



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture and Food

**Fresh Broccoli
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 | 365 cases/acre |
| Price | \$9.60/case |

Yield and quality of the product are affected by variety, cultural practices, labour management and harvest timing. The budget assumes a lime application of 2 tons every two years. Cole crops are very susceptible to insect attack. There is no tolerance for insect contamination or damage in product. An integrated pest management program can minimize pesticide costs and ensure pest free crops.

For production recommendations, consult the "Vegetable Production Guide for Commercial Growers" which is available from the Lower Mainland Horticulture Improvement Association (604-556-3001).

Marketing Alternatives

Growers of broccoli for the fresh market can sell through a broker or directly to wholesalers. There are no grade standards in effect for broccoli. Broccoli is usually sold in 14 bunch waxed cartons with a weight of 23-25 lbs. There is also a market for broccoli crowns. California is the main area of supply for B.C. and supplies broccoli all year round.

Cash Flow Timing

| | J | F | M | A | M | J | J | A | S | O | N | D |
|------|----|----|----|----|----|----|----|----|----|----|----|---|
| %Inc | | | | | | 10 | 20 | 20 | 20 | 20 | 10 | |
| %Exp | 10 | 10 | 20 | 20 | 10 | 10 | 10 | 10 | 10 | | | |

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 | \$6,500-7,000/acre |
| Direct Expense % of Income | 90% - 100% |

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

Contact: WAYNE ODERMATT, P.Ag.
Provincial Vegetable Specialist
Abbotsford
GEORGE GELDART, P.Ag.
BusinessManagement Specialist
Vernon
Prepared by: MILO GRIMSRUD
Contractor

FRESH BROCCOLI

Target Yield - 365 cases/acre

Summer 1998

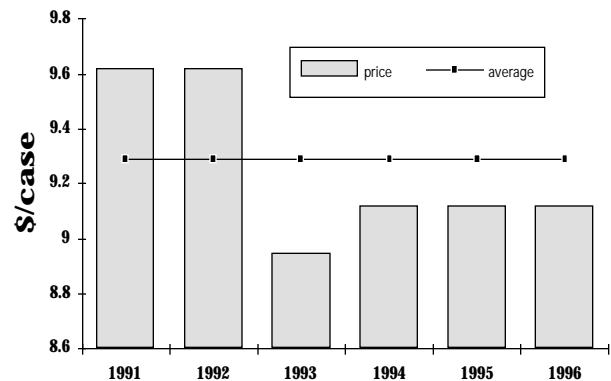
Contribution Margin 1 Acre of Fresh Broccoli Fraser Valley

| Total Income | | | | |
|-------------------------------------|----------|----------|-------|----------------|
| | Yield | Price | Unit | Income |
| Fresh Broccoli (24.6 lb/case) | 365 | \$9.60 | case | \$3,504 |
| Direct Expenses | | | | |
| | Quantity | Price | Unit | Expense |
| <u>Plants</u> | 20,000 | \$0.0125 | plant | \$250 |
| <u>Fertilizer</u> | | | | |
| 12 - 16 - 16 | 225 | 0.51 | kg | 115 |
| 46 - 0 - 0 | 90 | 0.49 | kg | 44 |
| Lime | 1.0 | 47.00 | MT | 47 |
| Solubor | 0.4 | 2.95 | kg | 1 |
| <u>Pest Control</u> | | | | |
| Ambush | 0.12 | 154.75 | L | 19 |
| Lorsban | 0.8 | 17.90 | L | 14 |
| Monitor | 0.9 | 34.50 | L | 31 |
| <u>Fuel, Oil & Lube</u> | | | | 95 |
| <u>Machinery R & M</u> | | | | 194 |
| <u>Custom Work</u> | | | | |
| Mach. Operation | 13 | 10.00 | hr | 130 |
| Planting | 12 | 8.50 | hr | 102 |
| Harvesting | 60 | 8.50 | hr | 510 |
| Trucking | 365 | 0.69 | case | 252 |
| <u>Marketing</u> | | | | |
| Packing | 365 | 1.10 | case | 402 |
| Ice | 365 | 0.50 | case | 183 |
| Cartons | 365 | 1.60 | case | 584 |
| Cooling | 365 | 0.25 | case | 91 |
| <u>Irrigation Water & Power</u> | | | | 45 |
| Total Direct Expenses | | | | \$3,109 |
| Contribution Margin | | | | \$395 |

Buildings and Machinery Replacement Cost Total Farm Size - 60 Acres

| | |
|----------------------------|------------------|
| Buildings | \$ 30,000 |
| Power Machinery | 100,000 |
| Field Machinery | 50,000 |
| Product Handling Equip. | 18,000 |
| Packing Equipment & Cooler | 70,000 |
| Irrigation | 60,000 |
| Vehicles | <u>58,000</u> |
| Total | \$386,000 |

Fresh Broccoli 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) | | | |
|------------------|--------------------|-------|------------|-------|
| | 280 | 325 | 365 | 400 |
| 8.00 | (397) | (284) | (189) | (104) |
| 8.50 | (257) | (121) | (6) | 96 |
| 9.60 | 51 | 236 | 395 | 536 |
| 11.00 | 443 | 691 | 906 | 1,096 |

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.