



# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture, Fisheries and Food

## Malting Barley North Okanagan Spring 1995

Agdex 114 - 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
Quality	50 lbs./bu
Quantity	1.8-2.0 MT/acre
Price	\$140/MT

It is essential to have a fertilizer program which incorporates 60-70 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.

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 malting barley operation in the North Okanagan will buy good quality malting barley with plump kernels, low protein and excellent germination of 95% +. They pay a slightly higher price after January. Straw may be sold to the livestock industry for bedding and to the ginseng market for mulch.

### 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 Contribution Margin only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses. \* Income from the previous year's production.

### Rules of Thumb

Investment	\$1,000/acre
Direct Expense % of Income	45-55%

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

Contact: KEVIN MURPHY, P.Ag.  
District Agrologist  
Vernon  
ROGER KEAY, P.Ag.  
Farm Management Specialist  
Kamloops

Prepared By: ANDREA GUNNER, P.Ag.

# MALTING BARLEY

## Target Yield - 1.8 MT/Acre

### Contribution Margin 1 Acre of Malting Barley North Okanagan

#### Income

	Yield	Price	Unit	Income
Malting Barley	1.8	\$140.00	MT	\$252.00
Barley Straw	1	75.00	ton	75.00
<b>Total Income</b>				<b>\$327.00</b>

#### Direct Expenses

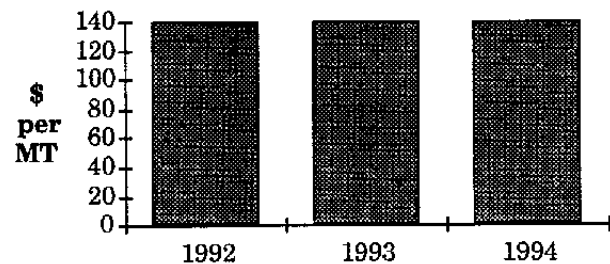
	Quantity	Price	Unit	Expense
<u>Seed</u>				
Harrington	100	\$.11	lb.	\$11.45
<u>Fertilizers</u>				
46 - 0 - 0	55	.45	kg	24.50
11 - 52 - 0	25	.56	kg	13.85
0 - 0 - 60	15	.31	kg	4.65
21 - 0 - 0 - 24	15	.32	kg	4.80
<u>Pest Control</u>				
Avenge	1.4	9.35	litre	13.10
2,4-D	.45	4.80	litre	2.15
Fuel Costs				12.00
Machine Repair & Maintenance				16.00
Custom Combine				30.00
Custom Haul	1.8	12.00	MT	21.60
Crop Insurance*				6.85
<b>Total Direct Expenses</b>				<b>\$160.95</b>
<b>Contribution Margin</b>				<b>\$166.05</b>

\* Crop Insurance is an option. Premium costs vary for individual producers.

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

Buildings & Storage Bins	\$60,000
Power Machinery	90,000
Field Machinery	50,000
Tools	5,000
Vehicle	20,000
<b>Total</b>	<b>\$225,000</b>

### Malting Barley Prices



### 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 Tonne per Acre			
	1.4	1.6	1.8	2.0
120.00	88.40	109.20	130.05	150.90
130.00	102.40	125.20	148.05	170.90
140.00	116.40	141.20	166.05	190.90
150.00	130.40	157.20	184.05	210.90

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.