



PLANNING FOR PROFIT

Honey Production
Vancouver Island
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	100 lbs./hive
Price	\$1.10 - \$1.50/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 from year to year, beekeepers must be prepared to move hives to forage sources. Regular re-queening with high quality stock, good winter preparation, good feeding programs and disease and swarm control combine to produce large hives capable of gathering maximum crops.

Tracheal and varroa mite control is not a cost for beekeepers on Vancouver Island and other Gulf islands because the area is quarantined.

Marketing Alternatives

Farmer's markets, roadside stands and specialty shops as well as conventional grocery stores all provide markets for honey. Farmgate sales can be profitable depending on location, signage and customer satisfaction. Niche markets can be created for honey by emphasizing quality, floral source and area of production. Early extraction of fresh honey can command a premium price.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	5	5	5	5	10	15	15	10	10	10	5	5
%Exp		5	5	15	20	20	10	10	5	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	\$450 - \$500/hive
Direct Expense % of Income	40% - 50%
Operator Labour	1,500 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 - 100 lbs./hive

Contribution Margin Honey Production per Bee Hive

Income

	Yield	Price	Unit	Income
Honey-Farmgate	25	\$1.20 ¹	lb.	\$30.00
-Retail, Container	50	1.50 ²	lb.	75.00
-Retail, Bulk	25	1.10	lb.	27.50
Wax	1.5	2.50	lb.	3.75
Total Income				\$136.25

Direct Expenses

	Quantity	Price	Unit	Expense
Feed				
Sugar	13.6	\$.70	kg	\$9.55
Feed Supplements				
Protein	.9	1.98	kg	1.80
Fumagillin	2	.83	tsp.	1.65
Oxytetracycline	3	.07	tsp.	.21
Supplies & Services				
Queens	.6	9.00	each	5.40
Fuel, Oil & Lube				3.29
Machinery R & M				7.44
Building R & M				4.44
Hive R & M				3.00
Honey House Power				4.80
Bee Yard Rent				2.50

Marketing

Container & Label	50	.30 ³	each	15.00
Total Direct Expenses				\$59.08

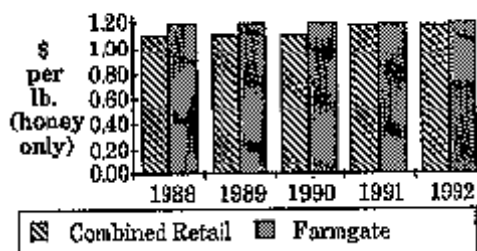
Contribution Margin **\$77.17**

- 1 This budget assumes that containers are either provided by the customer or charged at cost.
- 2 Average price per lb. sold including container cost.
- 3 An average cost over all retail size containers.

Buildings and Machinery Replacement Cost Total Farm Size - 250 Hives

Buildings	\$37,000
Hives (used, 5 boxes with bees)	37,500
Extracting Equipment	15,250
Honey Storage & Sales Equip.	5,945
Hive Handling & Protection	7,050
Small Tools, Fuel Tanks & Other	3,255
Vehicle	15,000
Total	\$121,000

Honey Prices



Contribution Margin – Sensitivity Analysis

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

PRICE \$/lb.	Yield lbs. per Hive				
	25	50	75	100	125
1.00	(19.08)	2.17	23.42	44.67	65.92
1.10	(16.58)	7.17	30.92	54.67	78.42
1.20	(14.08)	12.17	38.42	64.67	90.92
1.33	(10.96)	18.42	47.79	77.17	106.54
1.40	(9.08)	22.17	53.42	84.67	115.92

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.

