



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture and Food

Storage 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	\$8.00/case

Proper storage facilities and conditions are critical to maintain quality product to market.

Mature heads may split if rain or heavy irrigation follows a prolonged dry spell. Splitting may be reduced with deep cultivation between rows to break some of the roots. Some varieties are more resistant to splitting than others.

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

Marketing Alternatives

Cabbage is grown in southern BC under a delivery quota system. The majority of product is marketed through either the Lower Mainland Vegetable Distributors Inc. or the Cloverdale Lettuce and Vegetable Cooperative.

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	\$6,000 - \$7,000/acre
Contract Labour	250 - 270 hours/acre
Direct Expense % of Income	80% - 90%

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

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STORAGE CABBAGE

Target Yield - 750 cases/acre

Contribution Margin 1 Acre of Storage Cabbage Fraser Valley

Total Income

	Yield	Price	Unit	Income
Grade #1	750	\$8.00	case	\$6,000
1 case = 50 lbs				

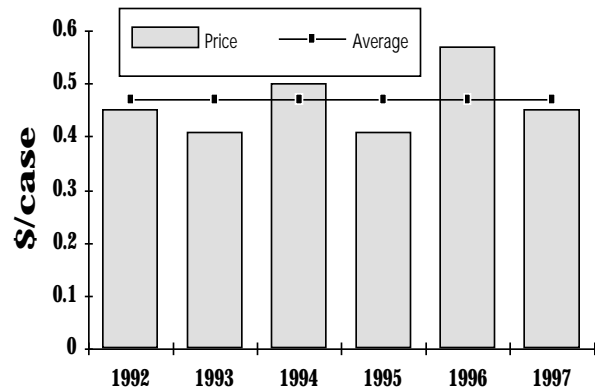
Direct Expenses

	Quantity	Price	Unit	Expense
Seed	0.25	\$600	lb	\$150
Fertilizer				
34 - 0 - 0	160	\$0.44	kg	70
13 - 16 - 10	140	0.43	kg	61
0 - 0 - 60	35	0.35	kg	12
0 - 0 - 0 - 22	90	0.54	kg	48
Magnesium	9	1.30	kg	12
Treflan	0.7	14.44	L	10
Metasystory	0.9	31.25	L	28
Lorsban	1.4	17.90	L	25
Monitor	0.9	34.50	L	31
Dipel (2x)	440	0.04	g	35
Bravo (2x)	1.9	15.80	L	60
Fuel Costs				130
Machinery R & M				66
Planting	35	8.50	hr	298
Hoeing	20	8.50	hr	170
Picking	750	0.67	case	503
Trimming	750	1.25	case	938
Weighing	750	0.20	case	150
Marketing fee	750	0.35	case	263
Hauling	750	0.30	case	225
Handling fee	750	0.35	case	263
Miscellaneous	750	0.30	case	225
Irrigation Water & Power				80
Refrigeration & Electrical	750	2.00	case	1,500
Total Direct Expenses				\$5,353
Contribution Margin				\$647

Buildings and Machinery Replacement Cost Total Farm Size - 80 Acres

Buildings	\$ 50,000
Trimming Barn	15,000
Field Machinery	151,500
Electrical Refrigeration	30,000
Bins (750/lb)	32,500
Vehicles	<u>25,000</u>
Total	\$304,000

Storage 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)			
	650	700	750	750
6.50	(586)	(530)	(478)	(422)
7.00	(261)	(180)	(103)	(22)
8.00	389	520	647	778
8.50	714	870	1,022	1,178
9.00	1,039	1,220	1,397	1,578

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.