	50	7.50	hour	375
Harvesting	100	7.50	hour	750
Sorting & Packing	100	7.50	hour	750

Advertising				150
Boxes				470

Fuel, Oil & Lube				131
Machinery Repair & Maintenance				176

**Total Direct Expenses** **\$3,628**

**Contribution Margin** **\$3,872**

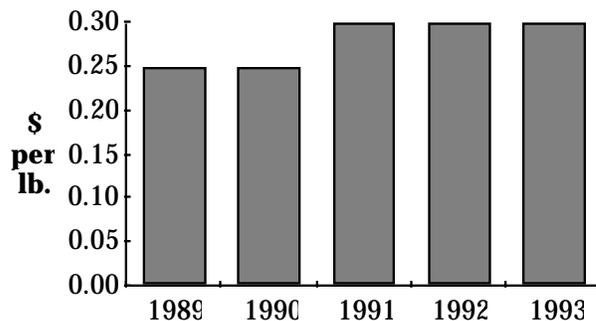
\*includes UIC, CPP, etc.

### Buildings and Machinery Replacement Cost Total Farm Size - 20 acres

Buildings	\$7,500
Cooler	5,000
Power Machinery	26,000
Field Machinery	55,000
Irrigation System	16,000
Vehicle	23,000
Small Tools & Other	<u>5,000</u>

**Total** **\$137,500**

### Tomato Price



### Contribution Margin - Sensitivity Analysis

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

PRICE \$/lb.	Yield Lbs. per Acre			
	15,000	20,000	25,000	30,000
<b>.20</b>	(28)	672	1,372	2,072
<b>.25</b>	722	1,672	2,622	3,572
<b>.30</b>	1,472	2,672	<b>3,872</b>	5,072
<b>.40</b>	2,972	4,672	6,372	8,072

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.