



# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture, Fisheries and Food  
Hon. Bill Barlee, Minister

Feed Barley  
North Okanagan  
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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 **Gross Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Gross 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
Quality	50 lbs./bu
Quantity	1.8-2.0 MT/acre
Price	\$100-140/MT

It is essential to have a fertilizer program which incorporates at least 90 lbs. of actual N per acre and has all nutrients balanced to minimize lodging. At the high yield levels targeted, lodging is a problem which may be managed by using strong-strawed varieties or growth regulators. Current market conditions may justify decreasing the amount of fertilizer even though this would decrease yield.

An adequate weed control program is important to ensure a quality product and maximum yields. It is also important to have a harvesting program which minimizes grain loss. A suitable storage system which can aerate and eliminate pest problems is necessary to ensure top price paid for the grain.

## Marketing Alternatives

The marketing alternatives for barley producers include the feed market and private sales. Straw may be sold to the livestock industry for bedding and the ginseng market but these markets are limited.

## Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc		40*								20	20	20
%Exp			35	20	10				5	25	5	

The above information indicates the timing of monthly flow of funds included in the **Gross Margin** only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses. \*Denotes payment made for the last year's crop.

## Rules of Thumb

Investment	\$900-950/acre
Direct Expense % of Income	100%

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

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# FEED BARLEY

## Target Yield - 1.8 MT/Acre

### Gross Margin 1 Acre of Barley

#### Income

	Yield	Price	Unit	Income
Barley	1.8	\$95.00*	MT	\$171.00
GRIP Payout?				—
<b>Total Income</b>				<b>\$171.00</b>

#### Direct Expenses

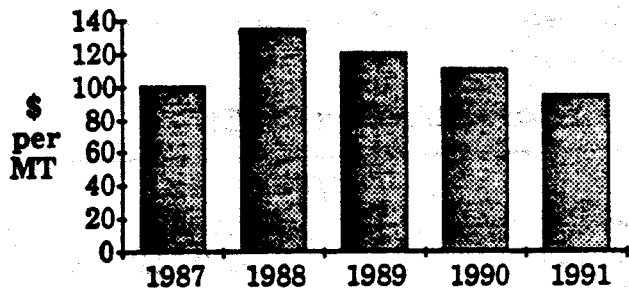
	Quantity	Price	Unit	Expense
<b>Seed</b>				
Harrington	100	\$.16	lb.	\$15.90
<b>Fertilizers</b>				
46-0-0	75	.31	kg	23.05
12-51-0	25	.40	kg	9.90
0-0-60	15	.24	kg	3.65
21-0-0-24	15	.25	kg	3.70
<b>Pest Control</b>				
Avenge	1.4	13.10	litre	18.35
2,4-D	.45	4.90	litre	2.20
Fuel Costs				18.00
Machine Repair & Maintenance				16.00
Custom Combine				30.00
Custom Haul	1.8	12.00	MT	21.60
Crop Insurance				7.00
Revenue Protection Plan Premium				9.25
<b>Total Direct Expenses</b>				<b>\$178.60</b>
<b>Gross Margin</b>				<b>(\$7.60)</b>

\*Based on Sept-Oct 1991 local prices.

### Buildings and Machinery Replacement Cost Total Farm Size - 225 Acres Barley - 80 Acres

Buildings & Storage Bins	\$50,500
Power Machinery	90,000
Field Machinery	49,500
Tools	2,500
Vehicle	<u>16,000</u>
<b>Total</b>	<b>\$208,500</b>

### Local Feed Barley Prices



### Gross Margin - Sensitivity Analysis

The table below lists the changes to gross margin as quantity of yield changes and price received varies.

PRICE \$/MT	Yield Tonne per Acre			
	1.4	1.6	1.8	2.0
90.00	(45.40)	(30.75)	(16.15)	(1.50)
95.00	(38.75)	(23.20)	<b>(7.60)</b>	7.95
120.00	(5.65)	14.65	34.95	55.25
140.00	20.85	44.90	69.00	93.05

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, Fisheries and Food.