



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture,
Food and Fisheries

Spring 2002
February 2002

5000 Free Run Layers—Lower Mainland

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.

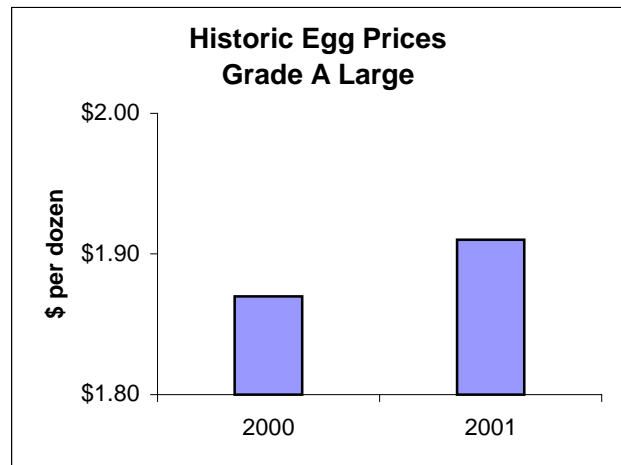
Information regarding financial planning and other enterprise budgets may be downloaded from the internet at <http://fbminet.ca/bc>.

Key Factors Affecting Profit

The quality of pullets reared is fundamental to profit during the laying cycle. High quality feed with an appropriate feeding program throughout the cycle are required to maximize production. Nutrient requirements vary with the age of the bird and are directly related to the rate of production, body weight, ambient temperature, disease, stress, age and feather cover. Free run birds are birds maintained in a house without cages and without access to the outside.

Key Success Factors

Production	300 or 25 dozen eggs/ layer/cycle
Quality	77% Grade A Large, X Large, Jumbo
Feed Conversion (Feed conversion equals feed consumption in kilograms per layer divided by number of dozen eggs produced per layer).	1.83 kg/dozen



Risk Factors & Strategies

Marketing: The B.C. Egg Producers, historically known as the B.C. Egg Marketing Board controls all egg production in B.C. All producers must have sufficient quota, permit or a flock size exemption for all laying hens housed in their facilities. Producers can grade and market their own eggs or sell them directly to the local grading station. Producers can produce and sell eggs direct to a “consumer” at the producer’s farm or place of residence. All eggs sold in the hotel, restaurant, institutional and retail trade must be graded. These grades can only be applied in a federally registered grading station.

Producers should research market access, distribution options, niche market potential, prices and demand for free run eggs prior to entering the business. Market information is limited, time is required for development.

Production: Risk factors include quality of pullets & feed; disease; sanitation; & egg handling. A high quality feed & sanitation program will reduce risks.

Assumptions— 5000 Free Run Layers—Lower Mainland

The sample budget reflects standard practices in the Lower Mainland and does not represent any particular farm. The budget is based on interviews with producers, and BCMAFF specialists. Assumptions include:

- Flock size is 5000 birds.
- Age to sexual maturity (pullet to layer size): Pullets are raised for 19 weeks and transferred to laying barn at 20 weeks.
- Mortality: 1.0 to 2.0% (Note that if mortality is high, egg income shown in this budget will be markedly lower).
- Layer Production Cycle: 52 weeks or 365 days.
- Feed Conversion: 1.83 kg per dozen eggs
- Total Feed Consumption: 45.625 kg per layer per year.
- Feed Cost: \$272.00 per tonne.
- Feed Cost/layer/cycle: \$12.41 per layer/cycle.
- Egg Production: 25 dozen (or 300 eggs) per layer in one production cycle of 365 days.
- Egg Grade & Percentage: Jumbo 3.8%, X large 23%, Large 50.2%, Medium 16% , Small 2% , Pee wee 0.3%, B 0.2%, C 2.5% , Broken and Rejects 2%
- Levy includes: British Columbia Egg Marketing Board (12.8 cents/layer/week) and a 10 cents/layer/week levy for TRLQ.

Sensitivity Analysis

The profitability of the operation will be strongly influenced by prices and marketable yield. The table below illustrates the changes to contribution margin as prices and yield vary in the full production year.

	Feed Price (\$/tonne)	Contribution margin per layer*
Low	\$265.00	\$6.99
Average	\$270.00	\$6.76
Target	\$272.00	\$6.67
High	\$280.00	\$6.31

*assuming feed conversion (kg/dozen) of 1.83

	Yield (dozen eggs/layer)*	Contribution margin per layer*
Low	23	\$3.22
Average	24	\$4.95
Target	25	\$6.67
High	26	\$8.40

*assuming the following % of production & price per grade

Jumbo	3.80%	\$1.91
X Large	23.00%	\$1.93
Large	50.20%	\$1.91
Medium	16.00%	\$1.37
Small	2.00%	\$1.01
Pee Wee	0.30%	\$0.25
B	0.20%	\$0.31
C	2.50%	\$0.33
Rejects & Broken	<u>2.00%</u>	\$0.00
	100.00%	

Cash Flow Timing

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

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
% Income	8	8	8	8	8	8	8	8	8	8	8	8
% Expense	8	8	8	8	8	8	8	8	8	8	8	8

Note: Income and expense percentages do not add to 100% due to rounding.

Sample Enterprise Budget and Worksheet Free Run Layers—Lower Mainland (One cycle of 365 days per layer)

The sample enterprise budget provided should be viewed as a first approximation only. Use the column "Your Farm," to add, delete and adjust items to reflect your specific production situation.

Income	Yield (dozen eggs)	Price (per dozen)	Income per layer	Income per dozen eggs	Your Farm
Jumbo	0.95	\$1.91	\$1.81	\$0.07	_____
X Large	5.75	\$1.93	11.10	0.44	_____
Large	12.55	\$1.91	23.97	0.96	_____
Medium	4.00	\$1.37	5.48	0.22	_____
Small	0.50	\$1.01	0.51	0.02	_____
Pee wee	0.08	\$0.25	0.02	0.00	_____
B	0.05	\$0.31	0.02	0.00	_____
C	0.63	\$0.33	0.21	0.01	_____
Rejects and broken	0.50	\$0.00	0.00	0.00	_____
Total Income	25.00		\$43.11	\$1.72	_____
Direct Expense					
Layer Feed	\$272.00/tonne	0.045625 tonne/layer/year	\$12.41	\$0.50	_____
Pullets (Cost to raise pullets 19 weeks to layer size includes vet/ meds, labour, sawdust, prelay, pullet grower, & chick)			4.55	0.18	_____
Levies	22.8 cents/week	52 weeks	11.86	0.47	_____
Utilities			1.60	0.06	_____
Vet & Medicine			0.20	0.01	_____
Catching & Moving			0.05	0.01	_____
Barn Cleaning & Sawdust			0.20	0.01	_____
Bldgs & Equip Repair & Maint			0.27	0.01	_____
Labour	.30 hours/ layer/year	\$17 /hour	\$5.10	\$0.20	_____
Spent Hen Disposal			0.20	0.01	_____
Total Direct Expenses			\$36.44	\$1.46	_____
Contribution Margin	(gross income less direct expense)		\$6.67	\$0.27	_____

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.

Projected Income
Less Projected Direct Expenses	-
= Projected Contribution Margin	=
Less Projected Indirect Expenses	
Depreciation (e.g., buildings and equipment)	-
Interest	-
Other Indirect Expenses	-
= Projected Net Income	=

5000 Free Run Layers—Mainland

Building, Equipment & Quota

Replacement Costs

Buildings	\$125,000
Equipment	70,000
Misc	<u>22,000</u>
Total	217,000

Quota (\$85.00/layer)* \$425,000

* Note: A producer will need to either enroll in the TRLQ program or purchase quota prior to production. Under the TRLQ program producers pay a levy of \$0.10 per layer/per week (see budget & assumptions). If a producer is not on the TRLQ program or does not have a flock size exemption (less than 99 birds) they are required to purchase quota before production starts (In this example 5000 layers x \$85/layer= \$425,000).

Rules of Thumb

Labour Estimate	29 Hours/week
Direct Expenses as a % of income (includes labour)	85%

Labour Requirements

	Hours/bird	Wage rate
1 person	0.30	\$17/hr

For More Information

References

- BCMAFF web site.
<http://www.agf.gov.bc.ca/>
- BCMAFF Infobasket
<http://infobasket.gov.bc.ca>.
- Specialty Egg Certification Regulation, B.C. Egg Marketing Board
- B.C. Organic Production Operation Policies and Farm Management, Version 3, Certified Organic Association of British Columbia
- British Columbia Certified Organic Guidebook, Certified Organic Associations of B.C.
- Missouri Alternatives Center. Agricultural Alternatives: Small-Scale Egg Production (Organic and Nonorganic)
<http://pubs.cas.psu.edu/FreePubs/pdfs/ua335.pdf>
- Virginia Cooperative Extension: Layer Chicken Resources
<http://www.apsc.vt.edu/faculty/clauer/resource/pspec/LayChick.html>

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