

Canola Creston Summer 1994

Agdex 120 - 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
Yield	45 bushels/acre
Price	\$5.00 - \$9.00/bushel

Canola varieties used are either Polish or Argentine. Polish varieties typically mature a few days earlier than Argentine. Argentine varieties may yield up to ten percent more than Polish varieties.

Canola production requires good management skills. Weed control, fertilization, seedbed preparation and seeding require close attention. Canola must be monitored closely for insect infestations and insecticides applied if economic thresholds occur. Swathing and combining must be carried out at the optimum time to minimize field losses and maximize yield.

The Canola Council of Canada has an excellent grower's manual available to producers.

Marketing Alternatives

Most canola produced is marketed to Canbra Foods in Lethbridge. Up to one-third of anticipated production can be forward contracted to Canbra, enabling producers to lock in a price. Once the crop is in the bin, any portion of it may be contracted for delivery to Canbra over the following year, with some pricing options. Canbra will also, for six months, finance seed and pesticides used for growing canola. U.S. canola processors are also becoming more active in the Pacific Northwest and may provide marketing options in the future.

Cash Flow Timing

J	F	М	A	M	J	J	A	s	0	N	D
%Inc		34	*					33			33
%Exp			60		20		20				

The above information indicates the timing of monthly flow of funds included in the contribution margin only. A completed Projected Cash Flow should include indirect expenses, capital sales and purchases, loans and personal expenses. *Received in the following year.

Rules of Thumb

Machinery Investment	<\$1,100/acre
Direct Expenses % of Incom	ne 50 - 60%

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

Contact:

DON LOW, P.Ag. District Agriculturist

Creston

BOB CHEATLEY, P.Ag. Farm Management Branch

Abbotsford

Prepared By: ANDREA GUNNER, P.Ag.

CANOLA Target Yield - 45 bushels/acre

Contribution Margin 1 Acre of Canola

Total Income

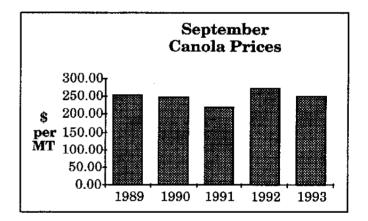
	Yield	Price	Unit	Income
Canola	45	\$6.90	bushel	\$310.50

Direct Expenses							
	Quantity	Price	Unit	Expense			
Seed				\$6.00			
<u>Fertilizer</u>							
0 - 0 - 60	45	.33	kg	14.85			
11 - 55 - 0	40.5	.50	kg	20.25			
46 - 0 - 0	90	.33	kg	29.70			
21 - 0 - 0 2	4 45	.37	kg	16.65			
Pest Contr	ol						
Edge 5G	8.9	2.56	kg	22.75			
Decis 5EC	.05	97.40	litre	4.90			
Fuel, Oil &	13.50						
Equipmen	24.30						
Total Dire	\$152.90						

Contribution Margin

Buildings & Machinery Replacement Cost Total Farm Size - 400 Acres Canola Acreage - 100 Acres

Machinery Shed	\$15,000
Power Machinery	100,000
Field Machinery	77,000
Harvesting Machinery	120,800
Small Tools and Other	5,000
Vehicles	<u>98,000</u>
Total	\$415,800



Contribution Margin - Sensitivity Analysis

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

Price	Yield Bushels per Acre						
\$/bu	30	40	45	50	60		
5.00	(3)	47	72	97	147		
6.00	27	87	117	147	207		
6.90	54	123	158	192	261		
8.00	87	167	207	247	327		
9.00	117	207	252	297	387		

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.

\$157.60