



PLANNING FOR PROFIT



**BRITISH
COLUMBIA**

Ministry of Agriculture,
Food and Fisheries

Agdex 430 - 810

Heavy 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.

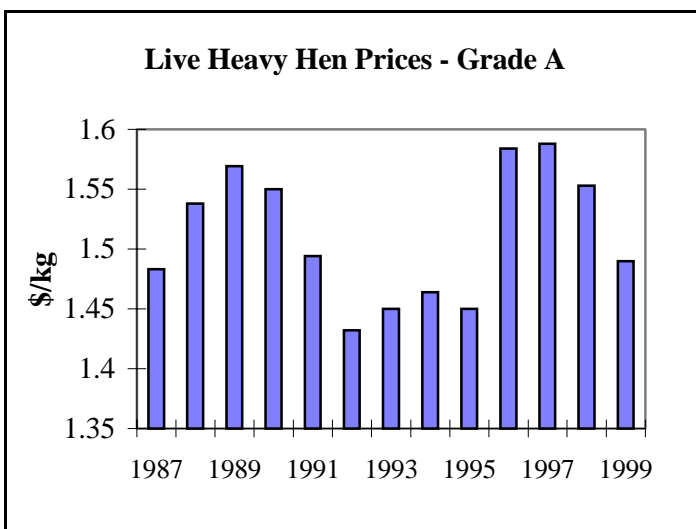
Information regarding financial planning and other enterprise budgets may be downloaded from the internet at <http://www.FBMInet.ca/bc> or obtained from your local office of the B.C. Ministry of Agriculture, Food and Fisheries.

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.

Market Factors



Key Success Factors

- Financial Management
- Disease Control
- Husbandry Skills

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.

Sample Enterprise Budget and Worksheet Heavy 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	66,267	kg	1.49	98,738	.....
Undergrade	23,283	kg	1.38	32,131	.....
Condemnations	450	kg	-	-	.....
Total Projected Income	90,000	kg		130,868	.....

Projected Direct Expenses

	Quantity	Unit	Price	Expense	Your Estimate
Feed (weighted average price)	203.1	tonnes	311.58	63,279	.....
Poults (fully serviced)	10,811	bird	1.81	19,568	.....
Levies	77,500	kg	0.0465	3,604	.....
Catching	10,000	bird	0.16	1,600	.....
Utilities				2,574	.....
Vet & Medicine				460	.....
Cleaning				1,200	.....
Litter				1,650	.....
Bldg & Equipment R&M				4,071	.....
Insurance				471	.....
Total Projected Direct Expenses				98,477	.....

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

Assumptions

The following assumptions were made in calculating this sample budget:

- Target yield –9 kg per bird
- 3.5 cycles per year (10,000 birds per cycle).
- 74% Grade "A"; 26% 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 (tonnes)	\$/tonne	Cost/10,000 Birds
28% Pre-starter	8.8	361	3,177
26% Turkey starter	24.0	349	8,376
23% Turkey Grower	42.3	323	13,659
20% Grower	57.6	303	17,449
18% Developer	45.7	296	13,529
16% Finisher	24.7	287	7,089
Total	203.1		63,279

Sensitivity Analysis—Projected Income

The profitability of a heavy 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 heavy hens vary; and
- projected direct expenses as feed costs vary.

Yield	Income*	Price \$/kg	Grade A	Utility	Income*	Feed Expense \$/tonne	Direct Expenses
Low 8.0	116,327	Low	1.43	1.32	125,495	Low 292	94,498
Average 8.5	123,598	Average	1.46	1.35	128,182	Average 312	98,477
Target 9.0	130,868	Target	1.49	1.38	130,868	High 332	102,622
High 9.5	138,139	High	1.52	1.41	133,555		

*Price \$1.49/kg Grade A

*Yield 9 kg/bird

Price \$1.38/kg Utility

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			33				33				33	
% Direct Expenses	7	7	8	11	7	7	8	11	7	7	8	11

Buildings and Equipment Replacement Cost

Buildings	\$405,000
Barn Equipment	50,000
Miscellaneous Equipment	<u>20,000</u>
Total	\$475,000

References

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

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