



PLANNING FOR PROFIT



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

Dryland Hard Red
Spring Wheat
North Cariboo
Summer 1993

Agdex 112-810

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	0.85 MT/acre
Price	\$155-165/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, or use a semi-dwarf variety such as Max. Adequate weed control is a must to ensure a weed free product and to minimize harvest difficulty and losses. There must be adequate storage available with the ability to aerate and control pests.

Marketing Alternatives

The marketing alternatives for wheat production include milling wheat to **Rogers Foods**, and the feed market. 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	45 - 50%
----------------------------	----------

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

Contact: **KEN AWMACK, P.Ag.**
District Agriculturist
Williams Lake
ROGER KEAY, P.Ag.
Farm Management Specialist
Kamloops

DRYLAND WHEAT

Target Yield - 0.85 MT/Acre

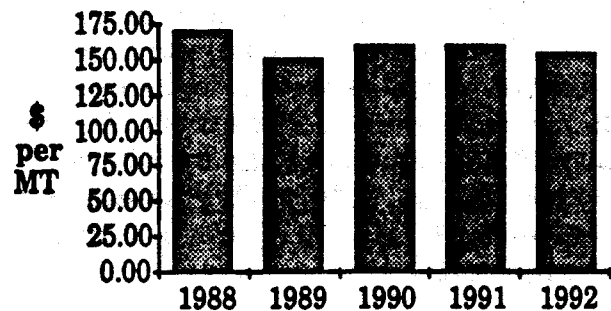
Contribution Margin 1 Acre of Dryland Hard Red Spring Wheat

Income				
	Yield	Price	Unit	Income
Wheat	0.85	\$160.00	MT	\$136.00
Straw	0.75	80.00	Ton	60.00
Total Income				\$196.00
Direct Expenses				
	Quantity	Price	Unit	Expense
<u>Seed</u>				
Wheat	120	\$.11	lb.	\$13.20
<u>Fertilizer</u>				
13-16-10	200	.15	lb.	30.00
46-0-0	75	.11	lb.	8.41
<u>Herbicide</u>				
2,4-D	.45	4.80	litre	2.16
<u>Crop Supplies & Services</u>				
Twine	.05	28.74	roll	1.29
Fuel Costs				17.88
Machine Repair & Maintenance				20.02
Total Direct Expenses				\$92.96
Contribution Margin				\$103.04

Buildings and Machinery Replacement Cost (100 Acres Wheat)

Buildings	\$15,000
Power Machinery	82,800
Field Machinery	31,000
Harvesting Equipment	92,500
Small Tools & Other	8,000
Vehicle	<u>15,000</u>
Total	\$244,300

Wheat 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			
	0.50	0.75	0.85	1.00
130.00	32.04	64.54	77.54	97.04
145.00	39.54	75.79	90.29	112.04
160.00	47.04	87.04	<u>103.04</u>	127.04
175.00	54.54	98.29	115.79	142.04

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.