



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture and Fisheries
Hon. John Savage, Minister

Hard Red Spring Wheat
(Irrigated)
South Cariboo
1990 Season

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 **Gross Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Gross 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	1.4 - 1.8 tonnes/acre
Price of Product	\$145-\$165 /tonne

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. A semi-dwarf variety such as Max, or growth regulators may be used to reduce lodging under irrigation.

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, 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 gross margin only. The percentages do not add up to 100%, as some of the crop is held over until the next fiscal year. A completed **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans, and personal expenses.

Rules of Thumb

Equipment Investment	\$600-700/ac
Direct Expense % of Income	33%

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

Contact:

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District Agriculturist
Williams Lake
ROGER KEAY
Farm Management Specialist

WHEAT

Target Yield - 1.6 Tonne/Acre

Gross Margin 1 Acre of Wheat (Irrigated)

Income

	Yield	Price	Unit	Income
Wheat	1.6	\$160.00	Tonne	\$256.00
Straw	1.0	60.00	Tonne	\$ 60.00
Total Income				\$316.00

Direct Expenses

	Quantity	Price	Unit	Expense
Seed				
Katepwa	100	\$0.11	lb.	\$11.00

Crop Supplies and Service

Fertilizers

20-5.5-20	300	\$0.10	lb.	\$30.00
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Herbicide

Avenge	1.41	10.01	litre	14.11
2,4-D	0.45	4.06	litre	1.83

Fuel Costs

Diesel				15.00
Gasoline				5.00

Machine Repair & Maintenance				15.87
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Irrigation	3	1.00	pass	3.00
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Twine	0.06	29.95	box	1.80
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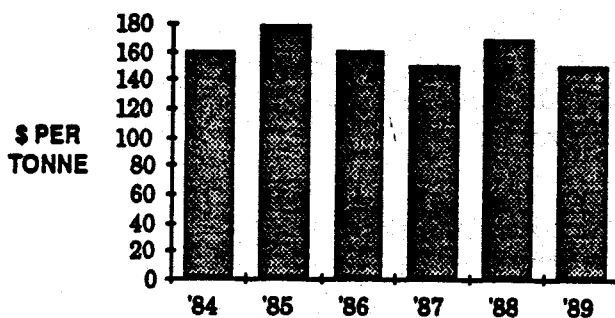
Total Direct Expense				\$97.61
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Gross Margin				\$218.39
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Buildings and Machinery Replacement Cost Total Farm Size - 600 Acres

Buildings	\$ 22,500
Power Machinery	69,000
Field Machinery	38,800
Harvesting Equipment	50,000
Irrigation	24,000
Miscellaneous	<u>16,000</u>
Total	\$220,300

WHEAT PRICES CARIBOO



Gross Margin - Sensitivity Analysis

The table below lists the changes to gross margin as quantity of yield changes and price received varies.

PRICE \$/Tonne	Yield Tonne/Acre			
	1.2	1.4	1.6	1.8
140	130	158	186	214
150	142	172	202	232
160	154	186	218	250
170	166	200	234	268

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 Fisheries.