



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Organic Corn for Processing Fraser Valley Spring 1996

Agdex 251 - 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	6.5 tons/acre
Price	\$150 - 200/ton

The land must be prepared thoroughly to minimize weed problems. Corn should be rotated with other crops to reduce the incidence of pest, weed and disease problems.

Weed management within the crop is best accomplished using a tine weeder or rotary hoe followed by conventional inter-row cultivation.

Insect and disease infestations are not usually a concern for processing corn in the Fraser Valley.

Marketing Alternatives

Organic corn for processing is a new crop for B.C. Processors negotiate contracts with organic growers prior to planting.

Cashflow Timing

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

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	4.0 hrs/acre
Fertilizing	.5 hrs/acre
Planting	.25 hrs/acre
Weed Control	5.0 hrs/acre

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

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ORGANIC PROCESSING CORN

Target Yield - 6.5 tons/acre

Contribution Margin 1 acre of Organic Corn for Processing

Total Income

	Yield	Price	Unit	Income
Organic Corn	6.5	\$168.00	ton	\$1,092

Direct Expenses

	Quantity	Price	Unit	Expense
<u>Crop Supplies</u>				
Seed	13	\$3.00	lb.	\$39
<u>Nutrients & Crop Protection</u>				
Poultry Manure	19	6.00	yards	114
Lime				40
<u>Machinery Costs</u>				
Land Preparation				100
Fertilizing				35
Planting				15
Weed Control				34
<u>Custom Work</u>				
Hand Weeding	12	8.55	hour	103
Certification				10
Total Direct Expenses				\$490
Contribution Margin				\$602

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	<u>6,600</u>
Total	\$270,000

Organic processing corn is a new crop in B.C. The price is based upon a payout for net yield, paid in U.S. funds. Variations in net yield and the monetary exchange rate, will affect the price. All values in this budget are in Canadian funds. The expenses do not include harvesting and trucking.

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/acre			
	5	6	6.5	7
100	10	110	160	210
130	160	290	355	420
168	350	518	602	686
200	510	710	810	910

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.