



# PLANNING FOR PROFIT



**BRITISH COLUMBIA** Ministry of Agriculture,  
Fisheries and Food

**Field Peppers  
Okanagan Valley  
Spring 1997**

**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

	Target
Quantity	500 cases/acre
Price	\$9.00 - \$12.00/case

Peppers are a warm-temperature vegetable and requires a long growing season. There are no herbicides registered for use on peppers. Black plastic mulch can be used for weed control and to advance earliness.

The "BC Vegetable Production Guide" provides variety and other production recommendations.

## Marketing Alternatives

Pepper growers can sell through a broker or directly to wholesalers. There are no grade standards in effect for peppers. Peppers are usually sold in 30 lb. cases. Investigate and develop marketing options prior to planting.

## Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc								45	35	20		
%Ex			15	20	5	15	20	35				

The above information indicates the timing of monthly flow of funds included in the **Contribution Margin** only. A completed **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

## Rules of Thumb

Investment	\$6,000 - \$8,000/acre
Direct Expense % of Income	60% - 70%

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

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# FIELD PEPPERS

## Target Yield - 500 cases/acre

### Contribution Margin for 1 Acre of Field Peppers Okanagan Valley

#### Total Income

	Yield	Price	Unit	Income
Peppers	500	\$10.00	case	\$5,000

#### Direct Expenses

	Quantity	Price	Unit	Expense
Plants	11,000	\$0.10	each	\$1,100

Fertilizer				140
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#### Pest Control

Ambush	0.056	126.95	litre	7
Pirimor	0.165	87.75	litre	14
Fixed Copper	0.9	9.70	kg	9

Fuel, Oil, Lubrication				69
Machinery R & M				61

#### Marketing

Marketing Costs				300
Cartons	500	1.25	each	625

#### Contracts & Custom Work

Plant	12	8.50*	hour	102
Hand Weed				100
Harvest	20	8.50	hour	170
Sort & Pack	20	8.50	hour	170

Plastic	2.7	73.00	roll	197
Irrigation				60

**Total Direct Expenses** **\$3,124**

**Contribution Margin** **\$1,876**

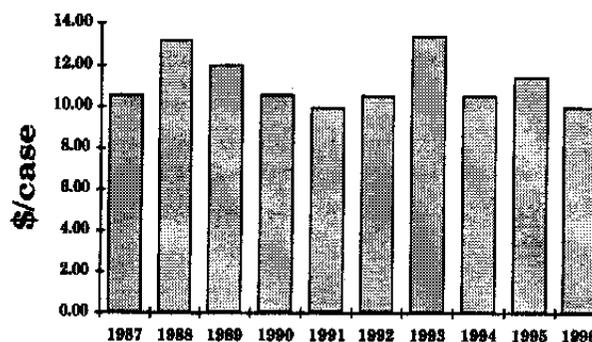
\*includes UIC, CPP, etc.

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

Buildings	\$ 7,500
Power Machinery	32,000
Field Machinery	58,500
Irrigation	16,000
Vehicles	23,000
Small tools & Other	<u>5,000</u>

**Total** **\$142,000**

### Field Pepper Prices



### Contribution Margin - Sensitivity Analysis

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

PRICE \$/case	Yield cases per acre			
	450	500	550	600
8.00	510	876	1,242	1,608
9.00	960	1,376	1,792	2,208
10.00	1,410	<b>1,876</b>	2,342	2,808
12.00	2,310	2,876	3,442	4,008

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.