



PLANNING FOR PROFIT



BRITISH
COLUMBIA

Ministry of Agriculture
and Food

50 Cow Bison Farm
Kamloops
Spring 1997

Agdex 481-810

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
Heifer Calf Value	\$3,000
Weaned and Marketed	87%
Carcass Value	\$3.35/lb

For the purposes of this budget the following production levels were used:

Bull Cow Ratio	1:10
Calving Rate	90%
Slaughter Bulls (18-33 mos.)	1,100 lb
Breeding Cow Replace Rate	6%
Breeding Stock Losses	1%

This budget was prepared in co-operation with two Kamloops bison producers; Mr. Martin Scherrer and Mr. Mel Matthews.

Marketing Alternatives

The bison market continues to expand with good demand for breeding stock. Full federal inspection allows the marketing of bison outside the province. Bison meat is currently sold farm-gate or through wholesalers to specialized restaurants. Opportunities exist to expand the hotel, restaurant and institution market.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	20								20	20	20	20
%Exp	9	2	13	7	2	1	2	3	10	18	15	18

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

Investment (less than)	\$15,000/cow
Direct Expense % of Income	30% - 40%

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

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BISON

Weaned and Marketed - 86%

Contribution Margin 50 Cow Bison Ranch Kamloops

Income	Average Head	Weight /lb.	Price /lb.	Income
Slaughter Bulls	22	650	\$3.35	\$47,905
Heifer Calves	18	3,000		\$54,000
Cull Bulls	2	1,500	1.00	\$3,000
Cull Cows	2	2,500	1.00	\$5,000
Total Income				\$108,905

Direct Expenses

	Head	Unit	Price /Unit	Total Expense
Purchased Feed				
Hay:				
Cows	50	2.25	\$100.00	\$11,250
Bulls	5	2.25	100.00	1,125
Feeder Bulls	45	1.5	100.00	6,750
Young Stock	6	1.5	100.00	900
Grain:				
Feeder Bulls	22	1,800	0.13	5,184
Young Stock	26	158	0.13	536
Feed Supplements				
Minerals	80	34	0.42	1,142
Bull Purchase	2		2,500	5,000
Supplies & Services				
Ear Tags	50	1	2.00	100
Parasite Control:				
Cows	50	2	5.00	500
Bulls	5	2	5.00	50
Yearlings	25	2	4.00	200
Calves	45	2	2.30	207
Other				433
Fuel, Oil, Lubrication				500
Machinery Repair & Maintenance				1,000
Marketing, trucking & slaughter				3,580
Contracts & Custom Work				
Pasture Renovation				13,921
Total Direct Expenses				\$52,378
Gross Margin				\$56,527

Buildings and Machinery Replacement Cost Total Farm Size - 320 Acres

Land & House	\$320,000
Breeding Stock	357,050
Farm Equipment	30,000
Fencing	10,500
Buildings & handling fac.	20,000
Watering Facilities	8,000
Total	\$745,550

Graphic not available

Contribution Margin - Sensitivity Analysis

The table below lists the changes to gross margin as price received for slaughter bulls and heifer calves varies.

Heifer Calf (\$)	Liveweight \$/lb.			
	1.00	1.25	1.50	1.75
600	3,800	5,750	7,700	9,650
900	5,900	7,850	9,800	11,750
1,350	9,050	11,000	12,950	14,900
1,800	12,200	14,150	16,100	18,050

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 BC Ministry of Agriculture, Fisheries and Food.