



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Agdex 250.1- 810

Asparagus Irrigated, North Okanagan Spring 1994

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	2,500 lbs./acre
Price	\$1.00 - \$1.25/lb.

In the past, much asparagus was produced without irrigation. In many years, accumulated precipitation is adequate, but in some years, there is a soil moisture deficit. All acreage of asparagus should have irrigation water available. With irrigation, more crowns can be planted per acre, thus improving yields.

Make sure that fields are free of perennial weeds. Control of insects, diseases and weeds is very important. Harvested asparagus should be put into cold storage immediately to preserve quality.

Marketing Alternatives

The marketing alternatives for asparagus include sales to the local fresh market through farmer's markets and road-side stands as well as direct to grocery stores. Demand exists for fresh sales to other markets. Asparagus may also be sold to processors.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc				20	50	30						
%Exp				30	55	5					10	

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	\$7,400/acre
Contract Labour	125 hours
Direct Expense % of Income	40% - 50%

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

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ASPARAGUS

Target Yield - 2,500 lbs./acre

Contribution Margin 1 Acre of Irrigated Asparagus

Total Income

	Yield	Price	Unit	Income
Fresh Market	2,500	\$1.15	lb.	\$2,875

Direct Expenses

	Quantity	Price	Unit	Expense
<u>Fertilizers</u>				
46 - 0 - 0	90	\$.35	kg	\$32
11 - 51 - 0	50	.44	kg	22

Herbicide

Roundup	.6	9.90	litre	6
Sencor	.9	84.00	litre	75

Insecticide

Malathion	2	6.40	litre	13
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Fungicide

Zineb	2.6	9.62	kg	25
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Fuel, Oil & Lube Costs				31
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Machine Repair & Maintenance				132
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Contract Labour*

Picking	125	8.00	hour	1,000
Hand Weeding	2	8.00	hour	16

Total Direct Expenses				\$1,352
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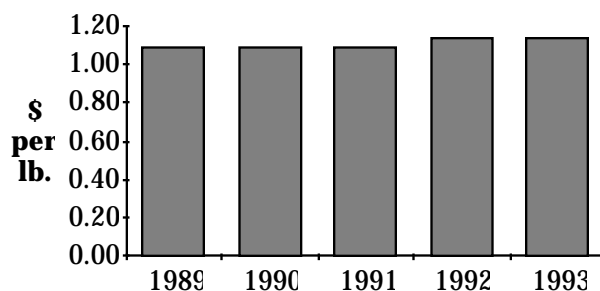
Contribution Margin				\$1,523
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* Includes UIC, CPP, etc.

Buildings and Machinery Replacement Cost Total Farm Size - 25 acres

Buildings & Cooler	\$10,500
Crowns	31,900
Power Machinery	50,000
Field Machinery	21,700
Irrigation	10,000
Vehicle	18,000
Other	<u>5,800</u>
Total	\$147,900

#1 Asparagus Farm Gate 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			
	2,000	2,250	2,500	2,750
1.00	848	998	1,148	1,298
1.10	1,048	1,223	1,398	1,573
1.15	1,148	1,336	<u>1,523</u>	1,711
1.25	1,348	1,561	1,773	1,986

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.