



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture and Food

**Tall Fescue
Peace River
Spring 1998**

Agdex 140 - 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

Quality - production is contracted with very specific quality requirements.

Management - attention to weed control, fertilization, aftermath removal, fall clipping, etc. greatly affect seed yields. A shortage of registered herbicide options may necessitate the use of more expensive weed control options such as roguing or spot spraying.

Endophyte (fungus) - infection of the straw and aftermath of some turf varieties may affect their value as animal fodder.

Winter Survival - winterkill and snow mold can reduce the productive life of the stand to less than the anticipated 3 years. An establishment year, without a cover crop to generate income, is required to improve winter survival the first year.

Marketing Alternatives

Tall fescue seed production is contracted by Canadian seed companies for the American turf, forage or conservation markets. Production of U.S. proprietary varieties specific to one of these markets is contracted for 2 to 3 years, usually with prices established in advance. Price is influenced by many factors including the seed production potential of the variety (there are big differences between varieties). Seed that does not meet the standards specified in the contract is either greatly discounted or worthless.

Building and Machinery Current Market Value	
Total Farm Size -- 2,000 acres	
Buildings	\$ 100,000
Power Machinery	270,000
Field Machinery	130,000
Other	<u>20,000</u>
Total	\$520,000

Price and Production Sensitivity

The following table shows the impact on the Contribution Margin as a four year average resulting from changes in projected market returns and yield.

Price \$/lb	Yield (lb per acre)			
	375	675	975	1,275
0.40	(21.65)	62.35	146.35	230.35
0.50	15.85	129.85	243.85	357.85
0.60	53.35	197.35	341.35	485.35
0.70	90.85	264.85	438.85	612.85

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

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TALL FESCUE

Target Yield - 675 lb/acre

Contribution Margin 1 Acre of Tall Fescue Peace River

Total Income				Prev.Yr.	Year 1	Year 2	Year 3	Year 4	Average
	Yield	Price	Unit						
					1,100	900	700	657	
Fescue	675	\$0.50	lb	0.00	550.00	450.00	350.00	\$337.50	
Direct Expenses									
	Quantity	Price	Unit						
<u>Seed</u>									
Foundation	3.5	\$3.75	lb		\$13.13				\$3.28
<u>Fertilizers</u>									
12 - 51 - 0	100	0.22	lb		22.00		22.00		11.00
34 - 0 - 0	300	0.13	lb			38.18	38.18	38.18	28.64
Custom applic.	2	4.00	passes		8.00	8.00	8.00	8.00	8.00
<u>Herbicide</u>									
Roundup custom	1	8.80	L	12.80					3.20
Roundup burnoff	1	8.80	L		8.80				2.20
Wild oat herbicide	0.40	37.50	L		15.00				3.75
Banvel	0.15	30.00	L		4.50	4.50	4.50	4.50	4.50
2,4-D ester	0.35	8.00	L		2.80	2.80	2.80	2.80	2.80
or Buctril M	0.40	13.75	L		5.50				1.38
Rogueing/weed wiping	0.25	8.80	L		2.20				0.55
Field inspection					7.00	7.00	7.00	7.00	7.00
Cleaning/bagging		0.10	lb			110.00	90.00	70.00	67.50
Trucking		0.02				22.00	18.00	14.00	13.50
Fuel Costs					11.04	12.51	12.51	18.52	13.65
Machine R & M	2 - 6%				4.21	5.06	5.06	7.72	5.51
Building R & M	3%				1.20	1.20	1.20	1.20	1.20
Total Direct Expenses				\$12.80	\$135.37	\$241.25	\$239.25	\$201.93	\$207.65
Contribution Margin				(\$12.80)	(\$135.37)	\$308.75	\$210.75	\$148.07	\$129.85

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 and Food.