

Chinese Cabbage **Fraser Valley Summer 1998**

Agdex 252 - 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	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 ummarketable 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	J	F	М	A	М	J	J	A	S	0	N	D
%Inc 4	0	50										10
%Inc 4 %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

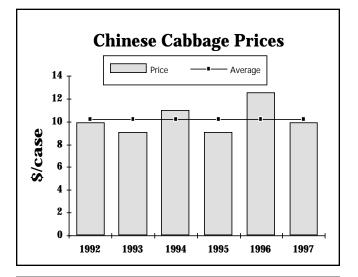
	Yield	Price	Unit	Income
Grade #1	750	\$13.00	case	\$9,750
1 case = 60 lbs				

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	
Pest Control Monitor	1.2	34.5	L	41	
Fuel and Oil Machinery R				125 144	
Custom Wor	<u>k</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 Charg	es 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		100,000
Total	\$1	,180,000



Contribution Margin - Sensitivity Analysis

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

Price	Y	Yield (cases/acre)						
\$/case	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.