



PLANNING FOR PROFIT



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

**Dryland Silage Oats
Cariboo
1993 Season**

Agdex 113-810

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 **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	3.0* tons/acre
Price	\$85/ton

*Silage is 35% DM

It is essential to have a fertilizer program incorporating at least 75 pounds of actual nitrogen per acre, and having all nutrients balanced to minimize lodging. Weed control is a must to ensure a weed free product. Forage oats may be directly ensiled or hayed depending on machinery compliment and intended end use.

Marketing Alternatives

Silage can be marketed directly to area beef and horse producers. Transportation costs may eliminate selling of silage to distant markets.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc										20	20	20
%Exp	35	20	10	4	4	27						

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	35-40%
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The above indicators are provided for comparison purposes. They are set out as potential targets for oat silage production.

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Williams Lake
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DRYLAND SILAGE OATS

Target Yield - 3.0 Tons/Acre

Contribution Margin 1 Acre of Dryland Oat Silage

Income

	Yield	Price	Unit	Income
Oat Silage	3.0	\$85.00	Ton	\$255.00

Direct Expenses

	Quantity	Price	Unit	Expense
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Seed

Cascade	120	\$0.14	lb.	\$ 16.80
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Fertilizer

0-0-60	30	0.09	lb.	2.65
11-51-0	50	0.17	lb.	8.28
46-0-0	100	0.11	lb.	11.21

Herbicide

MCPA	0.45	5.5	litre	2.48
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Crop Supplies & Services

Bunker Silo Cover 50	0.04	sq. ft.	2.01
Fuel Costs			20.70
Machine Repair & Maintenance			23.90

Total Direct Expenses **\$88.03**

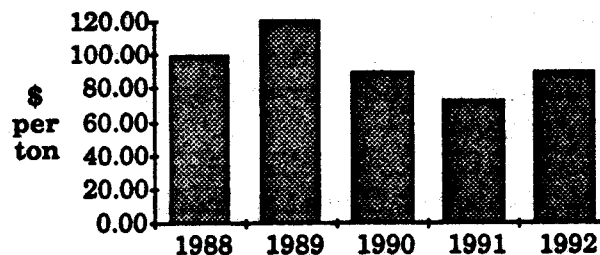
Contribution Margin **\$166.97**

*Silage is 35% DM

Buildings and Machinery Replacement Cost Total Farm Size - 500 Acres (100 Acres Oat Silage)

Buildings	\$ 15,000
Bunker Silo	20,000
Power Machinery	82,800
Field Machinery	31,000
Harvesting Equipment	71,000
Small Tools & Other	8,000
Vehicle	<u>15,000</u>
Total	\$242,800

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			
	1.0	2.0	3.0	3.5
70.00	(18.03)	51.97	121.97	156.97
80.00	(8.03)	71.97	151.97	191.97
85.00	(3.03)	81.97	166.97	209.47
100.00	11.97	111.97	211.97	261.97

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.