



PLANNING FOR PROFIT



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

Milling Wheat
North Okanagan
Spring 1992

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
Quality	60 lbs./bu
Quantity	1.0-1.2 MT/acre
Price	\$150-200/MT

It is essential to have a fertilizer program which incorporates at least 75 lbs. of actual N per acre and has all nutrients balanced to minimize lodging. Current market conditions may justify decreasing the amount of fertilizer even though this would decrease yield.

An adequate weed control program must be practiced to ensure a clean, weed-free product. In order to obtain maximum yields, it is important to have a harvesting program which minimizes seed loss. A suitable storage system with the ability to aerate and eliminate pest problems is necessary to ensure top price paid for the grain.

Marketing Alternatives

The marketing alternatives for wheat producers include selling wheat to the Roger's Foods Ltd. Straw may be sold to horse and dairy farmers for bedding but the market is limited.

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 **Gross Margin** only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses. *Denotes payment made for the last year's crop.

Rules of Thumb

Investment	\$900-950/acre
Direct Expense % of Income	.100%

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

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MILLING WHEAT

Target Yield - 1.2 MT/Acre

Gross Margin 1 Acre of Milling Wheat

Income

	Yield	Price	Unit	Income
Wheat	1.2	\$136.59*	MT	\$163.90
GRIP Payout?				—
Total Income				\$163.90

Direct Expenses

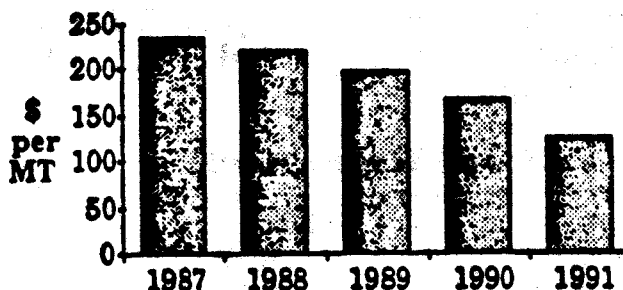
	Quantity	Price	Unit	Expense
Seed				
Columbus	2	\$7.00	bu	\$14.00
Fertilizers				
46-0-0	60	.31	kg	18.40
12-51-0	25	.40	kg	9.90
0-0-60	15	.24	kg	3.65
21-0-0-24	15	.25	kg	3.70
Pest Control				
Avenge	1.4	13.10	litre	18.35
2,4-D	.5	4.90	litre	2.20
Fuel Costs				18.00
Machine Repair & Maintenance				16.00
Custom Combine				30.00
Custom Haul	1.2	12.00	MT	14.40
Crop Insurance				6.85
Revenue Protection Plan Premium				16.45
Total Direct Expenses				\$171.90
Gross Margin				(\$8.00)

*Based on Oct 1991 local prices.

Buildings and Machinery Replacement Cost Total Farm Size - 225 Acres Wheat - 60 Acres

Buildings & Storage Bins	\$50,500
Power Machinery	90,000
Field Machinery	49,500
Tools	2,500
Vehicle	<u>16,000</u>
Total	\$208,500

Local Milling Wheat Prices



Gross Margin - Sensitivity Analysis

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

PRICE \$/MT	Yield Tonnes per Acre			
	.80	1.0	1.2	1.3
115.00	(67.90)	(49.60)	(31.35)	(22.20)
136.59	(52.35)	(30.20)	(8.00)	3.05
150.00	(42.70)	(18.15)	6.45	18.75
200.00	(6.75)	26.85	60.45	77.25

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.