



# PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture,  
Fisheries and Food

**Early Cabbage  
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

|          | <b>Target</b>        |
|----------|----------------------|
| Quantity | 700 - 800 cases/acre |
| Price    | \$8.00 - \$9.00/case |

On Cloverdale mucks, plant in 4 row raised beds with 36 cm between rows and 41 cm between plants. Ensure rapid establishment by planting healthy seedlings, using proper fertilization and appropriate irrigation.

Mature heads may split if rain or heavy irrigation follows a prolonged dry spell. Splitting may be reduced with deep cultivation between rows to break some of the roots. Some varieties are more resistant to splitting than others.

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

## Marketing Alternatives

Cabbage is grown in southern BC under a delivery quota system. The majority of product is marketed through the two 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 |   |    |    |    |    |    | 40 | 40 | 20 |   |   |   |
| %Exp |   | 10 | 10 | 10 | 10 | 30 | 30 | 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                 | \$6,000 - \$7,000/acre |
| Contract Labour            | 250 - 270 hours/acre   |
| Direct Expense % of Income | 70% - 80%              |

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

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# EARLY CABBAGE

## Target Yield - 750 Cases/Acre

### Contribution Margin 1 Acre of Early Cabbage Fraser Valley

**Total Income**

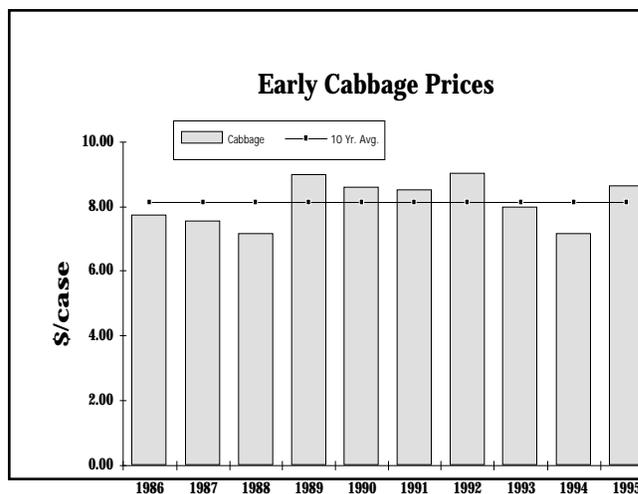
|          | Yield | Price  | Unit | Income  |
|----------|-------|--------|------|---------|
| Grade #1 | 750   | \$8.26 | case | \$6,198 |

**Direct Expenses**

|                              | Quantity | Price   | Unit  | Expense        |
|------------------------------|----------|---------|-------|----------------|
| Plants                       | 23,000   | \$38.00 | 1,000 | \$874          |
| <u>Fertilizer</u>            |          |         |       |                |
| 10 - 17 - 19                 | 400      | 0.43    | kg    | 172            |
| Lime                         | 1        | 59.00   | MT    | 59             |
| Manure                       | 25       | 2.00    | yard  | 50             |
| Solubor                      | 9        | 2.38    | kg    | 21             |
| Calcium Nitrate              | 115      | 0.43    | kg    | 49             |
| <u>Pesticides</u>            |          |         |       |                |
| Gramoxone                    | 2.2      | 21.60   | litre | 48             |
| Lorsban                      | 1.9      | 16.70   | litre | 32             |
| Lorsban                      | 0.8      | 16.70   | litre | 13             |
| Bravo 500                    | 1.9      | 14.55   | litre | 28             |
| Fuel Costs                   |          |         |       | 147            |
| Repairs & Maintenance        |          |         |       | 125            |
| <u>Marketing Costs</u>       |          |         |       |                |
| Co-op Charges                | 750      | 0.05    | case  | 37             |
| Handling Costs               | 750      | 0.11    | case  | 82             |
| Cartons                      | 750      | 1.60    | case  | 1,200          |
| Contract Labour              | 254.5    | 8.00    | hour  | 2,036          |
| Irrigation Water & Power     |          |         |       | 42             |
| <b>Total Direct Expenses</b> |          |         |       | <b>\$5,015</b> |
| <b>Contribution Margin</b>   |          |         |       | <b>\$1,183</b> |

### Buildings and Machinery Replacement Cost Total Farm Size - 60 Acres

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



### Contribution Margin - Sensitivity Analysis

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

| PRICE<br>\$/case | Yield Cases per Acre |       |              |       |
|------------------|----------------------|-------|--------------|-------|
|                  | 550                  | 650   | 750          | 850   |
| <b>7.50</b>      | (538)                | 36    | 610          | 1,184 |
| <b>8.00</b>      | (263)                | 361   | 985          | 1,609 |
| <b>8.26</b>      | (118)                | 532   | <b>1,183</b> | 1,833 |
| <b>9.00</b>      | 287                  | 1,011 | 1,735        | 2,459 |

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.