



PLANNING FOR PROFIT



BRITISH
COLUMBIA

Ministry of Agriculture,
Food and Fisheries

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Fresh Sweet Corn (Wholesale) Fraser Valley

This information is a tool to project costs and returns for B.C. farm enterprises and is a general guide to plan individual farm operations.

This sample budget should be used as a guide only and should not be used for business analysis. Each farm should develop their own budget to reflect their production goals, costs and market prices.

Information regarding financial planning and other enterprise budgets may be downloaded from the internet at <http://fbminet.ca/bc> or obtained from your local office of the B.C. Ministry of Agriculture, Food and Fisheries.

Market Factors

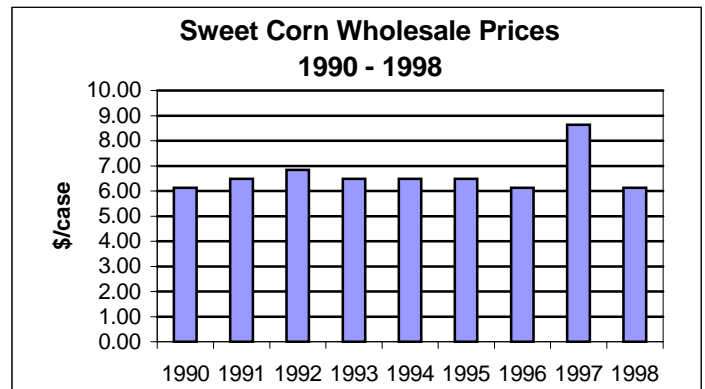
Sweet corn is a relatively easy crop to grow. Sweet corn production is marketed to direct consumers (30%) and processors (70%)

The sweet corn industry has experienced several production slumps in recent years due to unfavorable climate conditions.

Marketing options should be researched prior to planting and assessed again prior to harvest to determine the best option for the enterprise.

Key Success Factors

- Variety selection
- Pest and predator management
- Labour availability
- Good post harvest product management
- Marketing contacts and option for product



Risk Factors & Strategies

Production

- Unfavourable weather may result in crop losses and/or decreased yield and quality. This includes frost damage, cold damage and drought. Variety selection appropriate to the climate and weather can reduce this risk.
- Losses from pest and diseases can be controlled through good pest management practices.
- Weed control is best achieved with a combination of cultural, mechanical and chemical methods
- Labour availability for crop maintenance and timely harvest continues to provide some risk.

Marketing

- Prices vary during the season due to greater supply in the late summer. This can be managed by planting different varieties maturing at different times in the season.

Assumptions: Fresh Sweet Corn (Wholesale) - Fraser Valley

The sample budget is based on interviews with producers and BCMAFF commodity specialists. Cost and revenue estimates are based on standard practices in the area and do not represent any particular farm.

The following assumptions were made in calculating the sample budget:

- Projected income and expenses based on one acre of production. However, total corn acreage for the unit is assumed to be 60 acres.
- The operation is well managed.

Production:

- Corn is planted at a rate of 26,000 plants/acre.
- Corn variety used in the budget is a sugar enhanced (SE) variety.
- Target yield at full production: 300 cases.

Marketing:

- All harvested corn is sold as fresh product at a price of \$9.00/case.
- Box bins are used for packaging of the product.
- Marketing costs include grading, packing, palletizing, cooling, ice, and transportation.

Labour:

- Contract labour includes machinery operation @ \$ 15.00/hr and harvesting operation @ \$9.50/hr.
- Hours per acre for each labour operation: Land Preparation 1.50, Planting 0.75, Spraying 0.75, and Harvesting 40.00.
- Additional labour hours can be added to the labour cost for the marketing of the corn depending upon the method used for corn sales.

Sensitivity Analysis

The profitability of an operation will be strongly influenced by market prices and yield. The table below illustrates the changes to income as prices and yield vary.

	Yield (case/acre)	Contribution Margin*
Low	250	435
Target	300	735
High	400	1,335
Above High	450	1,635

*\$9.00/case

	Price(\$/lb)	Contribution Margin*
Low	8.00	435
Target	9.00	735
High	10.00	1,035
Above High	11.00	1,335

*300 cases/acre

Cash Flow Timing

The table below indicates the monthly flow of income and direct expenses. A complete Projected Cash Flow should include indirect expenses, capital sales and purchases, loans and personal expenses.

Month	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
% Income							15	50	35			
% Expense				15	20	5	15	20	35			

Sample Enterprise Budget and Worksheet Fresh Sweet Corn (Wholesale) - Fraser Valley

The sample enterprise budget provided should be viewed as a first approximation only. Use the column "Your Estimate," to add, delete and adjust items to reflect your specific production situation.

	Qty	Price	unit		Your Estimate
Project Income	300 cases*	9.00	case	2,700.00	
* Converts to approximately 4 dozen per case					
Project Expenses	Quantity	Price	Unit		
<u>Supplies</u>					
Seed	10	10.00	\$/lbs	100.00	
<u>Fertilizers & Pesticides</u>					
34 - 0 - 0	100	0.52	kg	51.90	
12 - 51 - 0	90	0.57	kg	51.21	
0 - 0 - 60	100	0.40	kg	39.90	
Lime	1000	0.10	lbs	100.00	
Primextra	1.60	21.86	litre	34.98	
Atrazine	0.80	7.55	litre	6.04	
<u>Other</u>					
Irrigation/Water			\$/acre	50.00	
Fuel Cost			\$/acre	85.00	
Machinery R & M			\$/acre/yr	76.43	
<u>Labor</u>					
Land Preparation	1.50	15.00	hr	22.50	
Planting	0.75	15.00	hr	11.25	
Spraying	0.75	15.00	hr	11.25	
Harvesting	40.00	9.50	hr	380.00	
<u>Marketing</u>					
Boxes	300	1.75	case	525.00	
Grading/packing/palletizing	300	0.50	case	150.00	
Cooler	300	0.25	case	75.00	
Ice	300	0.50	case	150.00	
Loading/Trucking	3	15.00	hrs	45.00	
Total Expenses				1,965.45	
Contribution Margin				734.55	
(gross income less direct expenses)					

Calculation of Projected Net Income

To assess net income, **indirect expenses** must be subtracted from income. Indirect expenses do not vary with the level of output and are typically associated with inputs used in more than one enterprise and must be allocated appropriately (prorated) between uses.

Projected Income
Less Projected Direct Expenses	-
= Projected Contribution Margin	=
Less Projected Indirect Expenses	
Depreciation (e.g., buildings and equipment)	-
Interest	-
Other Indirect Expenses (e.g., operator labour)	-
= Projected Net Income

Fresh Sweet Corn (Wholesale) - Fraser Valley

Buildings and Machinery Replacement Cost *

Buildings	\$	8,500
Cooler		16,500
Power		65,000
Machinery		
Field Machinery		80,000
Irrigation system		18,000
Vehicles		26,000
Small tools/ Miscellaneous		5,500
Total		219,500

*Based on a 60 acre unit.

Labour Requirements

	Hrs/acre	Rate/hr
Land Preparation	1.50	15.00
Planting	0.75	15.00
Spraying	0.75	15.00
Harvesting	40.00	9.50

Alternative Production Practices

Alternative practices include:

- Sweet corn can be also be sold through other farm retail outlets and to the wholesale market.
- Feed corn and other vegetables are alternative enterprises to consider.
- Organic sweet corn may be an option. However, market acceptance and production practices should to be fully researched prior to planting.

For More Information

References

- BCMAFF web site <http://www.agf.gov.bc.ca>
- BCMAFF Infobasket
<http://infobasket.gov.bc.ca>
- BC Vegetable Production Guide for Commercial Growers – BCMAFF 2001/2002
- Farm Business Management Information Network for British Columbia (FBMinet-BC)
<http://www.fbminet.ca/bc>
- Oregon State University Vegetable Production Guide Website
<http://www.orst.edu/Dept/NWREC/vegindex.htm>

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