



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food
Hon. Larry Chalmers, Minister

Corn Silage
North Okanagan
Spring 1991

Agdex 128 - 810

Introduction

During the planning process producers should look at their operation as a group of distinct enterprises. Alternative enterprises should be evaluated on the basis of **Gross Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Gross 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	22 ton/ac
Quality	30% dry matter

It is important to select a hybrid appropriate for the area. Soil temperature should be at least 10 degrees celsius before planting. All planting should be completed before May 15.

Adequate weed control is essential to ensure optimum yield. To achieve targets good soil fertility is required. Soil fertility can be enhanced through a program of proper crop rotation, fertilizer and manure application.

Irrigation is necessary in most locations.

In some instances, silage additives will enhance the ensiling process.

Marketing Alternatives

There is limited opportunity to market corn silage. Approximately 90% of the crop is not actively marketed, instead it is produced for on farm feeding to dairy and beef cattle. The **Gross Margin** is realized when the crop is transferred to the livestock enterprise.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc												
%Exp			15	20	20	5			10	30		

The above information indicates flow of funds on a monthly basis for the **Gross Margin** only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Direct Expense as % of Income	38%
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The above indicators are provided for comparison purposes. They are set out as potential targets for corn silage production.

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CORN SILAGE

Target Yield - 22 Tons/Acre

Gross Margin 1 Acre of Corn Silage

Total Income

	Yield	Price	Unit	Income
Corn Silage	22	\$25.00	ton	\$550.00

Direct Expenses

	Quantity	Price	Unit	Expense
Hybrid Seed	.40	\$92.00	bag	\$36.80

Crop Supplies and Service

Fertilizers

11-55-0	75	.198	lb	14.85
46-0-0	170	.137	lb	23.29
0-0-60	80	.115	lb	9.20
Manure	10		ton	

Herbicide

Dual	1	24.20	litre	24.20
Atrazine	1	4.46	litre	4.46

Silage Additives	1.50		ton	33.00
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Machine Operating & Maintenance				100.00
Silo Cover				5.66

Irrigation	3	4.10 application		12.30
Water Rights	1	0.2 acre/foot		.20

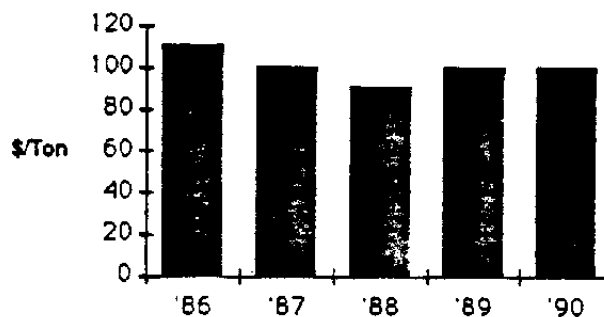
Total Direct Expenses				\$263.96
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Gross Margin				\$286.04
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Buildings and Machinery Replacement Cost Total Farm Size - 90 Acres

Buildings & Silos	\$60,000
Power Machinery	98,000
Field Machinery	100,000
Irrigation System	30,000
Vehicles	22,000
Total	\$310,000

Alfalfa Hay Prices Kamloops



Gross Margin - Sensitivity Analysis

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

PRICE \$/ton	Yield tons/Acre			
	18	20	22	24
15.00	12	39	66	93
20.00	102	139	176	213
25.00	192	239	286	333
30.00	282	339	396	453

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.