



# PLANNING FOR PROFIT



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

**Irrigated Barley  
Cariboo  
Summer 1993**

**Agdex114-810**

## 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	1.75 MT/acre
Price	\$120/MT

It is essential to have a fertilizer program incorporating at least 75 pounds of actual nitrogen per acre, and having all nutrients balanced to minimize lodging. If high yields are targeted, growth regulators can be used to control lodging under irrigation.

## Marketing Alternatives

Barley produced in the Cariboo is readily marketed directly to beef producers with demand exceeding supply on a regular basis. Straw may be sold to the horse and beef farmers for bedding or to ginseng producers. Prices will vary depending on quantity.

## Cash Flow Timing

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

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

Direct Expense % of Income	25 - 30%
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The above indicators are provided for comparison purposes. They are set out as potential targets for barley production.

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# IRRIGATED BARLEY

## Target Yield - 1.75 MT/Acre

### Contribution Margin 1 Acre of Irrigated Barley

**Income**

	Yield	Price	Unit	Income
Barley	1.75	\$120.00	MT	\$210.00
Straw	2.0	80.00	Ton	160.00
<b>Total Income</b>				<b>\$370.00</b>

**Direct Expenses**

	Quantity	Price	Unit	Expense
<b>Seed</b>				
Barley	100	\$.10	lb.	\$10.00
<b>Fertilizer</b>				
16-20-0	100	.13	lb.	13.34
46-0-0	75	.11	lb.	8.41
0-0-60	100	.09	lb.	8.85
<b>Herbicide</b>				
2,4-D	.45	4.80	litre	2.16

**Crop Supplies & Services**

Twine	.1	28.74	roll	3.45
Irrigation				18.51
Fuel Costs				17.88
Machine Repair & Maintenance				20.84

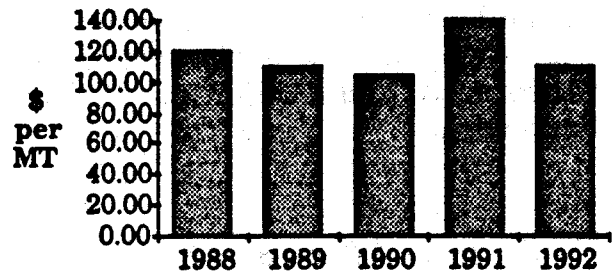
**Total Direct Expenses \$103.43**

**Contribution Margin \$266.57**

### Buildings and Machinery Replacement Cost Total Farm Size - 600 Acres (100 Acres Barley)

Buildings	\$ 15,000
Power Machinery	82,800
Field Machinery	31,000
Harvesting Equipment	92,500
Irrigation	34,000
Small Tools & Other	8,000
Vehicle	15,000
<b>Total</b>	<b>\$278,300</b>

### Barley Prices Cariboo



### Contribution Margin - Sensitivity Analysis

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

Price \$/MT	Yield MT per Acre			
	1.25	1.50	1.75	2.00
90.00	169.07	191.57	214.07	236.57
105.00	187.82	214.07	240.32	266.57
120.00	206.57	236.57	266.57	296.57
135.00	225.32	259.07	292.82	326.57

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.