



# PLANNING FOR PROFIT



**BRITISH  
COLUMBIA**

Ministry of Agriculture,  
Food and Fisheries

**Agdex 430 - 810**

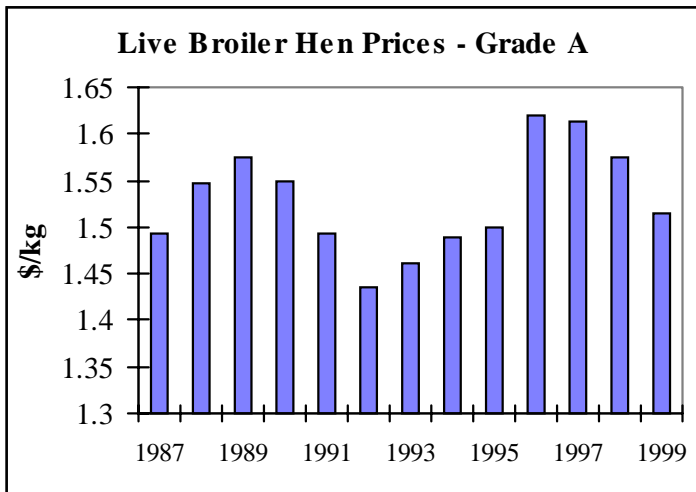
## Broiler Hen Turkeys—Fraser Valley Spring 2000

This information is a tool to project costs and returns for B.C. farm enterprises and is a general guide to plan individual farm operations.

This sample budget should be used as a guide only and should not be used for business analysis. Each farm should develop their own budget to reflect their production goals, costs and market prices.

Information regarding financial planning and other enterprise budgets may be downloaded from the internet at <http://www.FBMInet.ca/bc> or obtained from your local office of the B.C. Ministry of Agriculture, Food and Fisheries.

### Market Factors



Turkey producers must be registered with the BC Turkey Marketing Board and must have quota.

Currently producers may only grow approximately 78% of their quota allotment.

Turkeys are presently killed by two federally registered processing plants in B.C., both located in the Fraser Valley. Producers can contract with any processing plant capable of handling their product.

### Risk Factors & Strategies

- High financial leverage can leave producers vulnerable to changes in turkey and input prices. Solid financial planning is a key to profitability.
- Disease—Turkeys are vulnerable to various respiratory diseases. A good environmental health and vaccination program is required.
- Trade negotiations create uncertainty about future profit levels in the industry. Potential entrants to the industry need to factor this risk into their decision making.

### Key Success Factors

- Financial Management
- Disease Control
- Husbandry Skills

## Sample Enterprise Budget and Worksheet Broiler Hen Turkeys—10,000 Birds Shipped per Cycle, Fraser Valley

The sample enterprise budget provided should be viewed as an approximation only. Use the column “Your Estimate” to reflect your specific production situation.

The sample budget is based on interviews with producers and the BCMAFF commodity specialist. Cost and revenue estimates are based on representative practices in the area.

### Projected Income

	Yield	Unit	Price	Income	Your Estimate
Grade A	38,327	kg	1.52	58,258	.....
Undergrade	14,905	kg	1.40	20,867	.....
Condemnations	268	kg	0	0	.....
<b>Total Projected Income</b>	<b>53,500</b>	<b>kg</b>		<b>79,125</b>	.....

### Projected Direct Expenses

	Quantit	Unit	Price	Expense	Your Estimate
Feed (weighted average price)	92	tonnes	330.95	30,381	.....
Poults (fully serviced)	10,811	bird	1.81	19,568	.....
Levies (net of GST)	53,500	kg	0.0465	2,488	.....
Catching	10,000	bird	0.14	1,400	.....
Utilities				1,530	.....
Vet & Medicine				460	.....
Cleaning				1,000	.....
Litter				1,375	.....
Bldg & Equipment R&M				3,056	.....
Insurance				413	.....
<b>Total Projected Direct Expenses</b>				<b>61,670</b>	.....

### Calculation of Projected Net Income

To assess net income, **indirect expenses** must be subtracted from income. Indirect expenses do not vary with the level of output and are typically associated with inputs used in more than one enterprise and must be allocated appropriately (prorated) between uses.

	<b>Your Estimate</b>
<b>Projected Income</b>	.....
<b>Less Projected Direct Expenses</b>	- ..... -----
<b>= Contribution Margin</b>	= .....
<b>Less Projected Indirect Expenses</b>	
Depreciation (e.g., buildings and equipment)	- .....
Interest	- .....
Other Indirect Expenses (e.g., operator labour)	- ..... =====
<b>= Projected Net Income</b>	= .....

## Assumptions

The following assumptions were made in calculating the sample budget:

- Target yield –5.35 kg per bird (live weight)
- 4 cycles per year (10,000 birds per cycle).
- 72% Grade "A"; 28% Undergrade
- Number of poults placed = 10,811; Mortalities = 7.5%
- Levies are net of GST
- Utilities Costs are based on 0.0286 \$/kg
- 2,323 sq metre finishing barn (0.23 sq metres per bird)
- Barns are cleaned out after each cycle
- Repair and maintenance costs are calculated as 3% of total building and equipment replacement costs.
- Feed program:

	Quantity		Cost/10,000
	(tonnes)	\$/tonne	Birds
28% Turkey pre-starter	8.3	361	2,996
26% Turkey starter	24.4	349	8,516
23% Turkey Broiler grower	25.9	335	8,677
20% Turkey Broiler finisher	33.2	307	10,192
<b>Total Feed</b>	<b>91.8</b>	<b>\$</b>	<b>30,381</b>

## Sensitivity Analysis

The profitability of a broiler hen turkey operation will be strongly influenced by yield, market prices and the cost of feed. The tables below illustrate the changes to:

- projected income as yield varies;
- projected income as the prices of broiler hens vary; and
- projected direct expenses as feed costs vary.

Yield	Income*	Price \$/kg Grade A	Utility	Income*	Feed Expense	Direct Expenses			
Low	4.95	73,209	Low	1.46	1.34	75,931	\$/tonne		
Average	5.15	76,167	Average	1.49	1.37	77,528	Low	311	59,835
<b>Target</b>	<b>5.35</b>	<b>79,125</b>	<b>Target</b>	<b>1.52</b>	<b>1.40</b>	<b>79,125</b>	<b>Average</b>	<b>331</b>	<b>61,670</b>
High	5.55	82,083	High	1.55	1.43	80,722	High	351	63,507

\*Price \$1.52/kg Grade A,  
\$1.40/kg Utility

\*Yield 5.35 kg/bird

## Cash Flow Timing

The table below indicates the timing of monthly flow of income and direct expenses. A complete Projected Cash Flow should include indirect expenses, capital sales and purchases, loans and personal expenses.

Month	J	F	M	A	M	J	J	A	S	O	N	D
% Income		25			25			25			25	
% Direct Expenses	6	9	10	6	9	10	6	9	10	6	9	10

## **Buildings and Equipment Replacement Cost**

Buildings	\$337,500
Barn Equipment	50,000
<u>Miscellaneous Equipment</u>	<u>20,000</u>
Total	\$407,500

## **References**

- Environmental Guidelines for Poultry Producers in British Columbia, BCMAFF.

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