



PLANNING FOR PROFIT



BRITISH
COLUMBIA

Ministry of Agriculture,
Fisheries and Food

**Yellow Onions
Fraser Valley
Fall 1996**

Agdex 251.7 - 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 Budget**.

Key Factors Affecting Profit

	Target
Quantity	20 tons/acre
Price	\$250-\$400/ton

A constant moisture supply is essential to this shallow-rooted crop; irrigation is usually discontinued after the first week in August. Good disease and insect management programs are necessary; an integrated pest management service may be an effective method to ensure optimum timing of pesticide applications.

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

Marketing Alternatives

Onions grown in southern BC are a regulated crop under the auspices of the BC Vegetable Marketing Commission. The majority are marketed through the Lower Fraser Valley cooperatives: Cloverdale Lettuce & Vegetable Cooperative (604-576-1848) and the Lower Mainland Vegetable Distributors Inc. (604-946-3139).

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	10	10								20	20	20
%Exp		10	10	10	10	10	10	10	15	15	5	5

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	\$6,000 - \$7,000/acre
Contract Labour	60 hour/acre
Direct Expense % of Income	60% - 70%

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

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YELLOW ONIONS

Target Yield - 20 Tons

Contribution Margin 1 Acre of Yellow Onions Fraser Valley

Income

	Yield	Price	Unit	Income
Can # 1 - Sm	1.50	\$255.45	ton	\$383
Can # 1 - Med	17.00	340	ton	5,790
Can # 1 - Lg	1.50	340	ton	511
Total Income				\$6,684

Direct Expenses

	Quantity	Price	Unit	Expense
Seed	370	\$1.50	1,000	\$555

Fertilizers & Pest Control

4 - 18 - 25	450	0.43	kg	195
Calcium-Nitrate	110	0.43	kg	47
Manure	25	2.00	yard	50
Lime	0.5	59.00	MT	29
Goal (2X)	0.125	50.30	litre	13
Gramoxone	2.2	21.60	litre	48
CIPC	6	34.90	litre	209
Cymbush (3X)	0.11	76.72	litre	25
Dyfonate	5	5.45	kg	27
Copper (2X)	1.2	5.75	kg	14
Dithane M45	0.9	11.63	kg	10
MH 60	1.5	30.53	kg	46
Rovral	0.6	91.64	kg	55
Prowl	2.5	14.16	litre	35
Pro-Gro	237.5	0.50	g	119
Dibrom	0.22	31.29	litre	7
Zineb	0.9	11.49	kg	10
I.P.M.				40

Fuel, Oil, Lubrication

147

Machine R & M

162

Marketing Costs

Co-op Charges	20	68.52	ton	1,370
Wash & Grade	20	36.00	ton	720
Contract Labour	59.5	8.00	hour	476
Irrigation Water & Power				45

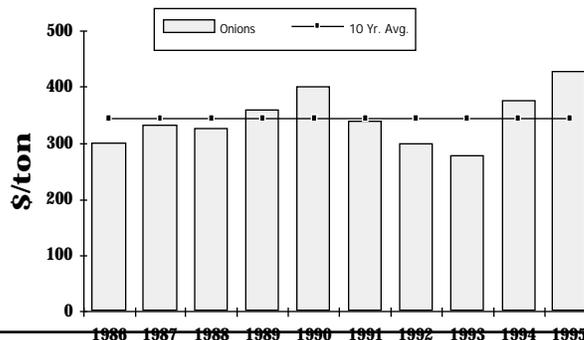
Total Direct Expenses **\$4,454**

Contribution Margin **\$2,230**

Buildings and Machinery Replacement Cost Total Farm Size - 60 acres

Buildings	\$ 60,000
Power Machinery	99,000
Field Machinery	78,500
Product Handling Equipment	37,500
Irrigation & Drainage	81,000
Vehicles	<u>43,000</u>
Total	\$399,000

Yellow Onion Prices



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			
	18	19	20	21
250	254	400	545	691
300	1,154	1,350	1,545	1,741
334	1,770	2,000	2,230	2,459
400	2,954	3,250	3,545	3,841

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.