



# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture, Fisheries and Food

**Broilers - 10,000**  
**New Grower Program**  
**Fraser Valley**  
**Spring 1994**

**Agdex 450-810**

## 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 and risk.

The **Contribution Margin** must provide funds for interest, overhead and other fixed 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	
Feed Cost Per kg Chicken	under \$.51
Mortality	under 5%
Processor Condemnations	under 1.3%

A continuous supply of clean fresh drinking water, proper ventilation and dim lights are essential for optimum performance of the birds. Feed price and feed conversion rates will influence profit levels. Purchasing quality chicks and feeding medicated feeds will help control disease. Birds require 0.75 sq. ft. of floor space.

## Marketing Alternatives

Successful applicants to the New Grower Program will receive 9,644 kg of broiler quota without cost and must purchase an additional 9,644 kg from the Chicken Marketing Board for a fee of \$75,000. In 1994 producers are entitled to grow 19,288 kg per cycle at full utilization. Cycles in 1994 are 54 days (6.76/year) and will be set each year as directed by the Chicken Marketing Board. Applicants should consult the Board for all New Grower requirements.

## Cashflow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	14	14		14	14		14		14		14	
%Exp	14	14		14	14		14		14		14	

The above information indicates the timing of the monthly flow of funds included in the contribution margin only. A completed **Projected Cash Flow** should include fixed expenses, capital sales and purchases, loans, and personal expenses.

## Rules of Thumb

Direct Expenses as % of Income	75 - 80%
Labour Estimate	75 hours/cycle

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

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# BROILERS

## Target Weight - 2.0 kg/bird

### Contribution Margin 10,000 Broiler/Cycle

#### Income

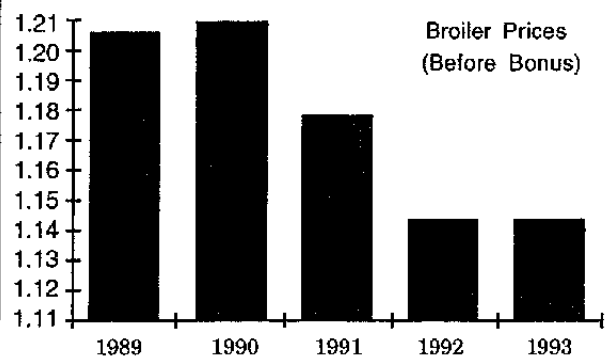
	Yield	Price	Unit	Revenue
Broiler Sales	20,000	1.0574	kg	\$21,148
Bonus	20,000	0.03	kg	600
Condemnations	1.3		percent	(283)
<b>Total Revenue</b>				<b>\$21,465</b>

#### Direct Expenses

	Quantity	Price	Unit	Expense
<u>Feed</u>				
Broiler Program	36.00	\$280	tonnes	\$10,080
<u>Supplies and Services</u>				
Mixed Chicks	10,000	0.4675	chick	\$4,675
Vaccinations	10,000	0.03		300
Catching	10,000	0.033	bird	330
Litter	7,500	0.02	sq ft	150
Waste Removal	7,500	0.024	sq ft	180
Hydro, Gas, Water				500
Repairs & Maintenance				170
Levy	20,000	0.013	kg	260
<b>Total Direct Expenses</b>				<b>\$16,645</b>
<b>Contribution Margin 10,000 Broilers/cycle</b>				<b>\$4,820</b>

### New Buildings & Equipment, & Quota Costs 10,000 Bird Capacity

Buildings	\$60,000
Barn Equipment	35,000
Generator & Misc.	20,000
<b>Total Buildings &amp; Equipment</b>	<b>\$115,000</b>
Quota (9,644 kg) at Board Fee	\$75,000



### Contribution Margin - Sensitivity Analysis

The table below lists the changes to the contribution margin as the weighted price of chicken and the price of feed vary.

Feed \$/tonnes	Price \$/kg			
	1.01	1.06	1.11	1.16
270	4,193	5,180	6,167	7,154
280	3,833	4,820	5,807	6,794
290	3,473	4,460	5,447	6,434
300	3,113	4,100	5,087	6,074

This information is provided as a guideline only. Target yield indicates above average production. An individual livestock plan should be developed by each producer. Planning forms may be obtained from your local office of the B. C. Ministry of Agriculture, Fisheries & Food.