



# PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

**Layers  
(15,000 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
Production	300 eggs/hen
Quality	92% - 94% Grade A
Feed Conversion	1.61 kg/dozen

High quality feed and water are required to maximize production. Nutrient requirements vary with age of the bird and are directly related to the rate of production, body weight, ambient temperature, disease, stress, nutrient quality, age and feather cover. Layers obtain the best feed efficiency when the temperature within the laying house is maintained between 20° - 27°C.

Quality of reared pullets will impact on the overall production of the flock.

## Marketing Alternatives

Egg production in B.C. is controlled by the B.C. Egg Marketing Board. All producers must have sufficient quota for all laying hens housed in their facilities. Producers can grade and market their own eggs or sell them to a registered grading station. All eggs sold in B.C. must meet the requirements of the B.C. Shell Egg Grading Regulations. Hen productivity is increasing. Demand for table eggs has increased marginally over the last 2 to 3 years in B.C.

## Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	8	8	8	8	8	8	8	8	8	8	8	8
%Exp	8	8	8	8	8	8	8	8	8	8	8	8

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

## Rules of Thumb

Direct Expenses % of Income	60% - 70%
Estimate of Labour	40 hrs/week

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

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# LAYERS

## Target Yield - 300 Eggs/Hen

### Contribution Margin 1 Hen per Year Fraser Valley

#### Income

	Yield	Price	Unit	Income
Grade A XL	3.68	\$1.38	doz	\$5.08
Grade A L	12.28	1.38	doz	17.77
Grade A M	6.44	1.31	doz	8.44
Other Eggs	2.00	0.71	doz	1.42
Spent Hen	1.75	0.10	kg	0.18

**Total Income** **\$32.89**

#### Direct Expenses

	Quantity	Price	Unit	Expense
<u>Feed</u>				
19% ration	14.8	0.291	kg	\$4.31
18% ration	10.6	0.283	kg	3.00
17% ration	3.1	0.277	kg	0.86
16% ration	11.7	0.273	kg	3.19

#### Supplies and Services

Pullets	1	4.00	bird	4.00
Levies		0.0938	week	4.88
Utilities			bird	0.23
Vet & Medicine			bird	0.10
Bio-security			bird	0.02
Catching & Moving			bird	0.25
Barn Cleaning & Sawdust			bird	0.18
Bldg & Equipment R&M			bird	0.25

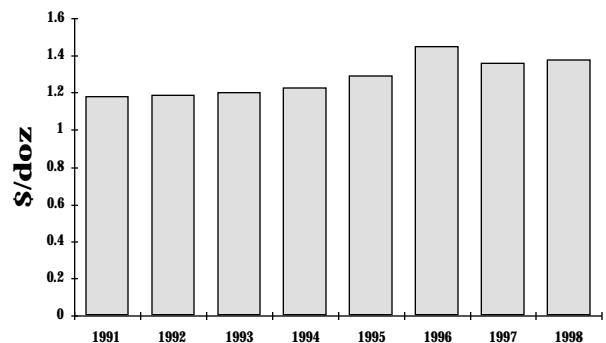
**Total Direct Expenses** **\$21.27**

**Contribution Margin/Hen** **\$11.62**

### Buildings, Equipment, & Quota Replacement Costs 15,000 Bird Capacity

Buildings	\$150,000
Barn Equipment	150,000
Miscellaneous Equipment	<u>30,000</u>
<b>Total Buildings &amp; Equip.</b>	<b>\$330,000</b>
Quota per Layer (off farm)	\$60 - \$65/bird

### Egg Prices Grade A Large



### Contribution Margin/Hen - Sensitivity Analysis

The table below lists the changes to the contribution margin as the average cost of feed and production levels vary.

Feed \$/kg	Eggs per Hen			
	290	295	300	305
<b>0.260</b>	11.43	11.98	12.52	13.07
<b>0.280</b>	10.53	11.07	<b>11.62</b>	12.16
<b>0.300</b>	9.83	10.37	10.92	11.46
<b>0.320</b>	9.02	9.57	10.11	10.66

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 and Food.