



# PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

Ostrich  
Fraser Valley  
Summer 1998

Agdex 454 - 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
Yearling bird Value	\$350
Hatched Chicks	30
Survival of Chicks to 6 months	75%
Sale at 1 day 25%; 3 mo. 25%; 12 mo.	25%
For Meat	25%

Production practices vary in this young B.C. industry. Critical is the survival of chicks to the age of six months, which is affected mainly by leg injuries and infections. Well designed pens and good sanitation are essential. It is advisable to consult a veterinarian when purchasing breeding stock. A ratio of 1 male to 2 hens is common. Males reach sexual maturity at around 3.5 years of age. Hens begin laying at 2.5 or 3 years of age and lay about 40 eggs/year, from March to October. This budget is for 10 hens.

## Marketing Alternatives

The supply of breeding stock in B.C. has outpaced demand resulting in lower prices. Breeding stock is sold in the form of fertile eggs, day-old chicks, 3 month olds and yearlings. Ostriches are attractive due to their meat, said to be a delicacy in Europe. North American meat markets are as yet undeveloped. Federally inspected processing plants exist in B.C.

## Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc		60		15			25					
%Exp	8	8	8	8	8	9	9	9	9	8	8	8

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

## Rules of Thumb

Direct Expenses % of Income	65% - 75%
Investment/Breeding Hen	\$13,000 - \$14,000

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

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# OSTRICH

## Target: 30 Hatched eggs - 50% Survival

### Contribution Margin 1 Breeding Hen Fraser Valley

#### Income

	Yield	Price	Unit	Income
Day Old Chicks	8	\$85.00	ea	\$ 680
3 months olds	8	170.00	ea	1,360
Yearlings	8	350.00	ea	2,800
Meat	50	6.60	kg	330
<b>Total Income</b>				<b>\$5,170</b>

#### Direct Expenses

	Quantity	Price	Unit	Expense
<u>Feed (20 kg bags)</u>				
Breeder (hen./rooster)	6.22	\$12.15	bag	\$ 76
<u>Maintenance</u>				
Breeder	14.10	10.41	bag	147
Young (to 4 mo)	37.75	12.29	bag	464
Young (5 - 12 mo)	87.94	11.41	bag	1,003
Forage	3.69	248	tonne	915
Total Feed Expense				2,605
<u>Supplies and Services</u>				
Veterinarian				250
Medications				47
Electricity				360
Building & Equip. R & M				274
Miscellaneous				40
Total Supply/Services				\$971
<b>Total Direct Expenses</b>				<b>\$3,576</b>
<b>Contribution Margin/Hen</b>				<b>\$1,594</b>

### Breeding Stock, Building & Equipment Replacement Costs 10 acres/10 hens/5 roosters

Breeding Stock (Mature)	\$12,000
Buildings & Pens	61,275
Equipment	<u>60,725</u>
<b>Total</b>	<b>\$134,000</b>

\* Cost of land not included.

### Ostrich Prices

There is little B.C. price and data available for ostriches.

### Contribution Margin/hen - Sensitivity Analysis

The table below shows the variation in contribution margin per hen as the survival rate of chicks to 3 months and the market price of yearling changes. Chick prices are adjusted with the yearling prices.

Survival %	Yearling Price (\$/bird)			
	\$150	\$350	\$700	\$1,400
35	(1,118)	482	3,282	8,882
45	(871)	729	3,529	9,129
55	(624)	976	3,776	9,376
65	(377)	1,223	4,023	9,623
75	(6)	<b>1,594</b>	4,394	9,994

This information is provided as a guideline only. Target yield indicates above average production. An individual livestock plan should be developed by each producer. Planning forms may be obtained from your local office of the B. C. Ministry of Agriculture and Food.