



PLANNING FOR PROFIT



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

Dryland Oats
North Cariboo
Summer 1993

Agdex 113-810

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	1.0 MT/acre
Price	\$125/MT
Quality	85-90% - #1

It is essential to have a fertilizer program incorporating at least 90 pounds of actual nitrogen per acre, and having all nutrients balanced to minimize lodging. There is a preference for plump kernels, particularly in the horse industry. 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 grain producers include feed companies and private sales to livestock producers. There is a potential market for milling oats, however, there is currently not such a market close at hand.

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	35 - 45%
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The above indicators are provided for comparison purposes. They are set out as potential targets for oat production.

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

DRYLAND OATS

Target Yield - 1.0 MT/Acre

Contribution Margin 1 Acre of Dryland Oats

Income	Yield	Price	Unit	Income
Oats	1.0	\$125.00	MT	\$125.00
Straw	1.0	70.00	Ton	70.00
Total Income				\$195.00

Direct Expenses

Seed	Quantity	Price	Unit	Expense
Cascade	100	\$0.14	lb.	\$14.00

Fertilizer

16-20-0	100	.13	lb.	13.34
46-0-0	50	.11	lb.	5.60
0-0-60	50	.09	lb.	4.42

Herbicide

MCPA	.5	5.50	litre	2.75
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Crop Supplies & Services

Twine	.1	28.74	roll	1.72
Fuel Costs				17.88
Machine Repair & Maintenance				20.02

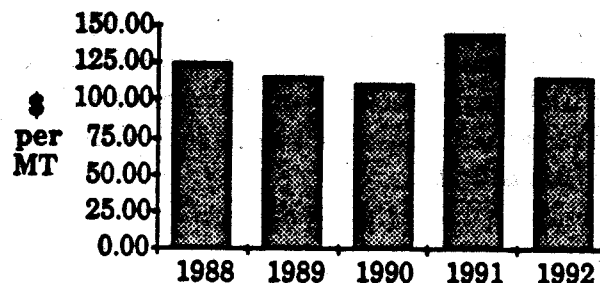
Total Direct Expenses **\$79.74**

Contribution Margin **\$115.26**

Buildings and Machinery Replacement Cost (100 Acres Oats)

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

Oat 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	1.00	1.25
110.00	45.26	72.76	100.26	127.76
120.00	50.26	80.26	110.26	140.26
125.00	52.76	84.01	115.26	146.51
130.00	55.26	87.76	120.26	152.76

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.