



PLANNING FOR PROFIT

Honey Production
Peace River
Summer 1993

Agdex 616 - 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	150 lbs./hive
Bulk Price	\$.50 - \$.70/lb.

Weather, available forage and hive populations all determine the size of a honey crop. Honey-bees exploit wild and cultivated plants. As farm cropping practices and wild flower acreages change, beekeepers must be prepared to move hives to forage sources. Regular re-queening with high quality stock, good winter preparation, good feeding programs and pest and disease monitoring and control combine to produce large hives capable of gathering maximum crops.

Honeybee tracheal mite is well established in the region but is manageable with medication. Varroa mite, another exotic pest, is likely to become a significant problem and management expense within a few years.

Marketing Alternatives

Farmer's markets and specialty shops as well as conventional grocery stores all provide markets for honey. Farm-gate sales can be profitable depending on location, signage and customer satisfaction. Specialized markets for certified organic products or for pollen, royal jelly and other hive products can be developed to increase unit price or total income.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	5	5	5	5	10	5	5	10	10	10	15	15
%Exp		5	5	15	15	10	10	15	15	5	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

Investment	\$250-\$300/hive
Direct Expense % of Income	50% - 60%
Operator Labour	3,000 hours

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

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HONEY PRODUCTION

Target Yield - 150 lbs./hive

Contribution Margin Honey Production per Bee Hive

Income		Yield	Price	Unit	Income
Wholesale Bulk	127.5	\$.60	lb.	\$76.50	
Retail, Bulk	15.0	.75	lb.	11.25	
Retail, Container	7.5	.90	lb.	6.75	
Wax	1	2.50	lb.	2.50	
Total Income				\$97.00	

Direct Expenses

Quantity	Price	Unit	Expense
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Feed			
Sugar	20	\$.60	kg \$12.00

Feed Supplements

Protein	.1	2.50	kg .25
Fumagillin	2	.50	tsp. 1.00
Oxytetracycline	4	.07	tsp. .28

Supplies & Services

Queens	.5	9.00	each 4.50
Formic Acid	.09	5.20	litre .47

Labour	2	7.50	hour 15.00
Marketing			.16

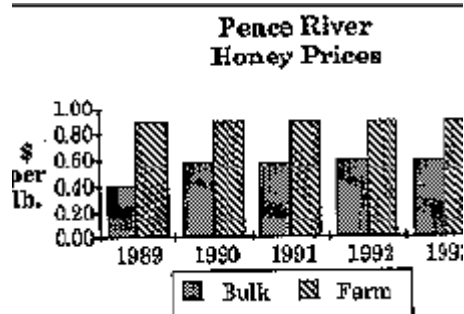
Fuel, Oil & Lube			7.50
Machinery R & M			1.67
Building R & M			2.62
Hive R & M			2.44
Honey House Power			1.25
Bee Yard Rent			2.50
NTS	150	.015	lb. 2.25
Total Direct Expenses			\$53.89

Contribution Margin \$43.11

* This budget assumes that containers are either provided by the customer or charged at cost.

Buildings and Machinery Replacement Cost Total Farm Size - 1,500 Hives

Honey House	\$41,000
Shop & Overwintering House	90,000
Hives (used)	183,000
Extracting Equipment	16,850
Honey Storage & Sales Equip.	9,750
Hive Handling & Protection	9,050
Small Tools, Fuel Tanks & Other	7,600
Vehicles & Forklift	49,000
Total	\$406,250



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as quantity of yield changes and combined bulk retail price varies.

PRICE \$/lb.	Yield lbs. per Hive				
	100	125	150	175	200
.50	(1.39)	11.11	23.61	36.11	48.61
.55	3.61	17.36	31.11	44.86	58.61
.60	8.61	23.61	38.61	53.61	68.61
.63	11.61	27.26	43.11	58.86	74.61
.70	18.61	36.11	53.61	71.11	88.61

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.

