



# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture, Fisheries and Food  
Hon. Bill Barlee, Minister

Dryland Brome  
North Cariboo  
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Agdex 127-810

## 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	1.5 - 2.5 tons/acre
Price	\$80-90/ton
Quality	10-12% Protein

In order to achieve the best price for the product, it is important that Brome hay be high in crude protein and be dust free. Hay should be stored under cover to reduce damage from sun and rain. Forage stands should be replaced periodically depending on health, vigor and abundance of plants.

## Marketing Alternatives

Hay is marketable to sheep, cattle, and horse producers at a variety of quality levels. Transportation costs may eliminate selling of hay to distant markets except for the lucrative horse feed market.

## Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc								10	10	10	20	20
%Exp	20	9	7	7	7	7	35			15		

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

Direct Expense % of Income	20 - 25%
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The above indicators are provided for comparison purposes. They are set out as potential targets for grass hay production.

Contact: **KEN AWMACK, P.Ag.**  
District Agriculturist  
Williams Lake  
**ROGER KEAY, P.Ag.**  
Farm Management Specialist  
Kamloops

# DRYLAND BROME HAY

## Target Yield - 2 Tons/Acre

### Contribution Margin 1 Acre of Established Grass Brome

**Total Income**

	Yield	Price	Unit	Income
Brome Hay	2.0	\$85.00	Ton	\$170.00

**Direct Expenses**

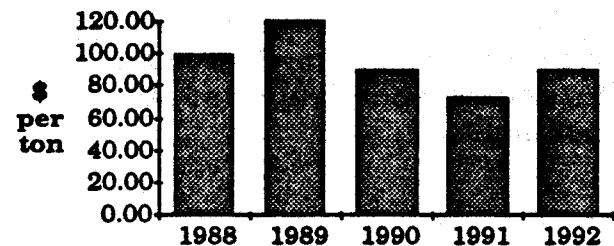
	Quantity	Price	Unit	Expense
<u>Fertilizer</u>				
34-0-0-11	150	\$0.12	lbs.	\$18.04
Twine	0.08	28.74	roll	2.30
Fuel Costs				7.95
Machine Repair & Maintenance				7.53
<b>Total Direct Expenses</b>				<b>\$35.82</b>

**Contribution Margin** **\$134.18**

### Buildings and Machinery Replacement Cost Total Farm Size - 1,000 Acres (100 Acres Brome Hay)

Buildings	\$ 28,500
Power Machinery	50,000
Field Machinery	21,500
Harvesting Equipment	44,500
Small Tools & Other	8,000
Vehicle	<u>15,000</u>
<b>Total</b>	<b>\$167,500</b>

### Grass Hay Prices Cariboo



### 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 per Acre			
	1.6	1.8	2.0	2.2
70.00	73.41	87.41	101.41	115.41
75.00	81.41	96.41	111.41	126.41
85.00	97.41	114.41	<u>134.18</u>	148.41
95.00	113.41	132.41	151.41	170.41

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.