



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture and Food

Chinese Cabbage Fraser Valley Summer 1998

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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	750 cases/acre
Price	\$13.00/60 lb case

Bolting (premature seedstalk development) may occur when planted too early in the spring. Use bolting resistant varieties or delay planting until late April.

Black speck, a physiological disorder, can render product unmarketable and may not occur until cabbage is stored at cool temperatures.

Marketing Alternatives

Chinese cabbage is a non regulated crop with prices declining from a high in the spring to a low later in the season. Main competitors are California and Florida. It is grown under a voluntary quota system. Chinese cabbage is sold through Cloverdale Lettuce Co-op and direct sales. Production has increased over time with the growing number of Asian immigrants, however acreages per grower are relatively small compared with other vegetable crops.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	40	50										10
%Exp	2	5	5	2	8	8	5	5	5	30	20	2

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

Investment	\$11,800/acre
Direct Expense % of Income	40 - 45%

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

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CHINESE CABBAGE

Target Yield - 750 cases/acre

Contribution Margin 1 Acre of Chinese Cabbage (\$/acre) Fraser Valley

Total Income

	Yield	Price	Unit	Income
Grade #1	750	\$13.00	case	\$9,750
1 case = 60 lbs				

Direct Expenses

	Quantity	Price	Unit	Expense
Seed	25.6	\$1.63	1,000	\$42
<u>Fertilizer</u>				
21 - 13 - 15	900	0.462	kg	416
<u>Pest Control</u>				
Monitor	1.2	34.5	L	41
Fuel and Oil				125
Machinery R & M				144
<u>Custom Work</u>				
Planting	10	12	hr	120
Hoeing	6	12	hr	72
Harvesting	32	12	hr	384
Greenhouse	4	12	hr	48
<u>Marketing</u>				
Cases	750	1.5	case	1,125
Co-op Charges	750	2	case	1,500
Irrigation/water/power				45
Total Direct Expenses				\$4,062
Contribution Margin				\$5,688

Buildings and Machinery Replacement Cost Total Farm Size - 100 Acres

Buildings	\$ 700,000
Power Machinery	300,000
Field Machinery	50,000
Irrigation	30,000
Vehicles	<u>100,000</u>
Total	\$1,180,000

Chinese Cabbage Prices



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as quantity of yield and price changes.

Price \$/case	Yield (cases/acre)			
	550	650	750	850
9	1,588	2,138	2,688	3,238
11	2,688	3,438	4,188	4,938
13	3,788	4,738	5,688	6,638
15	4,888	6,038	7,188	8,338

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 Food.