



# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture and Fisheries  
Hon. John Savage, Minister

Dryland Timothy  
North Cariboo  
1990 Season

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 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	2-3 Ton/acre
Price	\$100-130/Ton

In order to achieve the best price for the product, it is important that Timothy hay contain large green immature heads 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	35		15		

The above information indicates the timing of monthly flow of funds included in the gross margin only. A completed Projected Cash Flow should include indirect expenses, capital sales and purchases, loans, and personal expenses.

## Rules of Thumb

Investment	\$600-700/acre
Direct Expense % of Income	14%

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

Contact: GRANT HENRY,  
District Agriculturist  
Williams lake  
ROGER KEAY  
Farm Management Specialist  
Kamloops

# DRYLAND TIMOTHY

## Target Yield - 2.5 Ton/Acre

### Gross Margin 1 Acre of Dryland Timothy Established

#### Total Income

	Yield	Price	Unit	Income
Timothy Hay	2.5	\$100.00	Ton	\$250.00

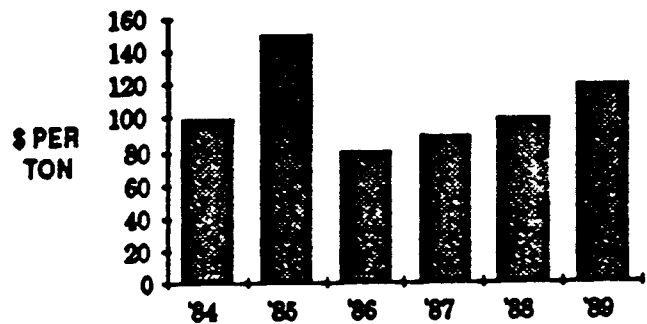
#### Direct Expenses

	Quantity	Price	Unit	Expense
<b>Fertilizer</b>				
34-0-0-11	150	\$0.14	lb.	\$21.00
<b>Fuel Costs</b>				9.00
<b>Machine Repair &amp; Maintenance</b>				15.87
<b>Twine</b>				2.75
<b>Total Direct Expenses</b>				\$48.62
<b>Gross Margin</b>				\$200.45

### Buildings and Machinery Replacement Cost Total Farm Size - 1,000 Acres

Buildings	\$ 27,310
Power Machinery	46,116
Field Machinery	17,475
Harvesting Equipment	49,155
Miscellaneous	<u>21,580</u>
<b>Total</b>	<b>\$161,636</b>

GRASS HAY PRICES  
CARIBOO



### 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 Ton/Acre			
	1.7	2.1	2.5	2.9
80	87	119	151	183
90	104	140	176	212
100	121	161	<u>201</u>	241
110	138	182	226	270

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 and Fisheries.