



PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

**Broilers (50,000 birds)
Fraser Valley
Summer 1998**

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 Conversion	1.85
Market Price	\$1.28/kg
Mortality	4.5%
Processor Condemnation	2%

A continuous supply of clean, fresh drinking water, proper ventilation, and dim lights are essential for optimum performance of the birds. Quality feed and feed conversion rates will influence profit levels. Purchasing quality chicks and effective bio-security will help control disease. Birds require 0.75 sq.ft. of floor space. Overcrowding will reduce bird performance. Assume 4% extra chicks placed.

Marketing Alternatives

Broiler producers must be registered with the B.C. Chicken Marketing Board and must own quota which limits the number of kilograms of live weight chicken they can produce each cycle. Producers usually grow 6 to 6.5 cycles per year.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	16			16		16		16		16		16
%Exp	16			16		16		16		16		16

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

Rules of Thumb

Direct Expense % of Income	75% - 85%
Estimate of Labour	200 hours/cycle
Investment per Bird	\$30 - \$33

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

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BROILERS (50,000 Birds)

Target Weight -2.03 kg/bird

Contribution Margin 50,000 broiler/cycle Fraser Valley

Income

	Yield	Price	Unit	Income
Broiler Sales	98,794	\$1.28	kg	\$126,456
Condemnations	2,016	0	kg	0

Total Income **\$126,456**

Direct Expenses

	Quantity	Price	Unit	Expense
<u>Feed</u>				
Med Starter	21	\$367	MT	\$7,707
Med Grower	122	359	MT	43,798
Unmed Finisher	44	339	MT	14,916
<u>Supplies & Services</u>				
Mixed Chicks	50,000	0.5259	chick	26,295
Vaccinations	50,000	0.025	chick	1,250
Catching	49,660	0.04	bird	1,986
Litter	37,500	0.02	sq.ft.	750
Waste Removal	37,500	0.0419	sq.ft.	1,571

Hydro, gas, water 2,400
 Maintenance & Repairs 1,000

Levy 98,794 0.0125 kg 1,235

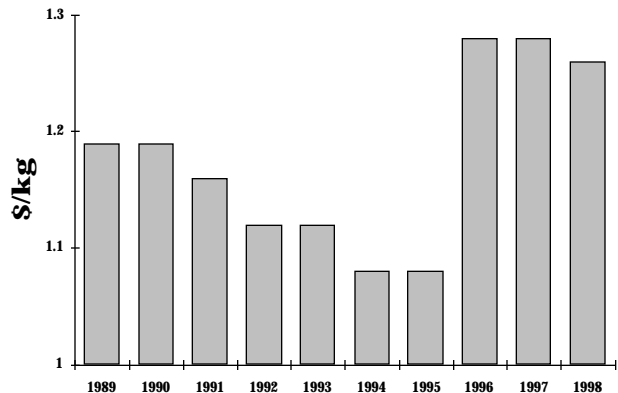
Total Direct Expenses **\$102,908**

Contribution Margin **\$23,548**

New Buildings & Equipment, and Quota Costs 50,000 Bird Capacity

Buildings	\$240,000
Barn Equipment	130,000
Generator & Misc.	<u>25,000</u>
Total Buildings & Equip.	\$395,000
Quota (98,800 kg)	\$1,100,000

Live Broiler Prices



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin per cycle as the net average feed cost and market price vary.

	Chicken Price \$/kg			
	1.20	1.25	1.28	1.35
320	22,189	27,129	30,093	37,008
340	18,449	23,389	26,353	33,268
355	15,644	20,584	23,548	30,463
380	10,969	15,909	28,873	25,788

This information is provided as a guideline only. Target yield indicates above average production. An individual livestock plan should be developed by each producer. A guide for preparing a business plan may be obtained from your local office of the BC Ministry of Agriculture and Food.